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*Challenges, policies and governance of the territories in the post-covid era*

*Desafíos, políticas y gobernanza de los territorios en la era post-covid*

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### **Regional differences in Poland after the Financial Crisis**

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#### Abstract

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### **S04-Disparidades regionales en Europa y en España desde 2007 hasta la fecha. Evolución, causas y perspectivas**

The paper will discuss the processes of regional development in Poland (also examined from the local perspective) after 2010, i.e. the financial crisis and later the COVID-19 pandemic (availability of data permitting). Special attention will be paid to the effects of the EU policies on regional/local development, and the impact of these policies on economic growth and regional differentiation.

The theoretical part of the paper will discuss the very notion of “disparities” versus value-judgment free term of “differentiation”, and will also present the structural underpinning of territorial differentiations of the level of development in Poland.

The paper will also discuss the regional policies implemented in Poland after the EU accession and changes of regional policy doctrines during this period – however with the argument that these policies have not exerted noticeable effects on the processes of territorial development of the country.

The preliminary research indicates that the differences in the level of development between the countries of the European Union, as well as their sub-regions in the post-2000 period were clearly decreasing under conditions of fast economic growth. This was primarily the result of the convergence of the less developed countries of Central and Eastern Europe with the European average. As a result, their regions were also catching up with the regions of the old Member States in this respect. The turning point of this trend was the global economic crisis in 2008. The crisis phenomena related to it affected southern European countries to the greatest extent, but also some of the new Member States. As a result, the scale of both inter-country and regional disparities in the European Union increased, reaching its peak in 2013-2015, but at a level clearly lower than in 2000. In recent years, there has been a renewed decline in inter-country diversification, but with a simultaneous petrification of regional diversification at European level.

Taking into account the scale of Cohesion Policy expenditures in relation to GDP and the development dynamics of individual countries measured in EUR, three groups of EU countries can be distinguished. The first group includes the new member states. In their case, the level of Cohesion Policy support in

relation to GDP has been the highest, ranging from 20% in Slovenia and Croatia to nearly 50% in Hungary and Estonia in terms of annual GDP in 2010. The spread in terms of GDP growth of these countries was equally large, ranging from 120% of the 2010 level in the case of Croatia to 190% in the case of Estonia. However, the relationship was not statistically significant, as on the one hand we could identify Romania, which significantly caught up with the European average in terms of GDP level with a relatively small scale of Cohesion Policy expenditures, and Hungary, which grew relatively slowly despite the significant Cohesion Policy resources allocated in that country. The second group consisted of the countries of Southern Europe, among which we could distinguish - despite the significant allocation of Cohesion Policy - Greece, the most deeply affected by the crisis. The other three countries also developed more slowly than the group of net contributors countries, regardless of the scale of Cohesion Policy allocations, which was relatively high in Portugal - about 25% of annual GDP in 2010 and relatively low in the case of Italy and Spain - about 5-7%. Finally, the growth rate of the group of net payers where the Cohesion Policy did not exceed 2% of annual GDP in 2010 was between 22% and 35%.

The analysis of factors influencing the change in regional differences after 2010 in individual countries did not make it possible to identify the causes of changes in regional disparities. The change in regional differences did not depend either on the level of development of individual countries, or on differences in the dynamics of their development. Thus Williamson's hypothesis that regional differences in the level of development tend to increase rapidly in the initial period of time, only to stabilise later, which was observed before 2010 as a result of the convergence of Central and Eastern European countries, was not confirmed for the period under study. The scale of cohesion policy expenditures also proved to be insignificant as it neither favoured a decrease in regional disparities, which is the objective of the European Regional Development Fund, nor did it translate into an increase in such disparities. As a result, we could distinguish four groups of countries in the European Union: those with regional convergence (Finland, Portugal, Austria, Germany), those moving from convergence to divergence (Estonia, Spain, Belgium, Italy), those with divergence (Lithuania, Romania, Greece, France, Poland), and those where this process was halted and some convergence took place (Hungary, Slovakia, Bulgaria, the Czech Republic, Slovenia, Latvia).

The reasons for such a situation may be explained by the analysis of Poland as a case study of a country that received the largest Cohesion Policy funds - EUR 67 billion in the period 2007-2013 and EUR 76 billion in the period 2014-2020. The research has shown that while in the case of GDP per capita slight regional divergence processes could be observed, the use of another indicator, although strongly correlated with it - own income of municipalities together with shares in taxes (mostly dependent on personal income) indicates a clear regional convergence processes started after the accession of Poland to the EU in 2006. To a large extent this is the effect of regional convergence in terms of wage levels. As a result, it can be concluded that while divergence took place in the case of "capital", in the case of "labour" there was a convergence of development processes.

The Polish voivodeships (NUTS2), similarly to the European Union countries, were strongly diversified in terms of the relationship between cohesion policy expenditures at the regional level and GDP growth dynamics. The group of voivodeships most generously endowed with European funds included the least developed regions located in eastern Poland, some of which developed clearly better than the average, while others developed more slowly. On the other hand, the metropolitan voivodeships, i.e. those with the largest Polish cities, despite a relatively smaller inflow of Cohesion Policy funds, developed faster than the average. Another group of voivodeships with a significant share of industry, due to the ongoing restructuring processes, developed slower than the average at the average level of funds allocated under the Cohesion Policy. This potentially indicates differences in the effectiveness of

the use of financial resources. It is indirectly confirmed by the fact that private investment outlays were also not correlated with the dynamics of regional development, which indicates the importance of the use of existing fixed assets, as well as differences in the effectiveness of new investment outlays. This is best illustrated by the example of Wielkopolskie Province, which developed the fastest with relatively low investment outlays in the period 2010-2010. Also the analysis at the level of sub-regions (NUTS3) indicated diverse development paths of sub-regions: a) diverse in the case of raw material and energy sub-regions b) rapid development of suburban areas of large cities, and c) petrification of the low level of development of some peripheral regions, but with visible examples of those which improved their position.

As a result, on the example of Poland, one can conclude that there is a significant differentiation in the development factors of the regions. Cohesion policy - despite the significant scale of the resources involved - is not a key factor that explains the change in regional differences. At the same time, the latter have shown vulnerability to the indicator used to measure them, in particular showing divergence in terms of changes in GDP per capita (divergence) and population income (convergence), which indicates the complex relationship between capital and labour in the regional dimension.