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# Final Review of selected regional development projects in south-eastern Poland – A synthesis

# **Background**

The Swiss-Polish Cooperation Programme (SPCP) launched a call for proposals to select sub-regional development projects as part of the Swiss contribution to the enlargement of the EU in 2008. Subsequently, out of 38 submitted proposals ten projects were selected. All of them addressed the potential of peripheral sub-regions consisting of several Gminas (communes). The proposals of the ten selected projects were developed into final Project Proposals in 2009 and 2010. After that, the Swiss Agency for Development and Cooperation (SDC) approved the projects in spring 2011 and physical implementation took place between 2011 and 2017 in the four poorest Polish regions (=Voivodeships) of Małopolskie, Lubelskie, Podkarpackie and Świętokrzyskie, all of them in the south-eastern part of Poland. SDC mandated the authors to analyse the experiences and lessons learned with the ten regional development programmes in 2017.

Figure: Map of the project location in south-eastern Poland Swiss contribution projects in south-eastern **Budget** No. Name in CHF **Poland** Projects located in less than ten Gminas Poviat Initiatives Gorlicki and 6.8m Nowosądecki Projects located in ten or more Gminas Names of Voivodeships The Alps for the Carpathians 4.8m Capitals of Voivodeships 3 The Świętokrzyskie Mountains 6.7m 4 Małopolska Local Product 3.6m Dolina Strugu Development 5 3.6m Programme Lubelskie Świętokrzyskie 6 Knight's Trail in Lublin Region 5.3m Alpine-Carpathian Cooperation 7 5.2m Bridge Modern Management in Gotania Małopolskie Podkarpackie 8 4.1m Sub-region 9 The Carp Valley 3.6m 100km Slovakia **EUROchance** 4.0m

Note: green projects = case studies

# Methodology of the review

The methodology included an analysis of project documents (Final Project Proposals, intermediate and final reports, logframes and change requests) as well as a review of Polish and EU context documents and strategies. Furthermore, a literature review was conducted regarding Polish regional development instruments and results as well as selected EU and Polish statistical data was analysed in regard to trends in regional disparities. A field mission took place between 13.3 - 24.3.2017 during which qualitative interviews and focus group discussions were held with different stakeholders: Executing Agencies (EAs), NGOs, local self-governments, enterprises, and citizens. Interviews were also conducted with the NCU (National Coordination Unit) and the IB (Intermediate Body) who were responsible for the supervision of the project implementation. Additional interviews were held with representatives of the national and the regional authorities implementing the national Operational Programmes (OPs) and the Regional Operational Programmes (ROPs) financed with the EU structural funds.

The synthesis considers all ten projects which are relevant for the overview but evidence is based mainly on the five selected and visited projects.<sup>1</sup> This review does not represent project evaluations but attempts to draw lessons learnt at a programmatic and strategic level.

# Major findings and lessons learned

## Project achievements at output levels

The projects have out-performed the expectations as indicated by overachieving most of the targets and adding new outputs after the final project designs were approved in 2011. This is attributable to on the one hand conservative target setting by the EAs aiming at safe targets' fulfillment, on the other hand to cost savings during the implementation of activities and, last but not least, to substantial exchange rate gains as a result of the strengthening of the Swiss Franc over the period 2011 - 2016.

The projects have conducted 59 study visits to Switzerland exposing 585 Polish people to Swiss experiences, technology and culture, mostly in the field of tourism, agro-processing and (vocational) education. More than 20'500 people received vocational or entrepreneurial trainings in Poland organized by the ten projects and improved their perspectives in the (labour) market. More than 2'650 start-ups, entrepreneurs and NGOs applied for grants. 1'303 grants, with 1'352 beneficiaries in total, received a contribution that was generally in the range of PLN 40'000-100'000 (CHF 10-25'000).² The small investments covered diverse sectors such as agro-business, food processing machines for factories and bakeries, development of culinary trails, tourism products, different sorts of production (incl. furniture and metal products), restaurants, various shops and services (e.g. beauty salon, veterinarian practice, tailor, etc.). The re-granting activities were often conducted under the umbrella of a brand or regional promotional activities that were aligned with regional potentials and development strategies.

The five projects are: KIK 06 Regional Development Initiatives in Gorlicki and Nowosądecki Poviats (Małopolskie), KIK 09 Małopolska Local Product (Małopolskie), KIK 10 Dolina Strugu Development Programme (Podkarpackie), KIK 11 Knight's Trail (Lubelskie) and KIK 13 Modern Management in Gotania (Lubelskie).

<sup>&</sup>lt;sup>2</sup> All grants required a co-financing. This was between 10% for NGOs, 40% for enterprises and 30% for start-ups.

#### **Outcome and Impact**

Of all grant schemes, a total of PLN 58m (approx. CHF 17m)³ was awarded to 796 start-ups and entrepreneurs who have created more than 830 jobs, an estimate based on field observations.⁴ This results in an investment of CHF 20'000 per job or less than half of what the EU indicates for their grants for job creation in Poland (€ 41'000, European Commission 2016). The granting is retrospectively seen as a big asset due to its effects, outreach to rural areas and incentives for (young) entrepreneurs. Most of the projects enhanced cooperation between local self-governments and local actors (entrepreneurs and NGOs). The projects have further gained a lot of visibility through participation in fairs, producing product catalogues, organizing local product events, and disseminating books and films. More than 3 million people have participated on promotional events.

There are also discernible contributions to larger impacts. The projects have contributed to enhanced turnover of several hundred local entrepreneurs which had procured local goods and services to implement the activities – although these effects on turnovers vary and were not measured. The projects have also contributed to increased tourism activities and increased number of nights spent in tourist accommodations (most prominently in the projects 'Modern Management in Gotania and Poviat Initiatives Gorlicki' and 'Nowosądecki'). All this contributed to reduce unemployment and increase incomes of beneficiaries in all four Voivodeships.<sup>5</sup>

The projects have brought interesting and tangible incremental innovations, mainly at micro level, e.g. enterprises introducing websites to promote their products or new production procedures such as apple cider, and some have the potential for bigger outreach. The combination of online gaming, Facebook appearance and historical festivals in the case of the Knights' Trail in Lubelskie by combining traditional and virtual reality features is very innovative and future-oriented as an approach. No unintended negative effects were observed during this review.

#### Strengths of the approach

A clear strength and significant innovation in the Polish context was that all projects applied an integrated bottom-up approach by combining in one way or the other branding, local products, vocational training, tourism, capacity development and small infrastructure to various degrees. This practice was an asset but also brought challenges in terms of management and coordination by the EAs. Additional benefits emerged from the created or strengthened networks among entrepreneurs (e.g. through joint marketing).

The multi-stakeholder approach, bringing together local self-governments, NGOs, voluntary associations, entrepreneurs and residents was also discernible. The flexibility in time and fund re-allocations were other strong and complementary aspects compared to projects funded under the Regional Operational Programmes (ROPs). Another strength of the Swiss support was the continuity of the Swiss approach and that it included culture and tourism especially since these areas are phased out by EU funds for the period 2014-20 (due to little

<sup>&</sup>lt;sup>3</sup> Assuming an average exchange rate of PLN 3.5 per 1 CHF.

<sup>&</sup>lt;sup>4</sup> By assuming a grant success rate of 70% for start-ups and 90% for SMES and a multiplier effect of 1.5 jobs created per grant. The actual rate is between zero, mainly in the case of failing start-ups and up to several jobs (as witnessed in the two bakeries in Dolina Strugu).

The unemployment rates decreased between 1.0 and 2.8 percentage points during the period from 2011 to 2015 (e.g. from 12.9% to 10.1% in Świętokrzyskie).

added value in their opinion).

Another strength of the approach was that the projects were confined to sub-regions and included a set of activity lines addressing local needs and potentials. Especially a strong vision and the focus on local brands with historical roots such as in the case of the Goths in Gotania and the Knights' Trail in Lublin provided a common strategic umbrella and a way forward to the involved actors. In the case of Modern Management in Gotania, a strong and inclusive leadership of the EA has made this project a special and remarkable success. Another strong feature was that the projects have brought diverse and tangible improvements and innovations, enterprises introducing new production procedures, websites or online sales, implementing IT-technologies or established new networks or production/distribution structures through food incubators, farmer markets and buyer's clubs.

The combination of soft- and hardware, e.g. capacity development of institutions and people together with the support of small infrastructure (from agro-processing to public space improvement) proofed to be a valuable and highly appreciated approach by the various beneficiaries.

The flexibility of the Swiss approach in terms of procedures and fund management as compared to projects funded under the Regional Operational Programs (EU structural funds) was positively mentioned many times. The careful analysis of the EAs implementation capacities during the two-loop planning stage resulted in the reduction of budgets compared to the Final Project Proposals. Despite these budget reductions between 25% and 49%, several EAs struggled to absorb the means. Almost all projects were extended by 2-3 years mainly because of delays in implementation, the currency gains or newly added activities.

The success factors appear to be similar to ones of the Swiss regional development projects (RegioSuisse 2014): they have to be embedded in a strategic framework, be managed in a professional and result-oriented way, include the local economy (entrepreneurs) and cooperate with various public and private actors on local and regional levels. The experience regarding the suitability and capacity of EAs is inconclusive. Both, government agencies and NGOs were performing well in certain cases but struggling with financial procedures in other. In terms of outcomes there are good examples with NGOs and with local self-governments. More important than this aspect is the continuity of the leadership and management and a clear strategy or vision that is followed over a longer period.

Analyzing the statistical trends concerning the regional development trajectories in Poland one general finding is obvious: the regions of Poland look back on an out-standing economic performance and achievements compared to other EU and OECD regions: 15 out of the 16 Polish regions were among the top 50 regions in the OECD countries between 2000 and 2013 (OECD 2016).

### Weaknesses of the approach

There are also some challenges or weaker points. The handling of unforeseeable events created long administrative reconciliation processes to adapt projects (e.g. the currency exchange question was subject to many discussions and project extensions). The implementation procedures are generally seen as rather un-bureaucratic, but the start-up phase of most projects was too long and involved uncertainties. Projects conceived in 2008 do not reflect the priorities or strategies of 2015 anymore thus adaptive management is crucial. The reporting and decision-making procedures involving three levels of supervision (National Coordination Unit – Intermediate Body – Swiss Contribution Office) was seen as a too heavy structure hampering flexibility and financial flows by several EAs.

Branding experiences from the five case studies suggest that it requires a sound potential of local quality products and a sincere, simple and financially sustainable certification scheme. Most schemes appear rather weak and face difficulties in endorsing certain standards. None of the designed certification schemes receives remuneration for the provision of labels. Thus, the certification or branding schemes in the projects Dolina Strugu Development Programme, Knight's Trail in Lublin and Małopolska Local Product have yet to prove their financial sustainability.

The capacities of the EAs were overestimated and several projects took longer to start. Despite the aim of the SPCP to support bigger projects (5-10m CHF), several projects were in the end smaller than the lower threshold of CHF 5m). Even the big projects ended up by implementing many activities in a rather dispersed manner over the sub-region, often cofunded from other schemes. Project complexity and using a two-loop procedure during project design resulted in a very long planning process (2-3 years) and did not allow to clearly assess the institutional capacity of the EAs.

Experience exchange across the projects of the SPCP was not systematically designed. In order to exchange programmatic as well as operational experiences, validate achievements and enhance scaling-up a more pro-active coordination and experience exchange should be foreseen.

It appears that the study visits to Switzerland have benefitted and inspired many participants. However, deeper partnerships or continued cooperation with Swiss partners did not emerge due to issues of public procurement laws requiring tendering procedures which are incompatible with pre-arranged partnerships with organisations of a non-EU country. In some instances, it was also related to a non-interest of the Swiss side to enter/continue partnerships.

## Complementarity

To ensure complementarity of projects within a landscape of large scale funding or subsidy schemes, like in Poland, is not easy because of the numerous programmes targeting regional and local actors as well as SMEs. Especially the big National and Regional Operational Programmes apply rather complicated procedures and follow overall thematic approaches that are catering to strategic priorities at the national or Voivodeship level but do not necessarily fit to local needs and potentials.

Therefore, the sub-regional level offers a geographic niche for integrated local initiatives. However, often activities of several funds go hand in hand and can well complement each other. This complementarity depends also on the beneficiaries' openness and should be as closely as possible coordinated with other local level support such as the ones provided by Local Action Groups, or within the Operational Programmes as well as funding from other donors such as the European Economic Area grants and Norway grants.

Because the SPCP projects focused on the sub-regional level they did not allow for systemic change at policy level. For this, the EU funds available at national and regional level are simply overwhelming. The SPCP regional development projects can still be considered as best practice for an integrated and bottom-up approach at sub-regional level.

An issue to be tackled in the future could be the definition of new criteria for eligible subregions. The disparities in each of the Voivodeships are substantial because poorer regions can also be found in the vicinity of Metropolitan areas. However, a clear priority should be given to peripheral regions in poorer Voivodeships. In this regard, Małopolskie will soon reach 80% of the EU average GDP per capita and might not be a priority area anymore in future. On the other side there are border regions and lagging Voivodeships like Podlaskie, Świętokrzyskie, or specific problem areas in former industrial zones that could bring interesting regional development initiatives for a future Swiss programme.

## Sustainability

Across the projects and their components the sustainability varies. It is rated as very good for instance for the whole project Modern Management in Gotania, compared to the certification components in the case of the Knight's Trail in Lublin or the Dolina Strugu Development Programme whose sustainability are rated as rather low. To different degrees, strengthened project management capacities have increased the access to other funds. In general, SMEs show a higher sustainability performance, especially when the support goes to already existing SMEs. In case of start-ups, certain failures happened but must also be accepted. Especially when the period of preferential rates of social contributions ends (new businesses benefit from paying only half of social contributions during the first 2 years of their activities in Poland) many start-ups struggle to cover these additional fix costs and often stop operations. Overall, various funding opportunities from various EU and other co-financed instruments exist in Poland today. Therefore, many actors can continue their activities with external funding thanks to the strengthening of the capacities of the EAs and their partners. Even the Swiss support is often based on earlier or parallel investments by those funds. During the author's mission, one EA received the approval of a big project by a ROP and one passed the first round of the support granting process for EU supported cross border projects. The projects Modern Management in Gotania and Knight's Trail in Lublin have, thanks to strengthened project management capacities, accessed other funds to continue their visions and missions. It can even be assumed that a reduction of EU funding would not dramatically change the picture, because these inflows only count for 3% of the GDP in the south-eastern Voivodeships (and even less in the rest of Poland).

## Recommendations

- (1) Overall approach: Continue with a multi-stakeholder approach but identify clear thematic niches in the most disadvantaged areas of rural Poland. Changing from a project to a programme approach (where projects are managed as a portfolio and not as individual projects) could bring more synergies between the projects and improve flexibility as well as outcome. Adjusting the size of projects to the management capacities of EAs requires a rigid ex-ante assessment and promises a better balance between the capacities and the ambitions of the project.
- (2) **Planning:** New projects should avoid overlapping with projects of other funds and optimize their complementary functions, for instance, by focusing on social problems (demographic change) and transcending spatial borders.
- (3) **Implementation:** The programme's decision and controlling structure should be revisited in regard to achieve shorter decision-making cycles and easier reporting.
- (4) **Follow up:** The sustainability of projects and their components should be emphasized and stimulated through the whole project cycle (e.g. realistic business plans). Sustainability can be enhanced by focussing on the support of established SMEs through grants and training and enabling EAs and their partners in accessing other funds.

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