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**Regional policies in the border
areas of Poland and Lithuania:
purposes, mechanisms, and
opportunities to use their experience
in the Kaliningrad region**



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The work **“Regional policy in the border districts of Poland and Lithuania: aims, tools and experiences for Kaliningrad region”** which is offered for your attention is a continuation of the series “Economic bulletins” being issued within the framework of one of the areas of joint activities of the fund “Regional Development Agency” (Kaliningrad) and the project funded by the European Commission EUROPEAID/114287/C/SV/RU “Support to the Kaliningrad Regional Development”.

The work is addressed to a wide range of experts and provides them with information on problems of social and economic development of Polish and Lithuanian districts bordering the Kaliningrad region, as well as on the aims and tools of the regional policy of these countries after their joining the European Union. Comprehensive investigation is trying to achieve a double aim: first, to attract attention to those changes in Polish and Lithuanian border districts which are able to produce either positive or negative effects on Kaliningrad region; second, to find out those elements of the regional policy in the neighbouring countries which might be used or taken into consideration in Russia. In the limited framework of this paper the authors did not attempt to cover the whole range of the relative problems, but to focus more on those issues and tendencies which are not so far well known by the Russian reader.

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Introduction. Why are the border districts of the neighboring countries interesting for Kaliningrad region: definition of subject of inquiry and its range

As it is well known, Kaliningrad region is one of the most investigated regions of the Russian Federation. One of the directions of such investigations is comparative studies. Kaliningrad region is usually compared with its neighbours – Poland and Lithuania. Moreover, it is this comparison that to a greater extent forms a basis for setting objectives for a number of programmes. Thus, in the Federal Target Programme for Kaliningrad region's development until 2010 it is stated that the main objective of the programme is to "create conditions for the sustainable social and economic development of Kaliningrad region which are comparable with the level of development in the neighbouring countries, as well as to set up favourable investment environment in the region for the bringing Russia and European community closer to each other".

It should be noted that in the comparison of Kaliningrad region to the neighbouring countries, Kaliningrad region is often considered to be an equal object while being compared to foreign countries in general, that is, it is compared with countries that are larger in scale and are of different quality. This kind of analysis is thought to be used only in a limited scale both in principle and concerning this special region of the Russian Federation in particular. With a wide set of assumptions and stipulations it is possible to make a comparison of the adequately sustainable developing national economies with a relatively small region where an economic growth so far is largely characterized by the punctual feature, meaning that it is enough to put one object or a production into operation in order to change sufficiently both the investment dynamics and economic growth. It is difficult to compare the countries which have got quite integrated, although severely distorted, national economic complexes (including those of the Baltic states) with Kaliningrad region – a small "fragment" of a large country, where the structural problems inherited are multiplied by the resection of the unified economic complex and the fundamental change of the geopolitical situation. It is quite possible to choose arbitrarily any provincial and depressed region of the neighbouring countries and to consider it in isolation with others. The problems typical for Kaliningrad region will be traced there, for instance, structural disproportions, lack of foreign investments etc.

While comparing separate regions with the countries in general, it is very difficult to eliminate the influence of the capitals and capital regions on national economic figures. It especially concerns without any exceptions all countries of transitional economy; in many EU countries the capital regions operate as economic leaders. For instance, the amount of the gross domestic product per capita in Warsaw is 3 times higher than the average of the country, while in the capital region (Mazovetsky voevodship) it is 1,5 times higher. If the data on Warsaw is eliminated, then the average gross domestic product per capita in Poland is decreased by more than 10%. To a greater extent, the similar proportions are also observed in Lithuania, although it is of a smaller area. In 2002 the average gross domestic product per capita in Vilnius county, where one third of it is being produced, exceeded the average of the country approximately by 40%. If take, for instance, only the Vilnius municipality, it is natural that the figure will be even higher.

Comparison of Kaliningrad region with the neighbouring countries which are considered to be unities is not always correct due to different statistical approaches. For instance, in Russian statistics the gross regional product (unlike the gross domestic product) does not include the added value on the non-market collective services (defense, public administration, non-market science etc., which amounts to 12-13% of the gross domestic product of Russia). Thus, the actual gross regional product of the RF subject is in fact lowered. While, on the other hand, in the European statistics the non-market collective services are completely distributed on the regions.

From different points of view, it would be more correct and productive with regard to methodology to make a comparison of Kaliningrad region with the regions of the neighbouring countries which are typologically similar. These regions are similar to Kaliningrad not only due to their historical background to a greater or lesser extent but also due to numerous similar problems faced by them at present. From our point of view, however, this direction of investigation is not well developed.

Nearly the whole length of the Russian-Polish frontier is actually the border between Kaliningrad region and *Warmino-Mazury voevodship*. Until 1945 its territory together with the territory of Kaliningrad region belonged to the Eastern Prussia, the fact which itself creates a good basis for comparative studies having an applied importance even though 60 years have passed (problems of cultural and historical heritage etc.)¹. The short line of the land frontier on the Baltic Spit separates Kaliningrad

¹ Similarities of the neighbouring countries could be traced in various spheres, sometimes quite unexpectedly. Thus, the Polish city of Elblong is trying to restore the commercial port which is situated in the Vistula Lagoon on

region from **Pomorsky voevodship**. This administrative unit of Poland has a number of common interest in the main sectors of local economy: sea transport, machine building, fishery, tourist and recreation complex. In the south-eastern part, the territory of Kaliningrad region has a common border with **Podlyassky voevodship**. These three above mentioned voevodships (out of 16) are considered to be the Polish border regions to be compared with Kaliningrad region.

It is more difficult to outline the Lithuanian border regions. Kaliningrad region has a common border with three counties of Lithuania (out of 10), these are Klaipeda, Taurage and Mariampol. However, they are not large in area, and these regions are not fully involved in the cross-border cooperation with Kaliningrad. It is not by chance that the Kaliningrad region has signed agreements on cooperation not only with these administrative units but also with Kaunas and Panevezhis counties. It has to be mentioned that the most interesting for the comparison purposes is the coastal **Klaipeda county**,² the region with a large sea commercial port, free economic zone and resort and recreation complex.²

Enhanced cross-border cooperation and interregional links have resulted in a formation of Euroregions. Municipalities of Kaliningrad region are participating with greater or lesser degree of activities in 4 Euroregions:

- “Baltica” (involving administrative and territorial units of Denmark, Latvia, Lithuania, Poland, Russia and Sweden). Kaliningrad region is represented by the Association of Municipalities of Kaliningrad region, Poland is represented by Pomorsky and Warmino-Mazursky voevodships and Lithuania – by Klaipeda county.

- “Neman”. Along with 5 districts of Kaliningrad region it includes Podlyassky voevodship of Poland, Alitus, Mariampol and Vilnius counties, as well as the Grodno region of Belarus.

- “Saule”. Kaliningrad region is represented by the city of Sovetsk, Neman and Slavsk districts; Lithuania is represented by Shauliay and Taurage counties. Administrative and territorial units of Latvia and Sweden are also among members.

- “Sheshupe”. It includes the following members: 4 Russian municipalities (Krasnoznamensk, Nesterov, Gusev and Ozersk districts), 6 municipalities of Mariampol and Taurage counties of Lithuania (Shakyaj, Vilkavishkis, Kazlu Ruda, Kalvaria, Mariampol, Yurbarkas), 2 gmins of Warmino-Mazury voevodship of Poland (Goldap, Kovale-Oletske), and one municipality of Sweden (Ekshe).

Puc. 1. Kaliningrad region and the neighbouring regions of Poland and Lithuania

the opposite side from Kaliningrad; this has resulted in the elaboration of the project on constructing a sea canal through the Baltic (Vistula) Spit. It should be noted that many sea ports of the region located in the upper parts of estuaries or on the banks of shallow lagoons have already collapsed long ago in a quite natural way (Elblong – already at the end of 19th century). Other ports have been developing due to the outer harbours (Schetsyn – Svyonoustje, Roctock – Varnemunde, Bremen – Bremerhaven and so on). Kaliningrad port complex due to a number of conditions has not been developing so far by means of Baltiisk.

² Comparison with Lithuanian regions is sometimes of unexpected character. Thus, Mariampol which is the poorest county in the country is leading in the number of cars registered per 1,000 inhabitants. It is followed in this list by Klaipeda county (see annex, fig. 2.17). Both regions which may be called the gates for the car import have left other counties far behind (partly due to specific statistical procedures).



Relations of Kaliningrad region with the neighbouring administrative units of Poland and Lithuania is manifested not only in the intensive cross-border contacts in different areas but it is formally supported by the EU programme INTERREG IIIA on a triple cross-border cooperation Lithuania – Poland – Russia. The programme covers Kaliningrad region, all above mentioned three voevodships of Poland, three counties of Lithuania, and Alitus county which has a common border with Poland (see Fig. 1).

Thus, depending on the degree of productive comparison with the Kaliningrad region the objects for investigation (border regions) may be divided into the following groups:

- I. Pomorsky and Warmino-Mazursky vovodships of Poland, Klaipeda county of Lithuania.
- II. Podljassky vovodship of Poland, Taurage and Mariampol counties of Lithuania.
- III. Other administrative and territorial units of located further from the border regions of Poland and Lithuania which might be interest for comparison.

The border regions will be taken for a detailed analysis according to this gradation.

Figure1. Territory and population of Kaliningrad region in comparison with the bordering administrative units of Poland and Lithuania (data given for the beginning of 2003)

	Population (thous. people)	Area (thous. squ. km)	Population density (person./squ. km)
Kaliningrad region*	940,4	15,1	62,3
Poland as a whole	38190,6	312,7	137,6
<i>Including vovodships:</i>			
Pomorsky	2188,9	18,3	119,6
<i>including sub-regions NTS 3</i>			

<i>Slupsk</i>	477,8	8,2	58,3
<i>Gdansk</i>	955,6	9,7	98,5
<i>Gdansk-Gdynia-Sopot</i>	755,5	0,4	1888,7
<i>Varmino-Mazury</i> <i>including sub-regions NTS 3</i>	1428,6	24,2	59,0
<i>Elblong</i>	532,9	7,5	71,1
<i>Olshtyn</i>	611,6	10,3	59,4
<i>Elksk</i>	284,1	6,4	44,4
<i>Podljassky</i> <i>including sub-regions NTS 3</i>	1205,3	20,2	59,7
<i>Belostock-Suvalky</i>	894,2	14,9	60,0
<i>Lomzhynsky</i>	311,3	5,3	58,7
Totally for three bordering voevodships	4822,8	62,7	76,9
Lithuania as a whole	3445,9	65,3	52,8
<i>Including counties:</i>			
<i>Klaipeda</i>	383,2	5,2	73,7
<i>Taurage</i>	132,8	4,4	30,2
<i>Mariampol</i>	186,7	4,5	41,5
Totally for three bordering counties	702,7	14,1	49,8

Note: the number of inhabitants of Kaliningrad region is given without taking into account the results of the all Russia population census in 2002 r.

1. Social and economic development of the border regions of Poland and Lithuania on the national background

Poland belongs to the countries with a sufficient difference of economic development of its regions, however, in spite of existing opinion, the scale of this differentiation is not larger than in the Western Europe. If, take for instance, 16 Polish voevodships which are similar to the European type of statistical registration NUTS II³, then the maximum difference in the gross domestic product index per capita will be about 1:2,2. If 45 smaller regions are taken for statistical comparison (sub-regions NUTS III or NTS 3 according to Polish classification), then the maximum difference of the above mentioned index between them will be 1:5,2. This is nearly corresponding to the scale of the regional differentiation in the European countries which are comparable in size. It should be noted, however, that the difference between the richest and the poorest regions during the transition period to the market economy has sufficiently increased. Moreover, it has a tendency of a further growth.

In the most general way, two main patterns of the regional differentiation in Poland which will evidently remain in the near future may be brought together in the following way:⁴

1. Sharp distinction between large urban agglomerates and the rest of the country's territory. This is essentially the manifestation of traditional differences between the urban and rural areas in the post-industrial period. In Poland a number of such agglomerates can be distinguished which have a differential structure of their economies, relatively developed communication infrastructure and high educational level of employees. First of all, it concerns the Warsaw, the capital of the country which is characterized by the highest rate of economic growth; it is followed by Poznan, Krakov, Wroclav and three city aggregation (Gdansk-Gdynia-Sopot). The relations of these agglomerations with the adjacent territories are different but quite well known. On the one hand, they are acting as a driving force for their nearest neighbours (the span depends on the size and dynamics of agglomeration). On the other hand, they are "pumping out" resources – including manpower – from the far regions.

2. Differences between Western and Eastern parts of the country which are historically determined. At the beginning of 1990s when the market reforms have just started many eastern regions which are in fact characterized by a pre-industrial structure of economy, have much easier survived the transformation shock. In the following years, however, unlike the western regions of Poland, they were not successful enough fitting to the requirements of globalizing economy which continues to increase the gap.

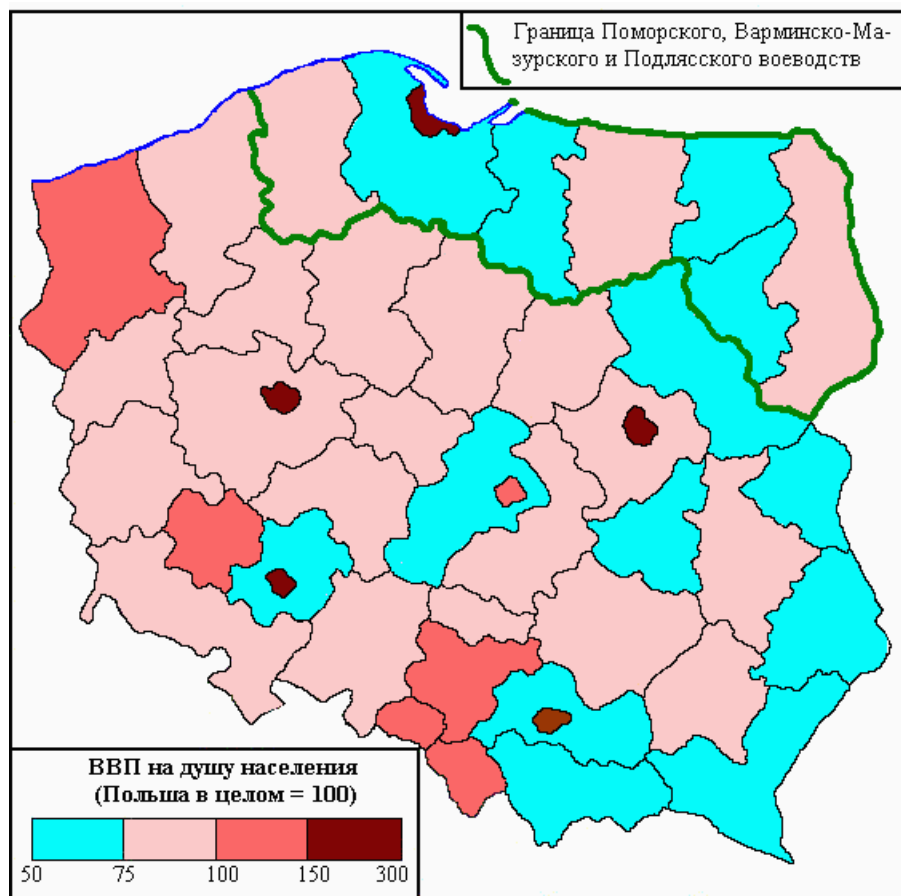
³ NUTS (Nomenclature of Territorial Units for Statistics) – a five level classification of territories developed by the EU. The third level was created for the adequate statistical comparison of separate regions of the member states. In Poland the territorial units of the similar system introduced in 2000 have been designated as Nomenclature of Territorial Units for Statistical Purposes (NTS).

⁴ See G.Gorzela. Szanse polskich regionów w zintegrowanej Europie, „Studia Regionalne i Lokalne”, 2002, number 2-3, p. 55-73.

The evident reason of existing differentiation lies on the surface and it is in the structure of the region's economy. In this situation Poland is not an exception. The correlation is quite clear: the far the region is advanced in the post-industrial society meaning that the higher is the share of the tertiary sector (service sector) and the lower is the share of the primary one (agriculture and forestry, fishing industry), the higher is the average per capita index of the gross domestic product. The difference is more striking in the fourth sector being formed (non-market services). Thus in 2000 the correlation between the labour efficiency in the 1st and 4th sectors in Poland was 1:11. Between the primary sector and the industry it accordingly amounted to 1:8,6.⁵ The situation was additionally aggravated by the fact that within the most primary sector the level of the labour efficiency is much lower than in the countries of the European Union. In this case due to overpopulation in the rural areas the labour efficiency of the Polish farmer is nearly 20 times lower than, for instance, that of the French farmer and 7 times lower than of the Greek farmer.⁶

It has to be mentioned in the mean time that the difference of the population incomes in the regions is sufficiently less than that of the average per capita index of the gross domestic product. The equaling of the incomes is provided in the first place by the fiscal policy (reduced taxation of farmers, progressive taxation scale etc.). One of the factors in sub-regions is a back-and-forth migration of the labour resources: people from poor parts of the country get higher paid jobs in large urban agglomerates.

Рис.2. Gross domestic product per capita in sub-regions of Poland (NTS 3) (comparing to the average level of the country in 2002)



Source of information: data received from the National Statistics Department of Poland.

In this respect it is interesting to consider the combined SWOT-analysis of the Polish regions presented in the Integral Operation Programme of the regional development. It is given below.

Strong sides of the Polish regions:

⁵ Produkt krajowy brutto według województw w 2000 roku, GUS, Katowice 2002, Fig. 4.

⁶ First progress report on Economic and Social Cohesion. Commission of the European Communities, Brussels, 30.01.2002.

⁷ Zintegrowany Program Operacyjny Rozwoju Regionalnego (ZPORR), Warszawa, luty 2004

- relatively small regional differentiation, mostly on the level of voevodships (in the category NUTS II);

- polycentric structure of population settling and country's economy which is represented by a number of quite evenly located urban agglomerations;

- concentration of factors reflecting modernization and dynamisation of economy in large agglomerations which have a comprehensive basis for the scientific research and development work, qualified personnel, relatively developed communication systems and market infrastructure. The fast economic growth of these agglomerations creates conditions for increasing competitiveness of the whole national economy if an appropriate infrastructure connecting these centres with the periphery is in existence and the mobility of the population improved.

- favourable demographic structure – relatively high share of young population which is gradually raising its professional competences.

- the number of students of higher educational institutions is doubled, higher education is decentralised, which makes it accessible for the young people from the rural areas and small towns;

- fast growth of small and medium enterprises; growth of entrepreneurship activities which is observed practically in all regions of the country;

- relatively equal location of the natural, cultural and historical attractions which makes them accessible for the whole population and promotes to the tourism development;

- relatively wide spread of a number of natural resources (water, forest, geothermal energy sources etc.) which make the region more competitive;

- active participation of regions in multi-lateral and bilateral international cooperation, especially in interregional links (Euroregions etc.), this promotes investments and exchange of technologies;

- introduction of a decentralized three-level system of territorial arrangement of the country in 1999 and a gradual decentralization of the state financial system. Delegation of large extent of responsibilities in planning and administration to the level of voevodships which creates a solid basis for the partnership cooperation, improves the efficiency of policy carried out in the interest of local communities.

Weak sides of regions in Poland:

- low per capita indexes of the gross domestic product in all regions comparing to the EU countries. In re-counting the purchasing capacity at par the average level of the gross domestic product in Poland equals approximately to 40 indexes for 15 countries of the EU. In re-counting by the exchange rate this ratio is about 1:2;

- the highest level of employees in the agricultural sector of the European Union is registered in the Eastern voevodships of Poland. At the same time, the labour productivity is relatively low in this sector. Totally this is one of the main factors determining low indexes of the gross domestic product per capita.

- low educational level of population, undeveloped system of vocational training and retraining especially in the rural areas;

- high level of latent unemployment especially in the rural areas;

- low level of health care especially in the country side and small towns which is resulted from a limited access of the population to these services, lack of equipment in the local medical institutions;

- undeveloped infrastructure for sport activities especially in the rural areas and small towns, bad quality of sport facilities in the educational institutions which is limiting possibilities for the physical activities of the young generation;

- increase of territorial differentiation in sub-regional and local scales. This is resulted, in particular, from a decrease of population mobility, lack of qualitative communication infrastructure connecting the developing centres with the periphery. In 1990s the centres of economic growth were concentrated in a limited number of large urban agglomerations. This has led to the growth of territorial differentiation inside voevodships (by the gross domestic product indexes, rate of unemployment, infrastructure provision, quality of labour forces);

- formation of areas which are threatened by a constant process of marginalization and fall out of a normal social and economic development. These areas include districts with a high proportion of the

rural population and a low rate of urbanisation, old industrial districts with the signs of social and economic degradation especially in the cities with a mono-sectored economic structure;

– quite many districts are not attractive for investments. This is determined by the productions (including those outside the traditional industrial sites) and districts of the former military unit locations, degradation of the housing and social infrastructure facilities, cultural and historical objects. These problems are the most urgent in the northern part of Poland and in Silesia;

– the highest relative growth of labour resources in districts characterized by a low competitiveness and poor ability to adapt to new conditions, scattered inhabitation in the rural areas which increase the cost of infrastructure development;

– lack of public transport development in the urban agglomerations;

– low level of infrastructure development related to the interregional and inside region communications;

– lack of SMEs innovation potential which is explained by a limited access to the credit resources and low rate of internationalization of the business activities;

– low quality and underdeveloped environmental protection infrastructure especially in the sectors of waste water treatment, pollutant emissions and noise protection. These problems are inherent to the cities practically in the whole territory of the country and in most rural areas especially in Central and Eastern parts of Poland;

– lack of progressing in developing information society (infrastructure, education, involvement of enterprises, institutions of organizational and financial support) with a difference of its promoting in the regions. Scattered inhabitation in the rural areas and a low educational level is a serious barrier for involving significant part of the rural population in Poland into the process of information society formation.

The Polish regions' growth opportunities rest on:

• Favourable geopolitical conditions:

– Poland's joining the EU which raised its potentials of the international exchange of capital, goods, services and labour force;

– Poland's transit position in Europe in the East-West and North-South directions;

– the favourable conditions to intensify cross-border co-operation with the neighbouring countries, non-EU members (Byelorussia, Russia, Ukraine);

• Major principles and priorities of Poland's social and economic policy aiming at:

– stimulating higher GDP growth. To achieve this goal the active engagement of all the regions is needed;

– further training and improving the skills of human resources represented in the regional and local labour markets;

– improving the human resource planning and co-ordination systems at the regional and local levels;

– ensuring the balance of the government and municipal finances, which should lead to low inflation, reduction of the national debt and government and municipal budget deficits, reduction of the negative balance of payment. It is a prerequisite in order to accumulate funds and run the regional policy simultaneously supported by EU funds;

– consistent decentralising the power of social funds, which should ensure the increase of financial resource efficiency in the regions.

• Specific features of the national economic and geographical structure and its objective transformation:

– the polycentric character and mild degree of settlement concentration. Preservation and intensification of these features will enable all the regions to be actively involved in the national development;

– the remarkable progress in the development of Warsaw among the European metropolitan agglomerations. This may inspire the development of the Masovian voivodship and the whole country;

– the decentralised higher education system available to young people from the rural area and smaller towns. Therefore, the spacial mobility of the young people will improve.

- Specific features, resources and other development preconditions of particular regions, subregions, powiats, cities and gmins:

– the availability of diverse natural, cultural and historical landmarks highly valued all across Europe to ensure the development of tourism;

– the proximity to the border to be taken advantage of in order to intensify the economic development of the regions in the eastern and south-eastern parts of the country;

– the seaside position of some voivodships, cities and gmins to ensure the effective co-operation in the Baltic Sea region;

– the conditions of tourist and resort development established in many regions.

Threats to the Polish regions development:

- Unfavourable geopolitical conditions independent of Poland:

– the globalisation of conflicts which makes the world economy worse and the international exchange less active;

– the introduction of visas for the citizens of Byelorussia, Russia and Ukraine which may hamper the growth of trade and economic development, particularly among the small and medium enterprises and have a negative impact on cross-border co-operation.

- Failures to implement the Polish economy development and restructuring programmes, particularly:

– the slowdown of the public fund decentralisation which can lead to lower efficiency of the funds earmarked for the implementation of regional programmes;

– the remained inefficient economies of the lagging regions (the primary sector excessive share, the underdeveloped construction and service sector);

– the slowdown of major state companies restructuring due to the lobbying activities of some political forces and trade unions;

– the slowdown of the transport infrastructure modernisation and extension, particularly as regards the so-called European corridors, which may seriously hamper the advantages of the Poland's transit position and reduce the inland transport benefits;

– the failure to implement the diversified rural district development programmes which may continue to reduce their revenues;

– the lower social and professional mobility of inhabitants due to the inefficient social aid system;

– the emigration of educated and highly skilled employees.

- Lack of progress in setting-up the efficient institutional system designed to run the regional policy, primarily, inadequate adaptation to the EC structural fund requirements:

– the lack of clear guidelines in the state regional policy and its co-ordination with the development policies of particular voivodships;

– the huge disproportion between the functions and tasks of the regional and local authorities and their budget receipts;

– the lack of efficient institutional and legal tools to take advantage of the EU structural funds;

– the inadequate number and skills of the employees working the regional development organisations both at the national and provincial levels;

– the improper system designed to support businesses in the development of scientific and technological aspects, information science, as well as crediting of small and medium enterprises.

In addition to the above, there is another threat stated by some experts. It is about the regions' ungrounded belief that the European Union's assistance will assuredly allow them to eliminate their social and economic gaps (the "rent seeking" position). This position is supplemented by the fact that many regions cannot take reasonable advantage of the EU assistance for some objective and subjective reasons.

Thus, there are three groups of regions in Poland which have the most unfavourable conditions for further development:

1. The regions with the high agricultural share and low urbanisation rate. It is mainly the eastern part of the country. The problem areas are those in which the state farms used to dominate in the past (the so-called reunited lands, mainly in the north).
2. The regions representing the branches of industry which have become uncompetitive and require restructuring. Primarily, it is about the areas of concentration of the enterprises of light and textile industry (the Lodz agglomeration and Low Silesia), coal industry (Upper Silesia), ferrous metallurgy (Upper Silesia, Krakow, especially a few medium cities in which the enterprises of this industry were city-forming) and shipbuilding (Szczecin, Gdansk, Gdynia). The cities representing the defence industry enterprises faced difficulties too.
3. The regions representing the deteriorated social and economic status. Due to the loss of the previous administrative, economic and cultural functions, as well as in consequence of the new migration tendencies, the degradation areas have arisen. They include many city districts and even the entire cities. The lack of endogenous growth factors coupled with the low investment attractiveness results in the acute social stratification and increase in the social pathologies.

Following the presented format, it might be possible to describe the situation in the Polish area bordering on the Kaliningrad oblast. The Podlasie and Warmian-Masurian voivodships form part of the five eastern voivodships, economic outsiders, the level of which is lower than the national average by about ¼.

First of all, the low level of GDP per capita is determined by the high specific weight of the primary sector. In the Warmian-Masurian voivodship it has been aggravated by the problems related to the process of former state farm restructuring,

At the same time, in the Pomeranian voivodship there is one of the major urban agglomerations of the country, the dynamically developed "Trujmiasto" which positively provides incentives for the closest geographic area development. Nevertheless, if "Trujmiasto" is excluded from its geographic area, the other part of the Pomeranian voivodship will not be very different from the Warmian-Masurian or Podlasie voivodships by the main social and economic performances (see Figure 2). In addition, it should be taken into account that one of the traditional industries of "Trujmiasto", shipbuilding is one of those the competitive rate of which has seriously decreased and requires restructuring (see above).

The neighbours of the Kaliningrad oblast in Poland are the outsiders in their country in many respects, from the level of infrastructure development to the labour market situation.

As of 2001, the average supply of personal computers in Poland was 14%, and the Warmian-Masurian voivodship had the lowest level of 11%. The Podlasie and Warmian-Masurian voivodships have the worst road network and water-and-sewage supply (see Annex, Table 1.10). The Warmian-Masurian and Pomeranian voivodships are among the six regions in which the level of unemployment steadily exceeds 20 per cent. It should be logical to include in the overall picture of the social and economic development of the Podlasie and Warmian-Masurian voivodships the low rate of entrepreneurial activity (the number of actively operating SME's with a view to the number of inhabitants, investments in the SME sector etc.). As to these, both voivodships are at the bottom of the regions' list (see Annex, Table. 1.8).

However, in some positive fields the Polish neighbours of the Kaliningrad oblast are the leaders. Naturally, due to their poor development, the Podlasie and Warmian-Masurian voivodships are indicative of the overall favourable environmental conditions. Here are registered among the lowest waste and air emission levels: as compared to the industrial regions of the country these are considerably lower (see Annex, Table 1.10). More than half the total area of the Warmian-Masurian voivodship is referred to the natural areas of preferential protection.

For example, G.Gorzalak and B.Jalowiecki see the strengths and weaknesses of the Kaliningrad oblast's Polish neighbours as follows:⁸

Pomeranian voivodship. *Strengths:* the availability of the sea ports; the potential of the educational establishments; the cultural and historical heritage; the attractive landscape; the tourist attractiveness; the availability of the international airport. *Weaknesses:* the degradation of a large part of urban area; the inadequate capacity of the transport system.

⁸ See G.Gorzalak, B.Jalowiecki. Konkurencyjnosc regionów, „Studia Regionalne i Lokalne”, 2000, nr 1.

Warmian-Masurian voivodship. *Strengths:* the purity of environment; the attractive landscape; the tourist attractiveness. *Weaknesses:* the peripheral location; the low educational level of the inhabitants; the poorly developed infrastructure.

Podlasie voivodship. *Strengths:* the potential of the educational establishments; the near-border location; the purity of environment; the tourist attractiveness. *Weaknesses:* the peripheral location; the poorly developed infrastructure; the low educational level of the inhabitants.

It is not surprising to have a presentation of this kind. However, it should be noted that the border position of the Podlasie voivodship is considered to be one of the strengths, while it is not so in the case of the Warmian-Masurian voivodship. Indeed, the border with Kaliningrad oblast is a much less important factor for the economic development than the position on one of the main transport European corridors Berlin-Warsaw-Moscow, at least in the long term.

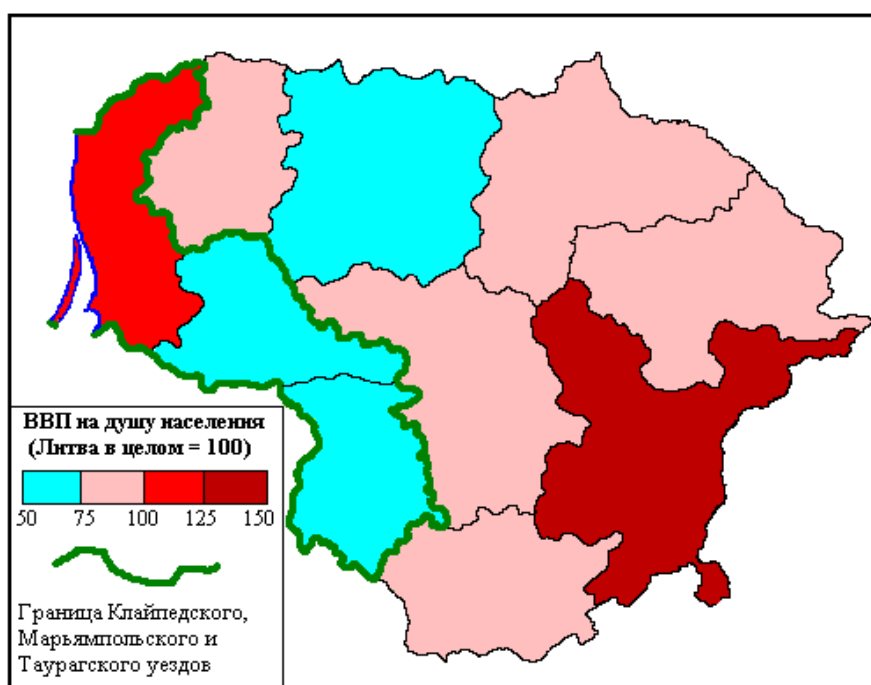
Concerning the main features of the Lithuanian social and economic territorial structure it can be said that in miniature it reminds of the Polish configuration.

Among them, these are as follows:

- The top position of the capital and its county as regards the main social and economic indicators.
- The relative prosperity of the other by Lithuanian standards large urban agglomerations, primarily Klaipeda and Kaunas.
- The counties with the higher agricultural share and low urbanisation rate lag behind.

The configuration of the Kaliningrad oblast's Lithuanian group repeats the Polish analogue. Of the three border counties one (Klaipeda on the seaside) belongs to those which are relatively trouble-free, but the agrarian Marijampolė and Tauragė counties are economically less developed. At the same time, the difference between them is much more obvious than in Poland. The Marijampolė and Tauragė counties are below as regards the main per capita indicators (GDP, the level of average monthly pay etc.), and as their population sizes are among the lowest, their share in the national economy is insignificant. By contrast, the Klaipeda county shares the leadership between the three top counties as regards the main indicators (see Attachment).

Figure 3. GDP Per Capita in the Lithuanian Counties
(in comparison with the country average in 2002)



GDP per capita (Lithuania as a whole = 100); boundaries of the Klaipeda, Marijampolė and Tauragė counties

2. The State Regional Policies in Poland and Lithuania

2.1. Poland and Lithuania in the Context of the EU Regional Policy

A regional policy is now one of dynamically developed components of the social and economic policies in the post-communist Central and East European (CEE) countries. At the initial phases of market reforms, it was indeed neglected and shadowed by acute problems and immediate priorities. However, in recent years, its political importance has considerably grown which partly establishes the new stage of transition to a more market-oriented economy. The macroeconomic reforms have been largely completed, but as a result of their implementation the new special configuration of the social and economic inequality has arisen, and this requires intervention by the government. It became particularly important to provide the basis for comprehensive regional policies after or prior to the integration of CEE countries into the EU.

These countries believed that the EU integration would not only provide an opportunity for the social and economic development, stability of the democratic system and establishment of the civil society, but raise the potential of a regional policy. Undoubtedly, the EU membership places limitations on it is implemented, particularly, the choice of instruments. But these countries still understand that there is no alternative: without the support of the European Union the whole countries or some of the regions may find themselves at the European periphery. In Poland, the area of which is larger, the eastern part of the country is threatened with such danger. Essentially, only several big urban agglomerations and few tourist and recreational regions can develop independently. In many respects the situation in Lithuania is similar.

Poland and Lithuania's lagging behind is obvious against the background of the EU. GDP of these countries was up to 2/5 of the EU average shortly before joining the EU. According to the Eurostat data,⁹ the level of economic development even of the richest metropolitan regions of Poland and Lithuania (the Masovian voivodship and Vilnius county belong to the category NUTS II) is almost corresponding to that of the poorest regions of the 15 "old" 15 members: Epirus and West Ellas in Greece, Extremadura in Spain and Azores in Portugal. They had the GDP indicator per capita in the range of 50-55% of the average EU-15 level. Incidentally, it should be noted that this indicator in the metropolitan regions of more developed countries, the EU newcomers (Prague, Budapest and Bratislava) exceeded 75% of the EU-15 level.

The backlog of the Polish and Lithuanian poorest regions including some neighbours of the Kaliningrad oblast is especially well seen against the European background. The average per capita GDP indicators in the Podlasie and Warmian-Masurian voivodships of Poland and in the Tauragė and Marijampolė counties of Lithuania were 25-30% of the average EC-15 level. The EU has never had any regions which are so far behind the leaders. It should be enough to say that in the poorest region of South Europe, the Portuguese area of Alentejo had the per capita GDP of 37% of the total integration group when entered the European Community (1986). Moreover, the Polish poorest regions' position against the background of the new member is also unfavourable. In the category NUTS II the four poorest Polish voivodships (including the Podlasie and Warmian-Masurian voivodships) are among the last ten regions of all the 25 EU countries. Unfortunately, the poorest Lithuanian counties cannot be compared in this category (the whole country belongs to the category NUTS II) but their position would be similar to the less developed Polish voivodships.

Apart from taking advantage of the EU funds, joining this organisation provides another benefit, i.e. the EU considerable experience in implementing regional policies. In order to have the right to use the specified funds, both Poland and Lithuania had to establish the adequate legal framework and efficient institutions to run the regional policy prior to their integration into the EU.

It should be noted that from the moment of signing the Rome Treaty in 1957 the EU seeks to decrease the social inequality which might endanger the European integration. This objective was supported by the 1991 Maastricht Treaty on the foundation of the European Union. Article 158 of the Amsterdam Treaty ratified in 1999 and replacing the Rome Treaty and Maastricht Treaty provides that "in order to promote its overall harmonious development, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions". In addition to the political and economic unity, the "economic and social cohesion" was stated as one of the main goals. At the same time, it was defined as "promotion of the relatively high level of income, a high level of competitiveness and employment, as well as the social solidarity

⁹ First progress report on Economic and Social Cohesion. Commission of the European Communities, Brussels, 30.01.2002.

achieved by distressing the imbalances in employment, social opportunities and elimination of poverty”.

Strictly speaking, they have conducted a common regional policy in the EU since 1988. Formerly, it was mainly aimed at providing partial compensation to Member States of the expenditure spent for the development of territories chosen by them. Since 1988 the EU has established the selection criteria for priority territories and aid provision to them according to the specified objectives. At the same time, were reformed the EU structural funds, the main instruments of the regional policy implementation.

The main objectives of the EU structural funds are set out below:

Objective 1. Development and structural adjustment of the regions most lagging behind in development;

Objective 2. Support of the economic and social conversion of areas facing structural difficulties;

Objective 3. Adaptation of the unemployed to new working conditions, modernisation of the educational systems, retraining, education and employment of the young and unemployed people.

The objectives 1 and 2 refer to specific geographical areas, and objective 3 is not tied to any particular territory.

The structural funds also have a number of secondary objectives:

- to foster the harmonised, balanced and sustainable development;
- to develop employment and human resources;
- to protect and improve the environmental conditions;
- to eliminate inequality and promote the equality of men and women.

Regions to be covered by Objective 1 are unambiguously defined by the Regulations of the Structural Funds. These are the “regions of category NUTS II which have GDP per capita calculated on the basis of a purchasing power parity and the Community’s recent data, and which is less than 75% of the Community’s average level”.

It is more difficult to select regions to be covered by Objective 2. According to the Regulations, “they should refer to the special areas facing the social and structural changes in the industrial and service sectors, degenerative rural areas, urban areas in difficult conditions and depressed areas dependent on fishing”. The corresponding regions are referred to as category NUTS III. In addition, there are three obligatory criteria for the industrial areas:

- the average rate of employment for the last three years should exceed the Community’s average level;
- the share of industry in the total number of employed people should not be less than the Community’s average level;
- decline in jobs in industry.

Practically it is the rate of unemployment which played the key role in the selection of regions to be covered by Objective 2.

Broader criteria were used for the rural areas with less emphasis on the employment problem. The regions of category NUTS III applying for support shall meet the following criteria:

- either have low population density (less than 100 people per 1 km²) or the number of agricultural employees twice as much compared to the EU average;
- either have the rate of unemployment higher than the EU average or face the population decline.

The main principles of the operations of the EU structural funds

- resources are concentrated in the most distressed regions and groups of regions, particularly those covered by Objective 1;
- appropriation of funds is considered to be a long-term programme rather than a one-time

project;

- a policy is run by establishing the partnership relationships between the European Commission, the national government and the regional/local authorities;
- the principle of complementarity is used, when the EU financing supplements but not replaces the resources appropriated for this purpose at the national level;
- the principle of subsidiarity is used, according to which, depending on the particular situation, resource management is performed at the lowest possible administrative levels: regional, national or the EU as a whole.

For the first time, Poland and Lithuania got acquainted with the principles and mechanisms of the EU regional policy during the first half of the 1990s, when the implementation of various regional Phare programmes in the CEE countries started (Phare-Crossborder, STRUDER, STRUDER II, RAPID, INRED etc.). This group can be supplemented by a number of other Phare programmes which were not formally aimed at strengthening capacities for regional development, but their implementation tools and procedures had a regional component.

It is important to note that the whole set of these programmes could not be characterised as an integral system designed to achieve the long-term objectives of a regional policy. The priorities and goals of each of them were formulated individually. The implementation tools were different too. As a result, the regional policy co-ordination mechanism was not established until 2000. Nevertheless, the role of these programmes was definitely positive.

By the end of 1999 Poland received about EUR 500 mill. from the EU funds for the regional policy implementation. About EUR 300 mill. of this amount was received under the Phare-Crossborder programme. Due to the relatively low amount of this aid (compared to GDP), initial unavailability of the monitoring system and assessment of the efficiency of funds application, it is impossible to evaluate the impact of Phare on the rates of economic growth and unemployment decline. However, it was visible in some regions. Particularly, it applies to the voivodships bordering on the FRG. Here, and partly in the south-eastern regions of the country, it was possible to improve the road and sewage treatment systems and to build up some border crossings owing to the funds of Phare-Crossborder.

Since 2000 the new phase of development of the EU regional policy principles and tools started in Poland and Lithuania, when both countries were about to join the EU. During that time the level of co-ordination of the investment programmes in the national economies of these countries, as well as the EU-funded programmes had improved. Some other programmes supplemented the already existing Phare-Crossborder programme, primarily the programme Phare-ESC 'Economic and Social Cohesion'. It began to play the key role in the implementation of the social policy and was positively applied by Poland and Lithuania for the efficient use of structural funds after joining the EU. The main directions of money appropriation in these programmes are as follows:

- support of small and medium businesses;
- human development;
- development and modernisation of the infrastructure used for economic activity.

Overall, in 2000 – 2003 Poland received about EUR2.4 bill. within the programmes designed to assist in joining the EU (Phare, SAPARD, ISPA). About one fourth of this amount was earmarked for the regions, and the remainder was distributed in the centralised manner. The financial support was mainly provided to the highest-poverty regions in the eastern part of the country and the old industrial area of Upper Silesia which required deep economic restructuring. If this aid is recalculated on the per capita basis among the main beneficiaries were also two neighbours of the Kaliningrad oblast, the Podlasie and Warmian-Masurian voivodships (see attachment, Table 1.11).

Eventually, by the moment of joining the European Union, Poland and Lithuania the institutional, legal and other preconditions were established for Poland and Lithuania to obtain the aid from the EU structural funds. It is even more important because all the regions of both countries are to be covered by Objective 1 of these funds (see above).

2.2. The Objectives and Tools of the Regional Policies in Poland and Lithuania

As already mentioned, the regional policy issue was not one of the priorities of the CEE countries' social and economic policy. It was partly due to the domination of this kind of economic ideology, when the intervention of the government to the economy was minimal partly due to the lack of resources. In addition, it was believed that the regional differentiation in the country was relatively small, and, according to the Polish expert community, there was no need for the active and immediate intervention of the government. Foreign experts adhered to the same opinion. For example, experts of the Economic Co-operation and Development Organisation stated in their report "Poland's Regional Development Problems" that the country "fortunately has a well-balanced territorial structure. In this connection, its regional policy should be more aimed at supporting adaptation than smoothing the existing disproportions".¹⁰

Nevertheless, already in 1990 the Polish government approved the "Long-term Concept of Spatial Development of the Country" and "Principles of Work with the Regional Restructuring Programmes", however, against the background of acute deficit of the financial and other resources these documents were of declarative character. But these documents played a positive role in the development of the methodology of regional problem solving.

The approach of the majority of CEE countries to the Regional policy issue has been largely changed during the preparation for joining the EU. The main thing, this policy is no longer considered simply as a resource redistribution of between some parts of the country with the goal to eliminate disproportions. It is treated as an integral part of the overall structural policy which may have a considerable economic impact during the expansion of the possibilities of regions.

Before joining the European Union and getting the access to its resources to conduct their regional policies, both Poland and Lithuania had to develop a sound legal framework. As early as 21 July 1998 the Lithuanian government approved the Basic Guidelines for the National regional Policy. On 20 July 2000 the Lithuanian Seimas adopted a law on regional development.

In Poland the development of such documents had a slightly different sequence. Here the Sejm originally adopted the law "On the Support of regional Development" of 12 May 2000 which provided the basis for the regional policy implementation. Based on this law, on 28 December 2000 the Council of Ministers of the country adopted the National Strategy of Regional Development for 2001-2006 (NSRD). It identified the regional policy objectives and priorities, the eligibility criteria for regions seeking for assistance, the principles of the provision of financial aid to voivodships in line with the national interests. In that way NSRD provides the basis for budgetary planning (including the funds received from the overseas sources) to implement the voivodships' development programmes and regional pilot projects. All the funds are considered by the contracts with voivodships (see Chapter 3).

The National Strategy of Regional Development is one of the seven medium-term structural programmes the development of which started in 1999 to adjust the economic policy of the country with the EU programmes (see Figure 4). Apart from NSRD the specified programmes also include:

- the National Employment and Human Resource Development Strategy;
- the National Rural Area and Agricultural Development Strategy (the Single Rural Area and Agricultural Development Structural Policy);
- the National Environmental Protection Strategy;
- the National Transport Development Strategy;
- the Structural Fishing Policy;
- the governmental economic strategy "Entrepreneurship – Development – Labour"

The National Regional Development Strategy was launched long before the adoption of the above-mentioned law "On the Support of Regional Development». The sequence was as follows. In May 1999 were prepared the "Basics of the Regional Development National Strategy", and in September 1999, the first draft of the RDNS. Both draft programmes passed through the careful approval procedure in the governmental institutions, local government authorities, scientific authorities and expert community.

The NRDS included provisions of the following governmental documents in which the medium-term and long-term goals and objectives of the social and economic policy were determined:

¹⁰ „Problemy Polityki Rozwoju Regionalnego w Polsce”. OECD, Paris, 1992-93.

- “Poland – 2025. Steadfast and Sustainable Development in the Long Term” (July 2000);
- The “Poland’s Public Financing and Economic Development Strategy in 2000-2010” (April 1999);
- The “Medium-Term Development Concept of the Country up to 2002” (June 1999);
- The “Concept of Territory and Economic Development of the Country” (October 1999).

Undoubtedly, during the development of the NRDS the documents concerning the preparatory stage of Poland prior to joining the European Union were considered: “National Preparation Programme for Joining the European Union”, “Preliminary National Development Plan” and “Regional Policy and Co-ordination of the Structural Policy Tools”. The NRDS also included provisions of the medium-term development programmes prepared by that time (listed above), restructuring programmes for coal industry, metallurgy industry, defence industry, small and medium business development programme, domestic trade development programme etc. in the social policy provisions of the “Family State Support Programme” were taken into account (adopted by the government in November 1999).

It is essential that the NRDS includes the principle of harmonisation of all its activities with the state environmental policy of and their compliance with the international commitments of the country in this field.

Therefore, the NRDS was developed with due account of the priorities of the overall social and economic strategy of the government. These priorities included:

- Support of the dynamic economic growth;
- Creation of new jobs;
- Stimulation of the structural changes and development of modern activities related to the establishment of information society and subsequent satisfaction of the material welfare of all inhabitants and all the regions in Poland.

It was more difficult to co-ordinate the NRDS with the voivodships’ development programmes which had been developed by their local government administrations in accordance with the existing law. By the time of adoption of the national regional development strategy their adoption was not finished. For that reason, in the original version of the 2000 NRDS the interests of voivodships were not considered, and the territorial component of that document was based on the “Concept of Territory and Economic Development of the Country” mentioned before. Thereupon it was decided that the voivodships’ territorial and economic development programmes will be independently co-ordinated social and economic development strategies of the voivodships. It is assumed that the agreement upon all the strategic and working documents of the national and voivodships’ levels should be achieved during their current modification.

The main threats for the successful implementation of the NRDS are considered to be the sluggishness in establishing a system to co-ordinate funds under different ministries, the system of programme detailed elaboration, monitoring, control and evaluation of their efficiency. As a result, the process of financing decentralisation becomes slower, the sources of revenues of local authorities are not adequately supplied, which in turn restricts the range and possibilities of programme co-financing from the central and local sources.

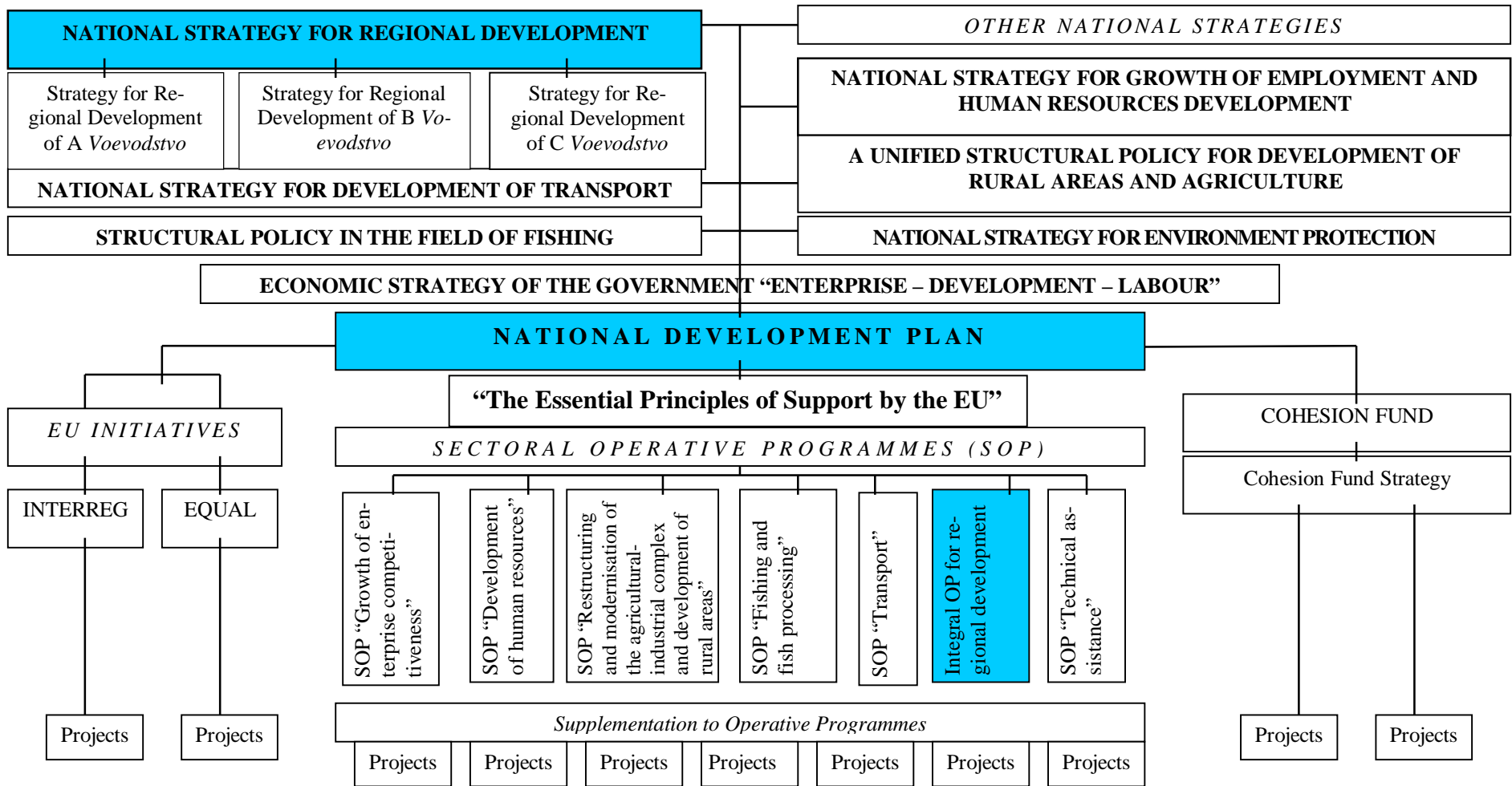
Provisions of the seven long-term programmes including the regional development strategy formed the basis for the development of the National Development Plan 2003-2006 which was adopted by the government on 11 November 2003 and forwarded to the European Commission. In December 2003, as a result of the long negotiations and approval procedure, a document called the “Community Support Framework – Promoting economic growth and an environment for job creation – CSF” came out. For the Polish government and European Commission it was the main binding document which provides the basis for co-coordinative activities during the use of the EU structural funds in Poland. A kind of preparatory stage for NRDS was the implementation of the Preliminary National Development Plan in 2000–2003. As stated above, at that time the regional planning component was presented by the Phare ESC programme “Social And Economic Cohesion” and Phare-Crossborder.

In order to implement the National Development Plan elaborated were seven sector programmes including the Integrated Operational Programme of Regional Development for 2004-2006 (IOPRD). The Integrated Programmes’ priorities are in line with the main activities of the National Development Strategy, and the implementation tools of IOPRD are based on the mechanisms of the EU structural funds and national legislation concerning the use of the state and municipal financing, as well as distribution of responsibilities between the state authorities and local government administrations in the implementation of a regional policy.

At the same time the IOPRD plays the role of one of the main instruments of the implementation of the governmental economic policy “Entrepreneurship – Development – Labour” in which the regional policy is regarded as the major activity of a country in the social and economic sector

Therefore, in Poland the regional component was included in the comprehensive system of the social and economic planning and application of the EU structural funds (see Figure 4).

Fig. 4. The Structure of Programming of Regional Development and Distribution of Resources of EU Structural Funds in Poland



The Integral Operative Regional Development Programme (IOPRD) has been developed at the Ministry of Economics, Labour and Social Policy (MELSP) in a close collaboration with bodies of self-government of all the districts. Objectives, priorities and activities of this programme refer to the whole of the country, however the amount of funds allocated for its implementation will be strongly differentiated subject to the social and economic situation in one or the other region and the strategy pursued there.

Administering of the Integral Operative Regional Development Programme at the all-national level is implemented by the Ministry of Economics, Labour and Social Policy. At the regional level, the specific functions are divided among bodies of self-government – Offices of Marshals of Districts (project approbation) and regional representations of public administration – district administrations (audit, monitoring, funding). It is necessary to note that such distribution of competencies is temporary and transitional in nature. It is envisaged that from 2007, as the relevant experience will be accumulated, the bodies of self-government will be made fully responsible for preparation and implementation of district programmes of regional development.

The Regional Steering Committees (RSC) formed in each of districts are charged with functions for implementation of the Integral Operative Regional Development Programme in regions. They are created by an executive body of district self-government – the District Board and are headed by a Marshal of District. The functions of Deputy Chairman of the Regional Steering Committee are executed by a government representative in a region - *Voevoda*. The Regional Strategic Committee is also composed of:

- a representative of district's self-government;
- a representative of an intermediate body, which functions are executed by district administration subordinated to *Voevoda*;
- a representative of a body, administering implementation of the whole Integral Operative Regional Development Programme – Ministry of Economics, Labour and Social Policy;
- representatives of particular ministries, depending on the nature of tasks to be resolved in the course of implementation of the Integral Operative Regional Development Programme at the district level;
- representatives of bodies of self-government of *povyats* and *gmins*, depending on localisation of activities to be implemented in the Integral Operative Regional Development Programme framework;
- representatives of social and economic contacting parties from this district.

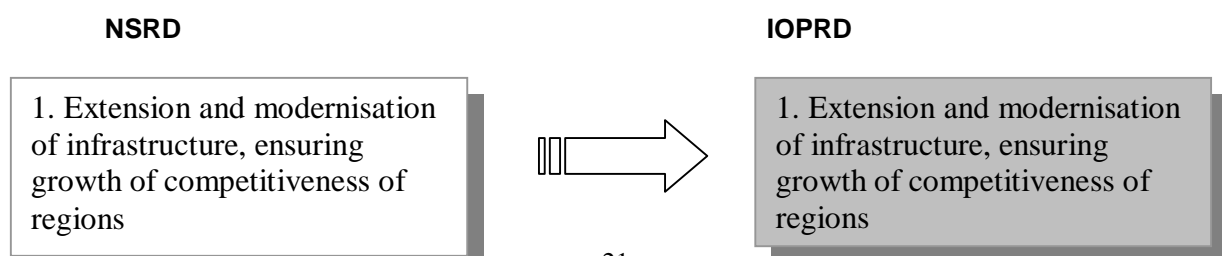
Thus, both public authorities and bodies of local self-government are quite equally represented in the Regional Steering Committee. The RSC tasks include, in particular: examination and submission of ratings of projects applying for financial support from EU structural funds to the district administration, drawing of recommendations for the IOPRD monitoring, assessment of projects, drawn up directly by ultimate beneficiaries of financial aid.

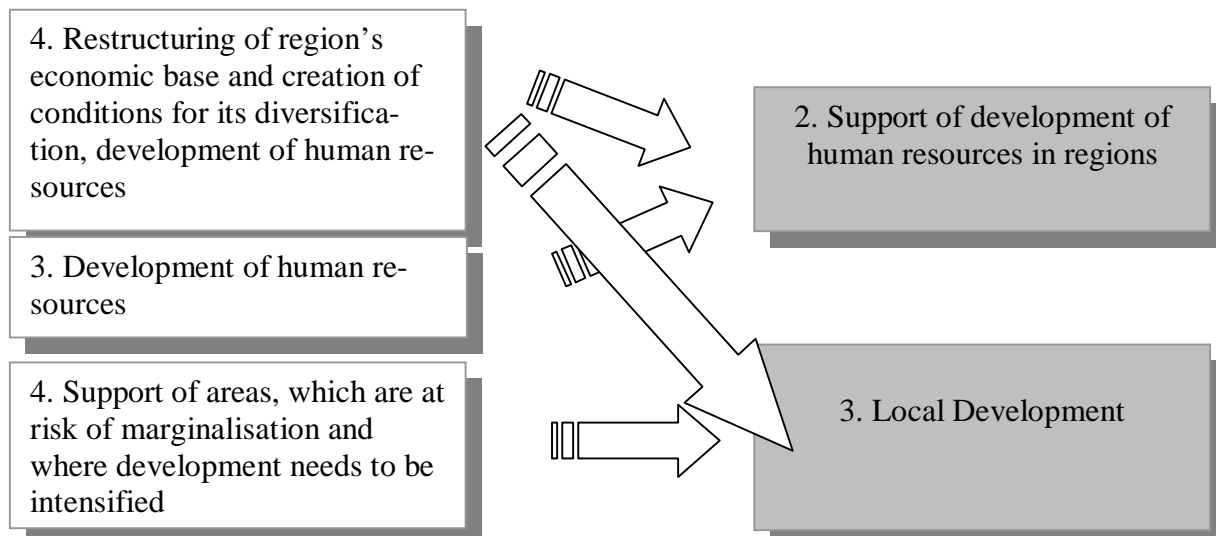
Control and monitoring of programme implementation at the all-national level is carried out by special bodies, created within the Ministry of Economics, Labour and Social Policy.

Implementation of the Integral Programme of Regional Development will be subordinated to the general principles of the economic and social cohesion policy of European Union, including the above-mentioned principles of functioning of structural funds. These are principles of long-term nature of development programmes, concentration of resources in the regions of the most need, supplementary funding by the European Union, subsidiary and partnership, well-balanced development.

Harmonisation of the Integral Operative Regional Development Programme with the National Strategy for Regional Development had been realised on the level of objectives and priorities. The latter is illustrated by Fig. 5.

Fig.5. Co-ordination of Priorities of the Integral Operative Programme for Regional Development and the National Strategy for Regional Development





Specifying of the Integral Operative Programme for Regional Development may be followed through the first of them. 6 sub-objectives are defined in its framework, which implementation is designed to enhance regions competitiveness:

- strengthening of role of regional centres as places for localisation of investments and concentration of economic, public, tourist, sports and cultural activities;
- environmental protection and saving of natural resources;
- improvement of communications infrastructure between regional centres and the rest of territory of districts with a view to ensure even economic development, enhancement of accessibility of jobs, training, cultural values and leisure;
- extension of transport links with the national and international transport network, and thus enhancing impact of activities on the region in the field of infrastructure, carried out in the framework of other operative programmes;
- improvement of access to technical and social infrastructure for the residents;
- improvement of operating of public transport in towns and urban agglomerates.

The following level of specification of priorities is identification of directions for activity. In particular, the regional transport network is acknowledged as one of them. Two fields for financial support are provided for in the framework of this direction:

- construction and modernisation of roads of regional significance, connecting important economic centres, as well as streets in towns with population over 20 thousand. people (enhancement of quality of pavement, its strengthening to meet indicators of permissible axle load). Construction and modernisation of bridges, viaducts, circumferential roads, tunnels and other engineering entities of the road complex;
- creation of public transport networks with a high carrying capacity. Improvement of functioning and integration of different types of transport, which, in particular, assumes creation of systems of monitoring and control for traffic in towns with population over 50 thousand inhabitants and territories, which are functionally connected with them. An assistance may be provided for infrastructure modernisation, as well as procurement of equipment (in particular, means of transport) provided there is a plan for development of public transport or a plan for territorial development, which had demonstrated good prospects for proposed solutions.

Distribution of funds for the Integral Operative Programme for Regional Development according to priorities and sources of funding is shown in Table 2.

Table 2. Estimate Distribution of Funds According to Priorities in the IOPRD Framework (in Euro)

Priority	Source of funding			
	Public and municipal as a whole	EU Structural Funds*	National Pubic and Municipal	Private
	1 = 2 + 3	2	3	4
1. Extension and modernisation of infrastructure, ensuring growth of competitiveness	2 462 020 369	1 762 567 948	699 452 421	50 297 474
2. Support of development of human resources	598 655 517	438 469 535	160 185 982	14 003 097
3. Local Development	970 031 043	727 523 283	242 507 760	81 904 490
4. Technical Assistance	53 220 003	39 910 003	13 310 000	0
Total	4 083 926 932	2 968 470 769	1 115 456 163	146 205 061
% to 1+4	96,5	70,2	26,3	3,5

Source: Zintegrowany Program Operacyjny Rozwoju Regionalnego (ZPORR), Warszawa, 2004

* including the European Fund for Regional Development – 2 530 mil. Euro (85,2%), European Social Fund – 438,5 mil. Euro (14,8%).

It is quite obvious, that in funding of the Integral Operative Programme for Regional Development from the public (including EU) and municipal sources, the special emphasis is laid on creation of conditions for economic stirring up of regions. As one may see from the data shown in Table 5, sources of funding are substantially varying in terms of priorities. It is planned to spend 59,4% of resources allocated by the structural funds of the European Union for implementation of the priority I, and 14,8% for implementation of priority III, whereas 56% of funding from private sources are accounted for the priority III.

The methods of distribution of funds among districts are based on principles of Structural Funds and are the sequence of algorithm, applied in the course of implementation of "EU Support Programme" in 2000 – 2003. 3 criteria were applied for distribution:

1. All of Poland as a whole falls within implementation of Objective 1 of Structural Funds, which had determined the crucial importance of the demographic criteria. 80% of funds had been distributed proportionally to the number of population in districts.

2. 10% of funds had been distributed in proportion to the number of population among those of districts, where in 1997 – 99 the indicator for Gross Domestic Product was below 80% of the average for the country. 5 districts had fallen within this category, including the Varminko-Mazursky and Podlyassky districts.

3. 10% of the funds had been distributed at the level of *povyats*, in which the unemployment level in 1999-2001 exceeded 150% to the average indicator for the country. 72 *povyats* with the total number of population of 5,3 million people had received this funding.

Application of these criteria had determined the distribution of resources of EU structural funds among the districts (See Table 3). It is necessary to emphasise that, it bears an indicative nature, since aid beneficiaries will be required to provide evidence of capability to utilise it efficiently.. Redistribution of funds may be done by the Ministry of Economy at the stage of preparation of specific sub-programmes and projects or at the stage of project implementation in the framework of priorities set. Introduction of an element of competition among the projects should enhance their quality. A preliminary identification of capacities of districts and *povyats* to efficiently utilise assistance was carried out on the basis of their former experience in use of EU funds. It is assumed that in initial years of Poland's membership in the European Union and until the moment of gaining necessary experience by the regions, the redistribution described will be applied quite often.

Table 3. Indicative Distribution of Funds of European Structural Funds Among the Districts in 2004 – 2006

	Million Euro	In %	Calculated per 1 resident Poland = 100
Varminko-Mazurski	182,0	6.59	173.49
Sventokshiski	133,1	4.82	141.06
Podljasski	110,0	3.98	126.17

Podkarpatski	192,0	6.96	126.17
Ljublinski	201,0	7.28	126.17
Zapadnopomorski	140,0	5.07	112.96
Ljubuski	82,5	2.99	112.75
Nizhnesilezski	223,6	8.10	105.37
Pomorski	159,6	5.78	101.35
Opolski	76,8	2.78	99.33
Kujawsko-Pomorski	142,0	5.14	94.65
Lodzinski	157,1	5.69	83.44
Mazovetski	299,9	10.86	82.67
Velikopolski	196,0	7.10	81.52
Silezski	279,8	10.14	80.99
Malopolski	185,2	6.71	80.00
Total	2 760.7	100	100.00
Public Transport in Agglomerates	167.9	–	–
Technical Assistance	39.9	–	–
Poland as a whole	2968.5	–	–

Source: Zintegrowany Program Operacyjny Rozwoju Regionalnego (ZPORR), Warsaw, 2004.

Note: The districts are ranked in an order of declining indicators in the last column. The districts bordering with the Kaliningrad region are marked in colour.

In Lithuania, an approval of the ‘Fundamental Principles for the Regional Policy of Lithuania’ in July 1998 was the first step in the field of creation of legal framework for regional development. In this document the main objectives for the regional policy had been formulated and the major tasks and principles for its implementation had been defined, as well as sources of funding of development programme.

An essential emphasis had been placed on regulating of the development programmes, which were expected to become a basis for assistance by the European Union. A lot of attention had also been paid to the spatial planning in the document. As far as State support of the regional policy is concerned, it was mentioned in the ‘Fundamental Principles for the Regional Policy of Lithuania’ that the government of Lithuania should ensure a persistent support of regions, which are lagging behind in respect of indicators for unemployment and/or living conditions.

Following the ‘Fundamental Principles for the Regional Policy of Lithuania’ a Law on Regional Development was passed, setting the legal framework, such as: creation of the national Plan for Regional Development and local plans for regional development, principles of functioning of institutions, responsible for their development; general conditions for regional funding. In particular, in the Law there is a provision for general objectives of the State regional policy, which are: support of economic growth of regions; assistance to a well-balanced development of regions; reduction of social and economic imbalance between Lithuanian districts; reduction of unemployment, development of rural districts. The Law indicates that the structure of the local plan of regional development should reflect the following provisions: State priorities in the field of development of regional infrastructure; measures for implementation of major objectives of regional policy and sources of funding.

In accordance with the Law, the National Plan for Regional Development should be approved by the government. At the same time it should be co-ordinated with the regional authorities and business communities. In their turn, local plans for regional development should be approved by the corresponding regional Councils for development, and they should be in line with the National Plan for Regional Development.

The Law envisages establishment of a national Council for Regional Development and local Councils for Regional Development in each of the regions. The national Council should be composed of representatives of ministries and involved departments, should make decisions on forming and structure of national and regional development plans. The Councils are designed to play a determinant role also in selection of investment projects. The projects, which are funded by the structural funds European Union are submitted for consideration to the local Council, which in its turn, makes its expert examination on correspondence to the national Plan of Regional Development and the local Plan of Regional Development. The final word belongs to authorities, and such an order, in opinion of Lithuanian experts, considerably impedes the decision-making process.

One should note, that the Law has come into force in such a period of time, when an emphasis of the regional policy started to shift to usage of the structural approach of European Union at the national level. Therefore, the legal initiatives were directed at preparation of the national Plan for Regional Development, covering also the issues of attraction of home and foreign investments.

Preparation of the State plan for the period 2001-2003 had started in summer of 2000. the process was launched with the assistance of the PHARE programme. This plan had been prepared on the basis of the First Plan¹¹ with inclusion of additional information: new analysis of social and economic indicators and identification of priorities, more consistent with existing plans of development for particular sectors of economy.

The planned tools of regional development had remained practically unchanged. Taking into account the limited demand for business consulting and other “soft” measures of support, it was necessary to make the main emphasis on resolving of infrastructure issues and more essential instruments for development of entrepreneurship – a compensation of a portion of interest rate on credits, guarantee of repayment of loans by small and medium-sized enterprises, etc.

It is also noteworthy, that different approaches to some of the Plan’s provisions had emerged in summer of 2000 because of reorganisation of the structure of European Commission. Whereas initially the emphasis was made on an extensive independence of the regions, now that there was a point of view that administering of cash flows of structural funds should be all-national, as in the member states of European Union. As a result, a multitude of additional problems had emerged in the legal framework of preparation of the Plan.

Preparation of local plans of regional development was started in parallel with the first national Plan of regional development. All of the 10 regions of the country had prepared such plans. Virtually, the documents had been prepared on the basis of already existing similar regional documents on planning. As the 4 regions had been selected for financial support of the PHARE programme, a further elaboration of development plans had touched only the plans of these four regions.

They included:

- the Klaipėdskis and Tauragis districts considered together;
- the Marijampoliskis district;
- the Uteniskis district.

As one may see, all of the Lithuanian neighbours of Kaliningrad Region had found themselves in this group. Presence of the Tauragis, as well as Marijampoliskis and Uteniskis districts in it is explained by their considerable lagging behind in social and economic development. The Klaipėdskis district, on the contrary, is among the leader regions (See section 1). Such a choice had, in essence, reflected the hesitation of national authorities between supporting the poor regions and concentration of funds in regions with a high growth potential. According to some authors,¹² the limited resources demanded to take on the first path, however the political motives had determined combination of both of approaches. At the same time, the more well-to-do Klaipėdskis district was united with the poor Tauragis district in a single “region of development”. An objective of such integration was to provide organisation and technical assistance to the outsider by the leader, as well as to strengthen ties between them in the field of economy and education. However, one should mention that both of districts had received financing from the EU funds separately, since while reaching the consensus they did not manage to get as far as to the issues of joint disposal of financial assistance.

As it was mentioned in the National Plan of Development for years 2001-2003, the funds, allocated for regional development, may not bring a considerable macroeconomic effect, but their use in specific target regions may contribute to resolving of a number of tasks. The following indicators are named among them: enhancement of an average GDP indicators per capita in comparison with the average level for the country, reduction of unemployment level, growth of direct foreign investments, enhancement of labour productivity, especially at the export-led and import-substituting enterprises;

¹¹ The first plan represented a typical document on planning, containing statistical analysis, priorities and objectives of development, tools for implementation of each of priorities. The plan had contained 4 priorities: development of manufacturing sector, development of civil potential, strengthening of competitiveness by means of development of the economic infrastructure; and assistance to a well-balanced growth of regions. The provisions on the regional policy had contained practically the same directions, as in the “Guiding Principles for Regional Policy in Lithuania”.

¹² See A.Petkevičius. Regional Policy in Lithuania on the Eve of EU Structural Funds. LGI, OSI, Vilnius, 2002.

growth of volume of sales at enterprises, which are beneficiaries of assistance and increase of export manufacturing's weight in it.

As a whole, during this period the Klaipėdski district had received 3,4 million Euro from EU funds, and the Tauragški district – 2,0 million Euro, Marijampolški district – 4,0 million Euro.

3. Social and Economic Policy of Local Authorities in Border Regions of Poland and Lithuania

An administrative and territorial reform had been carried out in Poland in 1999, which was implemented in 1999 and had radically changed institutional and legal and other conditions for implementation of the regional policy. One of the motives of the reform were requirements of the European Union to the size of administrative entities of this levels and their authority. Poland had returned to the three-level administrative and territorial division. After a quarter of a century of their existence, the former 49 *voevodstvos* had been enlarged. 16 new *voevodstvos* had been created in the country, 373 *povyats* and 2489 *gmins* (communities). Of no less importance is the fact that rights of territorial self-government had been substantially extended in the course of the reform. It had started to act not just at the local (*gmins* and *povyats*), but at the regional level as well. The government at this level is represented by a *Voevoda*, and the self-government is represented by a *voevodstvo's Seimik*, headed by a Marshal. In essence, the *voevodstvo's* self-government had become an independent subject of regional policy, determining its own objectives and priorities of such a policy. Remaining a unitary state, Poland, very likely, had advanced most than any other country of the Central and Eastern Europe on the way to power decentralisation.

In practice, the “balance of powers” in implementation of the regional policy between the centre and *voevodstvos* is determined by proportions between own financial resources of self-governments and funds allocated to them from the central budget and off-the-budget funds. So far, these proportions has been formed not in favour of the territorial self-government, in spite of the process of decentralisation of public funds.

One of the major tools to overcome the contradiction indicated are the so-called *voevodstvo's* agreements (contracts), for which the already mentioned “Law On Principles of Support of Regional Development” of the year 2000 had become the legislative basis. First agreements with the bodies of *voevodstvo's* self-government had been signed in June of 2001 initially for the period by the end of 2002. The first version of the National Strategy for Regional Development for years 2001-2006 and the “Essential Principles of Support by the EU for years 2001 and 2002” (was extended for the year 2003) had served as their organisational and resource basis.

In the framework of these agreements, *voevodstvo's* bodies of self-government had acquired additional subsidies from the State budget for implementation of tasks, set by their strategies and programmes of development, co-ordinated with objectives and priorities of the government. The funds of the Phare (Phare-ESC and Phare Cross-border) programmes and attendant budget resources had also been used for these subsidies. *Voevodstvo's* agreements were, at the bottom of fact, a first attempt of financial planning of medium-term development programmes. They had covered practically the whole of the country, however, the largest amount of resources had been gained by – in accordance with principles and priorities of the State regional policy – those areas, which are at risk of social and economic marginalisation. Among them are also the neighbours of the Kaliningrad region (Podljaszki and Varminsko-Mazurski *voevodstvos*).

On the whole, about 1,1 billion Euro (i.e. 450 million Euro per year) had been allocated on implementation of contracts in years 2001-2003 from the budget. That is nearly 2 times over the total amount of funds, allocated in the framework of the Phare-CBC and Phare – ESC programmes for the same period..

New forms of implementation of their own regional policies by *voevodstvo's* authorities had emerged following Poland's accession to the European Union. We shall consider them on the pattern of one of the Kaliningrad region's neighbours - the Varminsko-Mazurski *voevodstvo*.

Its own Strategy of Social and Economic Development for the Year 2015 had been approved here in year 2000, which had become a basis for implementation of regional policy. It had laid a special emphasis on use of the major advantage of the region – its good environment and support of the three associated sectors of economy – agriculture, tourism and environmentally clean industrial manufacturing.

Based on the Strategy, a *voevodstvo's* Plan of Regional Development had been approved in 2004 for years 2004-2006. Its priorities and objectives had been linked with the major directions of the national regional policy. As a matter of fact, out of four of objectives of this plan three are somewhat developing the formulations of priorities of the Integral Programme of Regional Development (See Fig. 5), while just one of them is determined by the regional special features: "improvement of conditions for social and economic development of the region on border territories".

This specificity had been further developed also in that section of the *voevodstvo's* Plan of Regional Development, which activities should be funded at the expense of resources of the interregional co-operation initiative of the EU's INTERREG III A. The priorities for this section of the plan are:

- growth of competitiveness and labour productivity in the area of interregional co-operation on the basis of development of cross-border infrastructure, economic and scientific and technical co-operation;
- support of co-operation among peoples, social and cultural integration, labour market integration.

Its should be reminded that in the framework of implementation of the Integral Programme of Regional Development, the *Varminsko-Mazurski voevodstvo* may receive the largest amount of funds from the European Union calculated per capita of population. In absolute value, this amount is equal to 182 million Euro. Funding from the Cohesion Fund will also serve to the objectives of regional policy. In 2004 – 2006 the *voevodstvo* may receive 120 million Euro from it. Besides that, according to the component INTERREG III A the *voevodstvo* may receive 11,7 million Euro in the period of 2004 – 2006, including 9,0 million from the European Fund for Regional Development and 2,7 million from the State budget. The total amount of the INTERREG funds, allocated to Poland for this period, is represented in the Table 1.12. of attachment.

On the whole, it is planned to invest 712 million Euro in the framework of implementation of the regional policy in the *Varminsko-Mazurski voevodstvo* in the course of initial three years of Poland's membership in the European Union. The share of aid from the European Union in this amount will be equal to 75%, i.e. about 530 million Euro. 16% of the amount indicated should be delivered from the State budget. The rest of the amount – 5,6% or 40 million Euro should be recovered by regional and local bodies of self-government.

Proportions of sectoral distribution of resources of EU structural funds in the *Varminsko-Mazurski voevodstvo* will approximately correspond to their distribution according to priorities in Poland as a whole (See Table 2 in the previous section). So, 55,8 percent of funds are aimed at extension and modernisation of the infrastructure, ensuring growth of competitiveness (priority 1). Of which 25,4% are directed at modernisation and development of the transport network. 20,8% of funds are allocated on development of the economic basis and human resources (priority 2), and 22,4% - on measures of local development (priority 3).

In Lithuania, like in Poland, a rather harmonious system of regional planning at all levels had been formed. One of principles of ensuring its unity is to bring the all-national priorities to the lowest level of decision-making. The existing Plan of Regional Development (PRD) of the Klaipėdski district for years 2001-2006 may serve as an example. It is worth mentioning that a general plan of development of the region for a longer perspective (up to the year 2020) had been prepared simultaneously with it, titled "The Western Lithuania 2020".

In accordance with the National Development Plan (NDP) the following priorities had been identified in the Plan of the Klaipėdski district:

1. Development of small and medium-size business (corresponds to the part of the second priority of the NDP).
2. Development of agriculture and restructuring of the primary sector of economy (second national priority).
3. Employment and professional training, development of science and education (forth national priority "Development of human resources").
4. Development of chargeable services, tourism and recreation (second national priority).
5. Development of the system of social support (forth national priority).
6. Development of transport infrastructure (part of the third national priority).
7. Environment protection (part of the third national priority).

A *balanced development* has been declared as one of the major directions of the Plan for Regional Development of the Klaipėdski district. Its objectives are defined as follows:

- decentralisation of economic and urbanistic development. Thus, it is intended to restrict concentration of population and economic activity in the major centres of the region – Klaipėda and Palanga;
- mobilisation of indigenous capacities for economic development of the self-governments;
- integration of one of the areas of the district – Skuodasski – into the spatial structure of the region;
- environment protection on the non-urbanised territories;
- harmonisation of plans, objectives and projects of international co-operation of self-governments of the Klaipėdski district with development of the Baltic Sea region.

Objectives of economic development are:

- creation of favourable conditions for investments, maximal attraction of foreign and national investments, implementation of an independent investment policy in the region;
- creation of a favourable environment for development of small and medium-size business, especially in the area centres and rural areas;
- Development of transport entities, servicing the port;
- Development of an intensive, competitive agriculture only on the most fertile lands and supplying of residents with food and the industry with raw stuff;
- Development of industrial manufacturing, connected with the marine port and processing of the local raw materials;
- Development of tourism infrastructure, diversification of tourism and entertainment services, creation of conditions allowing the local residents, holiday-makers and tourists avail themselves of these services in accordance with their needs.

Objectives for development of quality of living:

- inducing the local communities to preserve the living environment;
- development of infrastructure, ensuring acceptable sanitary conditions for living;
- development of labour market in the rural areas and creation there of conditions for acquiring of skills in accordance with market demands;
- development of a system of social assistance, diversification of the network of public and private social institutions;
- development of a system of chargeable services and creation of opportunities for choosing them in the field of culture, social assistance, education, healthcare, transport and etc. depending on the needs and quality;
- ensuring of a convenient transport communication with all parts of the district;
- fostering of competition and private initiative in the field of education, culture, social protection and chargeable services.

Objectives of the system for environment:

- co-ordination of various needs of the region's development, establishment of an optimal system of land tenure, minimising damage to the environment;
- introduction of technological systems, reducing pollution of the air and surface waters;
- research of ecosystems and their evolution, introduction of efficient means of biological protection;
- perseverance of diversity and stability of landscapes without damage to development of agriculture and the social infrastructure;
- involvement of the public and economic subjects to protection of environment and cultural and historical heritage;

- accounting for and research of the region's cultural and historical heritage.

Objectives for development of technical infrastructure:

- decentralisation and demonopolisation of the engineering and municipal economy;
- provision of various quality services to residents and economic subjects;
- ensuring of a proper condition and technical requirements of the local roads;
- inclusion of infrastructure of local railways and inner water ways into the system of regional and international transport communications;
- fostering of competition and private initiative in the field of infrastructure and public utilities;
- regulating and ensuring of a stable functioning of systems of central water-supply, as well a collection of wastes in rural areas;
- creation of an efficient system of collection, use and utilisation of wastes;
- implementation of technical measures for prevention of floods;
- development of communication in rural areas, especially on flooded territories.

In 2001 its own Strategic Plan of Development was approved also at the bottom level of self-government – in the city of Klaipeda. It has determined 5 priorities:

1. Creation of jobs by means of attraction of investments and encouragement of entrepreneurial activity.

1.1. Creation of economic environment, favourable for development of industry, entrepreneurship and investment

1.2. Creation of favourable conditions for creation of jobs with a view to reduce the unemployment level by 5%.

2. Development of infrastructure for improvement of conditions for entrepreneurship, work and living.

2.1. Creation of an up-to-date, integrated, reliable system of urban communications and infrastructure facilities necessary for it.

2.2. An efficient use, modernisation and extension of engineering and public utilities infrastructure.

2.3. High quality of recreation infrastructure of the city and natural environment.

3. Enhancement of integration of the city and port.

3.1. A balanced development of the city and port, as well as an efficient use of port's capacities.

3.2. Ensuring of development of Klaipeda as an inter-modal transport juncture

4. Extension of the dwelling capacities and enhancement of its quality.

4.1. Maintenance and modernisation of the city's dwelling capacities.

4.2. Creation of conditions for improvement of dwelling conditions of the poor and provision of social assistance to them.

4.3. Development of dwelling capacities by means of attraction of private capital and entrepreneurial initiatives.

5. Development of education, science and culture.

5.1. Optimisation of the network of pre-school and educational institutions, improvement of its functioning with a view to satisfy residents' needs more comprehensively and to efficiently use resources of educational institutions.

5.2. Improvement of training facilities of the secondary education, introduction of advanced technologies of training with a view to develop an up-to-date educated society.

5.3. Strengthening of interaction between bodies of self-government and institutions of after-school education with a view to get ultimate use of their potential for the city's needs.

5.4. Enhancement of attractiveness of the city from the point of view of culture by means of creation of favourable conditions to meet various cultural needs.

In order to consider specific measures for implementation of the Strategic Plan of **Development** of Klaipeda one may consider the priority 3 "Strengthening of Integration of the City and Port" (a portion of measures has already been implemented). As it was indicated above, measures have been grouped according to three sub-priorities (objectives): 3.1. A balanced development of the city and port, as well as an efficient use of port's capacities and 3.2. Ensuring of development of Klaipeda as an inter-modal transport juncture. In its turn, attainment of objective 3.1. implies resolving of the following tasks:

3.1.1. Development of common (co-ordinated) development plans for the city and port;

3.1.3. Strengthening of urbanistic integration of the port (i.e. its integration into the urban environment);

3.1.2. Strengthening of influence of the city self-government of Klaipeda on processes of the port administering by means of forming of corresponding institutional and legal basis.

Among the measures, aimed at resolving of these tasks the following ones in particular had been included in the Strategic Plan: support of growth of transit freight flow via Klaipeda, reconstruction of urban territories around passenger and cruise terminals for the sake of servicing of tourists and seamen, improvement of architectural look of Klaipeda from the direction of sea.

Attainment of objective 3.2 "Ensuring of development of Klaipeda as an inter-modal transport juncture" has implied, in particular, implementation of the following measures: construction of access and by pass roads; assistance to creation of logistics centres; construction of terminals for passenger ferries, as well as access roads and parking lots necessary for them; development of lines of river transport, connecting Klaipeda with other Lithuanian cities and recreation centres.

One should pay his attention to the fact that implementation of many of the measures of the Strategic Plan, aimed at enhancement of Klaipeda's competitiveness as an inter-modal transport juncture, a large cargo and passenger port, may directly impact the Kaliningrad's competitiveness as well.

4. Prospects of development of border regions of Poland and Lithuania

Accession of countries of Central and Eastern Europe, including Poland and Lithuania, into the European Union had created critically new conditions and opportunities for implementation of their regional policies.

The planned acceleration of economic growth in these regions is substantially concerned with the a sharp increase of assistance by the European Union. In the course of preparatory period of 2000-2003 Poland had received 2,4 billion Euro from the EU (Phare, SAPARD, ISPA), which approximately corresponds to 0,4%-0,5% of country's GDP in average annual terms. In 2004-2006 this amount may increase up to 13,7 million Euro (2,7% of the Gross Domestic Product), including 9,6 billion from the structural funds of the European Union and about 4,2 billion from the Cohesion Fund.

However, according to opinions of many of experts, in the nearest ten years one should not expect any radical changes in the level of economic development of Poland.¹³ Anyhow, the gap diving Poland from the "old" members of the European Union will not disappear for this time. In order to make all that happen, it would be necessary to sustain average annual rates of economic growth at not less than 11% for the course of a few years. Even the Asian tigers could not manage that. Actually, rates of growth of the Polish economy – due to a number of factors – will be considerably lower: at the level of 4-5%.

In the "Long-Term Strategy of Economic Development of Lithuania for a Period up to Year 2015", developed by the Ministry of Economy of the country and the national academy of science in year 2002, it is envisaged that the gross national product should grow approximately in 2-2,5 times for the period indicated. In the optimistic scenario it is envisaged to achieve an average annual rates of growth equal to approximately 7%, and 5% in the pessimistic scenario. In the course of this time, the ratio between the average GDP per capita indicators in Lithuania and the European Union should increase by 50%. There are also more careful forecasts for rates of country's economic growth of – from 3% to 4%.

In these circumstances it is difficult to expect any radical changes in the level of development of border regions of Poland and Lithuania. Their lagging behind will hardly get reduced (especially of the

¹³ See. W.M.Orłowski, Prognoza zmian sytuacji społeczno-ekonomicznej Polski: horyzont 2006, 2010, 2013 -15. MGPPS, Warszawa, grudzień 2003.

poorest *voevodstvos* and districts) from the regions of the “old Europe”. Of course, admission to the European Union, assistance from the partners will allow to create prerequisites for acceleration of economic growth in a longer perspective. However, even positive experience of regional policy of the European Union itself testifies that it takes a lot of time to catch up with the leaders. For instance, lagging behind of the poorest districts of Portugal and Greece from the average level in the European Union had been reduced just by a few percents for the whole time of their EU membership.

An anxiety is being expressed in new member countries of the European Union regarding the capacity of regional authorities to participate in implementation of national programmes, to efficiently use the resources received and to independently carry out an effective policy of regional development.¹⁴ Some of worries are also concerned with the integrated decisions taken. So, in spite of the process of gradual decentralisation of public finances, *voevodstvos*' self-governments do not have a considerable resource base so far and should receive the main funding either from the centre, or from the bottom entities of self-government – *gmins*. The relations between representatives of the government – *Voevodas* and *voevodstvos*' bodies of self-government are often far from being ideal ones. Some experts believe that exuberant politicisation of the local administrative staff (with which they relate also an insufficient professional level of servants of self-governments), as well a practice of frequent resignations of *Voevodas*, connected with replacements of the cabinet of ministers often impede the strategic vision of the region's problems and implementation of corresponding policies. At the same time it should be noted that the two coming years (2005-2006) are the period for final adaptation of regional authorities of countries – new members of the European Union to new rules of the game. One will be able to say more definitely about their achievements and failures only after beginning of a new cycle of planning of the regional policy in the European Union, which covers period of years 2007-2013.

5. Conclusions and Recommendations

Research of the districts of Poland and Lithuania bordering with the Kaliningrad region has a two-fold and a very critical importance for the region.

Firstly, many of problems of the Kaliningrad region and its Polish and Lithuanian neighbours are quite similar. The ways to resolve them may also be similar. Of course, capacities to carry out regional policies are different in Russia and new countries of the European Union. The matter is not just about capacities of its resource provision, but it also concerns the fact that Polish and Lithuanian regions had become objects and subjects of regional policy of the European Union, which has accumulated considerable positive experience on this way. New EU members have received, in particular, what Russia is strongly lacking: a modern and integrated – in the true sense of the word – approach to regional policy. The matter concerns, first of all, a worked through mechanisms of consistent co-ordination of regional and sectoral development programmes, programmes of territorial development (administrative and territorial entities) of various ranks.

Nevertheless, it is necessary to study the already existing and prospective experience of resolving of problems by the Polish and Lithuanian border regions and apply its substantial part in the Kaliningrad region.

Secondly, development of neighbouring districts of Poland and Lithuania will inevitably seriously impact, both negatively and positively, the Kaliningrad region. On the one hand, competitiveness of neighbours may get increased considerably in sectors, where the Kaliningrad region itself is specialising or may get specialised. On the other hand, development of Polish and Lithuanian border regions may create new impulses for development of the Kaliningrad region as well.

In this concern it seems to be necessary:

1. To carry out monitoring of development of social and economic and political situation in border districts of Poland and Lithuania. Its objectives should be:

a) timely reacting on changes of situation in the Polish and Lithuanian border districts, which create new opportunities and threats for development of the Kaliningrad region;

b) identification of positive and negative elements in experience of regional policy in border districts of Poland and Lithuania with a view to use it or to take it into account in the Kaliningrad region;

¹⁴ See, for instance, T.G.Grosse. Ocena stanu przygotowania administracji regionalnej do udziału we wdrażaniu i zarządzaniu Zintegrowanym Programem Operacyjnym Rozwoju Regionalnego. „Studia Regionalne i Lokalne”, 2004, № 1.

2. To develop a system of adequate measures, which are designed to compensate for existence of new border barriers, dividing the Kaliningrad region from its foreign neighbours. Its general objective should be strengthening of contact functions of the Russian-Polish and Russian-Lithuanian border districts, as well as the Kaliningrad region as a whole.

3. To pay attention on the experience and new trends in collaboration of bodies of state power and the local self-government at the level of large regions – Polish *voevodstvos* (in Lithuania there are no similar regions), as well as bodies of self-government of various levels. In this context, especial interest is represented by division of functions between the representative of the government – *Voevoda* and bodies of self-government.

1. REPUBLIC OF POLAND

Table 1.1. Main Social and Economic Indicators for Poland in 1997-2003

	1997	1998	1999	2000	2001	2002	2003 ¹⁾
Number of population as by the end of the year (thousand. people)	38660	38667	38654	38254	38242	38219	38191
Number of employed in the national economy (thousand people)	16229	16174	15919	15489	14996	14698	14550
Number of unemployed registered (thousand people)	1826	1831	2350	2703	3115	3217	3290
Share of unemployed in the economically active population (in %)	10,2	10,6	15,3	16,0	18,5	19,7	20,0
Average annual pay-roll salary (Zlotys)	1 062	1 239	1697	1894	2045	2098	2201
Average annual old-age pension except for the agriculture (Zlotys)	643	732	814	875	972	1039	1092
Average annual currency rate (Zlotys for 100 ECU/Euro)	422,7	401,1	366,85	385,57	439,78
Average annual currency rate (Zlotys for 100 US dollars)	328,85	352,56	396,75	434,64	409,39	407,95	388,89
Volume of cargo transportation by all types of transport (million tonnes)	1407	1360	1329	1348	1317	1241	...
Freight turnover by sea ports (thousand tonnes)	50985	50996	49679	47871	47754	48966	51748
Export (million US dollars)	25751	28229	27407	31651	36092	41010	53728
Import (million US dollars)	42308	47054	45911	48940	50275	55113	69177
Foreign trade balance (million US dollars)	-16557	-18825	-18504	-17289	-14183	-14103	-14449

Source: data of the Main Department for Statistics of Poland.

¹⁾ preliminary data

Table 1.2. Indexes of Major Economic Indicators for Poland in 1997-2003
(percentage to previous year)

	1997	1998	1999	2000	2001	2002	2003
Gross National Product	106,8	104,8	104,1	104,0	101,0	101,4	103,7
Investments in Basic Capital	121,7	114,2	106,8	102,7	91,2	94,2	99,1
Industrial Output	111,5	103,5	103,6	106,7	100,6	101,1	103,9
Agricultural Output	99,8	105,9	94,8	94,4	105,8	98,1	98,6
Volume of Construction and Assembling Works	117,1	111,0	109,4	101,4	88,3	95,9	...
Retail Trade Turnover	106,8	102,6	104,0	101,0	100,2	101,9	...
Prices for Consumer Goods	114,9	111,8	107,3	110,1	105,5	101,9	100,8
Prices of Manufactures of Industrial Products	112,2	107,3	105,7	107,8	101,6	101	102,6
Prices of Producers in Construction	114,2	112,9	108,6	107,9	103,8	101,2	98,9
Real Salary	105,9	103,3	104,7	101	102,5	100,7	104,1
Export	113,7	109,4	102,0	125,3	111,8	108,3	...
Import	122,0	114,6	104,4	110,8	103,2	107,3	...

Source: data of the Main Department for Statistics of Poland.

Table 1.3. GDP calculated per capita of population in respect of voevodstvos in 2002

Voevodstvo	In thousand Zlotys	Ratio with the average indicator for the country
Poland as a whole	18,4	100,0%
Mazovetski	27,4	148,9%
Silezski	20,4	110,9%
Velikopolski	19,6	106,5%
Nizhnesilezski	19,2	104,3%
Zapadnopomorski	18,6	101,1%
Pomorski	18,6	101,1%
Lodzinski	16,7	90,8%
Ljubuski	16,7	90,8%
Malopolski	16,5	89,7%
Kujavsko-Pomorski	16,5	89,7%
Opolski	15,6	84,8%
Sventokshiski	14,3	77,7%
Varminsko-Mazurski	13,9	75,5%
Podljasski	13,7	74,5%
Podkarpatski	13,1	71,2%
Ljublinski	12,8	69,6%

Source: data of the Main Department for Statistics of Poland.

Note: The voevodstvos are ranked in an order of declining indicators. The voevodstvos bordering with the Kaliningrad region are marked in colour..

Table 1.4. The Value-Added Calculated Per 1 Employed in Economic Sectors in respect of voevodstvos in 1999 r. (Poland as a whole = 100)

Voevodstvo	I	II	III	IV	V	As a whole
Mazovetski	127,0	121,5	120,0	126,0	114,1	131,6
Pomorski	143,5	110,1	105,9	94,5	101,3	115,6
Nizhnesilezski	131,4	104,0	98,3	103,1	100,3	114,5
Zapadnopomorski	222,4	102,4	95,3	95,3	103,5	114,0
Silezski	96,3	98,6	92,4	99,3	95,1	113,7
Velikopolski	177,7	101,4	106,1	94,7	99,4	103,3
Ljubuski	186,3	92,7	100,1	87,8	95,1	103,3
Kujavsko-Pomorski	104,5	93,9	96,2	91,3	97,4	95,2
Varminsko-Mazurski	168,4	88,4	93,6	85,8	96,9	92,8
Opolski	103,2	100,0	101,0	86,0	100,4	91,8
Lodzinski	86,0	88,1	89,8	98,6	97,9	90,0
Malopolski	48,5	104,7	85,1	87,8	98,2	83,5
Podljasski	91,1	84,3	94,9	91,8	98,7	73,8
Sventokshiski	66,4	90,7	118,9	88,0	95,3	70,7
Ljublinski	72,2	81,7	91,6	93,4	93,2	65,4
Podkarpatski	43,4	87,9	87,4	85,3	93,1	65,1

Source: Produkt Krajowy Brutto według województw, GUS/US w Katowicach, 2000 r.

Note: the following sectors are marked by the Roman numerals: I – agriculture and forestry, hunting and fishing; II – industry, III – construction, IV – market services, V – non-market services. The voevodstvos are ranked in an order of declining indicators in the last column.

Table 1.5. Structure of Employment in Respect of Economic Sectors in Voevodstvos in 2002

	Industry	Agriculture	Services
Poland as a whole	20,1	31,6	48,3
Nizhnesilezski	10,0	35,5	54,6
Kujavsko-Pomorski	18,6	33,1	48,3
Ljublinski	39,8	20,5	39,7
Ljubuski	10,3	35,4	54,4
Lodzinski	18,7	34,2	47,1
Malopolski	23,5	29,8	46,7
Mazovetski	19,1	24,6	56,3
Opolski	18,2	36,4	45,5
Podkarpatski	31,8	31,0	37,2
Podljasski	37,5	21,1	41,4
Pomorski	9,5	34,9	55,5
Silezski	7,0	40,7	52,3
Sventokshiski	30,8	27,4	41,7
Varminsko-Mazurski	19,1	31,1	49,8
Velikopolski	19,9	36,1	44,0
Zapadnopomorski	8,3	33,7	58,0

Source: Rocznik statystyczny województw 2003, Główny Urząd Statystyczny (GUS).

Table 1.6. The Unemployment Level in Respect of Voevodstvos in the IV quarter of 2002

	Unemployment Level	The share of protractedly unemployed (12-24 months) in the total number of unemployed registered	The share of protractedly unemployed (over 24 months) in the total number of unemployed registered
Poland as a whole	19,7%	20,4%	30,8%
Malopolski	16,1%	20,0%	29,3%
Ljublinski	16,6%	20,8%	33,3%
Mazovetski	16,9%	21,6%	33,2%
Opolski	17,5%	19,1%	29,6%
Podljasski	17,7%	18,8%	33,0%
Velikopolski	18,2%	21,2%	26,7%
Podkarpatski	18,4%	18,1%	37,0%
Sventokshiski	18,7%	19,7%	34,4%
Silezski	18,8%	20,6%	27,0%
Lodzinski	19,5%	20,7%	33,4%
Kujavsko-Pomorski	21,6%	19,0%	32,8%
Pomorski	21,9%	21,8%	28,4%
Varminsko-Mazurski	24,8%	19,7%	34,6%
Ljubuski	25,9%	19,9%	26,8%
Zapadnopomorski	25,9%	20,9%	28,8%
Nizhnesilezski	27,2%	20,4%	27,5%

Source: data of the Main Department for Statistics of Poland.

Note: The voevodstvos are ranked in the order of growing indicator in the first column.

Table 1.7. Average Annual Salary in Respect of Voevodstvos in October of 2002

Voevodstvos	Average monthly salary		Ratio between salaries earned by women and men
	In thousand Zlotys	Poland = 100	
Poland as a whole	2 118,75	100,00	84,50
Mazovetski	2 968,52	133,10	81,25
Silezski	2 316,90	103,90	73,85
Pomorski	2 296,67	103,00	82,39
Zapadnopomorski	2 174,51	97,50	87,11
Opolski	2 162,96	97,00	83,50
Velikopolski	2 146,41	96,30	83,41
Malopolski	2 090,61	93,80	83,07
Varminsko-Mazurski	2 030,70	91,10	86,01
Nizhnesilezski	2 023,60	90,80	87,76
Sventokshiski	2 008,11	90,10	85,71
Kujavsko-Pomorski	2 001,52	89,80	87,82
Ljubuski	1 946,20	87,30	87,26
Lodzinski	1 942,32	87,10	86,94
Ljublinski	1 936,74	86,90	84,84
Podljascki	1 929,48	86,50	87,28
Podkarpatski	1 924,77	86,30	88,82

Source: Struktura wynagrodzeń wg zawodów w październiku 2002 roku, GUS, 2003 rok..

Note: The voevodstvos are ranked in the order of declining indicator in the first column.

Table 1.8. Some Indicators of Entrepreneurial Activity in 2001 in respect of voevodstvos

Voevodstvos	Number of ASMEs per 1000 residents	The total number of SMEs	SMEs registered	SMEs liquidated	Net increase of the number of SMEs, %	Investments per 1 SME, Zlotys
Poland as a whole	43	3 368 367	364 859	232 719,0	3,9	27 178
Zapadnopomorski	52	188 285	21 742	15 930	3,1	18 397
Mazovetski	50	542 263	49 357	23 924	4,7	65 492
Velikopolski	50	309 814	34 531	23 491	3,6	27 393
Pomorski	48	215 277	25 187	19 239	2,8	21 199
Nizhnesilezski	45	285 963	29 833	19 536	3,6	27 110
Lodzinski	45	230 087	25 413	16 746	3,8	23 626
Malopolski	43	271 758	29 107	13 238	5,8	17 370
Kujavsko-Pomorski	42	175 394	18 623	12 258	3,6	16 848
Silezski	41	412 115	44 492	32 141	3,0	18 692
Ljubuski	41	92 773	11 260	7 755	3,8	27 300
Varminsko-Mazurski	39	103 269	13 979	12 078	1,8	15 721
Sventokshiski	34	95 329	11 624	4 972	7,0	14 469
Opolski	34	81 561	8 526	4 209	5,3	16 872
Ljublinski	33	141 613	17 574	11 538	4,3	15 330
Podljascki	32	89 608	9 538	5 555	4,4	14 064
Podkarpatski	31	133 258	14 073	10 109	3,0	13 776

Source: Polish Agency for Development of Entrepreneurship (Polska Agencja Rozwoju Przedsiębiorczości – PARP), 2003.

Note: SMEs – small and medium-size enterprises, ASMEs – actively operating SMEs. The voevodstvos are ranked in the order of declining indicator in the first column.

Table 1.9. The Educational Level of Persons Aged between 25 and 59 years in 2001

	The educational level of persons aged between 25 and 59 years, percentage to the population	
	high	low
15 EU countries	34.2	22.3
10 candidate countries	17.2	14.2
Poland as a whole	17.0	12.3
Nizhniesilezski	15.8	12.7
Kujawsko-Pomorski	20.0	9.4
Ljublinski	19.3	13.6
Ljubuski	13.9	11.2
Lodzinski	19.1	12.3
Malopolski	15.6	14.1
Mazovetski	15.9	15.5
Opolski	15.9	10.0
Podkarpatski	15.6	10.8
Podljascki	22.4	12.9
Pomorski	17.3	12.7
Silezski	13.6	9.4
Sventokshiski	21.9	9.6
Varminsko-Mazurski	23.6	9.8
Velikopolski	15.5	10.0
Zapadnopomorski	18.9	13.0

Source: Eurostat (REGIO, LFS), DG REGIO.

Table 1.10. Some Indicators of the State of Environment in the Regions

Voevodstvos	Population covered by sewage treatment, %	SO ₂ emission, thousand tonnes	Waste products, except for the municipal ones, thousand tonnes	The weight of specially protected natural territories, %
Nizhniesilezski	68,6	72,6	32363,5	20,1
Kujawsko-Pomorski	37,8	35,4	3096,9	31,1
Ljublinski	47,8	21,8	4242,6	22,7
Ljubuski	59,0	6,0	846,5	36,1
Lodzinski	57,5	256,3	5807,8	16,3
Malopolski	47,0	65,0	10004,5	58,0
Mazovetski	41,0	131,0	4383,5	29,6
Opolski	49,4	18,0	2510,1	27,1
Podkarpatski	40,4	15,9	1349,2	47,9
Podljascki	55,0	6,2	717,8	31,0
Pomorski	73,4	26,7	1976,1	32,5
Silezski	61,0	152,3	46844,7	22,1
Sventokshiski	40,2	48,7	1913,9	50,2
Varminsko-Mazurski	62,4	7,4	459,6	53,6
Velikopolski	52,5	28,6	3650,8	31,3
Zapadnopomorski	68,6	72,6	32363,5	20,1
Poland as a whole	53,1	1040,2	125484,1	32,5

Source: Ochrona środowiska 2001, GUS, Warszawa

Table 1.11. Distribution of the Phare Funds According to Voevodstvos in 2000 – 2003

Voevodstvos	The Phare funds on the whole		The Phare funds calculated per 1 resident	
	Million Euro	%	Euro	Poland = 100
Ljubuski	70,8	8,1	69,1	307,4
Podljascki	82,5	9,5	67,5	300,3
Ljublinski	128,2	14,7	57,4	255,3
Zapadnopomorski	76,4	8,8	44,1	196,0
Varminsko-Mazurski	59,4	6,8	40,4	179,8
Podkarpatski	78,3	9,0	36,8	163,6
Sventokshiski	30,9	3,6	23,4	103,8
Nizhnesilezski	67,1	7,7	22,6	100,3
Opolski	20,9	2,4	19,2	85,6
Kujavsko-Pomorski	35,6	4,1	17,0	75,4
Silezski	79,3	9,1	16,4	72,8
Lodzinski	43,2	5,0	16,3	72,6
Malopolski	40,1	4,6	12,4	55,2
Pomorski	24,9	2,9	11,3	50,3
Mazovetski	19,2	2,2	3,8	16,8
Velikopolski	12,4	1,4	3,7	16,4
Poland as a whole	869,0	100,0	22,5	100,0

Source: Zintegrowany Program Operacyjny Rozwoju Regionalnego (ZPORR), Warszawa, 2004

Note: The voevodstvos are ranked in the order of declining indicator in the last column.

The Phare funds include the ESC – the funds of the Economic and Social Cohesion Programme and the CBC – funds of the Cross-Border Co-operation Programme of the Phare Crossborder, including funds of the “Easter Border” integral programme.

Table 1.12. The INTERREG Funds, Allocated for Projects of Development of Cross-Border Co-operation, in which Poland takes part (in Euro)

	2004-2006	2004	2005	2006
INTERREG IIIA	177 086 753	49 462 809	56 037 865	71 586 079
Poland - Meklenburg	29 942 930	8 363 479	9 475 231	12 104 220
Poland – Branderburg	30 048 271	8 392 903	9 508 565	12 146 803
Poland – Saxonia	26 610 520	7 432 691	8 420 713	10 757 116
Poland – Czech Republic	18 002 947	5 028 475	5 696 907	7 277 565
Poland – Slovakia	10 501 719	2 933 277	3 323 196	4 245 246
Poland – Lithuania – Russian Federation (Kaliningrad Region)	24 161 496	6 748 644	7 645 736	9 767 116
Poland – Ukraine - Byelorussia	37 818 870	10 563 340	11 967 517	15 288 013
INTERREG IIIB	30 990 182	8 655 992	9 806 626	12 527 564
BSR	18 594 109	5 193 595	5 883 976	7 516 538
CADSES	12 396 073	3 462 397	3 922 650	5 011 026
INTERREG IIIC	13 281 506	3 709 724	4 202 811	5 368 971
“The North” Area	3 597 452	984 217	1 131 844	1 481 391
“The East” Area	8 394 054	2 296 507	2 640 967	3 456 580
ESPO	160 000	53 000	53 000	54 000
INTERACT	1 130 000	376 000	377 000	377 000
Total:	221 358 441	61 828 525	70 047 302	89 482 614

Source: Eurostat.

2. LITHUANIAN REPUBLIC¹⁵

Table 2.1. Major Social and Economic Indicators for Lithuania in 1997-2003

	1997	1998	1999	2000	2001	2002	2003
Number of population as by the beginning of the year (thousand people)	3588,0	3562,3	3536,4	3512,1	3487,0	3475,6	3462,5 ¹⁾
Number of employed in the national economy (thousand people)	1570,7	1489,4	1456,5	1397,8	1351,8	1405,9	1438,0
Number of unemployed (thousand people)	257,2	226,7	249,0	273,7	284,0	224,4	203,9
Number of unemployed registered (thousand people)	104,5	113,7	148,7	204,9	223,5	198,4	167,0
Share of unemployed in the economically active population (in %)	14,1	13,2	14,6	16,4	17,4	13,8	12,4
Average annual salary paid out (Lits)	577	684	722	692	699	728	776
Average annual old-age pension (Lits)	243	288	310	313	318	323	341
Gross Domestic Product (million Euro)	8727	9876	10177	12362	13512	14925	16142
GDP per capita (Euro)	3308	3576	3536	3702	3964	4248	4677
Volume of cargo transportation by all types of transport (million tonnes)	117,1	115,1	101,3	109,1	115,1	116,6	130,6
Freight turnover by sea ports (thousand tonnes)	16131	15016	15655	22724	22359	25816	31908
Export (million Euro)	4476	4302	3483	4417	5314	5581	6395
Import (million Euro)	6544	6717	5605	6326	7366	8279	8686
Foreign trade balance (million Euro)	-2068	-2415	-2122	-1909	-2052	-2698	-2291

¹⁾ as by January 1, 2004 - 3445,7 thousand people

Table 2.2. Indexes of Major Economic Indicators for Lithuania in 1997-2003
(percentage to previous year)

	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product	107,0	107,3	98,2	104,0	106,5	106,8	109,0
Industrial Output	103,3	108,2	88,8	102,2	116,0	103,1	116,1
Agricultural Output	109	95	86	105	95	108	102
Volume of Construction Works	117,2	115,9	89,5	82,2	107,5	121,8	116,0
Retail Trade Turnover	...	108,8	93,0	114,7	103,3	108,1	111,1
Inflation (December to December)	8,4	2,4	0,3	1,4	2,0	-1,0	-1,3
Prices of Manufactures of Industrial Products	106,0	96,1	101,7	116,0	97,0	97,2	99,5
Prices of Producers in Construction	109,8	105,5	102,2	100,9	99,5	100,0	101,0
Real Salary	113,4	112,8	104,9	94,9	99,7	103,8	107,8
Export	115,1	96,1	81,0	126,8	120,3	110,7	108,7
Import	123,8	102,6	83,4	112,9	116,4	112,4	104,9

¹⁵ If otherwise not specified, the statistical tables for the Lithuanian Republic are drawn up on the basis of data of the Department for Statistics of Lithuanian Republic

Table 2.3. Square, number and density of population in respect of districts

	Number of population (people)			Square, sq. km	Density of population people/sq.km
	on 1 of January		Average annual		
	2002	2003	2002		
Lithuania	3475586	3462553	3469070	65300	53
<i>including districts</i>					
Alitusski	187397	186340	186869	5425	34,3
Vilniuski	848890	848090	848490	9731	87,2
<i>City of Vilnius</i>	553373	553232	553302	401	1379,6
Kaunasski	699314	696143	697728	8089	86,1
<i>City of Kaunas</i>	376575	373671	375123	157	2380,1
Klaipedski	385008	383945	384477	5209	73,7
<i>City of Klaipeda</i>	192498	191624	192061	98	1955,3
Marijampolski	188298	187607	187952	4463	42
Panevezhesski	298958	297521	298240	7881	37,8
Tauragski	134051	133473	133762	4411	30,3
Telshyaiski	179599	179137	179368	4350	41,2
Utenski	184879	183131	184005	7201	25,4
Shauljaiski	369192	367166	368179	8540	43

Note: the districts bordering with the Kaliningrad region are marked in colour.

Table 2.4. Major Demographic Indicators in Respect of Districts (people)

	Born	Died	Natural increase	Arrived	Departed	Migration balance
Lithuania	30516	41028	-10512	61157	67461	-6304
urban	19065	23102	- 4037	35992	47762	-11770
rural	11451	17926	-6475	25165	19699	5466
<i>including districts</i>						
Alitusski	1635	2312	-677	3194	4053	-859
Kaunasski	6067	8004	-1937	11944	14691	-2747
Klaipedski	3474	4066	-592	7375	7527	-152
Marijampolski	1889	2397	-508	2815	3188	-373
Panevezhesski	2555	3751	-1196	5166	6313	-1147
Shauljaiski	3240	4414	-1174	5926	7835	-1909
Tauragski	1312	1744	-432	2113	2403	-290
Telshyaiski	1739	2124	-385	3654	4271	-617
Utenski	1361	2681	-1320	3433	4125	-692
Vilnusski	7244	9535	-2291	15537	13055	2482

Table 2.5. Number of Employed in Economy in Respect of Districts (in thousand people)

	2000	2001	2002
Lithuania	1397,8	1351,8	1405,9
<i>including districts</i>			
Alitusski	67,2	66,7	67,3
Kaunasski	273,4	273,4	287,1
Klaipedski	160,7	154,8	159,6
Marijampolski	73,1	65,2	77,5
Panevezhesski	122,6	118,9	119,6
Shauljaiski	146,6	136,5	140,6
Tauragski	56,4	48,4	54,8
Telshyaiski	70,4	63,9	71,0
Utenski	66,7	71,8	70,6
Vilnusski	360,7	352,2	357,8

Table 2.6. The Unemployment Level in Respect of Districts (annual average, percentage)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Lithuania	6,1	7,1	5,9	6,4	8,4	11,5	12,5	11,3	10,3
<i>including districts</i>									
Vilnusski	5,3	7,3	6,5	5,7	6,8	9,2	10,0	8,7	7,6
Kaunasski	4,9	5,6	4,2	4,6	6,4	9,2	9,7	8,8	8,5
Klaipėdski	6,6	6,9	4,9	5,1	7,1	10,0	11,0	10,0	9,8
Utenski	6,4	6,9	6,7	7,0	8,2	10,7	12,0	11,0	10,4
Shauljaiski	7,1	7,1	6,8	9,0	12,5	16,3	16,5	14,2	11,8
Panevezhesski	6,0	6,3	6,1	7,6	10,5	14,6	16,4	15,5	13,3
Marijampolski	5,6	5,9	5,9	8,0	11,2	15,0	16,9	14,8	13,5
Alitusski	8,5	9,0	7,2	8,6	9,8	13,7	15,8	14,2	13,9
Tauragski	12,6	12,0	8,3	8,8	10,9	15,1	16,2	14,6	14,0
Telshyaiski	7,4	7,4	5,0	6,4	9,1	13,0	15,7	15,9	14,4

Source: data of the National Labour Registry Office

Note: the districts are ranked by increasing indicator for 2003

Table 2.7. Average Monthly Salary in Respect of Districts (in Lits)

	1996	1997	1998	1999	2000	2001	2002	2003
Lithuania	618	778	930	987	971	982	1014	618
<i>including districts</i>								
Vilnusski	700	880	1063	1138	1118	1145	1180	700
Utenski	690	831	981	1031	1011	1037	1069	690
Klaipėdski	651	799	948	993	976	966	993	651
Telshyaiski	612	781	935	1007	982	940	983	612
Kaunasski	588	736	864	914	885	909	937	588
Panevezhesski	555	719	850	879	887	879	899	555
Alitusski	541	698	842	887	849	862	882	541
Shauljaiski	528	674	805	811	800	801	825	528
Marijampolski	494	622	753	770	786	780	805	494
Tauragski	469	603	720	793	766	754	761	469

Note: the districts are ranked by declining indicator for 2003.

Table 2.8. Gross Domestic Product Calculated Per Capita in Respect of Districts
(as compared to the average level in the country)

	1997	1998	1999	2000	2001	2002
Lithuania	100,0	100,0	100,0	100,0	100,0	100,0
<i>including districts</i>						
Vilnusski	120,1	129,4	132,5	134,0	137,3	143,6
Klaipėdski	109,5	107,9	108,9	113,0	110,2	108,7
Kaunasski	100,1	98,7	97,9	96,1	97,8	94,9
Panevezhesski	99,7	94,9	88,2	89,9	88,5	85,8
Telshyaiski	85,3	85,4	85,8	85,3	86,7	83,4
Utenski	92,2	89,7	91,9	83,3	82,8	81,4
Alitusski	84,0	81,8	84,4	81,2	79,5	76,8
Shauljaiski	88,4	80,1	79,4	77,2	73,9	73,4
Marijampolski	80,1	77,9	69,0	72,7	67,0	66,4
Tauragski	59,0	55,7	59,2	60,8	59,9	57,3

Note: the districts are ranked by declining indicator for 2002

Table 2.9. The Weight of Districts in the Gross Domestic Product of Lithuania

	1997	1998	1999	2000	2001	2002
Lithuania	100,0	100,0	100,0	100,0	100,0	100,0
<i>including districts</i>						
Vilnusski	29,2	31,4	32,3	32,7	33,5	35,1
Kaunasski	20,2	19,9	19,7	19,4	19,7	19,1
Klaipedski	12,0	11,9	12,0	12,5	12,2	12,0
Shauljaiski	9,4	8,5	8,5	8,2	7,9	7,8
Panevezhesski	8,7	8,2	7,6	7,7	7,6	7,4
Utenski	5,0	4,9	4,9	4,5	4,4	4,3
Telshyaiski	4,4	4,4	4,4	4,4	4,5	4,3
Alitusski	4,6	4,4	4,6	4,4	4,3	4,1
Marijampolski	4,3	4,2	3,7	3,9	3,6	3,6
Tauragski	2,3	2,1	2,3	2,3	2,3	2,2

Note: the districts are ranked by declining indicator for 2002

Table 2.10. The Industrial Output Sold in Respect of Districts
(without taking the VAT and excise-duty into account, in million Lits)

	1997	1998	1999	2000	2001	2002
Lithuania	16662	17294	15892	18544	21997	22168
<i>including districts</i>						
Telshyaiski	3748	3672	2706	4609	5814	5177
Kaunasski	3466	3550	3532	3717	4096	4337
Vilnusski	2582	2937	3107	3228	4112	4138
Klaipedski	1887	2264	2056	2324	2631	2672
Panevezhesski	1720	1668	1590	1756	1986	2026
Shauljaiski	1021	1023	898	884	1029	1239
Alitusski	987	980	849	780	831	879
Utenski	534	538	577	570	552	763
Marijampolski	602	552	471	501	712	679
Tauragski	115	110	106	175	234	258

Note: the districts are ranked by declining indicator for 2002

Table 2.11. The Weight of Districts in the Industrial Output Sold
(percentage)

	1997	1998	1999	2000	2001	2002
Lithuania	100	100	100	100	100	100
<i>including districts</i>						
Telshyaiski	22,5	21,2	17,0	24,9	26,4	23,4
Kaunasski	20,8	20,5	22,2	20,0	18,6	19,6
Vilnusski	15,5	17,0	19,6	17,4	18,7	18,7
Klaipedski	11,3	13,1	12,9	12,5	12,0	12,0
Panevezhesski	10,3	9,6	10,0	9,5	9,0	9,1
Shauljaiski	6,2	5,9	5,7	4,8	4,7	5,6
Alitusski	5,9	5,7	5,3	4,2	3,8	3,9
Utenski	3,2	3,1	3,6	3,1	2,5	3,4
Marijampolski	3,6	3,2	3,0	2,7	3,2	3,1
Tauragski	0,7	0,7	0,7	0,9	1,1	1,2

Note: the districts are ranked by declining indicator for 2002.

Table 2.12. Investments in the Basic Capital in Respect of Districts (in thousand Lits)

	1997	1998	1999	2000	2001	2002
Lithuania	5488	6834	6310	6553	7824	8124
<i>including districts</i>						
Vilnusski	1908044	2198059	2502666	2598507	3656716	3247801
Kaunasski	763614	1050596	1052822	1401555	1274287	1469597
Klaipedski	977465	1369200	690000	847159	1044961	1004751
Panevezhesski	371333	479642	396002	363262	448915	507874
Shauljaiski	303639	381316	296607	308920	314323	456003
Telshyaiski	383837	391647	503425	321998	243052	357340
Alitusski	154347	230183	260433	208272	201177	277369
Utenski	277089	289638	268631	188332	217296	255262
Marijampolski	128592	146438	146914	138100	146367	243290
Tauragski	49811	46255	35921	55559	90913	122279

Note: the districts are ranked by declining indicator for 2002

Table 2.13. Foreign Direct Investments (FDI) and the Number of Enterprises with Foreign Participation in Respect of Districts

(as by the January 1, in million Lits and units correspondingly)

	2000		2001		2002		2003	
	FDI	Enterprises	FDI	Enterprises	FDI	Enterprises	FDI	Enterprises
Lithuania	8252,12	1718	9337,26	1788	10661,93	1953	13183,80	2260
<i>including districts</i>								
Vilnusski	5126,59	820	5982,18	834	6988,01	918	8489,21	1088
Kaunasski	1042,48	412	1211,08	443	1310,55	461	1573,40	528
Klaipedski	1037,77	276	1145,33	274	1294,61	283	1361,86	307
Telshyaiski	166,03	18	85,97	14	17,10	21	555,71	27
Panevezhesski	382,69	44	381,54	48	453,06	59	459,82	69
Utenski	95,22	12	109,27	17	204,97	28	335,27	28
Shauljaiski	143,79	61	155,25	69	165,85	78	179,10	98
Alitusski	211,89	39	218,37	46	146,99	49	141,24	57
Marijampolski	20,86	19	26,74	27	61,26	36	73,62	38
Tauragski	24,80	17	21,53	21,53	20	19,52	14,55	20

Note: the districts are ranked by declining Foreign Direct Investments indicator for 2003.

Table 2.14. Turnover of Retail Trade and Public Catering (in million Lits)

	1997	1998	1999	2000	2001	2002
Lithuania	5488	6834	6310	6553	7824	8124
<i>including districts</i>						
Vilnusski	1908044	2198059	2502666	2598507	3656716	3247801
Kaunasski	763614	1050596	1052822	1401555	1274287	1469597
Klaipedski	977465	1369200	690000	847159	1044961	1004751
Panevezhesski	371333	479642	396002	363262	448915	507874
Shauljaiski	303639	381316	296607	308920	314323	456003
Telshyaiski	383837	391647	503425	321998	243052	357340
Alitusski	154347	230183	260433	208272	201177	277369
Utenski	277089	289638	268631	188332	217296	255262
Marijampolski	128592	146438	146914	138100	146367	243290
Tauragski	49811	46255	35921	55559	90913	122279

Note: the districts are ranked by declining indicator for 2002

Table 2.15. Export of Goods, Manufactured in Lithuania in Respect of Districts

	1999		2000		2001		2002	
	Million Lits	%%	Million Lits	%%	Million Lits	%%	Million Lits	%%
Export of goods – total	12015,2	100,0	15237,5	100,0	18332,0	100,0	20290,7	100,0
Including manufactured in Lithuania	9318,1	77,6	12176,7	79,9	14355,2	78,3	15511,0	76,4
Telshyaiski	1456,8	12,1	3007,2	19,7	4070,8	22,2	3643,1	18,0
Kaunasski	2288,2	19,0	2567,8	16,9	2637,1	14,4	2776,8	13,7
Vilnusski	1796,1	14,9	1913,9	12,6	2436,6	13,3	2751,4	13,6
Klaipėdski	928,1	7,7	1454,5	9,5	1665,8	9,1	2677,0	13,2
Panevezhesski	1078,7	9,0	1250,3	8,2	1276,6	7,0	1374,2	6,8
Shauljaiski	564,8	4,7	647,3	4,2	754,7	4,1	780,9	3,8
Alitusski	558,3	4,6	598,8	3,9	634,6	3,5	660,6	3,3
Utenski	302,2	2,5	350,7	2,3	393,2	2,1	373,4	1,8
Marijampolski	277,7	2,3	299,8	2,0	376,6	2,1	373,4	1,8
Tauragski	67,1	0,6	86,4	0,6	108,9	0,6	100,3	0,5

Note: the districts are ranked by declining indicator for 2002.

Table 2.16. Revenues and Expenditures of Municipal Budgets According to Districts (in million Lits)

	Revenues		Of which						Expenditures	
			Tax revenues		Non-tax revenues		Revenues on capital			
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Lithuania	3234	3757	2804	1495	117	163	10	14	3316	3706
Alitusski	185	204	154	83	4	7	0	0	188	202
Kaunasski	608	703	550	294	18	29	0	1	617	698
Klaipėdski	388	458	322	191	24	33	3	4	383	443
Marijampolski	184	211	154	74	6	7	0	0	189	210
Panevezhesski	287	334	254	126	9	12	0	0	297	331
Shauljaiski	351	415	300	147	10	16	0	0	364	413
Tauragski	134	153	108	52	2	6	0	0	138	151
Telshyaiski	162	199	144	69	3	6	0	0	179	198
Utenski	196	221	160	82	6	9	0	0	199	219
Vilnusski	741	859	658	376	34	38	7	8	763	843

Table 2.17. Number of Passenger Cars per 1000 Residents (as by the end of the year)

	2000	2001	2002
Lithuania	315	304	316
<i>including districts</i>			
Marijampolski	389	384	398
Klaipėdski	348	341	350
Kaunasski	325	307	319
Panevezhesski	313	296	312
Alitusski	318	299	310
Utenski	303	289	309
Vilnusski	297	299	308
Tauragski	309	278	294
Telshyaiski	289	277	291
Shauljaiski	284	266	280

Note: the districts are ranked by declining indicator for 2002