



EUROPEAN INSTITUTE
FOR REGIONAL
AND LOCAL DEVELOPMENT



CENTER FOR SOCIAL & ECONOMIC RESEARCH
FOUNDATION

DYNAMICS AND FACTORS OF LOCAL SUCCESS IN POLAND

Warsaw 1999



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**Grzegorz Gorzelak, Bohdan Jałowiecki,
Richard Woodward, Wojciech Dziemianowicz, Mikołaj Herbst,
Wojciech Roszkowski and Tomasz Zarycki**

**Translated from the Polish by
Krzysztof Kaczyński**

Warsaw 1999

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Tel.: (48-22) 622 66 27, 828 61 33
Fax: (48-22) 828 60 69
E-mail: case@case.com.pl

University of Warsaw
European Institute for Regional and Local Development
ul. Krakowskie Przedmieście 30, 00-927 Warszawa
Tel/Fax: (48-22) 826 16 54, 826 21 68

CONTENTS

Acknowledgments	5
INTRODUCTION <i>Post-Communist Transformation: The Local Dimension</i>	7
CHAPTER 1. <i>Economic Activity and Social Mobilization in Polish Municipalities: A Picture of Differentiation, 1995–1997</i>	9
1.1. Differentiation Factors in Local Transformation Processes	10
1.2. Economic Activity in Municipalities	14
1.3. Factors of Local Success	26
1.4. Barriers to Local Development	36
1.5. Summary	42
CHAPTER 2. <i>Local Success</i>	46
2.1. Factors of Local Success	46
2.2. Local Success and Improvements in the Standard of Living	50
2.3. Cases of Local Success: Selection Criteria	53
CHAPTER 3. <i>The Anatomy of Polish Local Development: Selected Cases</i>	56
3.1. Location and History	56
3.2. Public Investment	59
3.3. Local Business Development	65
3.4. Civil Society Development	74
3.5. Local Politics	81
CHAPTER 4. <i>Social Attitudes and Opinions of the Population</i>	85
4.1. Features of the Surveyed Community	85
4.2. Social Moods	86

4.3. Civil Society	96
4.4. Social Preferences	99
4.5. Summary	102
<i>Conclusions—Factors of Local Success</i>	103
APPENDIX 1. <i>Historical and Geographical Details</i>	107
APPENDIX 2. <i>Firms in the Four Cases</i>	112
APPENDIX 3. <i>Local Institutions in Biłgoraj</i>	118
APPENDIX 4. <i>Transformation of Agriculture in Dzierzgoń</i>	121
APPENDIX 5. <i>Local Government Finance in the Four Cases</i>	123
APPENDIX 6. <i>Statistical Annex</i>	127
APPENDIX 7. <i>Social Assistance</i>	134

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The central question investigated in the project was that of the relationship between centralization and good governance at the local level, with a particular emphasis on mechanisms of local actors’ partnership and participation. Under this project, the Polish decentralization case was investigated by a joint team of the Center for Social and Economic Research (CASE) and the European Institute for Regional and Local Development (EUROREG), both in Warsaw. The Polish team carried out case studies of local development success factors in three municipalities: Biłgoraj, Itawa, and Tarnowo Podgórne.

A summary of the research conducted in each of the ten countries under the UNDP project will appear in a book to be published in the fourth quarter of 1999.

Additional material was drawn from the following research projects conducted by EUROREG:

- **Systemic Transformation: The Case of Dzierżgoń** (a research project financed by the Foundation for Support of Local Democracy with funds from PHARE and carried out in 1998), and
- **Economic Activity and Social Mobilization in Polish Municipalities** (a research project financed by a grant from the Polish Committee for Scientific Research [KBN] and carried out from 1996 to 1998).

The first of these two projects provided us with information about local development success factors from a fourth municipality, providing an interesting supplement to the three case studies from the UNDP project. The second project afforded us with material

illustrating various aspects of local development across the country, giving the English-speaking reader an overview of important differences among regions and between urban and rural municipalities.

Taken together, we hope that all of this material will serve to acquaint the reader with the issues faced by local authorities in Poland, the various conditions affecting local development, and the tools that local authorities have at their disposal to enhance the development of their municipalities.

Finally, we would like to thank Paul Smoke of MIT for his comments on the Polish case study prepared for the UNDP project. We would also like to thank Robertson Work and Kendra Collins at the UNDP for all their assistance during the course of the project. Finally, we would like to thank all of the persons interviewed in the four municipalities where we conducted our case studies. Without their help, none of this would have been possible. Of course, the authors are solely responsible for any and all flaws in the text.

Warsaw, July 1999

Grzegorz Gorzelak
Richard Woodward

INTRODUCTION

Post-Communist Transformation: The Local Dimension

Communist rule in Poland could be said to have ended on June 4, 1989, when the first partially free parliamentary election¹, after over 45 years of authoritarian rule, took place in Poland. This election demonstrated that the Polish nation was ready to reject the one-party authoritarian system and the inefficient, centrally planned economy. Within two months the first non-Communist-led government since the 1930s was formed. However, while the country has made great progress since 1989 in the reconstruction of the economy on the basis of market principles, public administration remains largely unchanged and continues to be highly centralized. Attempts to introduce decentralization at the regional and district levels have been unsuccessful to date. The exception to this general state of affairs is the introduction of democratic local governments in 1990. In this great systemic change, roughly 2,500 communes (*gminy*) became equipped with self-governmental powers and democratically elected authorities. Even in the case of local governments, however, fiscal autonomy remains behind that of most Western countries and lower than that of even some neighboring post-Communist countries.

Nevertheless, local government appears to be one of the most important factors in the post-Communist transformation in Poland, due to its positive role in local economic and democratic development. Numerous studies have proven that local governments have been able to mobilize much local potential that had lain dormant under the socialist system. Local governments have become an effective means for inculcating the principles of democracy and market economy in wide strata of the Polish population and also an effective school of modern public administration.

¹ According to the agreement of the Communist party with the opposition, two thirds of the seats in the lower chamber of the Polish parliament (the Sejm) were reserved for three parties—the Communist party, the Democratic Party and the Peasant Party—and only one third to the independent candidates (who were, in fact, all connected with the “Solidarity” trade union headed by Lech Wałęsa). The upper chamber (the Senate) was open to unrestricted political competition.

The establishment of local governments in 1990 made it possible for local elites to start acting on their own account, relatively independently of central government directives. This provided an improved climate for initiative, industriousness, vigor and enterprise. Local elites consisting of small business owners, local officials and directors of local state-owned enterprises were given a chance at independent activity.

Some believe, in fact, that the primary agents of the changes taking place in Poland are municipal governments and private entrepreneurs, while reforms are hampered mostly by the central state administration, whose interference in the economy is inept and incompetent and does more harm than good. Our research supports this opinion. For example, the fact of more than three fourths of the surveyed municipal councils claim that existing regulations pose a very serious barrier to the proper functioning of local governments is discrediting for the legal system of the state.

The success of the Polish transformation, marked by rapid economic growth since 1992, has meant tens of thousands of new jobs created in small and medium-sized enterprises and investment from both Polish and foreign sources, which has changed the faces of many towns and cities. The local dimension of the Polish success is reflected in hundreds of sewage treatment plants and thousands of kilometers of water and sewage pipes, telephone cables, new streets and sidewalks.

In this book we discuss some of the most important factors in this local success. We begin in Chapter 1 with an overview of the factors which differentiate Polish municipalities with respect to region, rural vs. urban character, etc. We then move on to a brief discussion of certain key factors, or criteria, of local success in Chapter 2, and follow in Chapter 3 with detailed examples of how these factors have affected local development in four Polish municipalities. In Chapter 4 we examine the question of how this activity is reflected in the opinions of local residents. We end with conclusions concerning the efficacy of various approaches to the stimulation of local development by local authorities.

CHAPTER 1

ECONOMIC ACTIVITY AND SOCIAL MOBILIZATION IN POLISH MUNICIPALITIES: A PICTURE OF DIFFERENTIATION, 1995–1997¹

This chapter presents the results of three surveys carried out in 1995, 1996 and 1997 by mailing questionnaires to all Polish municipalities of less than 50,000 inhabitants². The reasons for adopting this upper limit were the same as with respect to our four case studies (see below, Chapter 2, section 2.2).

The surveys whose results are presented here³ are a part of a long series of studies carried out by the team of Warsaw University's European Institute for Regional and Local Development. From 1985 to 1990 the Institute coordinated studies on local-level Poland, officially referred to as "Regional Development—Local Development—Territorial Administration"⁴. This program involved many research centers located in

¹ The research presented in this chapter was carried out with the assistance of Polish Committee for Scientific Research (KBN) grant PB 899/H02/95/08.

² We received 1,034 replies to the questionnaire mailed to municipalities in the first half of 1995 (44% of the total number of municipalities chosen for the survey). As the geographical distribution of responding municipalities was relatively regular, one can assume that the surveyed sample was highly representative. Unfortunately, in the following years the number of replies declined (to 819 in 1996 and 785 in 1997).

³ Detailed results have been published in two volumes of the "Studia Regionalne i Lokalne" series, no. 16(49) (G. Gorzelak, B. Jąlowiecki, *Koniunktura gospodarcza i mobilizacja społeczna w gminach '95*, EUROREG, Warsaw 1996), and no. 18(51) (G. Gorzelak, B. Jąlowiecki [eds.], *Koniunktura gospodarcza i mobilizacja społeczna w gminach '96*, EUROREG, Warsaw 1997). In this study we present the composite results of three surveys.

⁴ It is worth reminding the reader at this point of the reasons for which the working name of the program ("Local-level Poland"), the one really reflecting the researchers' intentions, was different from the official one. According to the authorities who allocated funds for the research, "Local-level Poland" as the program's name might have been interpreted as a contradiction of one of the Communist system's fundamental principles, that of "democratic centralism". This was still unacceptable in the early 1980s.

several Polish cities, as well as by representatives of many disciplines (cultural anthropologists, conservationists, economists, geographers, musicologists, political scientists, lawyers and sociologists). The research resulted in dozens of published volumes (some in foreign languages) which undoubtedly contributed to a consolidation of the view stressing the need for decentralizing public administration in Poland by creating autonomous sub-national levels of government, and added to the knowledge of the socioeconomic and political conditions which would affect such a development.

1.1. Differentiation Factors in Local Transformation Processes

The transformation of Poland's economy, society, and polity is not proceeding uniformly throughout the country; strong regional differentiation can be observed. Among the factors behind this uneven development, the most important appear to be differences in the history of particular regions of Poland, as well as differences between urban and rural areas.

The first factor in the spatial differentiation in the Polish transformation is the historical background, i.e. the different recent and more remote past of Poland's particular regions. In the 20th century the country's boundaries were revised twice (in 1918, when Poland regained independence after 123 years of being occupied by Prussia, Austria and Russia, and following the Second World War, when its borders were shifted westward, which resulted in losing territory to the Soviet Union and gaining it from Germany). Moreover, mass migration movements swept across Poland during that time. Historical factors contribute to the regional differentiation in the advancement of systemic transformation processes in Poland.

In the most general dimension, the Vistula river is the main line of division separating Poland's more developed western territories from the less developed eastern part of the country. Territorial differences in Poland reach back long before the partitions and occupation of the late 18th, 19th, and early 20th centuries, to the first wave of urban development between the 13th and 15th centuries. This wave brought to Poland *locatio civitas* under the Magdeburg law and its variants, which determined the spatial pattern of several cities created at that time. In addition, the adoption of a specific agrarian regime gave a specific shape to villages. This urban pattern of Poland was modified by the 19th century industrialization of Polish cities, which was also much more intensive on the territories west of the Vistula. The 19th century deepened the already existing divisions not only by uneven industrialization and infrastructure development, but also through the administration of Polish territories by the three above-mentioned states. Whatever can be said about the hardships suffered by Poles under Prussian rule, it must be admitted that those territories were a part of a European state which was undergoing fast modernization and in which rule of law was preserved, despite particular cases of abuse. Consequently, despite their peripheral location in the German state, the regions of Wielkopolska (Greater Poland) and Pomerania enjoyed rapid modernization processes, and the Polish population functioned under conditions of respect for law, work, saving and the increase of personal wealth, i.e. values facilitating capitalist growth. Paradoxically, it is perhaps the political, cultural and economic pressure exerted by the occupying state which contributed in Wielkopolska to an even stronger consolidation of

the Polish society and the Polish economy in that region, which was able to protect itself against the German economy despite the strong support of the latter from the state. These values also resulted in a more orderly spatial planning.

The situation on Polish territories annexed by Russia was substantially different. These territories were under the strong influence of Asian civilization and were administered in a way typical for it. The bureaucracy was poorly remunerated and inefficient, with very corrupt czarist officials representing various ranks. Although, at least in some cases, this corruption sometimes “softened up” the Russian occupation, it had a clear demoralizing effect on the society. Polish territories situated on the western outskirts of the czarist empire were, in a way, a bridge between Russia and Europe, and they took a clear advantage of this “locational rent”, enjoying relatively good conditions for economic development. The most spectacular example here is, of course, that of Łódź, but this was also true to a lesser extent for the Dąbrowa Coal Basin, Częstochowa, Żyrardów and Warsaw, all cities lying west of the Vistula.

The differentiated developmental conditions of the three territories, which in 1918 joined to form the independent Polish state, left behind deep traces in the level of economic development, the infrastructure (roads, railways), the level of urbanization, the legal system, the education and attitudes of the population and the cultural landscape. After World War II Poland’s borders were shifted westwards at the expense of eastern territories taken over by the former USSR by force of the Treaty of Yalta. The newly acquired territories were much better equipped with technical infrastructure and a dense network of relatively modern towns and villages built of bricks. Sociological and ethnographic research carried out on these territories immediately after the war and repeated in 1956 proved the considerable maladjustment of the existing material base—not only in rural areas, but also in urban areas—to the technical attitudes and customs of the population repatriated from the East. For many years the new inhabitants of the western and northern areas of Poland had to adjust to the material environment, to the natural and cultural landscapes. They also had to adjust this environment to themselves and their requirements. This resulted largely in the degradation of the material base.

Generally speaking, the historical differentiation of the former and present Polish territories can be presented as follows:

- territories situated west of the Vistula, long under the influence of the West, undoubtedly constituting a part of Western Europe;
- territories situated east of the line across the old Polish Wilno and Lwów regions⁵, dividing Slavic Christendom into two parts: western (Roman Catholic) and eastern (Orthodox);
- territories between these two historical borders, constituting a “transitional area” in which the influences of Western and Eastern Europe intertwined and jointly shaped their social, economic and spatial structures.

The results of the “Local Economic Activity and Social Mobilization” research project⁶ confirmed the differences between local communities situated in Poland’s historical regions: in Pomerania, Wielkopolska (Greater Poland), Małopolska (Smaller Poland), the Podlasiian Lowland, etc. A more detailed analysis of these differences

⁵ Historically part of Poland, these are now Vilnius, in Lithuania, and Lviv, in the Ukraine, respectively.

⁶ G. Gorzelak, B. Jałowiecki, *Koniunktura gospodarcza i mobilizacja społeczna w gminach '95 i '96*, EUROREG, Warsaw 1996, 1997.

suggests a hypothesis about the substantial and permanent role of the borders of states once occupying Poland, which modify the contemporary economic, social and political processes. Location in great historical regions, corresponding with the once annexed territories, seems to be the main factor of differences in the activity of local authorities. Municipalities situated on the territory of Galicia (formerly under Austrian rule) and the former Congress Kingdom of Poland (part of the Russian empire) used to be and still are disadvantaged as far as the endowment with municipal infrastructure is concerned. They are also less interested in applying more sophisticated instruments of local development promotion, perhaps because they are compelled to concentrate on rudimentary tasks, such as the development of water supply systems, sewage systems, sewage treatment plants, etc.



Map 1. Top quintile of Polish municipalities with respect to the highest per capita levels of own municipal budget revenues in 1996

The role of the historical factor in shaping the economic situation of municipalities is clearly illustrated by Maps 1 and 2, presenting the location of the top and lowest



Map 2. Lowest quintile of Polish municipalities with respect to the lowest per capita levels of own municipal budget revenues in 1996

quintiles of Polish municipalities with respect to the highest and the lowest per capita levels of own municipal budget revenues in 1996⁷. As we can see, the municipalities with the lowest levels—indicating a scarcity of local wealth—are located solely in the eastern and central parts of the country, formerly under Russian and Austrian control. The arc along the former border between the Russian and Prussian sectors of partitioned Poland is the evidence of the negative impact of the utmost peripheral location in the former Russian empire on local development—seen after almost 80 years of integrating these localities with the Polish state, which proves the importance and persistence of the historical factors on contemporary socio-economic processes.

It is interesting to note, however, that the richest municipalities are scattered much more evenly than the poorest ones around the entire country (though they are relatively

⁷ Based on calculations of J. Hryniewicz in B. Jałowiecki (ed.), *Oblicza polskich regionów*, EUROREG vol. 19(50), Warsaw 1996.

more concentrated the western part of the country, formerly under German control). These maps seem to tell us that it is almost impossible for a municipality to be poor if it is well located; however, factors for success are distributed more evenly. Thus, even an unfavorably located municipality may achieve success if it has some own potential for economic development and finds appropriate ways to exploit it.

Differences between urban and rural areas are also very important. Urban municipalities tend to be in a better position than rural ones. In municipalities located close to big city complexes and in regions attractive for tourists, the flow of innovations tends to be more intensive. Research shows that location close to a large urban complex and substantial tourist trade potential are factors contributing to local development.

Factors such as region and urban vs. rural character can have their impact on the economic and social processes which we refer to in this chapter as economic activity and social mobilization. In order to analyze the impact of these factors, the responses obtained in the first survey (1995) were examined for four independent variables. The first one was location in a historical region:

- the “Congress Kingdom of Poland”—the former Russian sector in the east;
- “Galicia”—the former Austrian sector in the southeast;
- areas which formerly belonged to Germany, such as the Western and Northern Lands;
- areas that were under German administration, such as Wielkopolska and Pomerania and part of Upper Silesia.

Other criteria were: administrative status (urban or rural municipalities); attractiveness for tourists (measured in a six-grade scale), and location in a large urban complex (yes or no).

The results of analyses have proved that the variables most relevant for differentiation in the surveyed population of municipalities were regional location and the urban or rural status. For this reason, in the analyses carried out in 1996 and 1997 the variables of attractiveness for tourists and location in an urban complex were omitted.

1.2. Economic Activity in Municipalities

It is difficult or impossible to construct indicators of economic activity at the local level which are simple and unambiguous. However, relatively simple indicators must be found if one is to measure economic activity on the basis of mass surveys. The indicators of economic activity used in our research included: the rise in the number of jobs, the net increase in the number of enterprises and the rise in investment expenditures out of the local budgets. The values of these indicators for a given year are compared to the previous year's figures. As additional, subjective indicators were included, such as the municipal authorities' unemployment forecasts and views on whether the following year will be better than the current one, as well as opinions on the municipality's attractiveness as a living place and a place of conducting business activities—since optimism and a positive self-evaluation may foster the initiative and energy of local governments.

1.2.1. Local Labor Markets

In 1996, the number of jobs rose. On average, in more than every third surveyed municipality, but this increase was not evenly distributed (see Table 1a). Most municipalities reporting an overall rise in the number of jobs were located in Wielkopolska (almost half of all such municipalities) and in the Western and Northern Lands (slightly less than in Wielkopolska). The smallest rise in the number of jobs was recorded in municipalities of the Congress Kingdom of Poland and of Galicia. These increases were generally not particularly impressive (up to 10 percent), although there were some municipalities in which the number of jobs increased by over 20 percent. Most such places were found in Wielkopolska and the Western and Northern Lands. In approximately one third of the responding municipalities the number of jobs remained at the 1995 level. In all regions except Wielkopolska, where the decline affected every fifth municipality, the number of jobs fell in every fourth municipality.

Table 1a.

Change in the number of jobs in municipalities in 1996

Increase/decline	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Above 20 percent	8.2	1.2	2.0	2.1	6.9	4.7	3.4
10 to 19 percent	11.5	8.4	9.8	7.4	8.8	9.5	9.3
1 to 9 percent	30.9	24.6	20.7	30.9	33.3	31.3	26.6
Increase, total	50.6	34.2	32.5	40.4	49.0	45.5	39.3
No change	24.3	41.1	41.4	34.0	31.4	29.4	35.8
Decline, total	25.2	24.7	26.0	25.5	19.6	25.0	24.9
Above 20 percent	2.5	3.9	3.7	2.1	1.0	4.7	3.4
19 to 10 percent	6.2	7.2	6.9	6.4	3.9	8.5	6.9
9 to 1 percent	16.5	13.6	15.4	17.0	14.7	11.8	14.6

1997 saw a further, considerable increase in the number of jobs in most municipalities. The largest percentage of municipalities reporting a rise in the number of jobs was found in the Western and Northern Lands, followed by Wielkopolska and Galicia. Most municipalities in which the situation in this respect remained unchanged were located in the Congress Kingdom of Poland and in Galicia, while the municipalities of the Western and Northern Lands and Wielkopolska found themselves at the other end of the spectrum. In some 15 percent of municipalities a fall in the number of jobs was recorded. This fall was more conspicuous in Galicia than in other regions.

In 1996 and in 1997 the municipalities in which the number of jobs increased were found more often in urban than in rural areas. At the same time, the number of municipalities with a decline in the number of jobs was similar in both urban and rural areas. An unchanged number of jobs was reported more often in urban than in rural areas.

Summing up the analysis of regional variations in changes in the number of jobs, in general the number of municipalities with growing numbers of jobs went up both in 1996 and in 1997. The largest increases were found in municipalities of the Western and Northern Lands and Wielkopolska. The labor market situation is improving much

Table 1b.**Percent change in the number of jobs in municipalities in 1997**

Increase/decline	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Above 20 percent	3.7	1.3	0.8	0.8	2.7	2.7	1.5
10 to 19 percent	7.3	5.4	5.7	8.7	4.5	8.5	5.7
1 to 9 percent	32.9	24.6	25.3	23.6	25.9	27.7	25.4
Increase, total	43.9	31.3	29.2	33.0	33.0	38.8	32.6
No change	20.7	46.0	49.4	42.5	39.4	35.1	43.3
Decline, total	17.0	14.7	14.3	16.5	14.3	15.4	14.9
Above 20 percent	1.2	1.4	1.4	1.6	0.9	1.6	1.4
19 to 10 percent	7.3	2.0	2.3	1.6	2.7	3.7	2.6
9 to 1 percent	8.5	11.3	19.7	13.4	10.7	10.1	11.0

faster in urban areas than in rural ones. The spatial distribution of the growth rate of the number of jobs is consistent with the regional variations in national transformation processes. All studies on this issue unanimously point out that these processes are particularly advantageous in the western areas of Poland and in Wielkopolska, while the central and eastern voivodships, especially those without a big city, benefit far less from the transformation.

Nevertheless, unemployment in the surveyed type of municipalities (up to 50,000 inhabitants) was still high. It was the highest in the Western and Northern Lands, especially in areas formerly (until the end of the 80s) dominated by state-owned farms (PGRs), followed by Wielkopolska and Galicia. In 1997, unemployment dropped by 1.8 percentage points in Wielkopolska, by 1.7 percentage points in Galicia, by 1.1 percentage points in the Congress Kingdom of Poland and by only 0.6 percentage point in the Western and Northern Lands. It should be emphasized that the rate of unemployment is lowest in the Congress Kingdom of Poland, which is the consequence of the fact that given the substantial share of agriculture in the overall employment structure, this sector in a way "hoards" employees made redundant in sectors outside agriculture, or those unable to find jobs there. These are cases of hidden unemployment, not covered by official statistics.

Table 2a.**Average unemployment in municipalities in 1996 (absolute figures)**

	Unemployed	Rate of unemployment	Unemployed not receiving benefits	Unemployed receiving benefits
Congress Kingdom of Poland	703	13.6	314	557
Galicia	859	14.7	371	840
Wielkopolska	980	16.0	362	1140
Western and Northern Lands	976	21.6	398	1016
Total	836	16.3	351	796

The sharpest drop in average unemployment per municipality, measured in absolute figures, was recorded in Wielkopolska (a drop of 188 persons), followed by the Congress Kingdom of Poland (110) and Galicia (91). At the same time, unemployment in Western

Table 2b.

Average unemployment in municipalities in 1997 (absolute figures)

	Unemployed	Rate of unemployment	Unemployed not receiving benefits	Unemployed receiving benefits
Congress Kingdom of Poland	593	12.5	305	607
Galicia	768	13.0	385	700
Wielkopolska	792	14.2	393	925
Western and Northern Lands	984	21.0	444	994
Total	743	15.1	364	759

and Northern Lands rose insignificantly (by 8 persons, i.e. within the statistical error margin).

In 1996, most respondents expressing the view that unemployment in the coming period would rise were found in the municipalities of Galicia, where there were twice as many as in the Western and Northern Lands and in Wielkopolska. The municipalities of the Congress Kingdom of Poland were in the middle of that scale. On the other hand, most municipalities (more than half) representing the view that the labor market situation would remain unchanged were to be found in the Western and Northern Lands and in Wielkopolska, as was the largest number of municipalities where the respondents thought that unemployment would fall. In the latter case, however, inter-regional differences were much smaller. Nevertheless, there is no doubt that municipalities located in the west of Poland were most optimistic about labor market developments, which in most cases probably resulted from a conviction that "the situation could not get any worse", as unemployment in these regions had peaked a year or two before.

In 1997, the percentage of municipalities expecting a rise in unemployment more or less halved (from 32 percent to 15 percent). At the same time, a further fall in unemployment was expected by a much larger percentage of municipalities. The latter opinion was expressed by half of the surveyed municipalities in Wielkopolska and the Western and Northern Lands, slightly fewer in Galicia, and only one third of municipalities in the Congress Kingdom of Poland. Hence, the last of these regions had the largest percentage of pessimistically-minded municipalities. More or less every third municipality in three regions, and slightly more than that in the Congress Kingdom of Poland, expressed the view that unemployment would remain unchanged.

The forecasts concerning changes in unemployment figures made by respondents in rural municipalities are clearly more pessimistic. Twice as many urban respondents as rural ones believe the unemployment will fall. This is another confirmation of the generally better economic situation in urban areas compared to rural areas.

1.2.2. Changes in the Number of Enterprises

In 1996, the average net increase in the number of enterprises in municipalities somewhat declined compared to 1995. While in 1995 it was +61 enterprises, on average, in the surveyed municipalities, in 1996 it fell to +42. The decline occurred in all regions (see Table 4). Specifically, the changes were as follows (by way of comparison, the figures for the net increase in 1995 are provided in brackets): the Congress Kingdom of Poland: +27 (+51); Galicia: +54 (+56); Wielkopolska: +60 (+70); Western and Northern

Table 3.**Unemployment forecast for 1996–1997 (percent of municipalities' responses)**

In the following year unemployment will be:	higher		lower		the same	
	1996	1997	1996	1997	1996	1997
Congress Kingdom of Poland	38.9	18.5	15.3	31.7	45.5	46.6
Galicia	48.0	22.8	11.8	44.1	40.2	31.5
Wielkopolska	24.8	8.9	21.1	54.5	54.1	35.7
Western and Northern Lands	20.5	9.0	24.7	54.3	54.8	32.5
Urban municipalities	28.2	11.0	27.4	58.5	44.4	29.3
Rural municipalities	35.5	16.1	13.6	40.4	50.9	40.4
Total	32.2	15.5	18.2	42.4	48.5	39.2

"Uncertain" answers omitted for 1997.

Lands: +50 (+76). Only in Galicia did the net increase remain virtually unchanged. The slow-down in the net increase in new enterprises does not imply unequivocally a slow-down in economic activity, as the number of enterprises is still growing, and some individual businesses are consolidating and growing. This is evidenced by the rise in the number of larger enterprises (with more than 6 employees). Unfortunately, we cannot determine the changes in the increase in the number of enterprises by size on the previous year, as this question was first included to the questionnaire in 1996.

Table 4.**Change in the number of enterprises in municipalities in 1996–1997, average in absolute figures**

	Entered into the register		Crossed off the register		Net	
	1996	1997	1996	1997	1996	1997
Congress Kingdom of Poland	71	85	44	52	27	33
Galicia	115	119	61	72	54	47
Wielkopolska	116	139	56	66	60	73
Western and Northern Lands	110	129	60	72	50	57
Total	94	109	52	62	42	47

In 1997, the net increase in the number of enterprises was almost the same as in 1996, which points to a substantial stabilization in this field. Nevertheless, some inter-regional differences can be found. The net increase in the number of enterprises was clearly smaller in Galicia (–7) and in the Congress Kingdom of Poland (–6) than in Wielkopolska (+13) and in the Western and Northern Lands (+7).

In addition, the net increase in the number of enterprises was higher in urban areas than in rural areas. Of course, this phenomenon is quite natural, but it must be noted that the Ministry of Agriculture's policy of supporting the development of multi-functional villages has yet to yield tangible results and the scope of non-agricultural activities in rural municipalities is still inadequate. Hence, the change in the number of enterprises is much more favorable in urban municipalities than in rural municipalities. We cannot rule out that inter-regional differences are partly attributable to differences in the level of urban development between individual historical regions.

1.2.3. Investment

Another indication of the favorable economic situation in municipalities in 1996 was the fact that in almost two thirds of surveyed municipalities the value of investment expenditures increased, while it declined in only every fifth municipality (Table 5). The largest percentage of municipalities with increased investment expenditures were found in Galicia and in Western and Northern Lands. These regions also had the smallest numbers of municipalities in which the level of investment declined. In 1997, the situation in particular regions was diversified as well. The largest number of municipalities declaring a rise in investment was recorded in Galicia, followed by the Congress Kingdom of Poland (less by 10 percentage points), the Western and Northern Lands and Wielkopolska. The slower growth of investment in the last two regions may be the consequence of faster investment growth in these municipalities in the previous period.

Interestingly, rural municipalities, in spite of their generally worse financial standing than urban municipalities, did not differ from the latter in terms of the projected growth rate of investment.

Table 5.

Investment forecast for 1996–1997 (percent of municipalities' responses)

In the following year the growth rate of investment will be:	Faster		Slower		The same	
	1996	1997	1996	1997	1996	1997
Congress Kingdom of Poland	56.6	64.0	21.6	9.9	21.4	20.2
Galicia	66.3	73.2	14.9	9.5	18.8	15.0
Wielkopolska	58.3	57.2	22.2	15.2	19.5	19.6
Western and Northern Lands	64.2	60.6	19.7	14.4	15.7	16.0
Urban municipalities	—	62.2	—	13.4	—	20.7
Rural municipalities	—	63.9	—	11.4	—	18.0
Total	60.2	63.6	20.3	11.6	19.5	18.3

"Uncertain" answers omitted for 1997.

1.2.4. Local Policy

Although local governments' budgetary autonomy is limited, municipal authorities do enjoy some liberty in channeling investment funds into projects considered to be priority targets. Setting these priorities seems to be an important task. For this reason, we asked respondents to our survey about the probable appropriation of hypothetical extra funds.

Municipal investment was regarded a priority target in all surveyed municipalities. Three quarters of those polled were in favor of such investment, and differences between particular regions were insignificant. The prioritization of remaining targets was more differentiated regionally, although this differentiation was also statistically insignificant.

Residential construction is more important in municipalities of the Western and Northern Lands (16 percent of municipalities) than, e.g., in Galicia (8 percent), whereas education seems to be more favored in the Congress Kingdom of Poland and in Galicia (some 30 percent, each) than in the remaining regions (some 25 percent, each). Social welfare is also a relatively high priority in the Congress Kingdom of Poland and Galicia, where it is mentioned as a priority target by almost 8 percent; by contrast, it is a priority

target for only 3 percent in the Western and Northern Lands. Health care also enjoys priority in a larger number of municipalities of the Congress Kingdom of Poland (13 percent) than in other regions (some 10 percent, each). Promotion of the municipality is a priority much more often in Wielkopolska and in the Western and Northern Lands than in the two remaining regions. This is also the case with respect to incentives for investors, which are mentioned as a priority by every tenth municipality in the Western and Northern Lands and Wielkopolska. It seems that these areas are indicators of a pro-investment, long-term orientation. It is worth adding that only a small percentage of municipalities consider culture, environmental protection, sports and leisure, and road building as priority targets.

Both rural and urban municipalities have similar preferences as regards the allotment of hypothetical extra funds. There are, however, some important differences. It is obvious that urban municipalities prioritize residential construction much more often, while rural municipalities attach special attention to education and health care, i.e. the underdeveloped fields in rural areas. However, given the fact that almost one fourth of rural municipalities do not consider any funding of promotion and investment incentives, whereas only some 10 percent of urban municipalities neglect these areas, the domination of social priorities in rural areas may indicate that rural respondents have less investment-and development-oriented attitudes than representatives of urban municipalities.

The distribution of municipal governments' priorities indicates that according to local authorities the needs involved with municipal infrastructure have not been satisfied yet. This points to the overall strongly development-oriented attitude of local governments in Poland; local officials would seem to prefer devoting marginal increments to their budgets to other purposes than health care, recreation or housing. There are four possible explanations of these findings (which may be interrelated):

- The necessity of spending almost all available funds on current needs leaves inadequate funds for municipal investment and causes investment to be favored for the appropriation of "extra" funds.
- Municipal authorities advocate a liberal doctrine espousing a reduction of public welfare spending (this may be assumed to be the case only in a rather small group of municipalities, given the trends reflected in the results of the 1993 parliamentary elections).
- Municipal authorities are of the opinion that better satisfaction of social needs in the field of health care, housing, recreation, social welfare, etc., is outside the competence of local authorities, and that funding for these purposes should be provided by the state budget or other institutions (e.g. the state social insurance system, known by its Polish acronym ZUS), or should be regulated by market mechanisms.
- Municipal infrastructure is severely underdeveloped or in unsatisfactory technical condition.

The well-known fact that a large percentage of municipal budgets in Poland is spent on investment allows us to reject the first interpretation. The remaining ones put the picture in a very positive light, indicating that the activities of municipal authorities are based on long-term development strategies rather than populist inclinations.

The vast majority of municipalities is dependent on non-budgetary funding (see Table 6). These municipalities are most numerous in Galicia and least numerous in the Congress Kingdom of Poland, with the difference between them being quite substantial

(10 percentage points). Most municipalities receive funding from Polish sources; however, the percentage of municipalities receiving foreign funding is considerable as well. Most municipalities receiving foreign funds can be found in the Western and Northern Lands (almost every third), compared to more or less every fifth in the remaining regions. Urban municipalities benefit from non-budgetary funding more frequently than rural municipalities, and the difference between them increases in the case of joint funding received from domestic and foreign sources, available to 11 percent of rural municipalities and 22 percent of urban municipalities.

Table 6.

Responses to the question of whether and in what form the municipality received non-budgetary funding, by historical region and type of municipality (N = 819)

	Municipalities receiving external funding	Source(s) of funding		
		Polish sources	Foreign sources	Polish and foreign sources
Congress Kingdom of Poland	79.0	78.9	5.4	11.4
Galicia	89.1	74.2	6.5	15.1
Wielkopolska	83.6	79.6	2.2	15.1
Western and Northern Lands	81.6	66.5	8.6	21.1
Rural municipalities	78.3	77.9	5.5	11.4
Urban municipalities	88.3	69.5	6.9	21.9
Total	81.7	75.0	6.0	15.1

1.2.5. Municipalities' Evaluation of Their Own Attractiveness

For some time the notion of "business climate" has been gaining popularity. It is identified with the general characteristics of a given territorial system as a place of conducting business activities. It was interesting to learn how municipalities themselves evaluate their advantages as places of conducting business activities and as living places.

The authorities of more or less every third municipality think that theirs is an attractive living place. These opinions are regionally differentiated. The best rated are the municipalities of Galicia and of the Western and Northern Lands, while those of the Congress Kingdom of Poland are definitely given the worst rating, as only every fourth inhabitant considers his municipality attractive. The self-evaluation of municipalities in terms of their attractiveness as living places shows relatively small differences between urban and rural municipalities, with the former given a slightly more positive evaluation.

The representatives of local authorities provided a clearly more critical evaluation of their municipalities as places for conducting business activities. More or less every fifth respondent described his municipality as very attractive. In this case, the position of the Western and Northern Lands is distinctly better, as every third respondent characterized his/her municipality as very attractive, which correlates with the stronger presence of foreign investors in these municipalities, as the previous survey disclosed. On the other hand, as in the case of economic attractiveness, the municipalities of the Congress Kingdom of Poland show the worst self-evaluation.

Differences in evaluation of the attractiveness of municipalities as a place for conducting business activities are considerably more noticeable when we compare urban

Table 7.

Responses to the question of whether the municipality is attractive as a living place, by historical region and type of municipalities, in percent (N = 819)

	Very attractive	Average	Not attractive
Congress Kingdom of Poland	24.1	67.8	8.1
Galicia	39.8	55.3	4.9
Wielkopolska	33.3	64.0	2.7
Western and Northern Lands	37.8	55.4	6.8
Rural municipalities	29.2	63.2	7.6
Urban municipalities	35.2	60.4	4.4
Total	31.1	62.3	6.6

and rural municipalities. Almost twice as many urban municipalities as rural municipalities regard themselves very attractive. **More or less the same proportions can be found in the case of answers claiming that the municipality is not attractive.**

The evaluations of municipalities' attractiveness are also differentiated depending on their location close to or far from large urban centers. The representatives of municipalities situated close to such centers assessed their localities as more attractive. As many as 50 percent of respondents from localities situated in large metropolitan areas found their living place very attractive, compared to 28 percent of those outside urban centers. At the same time, 43 percent of municipalities located close to metropolitan areas found their localities very attractive places for conducting business activities, as opposed to only 19 percent of those from other areas. Hence, proximity to a large metropolitan area is undoubtedly an important factor in evaluation of the attractiveness of municipalities.

Table 8.

Responses to the question of whether the municipality is attractive as a place of conducting business activity, by historical region and type of municipality (N = 819)

	Very attractive	Average	Not attractive
Congress Kingdom of Poland	17.1	65.9	16.4
Galicia	20.2	71.2	8.7
Wielkopolska	23.6	60.0	16.4
Western and Northern Lands	30.9	58.7	10.3
Rural municipalities	18.4	66.4	16.9
Urban municipalities	31.3	61.6	7.1
Total	22.6	63.7	13.7

1.2.6. The Optimism Indicator

In our surveys we asked municipal councils whether the following year would be better, worse or the same as the previous one for their municipality. In 1995, only 18 percent of municipalities thought that 1996 would be better than the previous year. In 1996, the percentage of optimists rose to 22 percent, and reached almost 30 percent in 1997. The percentage of those expecting no substantial change and giving uncertain answers was 53 percent, 55 percent and 58 percent, respectively. At the same time,

the percentage of pessimists dropped substantially. While in 1995 almost every third municipality was pessimistic, by 1997 this had dropped to more or less every tenth.

The percentage of municipalities expressing optimism increased especially in the Western and Northern Lands (by 17 percentage points) and in Galicia (by 14 percentage points). In Wielkopolska and in the Congress Kingdom of Poland these figures were 8 and 4 percentage points, respectively. In 1997, the smallest number of pessimistic municipalities was recorded in Galicia, and the largest number (more than twice as many) in the Congress Kingdom of Poland. Urban municipalities display much more optimism about their future than rural municipalities.

There is no doubt that the optimism indicator about the future of municipalities was constantly rising during our three-year research. This optimism was undoubtedly due to the improvement of the macroeconomic situation, and to the increase in the number of jobs available in municipalities, meaning a fall in unemployment and improvement of investment opportunities. Of course, the three-year period is too short to prove that this trend is a steady one. Nevertheless, some local governments have obviously managed to come to terms with the new reality and are doing relatively well in the market economy.

Table 9.

Indicator of optimism in municipalities in 1995–1997 (percent of responses)

	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Better							
1995	24.4	15.4	18.5	15.0	17.3	19.9	18.3
1996	25.3	20.8	17.5	28.8	22.5	26.0	22.2
1997	41.5	26.3	23.3	29.1	25.0	37.2	27.8
Worse							
1995	26.5	29.9	30.3	20.5	28.0	30.9	28.9
1996	29.7	29.1	26.1	21.2	26.1	17.5	23.2
1997	7.3	12.1	14.6	6.3	10.7	10.1	11.6
The same							
1995	17.8	23.1	22.4	26.0	18.7	18.8	21.3
1996	23.4	26.2	27.4	25.0	20.7	24.2	25.3
1997	23.2	21.9	22.2	24.4	25.0	18.1	21.9
Difficult to say							
1995	30.3	32.6	28.8	38.5	36.0	30.4	31.5
1996	21.6	23.9	29.0	25.0	30.6	31.4	29.3
1997	28.1	39.7	39.9	40.2	39.3	34.5	38.7

It is also worth analyzing the factors shaping the views of municipal council members about the future. One could assume that the more active municipalities, making more determined efforts towards shaping their future, would display more optimism than the less active municipalities (although a thesis reversing the causality, according to which more optimistic municipalities try harder, is also plausible). Undoubtedly, a hypothesis of a positive correlation between these two factors is very credible. The table below confirms this.

In order to provide a more composite presentation of municipalities' development-related efforts, a simple scale has been devised. It is based on the frequency of certain types of activities (working out a spatial plan and a development program, promotion

of the municipality, providing incentives for investors, funding local media, maintaining foreign contacts). The rating of a municipality engaged in all these activities was equal to 7 (there were only three such municipalities).

Table 10 shows that the percentage of municipalities optimistically looking ahead to 1996 grew in proportion to the number of development-oriented activities in which the municipalities were engaged. This is a rather strong confirmation of the hypothesis that the more successful ones are more optimistic, or that optimists are greater achievers.

Table 10.

Correlation between municipalities' endeavors and their outlook on the future

Effort/optimism		1996 will be				Total			
		better		worse				the same	
Activity scale	1	18	14.2%	27	21.3%	40	31.5%	127	12.3%
	2	31	17.9%	40	23.1%	46	26.6%	173	16.8%
	3	47	17.7%	56	21.1%	76	28.6%	266	25.8%
	4	42	19.1%	43	19.5%	67	29.1%	220	21.3%
	5	29	16.5%	39	22.2%	57	32.4%	176	17.1%
	6	15	44.1%	4	11.8%	4	11.8%	34	3.3%
	7	3	75.0%	1	25.0%	0	0%	4	0.4%
Total		190	18.4%	220	21.3%	295	28.6%	1034	100.0%

One might also expect the optimism indicator to be correlated with objective measures of success, especially with variables concerning local governments' finances. Very interestingly, such a correlation is not confirmed. Similarly, there was no statistically significant correlation between the indicators of financial standing and responses to many other questions, for example those concerning the readiness to take out commercial loans for financing municipal investments, to engage in promotional activities, or having a development plan. In order to isolate the impact of other factors, such correlations have been calculated both in reference to the entire population of the surveyed municipalities and, separately, for urban, urban-rural, and rural municipalities.

1.2.7. Economic Activity in Municipalities—A Summary

The vast majority of the surveyed municipal boards espouse a future-oriented approach as, according to them, investment to satisfy future needs is a higher priority than meeting current demands. This opinion was expressed by percentages of municipalities ranging from 88 percent in the Western and Northern Lands to 81 percent in Galicia. Nevertheless, a more conservative approach is preferred by more than every tenth municipality in all regions but the Western and Northern Lands, where this view is shared by the council of less than every seventeenth municipality.

Among their greatest achievements following the establishment of real local self-government, the one ranked highest by Polish municipalities is investment in infrastructure. The relatively greatest achievements of the Congress Kingdom of Poland include water and sewage systems and roads, while in the case of the Western and Northern Lands and Wielkopolska it is the construction of sewage treatment plants. This array of accomplishments reflects the already existing condition of the infrastructure and the endowment with natural resources (e.g., natural gas in Galicia).

We can see from the analysis of economic activity indicators that the municipalities of Wielkopolska and the Western and Northern Lands enjoyed the best situation in 1996. Galicia was ranked third, while the Congress Kingdom of Poland was ranked last, trailing far behind. The picture in 1997 was similar. Urban municipalities are in a clearly better position than their rural counterparts. In 1995, the inquiry into developments in economic activity was neglected to a certain extent, with more attention being devoted to indicators of local authorities' involvement in the promotion of local economic development. In this respect, the highest ranks were then given to municipalities located in the Western and Northern Lands (with better marks for those in the western areas as opposed to the northern ones), followed by those of Wielkopolska. Hence, it is worth stressing that in 1996 the boom was recorded in the best developed municipalities and, to some extent, in Galicia, while stagnation still retains its grip on the last-ranked Congress Kingdom of Poland. Table 11 presents this situation in a composite form.

Table 11.

Municipalities' position in the hierarchy of economic activity indicators

	Rise in the number of jobs		Rise in the number of enterprises		Rise in investment		Unemployment forecast		Optimism indicator		Average position	
	'96	'97	'96	'97	'96	'97	'96	'97	'96	'97	'96	'97
Congress Kingdom of Poland	1	1	1	1	1	3	2	1	1	1	1.2	1.4
Galicia	1	3	3	2	4	4	1	2	4	3	2.2	2.2
Wielkopolska	4	3	4	4	2	1	3	4	2	2	2.5	2.3
Western and Northern Lands	3	4	2	3	3	2	4	3	3	4	2.5	2.5

Note: The higher the indicator the better the situation.

It is worth remembering that in the case of some municipal economic activity indicators adopted in this study, there are also certain differences between municipalities located in the vicinity of metropolitan areas and those located elsewhere. In municipalities located near metropolitan areas the number of jobs in 1996 increased in 71 percent of municipalities, while elsewhere it rose by only 42 percent. Job growth stagnated in 14 percent, and declined in 14 percent, of municipalities located close to large urban areas, whereas in the remaining municipalities job growth was stagnant in 35 percent and declined in 23 percent. We can conclude from these data that the influence of large cities on the increase in the number of jobs in municipalities is positive.

Summing up the analysis of economic activity at the municipal level it should be noted, first of all, that the situation improved in the period we studied. Generally municipal investment has risen, and private entrepreneurship is also enjoying fast growth. It seems, however, that so-called simple reserves are about to be exhausted. By this we mean the potential which has been mobilized thanks to the outburst of initiative in local communities whose representatives were given opportunities for relatively sovereign operation in the 1990s for the first time in over 50 years. There are many indications that unless new development incentives are provided in the coming years, the favorable economic situation of municipalities may deteriorate. The recent decentralization of public administration, involving a transfer of some powers to newly established large,

self-governing regions, should constitute one such new development incentive. This must, however, be supplemented by changes in the system of public finances, in particular a substantial increase in the amount of funds available for local governments.

1.3. Factors of Local Success

1.3.1. Promotion of the Municipality and Foreign Cooperation

It is obvious that economic success is the consequence of an interaction of many factors, of which the active approach of local elites, in particular local authorities, is of paramount importance. The results of surveys prove that only a small minority of municipalities are making active development efforts extending beyond infrastructural investment. Although spatial plans have been worked out by as many as 1,011 municipalities (97.8 percent), only 298 municipalities (28.8 percent) have drawn up a development program (in other words, a development strategy). Whereas spatial planning is obligatory, and the municipal authorities are unable to carry out land management or issue building permits without such a document, drafting a development program is optional, but absolutely indispensable for effective municipal management. More than two thirds of municipalities lack this fundamental tool for organizing future activities.

Wielkopolska and Galicia fare best with respect to development strategies, with almost every third municipality having worked out such a program. The situation in the Western and Northern Lands is slightly worse, while the Congress Kingdom of Poland is, as usual, ranked last.

Attracting external investors is one important way of improving the local economy (although, as the experience of developed countries shows, the consolidation and expansion of already existing companies is even more advantageous). Given the globalization of economic processes, the increasing mobility of capital, and Poland's growing involvement in the international division of labor, appropriate promotion of the municipality becomes a major instrument of local authorities' influence on its economic situation.

Table 12.

Development programs of municipalities by region (n = 1,019)

	Share of municipalities with a program	Share of municipalities without a program
Congress Kingdom of Poland	25.1	74.9
Galicia	32.8	67.2
Wielkopolska	36.0	64.0
Western and Northern Lands	29.4	70.6
Rural municipalities	36.4	63.6
Urban municipalities	25.2	74.8
Total	28.9	71.1

The survey shows that such promotion has been embarked on by almost 70 percent of municipalities. This is a high percentage, which proves that Polish local governments

Table 13.

Forms of promotion of municipalities by region (n = 1,019)

	Total	Media advertisements	Cooperation with scientific centers	Cooperation with consulting firms	Fairs	Folders
Congress Kingdom of Poland	56.2	30.1	8.3	12.0	9.4	40.7
Galicia	72.7	33.6	16.4	16.4	21.1	51.6
Wielkopolska	78.7	44.0	10.7	14.7	23.3	65.3
Western and Northern Lands	84.4	45.0	14.5	20.9	33.0	67.0
Rural municipalities	90.7	50.6	19.3	21.1	34.6	84.0
Urban municipalities	30.0	7.8	7.8	12.7	12.1	37.9
Total	69.4	36.7	11.4	15.4	19.4	53.0

understand the “ABCs” of the market economy. This promotion takes the following forms (most municipalities apply more than one kind of promotion).

The largest number of municipalities engaged in promotion activities can be found in the Western and Northern Lands and in Wielkopolska. Promotion activities are less frequent in Galicia, and in the Congress Kingdom of Poland occur in only slightly more than half the percentage of the Western and Northern Lands and Wielkopolska. Almost every second municipality in the Western and Northern Lands and every third in Galicia and in the Congress Kingdom of Poland advertise in mass media. More than two thirds of the municipalities in the Western and Northern Lands, one half in Galicia and much less than half in the Congress Kingdom of Poland have published folders. Taking part in domestic and foreign fairs is a very effective channel of promotion. The Western and Northern Lands are an unquestioned leader in this field. Every third municipality from that area takes part in fairs, compared to every fourth in Wielkopolska, every fifth in Galicia, and less than every tenth in the Congress Kingdom of Poland. Cooperation with scientific centers and consulting firms is less common. For cooperation with scientific centers the leading position is occupied by Galicia, while the Western and Northern Lands lead for cooperation with consulting firms (although differences between particular regions are relatively insignificant). The Congress Kingdom of Poland is again ranked last in these areas. Promotional activities are more common in urban municipalities than in rural ones. For example, every second urban municipality and every third rural municipality run advertisements in the media. Every third urban municipality and every ninth or tenth rural municipality take part in fairs. Videos and folders are also much more often released by urban municipalities. Municipal development programs, which can also be regarded as a kind of promotional activity, have been prepared by over one third of urban municipalities and one fourth of rural municipalities, so the differences in this field are not so apparent as in the case of the remaining indicators presented above.

Foreign contacts can constitute an effective form of promotion. Such contacts were established by some one third of municipalities (33.7 percent). In contrast to the location of foreign companies, in the case of foreign cooperation there is virtually no difference between the Western and Northern Lands and Wielkopolska. On the other hand, there is a similar gap between the Western and Northern Lands and Galicia, and an even greater gap between them and the Congress Kingdom of Poland.

Table 14.

Foreign cooperation in municipalities (n = 1,019)

	Total	Business	Sports and culture	Exchange of groups
Congress Kingdom of Poland	17.1	4.4	7.0	4.4
Galicia	32.0	2.3	13.3	10.2
Wielkopolska	52.7	13.3	24.0	16.0
Western and Northern Lands	50.4	13.8	26.6	13.8
Urban municipalities	64.0	15.4	34.0	19.9
Rural municipalities	19.2	4.5	7.1	4.5
Total	33.7	8.2	15.7	9.4

Likewise, urban municipalities much more often enter into cooperation with foreign partners, both in the economic realm and in cultural and sports activities.

Incentives for investors are applied by some two thirds of municipalities, while less than half of them apply tax allowances. Differences between particular regions are not striking, although the Western and Northern Lands dominate the scene in this case as well. There is, however, no apparent relationship between the economic activity in municipalities and the applied incentives. This is due to the fact that the instruments employed by municipal councils to attract investors are not particularly effective, although in the cases of some particular firms, especially the newly-established ones, they may be of considerable relevance. To encourage investors it often suffices simply not to oppose setting up a foreign-owned company rather than by granting property tax breaks or by facilitating the acquisition of land. On the other hand, investment in infrastructure, especially in sewage treatment plants, can play a positive role. Despite limited funds, Polish municipalities show tremendous creativity and determination investing in the provision of technical infrastructure and in sewage treatment plants, which encourages investors and enables municipal authorities to lease or sell land on favorable terms, all of which leads to improvements in living standards.

On the whole, incentives for investors are applied by almost two thirds of municipalities. The largest percentage of municipalities using such incentives is recorded in the Western and Northern Lands (74.8 percent), followed by Galicia (69.9 percent), Wielkopolska (66.7 percent) and the Congress Kingdom of Poland (60.8 percent).

Given the scarcity of available funds, the application of such instruments cannot be fully effective yet. Nevertheless, the recognition of the need to do so provides grounds for optimism about the future.

Foreign cooperation in municipalities, meaning the presence of foreign-owned companies and other forms of foreign contacts, is a major indicator of their development chances. In terms of the presence of foreign-owned companies Poland is clearly divided into two areas: the Western and Northern Lands and Wielkopolska on the one hand, and Galicia and the Congress Kingdom of Poland on the other. In the Western and Northern Lands there are almost three times as many municipalities with foreign-owned companies as in the Congress Kingdom of Poland, and the average employment in these enterprises in the former region was 3.3 times higher than in the latter. Wielkopolska is approaching Western and Northern Lands' level of saturation with foreign companies, although for the time being the latter still retains its advantage. Galicia is ranked slightly

higher than the Congress Kingdom of Poland, but even so the number of foreign-owned companies operating in Galicia is only half of that in Wielkopolska.

There is a clear difference between urban and rural municipalities in terms of the number of foreign-owned companies which, obviously, are much more often (three times more often, to be precise) located in urban municipalities than in rural ones. Additionally, the average employment in these companies in urban municipalities is nine times as high as in rural municipalities.

Table 15.

Foreign-owned companies in municipalities (n = 1,019)

	Presence in municipalities (percent)	Average employment		
		1993	1994	1995
Congress Kingdom of Poland	15.0	16	22	25
Galicia	18.8	32	29	34
Wielkopolska	34.7	37	45	60
Western and Northern Lands	42.6	59	81	82
Urban municipalities	48.2	81	107	116
Rural municipalities	15.4	10	12	13
Total	26.0	33	32	47

Foreign capital inflow and support to local entrepreneurship are the consequences of local governments' involvement in promotion and providing incentives for investors. The analysis of the distributions of responses concerning local government's support for business and capital inflow (i.e. efforts and effects) shows a positive correlation between efforts and achievements⁸. The tables below indicate the strength of these correlations.

It can be seen from Table 16 that foreign-owned companies operate in only slightly more than one fourth of the municipalities. Nevertheless, more than one third of municipalities engaged in promotion report the presence of such companies. More than 90 percent of municipalities hosting foreign firms conduct promotional activities.

The relationship between the use of incentives and the location of foreign-owned companies in the municipality is somewhat less obvious than the relationship between promotion conducted by municipalities and the presence of foreign capital. Such enterprises exist in 30 percent of those municipalities applying incentives and in only 18.3 percent of municipalities offering no incentives.

1.3.2. Social mobilization in municipalities

As the results of surveys prove, local media exist in quite a large number of municipalities. Almost 44 percent of municipalities have a local newspaper. Local television is much less common, and radio is an even less popular local medium. Local press is best developed in Wielkopolska, where almost two thirds of municipalities have their own newspapers. In Galicia and the Western and Northern Lands local newspapers come out in more than every second municipality. The worst situation in this field is

⁸ We do not claim here that there is a cause-effect relationship, as the so-called cross-tabulations pointing to a mere correlation do not allow us to draw such conclusions. As noted earlier, the direction of causation may go either way.

Table 16.

Correlation between the presence of foreign-owned companies in the municipality and promotional activities conducted by the municipality

Foreign capital • promotion		Promotion		Total
		Absent	Present	
Foreign capital	Absent	289 38.2%	465 61.4%	757 73.2%
	Present	26 9.6%	245 90.4%	271 26.2%
Total		315 30.5%	716 69.2%	1034 100.0%
Promotion • foreign capital		Foreign capital		Total
		Absent	Present	
Promotion	Absent	289 91.7%	26 8.3%	315 30.5%
	Present	465 64.9%	245 34.2%	271 26.2%
Total		757 73.2%	271 26.2%	2034 100.0%

Table 17.

Correlation between the presence of companies with foreign participation in the municipality and incentives provided by the municipality

Foreign capital • incentives		Incentives		Total
		Absent	Present	
Foreign capital	Absent	288 38.0%	467 61.7%	757 73.2%
	Present	65 24.0%	204 75.3%	271 26.2%
Total		355 34.3%	675 65.3%	1034 100.0%
Incentives • foreign capital		Foreign capital		Total
		Absent	Present	
Incentives	Absent	288 81.1%	65 18.3%	355 34.3%
	Present	465 64.9%	204 30.2%	675 65.3%
Total		757 73.2%	271 26.2%	1034 100.0%

that of the Congress Kingdom of Poland, where only every third municipality has its own newspaper, and where we also find the smallest percentage of municipal governments funding the newspapers. In Wielkopolska every tenth municipality has its own cable TV station, compared to every eighth in the Western and Northern Lands. In the remaining regions the percentage of municipalities equipped with this medium is very small.

Local newspapers come out in three quarters of urban municipalities and in every third rural municipality, while cable TV stations are found almost exclusively in towns and cities.

Business activity in municipalities, especially in rural municipalities and small towns, is dominated by local sales of products provided by local manufacturing and service enterprises. Reaching customers with information quickly and as inexpensively as possible is one of the key issues small family firms operating on the local market are faced with. This is why the local mass media can and should play such a prominent role. They are also an indispensable channel of social communication between the municipal authorities (the council and the municipal management board) and the citizens. Apart from performing an informational function, the local mass media are also an important instrument of social mobilization.

Table 18.

Mass media in municipalities

	Percentage of municipalities in which there is (n = 1,019)		
	A newspaper	Cable TV	A newspaper funded by the municipality
Congress Kingdom of Poland	32.2	5.4	21.1
Galicja	54.7	3.1	35.9
Wielkopolska	58.0	10.0	29.3
Western and Northern Lands	50.4	13.8	34.4
Urban municipalities	72.6	22.9	45.8
Rural municipalities	30.3	1.2	19.5
Total	43.9	8.1	27.9

The presence of social and business organizations and political parties in municipalities is one indicator of activity and of the degree of social mobilization. Business organizations are most common in the Western and Northern Lands and in Wielkopolska, where they are found in more or less every fifth municipality, as opposed to every tenth in the Congress Kingdom of Poland and in Galicja. There are much smaller interregional differences with respect to social and sports organizations, but even here the domination of the Western and Northern Lands and Wielkopolska is unquestioned. Only sports clubs are slightly more numerous in Galicja.

Table 19.

Economic and social organizations in municipalities

Historical regions	Percentage of municipalities in which there are: (n = 1,019)		
	Business organizations	Social organizations	Sports clubs
Congress Kingdom of Poland	10.0	37.7	66.0
Galicja	11.7	43.0	85.9
Wielkopolska	17.3	45.3	80.0
Western and Northern Lands	20.2	46.1	83.0
Total	14.1	41.8	75.4

The presence of the trade unions Individual Farmers' Solidarity and the Solidarity Independent Trade Union is largely determined by the geographical structure of agriculture. In the Congress Kingdom of Poland and Galicia rural municipalities prevail, and with them Farmer's Solidarity. A somewhat different picture emerges in the case of the other Solidarity union, which is best represented in the Western and Northern Lands and in Galicia, but in this case the differences are not significant, with the exception of the Congress Kingdom of Poland, where Solidarity is much less popular. The situation is quite different in the case of the All-Poland Trade Union Alliance (OPZZ), which is clearly better represented in the municipalities of the Western and Northern Lands and Wielkopolska.

Table 20.**Trade unions and political parties in municipalities**

Historical regions	Percentage of municipalities in which the following organizations operate (N = 1,019)					
	Individual Farmers' Solidarity	OPZZ	Solidarity	PSL	SdRP	UW
Congress Kingdom of Poland	40.7	12.6	27.0	80.8	27.5	7.4
Galicia	34.4	12.5	35.9	70.1	16.4	11.7
Wielkopolska	29.3	20.7	34.7	70.7	27.3	13.3
Western and Northern Lands	22.0	24.8	40.4	61.3	36.9	16.3
Total	33.1	17.2	33.0	72.7	28.7	11.3

It would be also interesting to examine the location of political parties, of which only three make their presence felt at the local level. The Polish Peasants' Party (PSL), operating in three fourths of municipalities, is the undisputed leader here, followed by the Social Democratic Party of the Republic of Poland (SdRP), functioning in every third municipality, and by the Freedom Union (UW), present in every tenth. The PSL has the strongest position in the Congress Kingdom of Poland and the weakest in the Western and Northern Lands, which are largely dominated by the SdRP and, to a smaller extent, by the Freedom Union. The scope of SdRP influence in the Western and Northern Lands and in Wielkopolska is similar to that of the Freedom Union, while in Galicia the Social Democrats are clearly less popular and their advantage over the UW is very slight. On the other hand, the SdRP has a relatively strong position in the Congress Kingdom of Poland, unlike the Freedom Union, whose influence in this region is minimal.

Social and political activity is usually more intense in urban municipalities than in rural ones. For example, business organizations are present in every fourth urban municipality and in less than every tenth rural municipality. The difference in the level of activity of social organizations and sports clubs is smaller. Political parties are obviously more common in urban municipalities than in rural municipalities, although the PSL constitutes an exception, as that party has similar numbers of committees in both cities and villages. Individual Farmers' Solidarity also operates more often in rural than in urban areas.

The involvement of entrepreneurs in the formulation and the subsequent implementation of local development programs can be an important factor of social mobilization towards the development of municipalities. In a relatively large proportion of municipalities (44 percent) entrepreneurs cooperate with municipal authorities. Interregional

differences are relatively substantial. Such cooperation is most common in Wielkopolska (59 percent of municipalities), followed by the Western and Northern Lands (49 percent), Galicia (48 percent) and the Congress Kingdom of Poland (only 36 percent of municipalities). Entrepreneurs are most frequently involved in the promotion of municipalities in the Western and Northern Lands and in activities related to the labor market in Wielkopolska. In the latter region they are more frequently involved in sponsoring cultural and sporting events than in the remaining ones. Finally, in Galicia, entrepreneurs co-finance the development of infrastructure relatively more frequently than elsewhere.

In urban municipalities there are clearly more examples of entrepreneurs' cooperating with municipal authorities than in rural ones. Urban municipalities have the biggest lead in municipality promotion, in which entrepreneurs are involved more than four times as often as in rural areas. It is also in cities that entrepreneurs more often support cultural and sporting events. On the other hand, in the case of infrastructure development and in other fields of cooperation the differences between urban and rural municipalities are much less distinct.

Table 21.

Activities in municipalities by administrative status (n = 1,034)

Kind of activities	Frequency of occurrence	
	Urban municipalities	Rural municipalities
Economic organizations	25.6	8.1
Social organizations	50.0	37.8
Sports clubs	92.5	67.3
Private Farmers' Solidarity	24.2	37.2
OPZZ	38.0	7.1
Solidarity	63.9	18.0
PSL	75.6	71.2
SdRP	57.8	14.8
Freedom Union	31.3	1.7
Labor Union	12.7	0.7
Various right-wing parties	23.8	3.2

Answers to the question which investors should be targeted for priority municipal support cast more light on the respondents' attitudes towards the "ideology" of economic development.

A vast majority of those polled believe that the municipality should create favorable conditions for any investor, which would suggest the domination of views favoring a market-type approach by municipal authorities. At the same time, however, every tenth municipality in the Western and Northern Lands, almost every sixth in the Congress Kingdom of Poland and almost every fifth in Wielkopolska expressed the view that the location should be facilitated only for economically weak investors. Such egalitarian thinking in an area totally regulated by market mechanisms seems rather surprising.

In a poll carried out in 1997 a question was asked about the assessment of the degree of activity of local communities. One fourth of municipalities voiced the opinion that

Table 22.

Cooperation of entrepreneurs with municipal authorities towards their development, by historical region (%)

		Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Cooperation exists		36.2	48.1	58.7	49.3	44.3
Type of co-operation:	Discussions, meetings	9.2	10.0	14.5	17.6	12.6
	Promotion of the municipality	11.3	20.0	23.7	26.1	18.8
	Support for the labor market	10.2	4.1	15.8	9.6	10.1
	Funding of cultural and sporting events	11.3	17.0	25.8	19.6	16.8
	Funding of community work	2.7	6.0	5.5	6.9	4.8
	Development of infrastructure	23.7	37.5	30.8	21.7	26.4
	Adaptation of facilities	4.1	6.1	5.8	3.0	4.3
Other financial assistance		12.4	10.2	16.7	8.6	11.6

Table 23.

Cooperation of entrepreneurs with municipal authorities by rural and urban municipalities (%)

Kind of cooperation	Rural municipalities	Urban municipalities
General cooperation	39.1	55.1
Promotion of the municipality	8.7	37.1
Funding of cultural and sporting events	13.4	24.0
Funding of community work	4.1	6.3
Development of infrastructure	25.6	27.9
Adaptation of facilities	3.8	5.5
Discussions, meetings	8.9	20.4
Support for the labor market	8.1	15.0
Other financial assistance	10.6	13.9

this activity was intense in the country as a whole. Unfortunately, the vast majority of municipal councils (almost three quarters) described *their own* communities as inert and passive. The most active municipalities are those of Galicia and Wielkopolska, with those of the Congress Kingdom of Poland and Western and Northern Lands being much less active. Comparing these responses to those obtained in 1996, when 68 percent of municipalities stated that the passivity of citizens did not impose constraints on local authorities' activities, it seems we can safely state that the inertia shown by citizens is not seen as a major barrier to local development. Urban municipalities do not differ significantly from rural municipalities as regards the activity of citizens. Nevertheless, in the opinion of municipal authorities village dwellers are less active and more passive.

Local citizens' priorities can serve as one of the measures of the activity of local authorities. Our respondents identified environmental protection and municipal services as the highest priorities of local residents. (These two fields are often closely interrelated, as, for example, in the case of sewer lines and sewage treatment plants.) Communication was mentioned third, followed by education. There are considerable differences between particular regions. For example, third place went to education in the Congress Kingdom of Poland, while in Wielkopolska, the Western and Northern Lands and Galicia it

Table 24.

Degree of social activity in municipalities (percent of municipalities' responses) (N = 785)

	Very active	Somewhat active	Passive	No answer
Congress Kingdom of Poland	22.8	65.7	8.4	3.1
Galicia	37.8	56.7	3.9	1.6
Wielkopolska	32.1	63.4	3.6	0.9
Western and Northern Lands	16.0	69.2	11.7	3.1
Urban municipalities	28.1	69.5	2.4	0.0
Rural municipalities	24.6	64.1	8.4	2.9
Total	24.9	64.7	7.7	2.7

was communication. There are interesting differences as regards the prioritization of housing services. This priority was least often mentioned in the Congress Kingdom of Poland (44 percent of municipalities), and most often in the Western and Northern Lands (77 percent). This may be due to the considerable depreciation of the housing assets in these territories, resulting from their uncertain political situation which existed many years, prior to the signing of treaties with West Germany recognizing Poland's current borders. The priorities of city dwellers differ quite substantially from those of village inhabitants. The former, quite understandably, mention more frequently municipal services and housing management. The latter put emphasis on education and, interestingly, on environmental protection. In connection with higher unemployment in rural municipalities, labor market problems are also more frequently mentioned there.

Table 25.

Topical scope of demands put forward by inhabitants, in percent (N = 785)

	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Housing management	87.8	52.7	44.1	48.0	69.4	77.1	56.2
Municipal services	90.2	77.1	75.6	81.9	78.6	81.9	78.3
Communication	69.5	69.7	66.1	77.9	70.5	70.2	69.4
Education	59.8	64.4	60.7	59.1	57.1	59.6	59.6
Environmental protection	75.0	80.0	67.9	66.9	57.1	58.5	63.8
Employment	53.7	61.4	77.5	91.3	76.8	77.1	79.4

Teachers and farmers were considered the most active groups of inhabitants by municipal councils in all regions. According to those polled, entrepreneurs are slightly less active, since they were mentioned as an active group by more than every third municipality. The most active entrepreneurs are found in Wielkopolska and in the Western and Northern Lands, the least active ones in the Congress Kingdom of Poland, with the difference between this region and Wielkopolska being very substantial (almost 17 percentage points). In rural municipalities the most active groups are teachers and farmers, while in urban municipalities they consist of teachers and entrepreneurs.

Some questionnaire items concerned the topical scope of local governments' initiatives. In all municipalities social welfare was given first place. It seems that municipalities, irrespective of their statutory duties, attach too much attention to this field

Table 26.**Most active groups of inhabitants in municipalities, in percent (N = 795)**

	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Entrepreneurs	61.0	33.7	28.9	40.9	45.5	43.1	36.7
Teachers	62.2	56.1	55.6	52.0	64.3	57.5	56.6
State enterprise employees	13.4	7.3	7.6	8.7	8.9	7.4	8.0
Farmers	8.5	51.3	52.8	59.8	37.5	31.9	46.6

of activities. This results not only from popular pressure, but also from the attitudes of a large number of municipal authorities, as well as from the wasteful procedures of distribution of social welfare funds provided by the state budget.

Somewhat surprisingly as much as 80 percent of municipalities (and in Galicia even 90 percent) expressed high prioritization of cultural initiatives. They were followed by initiatives aimed at promoting entrepreneurship. The largest shares of municipalities prioritizing this kind of activities were recorded in the Western and Northern Lands and in Wielkopolska, the smallest in the Congress Kingdom of Poland. The difference between the Western and Northern Lands and the Congress Kingdom of Poland is quite sizable (14 percentage points). The activity of municipalities was much less intensive in the areas of vocational training and children's holidays (less than every third municipality). The topical scope of local governments' initiatives is similar in both urban and rural areas. A major difference is recorded only in the case of children's holidays, which are organized almost twice as often in cities as in villages.

Table 27.**Topical scope of local government initiatives (%)**

	Urban	Rural	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Total
Promotion of entrepreneurship	63.4	66.0	58.7	66.1	72.3	75.0	65.6
Vocational training	29.3	32.0	29.8	33.9	33.9	32.4	31.6
Children's holidays	48.8	29.0	17.7	29.9	46.4	47.9	31.0
Support for culture	89.0	82.1	78.6	90.6	86.6	83.5	82.7
Social welfare	91.5	89.6	90.4	89.0	87.5	90.4	89.6

1.4. Barriers to Local Development

The survey carried out in 1996 contained several questions referring to barriers to local development. These barriers can be divided into exogenous ones, resulting from the overall national political and economic situation, as well as from the activities of central and voivodship authorities, and endogenous ones, which are subject to the direct influence of the local authorities.

1.4.1. Exogenous Barriers

The Polish political arena is still far from stable, and political processes are often disturbed by various scandals. One sometimes encounters the opinion that local systems are “immune” to political processes taking place “at the top”. We wanted to test this hypothesis by asking in what way, according to the municipal authorities, various “upheavals” in national politics exert their impact on the functioning of municipalities.

In the opinion of the vast majority of municipal respondents—two thirds of respondents from Galicia and more than half in the three remaining historical regions—the national political situation in Poland has a limited effect on the functioning of the municipality. About one fifth of the surveyed municipalities express the view that the overall political situation exerts no impact at all, and only every tenth municipality (every twentieth in Galicia) believes this impact is strong. The obtained result should be assessed optimistically, as it points to the relative independence of municipalities’ operations from political fluctuations on the overall national scene.

Table 28.

Exogenous barriers to development of municipalities (N = 819)*

Barrier	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Urban	Rural	Total
Political situation in Poland	10.9	6.9	7.2	13.3	—	—	10.5
Administrative division	27.8	27.3	15.9	25.4	—	—	25.4
Lack of government aid	62.4	61.2	57.2	57.5	58.5	70.0	60.3
Lack of voivodship authorities’ aid	44.9	46.9	41.2	34.0	38.0	43.7	41.8
Legal system and regulations	75.4	78.5	79.4	71.6	70.0	77.9	75.3

* Percentage of municipalities declaring that a given factor has a very large and large impact limiting the development of municipalities.

Another question concerned the present administrative division of the country existing prior to January 1, 1999, as there is a hypothesis that this constitutes a constraining factor on the activities of local authorities (in the previous survey some 60 percent of municipalities declared the need for introducing districts—*powiaty*—and larger voivodships). On the whole, this hypothesis is supported by only every fourth municipality, and only in Wielkopolska is the share of respondents who regard the old administrative set-up of the country as a constraint on the activities of local authorities smaller. On the other hand, more than every third municipality believes that the administrative division has no impact on their functioning.

These answers, when confronted with the previous year’s results, seem to indicate that it was not the perceived impact of the country’s administrative division on the situation of particular municipalities, but the civic concern of the respondents and their understanding of the need for the reform, which was behind the support for the introduction of districts and larger voivodships.

The lack of government aid is a barrier acknowledged by representatives of most municipalities. It is considered a very serious and serious obstacle by 62 percent of

municipalities in the Congress Kingdom of Poland and in Galicia, and by some 57 percent of municipalities in the Western and Northern Lands and in Wielkopolska. As can be seen from these figures, regional differences on this issue are insignificant. At the same time, it is worth noting that according to some two fifths of those polled the lack of government aid limits the activities of local authorities to a very small extent, if at all. Generally, however, in the majority of municipalities the attitudes of respondents are very oriented toward making demands vis-à-vis the central government.

The lack of government aid seems to be a more relevant barrier in rural than in urban municipalities. Similarly, the lack of aid provided by voivodship-level authorities also affects more rural municipalities (44 percent of villages versus 38 percent of cities).

The respondents clearly feel more limited by the lack of government aid than the lack of aid from the voivodship authorities. With respect to the latter, only two fifths of the respondents believe that the lack of aid limits their activities. The regional distribution of responses is as follows (the figures in parentheses refer to the distribution of answers to the corresponding question concerning government aid): 45 percent (62 percent) in the Congress Kingdom of Poland, 47 percent (60 percent) in Galicia, 41 percent (57 percent) in Wielkopolska and 34 percent (58 percent) in the Western and Northern Lands.

It is not surprising that the vast majority of the respondents (almost 90 percent) believe that scarcity of funds is a serious constraint on the activities of the local authorities. The percentages of municipalities mentioning this barrier are the largest in Wielkopolska and Galicia (93 percent and 92 percent, respectively), followed by the Congress Kingdom of Poland (89 percent) and the Western and Northern Lands (82 percent). At the same time, every fifth municipality in the last region considers scarcity of funds not to be a barrier, which suggests that the funds available to these municipalities are sufficient under existing conditions. Municipalities enjoying such a comfortable situation are much less numerous in other regions: there are some 10 percent of them in the Congress Kingdom of Poland, and 7 percent in Galicia and Wielkopolska, each.

Scarcity of funds poses a bigger difficulty to rural municipalities, as some 92 percent of those polled believed that this factor seriously restricted the activities of local authorities, while the percentage of such answers in urban municipalities was lower (85 percent). This seems understandable, as urban municipalities are, on average, wealthier than rural ones. The responses to this question are fully compatible with the picture obtained from the previous year's survey, in which 84 percent of municipalities emphasized the need to amend the system of public finances.

Barriers to the development of municipalities are also seen in the high price of credit, which partly results from the high rate of inflation. Therefore, municipal councils are very cautious about taking out commercial loans. Nevertheless, almost every fourth municipality declares its willingness to acquire such loans. Of course, the question arises here of whether these declarations result from ignorance of the municipality's real credit-carrying capacity and simple recklessness ("we shall make it somehow, the municipality cannot go bankrupt") or a reasonable calculation. Given the present state of research it is impossible to answer this question, but, symptomatically, the municipalities of Galicia, which are not particularly dynamic, exhibit the highest propensity to borrow, while the development-oriented municipalities of the Western and Northern Lands are least likely to borrow.

1.4.2. Endogenous Barriers

Poor skills of municipal officials may be a barrier to local development. This problem is recognized by more or less every fifth municipality, voicing the opinion that the lack of skills seriously restricts the activities of local authorities. At the same time, about one fifth of those polled believe that skills are of no particular relevance, which is a rather disturbing phenomenon. Such opinions are voiced more frequently in the Congress Kingdom of Poland and in the Western and Northern Lands than in Wielkopolska and Galicia.

Almost one third of those polled believe that the skills of council members constitute a major obstacle in the activities of local authorities. According to more or less one fourth of those polled, the skills of council members are irrelevant. This opinion is voiced most frequently in the Congress Kingdom of Poland. A possible explanation for this could be that in these municipalities the councils are dominated by the municipal management boards.

Table 29.

Endogenous barriers to development of municipalities (N = 819)*

Barrier	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands	Urban	Rural	Total
Poor skills of municipal officials	23.8	16.1	27.3	22.0	—	—	22.7
Poor skills of council members	30.9	26.0	26.6	32.5	—	—	30.3
Lack of consensus among local elites	28.7	24.5	28.6	25.0	31.6	25.0	27.2
Idleness of inhabitants	40.8	44.9	43.3	41.4	36.8	41.4	42.0
Autonomy of municipal management boards	33.4	29.8	32.0	31.7	31.1	33.0	32.3
Scarcity of funds	89.0	92.3	92.6	82.2	84.6	91.6	88.0

* Percentage of municipalities declaring that a given factor has a large or very large impact limiting the development of municipalities.

One might expect the inadequate skills of council members to have a more detrimental effect on rural municipalities. This, however, is not the case, as definitely more rural than urban respondents maintain that the skills of council members are irrelevant. On the other hand, the skills of municipal officials are assessed similarly in both rural and urban municipalities.

The next question concerned the lack of consensus among local elites as a barrier to the activities of local authorities. Almost one third of those polled believe that this factor is of no significance. On the other hand, this factor is a very important or important barrier to activities according to 29 percent of municipalities in the Congress Kingdom of Poland and Wielkopolska, and 25 percent of municipalities in Galicia and in the Western and Northern Lands. These answers indicate that a vast majority of the surveyed municipalities "concentrate on doing their job", without paying attention to conflicts among local elites. In the short run, this managerial and bureaucratic pattern of exercising power on the local level may be effective, but in the long run it may impair opportunities for broader social mobilization.

About one third of respondents in urban municipalities believe that the lack of consensus among local elites limits the activities of local authorities to a great or very great extent, whereas only one fourth of respondents from rural municipalities share this belief. Consensus among elites is considered insignificant by the respondents from more than one third of rural municipalities, as opposed to one fourth of urban respondents. These differences may be an indication that local elites in rural areas are better integrated than in urban areas, where conflicts between city councilors and councilors from nearby villages are possible.

The surveyed municipal authorities seem to lean more heavily on the activity of local citizens than on consensus among local elites. A large number of municipalities (45 percent in Galicia, 43 percent in Wielkopolska and 41 percent in the Congress Kingdom of Poland and in the Western and Northern Lands) believe that local residents' inactivity inhibits the activities of local authorities to a great or very great degree. The level of activity of inhabitants is considered irrelevant by only a very small number of respondents (the largest percentages were found in the Congress Kingdom of Poland and in Wielkopolska, where almost every tenth respondent expressed this opinion). Somewhat more rural than urban municipalities express the view that the inactivity of local residents is a factor inhibiting the activities of local authorities to a great or very great degree. This opinion is shared by 44 percent of those polled in rural areas and 37 percent in urban areas. However, it must be added that there is more than one possible interpretation of the answers to this question: we do not know whether the view that local residents' inactivity does not inhibit the activities of local authorities indicates a high level of activity of the inhabitants of these municipalities, or is actually a manifestation of the view that this activity is of little significance.

The distribution of answers to the next question, concerning the degree of autonomy of municipal councils, is rather surprising. More or less one fifth of municipal councils in the Congress Kingdom of Poland and in Galicia, as well as almost one fourth in Wielkopolska and in the Western and Northern Lands, voice the view that the scope of their autonomy is irrelevant in the functioning of local authorities. There are no significant differences in the distribution of views on this issue between rural and urban municipalities. At the same time, however, some one third of the respondents in all four regions express the opinion that the lack of municipal council autonomy considerably limits the activities of local authorities. Evidently, opinions on this matter are polarized. It is worth remembering that in 1995 some two thirds of municipalities believed that the prerogatives of municipal councils should not be increased. Hence, the present survey confirmed earlier observations.

According to those polled, *legal provisions and lack of funds are the barriers really confining the activity of local authorities*. Three quarters of municipalities (79 percent in Wielkopolska, 78 percent in Galicia, 75 percent in the Congress Kingdom of Poland and 72 percent in the Western and Northern Lands) complain about the limiting nature of the legal system and the legal provisions in force. Opinions on the significance of legal barriers were slightly more critical in rural municipalities: some 78 percent of those polled in villages—as against 70 percent in cities—claimed that this was a factor limiting to a serious or very serious extent the activities of local authorities. This is quite interesting, as rural municipalities usually have simpler management structures and under the present conditions the legal restrictions should, probably, be less severe. Perhaps urban

municipalities are more autonomous and can better cope with the difficulties resulting from the imperfect existing regulations.

In all types of municipalities, the percentage of respondents who consider this factor irrelevant is very small. The answers obtained in 1996 definitely mirror those of 1995. As many as 72 percent of municipalities stated then that the legal system in which Polish local governments operated had to be changed.

Lack of local political stability can also be a barrier to local development, as lack of continuity in the policy of local development can adversely affect development opportunities of municipalities. One often hears the argument that mayors are frequently appointed and dismissed in Poland. The results of our research indicate that the situation is probably not as bad as it is often claimed to be. In Galicia, for example, two thirds of mayors have been in office since 1990. In the remaining regions the relevant percentages exceed 50 percent. The most volatile situation is found in the Western and Northern Lands, where in 15 percent of municipalities mayors have been changed at least three times since 1990.

Table 30.

Answers to the question how many mayors have governed the municipality since 1990, in percent (N = 819)

	One	Two	Three	Four and more
Congress Kingdom of Poland	53.8	36.1	8.4	1.7
Galicia	66.0	30.0	3.0	1.0
Wielkopolska	55.9	36.9	5.4	1.8
Western and Northern Lands	51.4	33.0	12.8	2.3
Total	54.9	34.6	8.6	1.8

The stability of executive authorities is similar in urban and rural municipalities, although mayors of the former are appointed and dismissed more frequently than those of the latter. Since 1990, the average numbers of mayors of rural and urban municipalities have been 1.5 and 1.7, respectively. This may be evidence of stronger politicization of local governments in urban than in rural municipalities.

In some political circles arguments are made for amending the local government law with respect to the election of mayors. Some propose, for example, that mayors be elected directly by the entire local community in general elections (at present they are elected by the municipal councils, whose members are directly elected). Our survey therefore included questions concerning respondents' opinions on this issue. More than half of respondents, especially in Wielkopolska and in Western and Northern Lands, opt for direct election of mayors. Some one third of respondents, mostly in Galicia, prefer the present system. Decidedly less popular is the idea of four-year managerial contracts for mayors. In all regions, only more or less every sixth respondent (and in Wielkopolska every tenth) opted for this form of mayoral appointment. Rural respondents, when asked about their opinions on this issue, turned out to be slightly more conservative than their urban counterparts, but in every type of municipality more than half of respondents opted for the election of mayors in general elections.

These results indicate a relatively widespread desire for an even stronger stabilization of the position of the executive body of the municipality (i.e. the mayor) than that

Table 31.**Answers to the question how to appoint mayors (% , N = 819)**

	Present system	General elections	Four-year contracts
Congress Kingdom of Poland	34.0	51.9	14.1
Galicia	35.6	50.0	14.4
Wielkopolska	32.4	58.3	9.3
Western and Northern Lands	29.3	55.3	15.3
Rural municipalities	35.7	50.3	14.0
Urban municipalities	26.7	59.9	13.4
Total	32.7	53.5	13.8

achieved under the present system, although, as we have already pointed out, this position is already relatively stable.

1.5. Summary

In the analysis of distributions of variables in particular regions, we have distinguished 25 features (Table 32) which we regard as the best indicators of the activity of local authorities towards the development of municipalities. We gave ranks ranging from 4 to 1, reflecting the frequency of occurrence of a given feature in municipalities in a given historical region, to individual regions.

Our survey data point to strong regional variations in indicators of the activity of local authorities. In terms of economic and social activity, entrepreneurship and pace of development, the best situation is found in the Western and Northern Lands, which scored 17 first places out of 25 analyzed features, and whose average rank was 3.4. The second position was occupied by Wielkopolska, with 4 first places and an average rank of 2.9. Galicia was third with 4 first places and an average rank of 2.4, while the Congress Kingdom of Poland finished last with zero first places and an average rank of 1.3.

The more vigorous activity and better economic situation in the municipalities of Poland's Western and Northern Lands is contradictory to views voiced both in the press and in some scholarly studies claiming that deep recession, apathy and frustration characterize northern voivodships, especially in those affected by the liquidation of state farms (PGRs), giving rise to mass unemployment. Is this a distorted picture? The economic situation in municipalities located in voivodships adjacent to Germany is undeniably favorable; hence, this group of municipalities may have contributed substantially to the positive picture of the Western and Northern Lands as a whole. In order to test this hypothesis we divided the category of municipalities located in Western and Northern Lands into two sub-categories: that of municipalities located in the northern belt stretching from the voivodship of Suwałki to the voivodship of Szczecin, and that of municipalities located in western voivodships on the German border. We found that the situation of municipalities of Poland's northern voivodships, affected by the "PGR crisis", is indeed worse than that of municipalities of western voivodships, but definitely better than that of municipalities located in other regions of the country (the Congress Kingdom of Poland, Galicia and Wielkopolska). Only with respect to local newspapers do the municipalities of northern voivodships do worse than their counterparts in other

Table 32.

Composite indicators of socio-economic activity in regional breakdown

Indicator	Congress Kingdom of Poland	Galicia	Wielkopolska	Western and Northern Lands
1. Number of first places	0	4	4	17
2. Average of ranks	1.28	2.44	2.88	3.44
3. Economic organizations	1	2	3	4
4. Social organizations	1	2	3	4
5. Sports club	1	4	2	3
6. Newspaper	1	3	4	2
7. Cable TV	2	1	3	4
8. Foreign economic cooperation	1	2	4	3
9. Foreign cultural cooperation	2	1	3	4
10. Exchange of inhabitants	1	2	4	3
11. Commercial credit	2	4	3	1
12. Satisfaction of future needs	2	1	3	4
13. Incentives for investors	1	3	2	4
14. Tax allowances	1	3	2	4
15. Promotion in general	1	2	3	4
16. Advertising in mass media	1	2	3	4
17. Cooperation with scientific centers	1	3	2	4
18. Cooperation with consulting firms	1	3	2	4
19. Participation in fairs	1	2	3	4
20. Publication of folders	1	2	3	4
21. Foreign enterprises	1	2	3	4
22. Increase in the number of enterprises	1	2	3	4
23. Increase in the number of jobs	1	3	3	4
24. Rise in investment	3	4	1	2
25. Unemployment forecast	1	2	4	3
26. Degree of activity of inhabitants	2	4	3	1
27. Indicator of optimism	1	2	3	4

4—the region with the largest percentage of municipalities characterized by a given feature.

1—the region with the smallest percentage of municipalities characterized by a given feature.

regions, but the difference is insignificant (within the margin of error). In contrast, for example, among the recession-hit municipalities of northern municipalities there are almost twice as many municipalities with foreign companies as in the remaining regions of Poland. Promotional activities are conducted by 85 percent of municipalities in the first group and by only about one third in the second group. In 1994, the growth rate of new company start-ups was almost 30 percent higher in the first case than in the other cases. These comparisons provide further support to the thesis about the leading position of the Western and Northern Lands in the processes of municipal development, and perhaps even in the processes of systemic transformation in general.

Another myth propagated in some academic and popular circles is the alleged catastrophe caused by the liquidation of PGRs, which is supposed to have caused, especially in the Western and Northern Lands, the wastage of enormous areas of land, large-scale devastation of fixed assets and dramatic job losses. Our research does not confirm these

opinions. On the contrary, the liquidation of PGRs has been accomplished without causing any major disturbances in farming. More than two thirds of the former PGR land in the Western and Northern Lands has been leased, and over 10 percent sold. The situation is the same for other fixed assets. Almost one third of former PGR employees have found jobs in agriculture. These were mostly employees with relatively higher skill levels (tractor drivers, combine drivers, etc.). The acquisition of land by leaseholders or new owners has resulted in rationalization of employment, which used to be excessive. In some cases, the ratio of employees to crops fell to a small fraction of the former level. One quarter of employees have found jobs outside agriculture. It is true that almost half of the former PGR employees remain jobless. However, these are mostly females and elderly males without any professional skills, whose chances for employment in a market economy with a competitive labor market are poor and will remain poor. Their outlook has deteriorated even further due to unwillingness to work and total discouragement to seek employment.

Table 33.

Selected indicators of activity of municipalities in Northern and Western and Northern Lands compared to other regions of Poland

Indicator	Northern voivodships	Western voivodships	Other regions of Poland
Percentage of municipalities with companies with foreign participation	34.0	47.3	19.7
Percentage of municipalities conducting promotion activities	85.0	84.1	63.6
Percentage of municipalities with foreign contacts	44.0	53.8	27.3
Percentage of municipalities in which a newspaper comes out	38.0	57.1	41.4
Net change in the number of enterprises	+71	+80	+56
Number of analyzed municipalities	100	182	737

Table 34.

Current uses of PGR assets and employees (%)

	farmland			fixed assets			employees [*]		
	sold	leased	AWRSP**	sold	leased	AWRSP**	sold	leased	AWRSP**
Congress Kingdom of Poland	13.8	57.9	28.3	27.2	44.4	28.4	35.5	24.1	35.0
Galicia	15.0	39.1	45.9	26.8	32.5	40.7	25.0	25.2	44.6
Wielkopolska	13.5	61.6	23.9	10.5	62.1	26.4	49.6	18.6	28.0
Western and Northern Lands	12.7	64.5	22.8	19.5	58.0	22.5	27.7	26.4	43.0
Total	13.4	59.5	27.1	21.0	51.8	27.2	34.3	24.0	37.5

* In this column the percentages do not add up to 100; data not available not taken into account. Data refer to the type of farms on which these persons work.

** Property of Agency for Agricultural Property of the State Treasury (AWRSP).

Summing up these remarks on variations in municipalities in large, historical regions of Poland, we again stress the depth of the differences in economic activity, social activity, and entrepreneurship which are analyzed here. These differences could only emerge in a democratic system, in a market economy and under competitive conditions.

The first place of Western and Northern Lands in terms of social and economic activity indicators is not a surprise (although it contradicts the stereotypical interpretation used in analyses of political behavior⁹). The community of inhabitants of the Western and Northern Lands was formed as a consequence of post-war migrations, as a result of which the percentages of population living in a given municipality since birth are much lower than in the Congress Kingdom of Poland and in Galicia (especially in the case of rural municipalities; in the latter two regions cities are characterized by high percentages of immigratory population, although it is often population coming to these centers from their closest environs). Populations formed by migration, i.e. mixed both genetically and culturally, often seem to be energetic, innovative, entrepreneurial, industrious and self-reliant. Moreover, the population of Western and Northern Lands is much younger than the populations of the remaining big historical regions of Poland. As a consequence of these two factors, the inhabitants of the Western and Northern Lands adapt more easily to the new situation—the systemic change—and are more susceptible to modernization processes than the citizens living in other regions, especially Galicia and the Congress Kingdom of Poland.

The differences between the Western and Northern Lands and Wielkopolska on the one hand, and Galicia and the Congress Kingdom of Poland on the other, are already very serious and expected to become even deeper due to vigorous economic processes. This means a great challenge for the regional policy of the government.

⁹ The analysts of this situation, guided by political preferences rather than by an objective evaluation of the situation, tend to claim, for example, that the higher frequency of voting for the SLD in the Western and Northern Lands compared to other regions (also confirmed by the distribution of votes in presidential elections) is caused by the anomie and lack of integration of the population living in these areas, as well as by disenchantment with the reforms. The thesis about the lack of integration is completely false, as research carried out as early as the 1960s proved a high degree of integration of this population. These analysts do not want to admit that a vote for the SLD is not always a vote for the Communist option, but, on the contrary, often a vote for Poland's modernization, which for a large part of the society is identified with SLD (and Freedom Union) platforms, rather than with the so-called right-wing groupings, which advocate left-wing, even populist, approaches to the economy, and conservative morals.

CHAPTER 2

LOCAL SUCCESS

2.1. Factors of Local Success

The essence of systemic change on the local level lies in the right to apportion budgetary funds in accordance with preferences defined on the local level instead of simply executing decisions made by higher level authorities. This has, directly or indirectly, made “local success” possible in a number of dimensions. “Local success” is a relative phenomenon. Local systems able to better utilize objective development conditions than other systems can claim to be successful. Putting it simply, success is achieved by entities which are developing better than their “neighbors”; i.e., nearby municipalities or more distant ones with similar natural and historical endowments.

In this study we examine primarily successes in three dimensions of local life—public investment, local business development, and the development of civil society on the local level—which have led to measurable improvements in living conditions for local community members.

More *public investment* funds have been channeled towards projects increasing the standard of living of a given locality. These projects have included, first of all, construction of water lines, sewage systems, sewage-treatment plants, installation of telephone lines, etc. At the same time, many local governments have taken various measures (such as those presented in this study) to enhance the economic potential of their localities. Attempts have been made to attract foreign investors by means of various incentives, so as to increase tax revenue, enabling further municipal investment.

This brings us, in turn, to the question of *business development*. In a relatively short time, the significance of private businesses in small towns has increased steadily, and their owners have consolidated their position in local elites. Of course, the primary factor behind this success is the economic reforms of 1989–1990. However, we will

show in this study that the role of local government can be crucial in stimulating the growth of small business and with it of the local economy generally. This is not merely a question of expanding the local tax base, but also of reducing unemployment (and the social pathologies that accompany it) and developing a new culture of enterprise. Small businesses provide not only jobs but also behavioral patterns showing, especially to young people, alternative career opportunities through self-employment.

The third type of local success we indicated above lies in the area of *civil society development*. The crucial importance of civil society for the development of democracy is emphasized by Robert Putnam¹. The concept of civil society refers to an active community in which residents are involved in a rich network of organizations and institutions in which they learn to cultivate the habits of mutual trust and cooperation in non-political aspects of life. These habits lead in turn to a "public-spiritedness" which overflows into active involvement in local political life. The degree of development of civil society can be measured by membership in business and cultural organizations such as literary and sports clubs, choirs, bird-watchers' associations, chambers of commerce, credit, producer and consumer cooperatives, and trade unions. A large literature on the industrial districts of the "Third Italy" exists demonstrating that dense network of such institutions have been crucial in the economic development of the Italian regions of Veneto, Tuscany and Emilia-Romagna².

The underdevelopment of civil society in Communist and post-Communist societies has been pointed to by Polish researchers for a long time³. This results from the authoritarian nature of the omnipotent state exercising almost total control over the individual's conduct, with family-and-friendship groups as the only refuge for the individual. The role of the latter is similar to that performed by associations in democratic societies, the difference being that under authoritarianism personal ties are the only uniting factor, while in open societies a rich network of material and interpersonal relationships exists alongside family-and-friendship ties. In family-and-friendship groups relationships are based on egalitarian distributions of material and emotional benefits, and the principle of equality is the cornerstone of their existence. This situation rules out any competition threatening the existence of the group. Under Communism, family-and-friendship groups not only provided a forum for exchange of opinions, but they also provided mutual aid functions and made it easier for their members to operate in a hostile environment. It was family-and-friendship ties which were used to "arrange" university studies, a more attractive job, short-supply goods, etc. This led to the flourishing of coteries and nepotism, now major sources of social pathology.

Unlike family-and-friendship groups, the operation of associations must be based primarily on trust in people outside the circle of family and friends⁴. Without this trust

¹ See chapter four of Robert Putnam (1993), *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton.

² See, for example, Michael J. Piore, Charles F. Sabel (1984), *The Second Industrial Divide: Possibilities for Prosperity*, New York; Frank Pyke, Werner Sengenberger (eds.) (1992), *Industrial Districts and Local Economic Regeneration*, Geneva; Frank Pyke, G. Becattini, Werner Sengenberger (eds.) (1990), *Industrial Districts and Inter-Firm Cooperation in Italy*, Geneva.

³ Cf. S. Nowak: *Spółczesność polskie drugiej połowy lat osiemdziesiątych*, "Studia Socjologiczne", No. 1(108), 1988, and J. Hryniewicz: *Spółczesność lokalne u progu przemian ustrojowych*, Warsaw University, IGP, 1990, p. 211ff.

⁴ Francis Fukuyama, *Trust. The Social Virtues and the Creation of Prosperity* (Polish edition: PWN, Warszawa 1997).

any public activity in the local council or in other social organizations is very difficult. This is confirmed by the results of a survey of the communities analyzed in this study, with more than two thirds of those polled indicating that one of the main obstacles to organized forms of citizens' activity in municipalities is the "distrust in people and their intentions". This feature of post-Communist societies is also discussed by external observers. For example, Francis Fukuyama states that:

*without sound social ties both democracy and the economy are unable to operate smoothly in the long run. Therefore, the disintegration of social ties is one of the most detrimental consequences of Communism. Family ties are the only ties the Communist state was unable to destroy. This is why all post-Communist societies have to cope with a common lack of trust, as well as with the lack of the sense of loyalty and ability of creative cooperation in communities going beyond one's family and friends*⁵.

In civil society citizens autonomously organize social life by themselves rather than having it organized for them by the authorities. In Communist societies this was largely impossible. The consequent underdevelopment of civil society leads to a severe deficit of trust in public institutions at all levels, even when those institutions have acquired some form of democratic legitimization. For this reason the development of civil society is crucial for the maturation of Polish democracy, including local democracy. Local governments have the opportunity in Poland to be schools of civic education. The degree of their success in fulfilling this function is one of the local success factors analyzed in this study.

Any local system is, in a sense, endowed by Nature and History with a specific set of developmental conditions. The most important of these include: location (accessibility), natural resources (minerals, soils, forests, landscapes etc.), cultural heritage (monuments, symbols), the level of economic development (endowment with economic and technological as well as social infrastructure, productive assets) and the characteristics of local communities. One obvious explanation of local success is based on the favorable conditions in which certain localities find themselves (e.g. those which either are situated near large cities or possess particular tourist attractions). However, while it is easy for a local government to achieve success in such conditions, not all Polish municipalities enjoying such advantages have done so. Furthermore, we can find examples of rather peripheral and underdeveloped localities, sometimes suffering from particularly adverse consequences of economic transformation, which have been able to overcome these barriers and initiate sustainable local development. Thus, the central question motivating our research arises: if the external conditions in a locality's environment are not the exclusive determinants of local success, what "endogenous" factors in the local community and its government are stimulants of, and barriers to, success?

One of the key factors in local success in Poland is the ability to effect a change in the role of the public sector, involving both a break with the socialist past and a step beyond the neo-liberal paradigm which has—in rhetoric, at least—motivated much of the Polish transformation. The former aspect of the change—the discontinuation of socialist practices whereby the public sector was the owner of enterprises providing public services—should not blind us to the importance of new types of public sector activity which are emerging. While ideological neo-liberalism stresses the simple reduction of the public sector, what we observe in cases of local success in Poland is a redefinition of

⁵ "Gazeta Wyborcza" interview, December 24–26, 1997.

the role of the public sector, which does not shrink so much as shift its activity into new areas. Three of the most important of these areas, mentioned in the previous discussion, are public investment, local business development, and civil society development. How is success in these areas obtained?

A hypothesis underlying the research carried out in three municipalities (the towns of Biłgoraj and Iława and the rural municipality of Tarnowo Podgórne⁶) is that an individual—the local leader—is the decisive factor here. Such a leader can capitalize on local development conditions, integrating local elites and encouraging them to undertake unconventional actions. Thanks to these elites the local system wins the competition for investors, public funds, tourists, etc. It is also thanks to them that local enterprise and the self-reliance—both individual and collective—of citizens develops. In this way the community gains the advantage of the time factor, which in turn can become a serious handicap to “late starters”.

The local leader must be accepted by the majority of the community he (or she) emerges from. Even the most talented people will not be successful if they are not given appropriate support and are not able to set up an integrated team of associates. However, even this may be not enough to guarantee success. If over a relatively short period (shorter than the period between elections) this internally consolidated team is unable to produce results visible to the voters, it may not get another chance in the next elections. Hence, sustained local success requires broad popular support, as it is voters who decide every four years about the development of their town or municipality.

We must at this point ask what is the “right combination” of the local development factors. Several such factors can be identified on the basis of surveys of Polish municipalities up to 50,000 inhabitants, analyses of the economic activity and social mobilization in municipalities, and examination of selected municipalities with populations of under 50,000.

- Taking advantage of “locational rents” by using the resources of the local system which provide the biggest competitive advantage, i.e. for which external demand is relatively strongest and most stable. Such resources include tourist attractions, natural resources, a location close to the border, an attractive location for economic activity (production and/or trade). Competitive advantage should be analyzed in the broad international, domestic and regional context. The broader the scope in which the local system can achieve such an advantage, the better the chances for success. Every local system has some comparative advantage, if not on the national or regional scale, then at least relative to surrounding localities. This advantage is sufficient for building the foundations of development.
- The establishment of local institutions which support entrepreneurship and integrate the local community. Such institutions help civil society to emerge and consolidate and local business to develop; their creation can be stimulated by local authorities and constitutes one of the conditions of success in local development.
- Utilization of the local community’s potential. As a result of historical processes, the inhabitants of various parts of the country have different approaches to issues which are crucial for local development, such as entrepreneurship, organizational culture, self-reliance and individual responsibility. These features exist both in the individual and the collective dimension. Recognition of, and support for, features

⁶ The selection of these municipalities will be explained in the following parts of the study.

favorable for local development is one of the main responsibilities of local leaders and is the condition for acquiring voters' long-term acceptance for the local authorities' activity, which in turn is a necessary condition for the ability to implement a local development strategy over a period longer than one electoral cycle. This is also a condition for mobilizing the local population for common undertakings initiated by local authorities.

Are all these factors of development to be potentially used by local authorities indispensable and do they have to occur in equal proportions? Probably not, as the combinations appropriate under given conditions depend on the features of a given local system. However, in all the cases the role of local leaders seems to be crucial and indisputable (necessary, though not sufficient).

Another important local success factor underlined by the cases we will examine in this study is the absence of conflicts in the sphere of party politics. Some representatives of local elites in our cases ran in the first municipal elections in 1990 under the banner of citizens' committees which represented the opposition to the former regime (Solidarity), while others competed under the banner of various local groupings, sometimes serving as a camouflage for former "nomenklatura" members. In many local communities dominated by family-and-friendship ties, political divisions were not as conspicuous as in big city communities characterized by strong ideological contrasts. Consequently, there were many examples of cooperation between representatives of old and new (Solidarity-dominated) elites. In many cases, irrespective of the political change, municipal authorities have been headed by the same mayor for a dozen years or so. Local communities have faith in these officials as good managers and honest people. The lack of serious ideological conflicts in local elites makes it easier to reach a consensus on matters important for the municipality.

2.2. Local Success and Improvements in the Standard of Living

The UNDP Decentralized Governance project was designed with a focus on the effects of decentralization on reduction of poverty. On a world scale, Poland is a middle-income country (GDP per inhabitant less than 6,000 USD). However, given that membership in the European Union is one of the central goals Poland's foreign and economic policy, this seems to be the most apt comparison, and it is a stark one: the average Polish income is far below those of even the poorest members of the EU. Given this fact, in the European context the situation of Poland's poorest inhabitants is particularly distressing, though their level of living is well above the biological threshold of survival.

According to a 1994 World Bank report on poverty in Poland, using expenditures per adult household member below the level of the minimum monthly state pension as the definition of poverty, 14.4 percent of the Polish population was poor as of June 1993. This definition is the one used in qualifying applicants for state social assistance. Using other, perhaps more objective definitions, the situation appears much worse. The Central Statistical Office and the Warsaw School of Economics carried out joint studies of poverty in 1995 and 1996. A basket of goods considered by the researchers to "satisfy basic consumption needs" of a standard Polish household was defined and its market value as of May 1996 found to equal 358 PLN. Households with monthly incomes

below this amount were considered to be below the poverty threshold. The researchers found 34.6 percent of Polish households to lie below this point in 1995 and 30.8 in 1996. Moreover, in subjective survey results, they found that 39 percent of households described themselves as poor or very poor in May 1996⁷.

However, the standard of living in Poland should not be measured in terms of income alone. A deeper, more qualitative understanding of the dimensions of poverty in Poland necessitates the consideration of the following factors, which constitute some of the most important measures of the gaps between the Polish standard of living and those of its neighbors in the European Union:

- the housing shortage,
- unemployment, and
- underdeveloped infrastructure.

Housing. Under the centralized socioeconomic system of Communism, the investment priorities of the central planners lay in the development of heavy industry, with an especially heavy emphasis on military supplies, and were far removed from the everyday interests of ordinary consumers and citizens. One of the most lasting effects of this policy is the housing shortage which continues afflict the vast majority of Poles, even to a greater extent than it does many of their neighbors from other post-Communist European countries. The extent of this shortage can be illustrated by the figures in the table 1.

Table 1.

Housing figures

Country	Number of dwellings per 1000 inhabitants (1994)	Average number of persons per dwelling (1994)	Number of new dwellings per 1000 inhabitants (1995)
1. Poland	296	3.4	1.7
2. Other post-Communist countries			
Czech Republic	397	2.5	1.2
Russia	333	3.0	4.1
3. Western European countries			
Germany	435	2.3	7.0
Austria	385	2.6	6.1
Finland	435	2.3	5.2

Sources: 1994 figures: Edward Kozłowski, *Polskie mieszkaliństwo w porównaniach międzynarodowych* (paper presented at seminar organized by CASE and the Polish Development Bank, Warsaw, 12 June, 1997); 1995 figures: GUS, *Mały Rocznik Statystyczny 1997*, p. 402.

Unemployment. Unemployment has been one of the main social costs of the Polish transformation. As the figures below illustrate, the effects of the transformation—including the collapse of domestic demand for the products of state-owned industry as well as the collapse of the Soviet market, which represented a huge pool of demand for those products—led to an unemployment rate in Poland (over 16 per cent in 1994) which was comparable with the worse cases among European Union members (though still better than of the worst cases of Western Europe). As one might expect, unemployment

⁷ Study cited in Financial Services, Ltd., *Annual Country Progress Indicators Report* (prepared for Polish Mission of the United States Agency for International Development), August 1997, pp. 6, 13.

Table 2.

Unemployment rate (1998), %

Poland	10.0
Germany	11.5
Austria	8.0
Finland	11.4
Greece	10.3
Portugal	6.8
Spain	18.8

Source: GUS, *Mały Rocznik Statystyczny 1999*, p. 375.

is significantly correlated with poverty incidence. However, economic growth beginning in 1993 has contributed to the decline of unemployment observed in recent years. The current unemployment rate in Poland is 10.5 percent.

There is an important regional aspect to unemployment in Poland. Generally speaking, the worst hit are northern voivodships in which there was a high number of state-owned farms. With respect to the three voivodships in which our three cases are located, the situation is as follows: the Poznań voivodship, where Tarnowo Podgórne is located, has experienced relatively low unemployment (about half of the national level in 1995); the Zamość voivodship—home to Biłgoraj—has an average unemployment roughly equal to the national average, and the northern Olsztyn voivodship, where Iława is located, has a much higher unemployment rate than the national average (26 percent in 1995). Thus, while Iława's unemployment rate remains above the national average, its success in reducing unemployment in comparison with neighboring areas is striking (see Section 3.3.2 below). Biłgoraj also represents a striking success in this area: due to the collapse of the state enterprise MEWA, unemployment in this town reached heights far exceeding the voivodship average, peaking in the early 1990s at 5,000 (in a town of 26,500 inhabitants), but has declined to a level of under 2,000 (see Section 3.3.1 below).

Infrastructure. Infrastructural investments were chronically neglected by socialist economic planners in Poland. The neglect in this area is demonstrated by the international comparisons contained in the following two tables (Table 3 and 4).

Table 3.

Number of telephones per 1000 inhabitants, 1995

Poland	148
Germany	493
Austria	510
Finland	550
Greece	493
Portugal	361
Spain	385

Source: GUS, *Mały Rocznik Statystyczny 1999*, p. 401.

Local governments have played an especially important role in modernizing infrastructure during the Polish transformation. Their successes in vastly increasing the

Table 4.

Percentage of population serviced by sewage treatment systems, 1995

Poland	41.5
Germany	89.0
Austria	74.7
Finland	77.0
Greece	11.4
Portugal	20.9
Spain	48.3

Source: GUS, *Mały Rocznik Statystyczny 1999*, p. 370.

percentage of the population benefiting from running water, sewer lines, telephone lines, and the like is reflected in the three cases of local success examined in our study.

Progress in all three of these key measures of living standards depends crucially on economic development. Economic growth raises incomes, generally brings increased employment, and increases the tax revenues allowing local governments to support the construction of new housing, infrastructure, and increase spending on social assistance to the poorest members of the local community, if necessary. (Of course, ideally, it also lifts people out of poverty, lightening the burden of social assistance spending on the local community. See appendix 7 for a discussion of developments in this area in the three case study municipalities.) Thus economic development must be a key goal sought by local governments in Poland. And it is decentralization and democratization of governance which has made it possible for local governments to align their priorities with the needs of their inhabitants for an increased standard of living. Whereas under the previous system local governments were merely puppets in the hands of party hacks concerned primarily to maintain or improve their place in the pecking order and responsive only to priorities set by those higher up, it was the creation of genuinely democratic, elected local governments in 1990 which—in conjunction with the jettisoning of the central planning system and its replacement by a market economy in which the consumer is sovereign—gave local authorities the impetus to engage in the types of activities examined in detail in the next chapter.

2.3. Cases of Local Success: Selection Criteria

In this research we have decided to focus on small localities for a number of reasons; in addition to the limitation in funds which prohibits research on the scale which would be necessary in the case of larger cities, such cities are generally characterized by complicated political situations (including various types of ties to the central government and high levels of conflict between representatives of national party structures which we have found to be largely irrelevant to the experience of smaller localities) as well as by an inordinate number of variables to control. Additionally, since we are concerned here with measuring the effectiveness of local government in improving living standards, small localities lend themselves to analysis due to the fact, noted in a 1994 World Bank

report on poverty in Poland, that 87 percent of Poland's poor lived in villages and towns with less than 100,000 inhabitants.

The knowledge of above-mentioned factors underlying local success provided the foundation for selecting three communities for monograph research. These communities are situated in three different regions with diverse historical backgrounds and objective development conditions. Biłgoraj, Iława, Dzierzgoń and Tarnowo Podgórne lie in regions which represent the historically-shaped order described in the previous chapter. Biłgoraj lies in south-eastern Poland on the territory of the former Russian sector. Iława and Dzierzgoń lie on former Prussian territory, which was under German influence for centuries. Finally, Tarnowo Podgórne lies in Wielkopolska, situated in the west of the country, which in the 19th century was a part of the Prussian state and then a part of the German Reich, but despite that has remained Polish to the bone as regards the characteristics of the population and the economy of this region.

Biłgoraj, Iława, Dzierzgoń and Tarnowo Podgórne represent not only various regions and even types of civilization, but they are also different in terms of their location on the present map of Poland relative to development centers. Biłgoraj has the most peripheral location, as it is situated in a rural area far from the main development centers of Poland. Iława is also located far from the major city complexes, but it lies on the intersection of main railway routes and is attractive for tourists. Dzierzgoń, while not far from Iława, lies outside the attractive tourist area of the Mazurian lakes in which Iława is located; additionally, in contrast to Iława, it is a much more rural municipality, located much more peripherally with respect to major transportation routes. Finally, Tarnowo Podgórne is a municipality located close to the fast developing Poznań city complex and in the sphere of influence of Berlin—a European metropolis of rapidly growing importance. Of these three localities Iława has the largest tourist potential, which may provide a major development impulse. Although Biłgoraj lies in a picturesque setting, tourism is unlikely to become a leading branch of the local economy. Tarnowo Podgórne may perform tourist functions to a limited extent, as the direct recreational “back yard” for inhabitants of the big city complex.

Biłgoraj is an example of success achieved due to the creation of a climate conducive to local entrepreneurship, stimulated by the creation of local economic institutions. **Biłgoraj's strength derives from its business elites and institutions, and very importantly from its entrepreneurs**, who have often begun as small craftsmen and in some cases been able to develop their businesses into medium-to large-scale enterprises thanks to the unusually conducive local climate.

Dzierzgoń represents a case similar in certain ways to that of Biłgoraj. Both municipalities share a peripheral location and a very unfavorable economic “starting point” in 1990 (the crisis of the state farms in Dzierzgoń, the collapse of a large state enterprise with several thousand employees in Biłgoraj). Moreover, they both represent cases in which the mayor has attached particular importance to the building of local institutions (in Biłgoraj, with a particular focus on business institutions). In Biłgoraj the growth of these institutions has not attained a momentum of its own, independent of the town hall, and they seem to play a secondary role compared to that of local business elites acting outside the local institutional network. By contrast, **in Dzierzgoń, the spirit of civil society seems to have caught on with the local residents, and initiatives that start with the mayor are taken up by other locals and begin to live their own, very dynamic, lives.**

Hawa owes its success to the energetic, strategic activity of the local authorities which have concentrated on the transforming their post-socialist town into a genuinely European town. The integration of the local business community allowed Hawa to develop something of a “local economic doctrine”, in which **the public sector is of crucial importance but plays a role fundamentally different than that played in the traditional “welfare state” paradigm.** The skillful exploitation of the town’s favorable location in a tourist region has been conducive to the development of the town, although certain reserves still exist due to the incomplete exploitation of the existing institutional base.

Tarnowo Podgórne has seen a concentration of foreign investment unmet anywhere else in Poland outside of the largest cities of the country. This has been achieved through the extremely efficient exploitation of one of the most favorable location advantages in the country. The authorities of this rural township have shown how it is possible to combine aid for local business and activity aimed at attracting foreign investors, thus strengthening local economic networks.

Each of the success cases was compared statistically with a group of five to seven municipalities which served as control cases (see especially appendix 6). The basic criteria for selection of the control cases were that they be located in the same region as the relevant success case (two exceptions were admitted, in the case of Tarnowo Podgórne, for reasons described below) and that their population size and general socio-economic profile be as similar as possible to those of the success cases (thus, for example, we avoided selecting as control cases towns which serve as seats of voivodship administrations). The following control cases were selected for the three localities under study:

For Hawa the following medium-sized towns from northern Poland were selected: Dobrze Miasto, Działdowo, Lidzbark Warmiński, Lubawa, Morąg, Ostróda, and Pasłęk. For Biłgoraj the following medium sized towns from southeastern Poland were selected: Hrubieszów, Janów Lubelski, Krasnystaw, Leżajsk, Lubaczów, and Tomaszów Lubelski. For Dzierżoń the following medium sized towns from northern central Poland were selected: Kwidzyn, Malbork, Prabuty, Sztum, and Zalewo. For Tarnowo Podgórne the following municipalities surrounding Poznań were selected: Buk, Czerwonak, Suchy Las, and Swarzędz. Additionally, since one of the key characteristics of Tarnowo Podgórne is its location near the international motorway connecting Berlin and Moscow, we selected two municipalities located near Warsaw on the same route in order to compare Tarnowo’s performance with other communities which share this locational advantage. These municipalities are Ożarów and Wesoła. Comparisons of the case study municipalities with the control municipalities in terms of population, area, and population density can be found in table 1 in the statistical annex (appendix 6).

Each of the analyzed places is characterized by different initial conditions. As will be seen from the following chapters of the study, each of them has succeeded. What was the common factor of their notable progress over the last seven years? Was it really the high efficiency of the local elite? Has this success exerted an impact on the consciousness of inhabitants? Have they contributed to this success or were they simply passive onlookers and beneficiaries? Which social and vocational groups were the most involved ones? We shall try to find answers to these questions in the next chapter.

CHAPTER 3

THE ANATOMY OF POLISH LOCAL DEVELOPMENT: SELECTED CASES

3.1. Location and History

3.1.1. Biłgoraj

Biłgoraj lies in south-eastern Poland in the voivodship (province) of Zamość. It is 232 km from Warsaw, 80 km from Lublin and 113 km from the Medyka border crossing on the Ukrainian border. The population of Biłgoraj is 26,500, which makes it the second largest city of the Zamość voivodship. Its history dates back to the 16th century (when the town location ordinance was made by King Stephen Batory in 1578). Although Biłgoraj is linked to its environs by a network of roads, it is not intersected by any transit highway of national significance. The voivodship of Zamość is one of the most scarcely populated voivodships in Poland. Its population density is 71 persons per square km (the national average being 123). At the same time, the voivodship of Zamość ranks last in terms of urban development. Its 10 towns and cities have only 155,600 inhabitants, accounting for 31.6% of its total population (the national average being 61.8%). Similarly, it is a relatively poor voivodship, with average monthly earnings in 1996 of 718.15 złoty, 18% below the Polish average and ranking 45th out of 49 voivodships. In the 19th century this area belonged to the Russian sector of the partitioned Poland. The town, despite its location close to the Austrian border, was far from the development centers of the western outskirts of the Russian Empire (e.g. Łódź). From the point of view of the present day development potential, the Russian sector legacy is disadvantageous, especially as regards the transportation, communication, and municipal infrastructure. In spite of high quality soils and advantageous climatic conditions, the level of development in the agricultural sector in the Biłgoraj region is

very low. Farms of less than 5 hectares account for more than half of all farms, and the average farm has only 6 hectares. For more details on the history of Biłgoraj, see Appendix 1.

3.1.2. Iława¹

Iława lies in the western part of the largest voivodship in Poland (Olsztyn). With its population of 33,500, it is the third largest town in the region (after Olsztyn and Ostróda). The town was established in 1305 and was almost uninterruptedly under German rule until 1945. The city entered a period of rapid development in the 19th century, when a branch of the Elbląg Canal was built and railway lines connecting it with Olsztyn, Toruń, Gdańsk and Warsaw were completed. The town's economy was dominated by the light and food-processing industries. At this time, the population of the city increased eight-fold. At the beginning of the 20th century construction of a city swimming pool and a restaurant began; during the period between the two World Wars Iława was a major center of water tourism.

During World War II the town was almost completely destroyed. Afterward Iława received settlers coming from nearby country towns and from other regions of Poland. Compared to other towns and cities in the former German territories, Iława was in a relatively favorable position, as it was situated close to the pre-war border of Poland. For this reason a substantial number of post-war settlers came to Iława from Pomerania voluntarily, bringing different civilization and customs than those of the forcibly resettled repatriates from the eastern Polish territories incorporated into the USSR after the war. According to the first population census (carried out in 1946), the number of Iława inhabitants amounted to 2,200. At that time, Iława was the eighth largest town in the voivodship of Olsztyn.

The picturesque location of Iława among several lakes (Jeziorak, the longest—27 kilometers—lake in Poland, Łabędz, Iławskie, Szymbarskie, etc.) is an important asset of its tourist trade. The town is a port on the Elbląg Canal. The Iławian Lakeland Park is situated next to the town, while the Lake Karas nature reserve is several kilometers to the south-west.

Despite its well-developed road network, the attractiveness of Iława from the point of view of its location is not particularly great (it can be described as neutral). The town is situated in a relatively peripheral region, lying outside the axis of the highest intensity of transformation processes. A positive feature of its location are the environmental assets of the region, making it a highly attractive tourist spots in Poland. However, Iława remains outside the most attractive region of the so-called Great Mazurian Lakes, to the east of Olsztyn.

3.1.3. Tarnowo Podgórne

The Tarnowo Podgórne municipality, inhabited by 13,600 people, lies on the western border of the Poznań municipality. Some 20 kilometers separate the seat of the municipality from the center of Poznań. It is one of the largest municipalities of the Poznań voivodship, with an area of 101.4 square kilometers. The Tarnowo Podgórne municipality is intersected by the international A-2 highway (Warsaw–Poznań–Berlin). It is

¹ For more details on the history and geography of Iława, see Appendix 1.

180 km from the Polish-German border (at the border crossing in Świecko) and 340 km from Warsaw. The municipality has convenient road connections with the international Poznań-Ławica airport, providing services to Germany and Scandinavia, among others. Thanks to its connection to the Poznań transport system, the municipality's accessibility measured in the time required to get to the International Poznań Fair area and to the Poznań railway station is very advantageous (some 15 to 20 minutes). Given the fact that going through Poznań along the A-2 route takes an hour or so, for West European investors the locational attractiveness of the territories west of Poznań is much greater than of the territories to the east of the city.

The function of Tarnowo Podgórne is clearly determined by its location in the outskirts of Poznań. The municipality is a part of the Poznań city complex, and its urbanized eastern part is, to some extent, a bedroom community of Poznań. The western part of the Tarnowo Podgórne municipality, formerly agricultural, is now being transformed into a manufacturing and commercial hinterland of the city. The southern part of the municipality is specializing in recreational functions, especially as regards weekend leisure activities. More than 5,500 people in the Tarnowo Podgórne municipality are employed outside agriculture, which accounts for as much as 96% of employment. As regards rural municipalities of the Poznań voivodship this percentage is higher only in Suchy Las (98.4%).

The other determinant of Tarnowo Podgórne's spatial position is its location in the heart of Wielkopolska. The social and economic consequences of the municipality's location in this region of Poland are undeniable: the inhabitants of Wielkopolska are characterized by better social self-organization and higher regional identification, and popular opinions about their diligence and respect for order is also well grounded.

3.1.4. Dzierzgoń

The Dzierzgoń municipality, with a population of 9,600, lies in the central part of the former Elbląg voivodship. It is one of the Malbork county (*powiat*) municipalities. The Olsztyn-Morąg-Malbork one-track railway route runs through the town of Dzierzgoń. The town is of minor importance on a regional scale, and the passenger and freight traffic on this route is extremely limited. The municipality also lies on two roads of regional significance (Malbork-Susz-Iława, and Pasłęk-Rychliki-Dzierzgoń), as well as by several roads of local importance. It is 28 km from Malbork, 29 km from Pasłęk, 49 km from Elbląg and 75 km from Gdańsk.

Dzierzgoń is a rural and industrial municipality, lying far from major tourist attractions. The Teutonic Knights' Castle of Malbork (a UNESCO monument) is 30 km to the west of Dzierzgoń, Mierzeja Wiślana (the Vistulan Peninsula) is approximately 50 km to the north, and the unique Elbląg-Ostróda Canal is 20 km to the east. Main tourist routes, including the "Saint Adalbert Route," are outside the Dzierzgoń municipality territory. The attractiveness of Dzierzgoń itself for tourists is limited.

3.2. Public Investment

3.2.1. Biłgoraj

As was already pointed out, the population of Biłgoraj is wealthier than in that of neighboring municipalities. Its endowment with technical infrastructure is also better than in nearby towns (with the exception of telephone lines).

However, like many similar towns, before 1990 Biłgoraj was considerably underinvested. It lacked much basic municipal infrastructure, with sewer lines extending only to a small part of the town. Despite the considerable economic difficulties of the early 1990s a vast investment scheme was launched. The major investment project has been the state-of-the-art biological and mechanical sewage treatment plant. The plant has been under construction for two years and is to be completed in June 1998. The capacity of this numerically controlled plant will amount to 10,000 cubic meters per day, which will secure the treatment of industrial and municipal effluents discharged by the town and its environs until 2015. Sewers are also being upgraded.

Another major project is the modernization of the heating system and development of gas grids. Over the last six years, medium-and low-pressure gas grids of seven kilometers in length have been completed. They supply 1,050 users with natural gas for heating. Three coal-burning boiler plants have been closed and replaced with gas-burning boiler plants with a total capacity of 2.4 MW. A high capacity heat distribution network is under construction.

Table 5 in the statistical annex (appendix 6) illustrates the extent of investment in gas and sewer lines in Biłgoraj in the period 1991–1996.

In 1995, the municipality took over schools from the Educational Board in Zamość. The costs of their management pose a heavy burden on the town's budget. Numerous renovations have been carried out. The educational subsidy the town receives from the Ministry of National Education only covers the expenses of teachers' salaries (still remaining low) and operating costs of schools. Renovations are financed from the town's own revenues.

Despite the vigorous development of private enterprise and municipal infrastructure, much remains to be done in Biłgoraj. For example, the mayor of Biłgoraj admits that the poor standard of roads and pavements in the town is a serious problem. So far, the amounts spent on solving it have been inadequate. In addition, the hotel base remains underdeveloped, and the tourist trade potential of the town, while admittedly modest, is not used at all. Despite its industrial development, Biłgoraj remains a virtually unpolluted town. Recreation opportunities in the area are contributed to by the relatively mild climate, with high average temperatures and the sunniest weather in Poland. The vicinity of the Solska Primeval Forest with its wildlife and ground flora constitutes a further tourist attraction.

3.2.2. Iława

One of the most important areas of activity of local authorities in Iława is in the improvement of the town's appearance, as well as development of tourist and technical infrastructure. Almost all persons interviewed in Iława emphasized the considerable improvement of the town's appearance, important not only for tourist trade, but also for development purposes. There have been cases of vacationers visiting Iława from other

parts from Poland, who under the impression of the town's beauty decided to move there. On the other hand, opinions are also voiced that municipal authorities do too much "for show", diverting attention from the real problems of the town.

It is clear, however, that these investments do much more than simply improve the town's performance. They play an integral role in the development of the local economy—a role which, as the mayor argues, provides much more lasting effects than the sorts of public works policies which some critics of the town's investment program would like to see.

Mayor Adam Żyliński explains the reluctant attitude of local authorities towards public works:

What would be the use of putting, say, 500 people on a public works scheme (...)? They would work inefficiently, as a substantial part of them would have no preparation and some would come from the social underclass. (...) After six months the project would be completed and the unemployed would return to the dole. Remember that such so-called active forms of fighting unemployment adversely affect the natural order in the economy, as they crowd out construction companies, which are unable to compete against the organizers of public works, backed by enormous funds from the state budget. Consequently, these companies collapse.

According to the mayor, it is better to contract out public investment jobs, providing favorable conditions for local entrepreneurs, who create new jobs in local firms which last beyond the date of completion of a given municipal investment project, than to sink public funds in social undertakings which do not contribute to the sustained development of the local economy.

In Hława almost all inhabitants have access to running water and almost 90% are connected to the sewer system. As table 5 in the statistical annex (appendix 6) shows, Hława has made major investments in its sewage system in the 1990s. In 1991, a biological and mechanical sewage treatment plant was put into operation. The plant has a capacity of 27,000 cubic meters per day. With the present load of 7,000 cubic meters of effluents per day, there is substantial excess capacity. In 1994–1997, seven separators protecting the Little Jeziorak lake from effluents were constructed. The quality of air has improved as a result of the liquidation of 17 local boiler plants and installation of a new furnace. In 1990, during the first meeting of the council, a resolution was passed to take out a large loan for construction of an environmentally safe chimney in order to cut emissions.

Hława has a modern ALCATEL telephone exchange with a capacity of 7,000 lines, in addition to the old exchange of less than half of that capacity. Thanks to the modern addition, telephones in Hława are available for all those interested, and the number of telephone subscribers per 1,000 inhabitants rose to 222 (as compared to the 1994 Polish average of 177). The town has a reserve of telephone numbers for at least one year.

Sizable investments have been made since 1992 in the improvement of pavements and sidewalks began: through 1996, 40,000 square meters of attractive brick pavement had been laid by the democratically elected local authorities. Similarly, a bicycle route around the Little Jeziorak lake in the city center has been completed recently. Other major efforts toward the improvement of the esthetics of public space in Hława include the reconstruction of the old town hall and the establishment of an industrial zone, which has made it possible to free the city center of most industrial plants located there until recently.

External sources of financing for these investments have played a very important role. As mentioned above, the new town council, at its first meeting in 1990, passed a resolution to take out a large loan for construction of an environmentally safe chimney in order to cut emissions. Later, funds from the National Environmental Protection Fund and the Environmental Protection Bank were used heavily to finance local environmental investments. In financing improvement of its pavements and other investments in its appearance, the town also benefited heavily from the European Union's STRUDER program, aimed at a number voivodships experiencing particular difficulty in adjusting to the economic transformation, in which the Olsztyn voivodship was included. Additionally, the town is planning an issue of bonds, to be sold to the town's inhabitants, in order to finance the construction of foreign language labs in local schools. Summing up this financial aspect, it is worth noting that, on the average, about 30 percent of the town's annual budget is devoted to investment, and of this, two thirds (or 20% of the budget) has proceeded from external sources.

3.2.3. Tarnowo Podgórne

The negligence in the area of infrastructural investment in Tarnowo Podgórne did not differ much from the situation in other parts of Poland. However, the lost time has been almost completely made up for during the two recent terms of office of the municipal authorities. In 1989, 18.5 kilometers of gas grid and 170 terminals existed. During the first term of office of the local government the length of the gas grid increased by 27.3 kilometers and by 768 new terminals. The cost of these projects totaled 783,700 złotys. The Ilawa population contributed as much as 41% of this sum. All investment projects in the field of municipal gas supply were carried out by citizens' committees. They were organized spontaneously in particular towns, and their operation was very efficient. The committees were supported with subsidies from the municipal budget, but some costs were covered by citizens themselves. The gas project also involved construction of the Młodasko Natural Gas Well, with gas purification and pressure reduction units, supplying mostly Tarnowo Podgórne municipality dwellers.

In 1991, telephone network development committees were established. At that time, there were 900 telephone subscribers in the municipality. The design work started in 1991, and cable-laying began in October 1992. The municipality co-financed design, surveying, and supervision costs. It also allotted the committees a 100,000 złotys subsidy. By the end of 1994, 800 kilometers of main and subscriber cables had been installed, and 2,600 new subscribers had been connected to the network. A major part of the project was financed with funds provided by Tarnowo Podgórne residents: In 1991–1993, spending on telephone network development totaled 2,807,700 złotys, of which 77% was contributed by the local residents, 14% by the state-owned telecommunications company (TP S.A.) and 9% by the municipality. At the end of 1996, there were almost 250 telephones per 1,000 inhabitants, which is far above the voivodship average and the eighth highest ratio among all rural municipalities in Poland.

As in the case of gas, the development of water supply systems was to a considerable extent co-financed by the residents of the municipality. All villages in the municipality have been supplied with a water-pipe network. At the end of 1995, its length totaled 182.1 kilometers; of this, 132 kilometers and 2,395 terminals had been added between 1990 and 1993. These investment projects have cost 2,868,000 złotys, of which 48% was

provided by local residents and 43% by the municipal budget. In 1991–1992, a water treatment plant worth 600,000 złotys was built in Wysogotów, and the water intake in Lusowko was modernized.

Investment projects in the sewage system and in sewage treatment plants were undertaken at the beginning of the first term of office of the local government. During the second term of office, given the completion of water-pipe and telephone network investments, the intensity of the sewage system development increased considerably. In 1990–1993 a bioblock-type sewage treatment plant (with a daily capacity of 400 cubic meters) was built in Baranów, together with all support facilities. The project was financed with funds provided by the municipality (190,000 złotys), the Voivodship Office (230,000 złotys), and the Ławica Housing Co-operative (230,000 złotys). In 1993, a 2.5 kilometer long sewage network worth 263,400 złotys was built in Przeźmierowo and Lusowko. Another bioblock-type sewage treatment plant (with a daily capacity of 800 cubic meters) in Tarnowo Podgórne was constructed at the same time as the sewers. Expenditures on these projects totaled 416,000 złotys in 1990–1993. At that time, a 1.4 kilometer long storm-water drainage facility was also provided. At present, Tarnowo Podgórne is the only village in the municipality fully equipped with sewers. Sewage systems are to be developed in Przeźmierowo, Lusowo and Lusowko in the coming years.

The capacity of sewage treatment plants is inadequate. It is estimated that despite further development of the sewage system, the deficit will amount to some 2,000 cubic meters of effluent a day in 2001. Therefore, expansion of existing facilities and the construction of a new treatment plant are indispensable.

A dumping site has been built in the Tarnowo Podgórne municipality. It cost 2 million złotys (a 100,000 złoty loan was received from the Voivodship Environmental Protection Fund, and a 700,000 złoty loan was granted by the National Environmental Protection Fund). The dumping site occupies an area of some 3 hectares and is to be used over 30 years. As other municipalities dump refuse here, they are making appropriate contributions to the Tarnowo Podgórne municipal budget. Two new landfill sections are to be added to the dumping site.

Through 1991, municipal transport in Tarnowo Podgórne was provided by the Municipal Transport Enterprise in Poznań. In 1991, the enterprise demanded a 600,000 złotys subsidy from the municipality; although this figure was later revised to 480,000 złotys, even this was equal to one fourth of the revenues of the municipality at the time. As neighboring municipalities faced similar problems, they reached an agreement on July 1, 1991, and the Inter-Municipal Transport Association was established on December 1, 1991, by Duszniki, Rokietnica, Tarnowo Podgórne, and Suchy Las (which later backed out). In June 1991, the first buses were purchased, and the Poznań City Council turned over to the association 14 old Jelcz buses, of which only few could be used. In July, 18 new Autosan buses were purchased. In 1993, the Komorniki municipality joined the association, and two more buses were bought.

Despite its location close to an international route, the total length of municipal roads is only 39 kilometers, of which only 18% are hard-surfaced roads. In terms of the road network density, the ratios in Tarnowo Podgórne are among the worst in the Poznań voivodship. In recent years, due to intensive development of water-pipes and telephone and sewage networks, hardly any road repairs in Tarnowo Podgórne were carried out.

Hence, most probably, road building and repairs will become priority targets of the local government beginning in the third term of office.

Since January 1991, the maintenance of kindergartens and the so-called “zero” class preschools² has been the responsibility of municipalities. In Tarnowo Podgórne there are four kindergartens and no more are planned. Since 1991, the kindergartens have been renovated, which—together with the recovery of some facilities previously used for other purposes—allowed for the considerable improvement of their technical condition and functionality. The municipality has been running primary schools since January 1994, but began investing in education even earlier.

Between 1993 and 1996 a new school was built in Lusowo. The project was supervised by a citizens’ committee. The villagers provided voluntary work and made financial contributions. The primary school in Przeźmierowo received a new gym, and the primary school in Ceradz Kościelny has been rebuilt.

3.2.4. Dzierżoń

In 1997, budgetary expenditures of Dzierżoń were characterized by a low (12.8 percent) share of investment, accounting for only 56 percent of the average for urban-rural municipalities in Poland (or 62 percent with only Gdańsk region municipalities taken into account). However, in 1994–1996 the share of investment in the municipal budget accounted for 32 percent on the average, and was much higher than the average for the region’s municipalities. (The level of investment outlays relative to total expenditures of the Dzierżoń municipality has been steadily declining since 1994, which may suggest a close correlation between the investment cycle and the political—electoral—cycle.) It may also be worth noting that a major part of the Dzierżoń municipality investment projects involves repair and modernization schemes, which are often classified as so-called “material services” and as such are not covered as investment activity by budgetary statistics.

In Dzierżoń much has been done in the field of development and modernization of the technical infrastructure of the town and municipality. Ten km of water-supply network and 9 km of sewerage network have been built as well. It should be noted here that while in the town of Dzierżoń water mains are available for some 97 percent of inhabitants, in 1997 a group of some 600 persons, i.e. more than 10 percent of the town’s population, still remained without connection to sewer lines.

In 1996, in recognition of the progress in the development of its telephone network, the Dzierżoń municipality won an award in a “Master Municipality” competition held by the Foundation for the Local Democracy Development, USAID and “Wspólnota” weekly. Over the previous three years, the number of telephone lines in Dzierżoń had risen from 874 to 1,144, i.e. by some 31 percent. On the whole, the number of telephone subscribers in the municipality rose by 569 since 1992, thanks to the activities of social telephone network development committees. In 1997, the density of telephone lines per 1,000 inhabitants was 121. This was higher than in the neighboring urban-rural municipalities, but much lower than in Kwidzyn and Malbork.

The situation in the education system was less bright. There are seven primary schools in the Dzierżoń municipality, but most children (75 percent) attend one of the two schools in the Dzierżoń town. The material infrastructure and equipment of

² Pre-schools organized by primary schools for 6-year-olds.

schools are poor. Especially the situation of schools in rural areas leaves much to be desired. In recent years, it was necessary to carry out basic repair works in the schools in Bruk, Żuławka Sztumska, Bagart, Ankamaty and in Dzierzgoń itself. According to local teachers, education is under-funded. A gymnastic hall constructed in Dzierzgoń with PHARE financial support on the site of a former cinema, was the only completed investment project in this field. In view of insufficient grants received by the municipality, the investment outlays on education are often limited to activities securing the continuity of classes. In 1996, the municipality's expenditure on education amounted to 144 percent of funds it received from the central budget for this purpose, while in 1997 it rose to 163 percent.

A rationalization of the network of primary schools is planned, with three or four rural schools to be closed. This will allow for consolidating primary education in better-equipped urban schools. It is also planned to keep the number of children in one division between 26 and 30, which will imply the necessity of establishing new forms, especially given the fact that one primary school in Dzierzgoń will be transformed into a secondary school, attended by children bussed to school from remote parts of the municipality. Providing of transport facilities and better equipment of town schools are the main arguments used to win the parents in rural areas over to the idea of closing some schools. Financial statistics indicate that the municipality of Dzierzgoń cannot afford to maintain the present network of primary schools.

In 1996, the municipal authorities established a lyceum-type school, providing education for 96 pupils in three divisions³. The first graduation examinations will be held in 2000. The lyceum is located in the same building as the older Complex of Vocational Schools. This allowed for cutting the costs of setting up the new school. Nevertheless, due to poor current conditions, building a new facility for the entire educational complex is being contemplated. The municipality has financed the construction design, and the Polish-German Foundation, interested in an extended German language teaching syllabus, has offered a financial contribution. The mayor and the specially-established Association of Supporters of the School Complex are also involved in fund raising. Changing the profile of the Basic Vocational School in Dzierzgoń from farming to a multi-vocational profile is a noteworthy success of the local authorities. This move has made it possible to reduce the rate of unemployment among graduates. Cooperation between town hall and local entrepreneurs, who provided financial support for the school and offer its pupils apprenticeships and jobs, has been very important.

Ecological development is regarded by the Dzierzgoń authorities as a strategic target. In view of the lack of tourist attractions and disadvantageous location, the local leaders hope that the attractiveness of their municipality will increase as a result of implementing a program of development consistent with the needs of the natural environment, and creating an image of a municipality which cares for its appearance and cleanliness as well as for the quality of life.

The Dzierzgoń municipality was awarded the third prize at the 1995 competition for the most ecologically-minded municipality in Poland. It also won the voivodship-level competition organized by the Minister of Environmental Protection and the National Environmental Protection Fund for the best disposal of farm wastes. Preparation of the Dzierzgoń Municipality Ecological Development Program, an official document of the

³ Number of pupils at the end of 1997. At present, the lyceum already runs five divisions.

municipality, was financed with funds from the State Scientific Research Committee. In 1996, the municipality was granted funds from the "Local Innovations in Municipalities" competition organized by the Foundation for the Support of Local Democracy. In 1990–1998, in accordance with the ecological development plan, a number of investment projects were completed. The most important of them were:

- construction of BIOGRADEX-type sewage treatment plants in Dzierżgoń and Jasna;
- construction of septic tanks in Tywęży village;
- construction of a state-of-the-art solid waste dumping site;
- launching an oil-fired boiler plant;
- launching three small hydroelectric power station (private project) of a combined capacity of 60 kWh.

The work on the biological section of the Dzierżgoń sewage treatment plant started in June 1992. The innovative design of this BIOGRADEX-type sewage treatment plant (with a capacity of 1,000 cubic meters) reduced the cost of this project one third to one half that of competing designs. Construction was preceded by research supported with a grant from the State Scientific Research Committee. The experience and research results which the project yielded were a valuable contribution to the development in Poland of sewage treatment plant design and utilization of activated sludge technologies for removal of organic and biogenic compounds.

In the course of implementation of its ecological development program, the municipality received a reward funded by the Elbląg voivode for its activities in the field of environmental protection (1996), as well as the Henry Ford award for achievements in the area of protection of the natural environment and cultural heritage (1997)⁴.

3.3. Local Business Development

3.3.1. Biłgoraj

At present, the south-eastern region of Poland faces serious difficulties in its economic transformation process. Although the rate of unemployment in the Zamość voivodship is not particularly high compared to the national average and has been declining for some time, the labor market situation still remains unfavorable. State-owned enterprises providing many jobs have been closed. Most of the newly-established enterprises are commercial firms and repair workshops. These are usually one- or two-person family businesses with poor financial standing, unable to compensate for the employment losses suffered earlier. On the whole, between 1990 and 1996 the number of jobs in the voivodship declined by more than 34,000. The Voivodship Labor Office in Zamość estimates that employment in the so-called "shadow economy" is quite sizable. Moreover, job seekers migrate to other voivodships.

In the context of these unfavorable developments in the region, Biłgoraj has achieved a very distinctive position recently. Although in the entire region towns and cities are seriously troubled by difficulties of the transformation period, Biłgoraj escaped devastating economic collapse. In fact, the town's growth is gathering momentum.

⁴ We must mention that while the contribution of municipal authorities to environmental protection is unquestionable, the reduction of emissions in the municipality was due primarily to the bankruptcy of the industrial plants which were the major polluters in the area.

Investment is booming, residential construction is enjoying a revival, and a modern sewage treatment plant is about to be completed. The sewage system and the gas grid are being expanded, together with other parts of the municipal infrastructure. The town is successful in attracting both domestic and foreign investors. Consequently, the level of unemployment is declining on a scale incomparable with other cities.

The following facts testify to the fast rate of economic development. One out of every thirteen inhabitants runs his or her own business (almost 2,000 enterprises per 26,000 inhabitants; by contrast, on the average in Poland there was one enterprise for every nineteen inhabitants as of 1995⁵), and there are 450 shops in the city. Biłgoraj dwellers possess 10,000 cars, meaning that there is almost one car for every two inhabitants. This puts Biłgoraj well ahead of Zamość (1 car per 4 inhabitants) and even Lublin (1 car per 3 inhabitants). The value of households' savings deposited on accounts with Biłgoraj banks (in various currencies) amounts to almost 120 million zlotys. This means per capita savings of almost 5,000 zlotys⁶. It is also worth noting that the Biłgoraj branch of PKO BP bank stands out dramatically from the rest of the former Lublin voivodship, which is the area serviced by the bank. Biłgoraj is ranked first in terms of the absolute value of foreign currency deposits and credits for economic activity among all district branches of the Lublin area (except Lublin itself) between the beginning of 1996 and the middle of 1997. The value of zloty deposits of households almost doubled (it rose by 194%), the sum of credits granted also went up (by 171%) and the value of company deposits increased by 136%.

The number of firms registered in Biłgoraj is constantly growing. Over six years and six months their overall number doubled, with the number of commercial firms increasing 350%. The number of individuals conducting economic activity rose from 185 in 1988 to 3,970 in 1997. In 1996, the Biłgoraj tax district accounted for 44% of the tax revenues of the entire Zamość voivodship (138 million zlotys). Biłgoraj also accounts for a major part of exports from the Zamość voivodship. Local authorities seem to have played an important role in creating the supportive environment which has made this development possible. They have done so in a number of ways:

First, the town council has taken an active part in most local ownership transformations and the reconstruction of state enterprises.

The successful transformation of most small and medium-sized enterprises in Biłgoraj was a notable achievement. Their problems have been solved in many different ways, and all major forms of ownership transformation have been applied. For example, the Civil Engineering Enterprise (PBID) has been liquidated. Its assets have been taken over by AMBRA SA, a petrol filling station, MIRENA (a textile manufacturer), a heavy equipment depot, and other firms. A state-owned construction enterprise has been transformed into an employee-owned company (BePeBe). Some enterprises have been successfully sold. The metal products factory (manufacturing mostly metal chains) has been incorporated into the MOSTOSTAL conglomerate and is doing well. The former furniture factory "Bifama" has been taken over by the Lublin-based

⁵ See *The Small and Medium Enterprise Sector in Poland: A Report for the years 1995–1996*, Warsaw 1997, p. 20.

⁶ This is, of course, an estimate, as the customers of banks in Biłgoraj include the population of the entire former Lublin voivodship and, on the other hand, the group of 26,000 city dwellers includes non-adults. This figure is roughly twice the Polish average, as the average bank deposits of Polish individuals in 1996 totaled 2015 zlotys. (See GUS, *Muły Rocznik Statystyczny 1997*, Warsaw, p. 316.).

POL-SKONE company (a Swedish-Polish joint venture) and is currently manufacturing doors.

Several small enterprises have been set up on the basis of four liquidated cooperatives. They include UKPOL (a trading firm conducting business mostly in the Ukraine) and APIS (a trading company starting up with small assets earned in Germany by its owner). Initially, APIS dealt in apiary products, to which it owes its name. At present, it is one of the largest commercial companies in Biłgoraj, trading in farming machinery and in building materials. Other notable ventures included an abattoir, a confectionery shop, second-hand car sale, a metal products firm, a bakery and several minor undertakings.

Successful utilization of all large factory halls is seen as a notable achievement of the city's authorities. Despite the bankruptcy and restructuring of many plants, meaning discontinuation of old product lines, new forms of production activity have been organized in all major factories. Among other things, this applied to the vast production and storage facilities of the Polish Railways' Rolling Stock Repair Works, the Metal Works, and the liquidated Municipal Cooperatives. The local authorities supported the PKP Rolling Stock Repair Works, undergoing major restructuring, by purchasing its central boiler plant.

Second, local authorities have attempted to remove as many administrative barriers as possible by means of cooperation in solving formal and legal issues, eliminating excess red tape as much as possible and facilitating procedures for fledgling entrepreneurs, who are bound to lack experience.

Biłgoraj's construction boom can be partly ascribed to the town's attempt to reduce local bureaucracy. Many apartments are being built, and their prices are 30 to 40% higher than in Zamość, which is linked to the wage level in Biłgoraj, higher than that of Zamość. Although no new municipally-owned apartment buildings are being built in Biłgoraj, private residential building is growing at a fast rate. Many new housing estates have been developed. In addition, a Social Housing Association (TBS) has been set up to provide cheaper apartments than those offered by building cooperatives thanks to preferential bank credits. However, the preparation of new building sites is the main contribution of local authorities to the development of construction. In 1991 the mayor of Biłgoraj came up with the slogan of "300 building plots in two years". At present, in the five new housing estates mentioned above, there are 600 houses at various stages of completion. Taking advantage of legal provisions for financial support from the state budget, the town is providing housing estates with technical infrastructure (except for roads and partly gas grids), cutting the costs to be incurred by house owners. In recent years, City Hall issued 400 building permits and prepared 700 building plots. Nevertheless, there are rumors that building plots will soon be in short supply.

In January 1998, the Gdańsk Institute for Market Economics published a ranking of the attractiveness of medium-sized Polish towns for investment, in which towns have been divided into seven categories (ranging from A to G). In this ranking, Biłgoraj was ranked relatively high, as a group C town, and the presence of business environment institutions was stressed as a particular advantage of this town⁷. Such institutions, acting as intermediaries between local authorities and businesses, are extremely important

⁷ It is worth emphasizing that apart from Biłgoraj, only two medium-sized towns in eastern Poland—Bielsk Podlaski and Sanok—were ranked similarly. See Paweł Swianiewicz, Wojciech Dziemianowicz: *Atrakcyjność inwestycyjna miast — pierwszy ranking miast średniej wielkości*, Gdańsk Institute for Market Economics, Warsaw 1998.

for the promotion of local entrepreneurship. The Biłgoraj Regional Development Agency is such an institution, and Irena Gadaj—its president—is one of the persons who have contributed most to the development of Biłgoraj. Thanks to her dedication and personality, the Agency has become an active and self-reliant institution exerting strong impact on the town's development.

Third, local government has made efforts to help newly-established firms, especially in the first, most difficult year of their operation. For example, these firms were exempted from local taxes under the condition that they maintain specified levels of investment and employment.

In May 1997, the town council approved a package of permanent tax exemption for new investors. Firms intending to hire more than 200 employees enjoy the largest tax incentives. Over the first three years of their operation these firms are completely exempt from taxation, and over the following three years will pay a reduced tax rate. Firms planning to hire up to 150 employees are exempt from taxation for two years, and those employing up to 100 persons, for one year. The troubled knitting works MEWA have been exempted from the real estate tax due for 1995 (100,000 złotys). The firm has fulfilled the condition of spending the saved amount on investment (on state-of-the-art computer equipment indispensable in the process of product design). The BLACK-RED-WHITE furniture company was exempted from real estate tax of 18,000 złotys, on the condition that the firm invest a large sum in renovations of rented premises, in order to provide several hundred new workplaces. Other enterprises, such as PRIMA or the BIFAMA furniture works, also enjoyed support. The latter's debt to the town budget had been written off, which allowed POL-SKONE firm to purchase these works for 1.8 million złotys.

There is no doubt, however, that while local authorities have been important in removing many of the roadblocks often encountered by private initiative in Poland, private entrepreneurs have played the decisive role in the town's development. The small businesses they ran on the margin of the local economy during the Communist period have virtually taken over the local business landscape in recent years. Since 1990, Biłgoraj has enjoyed rapid development of private enterprise. Many new businesses have been created from scratch. The best known of them is definitely the wine producer AMBRA S.A. Recently, the less-known BLACK-RED-WHITE furniture works, owned solely by Tadeusz Chmiel, have overtaken AMBRA to become the largest firm in town. There is no doubt that the rapid expansion of these firms is one of the main factors of the town's development. In addition to providing employment and tax revenues, BLACK-RED-WHITE has provided the town with a new boiler plant for burning wood wastes. Due to its capacity of 10 megawatts it will be able to virtually replace the old boiler plant, which heavily pollutes the air and will in the future be operational only in winter.

Through AMBRA, BLACK-RED-WHITE, and the local authorities, Biłgoraj has also attracted a sizable foreign investment project. This is a plant manufacturing packaging for AMBRA products. Previously AMBRA imported packaging from a subsidiary of the Swiss company MODEL located in the Czech Republic. AMBRA encouraged MODEL to invest in Poland in order to reduce the costs of packaging, which it has had to import. By offering very advantageous tax incentives, the town authorities were even able to outbid a competitive offer made by the special economic zone in Mielec. Biłgoraj offered MODEL a developed area with a loading platform adjacent to a broad-gauge

railway line (for iron ore and sulfur transports) which now turns out to be the town's advantage, as it is an attractive connection for firms exporting to Eastern markets. The Biłgoraj Regional Development Agency (see below) has also contributed to this investment by offering the Polish representative of MODEL free technical assistance and accommodation during the preparation of the project. MODEL's decision to locate its works in Biłgoraj was to a considerable degree motivated by the sizable local market for its products (cardboard packaging), to be purchased not only by AMBRA, but also by BLACK-RED-WHITE. The furniture company will use the entire output provided by the first production line to be launched at the beginning of 1998. Only the later expansion of works will make it possible to supply other customers as well. The investment project, worth 70 million złotys, will provide more than 300 jobs. Ten percent of the company's equity is owned by AMBRA's partner, T. Kuźmiński⁸.

As can be seen from the example of the multifaceted initiative which led to MODEL's investment in Biłgoraj, an industrial network is developing in Biłgoraj, as individual firms closely cooperate and support one another. The climate of mutual trust and good relationships with local authorities is a distinctive feature of the community of Biłgoraj businessmen. There have been no major scandals in the town which might have had an adverse impact on public opinion. The town has no "Russian marketplace", and there is little or no illegal trade. Trade with the East takes place within an institutional framework. The town has not experienced any spectacular bankruptcies, and firms have closed mostly due to their owners moving to another town, changing the profile of production, etc.

The five largest enterprises in Biłgoraj are ranked as follows in terms of the value of turnover: 1. BLACK-RED-WHITE, 2. AMBRA, 3. KORNAXPOL, 4. APIS, 5. MEWA. It is worth noting that three of these top five enterprises (including the top two) are manufacturing firms, and that the four top ranks are occupied by private firms.

In the near future we may expect the further development of private entrepreneurship, as this process has already become a self-perpetuating. Biłgoraj's first hotel with modern standards is due to open soon. It will use the infrastructure of the former MEWA hotel. The project is financed by a Biłgoraj-born investor who has returned to the town after a 14-year stay in the USA. Other planned investments include building a large supermarket. Eastern markets are also becoming a more and more important factor in the development of Biłgoraj firms. Pessimists, however, point to the threat to the town's economy posed in the long run by over-dependence on the still unreliable markets of the former Soviet republics.

3.3.2. Iława

Since 1989, enterprises in Iława have been subject to deep restructuring. Many of them collapsed, causing rising unemployment. These included the State Center for Agricultural Machines, the Furniture Industry Enterprise, the Prefabricated Housing Units Plant, the Iława Branch of Transbud, the Sports and Tourist Equipment Plant "Polsport", and Techmatrans.

As a result of the revival of the national economy and the active approach of the municipal authorities, the town's economy quickly recovered after its collapse. In 1995, as much as 2,761 economic entities were registered in Iława, including businesses run by

⁸ For more details on these Biłgoraj firms, see Appendix 2.

natural persons. This figure includes 54 commercial law partnerships (four with foreign participation). This means that every twelfth person in Iława is an entrepreneur, as opposed to every nineteenth in Poland as a whole (see Section 3.3.1). (For a description of the most important Iława firms, see Appendix 2.)

The Polish State Railways (PKP) is the largest employer in the town. Some 2,000 people work at the railway junction. Most of them perform traffic control functions. PKP runs several service facilities in Iława. Employment in PKP is relatively stable but badly paid and does not yield positive multiplier effects for other fields of production and services.

Economic revival in Iława was stimulated by the policy of the local government aimed at the expansion and privatization of municipal assets. For example, the Municipal Construction Enterprise was handed over to the town by the Olsztyn voivodship governor and then privatized; similarly, the state-owned prefabricated housing units factory was first taken over by the city, split up, and then privatized. One company spun off of the old state enterprise is the Renovation and Construction Enterprise REMBUD PBK, which does most of its work on commissions from City Hall (in 1997, this included renovations of a primary school, the Town Hall and an apartment building, as well as construction of another apartment building and a shop). Parts of the premises of the old factory have been taken over by investors encouraged by municipal authorities (e.g. PELBUD and MM International, employing almost 300 persons).

Since the beginning of the 1990s construction has been intensively co-financed by municipal authorities. Since 1991, two apartment buildings have been built in Iława every year. The town spent some 50,000 zlotys per house on developing the area, which cut the price of each square meter of the apartments sold by some 100 to 200 zlotys. In the initial period construction companies based in Iława were given preferences, which contributed to development of this branch of the local economy. The urban park authority was privatized through the leasing (and subsequent purchase) of cleaning equipment by employee-owned companies. The local heating plant was also privatized through a contract with a private company which manages the city's heating supply. This has made for efficiency gains allowing the company to maintain the price of heat below the officially set level, making Iława's heating prices the cheapest in the whole voivodship of Olsztyn. Finally, the city's water and sewer authority was transformed into a company.

In contrast to Biłgoraj, local firms are obliged to pay maximum rates of local taxes, although a large number of Iława's council members are entrepreneurs. The local authorities are very effective in collecting business taxes. Only very seldom, after careful examination of an individual case, can an investor hope for tax incentives.

Thanks to the favorable economic development of Iława, the situation on its labor market is rather favorable compared to that of other towns and cities of the region. In mid-1997, the rate of unemployment in Iława was 16.6%, the second lowest in the voivodship, after Olsztyn (14.3%). Only in these two cities of the voivodship was the rate of unemployment below 20%. In 1996, more than 2,500 people were jobless, of which almost 1,100 were not entitled to unemployment benefit. Compared to 1993, when unemployment had been highest, it had declined by 1,400 persons. Almost half of the unemployed have been jobless for at least 12 months. Those hit hardest by redundancies include seamstresses, shop assistants and farmers. On the other hand, there are

manpower shortages for economists, computer scientists, civil engineers, managers, and foreign language teachers.

In the above-mentioned ranking of investment attractiveness of medium-sized towns, Łława was ranked relatively high, in group C (like Biłgoraj). The town's main advantages included its accessibility and favorable social climate⁹.

3.3.3. Tarnowo Podgórne

The municipality of Tarnowo Podgórne experienced a two-track development of entrepreneurship. On the one hand, the number of individual persons conducting economic activity (craftsmen and traders) increased substantially. On the other hand, medium-sized and large enterprises gained in importance. Recently, foreign investors have started to play a major role in this group. On the whole, the municipality of Tarnowo Podgórne has attracted more than \$300 million worth of foreign capital already invested and further 300 million committed, which by far is the largest figure recorded by a rural municipality in Poland.

Manufacturing enterprises account for the largest percentage of businesses registered at the Municipal Office, although their number has been stable for several years. On the other hand, the number of trading firms has grown rapidly.

The largest shares in employment were recorded by the following branches: manufacturing (46.3%), wholesale and retail trade and repairs (22.5%), construction (9.4%), transport and communication (4.4%) and education (4.2%).

The reader will note that in Tarnowo Podgórne there is one enterprise for every eighth inhabitant, as opposed to one for every nineteenth in Poland as a whole and one for every thirteenth in Biłgoraj and one for every twelfth in Łława (see previous two sections).

For foreign investors the municipality of Tarnowo Podgórne is the most attractive municipality in Greater Poland. Thanks to the energy of local authorities, the municipality has attracted such large firms as Stollwerck, Reemtsma, Coca-Cola Amatil, M.A.N., Union Coffee Confectionery Group BV, or SHV Macro N.V. Due to the vicinity of a large number of potential customers and convenient access roads, trading centers with many firms offering a wide range of goods are being established. Their location on the main route facilitates the transportation of goods manufactured in the area. (See Appendix 2 for more details.)

Surveys carried out in Poland indicate that existence of a development strategy and spatial plan increase the interest of potential investors in a given area. The municipal authorities have gathered full information about the area and its development opportunities, so investors can obtain detailed information about available plots of land, their price, provision of technical infrastructure and other technical conditions. In Tarnowo Podgórne a new land-use plan was prepared in 1992. It provided for 400 hectares of land along the A-2 route to be used for economic activity, following the change of their appropriation from agricultural to non-agricultural. This step has contributed to the economic success of the municipality.

The Municipal Council actively promotes foreign investment in Tarnowo Podgórne. To this end it uses various methods and techniques. Tarnowo Podgórne receives broad

⁹ P. Swianiewicz, W. Dziemianowicz, op. cit.

coverage in both local and national media. Numerous publications are prepared for foreign investors interested in Poland (including information booklets published by the Voivodship Office). The municipality also issues information folders, prepares video recordings, and takes part in fairs and seminars (both Polish and foreign). For some time Tarnowo Podgórne was present on the Internet, and in the near future it will have a permanent WWW page. Apart from attractive investment conditions, other assets of the municipality are emphasized, e.g. the landscapes of the Lusowo Lake.

The labor market is becoming very tight. Due to the manpower shortage firms operating in the municipality hire employees living in Poznań, in other municipalities, or even in places several dozen kilometers away from Tarnowo Podgórne (e.g. in Pniewy). In 1996, the official rate of unemployment in the municipality amounted to 3.3% (in the voivodship of Poznań it was 4.5% at the end of 1997). In recent years the ratio of the employed to the working age population has increased substantially, from 53% in 1994 to 72% in 1996, and is now the highest in the voivodship of Poznań (in municipalities on the outskirts of Warsaw this ratio is even higher). This is an indication of the rapid development of the labor market.

In the long term, the trends presented above may involve some threat, as the population growth in the municipality is inadequate, and the existing enterprises have already depleted the local labor reserves. Industrial plants and warehouses now under construction may hit a barrier of acute manpower shortage, especially for semi-skilled and skilled employees. Only every ninth employer in Tarnowo Podgórne has found an employee through the local Labor Office, while in the neighboring Buk municipality there were three candidates per one job vacancy.

3.3.4. Dzierzgoń

The development of the Dzierzgoń municipality's economy in the 1990s reflects the general transformation processes in Poland in recent years. The municipality, which was formerly dominated by state farms, has gone through a fairly successful process of ownership transformations. Almost all state farm land has been transferred to private owners through lease or sale, as a result of which it is now properly managed. State sector employment has dropped significantly, in both industry and agriculture. At present, the public sector accounts for employment of one third of the economically active population. Hence, the private sector is the major provider of jobs.

For a large part of the surveyed population, unemployment—which affects, either in the short or long term, some 40 percent of the municipality's adult workforce—is an adverse consequence of the transformation. Undoubtedly, this situation caused the impoverishment of many households. This, however, was cushioned in one way or the other, especially by involvement in the shadow economy, as can be seen from the fact that households were relatively well-endowed with consumer durables.

As a result of the domination of state-owned farms, the post-1989 transformation of agriculture had a particularly strong impact on economic and social conditions in the municipality. (For more information on the transformation of agriculture in Dzierzgoń in the 1990s see Appendix 4). Another reason for the painful nature of the municipality's post-Communist transformation was that by the end of the 1980s the firms operating in the Dzierzgoń municipality were subsidiaries of large enterprises headquartered in other cities (e.g., Gdańsk, Nakło, Elbląg). With the onset of the transformation of

the Polish economy (1989–1990), these enterprises' first reaction to the shock was to close their subsidiaries, including those in Dzierżgoń. Consequently, in 1993, when the municipality bottomed out, the rate of unemployment rose to 35.6 percent. (By 1997, it had fallen to 24.6 percent).

In 1991, the municipal authorities began undertaking support measures for businesses to provide for a sustained fall in unemployment. Public works contracted out to private firms hiring the unemployed are an example. Every year, 20 percent of the registered unemployed benefit from such an opportunity, and some 20 percent of participants in the programs manage to keep their jobs after the public works are over.

These public works programs serve in large measure to forward the municipality's infrastructure investment projects. For example, the unemployed involved in public works have taken part in the construction of two sewage treatment plants, 26 septic tanks, roads, sidewalks, developing land for residential construction, and liquidation of architectural barriers to the disabled. Additionally, they are employed in the maintenance and cleaning of public areas.

Moreover, the municipal authorities provide direct incentives for firms creating new jobs. The most common instruments in this area are exemptions from real estate tax and guarantees of bank loans. In 1997, 203,700 zlotys' worth of bank loan guarantees were granted as collateral on 349,500 zlotys' worth of credits, and by May 1998, these figures had reached 400,500 zlotys and 817,500 zlotys, respectively. These guarantees have contributed to the creation of 250 jobs¹⁰.

The Dzierżgoń municipal authorities have consistently pursued a policy of privatization of municipal property, limiting the municipality's role as an owner to a minimum. By the end of 1997, 70 percent of municipally-owned business premises and 45 percent of municipally-owned apartments had been privatized. In addition, the local bus company was privatized in 1992, by leasing to employees, and the local heating company was privatized by a sale of shares in 1998.

At the end of 1997, there were 278 businesses covered by GUS statistics operating in Dzierżgoń. Trade firms (99) make up the dominant group of companies, followed by manufacturing firms (41), many of them involved with agriculture (abattoirs, fodder mixing plants). Small and medium-sized enterprises prevail in the municipality. The largest employs some 210 persons. The growth rate of the number of businesses established by individuals residing in the municipality is an indication of development of entrepreneurship in Dzierżgoń.

In 1989–1998, the number of firms trebled. The fastest growth rate was recorded by manufacturing and service enterprises, followed by firms in the trade and restaurant businesses. The rate of increase in the number of businesses in general—and of trade firms in particular—has stabilized since 1995 on a level comparable with the economic growth rate. More recent years have seen a higher rate of growth in the number of service companies (providing non-material services, e.g. financial services), which was also consistent with national trends. Nevertheless, this too has begun to decelerate, which may be attributable to growing saturation of the market with “simple” services. Finally, since 1996 the number of construction companies has been increasing, which might indicate an improvement in the economy of the municipality.

¹⁰ This includes, for example, 80 jobs in Agrobart, a gardening equipment manufacturer (for more on Agrobart, see Appendix 2).

There are two banks operating in the municipality: a cooperative bank and an office of a Sztum branch of PKO State Bank. According to local bank managers, the financial status of residents of the municipality is not particularly good, due to continued high unemployment and low wages (only 10 percent of the population obtain higher than average incomes).

The Cooperative Bank manages some 1,000 individual savings accounts. A large portion of businesses in the municipality (some 40) also have their accounts with that bank. The bank's cooperation with municipal authorities has been very successful, and with this bank that the municipality has its main account. The office of the Sztum branch of PKO State Bank has been operating in Dzierzgoń since 1990. It deals mostly with the accounts of some 700 private individuals and more than 100 businesses, savings deposits (most of them small; the smallest sum which can be deposited is 500 złotych), and consumer loan (most of them ranging from 500 to 3,000 złotych). The bank cooperates with the Mutual Guarantee Fund (see below), evaluating the creditworthiness of applicants and offering them loans. The bank also handles loans granted by the Enterprise Development Fund (at the Dzierzgoń Development Association) for starting up businesses.

The development of business support institutions is one of the positive factors in the transformation of Dzierzgoń's economy. Several such organizations have eased structural transformations in the area. These organizations are described in greater detail in Section 3.4.4 below (concerning civil society development).

3.4. Civil Society Development

3.4.1. Biłgoraj

The integration of the local business environment following the economic collapse of 1990–1991 is undoubtedly one of the main success stories in Biłgoraj. According to the mayor and the local population, this is one of the main “reasons” for the fast rate of economic growth and the fall in unemployment. A modern economic development support institution, the Biłgoraj Regional Development Agency (BARR SA), was set up in 1994. The Agency has proven to be not only an efficient structure for managing foreign aid funds and effectively supporting economic development, but also to become almost fully financially self-supporting and consolidate its significance on a regional scale. It should be noted that a large majority of regional development agencies in Poland have been founded in voivodship capitals, with only a tiny handful of examples similar to that of Biłgoraj, in which a municipality which was not a voivodship capital founded a regional development agency. In fact, in 1996, the Zamość voivode decided to engage voivodship funds in BARR, making BARR *de facto* a voivodship-wide organization.

The initiative to organize the cooperation of active local residents came from the mayor of Biłgoraj and several local businessmen. When the establishment of a municipal bank turned out to be impossible, the Business Association was established as a union of employers. It was joined by 35 persons representing all major private and socialized firms, as well as both Biłgoraj municipalities (urban and rural). The Business Association, supported by the Foundation for Social and Economic Initiatives (FISE) and the Bank for Social and Economic Initiatives worked out a local development plan. Biłgoraj also took part in the “Local initiatives for employment and economic development”

(Polish acronym: PIL) competition organized by the Ministry of Labor and Social Policy. Biłgoraj was among nine winners of this competition, receiving ECU 655,000 and technical assistance from the PHARE fund. A 20-person Local Committee was set up for the implementation of the program and consisted of the main local actors. The committee—like those set up in the other eight municipalities participating in the PIL program—was intended to be a mechanism for participation by local community members in the development of a local development strategy. It became a forum for integration of the local community and a helpful instrument for the establishment of broad external contacts. In the mayor's opinion, however, the real work on the development of the local strategy was carried out by a much smaller group of persons.

There is a common opinion that the efforts of the Business Association and other organizations made it possible to overcome in Biłgoraj the reluctance to accept wealthy people and to propagate the idea of acquiring personal wealth. This contributes to the favorable climate for entrepreneurship, with many inhabitants, irrespective of their present financial standing, not making demands for support but relying on their own effort and initiative. This climate was also contributed to by articles in the local press, inspired by the Business Association. They promoted entrepreneurship, encouraged sponsoring and promoted sponsors, presented interviews with businessmen and information about firms, etc. A notable role is played here by the demonstration effect and by local success stories. The examples of one's neighbors prove that business is worth a try. More and more people in Biłgoraj simply find it disgraceful to sit about idly.

In the course of drafting the development program for Biłgoraj many barriers were pointed out. In order to overcome them the following institutional initiatives have been put forward:

- A loan guarantee fund has been established for enterprises facing difficulties in access to bank credits (e.g. due to inability to provide collateral which is acceptable to a bank).
- A training scheme has been devised to improve skills and know-how indispensable for conducting business activity, especially as regards law, tax regulations, marketing and accounting.
- A promotional program has been proposed in order to facilitate access to business information, the establishment of commercial links, finding premises for conducting economic activity, and promotion of one's own business. The program was also intended to overcome the barriers to employment of persons bringing up small children, in connection with the collapse of the out-putting system, which had been quite popular in the 1960s and 1970s.

For more detail on training center, enterprise incubator, Economic Information Office, and loan guarantee fund, all run by BARR, see Appendix 3.

As mentioned above, the Zamość voivode became a shareholder in BARR in 1996. Consequently, some BARR programs, such as the Zamość Investment Promotion Center, have been developed for the purpose of promotion and integration of the Zamość region. (For details, see Appendix 3.) Thus, Biłgoraj's significance goes beyond the local level and is becoming regional.

Apart from BARR, the town has many independent business environment institutions. For example, there are 20 accounting offices registered in Biłgoraj. With considerable assistance from City Hall, a customs clearance post has been established. Every day 50 vehicles, with goods worth a total of \$100,000, are cleared through customs.

In addition to the above-mentioned Local Committee, there are some 10 voluntary local committees operating in Biłgoraj which are perhaps better instances of genuine local participation. Among other things, they deal with water supply and sewage systems, street lighting, construction of roads, bridges, foot-bridges and pavements (as is the case in Tarnowo Podgórne—see section 3.2.3 above). Social aid committees are also being established. Unfortunately, the Viritis Unitis foundation for assistance to the poor collapsed due to insufficient funds, but other new foundations have appeared, such as the foundation for children requiring special care (mostly with cerebral palsy) and the foundation of the association of multiple sclerosis patients. The foundation for family abuse victims is to be established soon at the “Iskra” AA club.

The so-called Childrens’ Village, a peculiar kind of family-run orphanage, has been operating in Biłgoraj since 1976. This institution is financed by an Austrian foundation supporting children. In this village, single women living in a dozen or so cottages take care of children. Serious controversies arise over the issue of the children not being looked after by complete families. However, this was the condition laid down by the sponsors.

Biłgoraj has its own weekly (“Tanew”) sponsored by the local authorities. We should also mention here the local Biłgoraj Cable TV, which is a controversial—according to some, a failed—undertaking. Although the town has spent more than 100,000 zlotys on it, the local program is broadcast only once a week, and the rest of the program consists of films and programs of other TV channels. Apart from BARR and the local media, City Hall conducts its own information and promotion activity by issuing folders and brochures. The town also has its own Internet page.

3.4.2. Iława

The 100-member Iława Chamber of Commerce, established in 1993, is the major institution of enterprise promotion in the town. The Chamber of Commerce was set up in accordance with the 1989 law on chambers of commerce. The Chamber’s objective is to provide assistance to its members and promote the environmental and tourist assets of the region. Its activity was most intense in the early period of its operation. This may be due to the fact that some members of the Chamber focused on making demands on the city, for example, pressing for a lower real estate tax paid on firms in Iława and for limited tenders on public procurements, favoring businessmen from Iława. In mid-1995, a Center for Enterprise and Local Development Support was established within the Chamber and supported by the local authorities.

By force of an agreement with City Hall, the Chamber used to run the Iława Tourist Information Office, which replaced the town promotion office at City Hall. The office ran a large-scale advertising campaign issuing folders on the town, preparing a video cassette on the region and presenting the town at fairs. At present, the Chamber of Commerce deals with business information, and City Hall is back in charge of tourist information.

Iława is a member of the “Jeziorak” Association of Municipalities established in mid-1996. In addition to the city of Iława, the association consists of Zalewo and the rural municipality of Iława. It promotes tourist attractions in the Lake Jeziorak area, conducts and supports municipal investment and investment in tourism and in environmental protection. The association has made several resolutions, including ones

concerning a development strategy for the three municipalities around the Jeziorak Lake, and on setting up a Volunteer Environment Watch. The association maintains the area around the Jeziorak (providing garbage cans, refuse containers, toilets for tourists). At present, the "Jeziorak" Association of Municipalities is preparing the issue of a tourist information booklet. However, the association's activities are rather limited in comparison to both actual needs and the initial intentions.

Other economic organizations operating in the town include the Association of Farmers Cooperating with the Seed Storehouse in Iława and the Association of Potato Producers for the "Iława" Potato Factory. In a particularly interesting initiative, plans are being made to involve the local handicraft guild in the local vocational school system.

There are over 20 associations in Iława, including the Regional Society of Iława, the Society of Friends of the Iława Hospital, the Society of Friends of the Iława Region, the Association of the German Ethnic Minority, sporting associations, associations of ill and disabled people, charitable associations and associations promoting various causes (e.g. protection of animals' rights).

Iława has two local newspapers and local television and radio broadcasters. Moreover, the City Hall issues an information booklet—"Ratusz Iławski" ("Iława City Hall").

A higher education institution is currently being established in Iława.

3.4.3. Tarnowo Podgórne

The institutional base of Tarnowo Podgórne itself is relatively modest, but local businesses have the advantage of being able to profit from numerous business support institutions for the entire Wielkopolska region with headquarters in neighboring Poznań. Tarnowo's entrepreneurs participate in a regional network of institutions which includes the following:

- The Wielkopolska Agricultural Chamber, uniting farmers and stock-breeders from the municipality. The municipal branch of the Chamber often seeks contacts with the local population through the local press.
- The Wielkopolska Chamber of Industry and Commerce. The Chamber has developed into a very strong Wielkopolska business lobby. It participates actively in establishing international links and in training. It also gathers and disseminates business information. Several entrepreneurs from the Tarnowo Podgórne region are members of the Chamber.
- The Handicraft Chamber in Poznań. It unites, on a voluntary basis, handicraft guilds and cooperatives from the Wielkopolska region. It trains master craftsmen and journeymen in various crafts and takes active part in establishing business contacts in Poland and abroad. Several dozen members of the Chamber are craftsmen from the Tarnowo Podgórne municipality, especially from Baranowo and Przeźmierowo.

The Tarnowo Podgórne municipality is a member of the Association of Municipalities of the Wielkopolska Region, which organizes conferences and training courses and gathers and compiles information on member municipalities.

In connection with the high level of economic activity in the municipality, its financial institutions have developed particularly well. In 1996, four banks of supraregional significance were operating in the area:

- Bank Śląski w Katowicach S.A. had two branches (in Przeźmierowo and Tarnowo Podgórne);

- Powszechny Bank Gospodarczy S.A. had a banking post in Tarnowo Podgórne;
- Spółdzielczy Bank Ludowy had a branch in Tarnowo Podgórne;
- Bank Handlowy w Warszawie S.A. had a branch in Tarnowo Podgórne (its first branch in a rural municipality in Poland).

There is an Agricultural Advisory Center in Sielinko in the Tarnowo Podgórne municipality. However, its activities are specialized and targeted at a small group of residents.

The number of associations and organizations operating in the Tarnowo Podgórne municipality is quite considerable. The most important of these include:

- Village Councils and Village Housewives' Clubs—are active institutions focused on organization of social work and cultural activity;
- the Feliks Nowowiejski choir ensemble, its traditions dating back 70 years;
- the General Józef Dowbor Muśnicki Commemoration Society—cultivating the memory of a leader of the Wielkopolska Uprising, who is buried in the village of Lusowo;
- the Volunteer Fire Brigade, which frequently takes part in organization of cultural events in the municipality.

The local press plays an important role in the Tarnowo Podgórne municipality (almost two thirds of municipalities in Wielkopolska publish their own newspapers). The local press had existed in Tarnowo Podgórne even before the 1990 municipal elections and has not lost significance. After many changes of title, the "Śasiadka-Czytaj" monthly, established in 1993, appears regularly. The monthly provides a forum of discussion between the Town Hall and the residents and attempts to invigorate the cultural and social life of the locality. It is distributed free of charge and reaches all inhabitants of the municipality.

3.4.4. Dzierżgoń

Cooperation of Dzierżgoń firms with local social institutions and the involvement of entrepreneurs in supporting initiatives which mobilize the local community are characteristic features of the municipality. All of the twelve surveyed Dzierżgoń entrepreneurs declare their interest in the problems of the municipality's development, although only half of them feel responsible for it and seven respondents think they exert real impact on the situation in the municipality. Nine of the twelve surveyed firms financially support the social assistance center or individually help the poor, and five firms are financial sponsors of cultural and sports events in Dzierżgoń. Furthermore, the Cooperative Bank sponsors some social and economic initiatives, e.g. by funding the operation of the farming advisory center in Stare Pole, two primary schools in Dzierżgoń, the Educational Complex in Dzierżgoń, the "Serce Dziecku" (Give a Child Your Heart) Foundation, the Municipal Social Assistance Center, the Farmers' Social Insurance Fund in Sztum, and the Roman Catholic Parish in Dzierżgoń.

The outset of development of local institutions is connected with the establishment of the Dzierżgoń Development Society. This was the first local organization integrating the most active residents around the problems of crucial importance for the municipality. It was also a forum for establishing cooperative links between the old and new local elites. The former, by becoming involved in the Society's activities, managed to avoid frustration and the feeling of exclusion from the local community, which were quite common in other municipalities.

The Dzierzgoń Development Society was established in 1992, on the initiative of the former municipal authorities. It is a non-governmental organization whose objectives include promotion of the municipality, organization of training and re-training programs (especially for the unemployed), and provision of economic and legal advisory services. The Enterprise Support Center has been operating within the Society since 1994. Its main objective is providing comprehensive support for those conducting or intending to start business activities. This goal is accomplished by means of individual consultation, training programs, and information services. The Enterprise Development Fund, which grants loans to unemployed persons starting up business activities, has also been operating within the Society since 1995.

The Regional Investment Society (RTI S.A.) was established on the initiative of Dzierzgoń local authorities and entrepreneurs in November 1994 as a non-profit joint-stock company. RTI S.A. started operations on June 30, 1995. Town hall is the main shareholder; the remaining shareholders are two public utilities, one state-owned enterprise, the Dzierzgoń Development Society and 15 private firms operating in the municipality. The main reason for setting up RTI S.A. was to help local small and medium-sized enterprises and mobilize the unemployed who intended to start up their own businesses.

Dzierzgoń is one of the three municipalities in Poland (Biłgoraj is another one) in which a mutual guarantees fund operates. In 1995, the Dzierzgoń fund, operating as an organizational unit of RTI S.A., received capital and advisory support from the Polish Foundation for Promotion and Development of Small and Medium-Sized Enterprises. The Fund's major goal is the reduction of banks' credit risk, making it possible for them to intensify their lending to local enterprises. The Fund does this by assuming a part of the credit risk in guaranteeing the loans.

The Mutual Guarantee Fund (MGF) is an open fund. The entities entitled to apply for guarantees are the fund's participants. Individuals can join the fund and become participants by signing the participation agreement and issuing a promissory note for the RTI S.A. This note is used exclusively to increase the fund's capital. In order to receive a guarantee from the fund, a member must fulfil some qualification criteria. Only private firms, for example, may apply for a guarantee. Guarantees are issued following approval by the board of RTI S.A., issued by the President in consultation with the qualifying commission consisting of six persons, three of whom are MGF participants.

The maximum guarantee granted to one participant is 60 percent of the value of the guaranteed loan. The borrower is obliged to provide collateral for the remaining part of the credit.

MGF's capital consists of liquid assets (cash) and the participants' promissory notes. The fund has negotiated so-called capital multipliers with cooperating banks. These multipliers allow the fund to issue a total volume of guarantees exceeding the value of its capital. The multipliers negotiated with the cooperating banks are 3 with PKO BP (increased by one unit compared to 1997), and 4 with the Cooperative Bank.

Last year the fund's expansion was very fast. As of May 1998, MGF had 20 participants, while by November of the same year membership had risen to 57. By May 1998, 21 applications for guarantees had been filed, of which 18 had been approved; by November 1998, 38 applications had been filed, of which 34 had been approved. It should be noted that in the local community there are entrepreneurs who are interested in participation in the fund, but do not intend to immediately apply for its guarantees.

Some entrepreneurs do not fulfil the criteria for applicants (e.g. their businesses are too large).

The interest rate on loans granted to the fund's customers is 2–3 percentage points below the lowest rate charged by the bank. The average period of repayment of guaranteed loans is two years. In November 1998, the volume of guarantees totaled 773,400 złotys. In most cases the loans finance the firm's development (e.g. purchase of equipment or, in the case of trading firms, for extending the range of offered products).

Most of the MGF participants interviewed by researchers said that only the fund's guarantee had made it possible for them to obtain bank loans. Before, none of them had known any person who could co-sign on a loan, and they, for their part, were not interested in offering their houses or apartments as collateral for a loan.

A major obstacle to the fund's activities is posed by the banks' reluctance to inform potential customers about the opportunities for obtaining loan guarantees. Those who have benefited from the fund's guarantees learned about this opportunity from their acquaintances, at town hall or at the Dzierzgoń Development Society.

Apart from strictly economic organizations, there are also several associations which are actively involved in the municipality's social life. They include: the Association of Guesthouses "Pomezania", the Association of Supporters of the School Complex, the Aid Group for Children with Motor Disabilities, the Catholic Intelligentsia Club, the "Sanitatis" Association, the Senior Citizens' Club, and the Blood Donors' Club.

Dzierzgoń is relatively well-endowed with independent, problem-oriented leaders. Among these leaders are the directors and presidents of local non-governmental organizations. The establishment of some of these NGOs has been inspired and supported by town hall (as in the cases of the Dzierzgoń Development Society and the Association of Guesthouses "Pomezania"). In several other cases the driving force is provided by an individual passion or hobby ("Powiśle" Sports Club) or the desire to help other people affected by the same problem as the leader (the Association of the Disabled). Symptomatically, a large number of those involved in NGOs in Dzierzgoń are people new to such activity—young people who are just starting their political careers or persons who were previously occupied exclusively with their jobs, bringing up their children, etc. This is particularly interesting given the fact that the municipal authorities have been dominated by experienced local politicians, many of whom had performed important political functions prior to 1989.

The Aid Group for Children with Motor Disabilities was established at the Dzierzgoń department of the Children's Friends' Association on June 21, 1994, by the parents of disabled children. At present, 360 persons are involved in the group, predominantly disabled children and their parents and guardians. Their meetings are often attended by elderly people (pensioners). The organization focuses on providing specialized aid to families bringing up disabled children, integrating disabled youth with people of their age, and helping the disabled on their way to adulthood. It organizes seasonal events, such as Children's Day, Sick People's Day, Christmas Eve parties, and religious and sightseeing tours. In April 1998, an international meeting with participants in the Polish-Canadian Youth Exchange took place. Thanks to support provided by Dzierzgoń town hall, a summer meeting center, "Forest Folks", was organized.

"Informator Dzierzgoński", a free local monthly published by town hall, performs the role of a local newspaper. Local residents also have access to the local cable television with information spots.

3.5. Local Politics

3.5.1. Biłgoraj

Next to the local entrepreneurs, the local authorities are undoubtedly the main actors on the local scene in Biłgoraj. They have contributed immensely to providing favorable conditions for the development of entrepreneurship, smoothing the completion of ownership transformations and—as discussed above—developing and upgrading municipal infrastructure.

In the recent municipal elections, most seats on the town council were won by the Biłgoraj Self-government Initiative (BIS), which went to the elections with slogan calling for re-election of its candidates, mostly associated with the Solidarity Citizens' Committees (the abbreviation "BIS"—Polish for "encore"—suggests the repetition of the term of office). 28 BIS candidates ran in 28 one-seat constituencies and won 13 seats on the council. The Social Electoral Initiative "Jedność" ("Unity") won 2 seats. The post-Communist Democratic Left Alliance (SLD), also running 28 candidates, won 5 seats, and the Polish Peasants' Party. The Center Right Electoral Committee won 2 seats. Several independent candidates also won seats on the council, including three of a clearly left wing orientation.

The opposition is made up of 10 council members (5 from the SLD, 2 from "Jedność", 2 independents and—occasionally—some BIS members) opposing many projects put forward by the town authorities. However, the victorious BIS has not dominated the Town Board of Managers, taking only 3 out of 8 seats, so as to share power with persons representing other options.

The mayor, Stefan Oleszczak, ran in the 1997 parliamentary elections as a candidate of the Freedom Union (although he is not a member of this party). In Biłgoraj he got far less votes than his opponent backed by the Solidarity Electoral Action (AWS). This defeat is not a proof of his unpopularity, as the Biłgoraj region is known for minimal support for the Freedom Union and its national leaders, Tadeusz Mazowiecki and Leszek Balcerowicz. The town is politically pluralistic, with cross-cutting conflicts of interests, which may lead to cooperative approaches of citizens towards politics (see e.g. S. M. Lipset, 1995).

Mayor Oleszczak, a graduate of the Warsaw Polytechnic and a teacher by profession, is in his second term of office. He previously served briefly as deputy mayor, which he found a splendid opportunity to prepare for his future post. The favorable climate for entrepreneurship in Biłgoraj owes much to his personal involvement. His approach was characterized by the question he likes to ask of local entrepreneurs: *"how can I help you, and what can I do so as not to make things difficult for you?"*

The main feature of the local government in Biłgoraj is the willingness and ability to cooperate, especially with entrepreneurs. The local authorities aim at simplification of bureaucratic procedures, satisfying the needs of entrepreneurs. They have also been the source of various initiatives. The mayor of Biłgoraj, Stefan Oleszczak, has played the largest role in shaping local government's attitude toward business in Biłgoraj and is the main local leader in the town.

The group of people directly and actively involved with the town's development is not big. According to the mayor's estimates, he can count on the active support of some 30 people, with some 100 persons as passive, but quite influential adherents.

There is a fairly widespread opinion that the local authorities, by creating a good climate for entrepreneurship, have done the greatest service for the economic success of Biłgoraj. A major role was also performed here by people engaged in efforts towards the economic revival of the town and their ability to work for common success. This becomes very apparent in comparison to Zamość, where the voivode also attempted to set up a regional development agency, similar to that in Biłgoraj. This undertaking failed due to inability of the town elite to cooperate. This was the reason for the Zamość voivode's decision to become a shareholder in the Biłgoraj agency.

3.5.2. Iława

Solidarity was the main political force in the 1990 municipal elections. It won 19 seats on the 28-seat town council, with the remaining 9 seats going to an integrated group of craftsmen not associated with any party. One of the latter was Adam Żyliński, who became the mayor of Iława with backing from Solidarity members. The former chief administrator of the city in the Communist era was appointed deputy mayor, thus helping to avoid political conflicts in Iława.

Due to weak position of trade unions, Solidarity did not run in the next municipal elections in 1994. In these elections, voters supported council members backed by the municipal authorities. The apolitical nature of the Town Council was confirmed, with most councilors not being members of any party. One council member is a social democrat (SLD—Alliance of Democratic Left) member, one represented the “Success for Iława” movement, and one recently joined AWS.

The mayor of Iława, Adam Żyliński, is the undisputed local leader. With the support of a group of craftsmen, many of whom later became major entrepreneurs, he managed to continue, over two terms of office, a clear and coherent town development strategy, wisely avoiding conflict with the two major political forces of the 1990s: Solidarity and the former Communist “nomenklatura”.

Few local leaders enjoy such strong popular support as the mayor of Iława. In the 1997 parliamentary elections, Żyliński received over 5,000 votes in Iława (over 40% of votes cast there) as a Freedom Union candidate, and is consequently serving now as a parliamentarian. His performance was even better than in 1993, when he also won the parliamentary elections in his town with 30% of the votes cast. However, on that occasion he did not get into the parliament, as he was running as a Liberal Democratic Congress candidate, and his party failed to pass the 5% threshold required to secure parliamentary representation.

The entrepreneurs in Iława are very active and cooperative in many municipal initiatives. Their involvement is reflected in support for the idea of a Permanent Education Center, whose graduates would find work in local firms, as well as in the sponsoring of tourist, cultural and sporting events and support for the “Jeziorak” Club and publications on Iława.

The local authorities make efforts to keep the Iława community as well informed as possible about their decisions and plans. Every Monday the local radio station broadcasts information about the schedule for City Hall activities in the coming week. Decisions made at meetings of the City Board of Managers are communicated in the same way.

3.5.3. Tarnowo Podgórne

The Municipal Council elected on June 5, 1990, was dominated by the Solidarity Citizens' Committee. Waldy Dzikowski was appointed mayor by the council members (with 14 votes out of 25). In the municipal elections on June 19, 1994, 53 candidates competed for 22 seats. The "Self-Governing Municipality of Tarnowo Podgórne" electoral committee nominated 22 candidates, mostly incumbent council members, and Waldy Dzikowski again ran for mayor. Moreover, there were 16 independent candidates, 12 nominated by the Polish Peasants' Party (PSL), two by the local assembly of one of the villages in the municipality, and one by a farmers' cooperative. Seats in the council were won by 16 representatives of the "Self-Governing Municipality of Tarnowo Podgórne" electoral committee, 4 independent candidates and two PSL candidates. This council unanimously elected Waldy Dzikowski to a second term of office.

Political parties are practically non-existent in this rural municipality. Due to its agricultural nature, the Polish Peasants' Party has had the longest record (dating back to the period before 1989). In 1992, some former Solidarity Citizens' Committee activists set up a section of the Christian Democratic Party. In 1993, a section of the Union for Labor was established. At the same time, a section of the Liberal Democratic Congress was founded, including several members of the municipal elite; however, it failed to become active.

Waldy Dzikowski, municipality mayor since 1990, is the undisputed local leader. In fact, it was chiefly thanks to his organizational, managerial and negotiation skills that the municipality is enjoying its present investment boom. Dzikowski has managed to secure for himself far-reaching decision-making autonomy while at the same time respecting the mechanisms of local democracy.

Tarnowo Podgórne's Krzysztof Marchlewski also has a strong position in the local elite. In addition to his position as chairman of the Regional Council of the Poznań voivodship, he plays an important opinion-shaping role as the editor-in-chief of the local newspaper. Very often his articles tackle important social, political and economic issues of the municipality.

Almost all council members elected for a second term of office are businessmen. This is reflected in the fact that in the Tarnowo Podgórne municipality there are 136 registered economic entities per 1,000 inhabitants. Most entrepreneurs run small service, manufacturing and handicraft businesses, but there are also some entrepreneurs exerting considerable influence on the municipality's economy.

3.5.4. Dzierżgoń

Most of Dzierżgoń's leaders were active in the public forum prior to 1990. Many of them played major roles in the local party or administration. It is therefore clear that a general "purge" of former Communist officials did not occur here. Moreover, it seems that social disapproval for people involved with the old regime currently in high-ranking positions applies to national rather than local administration: in addition to critical views on this subject, researchers also met with the opinion that experience acquired in socialist era was an asset in new conditions as well (*"the leaders do not come from nowhere"*).

The frequent continuity of political careers of Dzierżgoń officials is illustrated by the example of the present mayor. Prior to 1990, he was a Democratic Party member and

president of the housing cooperative in Dzierzgoń. In 1990, as a result of municipal elections, he became deputy mayor. On January 1, 1992, he was elected mayor by the town council, and was later re-elected to this post in 1994 and 1998. In 1997, he ran unsuccessfully in parliamentary elections. However, the Freedom Union party he represented in those elections won 42 percent of the vote in his district, which was one of the best electoral results obtained by that party in the country.

Interestingly enough, among the Dzierzgoń leaders there are none whose present involvement in politics is rooted in former opposition activity. Respondents declaring their sympathy for post-Solidarity parties define their political attitudes in the socialist era as politically indifferent, neutral or even supportive of the regime.

The new Dzierzgoń council, elected in 1998, is differentiated with respect to the experience of members, their age and professions. The majority of the council members are serving their first term. It is clear, therefore, that there is no trend toward the emergence of "career town councilors".

CHAPTER 4

SOCIAL ATTITUDES AND OPINIONS OF THE POPULATION

4.1. Features of the Surveyed Community

In each of the four towns a public opinion poll was carried out on a sample of approximately 300 persons. For Biłgoraj, Iława, and Tarnowo Podgórne, the samples are not random, as due to limited funding, the so-called “school questionnaire” was applied. In each town, questionnaires were distributed to primary school pupils (14-and 15-year-olds), who were asked to give them to their parents to fill out. The pupils then brought the completed questionnaires back to school. Such a sample is selective, as it eliminates representatives of the youngest and the oldest age categories. Nevertheless, it reflects the features of the population relatively well.

In the case of Dzierzgoń, interviews were carried out with 229 residents of the town of Dzierzgoń and 117 residents of surrounding villages which are part of the Dzierzgoń municipality. On the whole, the research covered 346 persons living in the municipality, i.e. 3.6 percent of its total population and over 5 percent of the adult population. The interviews were carried out by students of the European Institute of Regional and Local Development in late June and early July 1998. The interviewees were selected on the basis of voter registration lists, which ensured that the sample would be representative. The interviews were preceded by an information campaign in the local newspaper, and relevant information was also given in the church, so the residents were informed about the objectives of the research and were friendly and receptive toward the interviewers.

Most of those surveyed in Biłgoraj, Iława, and Tarnowo are young or middle-aged people between 31 and 50 years old. The vast majority of them have more than primary education, and more than one fourth (except in Iława) have more than secondary

Table 1.**Characteristics of surveyed populations**

Features of the Population	Bilgoraj n = 321	Dzierzgoń n = 346	Ilawa n = 322	Tarnowo n = 306
Age: under 30 years	15.2	24.9	5.1	2.7
31–40	49.8	22.0	68.4	51.5
41–50	28.6	23.2	24.7	41.8
above 50 years	6.3	29.9	1.9	4.0
Sex: females	58.2	54.3	62.0	66.0
males	41.8	45.7	38.0	34.0
Education: primary	3.6	36.3	8.7	10.3
secondary*	63.9	59.1	73.5	64.3
higher*	29.3	4.7	17.7	25.4
Length of residence in municipality:				
less than five years	4.5	3.5	2.2	7.0
5 to 10 years	19.7	7.9	18.9	16.4
11 to 20 years	39.8	18.7	42.0	43.0
over 20 years	36.0	70.0	36.9	33.6
Occupation: farmer	2.9	13.3	3.8	9.4
worker	27.7	46.2	42.8	26.7
service employee	21.2	15.5	21.7	26.3
clerical employee	41.0	7.6	25.2	36.1
manager	0.7	5.7	1.7	0.4
professional	1.8	0.3	2.8	0.4
pensioner, student, other	4.7	11.4	2.1	0.8

* both complete and incomplete.

education. Approximately one third of the respondents have been living in the surveyed localities since their birth, and another 40% for at least 15 years. Hence, these are largely stabilized populations. The shares of farmers in the respondents are very small in Bilgoraj and Ilawa and somewhat higher (about 10%) for Tarnowo Podgórne. Workers, service employees and clerical employees account for the vast majority of those surveyed, while the shares of professionals and managers among the respondents are insignificant.

4.2. Social Moods

On the local scale, one measure of social moods is the level of satisfaction with changes accomplished in recent years in the performance of municipal offices and their contribution to the common good. In the case of the evaluation of municipal office performance, there are striking differences between Bilgoraj, where only every tenth respondent felt that the operation of municipal offices had improved considerably, and Ilawa, Dzierzgoń and Tarnowo Podgórne, where this opinion is expressed by about 40% of those polled. Comparing these results with answers to an identical question in a survey which had been carried out before in six municipalities of various regions

of Poland¹, it can be stated that Ława and Tarnowo Podgórne differ distinctively from other municipalities.

The operation of municipal offices improved considerably

Biłgoraj—11%, Bytów—10%, Dzierżoń—38%, Ława—40%, Jordanów—28%, Siemiatycze—14%, Sławno—6%, Stary Sącz—16%, Supraśl—15%, Tarnowo Podgórne—46%

Although the population of Biłgoraj relatively most critically evaluates the performance of municipal officials, more than half of them think that the situation in this field showed some improvement.

Table 2.

Evaluation of the performance of municipal offices in 1997, compared to the situation prior to 1989

Performance:	Biłgoraj	Dzierżoń	Ława	Tarnowo
Improved considerably	10.6	38.1	40.4	46.4
Improved slightly	46.4	36.7	38.5	34.3
Remained unchanged	22.7	15.8	11.8	9.8
Deteriorated slightly	4.0	5.0	2.2	2.3
Deteriorated considerably	1.6	4.4	3.1	1.0
No comment	14.6	—	4.0	6.2

In Biłgoraj, the surveyed inhabitants generally gave similar marks for the performance of municipal authorities in the first (1990–1994) and present term of office. Efforts in the areas of the town's appearance and cleanliness, water supply and sewage treatment are rated much higher than in other areas. One fourth of the respondents gave poor marks for assistance for schools and cultural institutions and the development of tourism. The opinions about efforts toward the development of the local economy are more ambivalent. Some one third of respondents believe that the situation in this field has deteriorated, while the same percentage feel that it has remained unchanged, and some 40% see it as having improved.

As in Biłgoraj, most of those surveyed in Ława express the view that the local authorities in the present term of office do a better job concerning the appearance and cleanliness of the town, the development of tourism, sewage treatment and the development of local economy, than in other areas. In this context, we should note the falling support for schools indicated by one fourth of those surveyed.

In Tarnowo Podgórne, support for schools, care for development of tourism and water supply are evaluated much better, while care for cultural institutions was given a slightly worse assessment.

According to almost half of the Dzierżoń respondents, at present, the quality of service the municipal office provides for the citizens is better than it was three years ago.

¹ *Funkcjonowanie gmin podzielonych i zespolonych*, report commissioned by the Office of the Council of Ministers and prepared by the European Institute for Regional and Local Development, Warsaw, July 1995.

Table 3a.**Evaluation of tasks performed by the Biłgoraj municipality in 1997 compared to 1994**

Tasks	Better	Worse	Same
Customer service at the municipal office	31.7	9.9	58.3
Care for appearance and cleanliness of the town	78.9	7.9	13.2
Support for schools	31.9	25.7	42.3
Care for cultural institutions	28.6	26.9	44.5
Water supply	48.5	2.6	48.9
Sewage treatment	52.4	6.8	40.8
Development of tourism	18.2	29.2	52.6
Development of local economy	40.7	28.5	30.8

Table 3b.**Evaluation of tasks performed by the Ilawa municipality in 1997 compared to 1994**

Tasks	Better	Worse	Same
Customer service at the municipal office	28.1	13.7	58.2
Care for appearance and cleanliness of the town	95.0	1.3	3.8
Support for schools	31.5	25.1	43.4
Care for cultural institutions	48.5	15.7	35.7
Water supply	35.7	7.2	57.0
Sewage treatment	70.5	1.6	27.9
Development of tourism	76.4	5.1	18.5
Development of local economy	56.6	14.1	29.3

Table 3c.**Evaluation of tasks performed by the Tarnowo Podgórne municipality in 1997 compared to 1994**

Tasks	Better	Worse	Same
Customer service at the municipal office	40.6	4.7	54.7
Care for appearance and cleanliness of the town	73.9	4.7	21.4
Support for schools	83.8	2.4	13.8
Care for cultural institutions	40.5	15.1	44.4
Water supply	77.3	1.0	21.7
Sewage treatment	54.7	10.5	34.8
Development of tourism	24.4	14.4	61.3
Development of local economy	81.1	2.8	16.1

This view is shared by slightly more villagers than town dwellers. A similar assessment is given to such aspects of town hall activities as developing the water supply, developing the economy and maintaining cultural institutions. Respondents from rural areas are more critical concerning water supply and maintenance of cultural institutions, as some one third of them claim the situation has deteriorated. More than 90 percent of those polled positively assess maintenance of the town's appearance and cleanliness, as well as of sewage treatment plants and support for schools, although the respondents from rural areas are more critical about the two latter areas. One in five such respondents claims

that maintenance of schools has deteriorated. Generally, however, the local authorities can be satisfied, as their activities were given a positive assessment by the vast majority of respondents.

Table 3d.

Evaluation of tasks performed by the Dzierzgoń municipality in 1998 compared to 1995

Tasks	Better	Worse	Same
Customer service at the municipal office	51.4	6.2	42.5
Care for appearance and cleanliness of the town	94.2	2.9	2.9
Support for schools	62.7	10.5	26.9
Care for cultural institutions	45.2	28.4	26.3
Water supply	43.3	10.5	46.2
Sewage treatment	69.1	3.8	27.1
Development of tourism	35.0	10.9	54.1
Development of local economy	43.6	25.7	30.7

We turn now to the “net evaluations” of task performance (i.e., the percentage of positive evaluations minus the percentage of negative evaluations) and rankings generated by these evaluations. In Biłgoraj, Dzierzgoń and Iława, the highest ranks were given to care for appearance and cleanliness of the town, while in Tarnowo Podgórne this task was ranked only fourth. By contrast, in Tarnowo Podgórne support for schools (ranked low in the other two towns) was ranked first. The second rank in Tarnowo Podgórne was assigned to development of local economy, which in Iława was ranked fourth, in Biłgoraj fifth, and in Dzierzgoń seventh. Second place in Iława went to development of tourism, in Dzierzgoń to sewage treatment, and in Biłgoraj to water supply and sewage treatment. As can be seen from these data, particular tasks were ranked differently in the surveyed municipalities, reflecting the differences in perceived priorities of municipal authorities.

Table 4.

Net evaluation of tasks performed by municipalities

Tasks	Biłgoraj		Iława		Dzierzgoń		Tarnowo	
	Eval.	Rank	Eval.	Rank	Eval.	Rank	Eval.	Rank
Customer service at the municipal office	22	4	14	7	45	4	36	6
Care for appearance and cleanliness of the town	71	1	94	1	91	1	69	4
Support for schools	6	7	6	8	52	3	81	1
Care for cultural institutions	2	8	33	5	17	8	25	7
Water supply	46	2	29	6	33	5	76	3
Sewage treatment	46	2	69	3	65	2	44	5
Development of tourism	11	6	71	2	24	6	10	8
Development of local economy	12	5	43	4	18	7	78	2

It is also worth comparing the evaluations of the performance of tasks in the four municipalities studied here with the results of a previous survey carried out in six other

Table 5.

Net evaluation of tasks performed in Biłgoraj, Hława, Tarnowo Podgórne, and Dzierzgoń compared to results obtained in six other municipalities

Municipality	Service	Appearance	Schools	Culture	Water	Sewage	Tourism	Economy
Biłgoraj	22	71	6	2	46	46	-11	12
Bytów	46	63	-30	-22	40	68	-15	-15
Dzierzgoń	45	91	52	17	33	65	24	18
Hława	14	94	6	33	29	69	71	43
Jordanów	23	39	30	-21	-12	-18	-18	-12
Siemiatycze	34	33	-25	-20	61	17	-6	-12
Sławno	34	77	45	-22	26	11	-20	-25
Stary Sącz	22	19	-46	23	2	1	24	-24
Supraśl	32	2	-24	-39	18	50	0	-27
Tarnowo	36	69	81	25	76	44	10	78

localities. The comparison will refer to the net assessments of eight tasks performed during the present and first term of office.

Positive assessments of the activity of municipal authorities aimed at stimulation of economic development deserve special attention. In this field only Tarnowo Podgórne, Hława, Dzierzgoń, and Biłgoraj recorded a domination of positive assessments over negative ones, and in the case of Tarnowo Podgórne and Hława the net values were very high.

Interesting conclusions can be drawn from the comparison of living conditions in the four surveyed municipalities with neighboring towns. Although there is a high percentage of "difficult to say" answers, especially for Leżajsk, Jarosław and Kraśnik, a major part of Biłgoraj's respondents give higher ratings to living conditions in their own town than in—for example—Stalowa Wola. In the case of Zamość opinions are split, with one fourth of those polled believing that the living conditions in that town are worse, and some one third that they are better. The net figure in the case of Zamość is some 4 percentage points to the advantage of Zamość.

Table 6a.

Evaluation of living conditions in Biłgoraj compared to neighboring towns

Town	Better	Same	Worse	Difficult to say	Net
Zamość	25.6	15.1	29.7	29.7	-4.1
Leżajsk	12.3	17.7	10.0	60.0	+2.3
Stalowa Wola	18.6	11.2	32.7	37.5	+14.7
Kraśnik	13.5	16.5	13.5	56.5	0
Jarosław	11.3	12.3	16.5	59.9	-5.2

The positive opinion of inhabitants of Hława about living conditions in their town is much more equivocal. The net assessment to the advantage of Hława was 54 percentage points compared to Lubawa, 40 compared to Ostróda, 41 compared to Morąg and 26 compared to Kwidzyn. Hława was even assessed slightly more positively than the much larger city of Olsztyn, the voivodship capital.

Table 6b.

Evaluation of living conditions in Iława compared to neighboring towns

Town	Better	Same	Worse	Difficult to say	Net
Kwidzyn	32.5	9.4	6.5	51.6	+26.0
Lubawa	60.8	7.4	6.5	24.9	+54.3
Morąg	46.3	7.5	4.9	41.4	+41.4
Ostróda	47.7	15.2	7.1	30.0	+40.6
Olsztyn	28.1	10.3	22.3	39.4	+5.8

In Tarnowo Podgórne, too, many more respondents believe that the living conditions in their town are better than in neighboring municipalities. The largest differences to the advantage of Tarnowo Podgórne are found in comparison with Kaźmierz, Pniewy and Luboń.

Table 6c.

Evaluation of living conditions in Tarnowo Podgórne compared to neighboring municipalities

Town	Better	Same	Worse	Difficult to say	Net
Suchy Las	20.6	17.5	4.5	57.4	+16.1
Swarzędz	18.7	13.1	8.0	60.2	+10.7
Pniewy	28.8	8.8	4.6	57.9	+24.2
Kaźmierz	40.9	7.0	6.3	45.8	+34.6
Luboń	26.2	2.4	9.4	61.8	+23.8

There are variations in the assessment of living conditions in Dzierzgoń, compared to the neighboring cities. Dzierzgoń has the largest advantage when compared to Zalewo (the net percentage of positive and negative assessments +25), followed by Sztum (+20) and Prabuty (+17). On the other hand, Dzierzgoń is outpaced by Malbork (-21) and Kwidzyn (-10). These, however, are bigger and more resourceful towns.

Table 6d.

Evaluation of living conditions in Dzierzgoń compared to neighboring municipalities

Town	Better	Same	Worse	Difficult to say	Net
Sztum	35.1	13.0	15.1	36.8	+20.0
Prabuty	23.8	9.3	6.4	60.6	+17.4
Malbork	21.7	7.5	42.8	28.0	-21.1
Kwidzyn	20.9	5.5	31.0	42.6	-10.1
Zalewo	30.6	10.1	5.2	54.0	+25.4

Respondents were also asked about career opportunities of young people living in the surveyed localities. Differences between particular municipalities are considerable, although, generally speaking, the largest percentage of those polled express the view that career opportunities are better in big cities.

In Biłgoraj, one fourth of those polled point to the capital city of Warsaw, while 15% see the best career opportunities for young people abroad. The relatively high

Table 7a.**Evaluation of career opportunities of young people from Biłgoraj**

Career opportunities are better in:	%
Warsaw	25.5
Lublin	6.4
Other big cities	47.5
Biłgoraj	2.9
Other medium-sized towns	2.9
Abroad	15.0

Table 7b.**Evaluation of career opportunities of young people from Hawa**

Career opportunities are better in:	%
Warsaw	19.6
Gdańsk	7.7
Other big cities	49.2
Other medium-sized towns	9.0
Olsztyn	4.2
Abroad	10.3

percentage of such answers can be explained by the long tradition of emigration from Biłgoraj, especially to the United States. We should also note that no one in Biłgoraj points to the nearest big city, in this case Lublin.

In Hawa, there is also a relatively high percentage of respondents pointing to Warsaw as the place providing the best career opportunities (although this percentage was lower than in Biłgoraj). Gdańsk, the regional metropolis, was preferred by 8% of the respondents. Other medium-sized towns are mentioned by almost every tenth respondent, while in other surveyed localities this category is almost absent. Emigration as the best career opportunity is also mentioned by every tenth respondent in Hawa.

The population of Tarnowo Podgórne clearly associates the best career opportunities for young people with Poznań, the nearby regional metropolis. More or less every tenth inhabitant mentions Tarnowo Podgórne itself (in contrast to the other two towns, hardly named by any of their inhabitants). More or less every twentieth respondent points to emigration, while the capital city of Warsaw is not popular in Tarnowo Podgórne as a place for making career. It is worth emphasizing that more than three fourths of the surveyed population of Tarnowo Podgórne consider the Poznań city complex as the best place for young people to make their careers.

A question was also asked about localities offering better career prospects for Dzierżoń youth. It turns out that most of the respondents choose generally big cities. Only a dozen or so respondents point precisely to Warsaw and Gdańsk. These results do not differ much from those obtained in other municipalities.

The relative attractiveness of the case study municipalities is reflected in their net migration statistics, compared with those of the control cases in table 6 in the statistical annex (appendix 6).

Table 7c.

Evaluation of career opportunities of young people from Tarnowo Podgórne

Career opportunities are better in:	%
Warsaw	3.5
Poznań	56.6
Other big cities	11.2
Tarnowo Podgórne	19.6
Other medium-sized towns	2.8
Other rural municipalities	0.3
Abroad	5.9

Table 7d.

Evaluation of career opportunities of young people from Dzierzgoń

Career opportunities are better in:	%
Warsaw	15.9
Gdańsk	13.6
Other big cities	61.4
Elbląg	8.4
Dzierzgoń	2.9
Medium-sized towns	3.2
Abroad	10.4

Table 8.

Do the municipal authorities consider the opinions of average citizens

Opinions	Biłgoraj	Dzierzgoń	Ława	Tarnowo Podgórne
Yes, always	1.3	8.1	4.1	9.5
Mostly yes	24.5	34.0	37.9	50.0
Yes, but only before the elections	38.1	38.1	31.2	19.6
Mostly no	25.2	11.6	18.9	13.9
Not at all	11.0	8.1	7.9	7.1

The next group of questions concerned the evaluation of municipal authorities from the point of view of two criteria: their consideration of the opinions of local residents and promotion of their interests.

In the first case, the best assessment was given to Tarnowo Podgórne, where according to half of those polled the authorities usually consider the opinions of average citizens, and according to every tenth inhabitant they always do. Dzierzgoń and Ława find themselves in the middle, as roughly every third resident believes that the municipal authorities usually consider the opinions of citizens, and 4 to 8% claim that they always do. The municipal authorities in Biłgoraj were given the worst assessment. Here, only every fourth respondent thought that the authorities considered his or her opinion, and very few people believed that the authorities always consider citizens' opinions. Correspondingly, the largest percentages of respondents claiming that the authorities do not take the opinions of average citizens into consideration were recorded in Biłgoraj

and Hawa, and the smallest was recorded in Tarnowo Podgórne. It is worth comparing these results with the results of the previous survey of six municipalities.

The authorities always or usually consider the opinions of average citizens

Biłgoraj—26%, Bytów—38%, Dzierzgoń—42%, Hawa—42%, Jordanów—41%, Siemiatycze—30%, Sławno—41%, Stary Sącz—28%, Supraśl—26%, Tarnowo Podgórne—60%

The previous question is supplemented by the next one, namely that of whose interests are given priority by the municipal authorities. In Tarnowo Podgórne, almost half of those polled responded that the authorities promoted first and foremost the interests of all citizens, and less than one fourth that they promoted their own interests. The evaluation of the authorities in Hawa is less favorable. Little more than one third of inhabitants believe that the authorities promoted the interests of all citizens, while almost one third see them as promoting primarily their own interests. The worst results were obtained in Biłgoraj, where more than half of those polled indicated that the authorities promoted, first of all, their own interests, while only every sixth respondent felt that they promoted the interests of all citizens.

Table 9.

Local authorities promote, first of all

Opinions	Biłgoraj	Dzierzgoń	Hawa	Tarnowo
The interests of all citizens	16.8	38.3	37.9	46.1
Their own interests	51.4	28.3	29.8	23.9
Interests of selected groups	23.7	33.3	25.8	19.3
Difficult to say	8.1	—	6.5	10.7

Compared to the previously surveyed six municipalities, the authorities of Tarnowo Podgórne are evaluated much better, and those of Dzierzgoń and Hawa better, while those of Biłgoraj are rated similarly.

Local authorities promote, first of all, the interests of all citizens:

Biłgoraj—17%, Bytów—33%, Dzierzgoń—38%, Hawa—38%, Jordanów—21%, Siemiatycze—31%, Sławno—37%, Stary Sącz—18%, Supraśl—29%, Tarnowo Podgórne—46%

Local authorities promote, first of all, their own interests:

Biłgoraj—51%, Bytów—47%, Dzierzgoń—28%, Hawa—30%, Jordanów—64%, Siemiatycze—57%, Sławno—57%, Stary Sącz—58%, Supraśl—52%, Tarnowo Podgórne—24%.

It was also interesting to learn who among local actors the inhabitants of the surveyed municipalities believed to exert the strongest impact on decisions made in the municipality. Respondents could name up to three such actors. In Dzierżgoń, Iława and Tarnowo Podgórne the main actor was the mayor. In Biłgoraj "the richest entrepreneurs" were ranked first; in Iława and Tarnowo Podgórne they ranked second, and in Dzierżgoń third. These results suggest that the inhabitants view their municipal authorities in two ways. In formal terms, the mayor and the city council exert the largest impact on decisions made in the municipality, while in informal terms this role is played by the financial elite, i.e. the richest entrepreneurs. This system, discovered in the 1920s by the Lynds, is typical of democratic societies². In Poland, in the opinion of one third of the population of Iława and almost half of the population of Biłgoraj, voivodship authorities also play a significant role. This view is shared by only every twentieth citizen in Tarnowo Podgórne. The authorities in Warsaw are mentioned much less frequently. The direct influence of the central government is, in fact, not noticed in municipalities, although (except for Tarnowo Podgórne) the indirect impact of the central authorities through voivodship institutions is perceived. A relevant role of the local clergy is noted in all the surveyed municipalities by more or less every tenth respondent.

Table 10.

Who exerts the major impact on decisions made in the municipality

Actors	Biłgoraj	Dzierżgoń	Iława	Tarnowo Podgórne
Council members	54.6	60.9	56.9	67.3
Mayor	63.2	83.8	91.5	95.0
The richest entrepreneurs	79.7	41.6	84.7	74.2
Average citizens	4.0	11.6	6.2	16.4
Directors of state-owned enterprises	7.0	8.7	11.3	1.4
Voivodship authorities	43.4	16.8	33.1	6.5
Authorities in Warsaw	7.3	7.8	5.3	4.6
Parish priest	10.7	1.4	9.9	14.2

Note: The percentages do not sum up to 100%, as three actors could be selected.

This part of the survey concludes with answers to the question concerning the popularity of the mayor currently in office. Undoubtedly, the mayor of Tarnowo Podgórne enjoys the largest popularity. The question "would you support your mayor in the coming elections" was answered with "yes" by almost two thirds of those polled in Tarnowo Podgórne³.

The mayors of Iława and Dzierżgoń were also given substantial support (by half of those polled). The mayor of Biłgoraj turned out to be far less popular, as he was "elected" by every seventh respondent.

² R. S. Lynd, H. M. Lynd: *Middletown: A Study in Contemporary American Life*, New York 1929, and R. S. Lynd, H. M. Lynd: *Middletown in Transition: A Study of Cultural Conflict*, New York 1937.

³ This question was only of an indicative value, as under the present legislation mayors are appointed by local councils and not elected by a general vote.

Table 11.**Potential support for the mayor presently in office in the coming elections**

Support	Biłgoraj	Dzierżgoń	Łława	Tarnowo
Yes	13.8	46.5	50.0	64.6
No	36.9	25.1	9.7	8.6
Undecided	49.4	28.3	40.3	26.8

4.3. Civil Society

The level of activity of local communities is illustrated by a number of indicators. More or less every fourth respondent in Biłgoraj and Łława and every tenth in Tarnowo Podgórne is aware of the existence of political parties in the municipality. In Biłgoraj and Łława, for every tenth polled person this party is the Freedom Union. Such a distribution of answers is not surprising, as our survey was carried out shortly after the parliamentary elections, in which the mayors of Biłgoraj and Łława were running as candidates on this party's ticket. This does not mean, of course, that both councils are dominated by the Freedom Union. In Tarnowo Podgórne no party was mentioned, as rural municipalities are far less involved in politics, and the mayor of Tarnowo Podgórne did not run in the elections. Generally, the results indicate that those polled show a low degree of interest in politics and are not very familiar with local political configurations.

Table 12.**Knowledge of political groupings ruling in the municipality**

Specification	Biłgoraj	Łława	Tarnowo Podgórne
Know the parties	26.1	24.8	10.8
Solidarity	5.0	1.9	—
Democratic Left	2.5	5.9	—
Freedom Union	10.0	12.7	—
Peasant's Party	7.5	0.3	—

Many more people are familiar with the name of the council member from their own constituency⁴. Three fourths of the inhabitants of Tarnowo Podgórne, more or less two thirds of the inhabitants of Biłgoraj, and over half in Łława and Dzierżgoń know these names. Some 80% of those polled (with the exception of Dzierżgoń) declare that they vote in local elections, which is definitely a figure higher than the actual turnout, even taking into account the fact that in this survey our respondents are younger, better educated and more active than the entire population⁵.

The percentage of citizens who are members of social organizations (voluntary associations) is very low. More or less every sixth polled inhabitant of Tarnowo Podgórne and Łława, every twelfth in Biłgoraj and slightly less in Dzierżgoń is a member of such an organization. The percentage of active members is much lower in all four localities. Very limited participation in associations results, as was already mentioned, from

⁴ In the surveyed municipalities a majority electoral system applies, with councilors elected in one-seat constituencies.

⁵ The turnout in local elections was, on the average, below 50%.

Table 13.

Share of persons knowing the name of the council member from their constituency and voting in the 1994 local elections

Specification	Biłgoraj	Dzierzgoń	Itawa	Tarnowo
Know the name	64.4	56.5	55.2	79.1
Voted in elections	79.2	68.5	82.8	83.6

Table 14.

Participation in social organizations (including political parties)

Specification	Biłgoraj	Dzierzgoń	Itawa	Tarnowo Podgórne
Active membership	2.9	2.9	5.0	5.0
Passive membership	5.1	3.8	7.8	6.7
No membership	92.0	93.4	87.2	88.3

the features of the post-Communist society, the structures of which are dominated by family-and-friendship groups.

The respondents showed much more interest in problems which strongly affect the living standards of inhabitants. More or less one third of those polled in Biłgoraj and Tarnowo Podgórne, and one fourth in Itawa and Dzierzgoń are very much interested in the municipality's problems and would like to participate in solving them. One third of respondents in all towns show no interest at all in their municipalities' problems.

Table 15.

Interest in problems of the municipality

Degree of interest	Biłgoraj	Dzierzgoń	Itawa	Tarnowo
I am very much interested and would like to help in solving various problems	28.8	25.8	23.0	27.7
I try to stay informed on these issues but am not going to become actively involved	37.5	39.5	45.9	42.4
I am not really interested	33.7	34.7	31.1	29.9

In Biłgoraj, the main obstacles to self-organization of the inhabitants of the municipality were defined as "the tendency to mind one's own business" and "the lack of cooperative habits". On the other hand, "no time for such activities" is seen as a less relevant obstacle by those polled.

Table 16a.

Obstacles to self-organization of the inhabitants of Biłgoraj

Obstacle	Serious obstacle	Some Obstacle	No obstacle	Difficult to say
The tendency to mind one's own business	57.0	27.2	3.9	11.8
The lack of cooperative habits	44.2	40.2	1.7	14.0
Antagonism and human conflicts	43.4	34.7	4.4	17.5
No trust in people and their intentions	35.3	43.0	2.3	19.3
No time for such activities	25.9	38.2	8.9	27.0

Table 16b.**Obstacles to self-organization of the inhabitants of Hława**

Obstacle	Serious obstacle	Some Obstacle	No obstacle	Difficult to say
The tendency to mind one's own business	54.4	23.8	3.4	18.5
The lack of cooperative habits	38.4	38.0	2.7	20.9
Antagonism and human conflicts	43.7	29.7	5.1	21.5
No trust in people and their intentions	42.5	32.7	4.1	20.7
No time for such activities	38.1	28.4	7.6	26.0

The same obstacles were most frequently indicated in Hława and Tarnowo Podgórne. "No trust in people and their intentions" was also mentioned very frequently as an obstacle to self-organization of the population in all towns.

A somewhat different ordering of obstacles is found in Tarnowo Podgórne, where less respondents point to "no trust in people and their intentions", and more to "no time for such activities". Although these differences are not considerable, maybe in the Tarnowo Podgórne municipality, which is situated in Wielkopolska, there is a potentially larger propensity of the population to join organizations, as in all the categories the percentage of answers (except for "no time") is lower by some 10 percentage points than in Biłgoraj.

Table 16c.**Obstacles to self-organization of the inhabitants of Tarnowo Podgórne**

Obstacle	Serious obstacle	Some Obstacle	No obstacle	Difficult to say
The tendency to mind one's own business	45.2	25.4	5.9	23.5
The lack of cooperative habits	42.5	30.8	6.6	20.1
Antagonism and human conflicts	35.2	31.9	8.5	24.4
No trust in people and their intentions	32.8	33.6	5.3	28.3
No time for such activities	42.6	27.4	6.1	23.8

The cooperation of the inhabitants of Dzierżgoń encounters serious obstacles, resulting from lack of community work experience (66 percent), prejudice and human conflicts (64 percent), lack of trust in people and their intentions (63 percent), protection of one's own interests (57 percent) and lack of time for such activities (47 percent). Hence, the most serious obstacles to self-organization of the inhabitants include lack of community work experience, as well as prejudice and human conflicts. These results are very similar to those obtained in the other three studied municipalities.

Table 16d.**Obstacles to self-organization of the inhabitants of Dzierżgoń**

Obstacle	Serious obstacle	Some Obstacle	No obstacle	Difficult to say
The tendency to mind one's own business	24.9	31.6	10.2	33.3
The lack of cooperative habits	32.2	33.6	9.6	24.6
Antagonism and human conflicts	31.5	32.9	16.3	19.2
No trust in people and their intentions	27.2	36.0	16.4	20.5
No time for such activities	17.0	29.5	26.9	26.6

It is worth noting that lack trust in people and their intentions is indicated by almost three quarters of the youngest respondents, more or less two thirds in middle-age categories and only half of those aged 50 or more. Hence, the younger the respondents the lower the trust in people. This does not indicate growing willingness to cooperate, which requires a minimum of trust in partners.

4.4. Social Preferences

The inhabitants of the surveyed municipalities were asked about the preferred appropriation of extra municipal funds, if the municipality were to obtain them. Answers to this question indicate both the preferences of inhabitants and unsatisfied needs. In Biłgoraj, the improvement of schools' equipment was mentioned first, housing second and assistance to the poor third. The last target was given the top priority by some 40% of those polled, which points to both the social sensitivity of the respondents and strength of egalitarian attitudes, as well as to the problem's importance due to the increasing conspicuousness of the poverty line in Poland in recent years.

Table 17a.

Priority targets to be allotted extra funds by the local authorities in Biłgoraj

Targets	1	2	3	4	5
Equipment for schools	56.0	16.9	16.3	4.6	6.2
Development of cultural facilities	23.5	25.3	27.4	17.2	6.7
Housing	50.8	19.1	12.9	6.6	10.6
Helping the poorest	40.8	23.4	21.4	7.6	6.9
Upgrading streets and sidewalks	36.8	22.6	19.6	12.2	8.8
Sports and tourist facilities	20.1	21.2	29.1	20.9	8.6
Town's appearance	34.0	19.2	27.8	12.0	6.9

1—the most important, 5—the least important. "No comment" answers are not taken into account.

The preferences of the inhabitants of Ilawa are practically identical to those of Biłgoraj's.

A different set of preferences is indicated by the inhabitants of Tarnowo Podgórne, for whom the upgrading of streets and sidewalks was the priority. This is understandable in a rural municipality, where the condition of streets and sidewalks is usually worse than in urban areas. Other preferences were similar to those of the previous cases: equipment for schools ranked second and assistance to the poor third.

The Dzierżoń respondents were asked to enumerate, in an order of importance, seven target for implementation in the municipality. The analysis of answers to that question indicates that although the residents of that municipality do have a hierarchy of targets, they do not differentiate between them much. They clearly prefer development of residential construction, helping those who are worst-off, and improvement of school equipment. Social preferences are apparent, as they are involved with social housing and with helping the poorest families. Social objectives are more strongly preferred in Dzierżoń than in other municipalities for which relevant data are available.

Table 17b.**Priority targets to be allotted extra funds by the local authorities in Iława**

Targets	1	2	3	4	5
Equipment for schools	67.2	15.9	9.7	2.3	4.9
Development of cultural facilities	19.3	21.1	40.0	13.7	5.9
Housing	46.0	17.6	19.0	9.0	8.3
Helping the poorest	42.4	18.6	19.0	11.2	8.8
Upgrading streets and sidewalks	24.0	17.7	27.7	19.2	11.4
Sports and tourist facilities	33.3	25.6	24.9	9.8	6.3
Town's appearance	33.9	21.5	24.1	14.2	6.2

1—the most important, 5—the least important. “No comment” answers are not taken into account.

Table 17c.**Priority targets to be allotted extra funds by the local authorities in Tarnowo Podgórne**

Targets	1	2	3	4	5
Equipment for schools	45.6	18.2	23.0	8.0	5.1
Development of cultural facilities	26.6	19.4	27.4	16.7	9.9
Housing	32.4	15.6	18.9	17.2	16.0
Helping the poorest	34.0	16.4	23.5	17.2	9.0
Upgrading streets and sidewalks	64.9	14.7	8.8	7.0	4.6
Sports and tourist facilities	26.4	19.0	24.1	21.3	9.1
Town's appearance	29.6	17.9	29.6	13.2	9.7

1—the most important, 5—the least important. “No comment” answers are not taken into account.

Table 17d.**Priority targets to be allotted extra funds by the local authorities in Dzierżgoń**

Targets	Average score ranking on 1-to-5 scale
Equipment for schools	4.1
Development of cultural facilities	3.8
Housing	4.3
Helping the poorest	4.1
Upgrading streets and sidewalks	3.2
Sports and tourist facilities	3.7
Town's appearance	3.4

1—the most important, 5—the least important.

When we rank preferences by cumulating percentages of respondents assigning ranks of first and second importance to a given target, we see that in Tarnowo Podgórne assistance to the poor is relatively less important than in the other municipalities. (Helping those worst-off was mentioned first or second by 50 percent of the respondents in Tarnowo Podgórne, 61 percent in Iława and 64 percent in Biłgoraj, while in Dzierżgoń this objective was mentioned by 73 percent of those surveyed.) This may be an indi-

cation that the inhabitants of this municipality in the Poznań voivodship are better off and/or that their attitudes are less egalitarian than those of their counterparts in other municipalities.

Table 18.

Share of persons assigning to given targets ranks first and second

Targets	Dzierżoń		Biłgoraj		Hawa		Tarnowo Podgórne	
	Eval.	Rank	Eval.	Rank	Eval.	Rank	Eval.	Rank
Equipment for schools	69	3	73	1	83	1	64	2
Development of cultural facilities	64	4	49	6	40	7	46	6
Housing	78	1	70	2	64	2	48	4
Helping the poorest	73	2	64	3	61	3	50	7
Upgrading streets and sidewalks	46	7	59	4	42	6	80	1
Sports and tourist facilities	61	5	41	7	59	4	45	3
Town's appearance	52	6	53	5	55	5	48	5

In the previous question respondents received a list of targets of which they were to choose the preferred ones. Below, we present answers to an open question about what respondents see as the most important tasks facing the municipality. The answers to this question are quite interesting.

Table 19.

Main things to be done in the town

Specification	Biłgoraj	Hawa	Tarnowo
Streets, sidewalks, street lighting	26.2	21.1	59.5
Education	17.8	26.0	15.4
Water supply, sewers, sewage treatment plant	16.4	1.8	46.4
Safety	25.8	12.8	6.2
Culture	9.0	8.7	8.2
Environmental protection	3.9	8.1	7.5
Customer service at offices	1.2	3.0	2.0
Construction and renovation	25.3	20.0	6.5
Town appearance and cleanness	15.3	5.9	7.9
Health care	12.3	18.1	7.1
Sports and tourism	8.0	21.2	9.8
Gas line installation	3.3	0.6	3.5
Transport	0.9	3.7	4.5

The longest list of urgent tasks indicated by at least 10% of those polled was found in Biłgoraj (seven), followed by Hawa (six) and Tarnowo Podgórne (only three). In Biłgoraj, the top three issues were: "streets, sidewalks, street lighting", "safety" and "construction and renovation". In Hawa, "education" was mentioned first, followed by "sports and tourism", then "streets, sidewalks, street lighting". In Tarnowo Podgórne, the two main issues were involved with basic infrastructure and were mentioned by at least half of those polled ("streets, sidewalks, street lighting," and "water supply, sewers,

sewage treatment plant"). Only every sixth respondent there listed education. These data show that, according to local population, the infrastructure in Tarnowo Podgórne is most underdeveloped, while other needs are either well satisfied or currently regarded as less significant. In Biłgoraj, with many insufficiently satisfied needs, opinions are split, while the degree of satisfaction is most well-distributed in Iława, although some things still remain to be done there.

4.5. Summary

The opinion survey of inhabitants confirms the opinions of many analysts of Polish public life that the changes taking place in many local communities are relatively deep and advantageous. Moreover, a large number of members of these local communities acknowledge and positively assess the achievements of local authorities during the almost eight-year period of operation of democratically elected local governments.

These governments have made large contributions to the development of relatively strong local elites, which more and more often include local entrepreneurs. The research has also confirmed that, for the time being, there has been no spectacular mobilization of local communities, which usually behave fairly passively, and small groups of not more than a dozen or so people stand behind local success stories.

Civil society development, as measured by membership in organizations, remains a weak spot of the Polish transformation, and the main obstacles to self-organization of local communities are rooted in lack of cooperative habits, antagonism and human conflicts, tendencies to "mind one's own business", and distrust in people and their intentions. These obstacles mostly result from the legacy of the Communist system, in which the society was structured around family-and-friendship groups which were often the only sources of support in an alien and often even hostile environment.

In the opinion of respondents—borne out by our empirical analysis—the main local actors are mayors, supported by local councils, and the richest entrepreneurs, who have won much influence in local power configurations. At the same time, in the opinion of those polled, the central government also exerts, through its voivodship agencies, considerable—although indirect—impact on the decisions made in municipalities.

The comparison of the four analyzed municipalities (Biłgoraj, Iława, Dzierżgoń and Tarnowo Podgórne) with other municipalities in various regions of Poland clearly shows that the situation in Dzierżgoń, Tarnowo Podgórne and Iława is assessed much better than in other municipalities, while the opinions of the people in Biłgoraj are similar to those voiced in other municipalities.

We cannot, however, rank the four cases studied here, as there is no single criterion by which they can be ranked. Each of these four municipalities is "better" than the others in a given area. These relative strengths will be analyzed in the conclusions.

CONCLUSIONS—FACTORS OF LOCAL SUCCESS

The surveyed local communities illustrate various types of success in public investment, local business development, and civil society building. This success is, of course, relative, as it is measured by achieving a position better than that of neighboring municipalities in several fields of particular significance for development. Why have Biłgoraj, Ława, Dzierzgoń, and Tarnowo Podgórne been so successful in comparison to neighboring municipalities?

In terms of the “exogenous” development factors, each of the surveyed communities had a different locational advantage. The best situation in this respect is that of Tarnowo Podgórne, situated close to the large city complex of Poznań, in the relatively well-developed western part of Poland, not far from the Polish-German border and the German capital Berlin. The location of Ława can be described as neutral (neither advantageous nor disadvantageous), while the worst positions were those of Biłgoraj, situated in the relatively underdeveloped eastern region of Poland, and Dzierzgoń. The locational advantage made Tarnowo Podgórne’s path to success the easiest. However, the managerial skills and imagination of the mayor, supported by the businesslike approach of the local council and the energy of socially-minded residents, allowed this rural gmina to stand out against others with a similar advantage without building a broad institutional infrastructure.

Turning to “endogenous” factors, we can first point to a common factor present in all four cases: the emergence of leaders who were able to win voters for their projects and control the development of their municipalities and the ability of leaders to create a solid foundation of support in the local elite. In Ława, Dzierzgoń, and Tarnowo Podgórne, we can single out the mayors as the single most important elements in the constellations of the local elites. In Biłgoraj, a broader elite was necessary, including actors from the regional development agency and the largest local firms. What specific success factors differentiated our four cases?

As discussed in Chapter 2, in Section 2.1, one of the most important tasks facing local authorities in Poland is the construction of a new role for the public sector at the

local level. Iława on the one hand and Biłgoraj and Dzierżoń on the other can be seen as representing, in a way, two paradigms for a new role for the public sector on the local level in Poland.

While Iława's mayor has gone exceptionally far in the privatization of municipal enterprises and avoided a welfarist-type approach to the problem of combating unemployment by, for example, avoiding public works, Iława is the scene of very active and energetic public sector activity which is so extensive as to actually play a dominant role in the shaping of the local environment. The means by which this is accomplished is *investment*: The scale of investment in public buildings and public spaces in Iława is immediately apparent to anyone visiting the town. Public investment in which work is contracted out to local firms is a tool for achieving a synergy whereby local employment growth is supported in a manner which seems to provide a more stable foundation for that growth than public works would, and, at the same time, the esthetic appeal of public space in the town's center is improved. (The esthetic aspect of public space in Poland is a development factor which was grossly neglected in the socialist era).

In Biłgoraj and Dzierżoń, public sector activity has been concentrated in the construction of a network of local institutions intended to stimulate economic development. This effort has been stimulated and assisted by para-statal institutions such as the Co-operation Fund, the Foundation for Social and Economic Initiatives, and the Polish Regional Development Agency in a deliberate attempt to stimulate civil society development. However, while there are indications that a genuine industrial district is being created in Biłgoraj (around the local firms AMBRA and BLACK-RED-WHITE and the foreign firm MODEL), this does not seem to be happening through the network of local business support institutions (including an enterprise incubator, a regional development agency, and a mutual loan guarantee fund). Rather, it is being generated by a network of private, personal contacts among key actors in the largest local firms. Thus, for example, Tadeusz Chmiel, the owner of BLACK-RED-WHITE, befriended a German businessman whose acquaintance he made at a fair in Poznań and who, by providing Chmiel with equipment on credit, made it possible for him to start the firm. And again, it was personal contacts between one of the shareholders in AMBRA, T. Kuźmiński, and a MODEL employee that brought the latter to Biłgoraj (Kuźmiński is the owner of ten percent of the shares in the Biłgoraj subsidiary of Model). BLACK-RED-WHITE also has links with the textile company MEWA (one of the former's daughter firms, for example, is renting space from MEWA). It is this network, rather than the institutions created by the local authorities, that seem to be the real "engines of development" in Biłgoraj. The mayor is disappointed with the inability of the incubator (see Appendix 3), meant to stimulate (through an out-putting system) the work of unemployed women formerly employed in the textile works, to find women interested in working for it, and with the development agency's training program, which focuses on profitable activities such as foreign language and computer courses rather than training for the unemployed and various types of business training and counseling for budding and potential entrepreneurs.

Consideration of the case of Biłgoraj raises the question of the effectiveness of attempts to import the Italian model of institution-building as the foundation of local business support networks. Given the underdevelopment of civil society in general in Poland, one might ask whether such attempts by local governments at institution-building which try to outpace the "spontaneous" development of such institutions are not likely to fall flat, and whether real networks, where they arise, will be spontaneous

creations of the private sector. However, the experience of Dzierżgoń indicates that stimulation of institution-building by the local authorities can work, channeling the energy of local residents to catalyze local initiatives. The important thing is to be able to find leaders for these institutions whose vision and drive are sufficient to give an impetus to the institutions allowing them to achieve growth which eventually becomes sustainable independent of the town hall's support.

It is also important to note the differences in local policies with respect to tax breaks for investors in Biłgoraj and Hawa. Biłgoraj is very generous with tax breaks, although in the case of both BLACK-RED-WHITE and MODEL it is clear that the tax breaks were of minimal importance. (For MODEL the factors of crucial importance are the provision by the city of land equipped with the necessary infrastructure and the fact that both AMBRA and BLACK-RED-WHITE will be major clients.) Hawa, by contrast, gives almost no tax breaks to firms in the locality and is in fact zealous about collecting as much as it can in tax revenues from them (and seems to be doing a good job of it), and nevertheless has just as high (in fact, slightly higher) a ratio of existing firms to local residents. Similarly, the mayor of Tarnowo Podgórne emphasizes that although the bus manufacturing company MAN was relieved of the obligation to pay the real estate tax charged by local authorities for five years, the revenue lost was in a sense more than regained by local authorities due to MAN's investment in a sewage pipeline for the factory, which also serves the needs of the local population—MAN has agreed to construct the pipeline in such a manner as to allow the entire village in which the factory is located will be using. All this is consistent with American research that indicates that tax breaks offered by local authorities have no more than a marginal effect on investors' decisions on where to locate new plants. The Tarnowo experience indicates that enterprise is stimulated much more effectively through competent and extensive land-use planning (as well as investment in infrastructure necessary for investors) than through tax breaks (see Section 3.3.3 for a brief discussion of land-use planning in Tarnowo).

In none of the cases examined here do we observe full participation of the local community. While participation exists, it is either limited to problems on a neighborhood scale such as the building a new school, the paving of a given street or the installation of street lights—as opposed to local development problems of a strategic nature—or it is limited to a narrow elite, usually composed of representatives of the local business community. It is worth noting that the one town out of the four in which an attempt was made to formalize citizen participation in the development of local strategy—Biłgoraj, with its Local Committee—was also the one in which survey respondents most critically evaluated the local authorities' propensity to take the opinions of local residents into consideration, and that the residents of the other two studied municipalities evaluate their local leaders much more highly. One might conclude on the basis of this evidence that participation is most effective and appropriate at the grass-roots level, in solving neighborhood problems, while representation is more appropriate for problems of a strategic nature. (The mayor of Biłgoraj stated that one of the greatest failures in his town was the fact that councils with a certain degree of budgetary autonomy had not been set up on the neighborhood level.) However, it could also be that participation, in order to be effective, must be accompanied by a high level of civil society development, and—as we saw above—Biłgoraj's level of civil society development, as measured by membership in organizations, is exceptionally low.

Biłgoraj, Hawa, Dzierzgoń, and Tarnowo Podgórne are only four municipalities of an undoubtedly larger group which have managed to achieve local success. A study of their cases may become instructive for other Polish municipalities and local communities whose success still lies ahead of them.

APPENDIX 1

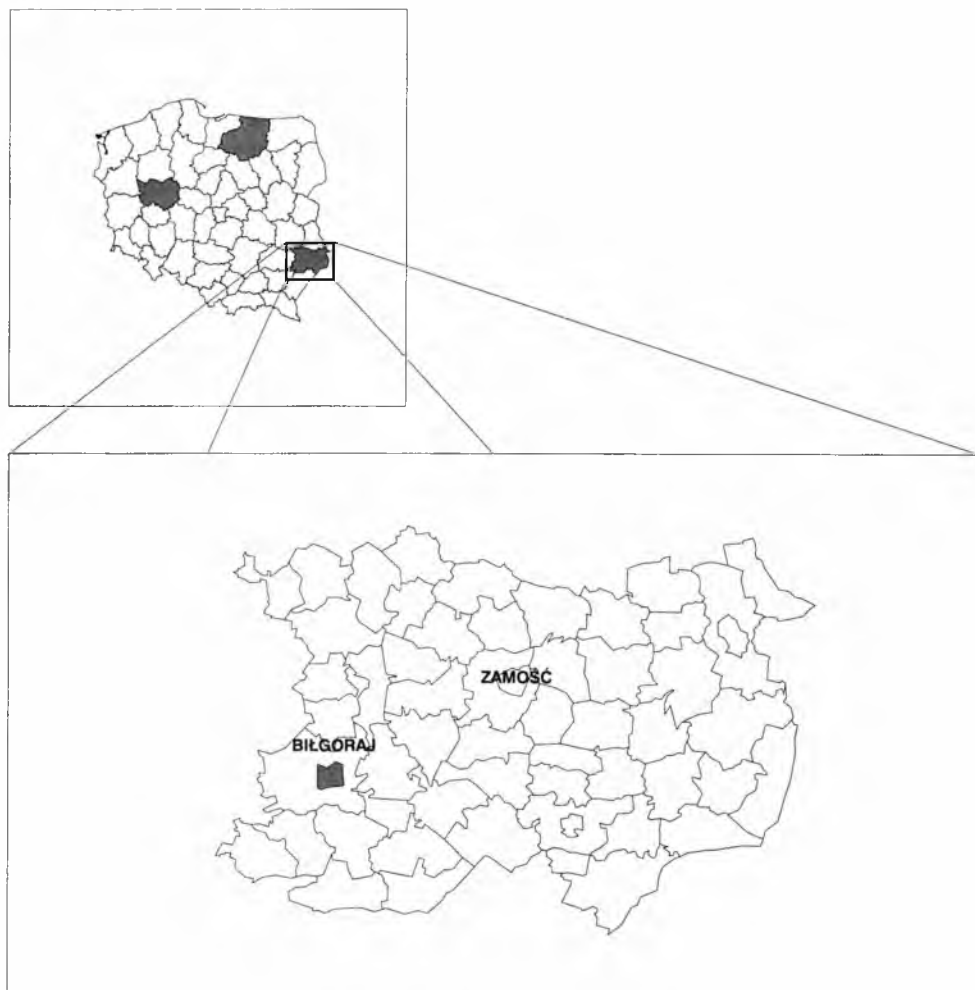
Historical and Geographical Details

Biłgoraj

Between the 17th and 20th centuries Biłgoraj was a well-known center of sieve-making. It is to this fact that some specific characteristics of Biłgoraj residents are attributed. Trying to sell their products, sieve-makers would travel across many countries, sailing, for example, all over Russia aboard their barges. Thanks to their numerous journeys and visits to many cities and countries, their knowledge would go much beyond the horizons of dwellers of neighboring towns. Biłgoraj women, “famous for their beauty”, were known for their great diligence, as well as self-reliance, energy, industry and courage—a consequence of staying on their own for a long time while their husbands were away. As a result they became relatively emancipated in comparison with other Polish, and even European, women.

Another notable event in the town’s history was the establishment in 1589 of the Zamość Estate in Tail. Biłgoraj was not a part of it, but as a private town (until 1864) remained a sovereign “island” on the vast territories on the Estate. Biłgoraj was engaged in border conflicts with the Estate, and wood from the Estate forests was pilfered for construction. According to some opinions, the long-term status of an independent town and the struggle to preserve its independent identity had their impact on the nature of Biłgoraj dwellers, who developed a strong spirit of resourcefulness.

Another characteristic feature of the Biłgoraj population is seasonal employment in the West (its scale is difficult to estimate). Like Poles from some other towns and cities, Biłgoraj residents mostly travel to the same place to work and support one another there. In the case of Biłgoraj, Mannheim in Germany is such a place. There are regular, private coach services between Biłgoraj and Mannheim. Biłgoraj residents also seek employment in Italy and France. Most of them, however, go to North America. A major



part of Biłgoraj population have relatives in the USA. These visits and contacts are a significant source of capital inflow. A major part of these funds has been invested in economic activity, which has also been stimulated by the knowledge of the market economy acquired during visits to the West.

As regards historical figures whose names are associated with the economic development of the town we can mention Jozef Dechnik—member of the Central Committee of the Polish United Workers' Party (PUWP), who between 1956 and the second half of the 1970s was the Secretary of the Biłgoraj District Committee of the PUWP and before World War II had been an activist of the Biłgoraj organization of the Communist Party of Poland. Dechnik is said to have contributed to economic development of Biłgoraj in the 1960s and 1970s. The list of his achievements includes his winning for Biłgoraj of the MEWA knitting works—one the largest investment projects in the town's history. The infrastructure developed in the 1960s and 1970s is today the foundation for the town's economic growth. Biłgoraj has a monument to "Józef Dechnik—Secretary of the PUWP

Town Committee and Sejm (parliament) deputy”, which is one of few such remnants of the Communist period in Poland.

Under Communist rule, Biłgoraj was a leading center of private handicraft and other small business on a scale allowed at that time. By the end of the 1980s, the Biłgoraj handicraft cooperative was ranked second in Poland, after that in Józefów near Warsaw. It was the former cooperative workers, artisans and small manufacturers who then became the hard core of the small and medium-sized enterprises in the town.

As regards personalities identified with economic development of the town we can mention Józef Dechnik—member of the Central Committee of the Polish United Workers’ Party (PUWP), who between 1956 and the second half of the 1970s was the Secretary of the PUWP Biłgoraj District Committee and before World War II had been an activist of the Biłgoraj chapter of the Communist Party of Poland. Dechnik is said to have contributed to economic development of Biłgoraj in the 1960s and 1970s. The lists of his achievements includes the location of the MEWA knitting works—one the largest investment projects in the town’s history. The infrastructure developed in the 1960s and 1970s is today the foundation for the town’s economic growth. Biłgoraj has a monument of “Józef Dechnik—Secretary of the PUWP Town Committee and Sejm (parliament) deputy”, which is one of few such remnants of the Communist period in Poland.

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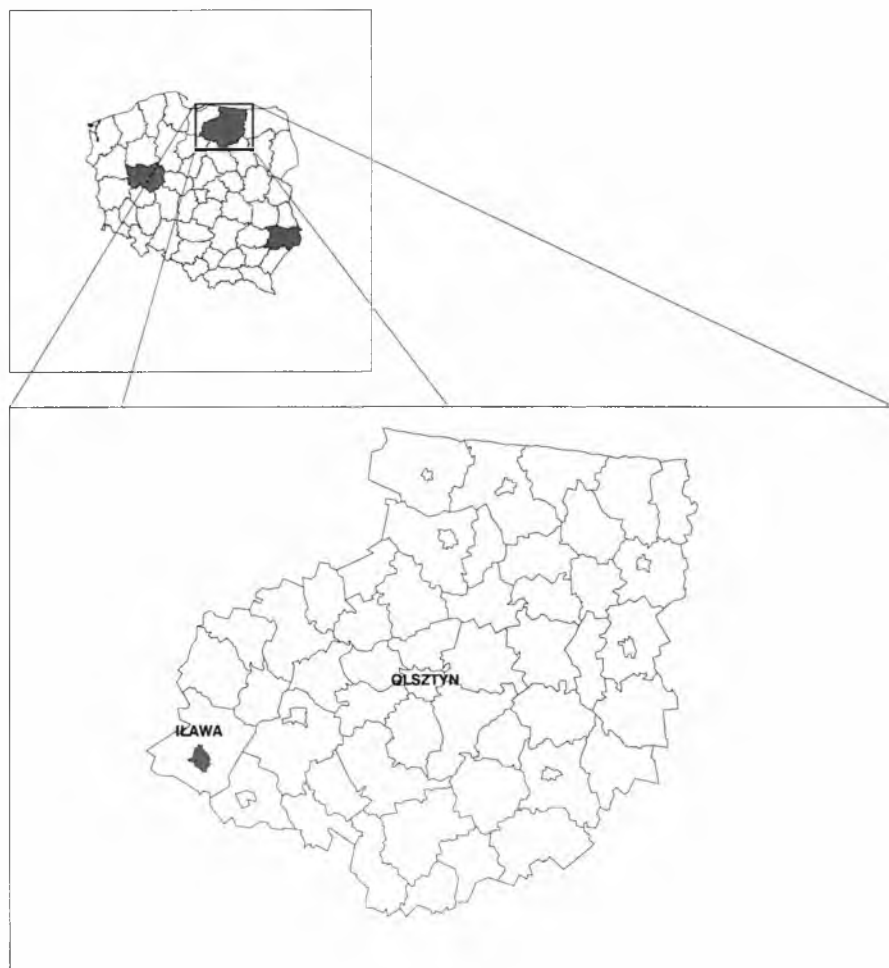
Ilawa

Ilawa is situated on the Ilavian Lakeland, which is a part of the East Pomeranian Lakeland. The Ilavian Lakeland abounds in lakes, the largest of which include: Jeziorak, Narie, Dziergoń and Drweckie¹. The hilly landscape of the lakeland consists of moraine hills, not higher than 200 m, as well as large forest complexes (e.g. Ilavian Forests) with pine, beech and mixed woods. Originally, the stronghold known as Ylavia was inhabited by Pomeranians, Prussic tribes, and Germans. The following waves of settlers included Mazovians. In the 12th century Ilawa found itself within the boundaries of the state of Teutonic Knights and remained under German rule until 1945. Before 1945 Ilawa was a Polish city only for a short time, between 1457 and 1466. During the Thirteen Year War the city revolted against Teutonic Knights and after the secularization of their state it became the seat of a starosty (a type of district)².

Ilawa is an important railway junction on the Warsaw–Gdańsk and Poznań–Olsztyn routes. It is crossed by the No. 16 route (Olsztyn–Grudziądz) and the Ilawa–Samplawa road connecting the No. 16 route with the No. 52 route (Inowrocław–Ostróda).

¹ J. Kondracki, *Geografia fizyczna Polski*, PWN, Warsaw 1988.

² *Ilawa w pytaniach i odpowiedziach*, Association of Friends of Ilawa, Ilawa 1996.



Dzierzgoń

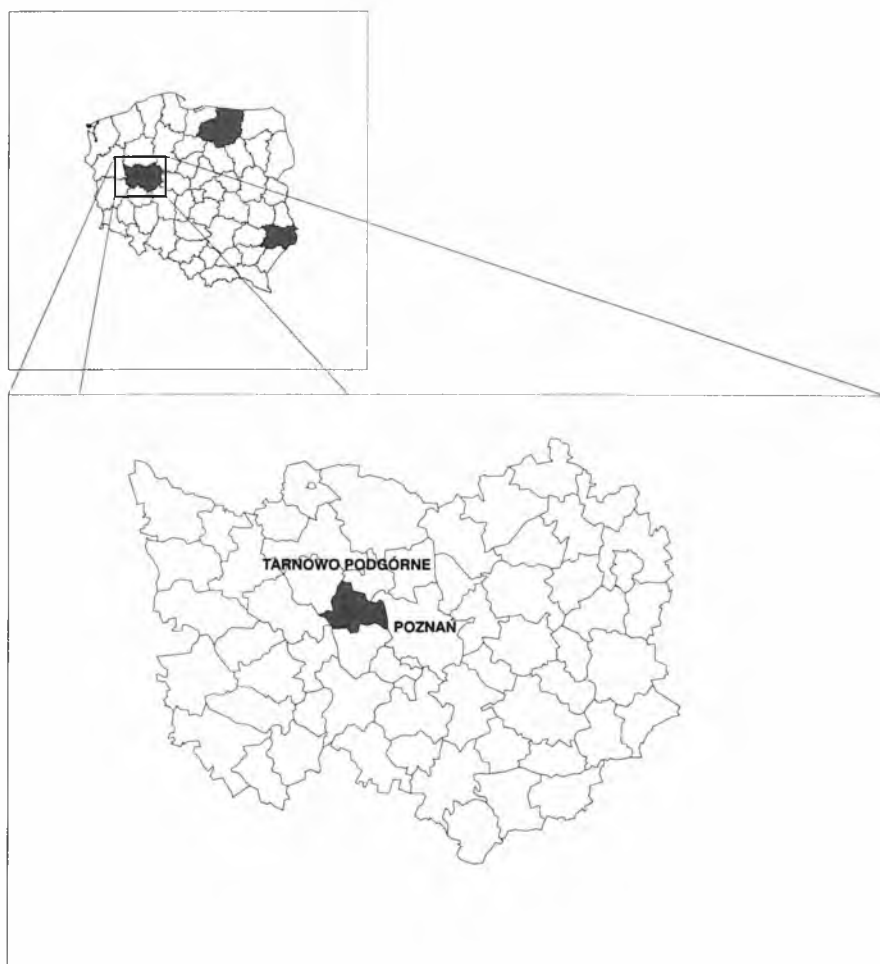
Dzierzgoń, established 760 years ago, for many centuries played the role of a local economic and administrative center. The town's early history was connected with the protectorate of the Teutonic Knights in the region. Beginning in the 13th century, Dzierzgoń served as the seat of the Teutonic Commander. At that time, the town was granted numerous privileges and had a strong position in terms of agriculture and trade development. In 1466, by force of the second treaty of Toruń, the town was incorporated into Poland and became a seat of a starosty. In 1631, Dzierzgoń was given the status of a royal town by King Sigismund III.

In 1772, as a result of the first partition of Poland, the Dzierzgoń area was incorporated into Prussia. Under Prussian rule the town became the capital of the greater Dzierzgoń county and enjoyed fast development. In 1818, the Dzierzgoń county was liquidated and replaced by the newly-established Sztum county. In 1874, the town was provided with a sewage system. In 1893, construction of a railway route from Malbork

was completed. In 1904, the town gas-works was put into operation, and the investment projects completed in 1905 included a dairy plant, a plant producing pre-fabricated concrete elements, and a gravel pit. In the years 1929–1939, Dzierżgoń regained its position as a trade center. In January 1945, Dzierżgoń, 60 percent destroyed in the war, returned to Poland.

The municipality has excellent soil. Wheat is planted on over 60 percent of the municipality's agricultural area, rye on some 7 percent; some 4 percent is a mixture of pasturage and other grains, and the rest of the area is grassland. The arable land is dominated by class III and IV soils, while 66 percent of the grassland consists of class II and III soils.

Tarnowo Podgórne



APPENDIX 2

Firms in the Four Cases

Biłgoraj

Under Communist rule, the **MEWA** knitting works were the most important industrial plant in Biłgoraj, which provided jobs for 4,500 people in its heyday. The crisis that hit the works in the late 1980s and early 1990s, and the problems faced by companies which spun off of **MEWA**, remain one of the main problems to be solved in Biłgoraj. They have resulted, first of all, in a sharp rise in unemployment, especially among females.

MEWA was a showpiece investment project of the period of “activation of poorly developed regions” in the early 1960s. Its also had a town-forming effect. Almost every family in the town was involved with this factory in one way or another. In the early 1990s **MEWA** fell into a debt trap. Attempts have been undertaken to rescue the firm by breaking it up. The Leżajsk subsidiary has been handed over to the Rzeszów voivodship office, and the main plant has been transformed into a joint-stock company in which a dominant share is now held by the Kwiatkowski National Investment Fund. Employment has been cut from 1,400 to some 700 persons. The firm faces serious difficulties and has not found a reliable strategic investor. One of the symptoms of improvement was the signing of a contract with the local furniture firm **BLACK-RED-WHITE** for sale of furniture upholstery materials. A knitting and stockings company, **PRIMA**, was formed by spinning off from **MEWA**. At present, it is managed by a state-appointed commissioner and is waiting for privatization. Its employment has been reduced from 620 to 250 persons. In the third of the spin-offs—**FANTAZJA** (a pantyhose manufacturer)—bankruptcy proceedings are to be completed soon. Employment fell from 130 to 50 persons. **MEWA** and **PRIMA** concluded composition agreements with banks and with the State Treasury. Their debt has been reduced by two thirds. At present, both enterprises are meeting their financial obligations, and it seems that their

situation is slowly improving, although it is difficult to say whether they have regained full viability.

AMBRA S.A. was established by a young Ph.D. candidate at the Philosophy and Sociology Institute of the Polish Academy of Sciences, Janusz Palikot. His initial capital of \$20,000 was earned in the West. He started with production of wooden palettes made from local timber. He later switched to production of wine, which remains the main commodity manufactured by his firm. The launching of wine production was rendered possible by Italian entrepreneurs, who, as a matter of trust, supplied the basic equipment and facilitated contacts with other wine manufacturers. Over a couple of years Palikot and his associates have created a sizable company currently employing 197 persons and playing a leading role on the wine market in Poland. AMBRA controls 20% of this market, with 47% of the sparkling wine segment and as much as 73% of the Polish market for alcohol-free sparkling wines. At first, it bought licenses, and now it sells licenses to countries of the former USSR and the Czech Republic. The rapid growth was possible thanks to a German firm investing in its equity: Faber bought a 25% stake in AMBRA, this way providing indispensable financial means for international expansion.

For some time, AMBRA's headquarters were moved to Warsaw. Various reasons for this step were given. The firm's management emphasized better conditions for its operation and its established international links, while others suggested that the real reason was to escape from the officious local tax office, which annoyed AMBRA with frequent and meticulous audits. However, today the firm is again paying its taxes in Biłgoraj and has dropped from the position of the largest enterprise in the region to second place.

Tadeusz Chmiel began with a factory in his native village of Chmielek near Biłgoraj. Since 1997, he has been running factories in the town itself. The origins of his firm **BLACK-RED-WHITE** seem to resemble those of AMBRA and many other newly-established Polish enterprises. Again, a foreign partner's trust turned out to be the key factor. A German entrepreneur leased the first 100 pieces of machinery, which were paid for ahead of schedule. At present, BLACK-RED-WHITE provides 1,620 jobs. It is not only the largest employer in the Biłgoraj region, but it also offers the highest wages. For example, at the end of 1997, the average worker's monthly wage amounted to 1,750 zlotys, and in the fiber boards department it exceeded 2,000 zlotys. (By way of contrast, the average monthly wage in Poland in 1996 was 874 zlotys, and in the Zamość voivodship, 718¹.) Over the year, the firm spent over 100,000 zlotys on social purposes: sports, entertainment, grants and credits for employees.

The plans drafted by BLACK-RED-WHITE for the nearest future provide for expansion of its production facility in Biłgoraj, including construction of a terminal for simultaneous loading of 140 big trucks. The project, occupying an area of 3 hectares, is to be completed in spring. The number of employees in the Biłgoraj works is to double.

Hawa

The most important enterprises in Hawa include:

- The Hawa Car Repair Works (IZNS), employing some 700 persons. Stakes in this firm are held by National Investment Fund Foksal and the National Investment Fund

¹ See GUS, *Rocznik Statystyczny Województw 1997*, Warsaw, table 1(77).

Viktoria, among others. The enterprise manufactures spare parts and accessories for motor vehicle as well as carrying out maintenance and repair of motor vehicles and trading on domestic and foreign markets in automotive industry products. In some services, IZNS is a leading firm in Poland (for example, accounting for more than one third of all repairs of engines). IZNS management associates the future development of the firm with supplies of parts for automotive industry companies. The firm applies state-of-the-art technologies and organization. Investment is growing fast (in 1996 it rose by almost 50%). IZNS employment has been stable for several years and amounts to approximately 700 persons.

- The Iława Poultry Works "Ekodrob", with some 600 employees at the end of 1996.
- Mazurskie Meble International (MMI)—a furniture company with German participation—has two plants in Iława (the firm is registered in Olsztyn). MMI products are mostly sold on West European markets.
- The Iława Construction Enterprise Ltd. (IPB) was established in 1991 on the basis of a liquidated state-owned enterprise. In 1994, IPB provided 377 jobs. In 1995, employment was cut to 252, while in 1996 it rose slightly to 261 persons. IPB is a supraregional firm providing its services all over Poland and abroad. The company is going to diversify its profile and plans to enter the hotel sector.

Other enterprises with sizable employment include HUMDREX (a wood products manufacturer with approximately 400 employees), ANIMEX (a turkey producer with 242 employees), PSS Społem (230 employees), IMIDREX (200 employees), and CZA-JKA Carpentry (143 employees).

Tarnowo Podgórne

The largest foreign investment project in the municipality of Tarnowo Podgórne—already completed—is the DM 43 million chocolate plant built in Jankowice in 1995 by the German **Stollwerck** company. The production process is fully automated and computerized. The plant's capacity is 25,000 tons of chocolate in a dozen or so tastes (sold under the brand name of Alpen Gold), securing some 30% share in the Polish market. Stollwerck's Janówice plant provides jobs for 240 employees.

The Dutch company **Union Coffee Confectionery Group BV** has invested \$12.7 million in its Swadzim plant. Apart from its plant in Poland, it is represented in Germany, France, Belgium and Spain. The firm has been selling its products on the Polish market since 1989, and the decision to build the production facility was made in 1991. A year later the new plant was put into operation. At present, the firm has 170 employees in Poland. In November 1994 it began work on the ISO 9002 quality assurance system. In June 1996 it was one of the first food-processing industry firms (and the first coffee maker) to receive the ISO 9002 certificate.

The coffee roasting plant built by **Union Coffee Poland** in Tarnowo Podgórne was ranked 356th on the list of the 500 largest Polish enterprises compiled by the weekly *Polityka* (306th in 1995). At the same time, it was ranked 231st on the list of largest Polish firms prepared by *Gazeta Bankowa* in 1996. It is also the twentieth largest firm in production of prepared foodstuffs and beverages.

In late 1992 and early 1993, **Herlitz**, a German manufacturer of stationery products, built a modern warehouse, a training center and an exhibition hall. At present, the firm has embarked on production of exercise-books and paper haberdashery. Thanks to the favorable location of its facilities it has easy access to its headquarters in Berlin and to its branches in Warsaw, Wrocław, Częstochowa and Szczecin. By the end of 1996, Herlitz's investments in Poland totaled DM 11 million. Further investment projects worth DM 2 million are being prepared. In Poland the firm employs 200 persons.

The German holding company **Stabernack Jr. Partner** set up the firm Poznań Pack and invested DM 12 million in construction of a plant manufacturing packaging of corrugated board in Sady. The plant has a present capacity of 20 million square meters of cardboard. After the investment project (worth some DM 40 million) is completed, the capacity will rise to 70 million square meters of cardboard, and the number of available jobs will rise to 200. Firms from western Poland, especially from Wielkopolska, are the company's main customers. The firm has launched its own design office, preparing new packaging designs.

The Italian company **NICO** has built a supermarket specialized in sales of leather products, including footwear, jackets and belts, in Swadzim. The shop floor measures 6,000 square meters.

Hettlich is one of the largest manufacturers of furniture hardware in the world. In May 1996, Hettlich Polska Ltd. set up a subsidiary in Lusowo. The firm is active in the sale and distribution of furniture hardware, maintenance, and technical counseling. At present, the Lusowo warehouse has seven employees.

Homag Bud, a German-Polish joint venture, embarked on construction of the "Green City" housing estate. The project includes single-family houses, small apartment buildings and houses with luxury apartments (completely furnished and equipped). The estate will also include shops, service facilities, offices, restaurants and cafes. The investor has contributed DM 1.8 million in the construction of the estate (purchase of land, provision of technical infrastructure). However, the works will be financed mostly by the future residents. The entire project will be probably completed in spring 1999.

Another German investor, **Andreas Stihl**, has begun construction of an office building and a warehouse in the Tarnowo Podgórne municipality. The firm has been operating in Poland for four years. It trades in chain saws, urban green cultivation equipment, forestry equipment and accessories, construction equipment and pressure washers. The decision to construct the warehouse in Sady was made in connection with the high level of the firm's sales in Poland.

In December 1996, construction of a new plant of the Poznań Tobacco Works was started. The German company **Reemtsma** is the strategic investor in this project. This will be the largest investment project in the municipality (DM 100 million). Production in the 35,000 square meter facility will start in 1998. The new factory represents the fulfillment of investment commitments included in the Poznań Tobacco Works privatization deal. With a capacity of 15 billion cigarettes a year, the factory will provide employment for 750 persons. A modern office building for 250 employees will be constructed next to the factory hall. The new production facility to be built in Jankowice will contribute to improved competitiveness of the Poznań works, both on the Polish and foreign markets.

In March 1997, the cornerstone was laid for a bus factory of the German **MAN** company, one of the largest manufacturers of commercial vehicles in Europe. The cost of the project will total DM 30 million. By the end of 1997 the firm will have spent

DM 23 million. The new company—MAN Pojazdy Użytkowe—will produce 120 buses annually and employ 250 persons. In the future, the assembly of 600 vehicles will require 900 employees. The plant will also produce welded components and interior equipment modules for German factories. Other facilities to be built include a maintenance and sales station.

The German corporation **Schattdecor** is going to invest DM 20 million in Tarnowo Podgórne. It has a 100% stake in the Poznań company Malta Print. A printing house manufacturing colored paper is to be built in the municipality. The product will be used for covering clipboards or floor panels. By the end of 1998 the investor will build a factory, an office building and a state-of-the-art effluent treatment plant. The planned employment will be 60 persons. The plant is going to produce 12,000–15,000 tons of paper annually. Certain quantities of the product will be exported.

Dzierzgoń

KRAM is a partnership established by a former town councilor in 1991. It manufactures packing machinery and equipment. Since 1992, the business has prospered, with orders coming in from all over Poland. Staff turnover is very limited. From time to time unemployed persons are hired in connection with public works. The owner never takes advantage of tax breaks. The firm annually donates over 10,000 złoty to schools, the sports club, and the poor.

MULTIPLAST, a limited liability company, emerged from the transformation of the former subsidiary of a state enterprise manufacturing electrical installation equipment. Its owner is a former town councilor. Through 1996 it operated as a state enterprise; in 1997 it was taken over by the municipality and subsequently sold to private investors. Currently, the firm manufactures plastic products, which has required sizable investment expenditures, but is profitable. A major share of the output is exported. The firm faces difficulties attracting skilled labor. From time to time it financially supports cultural events organized by the municipality.

PREFBUD is a limited liability company established on the basis of what was once the largest manufacturing plant in the municipality. The enterprise was established in 1905. After World War II it was nationalized and became a part of the Prefabet industrial group headquartered in Gdańsk. It manufactured various construction materials, including pre-fabricated concrete elements, large-panel elements, ceilings, walls, road blocks and styrofoam. At the end of the 1980s, the market for these products collapsed. In 1990, the enterprise was taken over by the municipality and converted into a joint-stock company wholly owned by the town. In order to maintain employment, production and provision of services were continued. In 1995, the municipality sold its stake in the company. Centrostal Elbląg bought 51 percent of the shares, the Kujawy cement works 29 percent, and employees 20 percent. In 1997, the enterprise became a profitable firm. It is the largest employer in the municipality, paying a sizable real estate tax to the municipal budget. It sponsors many local initiatives.

AGRO-BART was established in 1991 by L.M., the former (1982–1989) first secretary of the local committee of the Polish United Workers' Party. Initially, it employed five persons, and currently has 80 employees working in three shifts. It produces gardening

equipment, with a volume of more than 6 million items annually. Several years ago, it was operating in a 700 square meter facility leased from Prefbud. At present, it has its own production building, a former State Agricultural Machine Center hall purchased from the municipality in 1995. The firm has its own joinery and a powder paint shop. The first large contract provided for exports to France. Currently, exports account for 95 percent of the output. Agro-bart has a 20 percent share in the French gardening equipment market. The firm plans to capture the Polish market for gardening equipment, and strengthening its position in France. Therefore, a 62 percent stake will be sold to two French firms and the cash raised this way will be spent on investing in the plant. Employment is to be cut by 30 percent, but the wages of the remaining staff will rise. At present, an assembly worker earns between 600 and 700 zlotys, and a skilled employee about 1,500 zlotys. The zloty appreciation makes exports less and less profitable, and the price increase does not cover the growing costs. Agro-bart's owner is a member of the Regional Investment Society and the head of the loan commission in the Dzierzgoń Development Society.

APPENDIX 3

Local Institutions in Biłgoraj

The **Biłgoraj Regional Development Agency** (BARR SA) was registered in April 1994. Its equity, worth 131,000 złotych, was fully contributed in cash. The owners of 1,310 registered shares included the urban municipality of Biłgoraj (1,000), AMBRA SA (70), and a number of individual and corporate shareholders (including the Biłgoraj rural municipality) holding 10 to 30 shares each. The Zamość voivode has been the owner of 70 shares since 1996. Although they account for only some 5% of the total portfolio, the amount paid by the voivode for those shares was comparable to that paid by the town for 1,000 shares in 1994. In this way the Agency extended its activities to the entire voivodship.

The company BARR SA has seven full-time employees, including persons in charge of the implementation of particular projects, the chairman, an accountant and a driver/canvasser. The Agency's seat is situated very conveniently across from the Town Hall. In accordance with a City Council declaration, included in the program developed by the Local Committee, the Agency is exempt from paying rent.

BARR operates a Counseling and Training Center. The center is a permanent training establishment, registered by the School Superintendent's Office in Zamość. The program of courses provides training for:

- persons starting up business activity;
- entrepreneurs and managers;
- employees (computer and foreign language courses);
- agency workers and persons cooperating with small firms.

The classes take place at the center, which is equipped with satellite TV, audio equipment for foreign language teaching and a computer workshop. In 1996, the courses were attended by some 1,000 persons. Income from training totaled 120,500 złotych. Most trainees enroll voluntarily, and only a few are directed to the courses by the Regional Labor Office in Biłgoraj. Free courses for small and medium-sized enterprises are

organized in cooperation with the Polish Regional Development Agency. In connection with the launch of the Zamość branch of BARR SA, preparations are being made for starting up training activities in that city.

The Out-Putting Incubator promotes out-putting work (work performed at home), especially among unemployed females formerly employed in the textile industry. It is based on an association of firms providing outwork opportunities and necessary assistance (including transport). The incubator office, equipped with telephone, fax and photocopying facilities, has been opened. It provides counseling on legal, financial and investment issues, organizes courses, and assists in seeking sales outlets and financial funds. It also provides for publicity. The incubator includes four firms employing a total of 30 persons or less.

The incubator runs the Business Information and Service Center, aimed at providing cheap and effective counseling services for small and medium-sized enterprises in the Biłgoraj region and for persons intending to start activities on their own account. The town authorities prepared a 500 square meter building (formerly a power plant), to be used over 10 years, for the center. After the completion of renovation (a major part of which is financed by the PHARE Fund) several rooms have been let out to firms offering their services to local businesses.

The building also houses the local Economic Information Office established as a result of the Business Association's winning, at the beginning of 1997, a competition held by the United States Agency for International Development (USAID). The Association received a \$52,000 grant to implement its project for supporting local business (through legal, financial and marketing advice). The Office keeps a computer database on over 2,000 local firms and vacancies left by collapsed enterprises, as well as spaces available for setting up business activity. The Information Office provides access to computers, fax facilities, the Internet and a library. Courses are organized in association with the Polish Regional Development Agency. A good example here is the "Open door to the Internet" course, during which specialists gave businessmen advice on where to look for business information, how to place an offer and how to find cooperation proposals.

A loan guarantee fund, the Biłgoraj Enterprise Fund was set up in order to facilitate the access of small and medium-sized enterprises to bank credits by better securing bank loans. Every Polish entrepreneur employing under 250 persons may apply for a loan guarantee from the fund. The first guarantee was given by the fund in December 1994. As a result of the fund's activity, entrepreneurs' access to bank credits is facilitated, while banks find new customers and can increase their lending without increasing credit risk. Since June 1996, the fund has been operating as a mutual guarantee fund, which means that it is a non-profit institution acting for the benefit of its participants, who take some responsibility for the granted guarantees and, at the same time, take part in managing the fund. To cover the costs of the fund's transformation, BARR received a grant from the PHARE Fund to the amount of ECU 15,500. The launching of the mutual guarantee fund involved the advisory services of the Polish-Italian UNICONSULT-CNA VENETO consortium.

At present, the document confirming participation in the fund is a blank bill for the amount of 3,000 zlotys, which adds to the fund's assets. Businessmen in Biłgoraj often ask for the Agency's guarantees, especially because the local branch of Bank Kredytowo-Depozytowy offers its customers preferential interest rates on credits guaranteed by the fund. (This constitutes a major success in meeting one of the most important goals of the

fund, which was to improve working relationships between banks and small businesses). As a result of its activity, by the end of 1996 the fund had granted 62 guarantees worth a total of 1,095,000 zlotys. So far, only two loans for a total of 26,800 zlotys have not been repaid and have had to be recovered from the fund's assets. In connection with the accession of the Zamość Voivode to BARR, the fund's activity has been extended to the entire voivodship.

For its guarantees, the fund collects a fee equal to 1% of the part of the loan covered by the guarantee. Nevertheless, these fees do not cover the costs involved with the fund's operation, despite the facts that the interest on the fund's assets was exempted from taxation by the head of the Biłgoraj Tax Office, and since the beginning of 1997 the interest on foreign aid funds has been exempt from taxation under the amended personal income tax law. Extra costs are balanced with other revenue sources, including the organization of courses, renting of premises, and interest on assets deposited with banks. It is estimated that the fund would have to collect a 5% commission fee to become financially self-reliant. However, this would defeat the purpose of easing the access to credit, by creating a heavy burden on enterprises.

In February 1997, the "Zamość Investment Promotion Center" (ZCPI) was established within BARR. Its primary task is to implement a 16,000 ECU project financed by the PHARE-INVESTPROM fund via the Polish Agency of Foreign Investment (PAIZ) in Warsaw. The project is for the establishment of a specialized office providing services for foreign investors interested in the Zamość voivodship. The Zamość Center is organizing an information system for foreign investors, creating a database of investment offers, organizing training for representatives of local governments and enterprises, and carrying out other promotional activities.

Apart from the implementation of the main project, the ZCPI releases information concerning BARR and arranges contacts between those interested in the Agency's assistance with the appropriate Agency employees. The Zamość Center will soon start gathering various data useful for foreign investors, local governments, enterprises and individuals from the Zamość region. The ZCPI conducts its activity in close cooperation with the Voivodship Office and with Zamość City Hall, by participating in various meetings and events organized by these institutions. Recently, a meeting with representatives of the British Know-How Fund took place. The Center has also recently hosted its first foreign delegations.

"The Zamość region—a chance for your career success" is an interesting program implemented by BARR in cooperation with the Voivodship Labor Office in Zamość. The project, financially supported by the Minister of Labor and Social Policy with a 25,000 zloty grant, provides for 100 3-hour meetings with local youth. These meetings, which are to propagate entrepreneurship, are expected to be attended by some 2,000 persons. Moreover, young persons will be given free advice concerning opportunities for starting up business activity.

APPENDIX 4

Transformation of Agriculture in Dzierzgoń

Dzierzgoń is a municipality in which agriculture plays a very important role. Arable land accounts for 86 percent of the municipality's area. At present, the ownership structure is dominated by private farms.

The crops of main agricultural products are currently lower than in the 1980s, as a result of decreased use of artificial fertilizers. Nevertheless, an increase in the size of crops is reported. Large-scale farms have larger crops than small family farms.

In the 1990s, the structure of animal husbandry also changed, with hog-breeding gaining in importance at the expense of cattle-breeding. Sheep-farming almost totally disappeared (like horse-breeding, which was connected with the elimination of animal traction). The rise in the milking capacity of cows is a positive development.

In recent years, thanks to the cooperation of local authorities, agricultural organizations and farmers themselves, the average area of farms increased significantly, from 11 hectares in 1990 to 13.8 hectares in 1992 and 22.8 hectares in 1998. Over the last eight years, average farm size in the Dzierzgoń municipality reached a level similar to that in the European Union.

The biggest social and economic problem faced by the Dzierzgoń municipality in 1990, like other municipalities in northern and western Poland, was connected with the transformation of state farming. Three paths of transformation of large-scale state farms can be distinguished:

- being taken over by the management;
- being taken over by a new outside owner (leaseholder);
- being taken over by a new owner after the farm's collapse and liquidation.

The overall assessment of the former state farms in the Dzierzgoń municipality is rather positive. In the municipality there are well-organized, increasingly mechanized, efficient large-scale farms. However, there are also farms which as a result of bad decisions and delays in the transformation process are clearly underdeveloped and

require huge expenditures on replacement of their production assets. This, however, seems to be the inevitable cost of deep structural reforms and the introduction of the market, involving risks, especially in agriculture, for those finding it difficult to adjust to new economic conditions.

Some family farms are doing relatively well. Some farmers are developing their farms quickly, buying land from the state and from other farmers, often their neighbors¹. These farms are well-equipped and not troubled by difficulties with selling their products. This is leading to a polarization of farmers in the municipality. In one village three groups of farmers could be distinguished: twelve farmers owned farms of above 50 hectares, another twelve owned farms of some 30 hectares and about 10 farmers were owners of smaller farms (10 to 20 hectares). It is estimated that half of farmers in that village will give up farming over the next few years.

The surveyed farmers were generally critical about the state's agricultural policy. Many shared the view that such a policy did not exist. The respondents advocated organization of emergency purchases of produce by the government, preferential credits for farmers, allowances for means of production, cutting the profit margins of intermediaries, and limiting grain imports. The farmers also commented on local conditions, noting the difficult living conditions of village youth (e.g. lack of cultural entertainment), which results in disillusionment with farming and results in the exodus of the work force from the villages.

¹ It is worth noting that reluctance to buy land from neighbors is quite common in Poland. It is often seen as "robbing" other people's land, which in Polish culture has not only a market value, but also a symbolic value. As can be seen from the above, such attitudes are being effectively overcome by the rational-minded Dzierżoń farmers.

APPENDIX 5

Local Government Finance in the Four Cases

Biłgoraj

Compared to the other municipalities studied, the municipality of Biłgoraj has one of the lowest levels of revenue per capita, lower by 200 złotys than in the richest of its neighboring municipalities, and higher by 30 złotys than in the poorest. Generally speaking, Biłgoraj is 2% above the Zamość voivodship average. The share of own revenues (i.e., revenues minus subsidies) in Biłgoraj is average, compared to the neighboring municipalities, but almost 10 percentage points above average for the Zamość voivodship. Both Biłgoraj and the neighboring municipalities record budget deficits, with the largest deficit (above 100 złotys per capita) being recorded in Biłgoraj. The share of investment outlays in total expenditure, compared to both the neighboring municipalities and the Zamość voivodship, is the lowest in Biłgoraj—almost 16 percentage points below the voivodship average. It is possible that many of the most urgent investment needs, especially in the field of infrastructure, have already been satisfied, which would explain the authorities' decision to ease budgetary tensions resulting from investment spending.

Iława

Iława is characterized by a relatively low level of revenues per capita, lower by more than 400 złotys than in the richest neighboring town, but higher some 1000 złotys than in the poorest neighboring town, and 17% below the voivodship average. On the other hand, Iława differs from the neighboring towns and from Olsztyn voivodship municipalities as a whole by the relatively high share of own revenues, almost 8 percentage

points higher than the voivodship average. Except for two, almost all the compared towns record budget deficits. Relative to neighboring municipalities, in Iława this deficit is average (22 złotys per capita), but it is higher than the voivodship average (14 złotys). In comparison to its neighbors, Iława shows a rather low share of investment outlays in total expenditure, lower by 10 percentage points than that of the town with the largest investment outlays and 8 points below the voivodship average. A possible explanation for this could be the one suggested in the case of Biłgoraj.

Tarnowo Podgórne

Tarnowo Podgórne has the highest revenues per capita. They are higher by some 100 to 800 złotys than in neighboring municipalities, and almost 60 percent higher than average revenues of municipalities in the Poznań voivodship. In Tarnowo Podgórne the share of own revenues is also considerably higher than elsewhere—40 percentage points higher than in the neighboring municipality with the lowest share of own revenues, and by some 30% than the Poznań voivodship average. In almost all the compared municipalities, except two, expenditures and revenues are balanced, and the latter even exceed the former. On the other hand, Tarnowo Podgórne's share of investment in total expenditure is lower than in neighboring towns (by some 17 percentage points than in the town with the largest investment outlays) and lower than the Poznań voivodship average by some 10 percentage points. This fact might be explained by the relatively high degree of satisfaction of basic needs of the municipality, which makes it possible to cut investment outlays and to allot greater funds to raising the standard of public services provided by the municipality, including education services.

In comparison to Iława and Biłgoraj, revenues per capita in the Tarnowo Podgórne municipality are higher by 106 and 133%, respectively. Hence, it can be concluded that Tarnowo Podgórne represents quite a different revenue class than the two remaining municipalities. The share of own revenues in Tarnowo Podgórne exceeds 60%, while in both Biłgoraj and Iława it is only some 37%. This implies much greater latitude of financial decisions in Tarnowo Podgórne than in the other two municipalities. Both Biłgoraj and Iława have budget deficits of 102 złotys and 26 złotys per capita, respectively. On the other hand, in Tarnowo Podgórne a surplus of 17 złotys per capita was recorded in 1996, in sharp contrast to the remaining municipalities of the Poznań voivodship, which are relatively heavily indebted, with an average debt of 56 złotys per capita, which is much higher than in the Olsztyn and Zamość voivodships (14 and 13 złotys, respectively). All three analyzed towns have lower ratios of investment to expenditures than the neighboring municipalities. In Biłgoraj and Tarnowo Podgórne the ratios are similar (42%), while in Iława the share of investment outlays in total expenditure was slightly higher (some 49%). We should note here the role of the educational subsidy received by municipalities from the state budget for the operation of primary schools. This subsidy is allotted in accordance with a rather complicated algorithm which will not be described here. Among the analyzed municipalities the largest per capita educational subsidy is received by Tarnowo Podgórne (95 złotys), followed by Iława (85 złotys) and Biłgoraj (75 złotys). However, the shares of these subsidies in municipal budgets are completely different. In Tarnowo Podgórne the educational

subsidy accounts for 6.4% of total revenues, while in Iława and Biłgoraj these subsidies account for almost 12%, i.e. almost twice as much.

The analysis of the financial standing of the analyzed municipalities in comparison with neighboring towns shows that the dynamics of local development are not determined by the budgetary position of the municipality. Several municipalities close to Tarnowo Podgórne record only slightly lower per capita revenues, while the level of their development lags far behind that of Tarnowo Podgórne. In terms of their budgetary resources Iława and Biłgoraj do not differ much from their surrounds, and sometimes their budgetary position is even less advantageous than those of other towns and cities. On the other hand, their level of development and the wealth of the population (e.g. in Biłgoraj) differ positively from their environment. Of course, this does not mean that budgetary resources are irrelevant, but in particular cases lower revenues can be compensated for by other factors, such as the development of support institutions, enterprise growth and social mobilization. This interpretation may provide a particularly good explanation of the situation in municipalities showing fast growth rates, as in such places a major part of investment in infrastructure is financed by investors themselves, taking part of the burden off of the municipal budget.

Table 1

Financial standing of analyzed municipalities in 1996 compared to neighboring municipalities

Municipality	Total revenues per capita (złotys)	Share of own revenues*	Total expenditure per capita (złotys)	Share of investment in expenditure*	Investment outlays per capita
Buk	1348	33.7	1359	52.6	719
Czerwonak	820	37.1	817	59.1	483
Komorniki	694	43.4	737	56.5	416
Suchy Las	1038	54.6	973	43.5	423
Swarzędz	848	38.3	821	55.7	457
Tarnowo Podgórne	1468	60.5	1457	42.0	612
Poznań voivodship	921	33.5	977	51.8	501
Biłgoraj	632	37.5	733	41.8	306
Hrubieszów	611	32.2	590	52.1	307
Janów Lubelski	843	29.7	927	48.3	448
Krasnystaw	656	38.5	708	43.7	309
Leżajsk	715	39.6	727	51.6	372
Lubaczów	603	34.8	647	50.6	327
Tomaszów Lubelski	671	41.4	645	56.0	361
Zamość voivodship	615	29.2	629	57.6	357
Dobre Miasto	1052	28.3	1119	44.5	498
Działdowo	617	27.5	786	38.0	298
Iława	712	37.0	738	48.5	358
Lidzbark	653	26.5	620	49.6	308
Lubawa	825	37.0	828	53.1	440
Morąg	1665	26.7	1108	57.6	638
Ostróda	700	29.9	742	45.1	335
Pasłęk	1000	32.2	1005	56.9	572
Olsztyn voivodship	832	28.9	847	56.3	477

* Excluding subsidies

5.1. Dzierzgoń

In 1997, the Dzierzgoń municipality's revenue totaled 9,751,000 złotys (or 805 złotys per capita). This is a relatively high figure, amounting to 112.5 percent of the average for all urban-rural municipalities in Poland, and 117.8 percent of the average for urban-rural municipalities in the new Pomeranian voivodship. Dzierzgoń also positively compares with Malbork county (*powiat*) municipalities (112.3 percent of the average) and all urban-rural municipalities which are not seats of *powiats* (111.4 percent of the average). Additionally, total revenues of the municipal budget have been growing in recent years at a moderate pace, but faster than the revenues of the neighboring urban municipalities.

The share of own-source revenues in Dzierzgoń's budget is relatively high, although, as in most Polish municipalities, it has declined considerably due to the increase in total municipal revenues due to educational subsidies from the central government. The relatively limited scope for special-purpose subsidies for investment financing in Dzierzgoń should be seen as a positive feature. The share of this category of revenues in financing investment projects dropped from 32 percent in 1994 to some 11.5 percent in 1995, to reach 22 percent in 1997. However, state subsidies are crowded out by funds acquired from non-budgetary sources and loans rather than the municipality's own revenue. In 1994 and 1995, the shares of funds from non-budget sources in the municipality's incomes were 10.4 percent and 6.3 percent, respectively. In 1996, the Dzierzgoń budget deficit, financed by long-term credit, equaled almost 8 percent of total spending.

APPENDIX 6

Statistical Annex

In the tables in this annex, voivodship statistics are presented in italics and statistics for the case study municipalities in bold letters. (Accurate data on the length of pipelines in Dzierżgoń are unavailable for the early 1990s.)

Table 1.

Population, area, and population density of case study and control municipalities as of 31 December, 1996

	Population	Area (km ²)	Population density (persons/km ²)
Swarzędz	26,565	8.16	3,255.5
Buk	6,316	2.96	2,133.8
Ożarów Mazowiecki	7,140	5.75	1,241.7
Wesoła	12,171	22.62	538.1
Czerwonak	19,720	82.24	239.8
<i>Poznań voivodship</i>	<i>1,341,663</i>	<i>8,150.97</i>	<i>164.6</i>
Komorniki	10,639	66.55	159.9
Tarnowo Podgórne	13,613	101.40	134.3
Suchy Las	8,218	116.55	70.5
 Dzierżon	 9,571	 125.15	 76.5
Kwidzyn	39,421	21.82	1,806.6
Malbork	40,579	17.15	2,366.1
Prabuty	13,801	197.12	70.0
Sztum	18,717	180.84	103.5
Zalewo	7,247	254.34	28.5
 Tomaszów Lubelski	 21,129	 13.33	 1,585.1
Biłgoraj	26,504	20.85	1,271.2
Janów Lubelski	12,016	15.42	779.2
Leżajsk	14,862	20.29	732.5
Hrubieszów	20,569	32.79	627.3
Lubaczów	12,740	25.72	495.3
Krasnystaw	20,579	42.07	489.2
<i>Zamość voivodship</i>	<i>498,970</i>	<i>6,979.91</i>	<i>71.5</i>
 Morąg	 15,262	 6.11	 2,497.9
Ostróda	35,161	14.09	2,495.5
Dobre Miasto	11,365	4.86	2,338.5
Działdowo	21,093	9.31	2,265.6
Iława	33,285	21.88	1,521.3
Lidzbark Warmiński	17,757	14.34	1,238.3
Pasłęk	12,527	11.39	1,099.8
Lubawa	9,285	16.84	551.4
<i>Olsztyn voivodship</i>	<i>774,136</i>	<i>12,326.79</i>	<i>62.8</i>

Table 2.

Number of cable telephone subscribers per 1000 residents as of 31 December, 1996

	Number of cable telephone subscribers per 1000 residents
Wesoła	401.2
Ożarów Mazowiecki	336.4
Tarnowo Podgórne	245.7
Komorniki	225.3
<i>Poznań voivodship</i>	<i>203.3</i>
Buk	167.8
Swarzędz	154.3
Suchy Las	123.5
Czerwonak	112.4
Krasnystaw	253.8
Tomaszów Lubelski	237.8
Lubaczów	224.6
Janów Lubelski	221.4
Hrubieszów	220.7
Biłgoraj	212.2
Leżajsk	164.4
<i>Zamość voivodship</i>	<i>119.4</i>
Dobre Miasto	229.8
Ilawa	221.8
Pasłęk	215.4
Ostróda	209.4
Lubawa	190.8
Lidzbark Warmiński	188.8
<i>Olsztyn voivodship</i>	<i>163.7</i>
Działdowo	152.4
Morąg	140.5

Table 3.

Endowments with water pipelines in case study and control municipalities as of 31 December, 1996

	Kilometers of water pipelines	Kilometers of water pipeline per square kilometer	Percentage of population hooked up to water lines
Swarzędz	59.4	7.28	81.9
Buk	19.0	6.42	93.4
Ożarów Mazowiecki	19.4	3.37	80.7
Tarnowo Podgórne	182.1	1.80	no data
Komorniki	98.4	1.48	no data
Wesoła	24.9	1.10	20.6
Czerwone	89.6	1.09	no data
<i>Poznań voivodship</i>	<i>6,718.4</i>	<i>0.82</i>	<i>no data</i>
Suchy Las	83.6	0.72	no data
Tomaszów Lubelski	45.8	3.44	83.6
Biłgoraj	65.6	3.15	97.4
Janów Lubelski	43.9	2.85	86.3
Leżajsk	33.1	1.63	78.7
Hrubieszów	43.7	1.33	88.8
Krasnystaw	47.8	1.14	88.7
Lubaczów	23.3	0.91	68.5
<i>Zamość voivodship</i>	<i>2,446.7</i>	<i>0.35</i>	<i>no data</i>
Działdowo	51.4	5.52	96.0
Dobre Miasto	22.0	4.53	96.9
Ostróda	61.8	4.39	96.1
Morąg	23.0	3.76	98.1
Ława	66.9	3.06	99.0
Lidzbark Warmiński	33.4	2.93	97.5
Pasłęk	35.0	2.44	99.9
Lubawa	18.5	1.10	93.5
<i>Olsztyn voivodship</i>	<i>3,427.5</i>	<i>0.28</i>	<i>no data</i>

Table 4.

Endowments with sewer pipelines in case study and control municipalities as of 31 December, 1996

	Kilometers of sewer pipelines	Kilometers of sewer pipeline per square kilometer	Percentage of population hooked up to sewer lines
Ożarów Mazowiecki	21.3	3.70	79.1
Swarzędz	11.8	1.45	46.8
Buk	3.1	1.05	70.7
Czerwonak	13.4	0.16	no data
<i>Poznań voivodship</i>	<i>1,229.5</i>	<i>0.15</i>	<i>no data</i>
Suchy Las	11.8	0.10	no data
Tarnowo Podgórne	8.0	0.08	no data
Komorniki	0.0	0.00	no data
Wesoła	0.0	0.00	7.0
Dzierżon	13.0		54.0
Kwidzyn	67.5		90.9
Malbork	45.2		90.8
Prabuty	15.5		54.1
Sztum	23.4		52.5
Zalewo	14.3		3.6
Tomaszów Lubelski	31.7	2.38	60.4
Janów Lubelski	26.0	1.69	67.3
Biłgoraj	28.4	1.36	74.7
Leżajsk	21.2	1.04	67.4
Lubaczów	22.8	0.89	56.8
Hrubieszów	22.7	0.69	68.0
Krasnystaw	17.4	0.41	78.9
<i>Zamość voivodship</i>	<i>279.3</i>	<i>0.04</i>	<i>no data</i>
Morąg	30.0	4.91	90.9
Ostróda	57.9	4.11	91.3
Ława	76.8	3.51	88.5
Działdowo	29.7	3.19	82.7
Dobre Miasto	12.9	2.65	91.0
Lubawa	29.8	1.77	70.5
Lidzbark Warmiński	16.0	1.40	85.7
Paśćk	20.2	1.41	87.2
<i>Olsztyn voivodship</i>	<i>1,024.5</i>	<i>0.08</i>	<i>no data</i>

Table 5.

Growth in various types of infrastructure, 1991-1996

	Popu- lation 1991	Popu- lation 1996	Telephone subscribers in 1991	Telephone subscribers in 1996	Telephone subscribers per 1000 residents in 1991	Telephone subscribers per 1000 residents in 1996	Length of water pipelines in 1991 (km)	Length of water pipelines in 1996 (km)	Length of sewer pipelines in 1991 (km)	Length of sewer pipelines in 1996 (km)	Length of gas pipelines in 1991 (km)	Length of gas pipelines in 1996 (km)	Number of households hooked up to gas pipelines in 1991	Number of households hooked up to gas pipelines in 1996
Poland	38,309,226	38,639,341	3,565,015	6,563,822	93	170	100,604.5	168,869.7	27,497.0	35,850.9	31,269.2	83,678.5	5,542,588	6,510,269
Olsztyn														
voivodship	757,169	774,136	70,200	126,747	93	164	2,537.7	3,427.5	737.1	1,024.5	519.6	673.2	109,267	119,287
Łódź	32,138	33,285	3,959	7,383	123	222	64.9	66.9	27.5	76.8	44.2	56.4	8,259	8,783
Poznań														
voivodship	1,339,359	1,341,663	148,833	272,823	111	203	4,237.9	6,718.4	950.6	1,229.5	1,389.8	2,722.3	230,945	273,829
Tarnobrzeg														
Podgórze	12,968	13,613	939	3,345	72	246	52.2	182.1	0.0	8.0	x	x	x	x
Zamość														
voivodship	490,550	498,970	34,038	59,556	69	119	1,343.4	2,446.7	217.1	279.3	114.6	1,050.0	17,666	26,811
Biłgoraj	26,492	26,504	3,980	5,623	150	212	49.0	65.6	21.4	28.4	0.0	52.8	0	512
				% growth		% growth		% growth		% growth		% growth		% growth
Poland		0.9		84.1		82.5		67.9		30.4		167.6		17.5
Olsztyn														
voivodship		2.2		80.6		76.6		35.1		39.0		29.6		9.2
Łódź		3.6		86.5		80.1		3.1		179.3		27.6		6.3
Poznań														
voivodship		0.2		83.3		83.0		58.5		29.3		95.9		18.6
Tarnobrzeg										*		x		x
Podgórze		5.0		256.2		239.4		248.9						
Zamość		1.7		75.0		72.0		82.1		28.7		816.2		51.8
voivodship		0.0		41.3		41.2		33.9		32.7		*		*
Biłgoraj														

* Cannot be calculated (cannot divide by zero)

Table 6.

Net migration in case study and control municipalities for the year 1996

	In-migration	Out-migration	Net migration	Net migration per 1000 residents
Wesoła	713	196	517	42.48
Komorniki	241	120	121	11.37
Czerwona	394	188	206	10.45
Suchy Las	207	123	84	10.22
Swarzędz	527	318	209	7.87
Tarnowo Podgórne	265	175	90	6.61
<i>Poznań voivodship</i>	<i>15,839</i>	<i>13,499</i>	<i>2,340</i>	<i>1.74</i>
Ożarów Mazowiecki	100	98	2	0.28
Buk	82	85	-3	-0.47
Janów Lubelski	285	190	95	7.91
Krasnystaw	380	280	100	4.86
Leżajsk	229	189	40	2.69
Tomaszów Lubelski	300	277	23	1.09
Biłgoraj	274	265	9	0.34
Lubaczów	113	116	-3	-0.24
Hrubieszów	253	278	-25	-1.22
<i>Zamość voivodship</i>	<i>6,267</i>	<i>7,630</i>	<i>-1,363</i>	<i>-2.73</i>
Lidzbark Warmiński	331	242	89	5.01
Pastęki	168	137	31	2.47
Ostróda	467	408	59	1.68
Ława	441	402	39	1.17
Morąg	184	180	4	0.26
Działdowo	247	244	3	0.14
<i>Olsztyn voivodship</i>	<i>10,290</i>	<i>10,630</i>	<i>-340</i>	<i>-0.44</i>
Dobre Miasto	126	134	-8	-0.70
Lubawa	104	111	-7	-0.75

APPENDIX 7

Social Assistance

One of the aims of the UNDP Decentralized Governance project was to investigate the effects of decentralization on the quality and accessibility of services for the poor. Our analysis of social assistance to the needy in the three municipalities studied under that project is based on statistics provided yearly by Municipal Social Assistance Centers to the Central Statistical Office in Warsaw concerning the number of families receiving various types of assistance. We note at the outset that Polish municipalities have a great deal of freedom in determining how to qualify an applicant for social assistance; there is no uniform set of criteria for a given category of need which automatically qualify a person for social assistance, and statistical differences can arise between various municipalities depending on their policies concerning how people qualify for assistance under particular categories of need. For instance, the reader will note that no families receive assistance under the “poverty” category in either Tarnowo Podgórne or Iława, whereas in Biłgoraj a number of them do.

We do not discuss monetary data, which indicate a constant increase in the nominal spending on social assistance, as they are an inappropriate measure of the extent and effectiveness of social assistance, due to the influence of inflation. Unfortunately we received data for only three years (1994–1996) from Biłgoraj, whereas for the other two cases we received more information and have added the year 1993.

We also do not report statistics on social assistance to persons with needs not of a socio-economic nature (e.g., illness, mental retardation and other handicaps, orphanhood, natural disasters), on which the local government has at best an extremely indirect influence. We note that in these statistics there is no double counting; i.e., a family listed as having received assistance under one category is listed in that category alone.

As the tables show, both Biłgoraj and Iława have experienced decreases in the number of families receiving social assistance due to socio-economic factors, while in Tarnowo Podgórne this number has increased. It should be noted, however, that Tarnowo

Podgórze started from a very low point in comparison to the other two municipalities: the number of families receiving support in 1994 was disproportionately smaller than in the other two¹.

While—as one would expect—the numbers of families receiving assistance on the basis of long-term problems such as alcoholism, single parenthood, and large numbers of dependent children tend to remain fairly stable over time (except in Bilgoraj), there are notable decreases in unemployment (except in the above-discussed case of Tarnowo Podgórze). One disturbing trend is the rise in homelessness in Ilawa. In general, however, it is clear that the general improvement in the economic situation of these municipalities has been accompanied by a decline in the burden of social assistance.

Table 1.

Number of families receiving social assistance under given categories of need

Need category	Bilgoraj			Ilawa				Tarnowo Podgórze			
	1994	1995	1996	1993	1994	1995	1996	1993	1994	1995	1996
Homelessness	2	1	0	5	13	21	41	1	2	1	0
Unemployment	395	421	321	980	1137	951	832	15	24	30	27
Alcoholism	89	97	67	93	74	92	93	12	16	22	21
Single-parent family	148	126	88	223	226	225	227	38	52	60	54
Large number of dependent children	136	87	70	161	118	118	134	39	48	51	57
Poverty	—	—	22	119*	—	—	—	—	—	—	—
Total	770	732	568	1581	1568	1407	1327	105	142	164	159
(Change in %)		(-4.9)	(-22.4)		(-0.8)	(-10.3)	(-5.7)		(+35.2)	(+15.5)	(-3.0)

* Category introduced in 1996.

** In Ilawa's 1993 statistics, a "low income" category existed.

¹ While the populations of Bilgoraj and Ilawa are, respectively, 1.95 and 2.45 times bigger than that of Tarnowo Podgórze, the number of families receiving social assistance under the categories listed was 5.42 and 11.04 times bigger in Bilgoraj and Ilawa, respectively, in 1994.

