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PROMOTING REGIONAL DEVELOPMENT  
IN CENTRAL AND EASTERN EUROPE

A study prepared for UNIDO by Dr. Marian Geldner  
in co-operation with Dr. Jan Woroniecki.

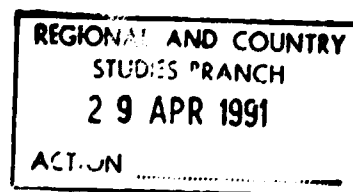
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INTRODUCTION

The aim of the study consists in exploring ways and means including related institution-building to activate economic recovery in Central and Eastern European countries in transition towards market based economy using - as a leverage - local or regional potential and initiative. The change in the economic system has, so far, been limited - especially in Hungary and Poland - to domestic trade whose privatization on wholesale and retail levels progressed at a considerable pace. Coupled with squeezed demand, the phenomenon has contributed to filling shops (and streets) with merchandise, a lot of it imported from the Western countries and Far East. At the same time budgetary cuts, antiinflationary policies and efforts to bring about uniform, realistic and stable rate of exchange of the domestic currency against convertible ones resulted in the recession characterized inter alia first by the deep cuts in production and investment /held by the uncertainty and high interest rate/ then - by the standstill in economic activity.

Among various contemplated countermeasures, awakening the dormant regions and use of their capacity to draw investment, innovate and utilize their comparative advantages constitute an important vista not only from the economic point of view but also psychologically - to facilitate the departure from the behavioural patterns shaped by the central planning and command-distributive model enforced upon former socialist countries in the second half of the 1990s.

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The study thus covers regional aspects of economic revival sought in Central and Eastern Europe after the "Big Change", the latter being either preceded or accompanied by strong recessionary trends and fall in the already low living standards. In other words, it covers selected issues of the decentralization which can pave its way with difficulty if left to market forces alone as a result of far-reaching liberalization of the rules of the game in the national economy. Reviving interest in investment in the sphere of production /and industrial restructuring/ and services in parallel to the trade expansion underway, especially in the private sector /and under privatization scheme/.

The study is structured so as to:

(a) describe, as the background, current thinking on the role of regionalism versus globalism on the international and domestic arena;

(b) acquaint with the economic policy dilemmas of Central and Eastern Europeans against this background;

(c) as a "case study within the study" - to give an overview of the problems faced by Poland in her restructuring efforts and painful shift underway towards market economy;

(d) offer prospective regional development approaches, particularly the concept of Regional Development Corporations;

(e) suggest possible action to foster international co-operation based on interregional scheme, with special emphasis on its applicability for the developing countries using the services of UNIDO and other multi- and bilateral agencies.

## I. REGIONAL DEVELOPMENT: THE ISSUE

1. The last decades of the current century leave an overwhelming impression of a shrinking world and its transformation into a global village whose frontiers gradually disappear (albeit not everywhere so). In other words - an impression of an all-embracing globalization of human existence and of its material foundation - the world economy. The on-going internationalization

and spreading multilateralism make the economy of each country less and less independent and self-contained, and increasingly - a constituent part of the global process of production and change. The shape and dynamics of this process are due to the transnational corporations and technological progress they bring<sup>1</sup>. The consolidating global economy on the eve of the XXI century in which pluralism and entrepreneurship are expected to become the the corner-stones of unrestrained market, with the empowerment of the individual and his capacity as an entrepreneur (and the ensuing demise of the collective which tends to dissolve individual contribution) was described by J. Naisbitt and P. Aburdene.<sup>2</sup>

2. The trend towards globalization is however accompanied by another, perhaps somewhat less distinct so far: that towards regionalization. The latter, being an objective phenomenon, unlike the first usually external, "given", from the outside, requires specific supportive policies and action designed to activate dormant potential of local initiative and innovative capacity in order to seize existing opportunities. It would sort of counterbalance an aggressive globalization drive which may go as far as to virtually subordinate economically governments and states to the agents of the global change underway. A selective (regionwise) development or recovery is on the agenda in many countries, in particular those of Central and Eastern Europe under-going a crisis linked unavoidably with the transition from the centrally planned (or, rather, centrally misplanned...) economy to one allowing market forces and mechanisms.

3. Departure from the centralization, to be effective, has to provide for double decentralization of the prerogatives to decision-making and actual decision-taking: in favour of enterprises of various ownership sectors and their voluntary, dictated by economic interests, groupings; and in favour of local organizations. Or, in favour of - which is pertinent from the point of view of this paper - the organizations which would assemble representatives of local enterprises (sensu largo, including banking firms, service sector, etc.) and institutions carrying out economic activity of local importance.

## II. DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE

1. The above is not, nota bene, typical of Poland, or of abandoning the inherited Soviet economic model from, as a matter of fact, 30s, Eastern and Central Europe only<sup>3</sup>. Regional dimension represents a feature of both production, and consumer and labour markets everywhere, and human mentality is strongly attached to the notion of locality<sup>4</sup> despite high mobility in the most developed countries (maybe we face here the remnants of unabated completely atavism from the childhood - looking for the well-known physical environment?). Local and regional conscience and commitment still remain surprisingly strong.

2. K. Mihailovic indicates contradictory phenomena arising as a result of post-war changes in Eastern Europe: on one hand a shift to central planning (and in fact centralized management of the economy, manipulated - on the top of that - on the central and local levels by the party superstructures - J.W.) and an accelerated expansion of heavy industry were accompanied by the declaratory desire to alleviate regional disparities at hand (often ignored as to their real magnitude), and on the other, the very nature of the industrialization process (concentration and large scale not being conducive to an even diffusion of economic activity regionwise) had to aggravate them.<sup>5</sup> Selected branches - not regions - enjoyed clear preference and were being developed at a faster pace than others. The objective of the maximization of the overall economic growth (in quantitative terms) of the country had to stand in direct contradiction with the attainment by the country in question of a regionally balanced development. The central authorities in the subregion proved unable to take sufficiently into account the development needs of individual regions. Also in post-war Poland branch interests had always prevailed over those of her regions.<sup>6</sup> Differentiation in local and regional Poland increased rather than decreased as the officialy declared intention was.

3. The question may thus arise whether in governmental economic policy and in attempts to co-ordinate it at the inter-governmental fora (inter-regional like the Big Seven, subregional like the EC or other groupings, through regional commissions such as the ECE, up to global organizations of the UN system like UNCTAD or UNIDO) one should aim at the strengthening of regions, as historically formed and often present as such in human consciousness, or try to stimulate the retrogression of regionalism in favour of a state-monolith and of a multinational behavioural stance (e.g. the European Economic Community as a new fatherland?). In the available literature the view prevails that:

1° whereas formerly (50s and 60s, maybe early 70s as well) the alleviation of differences among the regions of a given country and assisting those worse-off (by necessity, through the transfer of resources from those whose development progressed better, regardless of reasons) was high on the agenda, such an alleviation, albeit not quite successful, had to be interpreted as an activity favouring the benefit of the whole;

2° later - probably because, inter alia, of the economic crisis - it was recognized that regions (especially those with "uncurable" obsolete industry, so-called "problem-regions") should either be left alone - on their own, i.e. left to the market play, or the state should even support... stronger regions to make them wealth-creating locomotives (poles) of growth, in the expectation that, as a result, they become propulsive regions and will transmit growth impulses countrywide. At a longer term, a multiplier effect may enter into play so that the overall results may prove to be much better not only for the economy as a whole but also for those temporarily "abandoned" regions in particular.

4. As suggested by M.F. Dunford, an economy desirous to lift itself to higher income levels should stick to one or several growth centers (growth poles) which are characterized by the presence of a climate of entrepreneurship and opening to innovation. Therefore, they should get appropriate subsidies, high technologies should be made available to such centres, they should enjoy tax preferences, etc. A temporary cost to bear is certain polarisation

of growth within the country and reproduction of the spatial inequality, in the hope that territories "in disfavour" for the time being may well yield benefits at a later stage, while investing there - though socially perhaps more than justified - carries no promise whatsoever of quickly generating income, in view of their underdeveloped technical infrastructure, for instance.<sup>7</sup> A farewell to fordism and to the maximization of the economics of scale as a primordial objective, in favour of flexibilization of firms and differentiation of production and the product itself, brings a need to enrich structures correspondingly and - in the regions - to stand up to the new challenges: dispersed economic activity (even down to the individual households) and enlarged capacity to rapidly adjust to demand. All this proves that the opportunities for the periphery are on the increase.<sup>8</sup>

5. The above consideration seem to have full applicability to Central and Eastern Europe as the countries of the subregion confront a policy dilemma how to distribute scarce budgetary means available for support of the regional activity. Stringent budgetary policy implies they may be either thinly spread on all regions or focus on some: either plagued with social, environmental and other (especially obsolete industries heritage) problems, or those with the future. Same applies to extra-budgetary support from the "Centre" either in funds' (e.g. from external assistance) allocation or in "privileges" (e.g. right to tax cuts), such a support being often even more important

6. A crucial question however remains how to select regions that carry more promise (sometimes - also how to determine their territorial delimitation, especially in case of improper administrative division of the country). Their choice should permit to expect - assuming an appropriate policy mix and support (except supplementary financing or crediting investment into the infrastructure) basically in the form other than budgetary subsidies - mobilization of local entrepreneurship, i.e. investment and production activity, service sector expansion, research, cultural and education initiative, etc. that is - pushing the community out of inertia<sup>9</sup>.

7. Improvement and development of infrastructure (transport, telecommunications) and environment constitute in Central and Eastern Europe both national concerns and at the same time, more often than not obstacles to regional development, and - in particular - to foreign investment. The first period after the "liberation" proved that owing to lack of funds and, partly, to insufficient knowledge of specific needs locally it is neither possible nor realistic to expect (and passively wait insofar as the regional authorities are concerned) that care for infrastructure and environment will be ensured by the central (or federal, as the case may be) government from either budgetary or external (including credits and grants) sources. Also, it was naive to assume that in both domains cost-effective solutions can be found without direct involvement (financially as well) of local authorities and business, or - for that matter - that foreign investors may come without visible support (or even facing reluctant approach) of these authorities.

### III. POLAND'S RESTRUCTURING EFFORTS.

#### OBSTACLES AND OPPORTUNITIES

1. In Poland the economic crisis is more difficult to surmount due to the inherited excessive concentration of productive capacity: high spatial density in certain areas only, aggravated by average big size of plants (past preference for giants), both - as is known - being the heritage of the imitated on political and ideological grounds (class struggle theory!) industrialization doctrine<sub>10</sub>. Initial attempts at "demonopolization from above" have failed to succeed and the expectations that the break-up of large state firms or plants would occur by itself, haven't - except for domestic trade - come true. Mobilization locally of resources and initiative for investment and production purposes is yet to come, foreign investment is still relatively meagre. This is why Polish prime-minister J.K.Bielecki was quite correct to emphasize in his recent expose before the parliament that "contemporary Europe becomes increasingly a continent of autonomous regions, not of



antagonistic states" and that "communes and their unions (and, as one can observe, the Government itself) realize the need to associate into larger autonomous territorial units" (in his expose, the prime-minister emphatically stressed the need to improve the investment conditions for capital in Poland, mentioning in this connection special economic zones which should attract domestic and foreign investment inputs to areas in danger of growing unemployment).<sup>11</sup> The concept of Poland's macrodivision into regions and their far-reaching strengthening primarily through co-participation in the decision-making in regard to economic and social life of the country (participatory democracy) was also raised in an interview with Lech Mażewski, the president of the Gdańsk section of the Liberal-Democratic Congress; of special interest were his proposals to the effect that future Polish regions (to number twelve) establish economic links with their counterparts in Germany, the Scandinavian countries, the Baltic republics, the Ukraine, Czecho-Slovakia, etc.<sup>12</sup> One can find a similar opinion in the volume: "Polish voivodship: experiences and prospects" which describes inter alia the role of regions in the EEC.<sup>13</sup>

2. Taking the above into consideration, a logical question to ask may be how to awaken "dormant potential" of growth in the regions concerned, how to utilize in a productive manner local patriotism, so far flourishing at its best... mainly at one's vacation lot and summerhouse? One can agree with J. Cuadrado Roura<sup>14</sup> that this potential is conditioned by the following two basic pre-requisites:

a) the capacity in the region to generate new ventures utilizing technical and technological innovation, and new organization and management techniques (this capacity depending, in turn, on the approach in the region to creativity and innovation, and on the access to financial resources and their mobilization as well as - which is of special significance in case of Poland - on the absorptive capacity of innovation in practice, determined again by the appropriate policy stance and efficient, well structured institutions, i.e. on the quality of institution-building);

b) endowment with natural and human resources (quantity, quality, prospects of upgrading) and technical infrastructure (as well as the prospects of and propensity for its improvement and further development).

3. It seems thus pertinent to observe that Central and Eastern Europe of today is faced with an important policy choice between full liberalization, i.e. relying on market forces everywhere (more than anybody else), a temptation to counteract numerous problems born by the latter by the recourse to new centralized decision-making, or a policy mix covering an ingredient of specific government measures (based on the legislation enacted on its initiative) and industrial policies - in the form though chiefly of indirect influence (stimulation) on behaviour of regions, economic sectors and enterprises, and households. While "third way" is flatly rejected in Central and Eastern Europe (except for post-communist parties) albeit still apparently contemplated in the USSR, it is being realized that extreme "laissez-faire" formula, in the particular situation of the subregion, can hold neither socially, nor environmentally. It is however essential that more power in deciding about their own development and creating propitious conditions should therefore be shifted to the regions and regional authorities and institutions (existing and emerging ones). Also, even more of external aid (especially technical assistance) than heretofore should be channelled to the "end-users" in the regions in need.

4. Both above mentioned basic pre-requisites, important as they are, are of endogenous nature. That is why a vital exogenous factor, namely foreign investment capital, should be added to the analysis. Rejecting a vulgarized and unwarranted attitude "foreigners will buy us out", it should be stated at the outset that so far direct foreign investment in Poland (even more so portfolio investment made recently possible within the framework of privatization) have failed to acquire real significance either in the branch set-up, or in the territorial one. Promotion of foreign investment has been limited to the all-national scale ("invest in Poland"). Investment incentives were inadequate, as was the information on its conditions. No wonder that the effectiveness

and coverage of such promotion was pretty limited. The list of preferred branches where foreign investment was sought was almost all-embracing, including - strangely enough - those most attractive to the foreign investor (for instance hotels where, nota bene, despite the official preference he still encountered, to his surprise, a great lot of formal obstacles!). Promotion of investment in specific branches or regions (e.g. "invest in Greater Poland" that is the western region of which Poznań has been a traditional capital) remains in its swaddling clothes although it would be undoubtedly by far more effective. As a consequence, at no place, either on the national scale or in any branch or region, had the ventures with foreign capital input or foreign affiliates won any real weight and impact in raising work discipline, upgrading management systems and procedures introducing technological and organizational innovations. At the same time, it's not so much modern technology but the societal context (transformation of the mentality shaped largely under the political system enforced upon Poland at the end of WW II) which is of decisive importance inter alia for the success of the transition from the centralization to an authentic decentralization, being a conditio sine qua non of any efficient market economy.<sup>15</sup>

#### IV. REGIONAL DEVELOPMENT APPROACHES

1. If we accept a thesis of A. Kukliński that "local development has always been (and will remain - J.W.) an art of integrating spontaneous activities and mechanisms of guided change" and that renaissance of local development recently observed constitutes a permanent phenomenon on the threshold of the XXI century, it is advisable to look for institutional and economic solutions which would be capable of stimulating development process on the local scale, or surpassing the borders of a region, while taking into account a typology of localities (innovative, adaptative, lagging) in the process of global change<sup>16</sup>.

2. An interesting option in this context - especially for Eastern and Central Europe, and for Poland in particular - is an idea of regional development corporations<sup>17</sup>. Until market economy consolidates in these countries on the ruins of the command and distributive system, now in irreversible retreat, "invisible hand of the market" cannot be (nota bene it will not be even later on) a universal remedy and organizer of every aspect of social and economic life.<sup>18</sup> At the same time it is of utmost importance to avoid the reappearance of attempts at an arbitrary "manual steering" of the economic processes, damaging regardless of motivations and authorship. To sort out this dilemma, new institutions might be contemplated whose functioning might be tested first on the selected territorial units (chosen, however, neither amongst those most primitive and "forgotten", nor those struggling with most severe industrial and ecological problems). Such institutions would assemble in their midst - in a flexible manner - various subjects significant in one way or another to social and economic development = representatives of local authorities (state and self-government), enterprises and their associations (including units of the National Chamber of Commerce and Industry - KIG, foundations and other already existing business unions), foreign investors and their organizations, national and international banks and commercial firms, NGOs and IGOs, finally, recognized independent economists - and politicians.

3. The basic goal of such institutions would consist in the promotion of economic activity with the participation of domestic and foreign subjects and joint ventures, in the area covered by the territorial competence of the corporation. Its duties would consequently embrace the presentation of the opportunities existing in the region from the angle of possible investment, and preferences of the regional authorities in this respect, available resources, principles of spatial economy and details of the land use plan (including a clear indication of the possibilities of its modification if required), organizational structure of the administrative and self-government authorities, urbanization prospects including the availability of premises for newly established enterprises.

4. The secretariat of a corporation could render services to investors regardless of ownership sector and country of origin, preferably on a commercial basis, so as to assist them in establishing business contacts in the region involved and provide them with the relevant information pertaining to the development status and objectives in the region - pursuant to the view-point of the authorities of various rank and local business circles. To this end the corporations might establish promotion and information centers which would guide investors from the outside of the region through the labyrinth of administrative procedures, regulations and customs thus helping them to overcome bureaucratic obstacles and generally expanded feelings of incapacity and lack of assertiveness ("nothing can be done, no point in trying"). Such centers should operate as servicing units working on a commission basis. Such a solution would ensure their sound financial base, and their personnel would be remunerated in proportion to the quality of service rendered.

5. The corporations, together with the suggested promotion and information centers, could become a practical "confidence-building measure", especially towards foreign investors. The corporations would be of great help in coping with the two most acute barriers on the rocky road of investing in Poland: red tape including overlapping and unclear competences (the situation in this domain is no better in many other countries of Eastern and Central Europe, and - particularly - in the USRR) as well as the identification of local business partners and getting on terms with them. In such a manner the corporations would hopefully become institutions which could fill the gap between the legal status of investing in Poland and actual realpolitik encountered on the spot, in contacts with the local authorities and specific enterprises including their management and social organizations. Within the corporation, moreover it would be feasible to analyze social and ecological implications (and externalities) of economic activity (especially now), including that undertaken with foreign companies.

6. It should also be remembered that development dynamics of an economy, also of a regional one, depends on the expansion of the export sector as well as on the degree of penetration of the regional market by import supplies, the latter being determined, inter alia, by ratio between sheltered sectors and those exposed to unrestricted foreign competition.<sup>19</sup> Such interrelationships should be fully taken into account by the regional development corporations in order to sort out the optimal "preference mix" that would favour export expansion of the region in which a corporation operates and generally give the region a competitive edge.

7. Within the terms of reference and organizational structure of the newly created office of the (Polish) Government Commissioner for European Integration and External Assistance it might prove advisable to take account of a need to support promotion of entrepreneurship on a regional scale. In case of establishment - which seems a good idea bearing in mind considerable difficulties with the co-ordination of utilization of foreign aid flowing to Poland in 1989-1990 - of an External Assistance Council advising the Commissioner,<sup>19</sup> one of its areas of interest should become the strengthening of regional entrepreneurship and regional institution-building, mainly through the establishment of regional development corporations. Through the services of the Commissioner's Office and the Council, if created, foreign bodies similar to such corporations could be identified and contacted with a view to getting their support for, and co-operation with, the pioneer corporations in Poland. The latter seems crucial since the calling into being of these corporations may yield positive results only on the condition of attracting foreign capital into the region so that firms with foreign participation located there - provided their number at a specific location is sizeable enough - become capable of exerting a meaningful impact on the behaviour of purely domestic subjects of the economic intercourse, in other words - generate a desirable demonstration effect.

8. The establishment of regional development corporations along the lines set forth in the preceding paragraphs could - it seems - acquire real importance in the transformation

of production structures in Poland, the more so as those structures have not so far undergone significant modification despite profound systemic changes underway as of 1989. The main cause of this was not so much a conservative stance of state enterprises and behaviour of their management (wait and see policy); it was first of all the recession which always makes it more difficult to go ahead with structural adjustments, especially if they call for new investment (it should be noted that bankruptcy as a vehicle of enforced change as well as demonopolization on the administrative order have so far remained on paper). Regional development corporations would stimulate, naturally within their respective regions, economic growth which would eo ipso facilitate in a not-too-distant future the restructuring (both in terms of output mix and structure of industries and other sectors, especially services). They would also promote new ventures which by themselves would contribute to the structural change. Restructuring of the state and transformation of the society (in Poland) into a "competitive society" - as A. Kukliński points out - is unthinkable without territorial restructuring and reverting to the big voivodships<sup>21</sup> where new and innovative institutions will certainly be required.

## V. INTERNATIONAL CO-OPERATION

1. Countries of Central and Eastern Europe, Poland being unquestionable pioneer, have initiated vigorously dismantling of the economic system which failed to deliver. Its elements like inefficient public sector, rigid mandatory planning, centrally steered redistribution of wealth and distribution of means of production and consumption goods, etc. can be traced also in some developing countries, not necessarily out of those belonging to the out-going "socialist family" only. A need to decentralize and/or spur (and motivate) local initiative is recognized to be of importance even wider. That is why the conceptual and actual experience relating to regional development approaches including the one explored in this paper deserves to be shared not only among Central and Eastern European countries themselves in their post-communist evolution but also with

other interested countries, which seek various methods and tools to revive or speed up their economic growth without the excessive social cost especially rapidly rising unemployment. RDCs may become one of the effective instruments of fostering locally, on a regional scale, economic activity through identifying opportunities for industrial restructuring, industrial and other services, and related investment followed by active support of those willing to take them up. Therefore, it may be worthwhile to convey, through UNIDO, the results of the workshop to the developing countries and to analyze these results from the angle of their applicability for those countries.

2. Interregional links which may be the outcome of the RDCs' activity (i.e. transfrontier co-operation among regions) as indicated below for Central and Eastern European countries interested to strengthen their ties with Western counterparts (and restructure exchanges with the USSR) may also be of interest to the developing countries. In the subregion under discussion, regional development corporations might wish to establish links with the regions in foreign countries, or even with entire small countries. In that regard, the corporations should not merely await what offers may be forthcoming but first of all should exert themselves searching for foreign partners abroad. In this endeavour as well competent international organizations, both of the UN system and the EC family, or the United States and Japan bilaterally might help. The existence of the offices of representatives of the EC, UNDP, World Bank and IFC in a growing number of Central and Eastern European countries also favourable in this regard. Prima facie at least two situations seem to favour such interregional ties: (a) when regions encounter similar problems, have comparable industrial structures and - while being therefore mutually competitive - may nonetheless wish to share experience, and (b) when regions have a dissimilar economic (output) structure and - being therefore complementary in nature - may expand trade.

3. Developing the RDC concept and its implementation on a pilot basis will be considerably facilitated by the involvement of the relevant UN system organizations especially UNIDO (UNCTC and ECE have also shown interest, IFC and EBRD are expected to join the



exploring the concept) and bilateral agencies. Not only their advice and - as the case may be - financing of the research and the first phase of the pilot project may prove to be most helpful but also, their participation - psychologically - will be of importance both towards the government and local administration, given the prestige they enjoy. The representatives of the agencies concerned would then sit (as members or least observers) at the first RDCs ever created.

4. In Poland, in establishing the first, pilot corporations, such organizations as UNDP (e.g. through the "Umbrella" TOKTEN project "Poles for Poland", i.e. transfer of expertise and know how by expatriate Poles), UNIDO (through Industrial Investment Promotion Service in Warsaw), ECE, UNCTC, IFC (especially through the Business Advisory Facility just being established in Warsaw) as well as domestic American and EEC institutions could play a tremendous role. At the initial stage, both in the elaborating and refining the concept and in setting the first experimental corporations, PHARE or other external assistance funds could be instrumental. The participation of Polonia - Poles residing permanently abroad especially those interested in the conditions of investing in Poland - in such corporations would be very desirable indeed.

#### CONCLUDING REMARKS

1. In the light of considerations on the concept of regional development corporations, particularly in Eastern and Central Europe, one may well agree that the concept deserves both further research and - best of all simultaneously - verification in practice. The subregion in which Poland is situated has no time to loose: it lost already an awful lot. The countries which - like Poland - have already attained a degree of stabilization or are approaching it, have to think very seriously about the methods of real decentralization of their economy including changes to that effect in the mentality, about trends in international economic relations, and about the experience of others. Dynamic regionalization based on local competition (skilfully inspired) can become a valuable factor accelerating

economic recovery. It needs stimulation by means of a package of economic instruments designed by the central authorities as well as of decisions relating to the localization of investments financed from the budgetary allocations. The state (government) has at its disposal possibilities to alter the geographical distribution of costs and thus is capable of influencing propensity to invest in public and private sectors, thereby modifying or redirecting the process of territorial dislocation of productive forces, i.e. spatial development pattern.<sup>22</sup>

2. It should be realized that the departure from the centralization of economic decision-making and state monopolies will not occur as a result of a declaration concerning transition to market economy. Its main features - multiplicity of competing economic subjects, including dissipated investment decision-making by private entrepreneurs, entirely contradicts "gigantomania" in manufacturing, services, construction, etc., typical of the abandoned system. However, in order to effectively drop old inefficient and wasteful mechanisms in the actual economic practice, it is indispensable to promote the notion of local entrepreneurship and to create favourable conditions for its development: simple, encouraging and stable taxation system, access to preferential credits and appropriate technology, simplified - as much as possible - regulations and efficient local promotion institutions, e.g. local development corporations beginning with commune (like French syndicats d'initiative). In other words, a complete set of measures which would convince the distrustful that the state really considers "small to be beautiful" - starting from a family business onwards.

3. The host of experience - good and bad - of the post-communist countries accumulated in the process of their transition to market-based economy constitutes a valuable source of knowledge for many developing countries with the expanded, often excessively, and inefficient public sector - not only for those having quasi-socialist, centralized system. It pertains also to the methods of departure from such centralism, one of the instruments of which are supposed to become regional development corporations.

This is why the conceptual and practical outcome of the related experiments may prove of interest to those developing countries which contemplate structural adjustment and aim at spatially conscious economic development. As it was the case before when socialist systemic solutions were analyzed (and unfortunately introduced) in some of these countries, so now in certain intellectual circles the question is asked of whether the conversion of "real socialism" to a system relying on normal economic mechanisms, conventionally termed as capitalist, does not generate conclusions which might be attractive for some developing countries. For it becomes more and more clear that contemporary capitalism based on economic mechanisms that had been shaped in an evolutionary manner, especially market, brings better effects, or higher incomes and more equitable distribution thereof, while socialist production and consumption relations inevitably lead to waste and mismanagement, and the resultant inefficiency.<sup>23</sup>

4. Moreover, on the platform until recently called East-West, and in relations between Eastern and Central Europe and the USSR (taking into account the increasing powers of the republics in economic decision-making), and even within our own subregion, it becomes important to notice the role of regions in international exchanges. If interregional co-operation can contribute to the growth of trade turnover, attracting foreign investment and spurring the domestic one, imports of useful behavioural patterns and overcoming irrational hostile attitude towards external intrusions - the exploration of the concept is worthwhile pursuing. The experience gained in developing interregional exchanges may well be of relevance also to the developing countries in various parts of the world. That is why these countries should become involved already in the early stage of conceptual work and studies on RDCs.

NOTES

1. See The Economy in Question. Restructuring Britain, ed. John Allen and Doreen Massey. Sage Publications, London/Newbury Park, CA/New Delhi, 1988; pp. 23-26.
2. See NAISBITT, John, ABURDENE, Patricia. Megatrends 2000. The New Directions for the 1990's. William Morrow & Co., New York, 1990; pp. 13, 97-104 and 299-306.
3. See KOMOROWSKI, Stanisław. Polish Economy and Its Future. University of Warsaw, Warsaw 1990; passim.
4. See Globality versus Locality, ed. Antoni KUKLIŃSKI. University of Warsaw, 1990; pp. 9, 18 and 13.
5. See MIHAILOVIC, Kosta. Regional Development. Experiences and Prospects in Eastern Europe. Mouton, Paris/Hague, 1972; pp. 18-29, 48 and 145-151.
6. See Polskie województwo. Doświadczenia i perspektywy (Polish voivodship: experience and prospects), ed. A. KUKLIŃSKI, Paweł SWIANIEWICZ, University of Warsaw, Warsaw, 1990; p.25.
7. See DUNFORD, Michael F. Capital, the State, and Regional Development. Pion Ltd., London, 1988; pp. 349-350.
8. See "The Economy in Question", op. cit., pp. 163-213.
9. See Regional Dynamics of Socio-Economic Change, ed. Grzegorz GORZELAK. University of Warsaw, Warsaw, 1988; pp. 67, 131 and 136-138. "Accelerated uniformization" according to the communist doctrine has led in Poland to... accelerated differentiation in the regional development (see "Globality versus Locality", op. cit., pp. 244-245).
10. Ibidem, pp. 256-257.
11. See "Expose J.K. Bieleckiego w Sejmie" (Prime-Minister J.K. Bielecki's expose in the parliament). Rzeczpospolita daily. vol. 5 (2740), 7.I.1991; p. 3.

12. See "Pol-Landy". (Polish states). Gazeta Wyborcza daily. vol. 25(498), 4.II.1991; pp. 10-11. A. KUKLIŃSKI in "Regional Dynamics", op.cit., p. 155 and "Polskie województwo", op.cit., p. 32 suggests that 7 macroregions can be identified in Poland: northern, north-eastern, west-central, central, south-eastern, south-western and southern.
13. See "Polskie województwo", op.cit. pp. 5-6 and 153-155.
14. See "Regional Dynamics...", op.cit. pp. 132 and 137-138.
15. See "Globality versus Locality", op.cit., pp. 191-192.
16. Ibidem, respectively, pp. 216 and 223-225.
17. See KUKLIŃSKI, Antoni. "Regional Development Corporations. An idea for Central and Eastern Europe", Geojournal vol.23 No.3 March 1991, p.288.
18. See PIASECKI, Ryszard. "Rola państwa w życiu gospodarczym". (The role of state in the economic life). Dziennik Łódzki nr 24 (13362), 29.I.1991; p. 3.
19. See DUNFORD, p. 47.
20. An alternative solution might be to create a Corporation for the Development of Poland, also with the participation of foreign partners (legal and natural persons).
21. See "Polskie województwo", op.cit., pp. 5-6 and 31.
22. Ibidem pp. 231-232.
23. See BERGER, Peter. The Capitalist Revolution. Fifty Propositions About Prosperity, Equality and Liberty. Basic Books Inc. New York, 1986; pp. 130, 136-139 and 177.

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