

# Place-based Approach to Regional Policy

Polish, Slovakian and Ukrainian Youth Perspective.

Selection of Proceedings





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# Foreword





Despite over 40 years of European Cohesion Policy experience, it is still evolving to meet the changes of the socio-economical situation. During the recent years, there is more and more common belief that what can decide about the power of the European Union, it is a variability of institutional contexts of regional development. It means that both studies on local and regional aspects of socio-economic development, as well as relevant policy tools in this matter, should consider on larger and larger scale, so called place-based approach to regional policy. The latter refers to the necessity of capturing “territorial” diversity of European space on different scales of policy intervention. This approach will be strongly exposed, particularly in the new EU programming period 2014–2020.

Above aspects raise new challenges to regional science and regional policy, such as the necessity of searching for new methods of research, gathering relevant data, building multidisciplinary research programs, ensuring the comparability of results obtained, etc. As far as local and regional development policy is concerned, place-based approach refers to such aspects as: new methods of governance in functional areas, adaptation of universal guidelines for regional policy to the specificities of indi-

vidual cities and regions, increasing the effectiveness of regional policy by bringing together the objectives of the public, private and civil sector, or the reconciliation of economic, social and environmental development goals.

Regional scientists gathered in the European Regional Science Association — Polish Section decided to verify, how this modern paradigm of regional policy is perceived by students and young scientists living in Central European countries. For this purpose, a seminar for Polish, Ukrainian and Slovakian participants has been organized. What was particularly interesting in this context, it was both the perception of the advantage of being a member of European community for these countries who joined UE at the beginning of 21st century, and the expectations of young Ukrainians, whose country is nowadays on a serious political crossroad, from the EU.

This monograph is a material effect of a reunion of Polish, Slovakian and Ukrainian students and young scientists, for whom the European Regional Science Association — Polish Section created a forum for strengthening cross-border cooperation, exchange of experience and development of skills and competencies in the field of regional policy and regional economy, broadly defined.

This collection of proceedings is divided into three parts. First one gives examples on the strategic approach to regional development. First chapter, presented by Agnieszka Dembicka-Niemiec is attempt to outline the impact of sustainable development approach to urban policy. It is followed by the contribution of Andrea Miškovičová, who presented some Slovakian experience on the implementation of a creative city strategy. Last work, by Olga Janiszewska and Katarzyna Wiśniewska, is a comparative analysis of development strat-

egies of the city of Lublin and Lubelskie regions, searching for the cohesion between these documents.

Second part of the book is the presentation of some specific and practical solutions in the field of urban development policy and regional policy. Here, Edyta Szafranek presents the integrated territorial investments as a tool for implementing the regional policy in the spirit of place based approach. Second chapter of this part provides a Reader with a case study of implementing more and more popular tool of for engaging local communities, which is a participatory budgeting. An example used here by Barbara Skórzak and Piotr Salata-Kochanowski comes from Lodz — a third-largest city in Poland, which is the pioneer of this approach in Central Europe. The last of tools presented here comes from the work of Agnieszka Pietrasik, who presented a model of integrated water resources management in the city of Łódź. It can be concluded that this is a tangible example of the application of sustainable development approach to city ecosystems' design.

Last part of the monograph is devoted to the most universal trends, that can be perceived as a “global framework” for local and regional development policies. Here, a contribution of Iryna Skavronska shows the advantages and disadvantages of using sports mega-events as a tool of regional and urban transformation, while last chapter, prepared by Lesya Kolinets, outlines the impact of global financial crisis: impact on Central and Eastern Europe.

This book can be seen as collection of interesting examples and points of view on place-based regional policy, from the perspective of Poland, Slovakia, and Ukraine. In addition, it is a utility for the development of competences of young researchers in this part of Europe, in the field of regional sci-

ence. We hope that this form of work will meet a positive reception and will be continued in the future.

On behalf of the board of European Regional Science Association — Polish Section,

*Mariusz E. Sokołowicz, Dagmara Kociuba*

# Strategies



**Andrea Miškovičová<sup>1</sup>**

**„Bottom-up“  
Regional Development  
Through the Implementation  
of a Creative City Strategy**

**Abstract**

Contemporary societal changes brought about a number of various problems which significantly affect the development of regions around the world as well as the decisions of competent authorities who seek suitable methods of resolving these problems. Today, attention is often paid to the relevance of the bottom-up approach, which focuses on the cooperation of local and regional actors and other local entities in the promotion of development on the basis of available local potential — economic, political, socio-cultural, infrastructural, and geo-natural.

Traditional components of territorial potential can be extended with the following new elements: openness, diversity, creativity, symbolic value of the territory. A useful tool for promotion of both tradition-

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al and additional components of territorial potential is the concept of a creative city. Centred around creativity, culture and a sense for holistic and lateral thinking, the concept offers a variety of options how to deal with current and future problems in any territory. It is based on the assumption that any kind of development should be pursued on the basis of locally/regionally available resources with active participation of involved stakeholders.

In this paper, we examined the creative city concept as a new tool of regional development support. We identified its main characteristics and interconnections between endogenous and exogenous approaches to regional development. As a result of our findings, we concluded that a creative city can be used as a good example of the place-based approach to solving current regional problems.

Key words: “bottom-up” regional development, creative city, development strategy



# 1. Introduction

These days, regions all over the world have to face many problems emerging from the globalization process, structural economic changes or changing demographic trends. These problems usually lead to the outflow of quality human capital and investments from regions, deepening interregional disparities, slowing down their growth and reducing competitiveness. Relevant entities need to find options and tools for solving the above problems, which usually require a change in the approach to regional development.

In the last decades, attention was paid to the examination of the impact of innovation and creativity on economic development, taking into account a holistic approach and lateral thinking in the context of regional development and its strategies. This shift in thinking led to the establishing of two new approaches to territorial development — creative economy and creative city.

According to the decentralization concept, certain responsibilities should be performed at a territorial level, which would guarantee that the specific needs and interests of local residents are met in the most effective way. That is why in our opinion it is important to apply the so called place-based approach with bottom-up management of the development process. In other words, we believe that regional growth should be supported through identification and mobilization of territorial potential and resources, and by promoting cooperation among different actors within the territory.

Based on the study of professional and scientific literature, we are going to examine the creative city concept as a new form of bottom-up approach to regional development.

In our research, we will use the historical-logical method, content-casual analysis, synthesis, scientific abstraction and, more or less, methods of induction and deduction.

The main contribution of this paper is to summarize important and relevant information about the creative city concept in the context of new approach to regional development promotion. It will also help develop the awareness of the concept, since currently it does not receive much attention in academic or policy-making circles.

## 2. Shift in regional development theories towards a place-based approach

Changes in the economic structure over the past decades have brought different opinions on how regional development should be driven. In this paper, we are going to focus only on two main types of strategies which differ depending on the type of sources used to promote social and economic development in regions: internal or external ones.

The first large group of regional development theories were oriented on support from outside of the region, especially from a centralized national government, providing subsidies and capital to less developed regions in the country primarily to balance regional disparities. As a result, development strategies, action plans and regulations were also formulated outside of the region, creating a development framework for all regions in a country. The main idea of the approach was to transfer some amount of external resources from one (“rich”) region to another (“poor”) region, which led to supporting one

region at the expense of another. Weaker regions simply did not try to build their success on available resources. In our opinion, such an approach usually led to the lack of interest of regions in carrying out changes based on their own effort.

Exogenous regional development approach was also linked to the promotion of traditional industries and this is another reason why this approach loses its strength today. However, exogenous sources cannot be neglected as they represent the mobility of quality workforce, knowledge or technology, which have a growing importance for regional policy makers and other relevant entities also at present.

The second type of development theories is based on the so-called endogenous regional sources. This approach focuses on identification and mobilization of the inner potential and internal regional resources, in order to reach their development aims. It helps regions around the world to face diverse problems, create or regain a competitive advantage, maintain the quality of life and human capital and support the innovation potential by using the region's own resources and development strategies.

While the distinctive feature of exogenous strategies consists in transferring resources from one region to another, endogenous strategies are based on a different approach. They postulate the usage of inner resources like nature, infrastructure, institutions, people, place management, etc., in a way specific for each territory. In this case, the success of a region depends on the how these resources are used and therefore, from theoretical point of view, there is an equal opportunity for each region of a country to grow without being dependent on external help or resources.

The exogenous and endogenous approaches to regional development differ also in areas other than the above men-

tioned ones. The differences and the overall shift in approaches to regional development have been summarized by OECD, which we present in Table 1 below.

**Table 1.** Old and new paradigms of regional development

Elements of each paradigm	Old paradigm	New paradigm
<b>Objectives</b>	Compensating temporarily for location disadvantages of regions lagging behind	Tapping underutilized potential in all regions for enhancing regional competitiveness
<b>Unit of intervention</b>	Administrative units	Functional economic areas
<b>Strategies</b>	Sectoral approach	Integrated development projects
<b>Tools</b>	Subsidies and state aids	Mix of soft and hard capital (capital stock, labour market, business environment, social capital and networks)
<b>Actors</b>	Central government	Different levels of government

Source: own studies based on the OECD (2009)<sup>2</sup>.

In the above context, we can summarize as follows<sup>3</sup> the position and role of various stakeholders in regional development depending on the leading institution in the process:

- a) Top-down promotion of regional development — this approach is based on a strict hierarchical relationship between stakeholders and the central government on the top

<sup>2</sup> OECD (2009), *Regions Matter. Economic Recovery, Innovation and Sustainable Growth*, OECD PUBLISHING, Paris.

<sup>3</sup> Pike A., Rodríguez-Pose A., Tomaney J. (2006), *Local and Regional Development*, Routledge, Abingdon.

of this hierarchy. The centre manages transfer of capital or financial aid from stronger to weaker regions to compensate existing inequalities. At this level, also decisions about industries which should be primarily supported in order to achieve an economic growth of regions, is made. That is why it could be called sectoral approach, too. This approach is primarily focused on exogenous development sources and strategies;

- b) Bottom-up promotion of regional development — this approach is based on decentralized cooperation between all governance levels, but mainly between local and regional ones, and various subjects from the private and non-profit sector. The initiative for development comes from below and all its strategies are formulated in line with the existing local potential. Its activities positively affect all aspects of life in the territory, which leads to the promotion of socio-economic development. Since it is supposed to follow the local potential, the specifics and needs of local inhabitants, it could be called a territorial approach. This approach is primarily focused on endogenous development sources and strategies.

However, it is really important to realize that regional development depends on a convenient combination of both external and internal sources. This fact was the basis for establishing the so called place-based approach to regional development.

Tomaney defined this approach as follows: “The new paradigm of local and regional development emphasises the identification and mobilisation of endogenous potential, that is, the ability of places to grow drawing on their own resources, notably their human capital and innovative capacities. This approach aims to develop locally-owned strategies that can

tap into unused economic potential in all regions and are the basis for strategies that tackle questions of sustainable development and human wellbeing”.<sup>4</sup>

As we have already mentioned, the place-based approach requires also some external interventions so that the regions could achieve better results (especially in the area of interregional competition) in setting up development aims. Barca, considered a pioneer of this approach, pointed out<sup>5</sup>: “A *place-based policy* is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes. In a place-based policy, public interventions rely on local knowledge and are verifiable and submitted to scrutiny, while linkages among places are taken into account”, and added: “A place-based approach ultimately relies on the capacity of external interventions to promote a process for eliciting and aggregating knowledge and preferences in the places targeted”.

According to Tomaney, this approach (as well as the bottom-up one) is based on the argument that each region (not only the metropolitan ones), has equal opportunity to foster its socio-economic development.<sup>6</sup> Every effort and action at local and regional level to implement this new paradigm of

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4 Tomaney J. (2010), *Place-based Approach to Regional Development: Global Trends and Australian Implications*, Australian Business Foundation, Sydney, p. 6.

5 Barca F. (2009), *An Agenda for a Reformed Cohesion Policy. A Place-based Approach to Meeting European Union Challenges and Expectations*, DG Regio, European Commission, Brussels, p. VII.

6 Tomaney J. (2010), *Place-based Approach to Regional Development: Global Trends and Australian Implications*, Australian Business Foundation, Sydney.

regional development will lead to the reinforcement of domestic economic situation and human wellbeing as well.

As we will point out in the following part of this paper, the creative city concept is a typical example of place-based approach to bottom-up promotion of regional development which uses a combination of exogenous and endogenous development elements. As Landry claims about a creative city<sup>7</sup>: “The philosophy is that there is always more potential in any place than any of us would think at first sight”. The role of a creative city is to find new, creative ways how to identify and apply it properly in order to foster the regional development.

### 3. Creative city as a tool for bottom-up promotion of regional development

The term “creative city” was first officially used in 1988, at an Australian conference *Creative City*, which was focused on promoting territorial development.<sup>8</sup> Over the decades, this concept had various meanings and was used to solve various problems, but its essential components have always been creativity and culture.

Because of its multidisciplinary character, it is not simple to unambiguously define the creative city concept. It impacts many aspects of life in a city and it is used by various entities

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<sup>7</sup> Landry Ch. (2005), *Lineages of the Creative City*, Netherlands Architecture Institute, Amsterdam, p. 2.

<sup>8</sup> Landry Ch. (2005), *Lineages of the...*, op. cit.; Makogon Y., Khadzhynov I. (2010), *Research of Creative Role of City in Attraction of Globalizing Investment Flows*, “Economics and Management”, vol. 15, pp. 145–148.

for several purposes. However, its aim is to mobilize the potential of a certain place (neighbourhood, city, region, etc.) in order to ensure the prosperity of a certain territory and its inhabitants, attract quality, talented and creative human capital, investments, tourists, jobs and innovations. It means to create an attractive place to work, study, visit, live and act in by applying a proper combination of endogenous and exogenous sources.

The first precondition to accept a creative city as a relevant source of change is the awareness of a brand new role of creativity. Usually, we understand creativity as some specific type of skills which can be found to some degree practically in every human being. In the context of a creative city, it is considered an important source of new ideas which may lead to a strong competitive advantage and foster social and economic development of a given territory<sup>9</sup>.

In her work, Camilleri summarized the importance of creativity for the promotion of social and economic development of a territory into two main points<sup>10</sup>:

1. Creativity as a source of economic success of cities — talented, creative and educated people are considered today the most valuable assets of firms and territories. Quality workforce is becoming the most important factor in the localization decisions of certain companies or industries

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9 Landry Ch. (2007), *Creativity and the City. Thinking Through the Steps*, “The Urban Re-investors”, vol. 1, pp. 1–21; See also: Makogon Y., Khadzhynov I. (2010), *Research of Creative Role of City in Attraction of Globalizing Investment Flows*, “Economics and Management”, vol. 15, pp. 145–148; Baycan T., Girard Fusco L., Nijkamp P. (2011), *Creative and Sustainable Cities: A New Perspective*, [in:] Girard Fusco L., Baycan T., Nijkamp P. (ed.), *Sustainable City and Creativity. Promoting Creative Urban Initiatives*, Ashgate Publishing Limited, Farnham, pp. 3–12.

10 Camilleri N. (2010), *The Creative City: Reality or Rhetoric? A Critique of the Recent Work of Charles Landry and COMEDIA*, LAP LAMBERT Academic Publishing, Saarbrücken.



(e.g. creative and cultural ones — see below). It replaces the components of hard infrastructure and reinforces the ones of soft infrastructure.

2. Creativity has a positive impact on the current and future situation in a city — it is a general fact that today more than half of the world's population live in cities. According to the World Health Organization, this trend is going to continue and it is assumed that by 2030, six out of every ten people will live in a city. This is related to the shift from traditional to modern (New Economy) society. Landry claims that today one of the possible answers for cities (and for individuals as well), struggling with the accompanying problems or new situations, is using brand new tools such as creativity, culture and innovative or lateral thinking which could lead to wealth production through new, creative ideas.<sup>11</sup> Such creative problem solving process should lead to improvement of quality of life in a certain place as well as to its socio-economic development.

However, as Pratt claims, we should not try to describe creativity unambiguously.<sup>12</sup> We should look at creativity relatively, based on the local potential and its particularities. It is clear that the place-based approach is important even in the process of description of such an abstract element as creativity.

As we have already emphasized, a creative city is not the only concept related with a shift in the thinking of policy-makers and other entities relevant in the formulation of regional development strategies. These days, the promotion of a cre-

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<sup>11</sup> Landry Ch. (2007), *Creativity and the City. Thinking Through the Steps*, "The Urban Reinvestors", vol. 1, pp. 1-21.

<sup>12</sup> Pratt A.C. (2011), *The Cultural Contradictions of the Creative City*, "City, Culture and Society", vol. 2(3), 2011, pp. 123-130.

ative economy plays an important role in fostering regional and, consequently, national development.

A creative economy is considered a systematic connection of creativity, culture, art, technology, innovation and the economy as such. In the context of a creative city, creative economy is represented by new progressive industries — creative and cultural ones. The latest document of the United Kingdom's Department for Media, Culture and Sport mapping creative industries, includes the following sectors into this category: advertising and marketing; architecture; crafts; product, fashion and graphic design; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries and libraries; music, performing and visual arts.<sup>13</sup> Every country has usually its own classification of such industries. However, the DCMS model covers almost all of the typical creative and cultural industries, which is why we have mentioned it in this paper.

A creative city is an answer to ongoing global changes in the field of economy, technology, culture, society and politics. It takes into account the fact that people today are searching for something more than just consumer goods. They are looking for experiences, symbolic values, diversity and authenticity. Therefore, even a place (city, region, country) and its atmosphere, people, institutions, amenities, appearance, can become a product.<sup>14</sup>

To become a competitive product, territories have to focus on a variety of aspects when formulating a place-based creative city strategy. It requires all relevant stakeholders in-

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<sup>13</sup> Department for Culture, Media and Sport (2014), *Creative Industries Economic Estimates*, DCMS, London.

<sup>14</sup> Romein A., Trip J.J. (2009), *Key Elements of Creative City Development: an Assessment of Local Policies in Amsterdam and Rotterdam*, Universidad Rey Juan Carlos of Madrid, Madrid.

volved in formulating and delivering the development strategy to set-up clear, understandable goals. The approval of all goals, plans and actions by residents of a certain territory is the key to success of the creative city strategy. As Lerner claims<sup>15</sup>: “...the very essence of a creative city relies in its ability to build a collective dream and in its capacity to mobilize the efforts of its citizens to make this dream come true — an endeavour that could be attained by every city, small or large”.

Romein and Trip distinguish between two main areas which can affect the whole process of formulating a creative city strategy<sup>16</sup>:

1. Focus on the production *milieu* of a territory — support of cultural and creative industries and clusters of firms which are identified as innovation generators, since they represent the place where innovative ideas and processes are born, transferred and implemented. The main aim is to make creative and cultural industries a natural part of the city/region economy. They are usually micro, small and medium sized enterprises, which are considered the drivers of local/regional economy. The main idea of this type of strategy is to meet the economic goals of a certain territory.<sup>17</sup>

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15 Lerner J. (2009), *Every City Can Be a Creative City*, [in:] Fonseca Reis A.C., Kageyama P., *Creative City Perspectives*, Garimpode Soluções & Creative City Productions, São Paulo, p. 32.

16 Romein A., Trip J.J. (2009), *Key Elements of Creative City Development: an Assessment of Local Policies in Amsterdam and Rotterdam*, Universidad Rey Juan Carlos of Madrid, Madrid.

17 Clifton N., Cooke P. (2009), *Creative knowledge workers and location in Europe and North America: a comparative review*, “Creative Industries Journal”, vol. 2(1), pp. 73–89; Evans G. (2009), *Creative Cities, Creative Spaces and Urban Policy*, “Urban Studies”, vol. 46(5–6), pp. 1003–1040; Flew T. (2010), *Toward a Cultural Economic Geography of Creative Industries and Urban Development: Introduction to the Special Issue on Creative Industries and Urban Development*, “The Information Society”, vol. 26(2), pp. 85–91; Chapan C., Comunian R. (2010), *Enabling or Inhibiting the Creative Economy: The Role of the Local and Regional Dimensions in England*, “Regional Studies”, vol. 44(06), pp. 717–734; Romein A., Trip J.J. (2009), *Key Elements of Creative City Development: an Assessment*

2. Focus on the consumption *milieu* of a territory — support of activities increasing the attractiveness of the city/region, not only for creative and talented people from other cities but also for local inhabitants, entrepreneurs, tourists, etc. This approach is also based on a controversial idea, well known from studies about a creative city and creative economy, that jobs follow people. It means that through an attractive environment, a territory should be able to attract (creative) human capital, which will lead to attracting new entrepreneurs (not only from creative and cultural industries) from the outside of the region. This strategy is oriented at improving the indicators reflecting the quality of life in the city, such as culture, education, and its socio-economic environment.<sup>18</sup>

Following the classification into the consumption and production *milieus*, Romein and Trip have identified and described key elements of a creative city shown in Table 2. These elements are arranged in an ascending order (except the last one, which is how place management should be done to promote the other mentioned factors), according to the degree of suggestibility by local politicians. Listed elements could also be used as an aid for understanding the assumption that the creative city combines exogenous and endogenous sources of

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*of Local Policies in Amsterdam and Rotterdam*, Universidad Rey Carlos of Madrid, Madrid; Storper M. (2010), *Why Does a City Grow? Specialisation, Human Capital or Institutions?*, "Urban Studies", vol. 47(10), pp. 2027–2050; Rivas M. (2011), *From Creative Industries to the Creative Place. Refreshing the Local Development Agenda in Small and Medium-sized Towns*, "Redige", vol. 2(2), pp. 131–147.

<sup>18</sup> Florida R. (2004), *The Rise of the Creative Class... and How It's Transforming work, leisure, community, & everyday life*, Basic Books, New York; Trip J. J., Romein A. (2010), *Creative City Policy: Bridging the Gap with Theory*, Delft University of Technology, OTB Research Institute for Housing, Delft; Gordon P. (2013), *Thinking about Economy Growth: Cities, Networks, Creativity and Supply Chains for Ideas*, "Annals of Regional Science", vol. 50(3), pp. 1432–0592.

development. If a certain territory is able to identify, promote and apply these elements, it is likely to be competitive in the market of other territories, and therefore, able to attract more financial, technical and human capital, investments, jobs, etc. As Pike et al. pointed out: “The fortunes of local and regional economies are crucially dependent upon their abilities to attract and embed exogenous resources”.<sup>19</sup>

**Table 2.** Key elements of the creative city and its main characteristics

Key element	Characteristic	Production or consumption milieu
Social climate	Prevailing values and attitudes; social tolerance; openness towards diversity (e.g. gay and foreign-born population, subcultures)	Both
Representation	Image; symbolic value of cultural heritage; “story”, humous soil or DNA of the city as a whole or specific intra-city areas	Both
Labour market and employment	Diverse pool of talented workers; vocational training; “thick” labour market	Both
Buzz, atmosphere	Face-to-face networks; tacit knowledge; street life; possibilities for unplanned encounters in “third spaces”	Both
Built environment; living and residential environment	Diversity and size of buildings; vibrant street life; diverse, pedestrian-friendly publicspaces; authentic-neighbourhoods	Both
Amenities	Cultural festivals; outdoor sporting facilities; parks; education facilities; specialist libraries; specialist shops; diversity of cafes and restaurants	Consumption

19 Pike A., Rodríguez-Pose A., Tomaney J. (2006), *Local and Regional Development*, Routledge, Abingdon, p. 175.

Key element	Characteristic	Production or consumption milieu
Clusters; incubators	Affordable spaces; old industrial buildings; authenticity	Production
Policy; government and governance	Creating conditions rather than detail planning; cooperation between local authorities, firms and interest groups	

Source: Romein A., Trip J.J. (2009), *Key Elements of Creative City Development: an Assessment of Local Policies in Amsterdam and Rotterdam*, Universidad Rey Juan Carlos of Madrid, Madrid, p. 4.

A creative city strategy is usually formulated based on one of the following two main impulses:

1. Internal — represented by awareness of a specific problem, need, shortage, etc.
2. External — organization of sporting mega events (Olympics, World Championship), UNESCO Creative City Network, European Capital of Culture.<sup>20</sup>

No matter if the impulse is internal or external, it leads to reaching these main three strategic aims: restructuring of the local/regional economy (shift from old industries, such as mining, engineering, heavy, etc., to creative and cultural ones); revitalization and regeneration (reinforcement of the attractiveness, atmosphere, walkability, amenities of the territory, establishing green-approach, etc.); overall transformation of the territory (in case of catastrophe, war, but also in the case of transforming bad image of the city into a good one).

After setting-up one of the above mentioned aims — based on either an internal or external impulse — policy-makers,

<sup>20</sup> Pratt A.C. (2010), *Creative Citites: Tension Within and Between Social, Cultural and Economic Development. A Critical Reading of the UK Experience*, “City, Culture and Society”, vol. 1(1), pp. 13–20.

urban planners, scientists, artists, ordinary people, or practically anybody can start to formulate (or participate in the formulation) a creative city strategy. Such actors can, in general, create two main types of place-based strategies<sup>21</sup>:

1. Strategies based on the current potential and specific needs and problems of the city. Landry defines the creative city potential as an available hard and soft infrastructure in their traditional sense.<sup>22</sup> However, if we combine the two, we get creative infrastructure. This infrastructure, in addition to traditional elements of hard and soft infrastructure, includes attitudes, spiritual infrastructure, and atmosphere of the territory, its amenities, comfort, culture and preconditions for creativity development. Alongside the consumption and production milieu promotion, we include the following sub-strategies into this category:

a) Creative city as a place marketing strategy — its main aim is to attract investors, tourists or new residents into a territory, improving its competitive advantage, image, position in the territory market, etc. In order to reach such a goal, place marketing tools can be used — product (place and basically everything — tangible and intangible — what is in the city), price (price of land, houses, taxes, services, etc.), accessibility (geographical location of the city, transport in the city, traffic signs, etc.), people (public, private and voluntary/community sectors), tools of marketing communication (promotion, PR, di-

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21 Trip J. J., Romein A. (2010), *Creative City Policy: Bridging the Gap with Theory*, Delft University of Technology, OTB Research Institute for Housing, Delft.

22 Landry Ch. (2007), *Creativity and the City. Thinkin Through the Steps*, “The Urban Reinvestors”, vol. 1, pp. 1–21.

rect mail, event marketing, personal communication, sales support)<sup>23</sup>;

- b) Creative city as a strategy oriented on tourism — even though tourism has a very good effect on the development of the city’s facilities, its social-economic situation, awareness and self-confidence of its residents, and organization of various events, it is not recommended to focus exclusively on this strategy. Tourists have usually different needs and requirements than the residents, which is why they should not be the only one target group<sup>24</sup>. Orientation on “mainstream” tourism such as spa, sports, recreational tourism, could be also a problem for some territories due to a diverse character or nature and geographic potential. In this case, it is really important to unleash the available creativity and try to focus on specific and unique forms of tourism, e.g. catastrophic tourism (not to save someone/something, only to watch a disaster and its aftermath); dark tourism (searching places related to death); pop-culture tourism (specifically visiting places that we have read about or seen in a movie); Vacilando (travelling is more important than destination itself); bizarre — experimental tourism (choosing the target destination on the basis of experimental ideas — visiting the “centres” of bureaucracy — waiting rooms, social service agencies, municipal offices, police stations, and using their equipment — copiers, leaflets, magazines, samples, etc.); over-

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23 Costa P., Magalhães M. et al. (2006), *On 'Creative Cities' Governance Models: A Comparative Approach*, DINÂMIA — CENTRO DE ESTUDOS SOBRE AMUDANÇA SOCIOECONÓMICA, Lisboa.

24 Joffe A. (2009), *Creative Cities or Creative Pockets? Reflections From South Africa*, [in:] Fonseca Reis A. C., Kageyama P., *Creative City Perspectives*, Garimpo de Soluções & Creative City Productions, São Paulo, pp. 53–62.



- night travel (arriving to the target destination at night and examining it just then).<sup>25</sup>
2. Strategies imitating other successful ones. Such an approach is not very recommended in practice. As we have already pointed out, not only creativity but the creative city concept, too, works especially with the local potential and its particularities. We should not see the creative city as “one strategy fits every territory”. Even though the awareness of foreign (or outside of the region) experience is natural, a creative city is not a concept that could be taken from one territory and applied in another one.<sup>26</sup>

All the mentioned creative city strategies have to be considered as complementary. To ensure the best results of creative city strategies in the regional development, it is necessary to combine them in an appropriate way. Each creative city strategy is focused on a different field and plays an important role in the support of local, regional and therefore, national development.

As a conclusion of the introduction to the creative city concept, we present three main principles of this concept according to Yencken<sup>27</sup>. It is important:

1. To know and support diversity and complexity of a city,
2. To use more holistic, intuitive (and we add: lateral) approach to local development,
3. To ensure transparency and comprehensibility for residents of a city.

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25 Landry Ch. (2006), *The Art of City Making*, Earthscan, London.

26 Pratt A.C. (2010), *Creative Cities: Tension Within and Between Social, Cultural and Economic Development. A Critical Reading of the UK Experience*, „City, Culture and Society“, vol. 1(1), pp. 13–20; Pratt A.C. (2011), *The Cultural Contradictions of the Creative City*, „City, Culture and Society“, vol. 2(3), pp. 123–130.

27 Yencken D. (2013), *Creative Cities*, [in:] Sykes H. (ed.), *Space Place & Culture*, Future Leaders, Sydney, pp. 1–21.

The importance of creative city as a modern tool for territorial development promotion is embodied in the new European Commission programme — Creative Europe 2014. This programme is focused on the promotion of creative and cultural industries represented by individuals or organizations from the field of cinema, theatre, literature and arts. The Creative Europe programme follows the Europe 2020 Strategy goals through the promotion of creativity and culture as new endogenous sources of socio-economic development. Since the bottom-up approach requires cooperation of diverse entities from the public, private and non-profit sector in order to capture and use internal sources of a certain region, we believe that this new European programme could be a useful aid for the promotion and implementation of the creative city concept in every territory which is open to this new, progressive idea.

#### Streszczenie

Realizacja strategii rozwoju miasta kreatywnego jako forma rozwoju regionalnego stymulowanego oddolnie

Aktualne zmiany społeczne powodowane są przez wiele różnych kwestii, które znacząco wpływają na rozwój regionów, jak również decyzji właściwych organów w sprawie doboru odpowiednich metod ich rozwiązywania. Obecnie ważne jest oddolne podejście do rozwoju regionalnego, które ma na celu popieranie współpracy między przedstawicielami samorządów regionalnych i lokalnych oraz innych podmiotów biorących udział w rozwoju danego obszaru, na rzecz wykorzystania dostępnego potencjału lokalnego — gospodarczego, politycznego, społeczno-kulturalnego, infrastrukturalnego i naturalnego.

Tradycyjne elementy potencjału regionalnego można uzupełnić o elementy nowe — otwartość, różnorodność, kreatywność, wartości symboliczne. Szczególnie skutecznym narzędziem w tym kontekście wydaje się być koncepcja miasta kreatywnego. Opiera się ona na założeniu, że wszelkie zmiany powinny być wykonywane przez identyfikację i mobilizację

zasobów lokalnych/regionalnych, z wykorzystaniem przede wszystkim czynnika ludzkiej kreatywności, jak również poprzez eksponowanie roli sektora kultury w rozwoju społeczno-gospodarczym.

W niniejszym artykule została omówiona koncepcja miasta kreatywnego jako nowego instrumentu stymulowania rozwoju regionalnego, zidentyfikowane zostały również główne cechy i powiązania między endogennymi i egzogennymi czynnikami rozwoju regionalnego. Opracowanie prowadzi do sformułowania tezy, że kreatywne miasto jest typowym przykładem podejścia terytorialnego do rozwiązywania współczesnych problemów regionów.

Słowa kluczowe: oddolne podejście do rozwoju regionalnego, miasto kreatywne, strategia rozwoju

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**Agnieszka  
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**Implementation  
of the Idea  
of Sustainable  
Development  
in Urban Policy**

**Abstract**

The principal goal of the paper is to identify links between the implementation of the idea of sustainable development and solutions proposed in urban policies. The paper discusses three issues connected with activities and tools involved in practical implementation of urban policies, which, according to the author, emerge more and more clearly in the cities in Poland and in Europe. These issues focus around three thematic groups: low emission urban transport, civic participation, and shaping urban public space. For each group there are

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examples of actions delivered as a part of urban policy and attention is drawn to strong relationships among the three of them.

Key words: sustainable development, urban policy, low emission urban transport, civic participation, public space



# 1. Introduction

The goal of the study is to identify the feasibility of implementing the assumptions of sustainable development on the example of actions undertaken in selected cities in Europe within their urban policies. We analysed selected European cities, which:

- pursue low emission transport policy as a part of their urban policy,
- respect the opinions of local communities when drafting urban policy,
- attempt to shape public space having in mind the needs of urban community and in line with the idea of sustainable development.

Focus on such criteria can be explained by challenges inherent in the idea of sustainable development, which stresses the importance of the development of cities within their natural environment, meets the needs of residents and contributes to the shaping of „friendly” public space.

## 2. Sustainable development — notion and interpretation

The idea of sustainable development is generally familiar and applied both in science and politics. The term was introduced at international fora in the 1980s by the IUCN (International Union for Conservation of Natural) as *sustainable development*. Next, it was used by the World Commission of Environ-

ment and Development in the Brundtland Report „Our Common Future”. The report describes sustainable development as a *process aimed at meeting development needs and aspirations of the present generation in a way that enables meeting the same goals by future generations. It means development, which satisfies today’s needs without compromising the ability of future generations to meet their own needs.*<sup>2</sup>

The new development goal identified in the document Agenda 21 at UNCED conference in 1992 was adopted by all the countries in the world<sup>3</sup>. It does not mean, however, that a common definition of sustainable development or binding goals limiting the use of natural resources were agreed. The question of sustainable development is not well defined. Most authors who try to define sustainable development focus on its three aspects: economic, social and environmental. Leśniak draws attention to three groups of goals which overlap with the above mentioned aspects of sustainable development and which are closely linked with one another<sup>4</sup>:

- social, which are to meet basic needs of the society, limit unemployment, improve the standard of living and maintain cultural diversity;
- economic, responsible for the growth of the GDP and ensuring the required volume of goods and services;
- environmental, which preserve natural resources and maintain the productivity of ecosystems, protect natural diversity, improve the shape of natural environment and guarantee its high quality.

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2 UN Documents, *Gathering a body of global agreements, Our Common Future*, Chapter 2: *Towards Sustainable Development*, <http://www.un-documents.net/ocf-02.htm>, access on: 28.06.2014.

3 Agenda 21 adopted at UNCED conference in 1992.

4 J. Leśniak, *Wizja zrównoważonego społeczeństwa*, [in:] J. Błażejowski, *Zrównoważony rozwój, conference proceedings*, Gdańskie Towarzystwo Naukowe, Gdansk 2009, p. 70.

What is important is also the sustainability of the development, respect for the rights and needs of future generations so that they could benefit from natural resources equally to the present generation.

The most common and the most recognised approach consists in treating all the three dimensions on equal footing as their goals intertwine making it impossible to achieve the goals in one field only leaving the two remaining ones aside.

### 3. Sustainable development in urban policy

Nowadays, neither strategic documents nor the Polish legal system provide a single universal definition of urban policy. That, however, does not prevent from using the term more and more frequently in various contexts. As a result, similarly to the notion of sustainable development, the term is interpreted in different ways. We must stress that in literature urban policy is described in two ways: as a policy pursued by the state vis-à-vis cities and as a policy pursued by cities vis-à-vis their space and communities living in them<sup>5</sup>.

In the first case we can invoke the definition from the draft document „Assumptions of National Urban Policy until 2020” of the Ministry of Regional Development where National Urban Policy is understood as a series of purposeful, territorially targeted activities of the state aimed at sustainable devel-

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5 B. Jałowiecki, *Polityka miejska w Polsce*, Euroreg, Centrum Europejskich studiów regionalnych i lokalnych Uniwersytetu Warszawskiego, p. 4, [www.euroreg.uw.edu.pl/media/prezentacje\\_konferencja\\_polityka\\_miejska/\\_1.\\_bohdan\\_jalowicki.pdf](http://www.euroreg.uw.edu.pl/media/prezentacje_konferencja_polityka_miejska/_1._bohdan_jalowicki.pdf), access on: 29.06.2014.

opment of cities and their functional space and making use of the potential of cities in the development of the country. Hence already at the stage of defining urban policy special attention is paid to activities aimed at sustainable development of cities. We should highlight that the context includes not only the city but also areas under its impact. Urban policy covers broader fields of action of urban units, both in terms of the territory and development processes.

National Urban Policy (NUP, Polish abbr. KPM) refers to urban areas and their functional territories, in which investment projects are due to take place initiated by public or non-public entities. Urban policy is planned at the central level, which does not mean it is done only by the government. Its implementation assumes the involvement of self-government at regional level, in urban, urban — rural and rural communes in urbanised areas affiliated to functional areas. Besides, national urban policy should not be limited to activities of the central government vis-à-vis the cities but include actions of citizens' groups and public institutions, including territorial self-governments, leading to the achievement of goals and tasks relevant from national point of view<sup>6</sup>.

Territorial approach in national policies is in line with European and global trends; European Union is striving to streamline territorial dimension in the EU policies, including the cohesion policy, which is a direct implication of the Lisbon Treaty that introduced territorial dimension as the one equal with economic and social ones. NUP contributes to the implementation of Europe 2020 Strategy, which identified smart, sustainable and inclusive growth as the three

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6 *Assumptions of the National Urban Policy until 2020 — draft*, Ministry of Regional Development, Warsaw, 20 July 2012, [www.mir.gov.pl/aktualnosci/polityka\\_rozwoju/Documents/Zalozenia\\_KPM\\_20\\_lipca\\_po\\_uwagach\\_MMN.pdf](http://www.mir.gov.pl/aktualnosci/polityka_rozwoju/Documents/Zalozenia_KPM_20_lipca_po_uwagach_MMN.pdf), access on: 06.07.2014.

primary goals of Europe's development. European cities and integrated approach to urban policy play a major role in accomplishing these goals.

The second approach to urban policy, i.e. its interpretation as a policy pursued by local authorities vis-à-vis urban space and the inhabitants is defined in different ways depending on the territorial unit to which it applies. It focuses around activities undertaken by urban authorities with a view to manage the space of a given city (e.g. by issuing location decisions for large retail stores). We must bear in mind, however, that this approach also links to civic participation and the involvement of the citizens into decision making with respect to their living space. In the National Urban Policy bottom-up activities and initiatives together with the engagement of citizens play much less prominent role than the state urban policy itself. The improvement of the inhabitants' quality of life treated as the goal of sustainable development justifies the conclusion that civic participation provides the basis for achieving the goal. It is important to involve citizens into issues of direct importance to them, such as public transport, spatial planning, renewable energy or organic food. Local residents of a particular city or town are the closest to the issues which impact them directly and they often suggest fields in need of intervention which are overlooked by city authorities. Besides, cohesive urban planning and urban transport, which to a large extent condition the quality and comfort of life in a city, play a vital role in accomplishing the principles of sustainable development.

The paper focuses on the second approach to urban policy and concentrates mainly on the following issues:

- civic participation as an important facilitator in solving the problems of local communities;

- public transport;
- public space as an inherent component of urban transport and an element that can be shaped by local residents engaged in, e.g., participatory budgeting.

The above matters are discussed using the examples of selected cities in Poland and Europe.

#### 4. Civic participation as an element of urban policy implemented along the lines of sustainable development

Nowadays citizens involvement in decision making in cities is more and more debated. Local authorities fear the end-results of citizens' initiatives. Despite that there are more and more cities which try to involve the inhabitants and let them participate in the implementation of urban policy. An example is the introduction of participatory budgeting in cities. Sopot was among the first group of cities in Poland which decided to introduce participatory budgeting already in 2011<sup>7</sup>. Participatory budgeting involves the local community in the preparation of the draft budget for a city, which is divided into two stages: stage 1 — presentation of ideas, stage 2 — selection of ideas. The first stage is considered time consuming since it requires an active engagement of a team of specialists, discussions in thematic groups and financial analyses. Its participants are not only local residents but also the mayor of a given city, councillors and administrative staff. The possibility

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<sup>7</sup> [www.sopockainicjatywa.org/tag/budzet/](http://www.sopockainicjatywa.org/tag/budzet/), access on: 29.06.2014.

opened up for the citizens to present ideas that could later be financed from the city budget is the key element in participatory budgeting. Voting in the second stage helps select the project to be implemented.

To be aware of what is at stake in voting, inhabitants must be familiar with details of each project. There is a dedicated website where each project is discussed in details or a monthly is produced with all necessary data about the projects. Minimum activity expected from local residents includes becoming familiar with proposed projects and participating in voting.

Voting turnout is another important aspect of participatory budgeting as it shows the engagement and interest of the residents of the city or of its individual districts in problems experienced by their communities. In Dabrowa Gornicza high voting turnout resulted in additional benefits. On top of the implementation of the winning project, city authorities decided to implement other projects in the district with the highest turnout as a sort of reward for the local community. In the district of Okradzionow as many as 78% of residents with the right to vote did participate in voting while in other parts of the city the turnout did not reach 5% of the local population. The winning projects concerned the construction of a tribune and the fixing of barrier nets at a sports playing ground<sup>8</sup>.

The rules of filing projects differ from city to city but they are rather similar. In Dabrowa Gornicza each inhabitant aged over 16 whose idea is supported by at least 15 other inhabitants of the same district may submit a project. In Opole, in turn, a project must be backed up by at least 20 people. Proposed projects are reviewed by the staff of the city administration within a prescribed period of time. The review includes the

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8 [http://2014.twojadabrowa.pl/o\\_projekcie/3/6/wyniki\\_projektow.html](http://2014.twojadabrowa.pl/o_projekcie/3/6/wyniki_projektow.html), access on: 05.05.2014.

ownership of the land covered by the project: is it owned by the commune or by another subject ready to collaborate with the city, is there any other undertaking planned for the area.<sup>9</sup>

As a smooth exchange of information is essential for the dialogue between city authorities and the local community, many cities which have participatory budgeting dedicate websites which inform about the state of play in this field. The most clear of participatory budgeting websites is the one of the city of Bielsko-Biala<sup>10</sup>. The website provides information on how many days are left for the announcement of the final outcome, which projects have been approved and will be submitted to voting, in which areas (e.g. sports and leisure, urban infrastructure, health and safety, environment, culture and arts, and education) and an interactive timetable for participatory budgeting. Most of proposed projects are connected with the modernisation of urban infrastructure including, e.g., modernisation of roads, pedestrian and bicycle paths, parks for dogs or a free bus taking children to school.

We must stress, that there is not a single operating formula for the participatory budgeting that is why the process differs a bit across cities. Participatory budgeting should be distinguished from social consultations. During the latter the local residents are familiarised with the plans of the administration with respect to the city and they may not make binding decisions concerning resources from the city budget or goals on which they are spent. On top of that, participatory budgeting is aimed not only at the selection of the best project but also at building links among the local community.

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9 [www.dabrowagornicza.naszemiasto.pl/artykul/dabrowa-gornicza-budzet-obywatelski-2013-znamy-zwycieskie,2099154,t,id.html](http://www.dabrowagornicza.naszemiasto.pl/artykul/dabrowa-gornicza-budzet-obywatelski-2013-znamy-zwycieskie,2099154,t,id.html), access on: 05.05.2014.

10 [www.obywatelskibb.pl](http://www.obywatelskibb.pl), access on: 05.05.2014.



Participatory budgeting is also done in other European countries, e.g. in Salford in England. Budget-related timetable is so arranged that each subsequent year the cycle of consultations is held at the same time. Local residents identify actions they find important or less important and recommend them as issues to be developed into projects numbered in accordance with the subject area, e.g., safe city versus healthy city. As a result the projects are entered into the budget plan (expenditure matrix). Delegates establish a council or a committee for participatory budgeting to entrust it with the task to select an appropriate project for implementation depending on available funds. Community action plans are useful social and planning tools. Besides, they include proposals to be implemented. The earlier set up residents' committee plays an important role in participatory budgeting. In Salford the Committee takes care of nine geographic areas and acts as an intermediary between local initiatives, ideas and services. On top of that, the Council is experienced in developing ideas presented by the community committee.

In multinational and multicultural cities, participatory budget is enormously important for integration and mutual understanding. Residents representing various cultures and social layers try to collaborate and reach consensus when it comes to actions they wish to undertake. In the cities in England each project is presented by a group of people who want to finance their actions from the city budget. The projects often come from very diverse fields, e.g., sports infrastructure and playgrounds for children or a theatre. Authors of projects with the biggest number of votes, i.e., those, which are planned to be delivered and financed with the city budget, may decide to allocate funds they have received to another project which they find more interesting and more needed.

There are no age limits, projects can be proposed by children or elderly people. Such an approach backs up integration between generations.

Summing up, projects delivered under the participatory budget differ in terms of their scope, nature and time-line. Nevertheless, they are necessary, expected by the community and make it possible to implement projects which meet the needs of local residents. Most of the projects implemented in the cities in Poland are connected with infrastructure, e.g., the construction of bicycle paths, sports grounds, local community facilities, etc. In highly developed countries where technical infrastructure is well developed, local communities have completely different needs centred around the quality of life.

Participatory budget is a way to achieve consensus between local authorities and local residents. Despite numerous concerns on the part of city authorities, participatory budget is more and more used in urban policies. It reflects the opinions and needs of the local community, which must be identified in order to correctly accomplish the assumptions of the social dimension of sustainable development.

## 5. Sustainable public transport as an element of urban policy

In planning and managing urban space transport is an important area having a major impact upon space arrangement. Nowadays streets in the city are not only and exclusively used for transport-related purposes as they have become elements of public space. Hence it is vital to take account of residents

and urban planners' opinions in their planning. Residents can express their views through the above discussed participatory budget while urban planners and other specialists are given the voice only when local authorities want to collaborate with them. To properly develop public transport, members of the local government should be open to experts' opinions and we can see that happening in many cities. When developing urban policy they must bear in mind that in order to improve the quality of life of the local community they should improve the quality and efficiency of public transport. Transport can increase the mobility of local residents and their readiness to use public transport at all. Urban policy should strive to enhance the use of effective and low-emission means of transport. On top of that, according to the Charter of Brussels model it should comply with specific balanced mobility indicators, i.e., adequate modal share in transport (achieving 15% bicycle modal share by 2020). Unfortunately, only three cities in Poland signed the Charter of Brussels (Gdansk, Krakow, Lodz). They have committed themselves to:

- increase bicycle modal share in urban traffic to 15% by 2020 and to its further increase after 2020,
- reduce bicycle road fatalities by 50% by 2020,
- develop a system of bicycle parking facilities and the policy to prevent bike thefts,
- get involved in projects and develop own projects to promote the use of bicycles in commuting to school or work,
- invest to improve and boost bicycle touring,
- closely collaborate with the cycling community, business, police and public institutions to promote cycling<sup>11</sup>.

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11 [www.encyklopediarowerowa.pl/karta-brukselska.html](http://www.encyklopediarowerowa.pl/karta-brukselska.html), access on: 28.06.2014; [www.edroga.pl/drogi-i-mosty/zarzadzanie/9986-argumenty-za-aktywna-mobilnoscia-w-miastach](http://www.edroga.pl/drogi-i-mosty/zarzadzanie/9986-argumenty-za-aktywna-mobilnoscia-w-miastach), access on: 28.06.2014.

The above goals reflect some problems connected with the implementation of cycling policy including the building of bicycle paths. We should not only create more bicycle paths but also pay attention to other parameters of cycling policy, i.e., their quality, type, location or cohesive layout. More people will decide to use bicycles to move around the city when cycling is comfortable and safe.

In order to achieve it, the authorities of Gdansk made a decision to pursue a specific cycling policy using European funds for the purpose.<sup>12</sup> Besides engaging specialists into planning and strategic operations connected with bicycle mobility they also involved local community. Inhabitants, district councils, municipal communes and other auxiliary units, such as Gdansk Development Bureau, City Transportation Office, Road and Green Areas Management, NGOs and the Cycling Officer.

Gdansk Development Bureau prepared a study on the System of Bicycle Paths for Gdansk (System Tras Rowerowych dla Gdańska — STeR) based on an extensive system of civic participation, which identifies the role of cycling in the city. The document draws attention to the impact of cycling on the residents' quality of life, in particular, on public space<sup>13</sup>. The main tool of civic participation in the STeR project were workshops addressed to residents, representatives of NGOs, district and local councillors. There were 19 meetings in various parts of Gdansk during which 640 suggestions were made. The postulates related mainly to:

— new cycling routes,

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12 *Fundusze UE w procesie realizacji polityki rowerowej Gdańska*, 27 March 2014, Wrocław, [http://www.rowerowy.wroclaw.pl/imgturysta/files/IKRRR\\_Remigiusz\\_Kitlinski1.pdf](http://www.rowerowy.wroclaw.pl/imgturysta/files/IKRRR_Remigiusz_Kitlinski1.pdf), access on: 28.06.2014.

13 [http://www.brg.gda.pl/srster/sr\\_ster.pdf](http://www.brg.gda.pl/srster/sr_ster.pdf), access on: 28.06.2014.

- location of bicycle parking facilities,
- elimination of obstacles,
- changes in traffic organisation or marking,
- repairs of road surface.

Suggestions and postulates had a major impact upon the final shape of STeR study. The document described basic requirements to be met by a system of cycling connections in a city together with their hierarchy and functional differentiation of individual parts of cycling routes.

Moreover, there were campaigns to promote cycling as a mode of transport including Massive Cycling and Metropolitan Cycling. They were attended by more than 10 k cyclists. Promotion campaign „Ride to work” involved 45 companies in Gdansk. To disseminate information about the possibilities to ride in the city 120 k bike maps were distributed to schools, tourist information centres and residents. „Overtake safely” was the promotion campaign designed to remind drivers how to overtake cyclists safely. In total 107 information boards were placed in the city to remind the drivers to keep at least 1 meter distance from cyclists they overtake. Measurements of the intensity of bike traffic were supposed to increase the share of cyclists in traffic in accordance with the slogan „Cycling counts”.

Another issue is to reduce traffic to improve the attractiveness of public space and the quality of life in cities, which counteracts suburbanisation and the sprawling of cities. Gdansk authorities assume that by the end of 2014 half of urban transportation areas will be the areas of reduced traffic.

Effective accomplishment of the above discussed goals of cycling policy would not be possible without the EU funds deployed within the framework of Regional Operational Programmes for the period 2007–2013 (PLN 132 million was

spent) or the Operational Programme Infrastructure and Environment (PLN 87 million) which helped build 26 bike nodes and parking facilities (13,900 places) in the city and the construction of 32 km of bicycle paths. Currently, the network of bike routes in Gdansk includes in total 448.8 km and 23% of that are separated bike lanes not intended for pedestrians or cars<sup>14</sup>.

Copenhagen is the leading city when it comes to cycling policy. By their actions city authorities have shown that systematic and planned upgrade of infrastructure for cyclists proportionally increases their population. Bike routes are well developed across the city and cover more than 330 kms plus 10 kms of bike lanes and 43 kms of express routes of greenway type<sup>15</sup>. As a result the share of cyclists in traffic continuously increases. Bike paths are one-way, the minimum width of 2 m and are placed between the pavement and the roadway. All the three elements are at different heights (with pavement being the highest, followed by bike path and the road at the lowest level). That offers safety and comfort to cyclists. They also have the right of way signalled at intersections with colour change to blue. The solution reduces the number of collisions and increases the safety of cyclists. On top of that, the city requires taxis to be equipped with bike racks. That offers an additional alternative to cyclists when they cannot continue their trip on bike. At present Copenhagen in its City of Copenhagen's Bicycle Strategy assumes that by 2025 the number of bike trips will reach 240 k, i.e., it will increase by 60 k annually from the current level of 180k. Besides, the city

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14 <http://www.rowerowygdansk.pl/start,168.html>, access on 28.06.2014; [http://www.rowerowy.wroclaw.pl/imgturysta/files/IKRRR\\_Remigiusz\\_Kitlinski1.pdf](http://www.rowerowy.wroclaw.pl/imgturysta/files/IKRRR_Remigiusz_Kitlinski1.pdf), access on: 28.06.2014.

15 N. Jensen, *How Copenhagen became a cycling city*, City of Copenhagen, The Technical and Environmental administration.

wishes to become fully passive, i.e., to minimise CO<sub>2</sub> emissions to zero. To achieve this goal, the share of bike traffic in commuting to school or work must increase as currently it represents 36%. It is worth mentioning that for Polish cities the share is ca. 1–3%.

Summing up, the above examples show that the assumptions of urban transport policy are gradually implemented in Polish and European cities. However, infrastructural and educational advancement connected with the practice of low-emission transport in Poland is lagging behind European cities.

## 6. Shaping public space in line with sustainable development

Due to the increasingly important role of participatory budgeting and urban transport in the shaping of urban public space, the author decided to omit other aspects connected with it.

Urban space is mainly treated as a place for social or public life. Appropriate urban policy improves the quality of life in a city, which, in turn, depends on how residents' needs are met. The issue is highlighted in the definition of sustainable development, which makes reference to its generation aspect. Besides, the creation of sustainable public space should be done with its current users in mind in social, economic and environmental terms. The wording of the Act of 23 March 2003 on spatial planning and land development speaks of „the area of particular importance for meeting the

needs of residents, improving the quality of life which contributes to establishing social relations (...)” (Journal of Laws of 2003 No. 80, item 717). Of course, to be able to meet the needs of the local community, we must identify them first. Participatory budgeting is one of the identification tools and balanced mobility systems are among primary elements that impact optimum development of a given space. We must stress that transport infrastructure represents a substantial proportion of urban public space.

Contemporary transformations of public space intended to improve the quality of life may be exercised as one of the above interventions:

- restoring the importance and attractiveness of historically shaped public space,
- expansion of the existing public space,
- developing new public space<sup>16</sup>.

All of the above transformations can be traced in Polish and European cities. An example of transformations in historically shaped public space is the regeneration of defensive walls in the neighbourhood of the cathedral church in Opole, which has made the surrounding space attractive for local residents and for tourists.

Many cities wish to expand public space. They create new leisure areas in newly urbanised locations or in city centres. The development of river banks and shoulders into bike and pedestrian paths offering new leisure space for local residents is a very popular move.

Building new public space is linked with the existing city structure which misses a central square and focuses social

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16 A. Gołędziowska, *Strategie tworzenia dobrej przestrzeni publicznej w małych i średnich miastach*, [in:] P. Lorens, J. Martyniuk-Pęczek, *Problemy kształtowania przestrzeni publicznych, Miasto–Metropolia–Region*, Wydawnictwo urbanista, Gdansk 2010.



life alongside the main communication route. Examples of cities, which try to build a new city centre include Czersk and Pruszcz Gdanski (new centre developed in former military districts).

Nowadays, the policy pursued by cities takes account of regeneration effort that can improve the quality and attractiveness of neglected or degraded public space. Often the goal is not just to regenerate but also to create new public space with infrastructure that joins areas used by the local community. It improves the quality of life in cities and gives back utility functions to formerly unused areas. Such trends can be traced only in some cities. In cities where population skyrockets, the authorities face the problem of insufficient public space. To solve it, they take over areas previously used for road transport, e.g., parking lots. However, such solutions are not welcome by residents who protest in fear of difficulties in traffic and problems to find a parking place (Munich<sup>17</sup>). In smaller towns, in turn, investment projects are intended to increase the capacity of parking lots and to eliminate public space.

We must stress that making available or eliminating public space in cities largely depends on the policy pursued by local authorities. Nevertheless, attention should be paid to the fact that local residents more and more often express their approval or disapproval for such actions in public consultations or by means of participatory budgeting.

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17 <http://www.goethe.de/kue/arc/zds/en12475851.htm>, access on: 28.06.2014.

## 7. Conclusion

Three main issues discussed in the paper which relate to actions and implementation tools of sustainable urban policy are closely linked with one another. Examples show that present assumptions of urban policies pursued in European cities are in line with the idea of sustainable development. Urban policy more and more engages the residents and offers them opportunities to solve problems connected with living in the city. Participatory budgeting is another step made by city authorities which, however, implies certain misgivings. Simultaneously we can observe a trend to balance the mobility by reducing car traffic and CO2 emissions in cities. The number and quality of public spaces evolves. More and more attention is paid to the unused potential of existing and historically shaped spaces and to the possibility to make use of so far idle space. Managing public space is linked with the construction of new bike routes and with projects proposed by local residents as a part of participatory budgeting. Activities are undertaken to connect different public spaces so that they could become user-friendly and easy to move around.

### Streszczenie

Realizacja koncepcji zrównoważonego rozwoju w świetle polityki miejskiej

Głównym celem artykułu jest wskazanie powiązań pomiędzy wdrażaniem koncepcji zrównoważonego rozwoju na tle rozwiązań oferowanych w ramach polityk miejskich. W artykule poruszone zostały zagadnienia związane z działaniami i narzędziami realizacji zrównoważonej polityki miejskiej, które w opinii autorki są coraz częściej stosowane w miastach Polski i Europy. Działania te zawierają się w trzech grupach tematycz-

nych: niskoemisyjny transport miejski, partycypacja społeczna, kształtowanie miejskiej przestrzeni publicznej. W ramach każdej z grup podane zostały przykłady działań związanych z realizacją polityki miejskiej oraz zwrócona została uwaga na silne powiązania między tymi grupami.

Słowa kluczowe: zrównoważony rozwój, polityka miejska, niskoemisyjny transport miejski, partycypacja społeczna, przestrzeń publiczna

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**Regional Policy  
in Lubelskie Region  
— Cohesion Between  
Development Strategy  
of Lublin Region and Lublin**

**Abstract**

The paper is a comparative analysis of documents and aspects connected with widely interpreted development of territorial units described in the “Development Strategy of Lubelskie Region for the years 2014–2020” and “Lublin Development Strategy for the years 2013–2020”.

Two strategic documents were examined concerning Lublin and Lublin Region. We start with explaining the notions specific for the subject of the paper. Then we outline the problem of development policy disintegration in Poland at regional and local levels. The main

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part of the paper includes the analysis of two strategic documents when it comes to their structure and aspects connected with the development of territorial units and finding out to what extent the documents represent identical development policy directions.

Key words: development policy disintegration, strategic documents, Lublin Region, Lublin, development.

## 1. Foreword

Development policy defined in the Act of 6 December 2006 on principles of development policy is understood as a set of interconnected activities undertaken and delivered to ensure continuous and sustainable development of the country as well as social, economic and territorial cohesion at national, regional or local levels [...]. According to the definition, development policy in Poland is pursued at three levels in Poland: national by the Council of Ministers, regional through regional self-government and by self-government in communes and counties at local level.

Territorial units draft development strategies as a part of their development policy. What are such strategies about? There are many definitions but most generally speaking, a strategy is a set of goals and activities which, when accomplished, result in a vision. Strategy is developed as a continuous, interactive process, which includes internal and external conditions and changes to them. Goals formulated in strategies are long-term, widely acceptable and pertinent in the long run. Development strategy should consider characteristics of a given unit that is why we need to conduct a prospective diagnosis which broadly presents conditions in the territory covered by the study.

Act on principles of development policy assumes there is a hierarchy of strategic assumptions at a given level. National development strategy (regulated by the Act of 6.12.2006) formulates goals and development paths for the country and is the most general document with little details with respect to goals and activities. At the next level there are sectoral strategies (e.g. “National Security Strategy of Poland”, also

governed by the Act of 6.12.2006), which should remain within paths delineated by the National Strategy but are more detailed representations of goals important for a given sector, e.g. for energy sector. Next stage involves regional development policy which provides the basis for development strategy of a region (voivodeship), regulated by Arts. 11–12 of the Act of 5 June 1998 on voivodeship self-government. Development strategy for a region includes not only provisions from national development strategy but also those from sectoral development strategies and should translate them into specific circumstances of a particular region. Finally, there is a local development strategy, usually drafted for a commune or a county. Its assumptions are expected to be in line with appropriate regional development strategy and, consistently, also with sectoral strategies and national development strategy. On top of that, local development strategy and its goals should make references to specific characteristics of a commune and its unique internal and external circumstances.

## 2. Characteristics of the territory described in documents

Lubelskie Region (voivodeship) is situated in Central-East Poland. Its area covers almost 25 k km<sup>2</sup>, placing it at the third place when it comes to the surface area in the country. Data of the Central Statistical Office (as at 31. 12. 2013) inform that it is inhabited by 2,156.2 k people which results in the population density of 86 people per km<sup>2</sup>. For comparison: the av-



average population density in Poland is 123 people/km<sup>2</sup>. The region reports gradual decrease in population caused by negative birth rate and unfavourable migration balance. According to the data of the Central Statistical Office (Polish abbr. GUS) published in „Powierzchnia i ludność w przekroju terytorialnym w 2013 r.” [Area and population of territories in 2013] as much as 2, 415, 187 ha, i.e. 96,1% of the area of the region is covered by rural areas with arable land representing over 70% of the total area. Urbanisation rate for the region is only 46.8%, which gives the region 14th place in the country. In accordance with data of March 2014, unemployment rate in the region is 14.6% compared to 13.5% average unemployment rate for Poland at the end of March 2014. GUS data demonstrate that in 2012 GDP per capita in Lubelskie Region was PLN 28,211 representing 68.1% of national average, which gave the region the last but one place in national ranking, immediately in front of Podkarpackie Region (PLN 27,719, 67.0% of national average)<sup>2</sup>. Comparison and in-depth analysis of statistical data may suggest that Lubelskie Region is the least developed part of the country.

Lublin is the capital city of the region and the biggest city east of the Vistula river. Its area is 147.5 km<sup>2</sup>, the population over 348 k people and population density 2,363 people per km<sup>2</sup>. Regional capital hosts almost 12 km of East — West route, which links eastern and western parts of the city. It is the major transportation corridor of Lublin. Along the route we can find national roads, such as national road No. 19, national road No. 17, national roads No. 12 and international roads: E372 and E373 connecting Eastern Europe with European Union

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2 [http://www.stat.gov.pl/download/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/11/rn\\_wstepne\\_szacunki\\_produkstu\\_krajowego\\_brutto\\_wedlug\\_wojewodztw\\_w\\_2012.pdf+&cd=5&hl=pl&ct=clnk&gl=pl](http://www.stat.gov.pl/download/gfx/portalinformacyjny/pl/defaultaktualnosci/5482/4/11/rn_wstepne_szacunki_produkstu_krajowego_brutto_wedlug_wojewodztw_w_2012.pdf+&cd=5&hl=pl&ct=clnk&gl=pl) access on: 13.10.2014.

member states. As we can read in the „Analiza obecnej sytuacji Miasta Lublin według kluczowych elementów” [Analysis of current situation of Lublin by key elements] drafted for the Regional Operational Programme for Lubelskie Region for the years 2007–2013 by Deloitte, „high share of students is the strength of the city (...)”, while „its weaknesses include, inter alia, relatively low share of graduates of technical/specialist studies and migration of young educated graduates to other cities in Poland (...)”. The analysis also draws attention to active attitude of business environment organisations in the region, which is encouraging for potential investors and to attractive cost of labour and local taxes.

### 3. Lubelskie Region Development Strategy for the years 2014–2020 with the perspective until 2030

Resolution adopted by the Regional Parliament [Sejmik Województwa Lubelskiego] on 28 March 2011 initiated the update of the “Lubelskie Region Development Strategy for the years 2006–2020”. The update had to be conducted as amendments had been made to other documents, with which the Strategy must be compatible pursuant to the Act on principles of development policy. These were strategic documents drafted at EU and national levels, in particular the Europe 2020 Strategy, EU regulations, long- and medium-term national development strategy and integrated strategies. Almost one year later, the resolution of 8 May 2012 set up a task force headed by the Marshal of Lubelskie Region composed of represen-

tatives of all departments of the Marshal Office of Lubelskie Region. On the same day another resolution was adopted on assumptions for strategy update. Intense works on the update finished on 24 June 2013 with the adoption of updated version of the Lubelskie Region Strategy during the 34th session of Regional Parliament<sup>3</sup>.

“Lubelskie Region Development Strategy for the years 2014–2020 with the perspective until 2030” is the outcome of almost two years of works conducted in the Marshal Office of Lubelskie Region with the engagement of external experts. The document was drafted based on numerous in-depth analyses and thematic expert opinions and a wide public debate. It reflects a substantial change in approach to regional development and to regional policy. The time horizon of the document is not limited to the period 2014–2020 but it got expanded with the perspective until 2030. In the opinion of its authors, the Strategy is flexible, open to innovative ideas and pro-development activities<sup>4</sup>.

The document is a classic strategy when it comes to its layout: it starts with desired processes that need to be initiated, vision, detailed and in-depth prospective analysis concluded with SWOT analysis, pyramid of strategic and operational goals, steps aimed at the accomplishment of identified goals and, finally, implementation and monitoring system and the financial framework. The master document was enriched with the identification of strategic intervention area: Lublin Metropolitan Area, sub-regional cities, border areas, areas where natural and cultural heritage is exploited for economic

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3 [http://www.strategia.lubelskie.pl/pod\\_praw.html](http://www.strategia.lubelskie.pl/pod_praw.html), access on: 13.10.2014.

4 Lubelskie Region Development Strategy for the years 2014–2020 (with a perspective until 2030).

purposes, areas of potential extraction of minerals, protected water areas, modern villages.

Four capital model was used to verify the degree of accomplishment of goals identified in the binding strategy and to highlight potential contradictions in planned development directions of the region. The model assumes that development takes place when we use human, economic, social and natural capital. Its advantages consist in the identification of potential conflicts and contradictions between the development of individual types of capital, the assessment of strategy implementation and drawing constructive conclusions for its update, assessment of links between the strategy and programmes based on it, identification of actions which can be given up and actions to be intensified or launched in the new edition of the strategy<sup>5</sup>. Moreover, when working on the strategy its authors used analyses and best practices from projects implemented by Lubelskie Region, such as Fresh or Kapitał Intelktualny Lubelszczyzny [Intellectual Capital of the Region]<sup>6</sup>. Expert opinions drafted for the update were to carefully analyse the opportunities and threats for the region and focused, inter alia, on: the assessment of the use of EU

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5 <http://www.strategia.lubelskie.pl/>, acces on: 15.10.2014.

6 Project: FRESH (Forwarding Regional Sustainable Enviromental Hierarchies) — its objective is to improve the efficiency of regional development policy of individual regions through the exchange of best practices in regional programming (operational programmes, regional development strategies, regional innovation strategies). The objective is to be accomplished by working out new instruments that shape these policies and ensuring their effective implementation. Main stress will be placed on eco-innovation, the key element of Regional Innovation Strategy. „Kapitał Intelktualny Lubelszczyzny 2010–2013” — project designed to identify the characteristics of the region. Project goals included: instigate interest in the project among the residents of Lublin region, informing public opinion about current economic situation, fields of science and business collaboration, areas of economic decline in the region, providing new knowledge about business development opportunities in the region, increasing business adaptability to current circumstances.

funds, potential of R&D centres in the region, operations, links and efficiency of business environment organisations, and the promotion of innovation in the region<sup>7</sup>.

#### 4. Lublin Development Strategy for the years 2013–2020

The update of the ‘Lublin Development Strategy for the years 2008–2015’ was predominantly instigated by taking advantage of development opportunities offered by the new EU financial perspective for the programming period 2014–2020. Besides the previous document got outdated with the change of circumstances, internal and external, which influence city development. Lublin City Council on 29 February 2013 adopted a new strategy for Lublin. ‘Lublin Development Strategy for the years 2013–2020’ emerged in collaboration with the City Hall staff but also with organisations such as: Lublin Development Council, Public Utility Board, District Councils in Lublin, Lublin councillors, Culture Space Council, and Association of Private Employees of Lublin Region „Lewiatan”, Rectors of higher education institutions in Lublin, and Science Committee of the Science Association of the Faculty of Philology of KUL (The John Paul II Catholic University of Lublin). Representatives of the above organisations acted in the capacity of experts and advisors in various areas. Also the residents contributed into the strategy by their involvement in social consultations where they expressed their opinions about the document.

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<sup>7</sup> <http://www.strategia.lubelskie.pl/analizy.html>, access on: 17.10.2014.

The document was intended for wide groups of local residents, institutions and operators. The language of the “Lublin Development Strategy 2020” was adapted to be understandable and clear to many groups of recipients. The strategy was not written in specialist jargon that is usually used in planning but in plain, simple language. Besides, metaphors and examples were used to ensure better understanding among all target groups.

The document was divided into three parts. The first one included reading instructions for the readers. That was indispensable as the document was drafted in a non-standard way going beyond regular framework of planning documents. This part provided also the diagnosis at the starting point, which reviewed strategic and operational objectives identified in the earlier „Lublin Development Strategy for the years 2008–2015” and used the report of PricewaterhouseCoopers containing data concerning big cities in Poland, including Lublin. The report also includes the description of “Lublin Development Strategy for the years 2013–2020” in the context of strategic documents and discusses the city’s vision and mission. According to PricewaterhouseCoopers, Lublin should be perceived as a city of inspiration, which offers conditions to meet and develop the needs of its residents and stakeholders.

Authors of “Lublin Development Strategy for the years 2013–2020” construed the document in a non-standard way. Its second part consists of four Development Areas: Openness, Friendliness, Entrepreneurship and University profile. Each of the main Development Areas is accompanied by goals which, similarly to measures, were not prioritised to give more flexibility in delivering them in combination with other goals or tasks. To this end, the strategy also outlines recommendations and synergies that should suggest various combinations of

goals to the reader. Flexibility is an advantage of the “Lublin Development Strategy for the years 2013–2020”. The authors of the document stress the possibility to arrange new activities and projects within already identified goals. Goals and measures designed to accomplish them are supposed to evolve as a result of changing circumstances and conditions<sup>8</sup>.

Final part of the “Lublin Development Strategy for the years 2013–2020” presents the areas of inspiration followed by the authors. Nineteen inspiration areas of Lublin include, inter alia, sustainable development, historic identity, new urbanism, social participation, social innovation, and partnership with the region. The part also informs about how the content of the strategy will be disseminated in publications, during conferences and discussions.

## 5. Comparison of “Lubelskie Region Development Strategy for the years 2014–2020” and “Lublin Development Strategy for the years 2013–2020”

The comparison of the two documents important for the development of the Lublin region is intended to find out whether the development policy gets disintegrated at regional and local levels, which often happens in real life. The goal of the dissertation is to conduct a comparative analysis of development aspects included in “Lubelskie Region Development Strategy for the years 2014–2020” and “Lublin Development Strategy for the years 2013–2020” to verify the research the-

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<sup>8</sup> <http://strategia2020.lublin.eu/>, acces on: 14.10.2014.

sis that “Lubelskie Region Development Strategy for the years 2014–2020” and “Lublin Development Strategy for the years 2013–2020” are consistent in terms of broadly understood development.

When “Lublin Development Strategy for the years 2013–2020” was drafted the “Lubelskie Region Development Strategy for the years 2006–2020” was a binding document. Nevertheless, authors of the new document for the city already made references to the updated regional strategy hence the readers can identify numerous links between the documents and notice overlapping content, which suggests the cohesion between documents.

If we want to evidence cohesion between the two documents it is worth focusing on the vision, mission, goals, directions and tasks. Vision and mission are starting points for any strategy. Hence it is important that visions and missions of strategic documents result from one another, i.e. that they are coherent. That is also the case of the “Lubelskie Region Development Strategy for the years 2014–2020 with the perspective until 2030” and “Lublin Development Strategy for the years 2013–2020”. Neither the regional nor the city strategy identifies the target condition that is supposed to be achieved by accomplishing goals and measures included in both strategies. “Lubelskie Region Development Strategy for the years 2014–2020 with the perspective until 2030” just stipulated desired mechanisms to be initiated as a result of the implementation of strategic assumptions, such as enhanced attractiveness of the region in social and economic terms or using the EU resources to reduce. In the case of the “Lublin Development Strategy for the years 2013–2020” the authors proposed a series of mechanisms, competence and values that could provide grounds for any activity. It is a very cautious



approach where the target situation is not identified as a pre-defined level to be achieved but we have suggestions what to do to improve the city by introducing innovation. The analysis of visions and missions in the documents confirms there is cohesion between them.

The first strategic goal of the “Lubelskie Region Development Strategy for the years 2014–2020 with the perspective until 2030” is to *Enhance urbanisation in the region*. Operational goal resulting from this strategic objective is the support for supra-local functions of cities. In the case of the “Lublin Development Strategy for the years 2013–2020” it is the development of metropolitan functions of Lublin, strengthening its national but also international position. Metropolitan functions are expected to be developed as a result of better transportation links of the city with other cities in Poland, with other countries and with the area neighbouring the city. Regional strategy gives examples of measures which could contribute to the development of metropolitan functions of Lublin, e.g., “*Supporting local authorities in their efforts to develop business infrastructure (e.g. technology parks, business environment organisations)*”. The measure belonging to the Entrepreneurship Development Area “*Support to knowledge transfer to business*” is an example of how the theme has been adapted in the “Lublin Development Strategy for the years 2013 — 2020”. The measures are to be implemented through tasks or projects such as “*support to the development of Lublin techno-polis (Science and Technology Park, technology transfer centres)*”.

Another strategic objective in the “Lubelskie Region Development Strategy for the years 2014–2020” is the “*Restructuring of agriculture and rural areas development*”. Since the “Lublin Development Strategy for the years 2013–2020” refers

mainly to urbanised areas, the second strategic objective of the “Lubelskie Region Development Strategy for the years 2014–2020” was skipped in the Lublin development strategy as it does not connect with urban development.

The third main objective of the “Lubelskie Region Development Strategy for the years 2014–2020” is *Selective deepening of knowledge potential, skills, technology advancement, entrepreneurship and innovation in the region*. Operational goal resulting from the strategic objective focuses on the development of the IT society. In “Lublin Development Strategy for the years 2013–2020” it is reflected in the support for higher education in fields in line with the specificity and needs of the region. Scientific, expert and implementation support is addressed to industries which will contribute to the development of the city and of the region. Regional strategy lists examples of activities that could help accomplish a given objective, such as, e.g., “*Support to the development of local electronic media*”, which could be achieved through measures in the Entrepreneurship Area “*Support to the sector of creative industries*” through implementing tasks and projects such as “*Support to new media development*” and “*Support to culture and access to culture also by means of new technologies*”.

The last one among strategic objectives in the “Lubelskie Region Development Strategy for the years 2014–2020” is “*Functional, spatial, social and cultural integration of the region*”, with 5 indirect goals which, although not directly connected with the development of the capital city of the region, connect to its advancement. Lublin Development Strategy paraphrases it highlighting the importance of Eastern dimension through the establishment of East Competence Centre in Lublin. The measure which illustrates the accomplishment of the objective in the Regional Development Strategy is “*Sup-*

*port to strengthening transportation links in functional areas of sub-regional centres and towns with supra-local functions”* to be implemented through modernisation plans and the development of external transportation networks of Lublin for all modes of transport including road, railway transport and cycling specified in the Lublin Development Strategy.

When conducting comparative analysis, exploring its assumptions, analysing goal pyramids in both documents or interpreting goals and measures we encounter cohesion or sometimes even complete adoption of the ideas from the strategy. We can conclude that the research thesis has been positively verified meaning the “Lubelskie Region Development Strategy for the years 2014–2020” and the “Lublin Development Strategy for the years 2013–2020” are coherent documents when it comes to their content concerning the development of the city and region.

## 6. Conclusion

Despite numerous guidelines and legal regulations conducting development policy in the country, for bigger or smaller territories is far from easy and reaching cohesion in it is a real challenge. It is additionally complicated by the fact that the documents are supposed to be in line with one another and based on the same assumptions not only internally within the country but they must be compliant with the EU cohesion policy. On top of that, each region or commune have their specific external and internal circumstances, individual development barriers, evolving potential and unique threats.

In the light of all these restrictions, authors of the two strategic documents recently drafted for Lublin Region, which are not only coherent with each other, with national policy and include EU guidelines but also have innovative elements and can be presented as models for the rest of the country, should be proud of their efforts. If these clear, concrete and measureable objectives and goals identified in the strategies are accomplished, Lubelskie Region with Lublin as its capital city may significantly improve its competitiveness, experience dynamic social and economic development, improve its importance in Poland and in Europe and become a genuine EU Gate to the East of Europe.

#### Streszczenie

Polityka regionalna Lubelszczyzny — spójność strategii rozwoju województwa lubelskiego i miasta Lublina

Celem artykułu jest analiza porównawcza struktury dokumentów oraz aspektów związanych z szeroko pojętym rozwojem jednostek terytorialnych, które zostały opisane w „Strategii Rozwoju Województwa Lubelskiego na lata 2014–2020” i „Strategii Rozwoju Lublina na lata 2013–2020”.

Przedmiotem badań są dwa dokumenty strategiczne odnoszące się do województwa lubelskiego oraz miasta Lublina. Praca na początku nakreśla mapę pojęciową odnoszącą się do poruszanej tematyki. Następnie przedstawia występujący w Polsce problem dezintegracji polityki rozwoju na poziomie regionalnym i lokalnym. Zasadniczą częścią pracy jest analiza dwóch dokumentów strategicznych pod względem ich struktury oraz aspektów związanych z szeroko pojętym rozwojem jednostek terytorialnych, a tym samym sprawdzenie, czy dokumenty są z sobą spójne pod względem kierunków polityki rozwoju.

Słowa kluczowe: dezintegracja polityki rozwojowej, dokumenty strategiczne, województwo lubelskie, Lublin, rozwój

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# TOOLS





**Edyta Szafranek<sup>1</sup>**

# **Integrated Territorial Investments as a Tool of Development Policy for Sub-Regional Functional Areas**

## **Abstract**

Issues discussed below concern conditions and needs to implement Integrated Territorial Investments (ITIs) in Sub-regional Functional Areas (SFA) within the framework of regional policy in the period 2014–2020. We must stress that ITIs are dedicated in principle to Urban Functional Areas in Regional Centres (UFA RC) but the practice of regional development shows they also apply to the programming of SFA development.

ITIs are a new tool of regional policy, and its goal is to develop a partnership model of collaboration of self-government units, as well as to comprehensively solve city development problems and the problems of their functional areas. As a recipient of ITIs a SFA

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should represent common social and economic characteristics and functional links.

Considerations relate to the notion and nature of SFA in theory and development policy as well as to criteria and rules of their delimitation. These aspects point to the need to work out optimum tools for defining and delineating functional areas, which constitutes the basis for ITI. Further we discuss the principles, scope and goals of the ITI implementation in SFA.

The analysis demonstrated both strengths and weaknesses of ITIs implementation in SFA. Among advantages we can highlight the complexity and cohesion of the development going beyond local goals. However, it requires the ability to collaborate, respect for rules of collaboration, i.e. appropriate social capital. The weaknesses of ITI include the absence of uniform procedure at both national and regional level applied when starting collaboration and when selecting and funding development tasks approved for implementation.

Key words: integrated territorial investments, functional areas, regional policy

# Foreword

Integrated Territorial Investments [ITIs], a new tool in regional development policy intended for the period 2014–2020, serve effective implementation of territorial strategies. It is an important instrument designed to facilitate the implementation of development tasks included in various Operational Programmes. By means of ITIs we can draw on funding from several priority axes of several Operational Programmes. Thus, both in programming the development and in its funding ITI assume comprehensive and multidimensional approach. It offers the opportunity to use development potential at local, urban and regional levels and to use funding from various sources and financial instruments in an integrated way. Much hopes were vested in it as a development tool by local authorities which are using it more and more widely. Since it is addressed to functional areas, it is more important for the so called Urban Functional Areas in Regional Centres (UFA RC), i.e. already shaped around regional centres, including metropolis. Assumptions and goals of regional policy, however, do not limit its application in other functional areas, including sub-regional ones.

The study is aimed to identify conditions and assess the possibility to use ITI in Sub-regional Functional Areas (SFA). Both the analysis and the assessment will be conducted in the context of programming the development of functional areas within the framework of regional policy in the period 2014–2020.

## 1. Subregional Functional Areas in theory and in development policy

Far from being new, the notion of a functional area recently gained in importance under the new cohesion policy programming perspective and in national spatial and regional policy. Such is the effect of adopting place-based approach to development as a leading concept in the EU and Poland's policy. Nowadays the term is used in policy making practice in Poland in the document National Spatial Development Concept 2030 (2012) [Polish abbr. KPZK 2030] and also in National Regional Development Strategy 2010–2020: regions, cities, rural areas (2010) [Polish abbr. KSRR] and subsequently in other less important planning and programme documents, e.g., in National Urban Policy (2013) [Polish abbr. KPM]. One should note that an attempt to define a functional area was made in National Spatial Development Concept 2030 while the remaining documents only make references to it. Functional areas are very deeply anchored in planning conditions although numerous studies refer to demographic, social and economic aspects as their main objectives.

A functional area as a subject of regional policy links to the theory of nodal regions delineated by the scope of impact exerted by their cores. These are regions around a bigger urban centre or a group of towns interconnected with links with multilateral exchange of people, goods, services, capital, and information. Their integral components include the core — an urban centre and its impact zone, the so called peripheries. Both play important roles resulting from social and economic development and from the presence of various production or service sectors (Kuciński, 1994).

When discussing the idea of functional areas for planning units under the National Spatial Development Concept 2030 [KPZK 2030] we should conclude that it is a form of a nodal region. Functional area is defined as an area representing common geographical (social, economic and spatial) characteristics, which needs to be distinguished to exploit its geographic potential for the development of the country (*National...*, 2012, p. 178). We must remember that the KPZK 2030 distinguishes several functional areas including those around cities of sub-regional importance. They are referred to as Sub-regional Functional Areas [SFA]. In accordance with the idea adopted in the KPZK 2030, the SFAs are delimited by regional self-government in areas around towns where the population ranges from 50 to 100 K, which play a vital role as economic and social centres and deliver public services important for their residents and for inhabitants of peripheral areas (*National...*, 2012, p. 178). Delineating functional areas around sub-regional centres is expected to create networks of internal and external links with other functional areas. The SFAs should increase the flexibility of the labour markets and their own resilience vis-à-vis changes in economic situation but also make the area more attractive as a place of residence (*National...*, 2012, p. 189). As stressed in the National Urban Policy main activities in functional areas are intended to develop the collaborative culture among self-government units. Collaboration should take the form of real, partnership-based and effective cooperation of all development stakeholders, both in vertical and horizontal plane (*National...*, 2014, p. 125). In accordance with the assumptions of urban policy, cities and areas where urbanisation takes place are the main target of territorial development (*National...*, 2014, pp. 8–9). It is absolutely necessary to correctly identify their development needs

on the basis of their internal development potential, resources and knowledge. That should enable the accomplishment of tasks delivered in response to given challenges, precisely tailored to local conditions.

Summing up, we should assume that sub-regional functional area defined for the needs of development policy is equivalent to a region of where units are linked and attract one another. It should include at least one urban centre playing an integrating role, have some degree of economic specialisation and a coherent functional and spatial structure with internal and external links where the first ones should be stronger. In practical terms it should also be a coherent spatial area and a unit subject to multilayer management.

## 2. Delimitating Sub-regional Functional Areas

Functional areas are delimited for the purpose of integrated development policy, including spatial, regional and cohesion policy. Delimitation of functional areas is vital as the spatial scope is decisive for conditions, goals and instruments of their development including the scope of the ITIs. The area included within concrete borders represents its specific development potential, problems and challenges. Correct delimitation of functional areas determines the efficiency of ITIs. It should also enable monitoring transformations in spatial structures within functional areas which helps properly pursue an integrated development policy and make corrections to it.

How functional areas are delimited is important for further steps in programming and planning their development.

From research point of view, to delineate functional areas one should use empirical methods which take account of the directions and scale of flows and attraction directions. Examples of such studies include surveys conducted by: T. Czyż (2011), T. Czyż and J. Hauke (2014), K. Heffner and P. Gibas (2014), R. Guzik and A. Kołoś<sup>2</sup>.

At the same time, a bit aside research deliberations, works are going on within development policy to identify scopes of individual functional areas. Indicators are being elaborated to delimit Urban Functional Areas. Three groups of indicators are suggested: functional (identifying links between the core of UFA with adjacent centres), social and economic (relating to social and economic aspects of urbanisation) and morphological (considering population density and the number of newly constructed apartments) (*Kryteria delimitacji*, 2013). Independently of the final shape of the list of indicators, it is vital to include various aspects which form parts of a coherent set of territorial units. The analysis of studies on the delimitation of functional areas around sub-regional centres demonstrates that quantitative methods and suggested indicators not always provide grounds for delimitating functional areas at this level. Examples of such approach include delimitations of Kędzierzyńsko-Kozielski SFA [K-K SFA], Rądomski FA or Ełcki FA.

In the case of K-K SFA its spatial range is different in different surveys on territorial development policy. The KPZK 2030 stresses that functional areas in sub-regional centres should include rural communes situated in their immediate neighbourhood. Ultimate spatial scope adopted for ITIs includes 11 communes in two counties (*Delimitacja...*, 2013).

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<sup>2</sup> Study available on the website: [http://www.politykarozwoju.obserwatoria.malopolska.pl/Files.mvc/206/4.\\_Delimitacja\\_obszarów\\_funkcjonalnych\\_miast.pdf](http://www.politykarozwoju.obserwatoria.malopolska.pl/Files.mvc/206/4._Delimitacja_obszarów_funkcjonalnych_miast.pdf).

The above example shows how ambiguous indicators and methods are applied to delimitate functional areas. Analysis of documents that describe procedures for the identification of functional areas shows that the main criterion to include communes into functional areas is the declaration of will made by local authorities. This is the pre-condition for a functional area to operate smoothly, however, the question is: does it suffice? Such delimitation may result in an inadequate picture of functional links in social and economic space. In the case of Opolskie Region the commune of Izbicko was erroneously, in the author's opinion, included into Agglomeracja Opolska [Opole Agglomeration], not into K-K SFA. Urban functional area called the Agglomeracja Opolska was set up earlier than the K-K SFA that is why the above mentioned commune declared its will to belong to the first area and deprived itself of the opportunity to collaborate with the second functional area. Documents which describe delimitation of some functional areas (e.g. Ełcki, Radomski FAs) suggest that the will to belong to a particular functional area was identified first and then links were examined within the area covered by the common will. Effects of such studies always demonstrate that there is undoubtedly functional and spatial attraction. The power of attraction is what counts as the mere attraction should not be decisive for delimitating functional areas. Communes should be included into particular functional areas based on the power or scale of functional links. Hence, when delimitating the SFAs we should start with the assessment of the direction and strength of functional and spatial links and then negotiate the will to collaborate. Reversed order calls for the need to adjust the results of studies to the situation in the area delineated with political will. Independently of that, we must strive to work out a delimitation tool, which



would take account of scientific standards of research, deepened quantitative and qualitative analyses of local specificity of individual areas.

### 3. Principles and scope of ITIs in subregional functional areas

Delimitation of functional areas linked with regional and sub-regional cities and their inclusion into active development policy is the most dependant on the will of regional self-governments. This is the effect of principles adopted for ITIs in central government documents and it translates into the way functional areas are delimited. Availability of ITIs in sub-regional towns depends on what has been agreed between regional self-government and communes interested in the creation of a functional area. When a SFA is created, ITIs should proceed in accordance with general principles specified by the Ministry of Regional Development (*Zasady realizacji...*, 2013). Implementation of ITIs in functional areas is conditioned, inter alia, by an institutionalised partnership, i.e. by the establishing of ITI Union and drafting ITI strategy (*Zasady realizacji...*, 2013, p. 8).

ITI Union, depending on the scope of its activities, should be established by representatives of cities, communes and counties which voluntarily decided to collaborate within functional areas and regional self-governments. Tasks under the control of ITI Union differ depending on the share in Regional Operational Programme [ROP] management, however, for SFA the scope of delegated tasks is minimised vis-à-vis UFA.

It practice, it may boil down to the involvement into the selection of projects to be co-funded, thus the form of partnership may vary but usually it is little formalised and operates, e.g., as an association or administrative agreement. Partnership represents the interests of a functional area vis-à-vis regional and national authorities and, first of all, identifies common development directions and tasks. Forms other than a Union might imply specific operational limitations and that is why the choice of institutional form is essential as it is decisive for whether an institution will be entitled to make development plans at regional level or just to select projects for implementation. Delivery of tasks within a particular form of partnership requires sticking to many collaboration principles, such as: coherence, coordination, balancing, fiscal liability, flexibility, holistic approach, particularism, participation and subsidiarity (Kaczmarek, 2013). All of them can be summarised as a need to work out a coherent and transparent management system. Individual parties to the partnership must collaborate in functional and sectoral terms ensuring equal treatment of all of them. Financial accountability adequate to the outlays — effects relation is also important. Challenges faced by units which manage the SFA also include the implementation of systemic solutions adjusted to changing circumstances, taking account of the specificity of the area, which, despite the assumed cohesion, is usually very much differentiated with respect to needs and development potential. Particular interests of each party involved in a given functional area must be respected and there must be mechanisms to involve local community in the policy making for ITIs. The need to adopt a specific form of partnership which implies concrete collaboration principles show that ITIs implementation is not easy. Parties involved in the partnership must be aware and mature

enough to pursue development policy at a level higher than the local one. But, as concluded by Ratusznik I. (2013, p. 11) we must remember that the ITIs are a new tool and their efficient application requires adequately developed administrative potential and collaboration principles for self-governments.

Another major condition for ITIs implementation in functional areas is the strategy. It may be a programme document divided into diagnostic — strategic and operational — implementation parts. The diagnosis should thematically coincide with challenges identified in the Europe 2020 Strategy. One of the conditions for the ITI strategy to be approved by the European Commission is the presentation of a set of inter-linked actions that ensure long-term improvement of social, economic, environmental (including climate) and demographic conditions in a given functional area (*Programowanie...*, 2013). The strategy must consider analyses in each of these fields but it does not mean each of them will be supported with cohesion policy funds. It is also vital that activities under the development strategy do not deepen spatial differentiation but help balance the development and cohesion between towns and cities and other communes in functional areas. That is why for ITIs in SFA strategic approach should be taken, which although involves some effort from the constituents of a functional area, enables its reliable assessment and efficient investment of funds. Funding should be allocated to tasks consistent with common development vision for the area covered with ITIs and its use for particular interests of communes, especially the dominating urban commune, must be prevented (Ratusznik, 2013, p. 52).

From the ITI point of view discussion of the rules and conditions of implementing investment projects is essential. Considering ITI goals and assumptions as the primary criterion of

their implementation, projects should be integrated and complementary. The list of preferred potential intervention areas for ITI strategy includes (*Programowanie...*, 2013, pp. 5–7):

- sustainable, efficient transport linking the city with its functional area;
- restoring social and economic functions in degraded areas;
- improving the environment;
- energy efficiency and promoting low-emission strategies,
- reinforcing symbolic functions that build up the position of an area at supra-regional level, improving the quality of public services;
- strengthening research, technological development and innovation.

All of the above directions of intervention must coincide with thematic goals of the KSRR. They form part of the EU cohesion policy and Poland's development needs and are universal enough to apply to any functional area. Programmes for individual functional areas must provide for the accomplishment of some, minimum two, goals from the above list. Selection criterion for the intervention depends on conditions and development challenges of each of functional areas. That is fully rational as each area represents specific development conditions and we need a social-economic and functional-spatial diagnosis to identify intervention directions. We must also remember that the selection of intervention direction depends on the scope of national, especially regional, operational programmes. Projects and tasks for functional areas must be coherent with goals and priority axes of operational programmes as they will be funded from them. That is far from easy as when ITI strategy and programmes were being developed none

of operational programmes was adopted. Only drafts at different stages were available. So there is a need to adjust to proposals included in draft operational programmes while it is not sure if their content will be upheld. If an ITI Union was formed at the beginning of drafting ROP, it should be engaged in the process, in particular in identifying priority axes which delineate activities within ITIs. If it was established after works on the ROP had been completed, it might have smaller impact upon the ROP and initiatives included in it. That will make ITI Unions only adjust to the regional programme. Collaboration between ITI Unions and bodies involved in ROP drafting in periods of dynamic changes may result in unequal treatment of interests of various functional areas. It is also characteristic of ITIs that as long as UFA must be included in a ROP, SFA not necessarily. That relatively reduces opportunities for receiving financial resources for interventions included in ITIs and addressed to sub-regional functional areas.

#### 4. Goals of ITI implementation in functional areas

In accordance with the assumptions of the cohesion policy, ITIs should result mainly in (*Programowanie...*, 2013, p. 4):

- enhanced collaboration and integration;
- developing partnership model of collaboration for self-government units;
- integrated projects delivered in a comprehensive way with respect to development needs and problems of a functional area;

— increased impact of cities and functional areas upon how tasks within cohesion policy are delivered in their respective areas.

Two first goals are interconnected as they concern improved multilevel management. It is important to work out such instruments for the implementation of the cohesion policy to be able to arrive at compromises when identifying and selecting goals and investment projects. A difficulty for local and regional development leaders and some communities may be how to shift attention from local to supra-local level. Local authorities will have a difficult time trying to convince the residents of cities and communes, their electorate, that supra-local policy must be delivered. That is why the accomplishment of both goals requires social awareness with respect to territorial development system and social capital. Public opinion must be step by step responsibly informed about goals, principles and, most of all, ITI effects.

The third goal seems to be directly focused on the efficiency with which integrated projects are implemented. It is based on the assumption that development programming and planning for functional areas will be coherent in all planes: social, economic, environmental and spatial. Against this background, projects adopted for implementation should cover several areas of social, economic and spatial aspects and their effect should be supra-local. The last goal is a wish rather and is the most dependent on the degree to which the above three goals are implemented.

Key aspect connected with the reason why ITIs are implemented is the engagement of local authorities and communities into drafting development strategies and programmes at supra-local levels who are the most familiar with conditions and development needs in functional areas. All communes

within a given functional area must deliver projects which are thematically and territorially linked to other projects in a given functional area. We must make an assumption that each commune belongs to a functional area and must collaborate with other units.

## 5. Conclusion

The introduction of ITIs for sub-regional functional areas is a new tool of the cohesion policy. It helps direct support to specific functionally distinguished areas connected with a city, which performs key functions for its immediate neighbourhood. In the light of adopted assumptions, the instrument enables to identify development needs of a group of cities and communes, which should contribute to effective development policy. Allocating financial support within ITIs to more than one administrative units promotes integrated approach to place-based policy and forces out collaboration among self-government units. ITI efficiency largely results from the ability of SFA constituents to creatively and constructively collaborate and from correct delimitation of functional areas. Advantages of ITIs include the possibility to assess and fully use the development potential of cities, communes and the region, involving all local actors in policy making, which may deepen their collaboration to reduce development problems. ITI efficiency may be undermined by the absence of its operating model. No uniform or equivalent collaboration procedure has been worked out yet, neither there is clear legal basis including the rules to select and finance tasks from

ROP and national resources. We must stress that SFAs are less favoured than functional areas with centres in regional capitals, also metropolis, that is why the scope of investment eligible for funding in their case has been limited and in some cases completely excluded from access to ROP resources.

ITIs as an efficient instrument of SFA development necessitate precise formal and organisational rules and a clear specification of how and to what extent they can be funded.

### Streszczenie

#### Zintegrowane Inwestycje Terytorialne jako narzędzie polityki rozwoju subregionalnych obszarów funkcjonalnych

Podjęta w artykule problematyka dotyczy warunków i potrzeb realizacji Zintegrowanych Inwestycji Terytorialnych (ZIT) w Subregionalnych Obszarach Funkcjonalnych (SOF), w warunkach polityki regionalnej w okresie 2014–2020. Należy podkreślić, że ZIT dedykowane są przede wszystkim Miejskim Obszarom Funkcjonalnym Ośrodków Wojewódzkich (MOF OW), ale — jak wskazuje praktyka rozwoju regionalnego — znajdują także zastosowanie w programowaniu rozwoju SOF.

ZIT są nowym narzędziem polityki regionalnej, ukierunkowanym na kształtowanie partnerskiego modelu współpracy jednostek samorządowych oraz kompleksowe rozwiązywanie problemów rozwojowych miast i ich obszarów funkcjonalnych. SOF, jako adresat ZIT, powinien charakteryzować się wspólnymi cechami społeczno-gospodarczymi i powiązaniem funkcjonalnymi.

Podjęte rozważania dotyczą pojęcia i istoty SOF w teorii i polityce rozwoju, kryteriów i zasad delimitacji SOF. Te aspekty wskazują na potrzebę wypracowania optymalnych narzędzi definiowania i wyznaczania obszarów funkcjonalnych, gdyż stanowi to podstawę do realizacji ZIT. W następnej kolejności omówiono zasady, zakres oraz cele realizacji ZIT w stosunku do SOF.

Analiza wskazała zarówno silne, jak i słabe strony realizacji ZIT w przypadku SOF. Jako atut należy podkreślić kompleksowość i spójność rozwoju wykraczającą poza horyzont lokalnych celów. Jednak wymaga to umiejętności współpracy, respektowania zasad współdziałania — czyli ukształtowania kapitału społecznego. Słabością stosowania ZIT są nie-



wypracowane procedury, zarówno na poziomie krajowym, jak i regionalnym brakuje jednolitej, a zatem równoważnej procedury podejmowania współpracy, zasad kwalifikowania i finansowania zdefiniowanych do realizacji zadań rozwojowych.

Słowa kluczowe: zintegrowane inwestycje terytorialne, obszary funkcjonalne, polityka regionalna

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**Participatory Budgeting  
as an Instrument of Civil  
Society Development.  
Łódź Example**

**Abstract**

The paper discusses a specific type of public consultations known as participatory budgeting (PB) and its impact on the development of civil society. It is a process which allows residents to propose their projects to be realized in the urban community. These projects are selected through voting, adopted and implemented

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by the local authorities. In Lodz, the first edition of participatory budgeting was held in 2013 for projects to be implemented in 2014. The involvement of residents turned out to be very successful in comparison to other public consultations, and the number of voters was close to local election turnout in 2010.

Key words: participatory budget, civic society, participation, democracy

# 1. Introduction

Participatory budgeting in Poland is often referred to as a civic budget. It is defined as a decision-making process within which local residents co-decide about the allocation of a given pool of public resources to projects that help develop their local neighbourhood. Direct engagement of residents is nowadays considered one of the most efficient forms of building civic involvement and lasting relations with the local community.

The paper discusses participatory budgeting as an instrument of civic society development using the example of Lodz, the second biggest city in Poland and one of the first ones to use this solution for spending public resources. In the first part we present the definition, origin and examples of cities which have applied participatory budgeting in practice. Then we will outline the conditions and the course of information and promotion campaign for the first participatory budgeting in Lodz. Finally, we will briefly describe how the first participatory budget was implemented in the city.

When writing the paper the authors used data from the reports of the Lodz City Hall concerning Participatory Budgeting. The PB in Lodz was compared to other such budgets in selected cities in Poland (comparative analysis); we also provide in-depth information about social consultations connected with the budget in Lodz in 2013.

## 2. Participatory budgeting — notion, origin, examples

The World Bank defines participatory budgeting as a process by which citizens present their demands and priorities for civic improvement and influence budget allocations through discussions and negotiations.<sup>3</sup> Researchers of participatory budgeting identify several basic and closely interrelated criteria that distinguish it from other efforts aimed at engaging the local community.

Firstly, participatory budgeting is immanently linked with public discussions of residents who at least at one stage must meet to discuss ideas. Residents' dialogue is important for further collaboration with administration.

Secondly, participatory budgeting concerns clearly defined, limited financial resources. It is a precisely defined fraction of the budget of a given territorial unit with respect to which decisions are taken in direct democracy.

The third difference from other forms of civic engagement consists in the fact that participatory budgeting is not limited to local structures (districts, areas, institutions) but at least at one stage it is linked with general expenditure important for the city as a whole.

Fourthly, the outcomes of participatory budgeting are binding, unlike other forms of social consultations. Projects and investments selected by local residents are implemented.

Finally, participatory budgeting is a continuous process, which differs it from other forms of civic involvement.

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<sup>3</sup> World Bank's Empowerment, *Case Studies: Participatory Budgeting in Brazil*, [http://siteresources.worldbank.org/INTEMPowerment/Resources/14657\\_Particip-Budg-Brazil-web.pdf](http://siteresources.worldbank.org/INTEMPowerment/Resources/14657_Particip-Budg-Brazil-web.pdf), access on: 05.05.2014.

It should not be a single exercise but a process continued throughout years.<sup>4</sup>

The first case of participatory budgeting is the one of Porto Alegre in Brazil in the 1990s. By the end of the 1980s the people of Brazil focused their fight against the then regime mostly at the level of urban politics. That helped them implement small initiatives and gradually develop a strategy of collaboration between local authorities and residents and to introduce effective methods of participation. As a result, before the first democratic elections the Union of Neighbourhood Associations Porto Alegre (*União das Associações dos Moradores de PoA — UAMPA*) proposed an initiative which was shortly due to be called participatory budgeting. The initiative gained support of local authorities after the left-wing Labour Party won the elections in 1989.<sup>5</sup> Participatory budgeting has become very popular in Brazil, which is evidenced by the fact that until 2008 it had been introduced in 200 cities and involved 44 million residents.

Based on studies of participatory budgeting in the world we can distinguish several stages of its implementation. The first one covers the period 1987–1997 when PB was first applied in Porto Alegre and in some countries of Latin America (Brazil, Uruguay).

The second stage covering the period from 1997 to 2003 witnessed the dissemination of participatory budgeting in Brazil where it was introduced in 130 communes. The final stage is the beginning of the 21st century when participatory budgeting exploded in Latin America and in Europe and individual solutions were developed to support it in territorial

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4 W. Kębłowski (2013), *Budżet Partycypacyjny. Krótka instrukcja obsługi*, Instytut Obywatelski, Warsaw, pp. 8–9.

5 *Ibidem*, p. 11.

units. In Europe participatory budgeting was introduced, e.g., in Spain, Belgium, Italy, Germany, France, Portugal, Denmark, Switzerland, the Netherlands, and the United Kingdom. There were also PB cases reported in African (e.g. Cameroon) and Asian (Sri Lanka) countries. Nowadays participatory budgeting is used in 1200 locations. They can be big cities or their districts (London, Paris, Berlin, Rome) or smaller towns.<sup>6</sup>

Participatory budgeting is adjusted to local needs and capabilities. Hence, there are various models of PB (European version of the Porto Alegre model, involvement of organised stakeholders' groups, local community fund at local and urban level, public-private negotiations, neighbours' participation and consultations of public finance)<sup>7</sup>.

### 3. The first participatory budgeting in Lodz — beginnings, conditions and the course

The idea to introduce participatory budgeting in Lodz originated from local NGOs. Foundations were laid by the initiative of one of the NGOs from Lodz which back in 2011 organised a campaign „Residents of Lodz have a voice” (“Głos Łodzian się liczy”).<sup>8</sup> The inhabitants of five residential areas could propose, describe and select an investment project to be implemented in their local community with the funds of the so called local councils, auxiliary units of the city self-govern-

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6 <https://mac.gov.pl/aktualnosci/historia-budzetowania-partycypacyjnego>, access on: 05.05.2014.

7 Ibidem.

8 <http://www.gloslodzian.pl/>, access on: 05.05.2014.



ment. Positive effect of the initiative won the recognition of city authorities who decided to implement participatory budgeting in Lodz at a wider scale. One year later, on 16 May 2012 the City Council unanimously adopted the resolution to introduce participatory budgeting in Lodz.<sup>9</sup>

As one of the key objectives of the introduction of participatory budgeting in the Lodz self-government was to engage the residents, a decision was made to simplify the submission of projects as much as possible. A simple application questionnaire was developed and people were informed that to be initially approved a project needs to be signed by only 15 supporters. On top of that, differently from classic elections, the right to vote was given to those who declared living in a particular location rather than based on their formal domicile in Lodz. It increased the participation in the PB.

Projects were selected in residents' direct vote, without any intermediary organisations that would vote on their behalf. The objective was to legitimise the Participatory Budgeting and increase the involvement of residents. To promote knowledge about the budget a decision was made to have a promotion, information and education campaign organised and conducted by an NGO selected in a competitive procedure.

Participatory budgeting included two stages. The first one was delivered from April till June 2013 and was designed to prepare the residents of Lodz to submit proposals for the PB. There were 36 meetings with local communities and 4 study walks. At the same time a special advisory centre was launched for drafting applications and a website dedicated to the PB.

The second stage of PB implementation prepared people for voting. It was realised by NGOs and by the Lodz City Of-

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<sup>9</sup> G. Justyński (2013), *Doświadczenia łódzkiego budżetu obywatelskiego. Zdany egzamin z demokracji*, "Kronika Miasta Łodzi", No. 4, p. 27.

fice. Promotion and information campaign included 6 meetings with local residents, information placed in public space on 70 citylight boxes, posters in public utility buildings and a free-of-charge newspaper about participatory budgeting published in 30,000 copies or, finally, enabling voting over the Internet. On top of that, one of the key activities of the City Hall was a door-to-door initiative that involved representatives of city authorities and administration. Volunteers visited local communities and presented proposals submitted to the PB from the local neighbourhood. Other activities of the City Hall included: conferences for the media, Mayor's meetings with administration, TV and radio ads promoting participatory budgeting, leaflets, posters and information booklets. There was also a mobile voting unit in a bus.<sup>10</sup>

#### 4. Lodz participatory budget in its first year — outcomes, successes, challenges

In the Lodz participatory budget in 2014 local residents could allocate PLN 20 million. The amount was increased with additional PLN 10 million by the end of the year.<sup>11</sup> That was the biggest share of participatory budget in the overall structure of self-government outlays in Poland and one of the highest amounts per capita.

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10 UMŁ (2013), *Raport z konsultacji społecznych dotyczących budżetu obywatelskiego na roku 2014*, Lodz City Hall, Lodz, pp. 2–3.

11 <http://budzet.dlalodzi.info/zostanie-zrealizowanych-wiecej-projektow-zgloszonych-przez-mieszkancow/>, access on: 03.05.2014.

**Table 1.** Participatory budgets in selected cities in Poland in 2013

	Lodz		Sopot	Wroclaw	Poznan	Radom	Szczecin	Plock	Bialystok
Total amount (in PLN mio)	20.00	30.00	4.00	3.00	10.00	3.00	5.00	5.00	10.00
Amount per capita in PLN	34.77	48.68	104.67	4.75	18.16	13.65	12.23	40.44	33.91
Share in total budget expenditure	0.66	0.91	0.21	0.09	0.36	0.30	0.28	0.68	0.69

Source: own studies based on the data of the Central Statistical Office and Public Information Bulletins from selected cities.

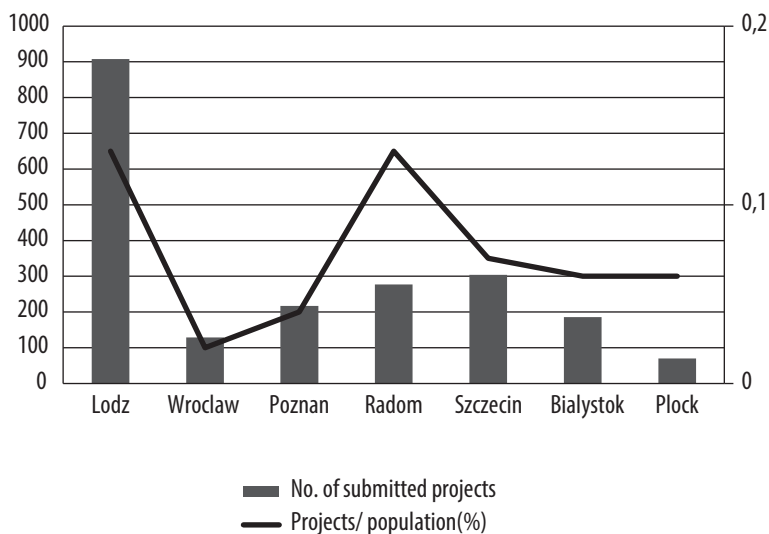
In comparison to other big cities in Poland which exercise participatory budgeting, residents of Lodz had the biggest amount at their disposal, both in nominal terms and in proportion to the total expenditure from the city budget in 2013. The smallest of all was the budget in Wroclaw, PLN 2 million, giving as little as PLN 5 per capita. Per capita leader was Sopot, where, although the participatory budget accounted for only ca. 0.2% of all expenditure of the commune, there was almost PLN 105 to be spent per resident.

However, we need to stress that the success of the budget should not be measured with its size only, disregarding the engagement of the local community, the major goal of the instrument.

Against this background it is worth stressing that all residents above 16 years of age were entitled to vote. It is also important that those without permanent residence permit could take part in the vote. For example students, who temporarily live in Lodz could also decide on how the city looks and operates. The decision-making powers were given to a wider

group, which also contributes to the empowerment of younger groups of residents.

The first participatory budgeting in Lodz resulted in 908 proposals and 759 out of them received positive recommendations. The remaining ones were either inconsistent with the rules of the budget or were withdrawn by the authors. Most of proposals with positive recommendation, 168, dealt with general city projects. The majority of district-specific projects came from the districts of Baluty and Gorna — 132, followed by Polesie and Widzew, 120 each, and the fewest originated from the central district of Srodmiescie — 87.<sup>12</sup>



**Fig. 1.** Projects submitted in participatory budgeting in selected cities in Poland — total and per capita results (2013)

Source: own study based on Public Information Bulletins from selected cities.

12 UMŁ (2012), *Raport z konsultacji społecznych...*, op. cit., pp. 2-3.

The population of projects proposed in Lodz and Radom represented 0.13% of the total population, the best result in 2013. In other cities which used participatory budgeting the share was on average twice as little.

Submitted proposals can be broken down by groups of beneficiaries. A large portion of proposed projects were addressed to big target groups, e.g., repairs of pavement, roadway or construction of sports grounds. The second group included projects targeting a narrow group of beneficiaries. Most of them considered support to schools and the projects consisted in modernising gyms, school playgrounds but also various educational initiatives, such as classes „What do you know about Lodz” or developing multimedia skills in senior residents of a Day Care Centre.

Social consultations in participatory budgeting involved in total 806 people. Average number of attendants of one consultation meeting was 17. Participatory budgeting meetings represented almost 80% of all social consultations conducted in Lodz in 2013.<sup>13</sup>

The services of a dedicated advisory centre, which helped draft applications, were used directly by 121 people, 164 received advice on the phone and 202 sent their questions by email. Advisory services were also offered during 6 field visits.

To facilitate local residents access to information, a website was launched on participatory budgeting. According to its statistics, from 1 May until 1 October 2013 the website recorded in total 437, 888 visits with the average time spent on it per person of 4 min 29sec.<sup>14</sup>

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13 UME (2013), *Raport z konsultacji społecznych...*, op. cit.

14 Ibidem.

During the promotion campaign of Participatory Budgeting and when projects were submitted concerns were raised that the process may be dominated by ideas from limited but well organised groups of beneficiaries, e.g., schools which can easily collect signatures from parents. These concerns were not confirmed by the results of voting where the majority of winning projects were those addressed to big target groups.<sup>15</sup>

One of them was a free-of-charge urban WiFi network (cost PLN 0.5 million, 12,127 votes), regeneration of two parks and installing lights in another one. Next example of a community-wide, nevertheless controversial, project is city bike (PLN 3, 117, 500.00, 8,819 votes).<sup>16</sup> The idea coincided with the plans of local authorities which for many years had been reluctant to introduce a city bike scheme. Although very popular, the project was widely criticised as too little funds were allocated for it which, in the opinion of the cycling community, would undermine its functionality.<sup>17</sup>

The above mentioned projects are big, costly and the most vocal. However, we should stress that the majority of participatory budgeting concerned small projects which, though supported by smaller population of supporters, were approved because their implementation costs were low. The example of a curb that slows down the traffic in one of the streets provides a good illustration. Only 32 votes (top number of votes in the district was 3,737) sufficed to meet the required limit of PLN 3 million for the area in question.

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15 <http://www.dzienniklodzki.pl/artykul/1017639,budzet-obywatelski-dla-lodzi-mieszkanicy-wybrali-schronisko-internet-i-rower-miejski,2,id,t,sa.html>, access on: 03.05.2014.

16 <http://budzet.dlalodzi.info/budzet-obywatelski-znamy-wyniki-glosowania/>, access on: 03.05.2014.

17 <http://lodz.naszemiasto.pl/artykul/fundacja-fenomen-chce-15-mln-zl-na-rower-miejski-w-lodzi,2056400,t,id.html>, access on: 03.05.2014.

Some residents complained that Participatory Budgeting included projects meant to be delivered by the City without the involvement of the local community. The example was the transformation of the street of 6 Sierpnia which intersects the pedestrian Piotrkowska street (the main street in the city) into the so called woonerf, i.e. the area where traffic is calm, cyclists- and pedestrian-friendly. City authorities planned to intensify car traffic in this street but subordinated their plans to the outcome of vote in participatory budgeting, to which the project was included.

A major failure of the first edition was the lack of coordination for similar projects, e.g., two ideas to intensify night timetables of public buses. Currently they go every hour on weekdays. One of the projects suggested they should go regularly every half an hour from 22:30 till 04:30 all week long. The second project proposed they should go regularly every half an hour but only until 01:00 in the morning. Lack of coordination „watered the votes down” and projects were not approved.

In the last hours of voting the servers hosting the website on which residents could vote for projects got overloaded. PB originators did not expect so many people to vote in two the last hours and assumed that time for Internet voting overlapped with office working hours, i.e. until 16.00.

Despite such problems, participatory budgeting was approved by residents as an alternative form of decision-making about the city. It increased interest in urban policy and rather quickly decision was taken to continue the idea in the years to come.

## 5. Conclusion

Analysing Participatory Budgeting as a form of social consultations we should conclude that comparing to traditional consultation meetings with local communities, it is more successful in terms of residents' involvement. The turnout not only exceeds average engagement of residents in local affairs but it is close to the number of people taking part in elections or referenda.

One of the main advantages of participatory budgeting is enhanced residents' activity in territorial units. Participatory budgeting improves people's knowledge on how such units operate. Undoubtedly participatory budgeting increases the transparency of public finances as projects and investment plans are presented at open meetings and citizens get more control over public resources. It also helps better allocate public resources and improve communication between city authorities, residents and NGOs. They start to collaborate at each stage of participatory budget implementation.

There are also unfavourable developments involved in participatory budgeting which may prevent it from being successful. One of them is the situation when participatory budgeting includes tasks of the territorial unit which should be delivered as priorities by public authorities using traditional local budget resources. Moreover, when reviewing proposed projects, some of them may be rejected for subjective or ideological reasons. Surely some proposed projects are insufficient in their scope, which may be the reason why they later fail. Participatory budgeting is put at risk when it is used to deliver tasks vis-à-vis which the authorities are reluctant (e.g.



reducing traffic in a given street) and which strictly depend on the vote.

In summary, we should conclude that proper implementation may involve bigger groups of residents into the life of the city, in particular those who earlier were not engaged in social consultations. Participatory budget may turn into a powerful instrument that helps meet residents' needs and has a positive leverage on the assessment of local authorities.

### Streszczenie

Budżet partycypacyjny jako narzędzie rozwoju społeczeństwa obywatelskiego na przykładzie Łodzi

Przedmiotem artykułu jest specyficzny typ konsultacji społecznych, określany mianem budżetu partycypacyjnego, i jego wpływ na rozwój społeczeństwa obywatelskiego. Ta forma partycypacji polega na umożliwieniu zgłaszania przez mieszkańców własnych projektów dotyczących ich jednostki terytorialnej, które są wybierane w głosowaniu, a następnie uchwalane i realizowane przez władze lokalne. W Łodzi pierwsza edycja budżetu partycypacyjnego, określanego jako obywatelski, miała miejsce w 2013 roku i realizowana była w 2014 roku. Zaangażowanie mieszkańców okazało się dużym sukcesem w porównaniu do innych konsultacji społecznych, jakie odbyły się w Łodzi w 2013 roku, a liczba głosujących była zbliżona do biorących udział w wyborach samorządowych w roku 2010.

Słowa kluczowe: budżet obywatelski, społeczeństwo obywatelskie, partycypacja, demokracja

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6. Kębłowski W. (2013), *Budżet Partycypacyjny. Krótka instrukcja obsługi*, Instytut Obywatelski, Warsaw.
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## **Integrated Water Resources Management — City of Lodz Case Study**

### **Abstract**

Progressing urbanization rate with simultaneous climate changes create new opportunities and challenges for the management of a modern city. Application of ecohydrology principles in integrated water resources management in the city creates the potential sufficient to strengthen the resilience of urban ecosystems to the negative impact of anthropogenic factors.

Understanding these interactions is essential for the proper development of urban policy in the field of water management. From the point of view of social, economic and environmental conditions of the functioning of a city it is necessary to implement system solutions in this area. Improving the quality of natural environment and ecosystem-related services can be a major factor in influencing the quality of life and living conditions of the inhabitants. Indirectly it can also contribute to overall economic development of the city.

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The paper aims to outline system management capabilities for green areas and aquatic ecosystems in order to improve the quality of life and the conditions for sustainable development of the city. The author analyses the example of the city of Lodz, where the project of blue-green network is executed.

Key words: urban ecosystems's management, water in urban areas

# 1. Introduction

All basic functions of today's cities, such as transport, water supply, heating, collecting waste or services imply all sorts of contaminations, which reduce residents' standard of living. Concentration of population in urban areas radically changes the flow of energy, raw materials and materials in the environment. These changes seriously impact water ecosystems in cities. As a result, it is more and more difficult to deliver various urban functionalities. That is particularly true of densely populated cities where the numbers of residents continue to increase<sup>2</sup>.

Rapid deterioration of the quality of surface and ground water is becoming a major issue in urbanised areas across the world. It is mainly due to quick increase in population, urbanisation and industrialisation. These processes skyrocket the demand with respect to the quantity and quality of local water resources and contribute to increased contamination. Until now the reaction consisted in applying and developing 'end-of-pipe' technologies such as filters or water treatment installations. The approach is not sufficient at a global scale and has got its limitations especially in developing regions. Waste water in such regions is not treated mainly because the infrastructure is poor. That leads to serious contamination of surface and ground water<sup>3</sup>.

As high quality ecosystem services are vital to ensure high quality of life and health of humans, integrated management

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2 Marsalek J., Jimenez-Cisneros B.E., Malmquist P.-A., Karamouz M., Goldenfum J., Chocat B. (2006), *Urban water cycle processes and interactions*, Technical Documents in Hydrology, Paris.

3 Gijzen H.J. (2006), *The role of natural systems in urban water management in the City of the Future — A 3 step strategic approach*, "Ecohydrology and Hydrobiology", 6.

of water resources should become one of priorities of sustainable governance in cities. Modern cities should be considered ecosystems where basic processes, such as the flow of water, materials and energy provide grounds for effective management<sup>4</sup>. Understanding these flows may become a useful tool in effective implementation of Integrated Urban Water Management (IUWM). Efficient use of water resources in a city is possible when we understand the dependence between hydrology and biology. Using links between them by introducing ecohydrology approach to already existing traditional technological processes was tested in Lodz; one of the demo cities in the SWITCH project.<sup>5</sup>

## 2. Water flow in the city

One of principal problems faced by contemporary cities is distortions in the water cycle. They are caused mostly by advanced land development (urbanisation) and high percentage of impervious surface impenetrable to rainfall (Figure 1). That contributes to reduced evaporation, infiltration, increasing ground water resources and intensified runoff. Further problem is the old rainwater drainage system incapable of receiving rather frequent discharge of heavy rainstorms. The latter are

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4 Zalewski M., Wagner I. (2005), *Ecohydrology — the use of water and ecosystem processes for healthy urban environments*, [in:] *Special issue: Aquatic Habitats in Integrated Urban Water Management*, “Ecohydrology & Hydrobiology”, Vol. 5, No. 4, p. 263–268.

5 SWITCH — Managing Water for the City of Future. Project financed from the European Regional Development Fund under the Operational Programme Innovation and Environment composed of the consortium of 33 partner organisations from 15 developing cities across the world in the years 2006–2011.

linked with changing climate conditions with exacerbate the occurrence of extreme phenomena and constantly increasing area of impervious surfaces. The above changes impact the quality of life of urban residents<sup>6</sup>.

Increased area of impervious surface in the city intensifies the runoff (Marsalek, 2006). During heavy rain maximum intensity of flow considerably increases within a short time. The relationship is presented in Figure 2.

Next outcome of impenetrable impervious surface is significant deterioration of water quality. Rainwater collects a lot of various pollutants from pavements, roofs or parking lots. When it reaches a water tank it pollutes it. Degradation affects the entire water ecosystem<sup>7</sup>.

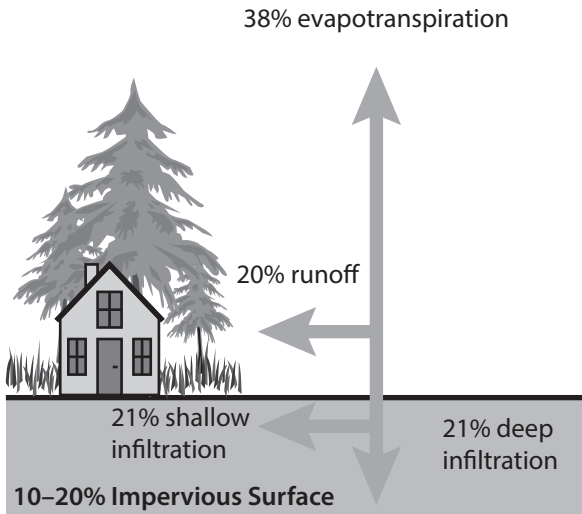
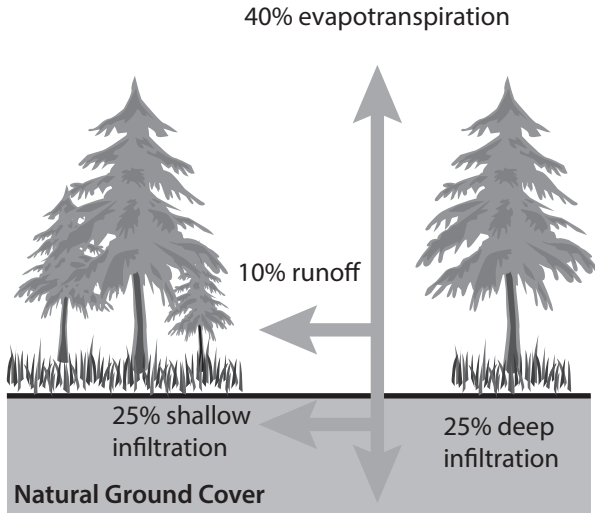
High demand for water in the city and poor infiltration also reduce the level of ground water. Rainfall is not sufficient to compensate for that. As a result of drying the quality of soil is deteriorated and flora and fauna diversity suffers<sup>8</sup>.

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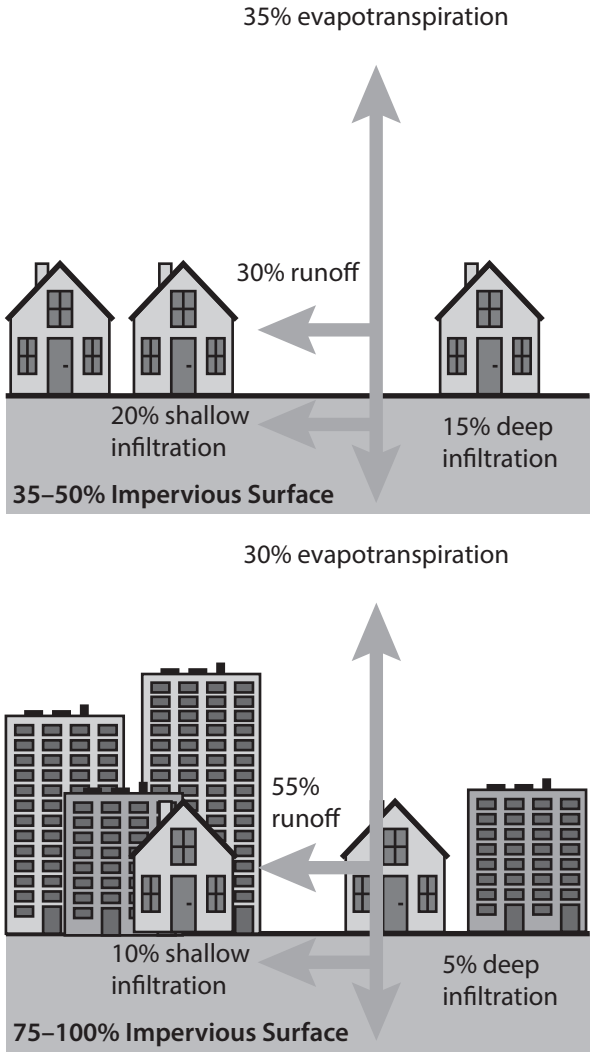
6 Wagner I., Breil P. (2013), *The role of ecohydrology in creating more resilient cities*, "Ecohydrology & Hydrobiology".

7 Marsalek J., Jimenez-Cisneros B.E., Malmquist P.-A., Karamouz M., Goldenfum J., Chocat B. (2006), *Urban water cycle processes and interactions*, Technical Documents in Hydrology, Paris.

8 Kozłowska E. (2008), *Proekologiczne gospodarowanie wodą opadową w aspekcie architektury krajobrazu*, Publishing House of the Wrocław University of Life and Environmental Sciences, Wrocław.

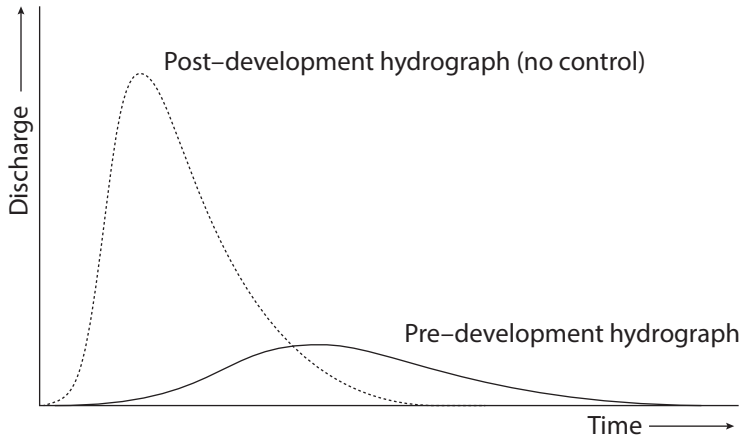






**Fig. 1.** Water cycle degradation as a result of water-tight surfaces

Source: Wagner I., Zalewski M. (2009), *Ecohydrology as a basis for the sustainable city strategic planning: focus on Lodz, Poland*, Springer Science + Business Media.



**Fig. 2.** Flow hydrograph before and after development

Source: Marsalek J., Jimenez-Cisneros B.E., Malmquist P.-A., Karamouz M., Goldenfum J., Chocat B. (2006), *Urban water cycle processes and interactions*, Technical Documents in Hydrology, Paris.

### 3. Ecohydrology as a tool of integrated urban water management

Integrated water management is a tool designed to stabilise the water balance in the catchment area. In a holistic approach a basin becomes the subject of all planning-related activities as it integrates knowledge from different fields. Ecohydrology combines the knowledge about the dynamics of hydrology and environmental processes to propose the best strategies for systemic solutions. Ecohydrology is based on three basic principles<sup>9</sup>.

<sup>9</sup> Zalewski M. (2011), *Towards engineering harmony between water ecosystem and society: editorial*, "Ecohydrology and Hydrobiology", 11.

The first of them refers to the quantification of hydrology processes and threat identification. Impact mapping is done using GIS and advanced tools used in the analysis of interrelations among hydrology, environmental, social and economic cycles<sup>10</sup>.

Next one concerns the analysis of ecosystem distribution in the catchment area with respect to its environmental and cultural importance and various environmental potentials derived from bio-diversity, productivity, degradation degree compared to the distribution of water resources and hydrology models<sup>11</sup>.

The third principle is based on the idea of building ecosystems for mutual benefits of humans and the environment. That is the key for the development and increased capacity of the catchment area. At this level the capacity of catchment area should take account of four aspects: water and its resources, bio-diversity, resilience to pollution and its ecosystem function for the community<sup>12</sup>.

In accordance with the above principles, anything that happens within the catchment area should be harmonised with social and economic development perspectives and plans<sup>13</sup>. Plans and visions for a given area should become relevant points of reference for sustainable development plans. Ecohydrolo-

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10 Kiedrzyńska E., Wagner I., Zalewski M. (2008), *Quantification of phosphorus retention efficiency by floodplain vegetation and a management strategy for a eutrophic reservoir restoration*, "Ecological Engineering", 33.

11 Breil P., Lafton M., Fletcher T.D., Roy A. (2008), *Aquatic ecosystems*, "Ecohydrology and Hydrobiology", 13.

12 Mitsch W.J. (1993), *Ecological Engineering — a cooperative role with the planetary life support system*, "Environmental Science and Technology", 27.

13 Rogut A., Piasecki B. (2011), *Foresight methodology as a tool for elaboration of plans for sustainable management of water, energy, the environment and society*, "Ecohydrology and Hydrobiology", 11.

gy proposes solutions to problems and aims at the harmonisation of the potential of ecosystems with social needs<sup>14</sup>.

#### 4. Water resources in Lodz and related challenges

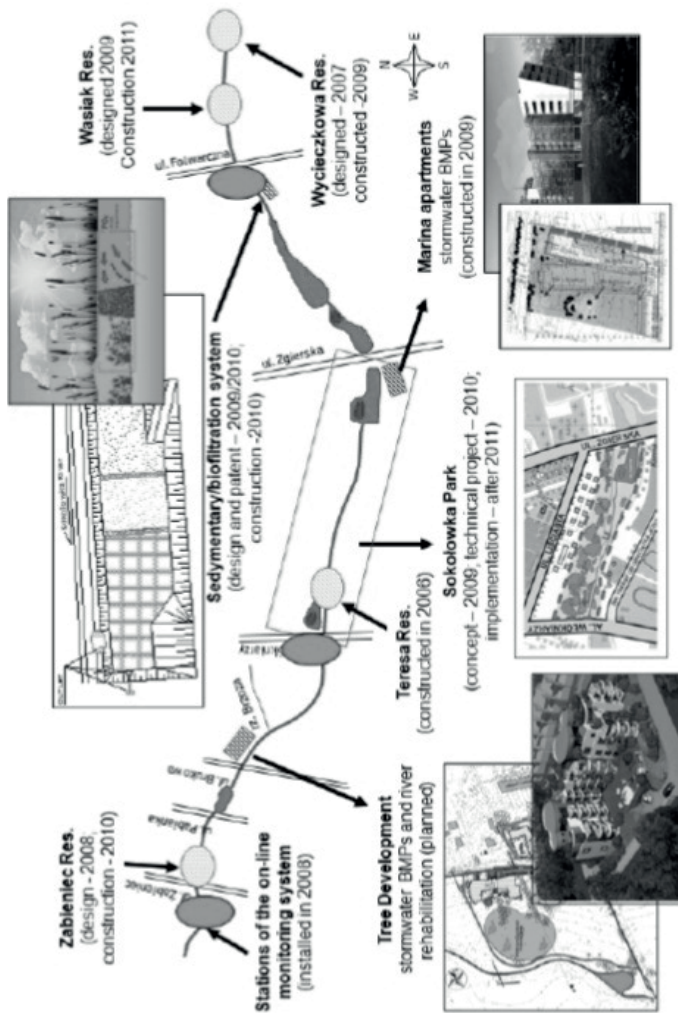
Lodz is the third most populated city in Poland (ca. 700 k inhabitants). It is located on a watershed of the two main rivers in Poland: Vistula and Oder. There are 18 watercourses running through the city, most of them were regulated and included into rainstorm drainage system already at the beginning of the 20th century. Rapid expansion of the city reduced the capacity to retain water in the landscape. The processes increased incidents of floods, in particular during heavy rainstorm, high runoffs of rainfall to the wastewater treatment plant, developing urban heat islands, low humidity and high concentration of dust and pollutants. These factors have indirect impact upon the health and quality of life of local residents<sup>15</sup>.

Lodz authorities face many challenges connected with integrated urban water management. The first one considers restoring water balance in the Sokolowka River, which runs in the city; increasing its retention capacity, cleaning its water and improving its aquatic environment. The second one relates to sustainable solutions connected with the use of wastewater sediments in the production of biomass and bioenergy pro-

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14 Zalewski M. (2014), *Ecohydrology, biotechnology and engineering for cost efficiency in reaching the sustainability of biogeosphere*, "Ecohydrology and Hydrobiology", 14.

15 Wagner I., Zalewski M. (2009), *Ecohydrology as a basis for the sustainable city strategic planning: focus on Lodz, Poland*, Springer Science + Business Media.



**Fig. 3.** Ecohydrologic regeneration of the Sokolowka River

Source: European Regional Centre of Ecohydrology (ERCE), 2010.

duced from common osier (*salix viminalis*) assuming such activities are profitable<sup>16</sup>.

Studies on the Sokolowka River helped design a sedimentation and bio-filtering system to treat the rainfall so that it does not pollute the river. A system of retention tanks for temporary storage of water was designed together with Sedimentation Bio-filtering System (SSB) — Figure 3. The system treats the rainfall in sedimentation process and then planted plants capture pollutants in water. Additionally, several innovative technological solutions were applied, which involve plant structures and biodegradable geotextile. First tests of the productivity of the sedimentation tank showed the reduction in nitrogen and phosphorus concentration by even 50%<sup>17</sup>.

The project on the Sokolowka River is a part of blue-green network, which consists in taking advantage of natural dependences between hydrology and biology processes<sup>18</sup>. When river valleys and green areas are merged, the area they cover becomes better accessible. Such optimisation is particularly important in urban areas where the space is rather limited. These solutions improve the quality of life of residents and the quality of the environment. Well managed space encourages the residents to active leisure<sup>19</sup>. It also plays important hydrology functions, i.e., retains rainwater, treats it and improves the microclimate in the city. Due to its importance, the idea

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16 Jurczak T., Wagner I., Zalewski M. (2012), *Ekohydrologiczna rekultywacja zbiorników rekreacyjnych Arturówek (Łódź) jako modelowe podejście do rekultywacji zbiorników miejskich (EH-REK). Analiza szans i zagrożeń*, Łódź.

17 Wagner I., Zalewski M. (2013), *Błękitno-zielona sieć — poprawa jakości życia w miastach w obliczu zmian klimatu*, “Dwutygodnik Panorama PAN”.

18 Wagner I., Krauze K., Zalewski M. (2013), *Blue aspects of green infrastructure*, “Sustainable Development Applications”, 4.

19 Wagner I., Zalewski M. (2013), *Błękitno-zielona sieć — poprawa jakości życia w miastach w obliczu zmian klimatu*, “Dwutygodnik Panorama PAN”.

of a blue — green network has been included into the Lodz Integrated Development Strategy 2020+.

## 5. Conclusion

Intensive development of the city calls for rapid actions in spatial organisation. They have a major impact upon the aesthetics and identity of cities, their environmental safety, quality of health and life of residents. Intensive, imbalanced development of urban areas degrades the landscape as the area of impervious surface expands and green areas shrink and rivers get regulated<sup>20</sup>. These factors have substantial adverse effect upon urban environment, the microclimate and increase the incidence of extreme temperatures or dry air. Reduced rainwater infiltration increases the frequency of floods during heavy rainstorm and reduces air humidity. That leads to more dust and air pollution leading to increased prevalence of asthma or allergy<sup>21</sup>. Changed water cycle in the city further degrades water and water-related ecosystems through the degradation of habitats, chemical and physical contamination of water<sup>22</sup>.

Residents in European and Polish cities are more and more demanding when it comes to the quality of life. Besides having access to basic services, they want to live in a healthy environ-

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20 Jansson A. (2013), *Reaching for a sustainable, resilient urban future using the lens of ecosystem services*, "Ecological Economics", 86.

21 Kuprys-Lipińska I., Elgalal A., Kupczyk M., Bochenska-Marciniak M., Kuna P. (2009), *Urban-rural differences in the prevalence of atopic diseases in Lodz province (Poland)*. Abstract book, XXIII EAACI congress, Amsterdam.

22 Congying L. (2012), *Ecohydrology and good urban design for urban storm water-logging in Beijing, China*, "Ecohydrology and Hydrobiology", 12.

ment. That exerts higher pressure on water ecosystems used for various services for the community. Open water tanks and green ecosystems transmit aesthetic and cultural values and provide leisure grounds for urban residents, which is crucial for a developing society.

## Streszczenie

Zintegrowane zarządzanie zasobami wodnymi w mieście — przykład Łodzi

Zwiększający się poziom urbanizacji przy jednoczesnych zmianach klimatycznych stwarza nowe możliwości i wyzwania dla zarządzania nowoczesnym miastem. Zastosowanie zasad ekohydrologii w ramach zintegrowanego zarządzania zasobami wodnymi w mieście tworzy potencjał zdolny wzmocnić odporność miejskich ekosystemów na negatywne oddziaływania czynników antropogenicznych.

Zrozumienie tych interakcji stanowi podstawę prawidłowego kształtowania polityki miejskiej w zakresie gospodarowania zasobami wodnymi. Z punktu widzenia społeczno-ekonomicznych i środowiskowych uwarunkowań funkcjonowania danego miasta niezbędne jest wdrożenie rozwiązań systemowych w tym zakresie. Poprawa jakości środowiska naturalnego i usług ekosystemowych może być czynnikiem w istotny sposób wpływającym na poprawę jakości życia i warunków bytowych mieszkańców, a pośrednio przyczynić się także do rozwoju całej gospodarki miasta.

Niniejszy artykuł ma na celu przedstawienie możliwości zarządzania systemami zielonymi oraz ekosystemami wodnymi w mieście, tak aby poprawić jakość życia mieszkańców i warunki zrównoważonego rozwoju miasta. Autorka analizuje przykład Łodzi, w której prowadzony jest projekt błękitno-zielonej sieci.

Słowa kluczowe: zarządzanie ekosystemami miejskimi, woda w mieście



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18. Zalewski M., Wagner I. (2005), *Ecohydrology — the use of water and ecosystem processes for healthy urban environments*, [in:] *Special issue: Aquatic Habitats in Integrated Urban Water Management*, “Ecohydrology & Hydrobiology”, Vol. 5, No. 4, p. 263–268.

# MEGATRENDS



**Iryna Skavronska<sup>1</sup>**

# **Organization of Sports Mega-Events as a Tool of Regional and Urban Transformation**

## **Abstract**

This paper is devoted to sports mega-events as elements in the process of regional and urban transformation. For these reason, it highlights the importance and major features of sports mega-events and their impact on regional and urban development processes. The experience of sport mega-events in Spain, Ukraine, Poland, the United Kingdom and Brazil was used to conduct a comparative analysis. As a result, we revealed positive changes in local economic, social and institutional environment resulting from major international sports events.

**Key words:** sports mega-events, regional and urban development

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# 1. Introduction

Hosting sports mega-events, which in recent decades have become worldwide events, occupies a special place within the framework of sports tourism. These events have started to play a significant role in urban policy-making and regeneration, and they have already demonstrated their efficiency as factors leading to urban transformation.

The reason why nations and cities are interested in hosting sports mega-events is the opportunity for urban development and renewal, which a successful bid may bring. Host destinations increasingly use sports mega-events as tools in strategic spatial transformation as well as in wider urban and regional development strategies.

Mega-events are therefore an extremely significant component of place promotion because they may leave social, economic and physical legacies, which will have an impact on the host community in the future.

Additionally, wider investment in transport, accommodation establishments, telecommunication infrastructure and environmental improvement can also be used for enhancing the efficient running and success of sports mega-events. These wider investments also contribute to the establishing of a global image of the host country or city as well as to the overall better standard of living for its citizens, that can encourage inward investment and tourism over the long-term.

## 2. Conceptual framework of sports mega-events and regional/urban development

### A. The concept of sports mega-events

One of current tendencies in the world development in the late 20<sup>th</sup> and early 21<sup>st</sup> centuries is global expansion of tourism, in particular sports tourism, characterized by the emergence of its new forms, such as sports mega-events, which became especially popular, and therefore are studied comprehensively by specialists.

M. Roche identifies “mega-events” as large-scale cultural (including commercial and sporting) events, which have a dramatic character, mass popular appeal and international significance.<sup>2</sup> Those events which refer to as “megas” have the ability to transmit promotional messages to billions of people via television and mass media. “Megas” attract an increasingly more international audience and have a huge coverage. For instance, an estimated TV audience of 3.6 billion people in 220 countries and territories around the world watched London 2012 Olympic Games<sup>3</sup>.

At the same time, “sports mega-events” can be defined as major sports competitions of fixed duration which are large in scale, occur regularly and reverberate throughout the world. The term “sports mega-event” is used to describe events such as the Olympic Games and the World Cup in football. The event has a high profile; there is a worldwide interest linked to the event as well as a sustainable and measurable economic

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2 Roche M. (1992), *Mega-events and micro-modernisation: on the sociology of the new urban tourism*, “British Journal of Sociology”, no. 43, p. 563.

3 *International Olympic Committee Marketing Report: London 2012*, (2012), 166 p.



outcome.<sup>4</sup> The very nature of these mega-events draw upon a global audience due to the participating nations.

Sports mega-events share a number of characteristics: they cover trips related to various sports, which reflect the global nature of sports tourism as well as have large impact on the host country, region or city stimulating the development of national economy. Sports mega-events have a unique one time nature, which is related to the specific place where they take place e.g. the Olympic Games in Athens in 2004. Although the place of staging does not need to be a city, it can be a country or even two as it was the case in Germany which hosted the Football World Cup 2006 or in Ukraine and Poland which hosted the European Football Championship 2012. Simultaneously, some of these events are fixed to one place (for example, Geneva International Motor Show in Switzerland). Often, sports mega-events are characterized by “gigantism” because they have greatly expanded the boundaries of their activities including participants and significant media coverage from all over the world.

Taking into account aforementioned characteristics, sports mega-events include: the Olympic Games, the Football World Cup and the European Football Championship, the Rugby World Cup; the Red Bull Air Race (since 2005 — the Red Bull Air Race World Series); Auto-Racing “Formula 1”; International Technical Salons: Geneva International Motor Show (Switzerland); Moscow International Motor Show (Russia); Le Bourget International Air Show (France); Zhuhai International Air Show (China); Langkawi International Air Show (Malaysia); Zhukovsky International Air Show (Russia).

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4 Hiller H.H. (2000), *Mega-events, Urban Boosterism and Growth Strategies: An Analysis of the Objectives and Legitimations of the Cape Town 2004 Olympic Bid*, “International Journal of Urban and Regional Research”, vol. 24.2, pp. 439–458.

Given the worldwide attention devoted to a sports mega-event, a host nation/city is unlikely to stage it without considerable local development and investment. Such events are much more than sports events. They have evolved into a catalyst of extensive transformation and a tool of regional and urban renewal as host nations and cities are required to provide new, or significantly refurbished, sports facilities to a world class standard.

## B. Economic role of sports mega-events

Presently sports mega-events are associated with total changes in existing modes of urban and regional development. The expansion of these events has been caused by the convergence of tourism, sport and business in the late 20<sup>th</sup> century, which is expressed through sponsorship rights, exclusive broadcasting rights, advertising space for sponsors and merchandizing. On the other hand, nations, regions and cities are increasingly interested in the marketing and imaging benefits of hosting large sports events.

Developing and promoting awareness of regional assets through a sports mega-event helps potential investors to get to know what the community has to offer. Staging sports mega-events unites local and regional authorities around a competitive identity and helps to communicate a consistent message to the outside world. When hosting a sports mega-event, the city may be featured most prominently since it likely has the strongest name recognition.

Due to this in today's environment of successful organization of sports mega-events, regional and urban development requires joint efforts of public and private sectors<sup>5</sup>.

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5 Lowes M. (2002), *Indy Dreams and Urban Nightmares*, Toronto University Press, Toronto, 148 p.

The government and public institutions can create conditions for further regional development and reduction of regional disparities, in particular, by building infrastructure, strengthening the regions and improving their competitiveness through productive investments, hence, by increasing the quality of life. While private corporations (for instance real estate, construction companies) operating at transnational scale have the opportunity to offer their skills and experience. Besides such companies, firms specialized in tourism are interested in investing in mega-events, and they can play an influential role in guiding the choice of related projects to be built as well as the way in which they are financed and implemented.

### 3. International experience of staging sports mega-events

Recent years have seen a clear shift in the countries bidding for and winning the right to host sports mega-events: from predominantly advanced economies to developing, transition or emerging economies (Table 1). The peculiarity of staging a mega-event in one of these countries is that they appear to have narrowed their attention onto one key benefit — international prestige.

**Table 1.** Sports mega-events in developing and transition economies

Year	Event	Place
2008	Summer Olympics	China (Beijing)
2012	UEFA European Championship	Ukraine, Poland
2014	Winter Olympics	Russia (Sochi)
2014	FIFA World Cup	Brazil
2016	Summer Olympics	Brazil (Rio de Janeiro)
2018	FIFA World Cup	Russia
2020	FIFA World Cup	Qatar

Source: own composition.

Our analysis revealed that the majority of cities hosting the Olympic Games so far have been European while the population of North American or Asian cities has been smaller. That reflects the levels of economic development as well as the origin of the Olympic Games (the earliest recorded Olympic competition occurred in Greece, Europe). Yet none of them were held in Africa or South America (only in 2016 Summer Olympic Games will take place in Rio de Janeiro, Brazil). However, taking into account the scale of the event and requirements for necessary infrastructure, there are doubts as to how many cities in the aforementioned continents can afford to host the modern Olympics.

To better understand the nature and impact of sports mega-events on cities and nations, the author offers an analysis of how these events are organised in different economies, i.e., in developed economies (the United Kingdom, Spain), devel-

oping (Brazil) and transition ones (Poland, Ukraine). Such an analysis helps identify urban and regional changes which take place in these countries in the process of staging a sports mega-event as well as demonstrates tangible and intangible legacy that remains after a mega-event.

## A. Barcelona 1992 Summer Olympics

The Olympic Games allowed cities like Barcelona to put themselves on the map and by doing so to become a highly popular tourist destinations. In the process of hosting the event, the city itself underwent an impressive urban transformation.

Until 1992, the Winter and Summer Olympic Games both were held in the same years. There were many candidates for staging both of them. Six cities have bid to host the Summer Olympics: Paris (France), Amsterdam (Netherlands), Belgrade (Serbia), Brisbane (Australia), Birmingham (UK) and Barcelona (Spain). The latter was chosen for holding the competition. The ability of the city to stage the Olympic Games was tested in three areas: the philosophy of the Games, organizational and economic dimensions<sup>6</sup>.

For Spain, the competition was a part of the overall event group of so-called “Project-1992” together with the World Fair of Seville and Madrid declared European Capital of Culture. More generally, the country wanted to show how Spanish society has transformed and modernized, and aimed to play an important role in the European Community. However, according to most experts, the main thing, which spurred to choose Barcelona, was the transformation of the city while

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<sup>6</sup> Toohey K., Veal A.J. (2007), *The Olympic Games: a social science perspective*, 2nd Edition, CAB International, 348 p.

the Olympics have become an incentive to catch up for decades of lost economic opportunities.

It should be noted that in the early 1990s many European cities were rapidly implemented strategic planning as a tool of urban transformation. One of the best plans was developed in Barcelona where strategic planning began in 1988, when the city bid to host 1992 Summer Olympics. First of all, the strategic plan was intended to consolidate Barcelona in the category of European metropolises. In order to make the Olympics successful, the plan predicted institutionalization of the relationship between the city council and local key social and economic institutions, such as the Chamber of Commerce, trade unions, employers' associations<sup>7</sup>.

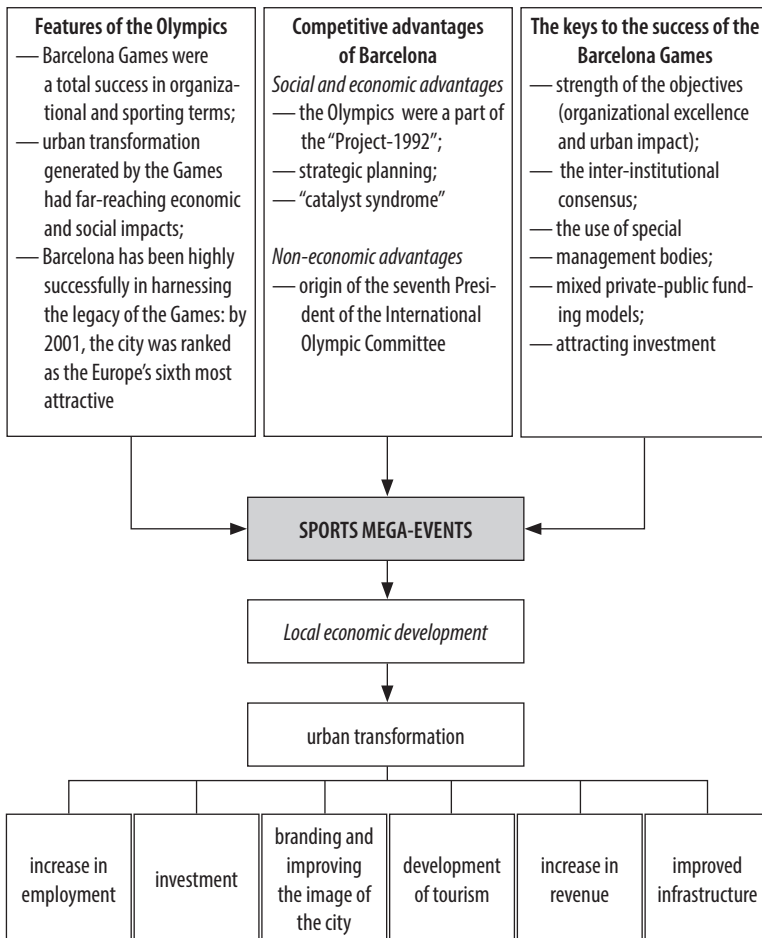
The country just took care of the construction of lacking facilities. Barcelona focused on the building of general infrastructure (e.g., transport and sewage systems) which served the whole city not just the Olympic Games (the share of spending for such infrastructure was more than 60% of total expenditures).<sup>8</sup> It was the so-called “catalyst syndrome” inherent to host cities which helped them develop urban infrastructure, especially a transport network like airports, railways, highways.

The interrelationship between the sports mega-event and urban transformation in Barcelona is shown in Figure 1.

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7 Martins, L. (2004) Conference paper, 'Bidding for the Olympics, a Local Affair? Lessons Learned from the Paris and Madrid 2012 Olympic Bids', City Futures Conference, 8–10 July 2004, Chicago University College of Urban Planning and Public Affairs.

8 Brunet F. (1994), *Economy of the 1992 Barcelona Olympic Games*, International Olympic Committee, Lausanne.



**Fig. 1.** The interrelationship between the Olympic Games and urban transformation in Barcelona

Source: own studies.

The scale of urban transformation arising from the Games was immense: new roads represented an increase of 15%; new sewage systems (17%), and new green areas and beaches (78%).

Of the total investment, only 38.5% was located to Barcelona city. i.e. there was regional decentralization<sup>9</sup>.

## B. The 2012 UEFA European Championship

The 2012 UEFA European Championship, commonly referred to as Euro 2012, was the 14<sup>th</sup> European Championship organized by UEFA. The final tournament, held between 8 June and 1 July 2012, was hosted for the first time by Poland and former Soviet-bloc nation — Ukraine.

Urban and regional transformation is one of the outcomes of the Championship which was expressed mostly through upgrades in transportation infrastructure, renovation of football stadiums, accommodation establishments, etc. Poland and Ukraine believed that development and improvement of infrastructure would help to give a nice boost to their economies at national, regional and local levels as both countries are transition economies.

The existing transportation network in both Poland and Ukraine was much less extensive than the corresponding network in the EU. As both countries are large in terms of the area, they have relatively large road networks. However, the quality of roads in both countries, especially in Ukraine, was lower comparing to western European countries. Also, the density of road networks expressed as kilometers of highways per 100 square kilometres of the area, was much below the 160 km/sq.km in the EU Member States/ EU-15 (Table 2).

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<sup>9</sup> *The Economic Impact of the Barcelona Olympic Games, 1986–2004*, (2002), [in:] de Moragas M., Botella M. (eds.), *Barcelona: l'herència dels Jocs (1992–2002)*, Centre d'Estudis Olímpics UAB, Planeta, Ajuntament de Barcelona, Barcelona.



**Table 2.** Comparative characteristics of transport infrastructure in Ukraine, Poland and EU-15<sup>10</sup>

Transport infrastructure	Ukraine	Poland	EU-15
Km of roads	273 700	377 000	53 104 000
Road density, km/100 sq. km	45	80	160
Km of railroads	22 510	20 665	153 003
International airports	6	8	68
International sea ports	3	3	—

Source: own studies.

Since a large numbers of spectators were expected to come, the existing transportation system needed to be upgraded. Modernization of transportation network and infrastructure included the construction and rehabilitation of roads and highways, rail systems, airports.

Both Poland and Ukraine had to undertake extensive renovation projects of existing stadiums and accommodation establishments as well as new construction projects to meet UEFA's requirements.

In fact, organization of Euro 2012 in Poland and Ukraine became an attractive option in urban policy as a way to improve the environment by creating a "performance" to attract global investment, facilitate fast-track development and promote new image through place marketing.

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10 *Serwer narzędziowy* — *Wikimedia Polska*, <http://www.wikipedia.pl>, access on 02.03.2014; *Invest in Poland*, <http://www.paiz.gov.pl>, access on 23.02.2014.

## C. The 2012 Summer Olympics in London

The 2012 Olympic Games brought real economic and social benefits to the United Kingdom and London in particular through: the regeneration of East London; improved skills and business opportunities; increased tourism.

The acceleration of the regeneration of East London was a central element of the urban transformation of the 2012 Games. East London suffered from long-standing and deep-set social and economic problems; it has historically been one of the poorest parts of the UK. The Games provided a unique opportunity to tackle, both directly and indirectly, the deprivation and other challenges East London faced and contributed to its social and economic transformation<sup>11</sup>. The Olympic Games brought new tourist traffic to the neighborhood. One of the biggest obstacles to visiting the East used to be the lack of easy public transport connections with Central London. That is not a problem anymore: along with improvements to the rundown Tube stations and creaky trains all over London, authorities have installed brand-new, comfortable trains that now connect the city center with communities in the East End, with nine transport lines feeding into Stratford, the Olympic hub. A high-speed train, called the Javelin Shuttle, links Stratford with St. Pancras, the renovated Eurostar terminal.<sup>12</sup> Generally, £6.5 bln of transport investment has supported development across London.

After the Games, the Grand Olympic Park was renamed as the Queen Elizabeth Olympic Park and serves now as a new

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11 Thornton G. (2013), *Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games*, "Summary of Report 4: Interim Evaluation", 35 p.

12 Hui S. (2012), *Olympics 2012: East London Transformed Ahead Of Games*, "The Huffington Post", January 1.

attraction in the capital. The Olympic and Paralympic Village also became an essential part of the city, as it was converted into thousands of new homes for sale and rent. Furthermore, 70,000 jobs for workless Londoners and over £7 bln of contracts are reported to have been generated by the 2012 Games<sup>13</sup>.

An important feature of the bid to host the 2012 Games were potential benefits for some of London's most deprived communities that could result from the regeneration of 312 hectares of land that was historically fragmented, under-used, neglected and in terms of urban form and use — the area that was to become the Olympic Park. A well-designed environment in and around the Olympic Park, as a result of the Games, has transformed the heart of East London by<sup>14</sup>: attracting business investment; catalysing the physical regeneration of an area that was polluted and inaccessible; providing much needed high quality housing; increasing commercial and residential land values; and promoting sport recreational activities.

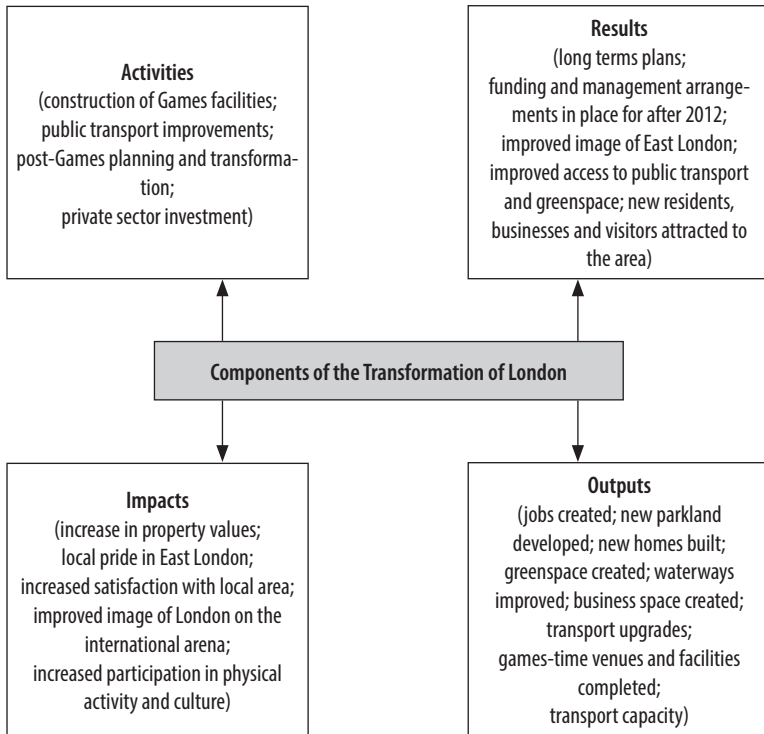
The transformation of the place provides a review of the activities, outputs, results and impacts that resulted from the Games (Figure 2).

The long-term impact of the 2012 Games on London communities and the world will be revealed in the coming years.

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13 *Turning the Games into gold: economic boost from London 2012 has passed £14 billion* (2014), <https://www.gov.uk/government/news/turning-the-games-into-gold-economic-boost-from-london-2012-has-passed-14-billion>, access on 16.03.2014

14 Thornton G. (2013), *Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games: East London Evidence Base*, "Report 5: Post-Games Evaluation", July, 119 p.



**Fig. 2.** Components of the transformation of London resulted from the 2012 Summer Olympics

Source: own studies.

## D. Organization of sports mega-events in Brazil

Hosting major international sports events is challenging, especially for a developing country such as Brazil. But it is far more than a challenge — it is also an opportunity to transform the infrastructure.

Brazil is the country which has already hosted one of the sports mega-events — FIFA World Cup Brazil 2014 — and is

set to host one more large sports event in near future — the 2016 Summer Olympics. In preparing for the Olympics and the FIFA World Cup, the state and local authorities have the opportunity to build at once much-needed infrastructure, world-class venues, new schools as well as to improve mass transit and integrate some of the city’s favelas that, in the absence of both mega-events, would only be realized over a much longer term and require much more spending. Public/private partnerships and other types of private partnerships ensure the financial sustainability of the city and enable important and impacting projects. In order to achieve aforementioned objectives generally is supposed to spend \$13.3 bln for hosting the World Cup and \$18 bln for the Olympics.<sup>15</sup>

In 2014, an estimated 500,000 soccer fans from all over the globe descended on Brazil to attend the world’s largest football event. For decades after the visitors have gone home, cities will benefit from the nationwide surge of investments in urban mobility, facilities and more. Upon being selected in 2007 to host the world’s largest football event, Brazil’s government, cities and business leaders realized that smart planning would make the event successful and leave host cities with a more advanced infrastructure. Thus, infrastructure dimensions for each city include two major factors — urban mobility and airports.

Rio de Janeiro will also be the first South American city to host Summer Olympic Games. Rio’s plan to move Olympic spectators and visitors using public transport is based on accelerating existing projects, creating a high-performance transport ring that includes an expanded subway structure, a renovated train system, and four new bus rapid transit (BRT)

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15 Zimbalist A. (2011), *Brazil’s Long To-Do List*, “Americas Quarterly”, issue: Sports: Business, Integration and Social Change, Summer.

lines. The main project is the implementation of a BRT system that includes high-capacity express buses that will travel in 94 miles (152 km) of segregated lanes. In addition, the system will integrate the whole city, linking trains, ferries, and subways to the BRT buses; increasing the use of high-capacity transport from less than 20% to over 60%; and benefiting around 1.3 mln passengers.<sup>16</sup>

Plans call for extension of one of Rio Metro's two underground lines more than seven miles (11 km) and adding six more subway stations. The system will be able to carry 230,000 passengers per day and is expected to be completed by December 2015<sup>17</sup>.

Renovation of Porto Maravilha, the existing port located in a historic area of Rio de Janeiro and one of the city's main gateways, is expected to be completed in 2016. Areas for art, culture, entertainment, education, and housing are also being created, including the Rio Museum of Arts, which opened in March 2013.

With such improvements and worldwide attention on the city, the Olympics could bring a better sense of self-esteem to Rio de Janeiro and Brazil.

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16 Sheridan M. (2014), *Racing to Get Ready: Rio 2016 Olympics*, "The magazine of the Urban Land Institute URBANLAND", May 5.

17 Smith J., Parker O. (2012), *Rio Olympic Games 2016: What to expect*, "The Telegraph", 12 August, <http://www.telegraph.co.uk/sport/olympics/9466617/Rio-Olympic-Games-2016-What-to-expect.html>, access on 13.02.2014

## 4. Impact of sports mega-events on regional and urban transformation

By 1992, the number of potential cities for hosting sports mega-events was pretty small, as their organization did not arise any special interest. Commercial success of the Los Angeles 1984 Games and urban transformations in Barcelona as a result of the Olympics in 1992 enlivened the interest in sports competitions. This interest was also increased by the fact that, in the early 1990s, globalization, the growing interdependence and openness of the economies, European integration and enlargement of the European common market, the decentralization of social and economic processes as well as the redistribution of power and responsibility, caused intense rivalry among big cities. Creating competitive cities requires that local leaders design and implement local economic development strategies which can embrace this reality.

Having faced new perspectives, local authorities quickly began to look for more active forms of urban policies, which have acquired strategic internationalization features, including location of the the headquarters of multinational corporations, centers of international research and development, head offices of the consulates, direct transport links with other countries as well as hosting sports mega-events.<sup>18</sup> Thus, the latter are used as a form of urban policy.

Therefore, impacts of sports mega-events on regional and urban development of host nations and cities includes increased sport participation and the establishment of new sport programs, as well as the enhanced image and national

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18 Soldatos P. (1992), *Strategic cities alliances: an added value to the innovative making of international city*, "Ekistics", pp. 346–351.

pride which can help to increase both investment and tourism. Such events support the creation of new opportunities through additional investments from the city itself, as well as from the national government, international organizations and foreign participants.

Using sports mega-events as a tool for regional/urban transformation, the host nation/city has got the possibility to show off itself by making major infrastructural and environmental improvements, construction of new facilities, wider investment in telecommunications and transport, which can ensure the basis for future economic development around service and tourism-related industries.

Thus, sports mega-events are considered to be: a catalyst or driving force for fast-track urban regeneration; a stimulus to economic growth, transportation improvements and cultural facilities, and enhanced global recognition and prestige; a good opportunity to transform a country physically, socially and economically.

In the process of the research, the author has identified economic sectors that most benefit from sports mega-event, including: construction, business services, food and beverage, utilities (gas, electricity, water, and urban sanitation), and tourism.<sup>19</sup>

Despite using sports mega-events as a tool for regional and urban regeneration, there are also a number of considerable disadvantages. First of all, substantial economic costs needed to organise a mega-event, for instance, Poland to host the European Football Championship spent almost 20 bln euro,

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19 Скавронська І.В., *Формування соціально-економічних ефектів міжнародних спортивних мега-заходів*: дис. на здобуття ступеня кандидата економічних наук: 08.00.02/Скавронська Ірина Володимирівна, Т., 2012, 289 с.



Ukraine — 12 bln euro<sup>20</sup>, while the United Kingdom spent around £9.3 bln (\$18 bln) on the 2012 Summer Olympics.<sup>21</sup>

The recent trend of awarding major tournaments to countries other than advanced capitalist states implies a number of problems. Thus, spending billions on preparations for the World Cup and Olympics is not favored by all Brazilians. After primary celebrations and a growth in confidence of the population due to the nomination of Brazil, which is known as the “country of football”, in 2007 to host the FIFA World Cup 2014, in 2013 the country erupted in protests against cost of 2014 tournament. The dramatically changed mood within the country about hosting this event was shown in such headlines as “2014, the World Cup Brazil has already lost”, “FIFA go home”, “We don’t need the world cup”. Those in Rio de Janeiro demonstrating against the Games invoke not only the economic factors, but also criticize the international image and marketing agenda as empty and meaningless<sup>22</sup>.

Secondly, it’s the forcible relocation of people and businesses to make way for the new infrastructure. For example, the relocation of businesses, such as happened in the East End of London to make way for the Olympics, damaged to owners, employees and customers or 1.5 mln Brazilians are scheduled to be relocated before 2014.

The full list of benefits and disadvantages faced by nations/cities while using sports mega-events as a tool for urban renovation can be seen in the Table 3.

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20 UEFA EURO 2012 finances (2011), “Fact sheet”, June.

21 Рожнов К. (2007), *Звонкие монеты Олимпиад*, 28 June, [http://news.bbc.co.uk/1/hi/russian/business/newsid\\_6244000/6244090.stm](http://news.bbc.co.uk/1/hi/russian/business/newsid_6244000/6244090.stm).

22 Sheridan M. (2014), *Racing to Get Ready: Rio 2016 Olympics*, “The magazine of the Urban Land Institute URBANLAND”, May 5.

**Table 3.** Summary of benefits and disadvantages in the use of sports mega-events as a tool for urban regeneration

Benefits	Disadvantages
Overall economic growth that involves different forms of restructuring of the city/country which enhance the repackaging of the location's identity.	Unjustifiable high costs
Adopting strategic planning	Crowding-out effects caused by international tourists
Development of infrastructure (stadiums, sporting facilities, airports, communication networks, accommodation units etc.)	The lack of long-term "fit" of the infrastructure with local needs after the event is over
International recognition, prestige and image that can boost national pride	Money spent in the local economy during a mega-event may not stick in there.
I Increase in employment	Forcible relocation of people and businesses
I Increase in tourism	
Considerable investment which can be reflected in a number of social, economic, institutional and urban Projects	
Knowledge creation: new "social capital" which is expressed through new skills, the generation of new talent and the organizational experience of staging the event.	

Source: own studies.

Thus, the benefits of mega-events do not happen automatically, they have to be planned for and must be integrated into long-term development strategies in order to avoid or eliminate the challenges.

## 5. Conclusion

Today, nations/cities are in global competition to attract economic activity in order to renew their economies. Sports mega-events — like soccer championships and Olympic Games — have increasingly been considered a powerful catalyst, a strategic opportunity and a new tool of a spatial planning, area development and urban, regional, national and international media exposure.

On the whole, mega-events have already demonstrated to be an efficient contributor to urban transformation. The development started with the case of Barcelona, when, for the first time in history, Olympic projects were aiming at the promotion of the strategic development of the city and its region as a whole. Enormous results have been seen in the host countries/cities, especially when it comes to the improvement of physical infrastructure. Investment in infrastructure and facilities can generate employment, particularly in the construction phase. Interestingly, only 10–20% of this investment goes into event-specific installations such as stadiums while 80–90% goes into urban and countrywide infrastructure — for instance, new streets, metro stations, safety and security systems, housing and, even, new power plants.<sup>23</sup>

All of this has generated new forms of urban governance whereby sports mega-events promote the spirit of collaboration in the various cross-sector partnerships. Increasingly, local populations rely on sports mega-events to generate oppor-

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23 Bland D. (2013), *Is Brazil really spending too much on football?*, “BNamericas”, June 18, <http://www.bnamericas.com/features/infrastructure/is-brazil-really-spending-too-much-on-football>, access on 25.03.2014.

tunity that improves their lives. Securing a bid for such events is traditionally transformative for host countries and cities.

### Streszczenie

Duże wydarzenia sportowe jako narzędzie transformacji gospodarki miejskiej i regionalnej

Artykuł dotyczy problemu regionalnych i miejskich transformacji, opartych na dużych przedsięwzięciach sportowych. Omówiono w nim znaczenie i główne cechy tego typu imprez oraz poddano analizie ich wpływ na procesy rozwoju miast i regionów. W tym celu analizowano doświadczenia dużych imprez sportowych w Hiszpanii, na Ukrainie, w Polsce, Wielkiej Brytanii i Brazylii. W konsekwencji wskazano na pozytywne zmiany zachodzące w lokalnym środowisku gospodarczym, społecznym i instytucjonalnym w wyniku organizacji dużych imprez sportowych.

Słowa kluczowe: duże imprezy sportowe, rozwój miejski i regionalny

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# Lesya Kolinets<sup>1</sup>

## Global Financial Crisis: Impact on Central and Eastern Europe

### Abstract

Over the last several decades, a number of countries lost 10 to 30% of their national financial assets as a result of financial crisis. The latest example of financial instability is the global financial crisis that originated in the USA in 2007 as a real estate crisis and wide spread all over the world, including the markets of Central and Eastern Europe.

The aim of this work is to characterise the preconditions and causes of the global financial crisis, to determine its impact on the economies of Central and East European countries, as well as to provide substantiation for the main anti-crisis measures.

The research is focused on the economies of Central and East European countries. The study starts with identifying the essence of the global financial crisis. Next, the author studies the causes leading to the emergence of the global financial crisis and analyses the economic conditions on the markets of Central and East

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European countries on the eve and during the global financial crisis, as well as today. The impact of the global financial crisis on separate economies is assessed using indicators such as real GDP growth, inflation rate, level of government debt, etc.

Keywords: global financial crisis, debt crisis, real GDP growth, Central and Eastern Europe



## 1. Introduction

Over the last several decades, a number of countries lost 10 to 30% of their national financial assets as a result of financial crisis. The latest example of financial instability is the global financial crisis that originated in the USA in 2007 as a real estate crisis and wide spread all over the world, including the markets of Central and Eastern Europe (CEE)<sup>2</sup>.

The direct macroeconomic cause of the current crisis appeared to be the overheating of the world economy, which manifested itself in various kinds of bubbles that burst in 2007 and 2008: a bubble on the U.S. real estate markets and in many European countries, such as Greece, the UK, Ireland, Iceland, Spain and the Baltic countries; a bubble on the U.S. stock markets and markets in other countries, including Europe; a bubble on the global market for basic resources, such as oil, metals, agricultural raw materials, and food.

## 2. Causes of the financial crisis

For quite some time scientists from different countries have researched causes of the emergence and impact of financial crises on economies, including countries of Central and Eastern Europe.

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<sup>2</sup> Central and East European Countries (CEECs), OECD, <http://stats.oecd.org/glossary/detail.asp?ID=303>.

Literature lists various classifications of the causes of financial crises based on: reasons explained by reproductive performance, distribution and non-economical causes.

According to the reproductive approach, causes of crises on the financial market lie in the economic development: in overproduction and over accumulation of capital (K. Marks and A. Kolganov and others), investment bust as a result of marginal efficiency of capital (J. Keynes), disproportion between reproduction and separation in the financial and real economy sectors (R. Grinberg, A. Porokhovski, L. Krasavina, O. Lavrushin and others).

Thus investments, as the key element of aggregate demand, act as the core of Keynesian crisis theory. Keynesians consider economic cycle an occurrence caused by cyclical changes in marginal efficiency of capital<sup>3</sup>. Marginal efficiency of capital determines propensity to invest. It is ratio between expected income from additional unit of capital asset and cost price of this unit. Distrust in expected returns caused by the reduction of profit or increase in production expenses leads to investment bust. Investment slump, as a result of multiplier effect, provokes a gap between aggregate demand and supply that leads to crisis. Numerous models of dynamic equilibrium and equilibrium economic growth are based on Keynes theory of macroeconomic equilibrium, including models of Samuelson-Hicks, Kraft-Wise, Kaldor, Goodwin, and Solow.

Economists, who perceive the cause of financial market crisis in the sphere of circulation, represent an opposite point of view on the nature of crisis and government intervention into the economy. There are some causes of crisis, such as: bad

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3 Keynes J. (1936), *The General Theory of Employment, Interest, and Money*, <http://cas.umkc.edu/economics/people/faculty/pages/kregel/courses/econ645/winter2011/generaltheory.pdf>.

monetary policy (see monetarists, e.g., Friedman, Schwarz and others), large flow of savings from emerging to developed countries (B. Bernanke, A. Greenspan), “mismatch” of consumers temporary preferences and economic productive structure as a result of credit expansion (Austrian school), unstable financial system (H. Minsky), liberalization of financial market and regulation disadvantages (J. Stiglitz, P. Krugman).

According to monetarists, business cycle is caused by the reduction and expansion of monetary demand and credit. For example, the source of economic crisis in 1929–1933 was extreme money supply contraction strengthened by banks failure. According to Friedman and Schwartz, if Federal Reserve System had decreased the monetary base, some serious consequences could have been avoided<sup>4</sup>.

While monetarists see the roots of crisis in the reduction of monetary demand, representatives of Austrian school and other modern economists see them in the decreasing value of credit and cheap money policy pursued by some central banks<sup>5</sup>. Thus L. Mises, F. Hayek, M. Rothbard come from the role of the interest rate as a tool of intertemporal allocation of resources in the economy. The policy of cheap money and the decreasing of credit value lead to false investment in producer goods and extended production structure which does not meet current consumer needs. It leads to the increase in interest rates and inflation and, consistently, provokes crisis.

In our opinion, soft monetary policy advances crisis not just through mismatches of consumer and producers’ preferences but as a result of cheap resources allocation. Newly

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4 Friedman M., Schwartz A. (1963), *Monetary History of the United States*, Princeton University Press, Princeton 1963, p. 441.

5 Huerta de Soto J. (2009), *Dinero, Credito Bancario y Ciclos Economicos*, Union Editorial, Madrid 2009.

created “hot money” does not go to the long production cycle but to the fastest growing markets such as real estate market, high-tech stocks, government bonds, mortgage securities and other assets, which contribute to “financial bubbles”.

Financial market growth, price “bubbles” and “collapses” on assets market are considered in the works by scientists such as I. Fisher, H. Minsky and Ch. Kindleberger. According to Fisher’s theory, serious crisis and depressions are caused by combining two factors: large debt of economic operators and deflation. Debt accumulation at some point provokes mass divestiture of assets at the lowest prices, which leads to the growth of money value. When no measures are applied to keep liquidity, deflation and money value growing faster than the retirement of debt, liquidity is growing.

Fisher’s work with regard to debt growth and the mechanism in “boom” times was developed by H. Minsky.

Minsky proposed financial fragility theory. According to it, financial crisis is the result of the boom effect. Increasing instability of the financial system at the recession stage is caused by short-term loans and the transition from full to speculative funding and funding by Ponzi scheme (financial pyramid).

The third group includes theories of non-economical causes of crises, which are known as: sunspot influence (W. Jevons), political (W. Nordhaus), psychological factors (L. Tweed, J. Schumpeter, V. Kushlin and others), herd behavior in the market, information asymmetry (G. Akerlof, F. Mishkin), etc. We pay special attention to the research of crises from the point of view of the information asymmetry theory by F. Mishkin. Frederic S. Mishkin gives the following definition of financial crisis: “A financial crisis is a disruption to financial markets in which adverse selection and moral haz-

ard problems become much worse, so that financial markets are unable to channel funds efficiently to those who have the most productive investment opportunities”<sup>6</sup>.

He identifies four types of factors that can lead to increases in asymmetric information problems and thus to a financial crisis:

- deterioration of financial-sector balance sheets,
- increases in interest rates,
- increased uncertainty,
- deterioration of non-financial balance sheets due to the changes in the prices of assets

Numbers of scientists in their works use econometric methods to research global financial crisis impact on economies of different countries.

E. Berglof et.al. (2009) analyze the effect of the global financial crisis on output in emerging Europe using a sample which includes Central and East European countries inside and outside of the EU, Central Asian countries and Turkey. The study finds that the size of the growth in the credit-to-GDP ratio 2005–2008, higher total external debt at the end of 2007, and hard pegs are predictors of larger declines in GDP during the crisis. In some specifications, the FDI stock as a share of GDP shows a positive association with GDP growth during the crisis<sup>7</sup> [7].

T. Olafsson and T. Petursson (2010) use a dataset comprising 46 medium-to high income countries. They seek to explain the depth and the duration of the output loss along with the probability of different forms of financial crisis. They

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6 Mishkin F.S. (2001), *Financial Policies and the Prevention of Financial Crises in Emerging Market Countries*, <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-2683>.

7 Berglof E., Korniyenko Y., Plekhanov A., Zettelmeyer J. (2009), *Understanding the Crisis in Emerging Europe*, EBRD Working Paper, No. 109, European Bank for Reconstruction and Development.

found out that a large part of accumulated output loss can be explained by initial conditions such as pre-existing inflation, the size of the banking sector, the exchange rate system, international trade linkages and institutional factors<sup>8</sup>.

In our opinion the most successful approach to the study of crises in the global financial market is a systematic one. The substance of systematic approach consists in analyzing the problem at all levels, based on the principles of integrity, hierarchical structure, the presence of a common goal and their functioning.

Connection between financial and real market, synergy effect from the impact of crisis shocks on market segments lead to negative economic and social consequences.

These consequences intensify in conditions of globalization. That is why it is important to analyze: crisis forms in all segments of global financial market and their transmission channels, crisis transmission mechanisms from the financial market to the real sector and features of influence on countries, including economic development level and the world economy at all.

Instruments of crisis transmission between segments and countries are: interest rates and credit terms, the prices of financial assets, foreign exchange rates, the amount and directions of investment, and the value of financial services. Typically, the transmission mechanism has got a certain asymmetry. Thus, the rate of impact of the U.S. financial market on Euro zone market is 25%, while the market price movements represent only 8% of price changes of assets in the USA [9]. Although at present developed financial markets have a lot of influence, we have to mention the growing impact of fi-

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<sup>8</sup> Olafsson T., Petursson G. (2010), *Weathering the financial storm: The importance of fundamentals and flexibility*, Working Paper, No. 51, Central Bank of Iceland.

nancial markets in emerging economies on the global financial market.

The crisis usually occurs only in one segment of the financial market (stock, credit, and currency, insurance) and extends to other segments through different channels.

Global macroeconomic imbalances are caused by imbalances within national borders, because international economic relations connect participants of different nationalities to form dialectical pairs. That is why destabilization in one economic system, which represents one of participants, clearly causes imbalance in the economic system of the other participant in this dialectical pair. This explains what happened in Central and East European countries.

### 3. Financial crisis impact on the economy in CEE countries

In the period 2003–2008 economic growth rates in Central and Eastern Europe were higher than in Western Europe. Significant capital inflows that supported large current account deficits in less wealthy countries led to the convergence. However, economic activity in most European countries began to slow down even before the financial collapse in September 2008, mainly due to the rising oil prices. But first it seemed that European countries with developed economies can avoid a full scale recession. Despite vulnerability, in emerging economies growth would be continued at a slower, but stable rate. As in Asia, more stable balance of the population in most major countries and different structure of the housing market and

financial market were considered protective factors. However, the financial systems stood up much more severe and long term shock than expected. Macroeconomic policy measures applied in response were slow; world trade was decreasing and confidence dropped as a result of expected deterioration of future income of households and firms.

The dynamics of economic activity has become worse, especially in many European countries with emerging economies. Given their strong dependence on all kinds of capital inflows — including funding from Western banks to support credit booms in some countries — these countries were much more strongly hit by financial crisis than the Asian countries with emerging markets. At the beginning they managed to maintain stability and independent credit default Swap Spreads were expanded gradually. However, the shrinkage of Western exports markets and massive escape from financial risk during the autumn of 2008 led to the deterioration of export possibilities and government revenue growth prospects. That caused increasing sovereign bonds spreads from 50–100 basis points to 150–900 basis points. To estimate global financial crisis impact on the economies we used, inter alia, measures such as real GDP growth, inflation rate, level of government debt and others.

Let us consider the dynamics of real GDP growth rate in recent years (see Table 1).



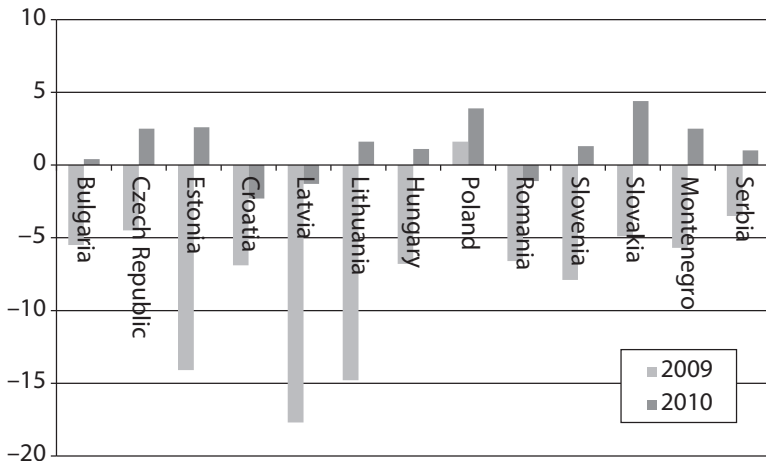
**Table 1.** Real GDP growth rate, percentage change against previous year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-28	1,3	1,5	2,6	2,2	3,4	3,2	0,4	-4,5	2,0	1,6	-0,4	0,1
Euro area (18 countries)	0,9	0,7	2,2	1,7	3,3	3,0	0,4	-4,5	1,9	1,6	-0,7	-0,4
Bulgaria	4,7	5,5	6,7	6,4	6,5	6,4	6,2	-5,5	0,4	1,8	0,6	0,9
Czech Republic	2,1	3,8	4,7	6,8	7,0	5,7	3,1	-4,5	2,5	1,8	-1,0	-0,9
Estonia	6,6	7,8	6,3	8,9	10,1	7,5	-4,2	-14,1	2,6	9,6	3,9	0,8
Croatia	4,9	5,4	4,1	4,3	4,9	5,1	2,1	-6,9	-2,3	-0,2	-1,9	-1,0
Latvia	7,1	7,7	8,8	10,1	11,0	10,0	-2,8	-17,7	-1,3	5,3	5,2	4,1
Lithuania	6,8	10,3	7,4	7,8	7,8	9,8	2,9	-14,8	1,6	6,0	3,7	3,3
Hungary	4,5	3,9	4,8	4,0	3,9	0,1	0,9	-6,8	1,1	1,6	-1,7	1,1
Poland	1,4	3,9	5,3	3,6	6,2	6,8	5,1	1,6	3,9	4,5	2,0	1,6
Romania	5,1	5,2	8,5	4,2	7,9	6,3	7,3	-6,6	-1,1	2,3	0,6	3,5
Slovenia	3,8	2,9	4,4	4,0	5,8	7,0	3,4	-7,9	1,3	0,7	-2,5	-1,1
Slovakia	4,6	4,8	5,1	6,7	8,3	10,5	5,8	-4,9	4,4	3,0	1,8	0,9
Montenegro	1,9	2,5	4,4	4,2	8,6	10,7	6,9	-5,7	2,5	3,2	-2,5	:
Serbia	4,3	2,5	9,3	5,4	3,6	5,4	3,8	-3,5	1,0	1,6	-1,5	2,5

Source: Real GDP growth rate — volume, <http://lepp.eurostat.ec.europa.eu/tgm/download.do?tab=table&plugin=1&language=en&pcode=fec00115>, access on: 10.04.2014.

As shown in Table 1, from 2002 to 2007 GDP was growing in most countries. The fastest growing economies were: Montenegro (1.9% in 2002 — 10.7% in 2007), Poland (1.4% in 2002 — 6.2% in 2006), Czech Republic (2.1% in 2002 — 7% in 2006), Slovakia (4.6% in 2002 — 10.5% in 2007). Before the crisis positive dynamics of economic growth was also reported for other countries and was higher than the average in the EU and in the euro zone.

However, global financial crisis significantly affected economic growth in Central and Eastern Europe (see Figure 1).



**Fig. 1.** Real GDP growth rate, percentage change against previous year

Note: based on data from Eurostat.

Source: *Real GDP growth rate — volume*, <http://epp.eurostat.ec.europa.eu/tgm/download.do?tab=table&plugin=1&language=en&pcode=tec00115>, access on 10.04.2014.

As shown in Figure 1 in 2009 almost all countries experienced decline in the economy. Maximum recession amounted to: Latvia (–17.7 %), Lithuania (–14.8 %), Estonia (–14.1 %), Slovenia (–7.9 %), Croatia (–6.9 %), Hungary (–6.8%). Only Poland

managed to maintain economic growth, and eventually even to increase its rates. In 2010 the situation improved — most countries achieved positive economic growth. However, that year decline continued in Croatia, Latvia and Romania.

As a result of the development of the debt crisis in the EU countries in further years these countries experienced recession. In 2013 positive growth was recorded in Latvia (+4.1), Romania (+3.5%), Lithuania (+3.3%), Serbia (+2.5%), Poland (+1.6%) and in some other countries.

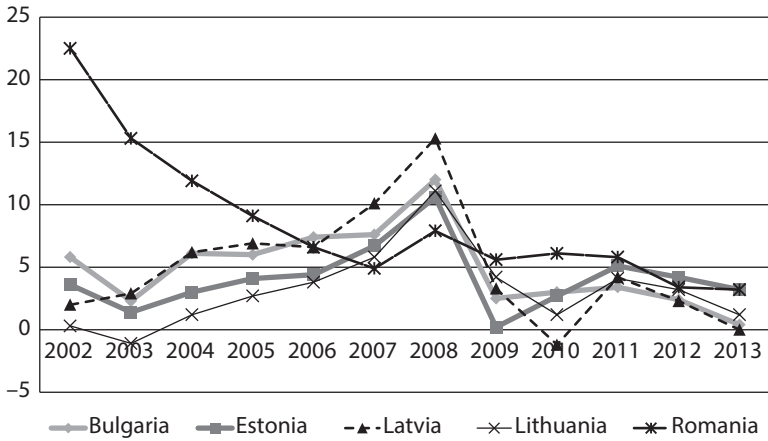
Another rate that deserves attention in the analysis of the economic development is the rate of inflation. Inflation continues to be the challenge for the Central and East European countries like for all emerging economies. Fortunately, consumer price index has steadily decreased in the last few years (see Table 2).

Maximum inflation rate was recorded during the crisis (2008) in countries like Latvia — 15.3%, Bulgaria — 12%, Lithuania — 11.6%, Estonia — 10.6%. In the following years inflation stabilized (see Figure 2).

**Table 2.** HICP — inflation rate, annual average rate of change (%)

Geo\time	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-28	2,5	2,1	2,3	2,3	2,3	2,4	3,7	1,0	2,1	3,1	2,6	1,5
Euro area (18 countries)	2,3	2,1	2,2	2,2	2,2	2,2	3,3	0,3	1,6	2,7	2,5	1,3
Bulgaria	5,8	2,3	6,1	6,0	7,4	7,6	12	2,5	3,0	3,4	2,4	0,4
Czech Republic	1,4	-0,1	2,6	1,6	2,1	3,0	6,3	0,6	1,2	2,1	3,5	1,4
Estonia	3,6	1,4	3,0	4,1	4,4	6,7	10,6	0,2	2,7	5,1	4,2	3,2
Croatia	2,5	2,4	2,1	3,0	3,3	2,7	5,8	2,2	1,1	2,2	3,4	2,3
Latvia	2,0	2,9	6,2	6,9	6,6	10,1	15,3	3,3	-1,2	4,2	2,3	0,0
Lithuania	0,3	-1,1	1,2	2,7	3,8	5,8	11,1	4,2	1,2	4,1	3,2	1,2
Hungary	5,2	4,7	6,8	3,5	4,0	7,9	6,0	4,0	4,7	3,9	5,7	1,7
Poland	1,9	0,7	3,6	2,2	1,3	2,6	4,2	4,0	2,7	3,9	3,7	0,8
Romania	22,5	15,3	11,9	9,1	6,6	4,9	7,9	5,6	6,1	5,8	3,4	3,2
Slovenia	7,5	5,7	3,7	2,5	2,5	3,8	5,5	0,9	2,1	2,1	2,8	1,9
Slovakia	3,5	8,4	7,5	2,8	4,3	1,9	3,9	0,9	0,7	4,1	3,7	1,5

Source: HICP — inflation rate, annual average rate of change, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00118>, access on 10.04.2014.



**Fig. 2.** HICP — inflation rate, annual average rate of change (%)

Note: based on data from Eurostat.

Source: *HICP — inflation rate, annual average rate of change*, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00118>, access on 10.04.2014.

Romania has had a long history of struggling with inflation. In 2000 inflation rate reached 22.5 %, in 2007 4.9%, and increased again to 7.9 % in 2008. The most positive situation was recorded in 2013, when it amounted to 3.2%.

As you can see, the countries of Central and Eastern Europe won their struggle against inflation. The key feature of the crisis in Europe is its debt and fiscal nature. Even before the crisis Euro area member states (including the major countries) began to infringe the Maastricht criteria adopted in 1997 under the Stability and Growth Pact, especially with budgetary discipline in mind (government deficit of consolidated state budget — less than 3% of GDP). These criteria are crucial for other EU member states (although, for example, some of them never used them) (see Table 3).

**Table 3.** General government deficit/surplus, % of GDP

Geotime	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-27	-2,6	-3,2	-2,9	-2,5	-1,5	-0,9	-2,4	-6,9	-6,5	-4,4	-3,9	-3,3
Euro area (18 countries)	-2,7	-3,1	-2,9	-2,5	-1,3	-0,7	-2,1	-6,4	-6,2	-4,1	-3,7	-3,0
Bulgaria	-1,2	-0,4	1,9	1,0	1,9	1,2	1,7	-4,3	-3,1	-2,0	-0,8	-1,5
Czech Republic	-6,5	-6,7	-2,8	-3,2	-2,4	-0,7	-2,2	-5,8	-4,7	-3,2	-4,2	-1,5
Estonia	0,3	1,7	1,6	1,6	2,5	2,4	-3,0	-2,0	0,2	1,1	-0,2	-0,2
Croatia	:	:	:	:	:	:	:	-5,3	-6,4	-7,8	-5,0	-4,9
Latvia	-2,3	-1,6	-1,1	-0,4	-0,6	-0,7	-4,4	-9,2	-8,2	-3,5	-1,3	-1,0
Lithuania	-1,9	-1,3	-1,5	-0,5	-0,4	-1,0	-3,3	-9,4	-7,2	-5,5	-3,2	-2,2
Hungary	-9,0	-7,3	-6,5	-7,9	-9,4	-5,1	-3,7	-4,6	-4,3	4,3	-2,1	-2,2
Poland	-5,0	-6,2	-5,4	-4,1	-3,6	-1,9	-3,7	-7,5	-7,8	-5,1	-3,9	-4,3
Romania	-2,0	-1,5	-1,2	-1,2	-2,2	-2,9	-5,7	-9,0	-6,8	-5,5	-3,0	-2,3
Slovenia	-2,4	-2,7	-2,3	-1,5	-1,4	0,0	-1,9	-6,3	-5,9	-6,4	-4,0	-14,7
Slovakia	-8,2	-2,8	-2,4	-2,8	-3,2	-1,8	-2,1	-8,0	-7,5	-4,8	-4,5	-2,8

Source: General government deficit/surplus, % of GDP, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200>, access on 10.04.2014.

As we can see in Table 3, the most dramatic situation of the government deficit during the crisis (2008) was in Lithuania (-9.4%) and Latvia (-9.2%) followed by Romania (-9%) and Poland (-7.5%). Since 2010 situation has stabilized in most countries as they implemented the austerity policy. Though in 2013 the government deficit in Slovenia (-14.7%) significantly increased.

Another key ratio that indicates the existence of the external debt is the government debt to GDP ratio. Statistics show an increasing tendency of the ratio in Central and Eastern Europe. The highest government debt to GDP ratio in 2013 was registered in Hungary — 79.2% and Slovenia — 71.7%. The lowest ratio was in Estonia — 10%.

Based on the analysis of accumulated debt rates in countries and the dynamics of public finances, we can assume that these states will face new economic challenges in the coming years. To demonstrate it, we need to compare two key indicators: government debt to GDP ratio and deficit to GDP ratio (see Table 4). Historically, the crisis began when budget deficit was high.

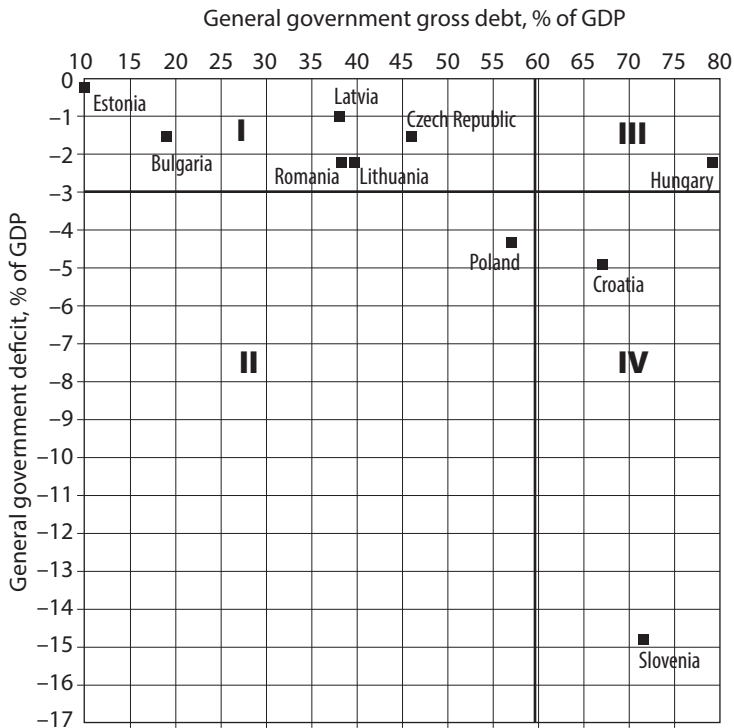
**Table 4.** Government debt to GDP ratio and government deficit to GDP ratio in Central and East European countries

	2010		2013	
	General government gross debt, % of GDP	General government deficit, % of GDP	General government gross debt, % of GDP	General government deficit, % of GDP
Bulgaria	16,2	-3,1	18,9	-1,5
Czech Republic	38,4	-4,7	46,0	-1,5
Estonia	6,7	0,2	10,0	-0,2
Croatia	45,0	-6,4	67,1	-4,9
Latvia	44,5	-8,2	38,1	-1,0
Lithuania	37,8	-7,2	39,4	-2,2
Hungary	82,2	-4,3	79,2	-2,2
Poland	54,9	-7,8	57,0	-4,3
Romania	30,5	-6,8	38,4	-2,3
Slovenia	38,7	-5,9	71,7	-14,7
Slovakia	41,0	-7,5	55,4	-2,8

Source: *Government finance statistics*, [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Government\\_finance\\_statistics#Further\\_Eurostat\\_information](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Government_finance_statistics#Further_Eurostat_information); *General government deficit/surplus, % of GDP*, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200>, access on 12.04.2014.



As shown in Table 4, only in Latvia from 2010 to 2013 both rates improved. In all other countries the level of government debt increased. At the same time, we can note a positive trend to reduce the government deficit. Progress in this area was reported for Latvia (from -8.2% to -1%), Lithuania (from -7.2% to 2.2%), Slovakia (from -7.5% to 2.8%). Estonia surplus budget in 2010 turned to deficit in 2013. Figure 3 illustrates the situation in 2013.



**Fig. 3.** Countries comparison by level of government debt and deficit, 2013

Note: based on data from Eurostat

Source: *Government finance statistics*, [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Government\\_finance\\_statistics#Further\\_Eurostat\\_information](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Government_finance_statistics#Further_Eurostat_information;);  
*General government deficit/surplus, % of GDP*, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200>, access on 12.04.2014.

In part I of Figure 3 we can see countries, where the situation with respect to external debt is positive (Estonia, Bulgaria, Romania, Czech Republic, Lithuania and Latvia). It means their government debt to GDP ratio is below 60 % and government deficit to GDP ratio below  $-3\%$ .

In part II there are countries with government debt to GDP ratio is below 60%, but government deficit to GDP ratio is higher than  $-3\%$ . These countries should reduce government deficit and avoid debt problems.

In part III we can find countries with government debt to GDP ratio higher than 60%, but where government deficit to GDP ratio is less than  $-3\%$ . The highest rate of government debt to GDP ratio of  $-79,2\%$  was recorded for Hungary in 2013.

In part IV of the figure there are countries with debt problems and the highest risk of debt crisis (Croatia, Slovenia). Their government debt to GDP ratios are higher than 60% and government deficit to GDP ratios are below  $-3\%$ .

Based on data from Table 4 and Figure 2 we can draw the following conclusions:

1. debt risks are growing in Central and East European countries;
2. difficult debt situation is experienced by Slovenia, Croatia, Hungary;
3. rates for Poland are close to critical values: the country is very close to part IV;
4. one has to take into consideration the fact, that in many countries the rate of government debt ranges between 40–60% of GDP.

## 4. Conclusions

In today's instable economic situation countries of Central and Eastern Europe can face the following threats:

- serious problem of liquidity and problematic/difficult loans;
- CEE countries may be victims of global financial panic and investment outflows;
- close connections of the CEE region with euro exchange rate might become one of the main risks;
- instable political situation in Ukraine can have significant impact on the economy of the countries in this region;
- structural problems in the banking sector of CEE countries may strengthen the impact of internal economic recession and external financial problems;
- limited room for maneuver in macroeconomic policy to resist the recession (especially in Slovakia, Slovenia and Serbia);
- foreign debt issues and potential problems in the banking sector.

In our opinion, most vulnerable to the new wave of crisis are: Latvia, Slovenia and Hungary. Serious threats still exist for Bulgaria and Serbia. Countries like Lithuania, Croatia, Slovakia, Romania, Estonia, Poland as well as the Czech Republic should be very careful.

Thus, conceptual and instrumental foundations of anti-cyclic fiscal policy should be reframed. The same can be said about analytical concepts and instruments such as the definition of potential production output which should take account of cyclical fluctuations of budget revenues and the coordination of the definition of government debt at international level.

Global financial crisis experience in 2007–2009 and the current phase of crisis require financial integration at the EU level. It does not mean, however, that solving current problems and creating the right incentives are reasonable movements towards budget federalism model. It is important to take measures to ensure strong fiscal discipline both in the EU and at national levels as well as to create special EU instruments for saving countries and banks.

### Streszczenie

Globalny kryzys finansowy i jego wpływ na gospodarki krajów Europy środkowowschodniej

W ciągu kilku ostatnich dziesięcioleci kryzysy finansowe w wielu krajach spowodowały utratę około 10–30% narodowych aktywów finansowych. Ostatnim przykładem destabilizacji finansowej jest światowy kryzys gospodarczy, który powstał w USA w 2007 roku jako kryzys nieruchomości. Kryzys ten rozpowszechnił się na całym świecie, w tym również na rynki krajów Europy Środkowej i Wschodniej.

Celem niniejszego artykułu jest charakterystyka przyczyn powstania światowego kryzysu finansowego, określenie jego oddziaływania na gospodarkę krajów Europy Środkowej i Wschodniej oraz uzasadnienie podstawowych działań antykryzysowych.

Przedmiotem badań są gospodarki krajów Europy Środkowej i Wschodniej. Artykuł zaczyna się od określenia istoty światowego kryzysu gospodarczego. Następnie przeprowadza się badanie przyczyn powodujących powstanie globalnego kryzysu finansowego oraz analizuje się sytuację gospodarczą na rynkach krajów Europy Środkowej i Wschodniej w przededniu i podczas światowego kryzysu gospodarczego, jak również obecnie. Do oceny wpływu światowego kryzysu finansowego na gospodarki krajów zostały wykorzystane następujące wskaźniki: rzeczywisty wzrost PKB, stopa inflacji, poziom państwowego długu publicznego oraz inne.

Słowa kluczowe: globalny kryzys finansowy, kryzys zadłużenia, rzeczywisty wzrost PKB, Europa Środkowa i Wschodnia

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