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National Development Plan

Good, But Not Complete

Poland needs not only a strategy on how to coordinate public spending subsidized by the EU, but also a strong deregulatory agenda to make this spending efficient. The National Development Plan must be supplemented by the National Lisbon Strategy aimed at deregulation of markets, ending structural reforms and cutting public spending.

The Draft National Development Plan for 2007-2013 – now under public discussion – tends to be described as Poland's national Lisbon Strategy. Such an approach was taken by the authors of both the former NDP and the present draft one. It is pleasant to see people cherishing the Lisbon Strategy; nonetheless, relations between the essence of the Lisbon process and national development planning are far more complicated than has been presented in the draft. The most important and valuable part of the Lisbon process is devoted to regulatory reform of product and labor markets with emphasis on deregulation. National development planning focuses on spending, mainly public spending subsidized by EU funds devoted to investments in human and physical capital.

Both appropriate regulations/institutions as well as investments are important for growth. Moreover, their impact on growth is mutually dependent. Nevertheless, a simple fusion or rather adoption of the Lisbon Strategy by the National Development Plan can result in a refocusing of the Lisbon priorities towards instruments based on spending, and consequently, in diminishing attention being paid to deregulation of markets. Such a situation may be very dangerous from the perspective of proven conditional effectiveness of the EU cohesion Funds. There were many economic analyses devoted to the above mentioned conditional effectiveness. Almost all of them confirmed a simple truth: that flexible markets with effective market institutions and regulations are the prerequisite for hastening growth based on EU funds. Also, the experiences of the EU cohesion countries provide evidence for this thesis. Ireland was the only country that implemented a rapid deregulatory agenda, supplementing its national development planning. This was the precondition for its economic success in the 1990s. But Ireland now has both the most flexible markets in the EU and the least public spending.

Therefore, I cannot agree with authors of the draft NDP in this specific dimension of the plan and, in my view, another economic strategy must supplement the spending strategy. In truth, it should precede it. Such a strategy can be formed under the Lisbon umbrella, especially when the EU undertakes to renew and nationalize the Lisbon Strategies. The National Lisbon Strategy, aimed at completion of market reforms, especially those aimed at hastening deregulation of product and labor markets and consolidating of public expenditure. Such strategy must address a set of specific problems present in Poland's economy. Among them are: the highest rate of unemployment in the entire EU and the lowest employment rates (therefore we need further relaxation of employment protection, reduction of non salary labor costs, etc.), excessive public spending in certain areas and lack of public spending in others (i.e., large subsidies for the special farmers social insurance scheme – KRUS – or public aid, and lack of money for investment in the infrastructure) or unfinished privatization and unfinished structural reforms in several sectors (including coal mining, steel, energy, research and development, etc.). The above mentioned problems cannot be addressed in the National Development Plan. The NDP is important, but it is only a spending strategy. It must be supplemented by a strong deregulatory/institutional agenda aimed at addressing the above mentioned problems. The Lisbon process and the renewed Lisbon Strategy can be a good instrument in filling this gap.

In conclusion, although there is no contradiction between the Lisbon Strategy and the National Development Plan, a simple adoption of these programs – suggested by authors of the NDP – is dangerous, technically impossible and not necessary. Indeed, the National Lisbon Strategy, as defined above, should lead the National Development Plan, because its implementation is a precondition for effective use of EU funds.

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