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## Spatial economy in Poland

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**Adam T. Kowalewski**

## **SPATIAL ECONOMY IN POLAND<sup>1</sup>**

**Abstrakt.** *The spatial economy and the housing sector in Poland are in crisis. The crisis has severe social, economic and spatial consequences since it is a systemic crisis. The main source of that crisis is neo-liberal economic policy of the Polish governments and making the field of spatial and housing economies the objects of market game. Another reason of the Polish backwardness in spatial economy is nearly two centuries-long gap in statehood building causing that the Polish law and economic instruments of spatial economy currently belong to the most neglected public areas in Poland. The crisis has been deepened by a lack of independent and competent civil service, as well as social passivity.*

*Harmful legislative initiatives eliminate public control over space, and that results in pathological urbanization processes, macroeconomic losses of the public sector, an "urban sprawl," construction of housing estates without general and transportation services, or green areas.*

*We require a reform of spatial economy whose objectives, scope and models are obvious. However, the main problems of spatial economy require political decisions first of all. That concerns especially assumption of the principle that public authorities decide of the changes in land use, limitation of the rights to use real estates, implementation of obligatory spatial planning, and substantive control of local planning that should carry out the objectives of the government's spatial economy. It is also necessary to implement modern economic instruments, with actual socialization of the planning and spatial economy processes conducted by public authorities.*

*Housing policy is a central issue of such a reform, and the reform is a precondition of overcoming the housing sector's crisis in Poland.*

**Key Words:** crisis, spatial economy, reform, political decisions, housing sector.

### **Spatial Economy in Crisis**

For six years, we have witnessed a growing crisis in the field of the spatial economy and the housing sector. That is a joint opinion held by professionals, urbanists, sociologists and economists, confirmed by the evaluations issued by the Committee for Spatial Economy and Regional Planning of the Polish Academy of Sciences (PAN), The Supreme Chamber of Audit (NIK) Reports [1] and the reasons of the decisions made by the Polish Constitutional Court. Our legal system is full of gaps, faults and unrealistic regulations. In addition, the implementation of the law, wherever tools have been created to control spatial processes, is poor because the public sector institutions are unstable and highly politicised. Examples of that situation are seen in the actions taken by the regional governors (Voivodes) who are charged with the obligation to extend legal control of municipalities and who often tolerate the breaches of law by commune authorities when developing Local Physical Plans or issuing the Land Development Conditions Decisions (Planning Permits).

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<sup>1</sup> Complete contents of the paper read in a shortened version at the 20th PZiTB Conference held in Spała on 06.10.2009.

Spatial chaos is increasing on metropolitan areas and that affects the operation of large cities which are extremely important for the social and economic development of the country.

Business groups interested in a shortage of public control over spatial processes are disseminating untrue premises that spatial planning and urbanistic control make capital investments difficult, no investment land is available in Poland, or housing construction will prosper if we further reduce the government's control over urbanization processes. However, the approved and implemented Spatial Plans indicated, as early as in 2007 [2], the lands designated for housing projects for at least 9 million of residents, while the Studies of Spatial Development Conditions and Directions provided for twice as much of such land size as early as in 2005. According to an official government report: "... *the municipalities anticipated that 8,200 km<sup>2</sup> of land may be used for housing construction. That is equivalent to more than 3% of the country's territory, with the highest proportion in municipalities: more than 8%, and the lowest in urban-rural communes: less than 2%*" [3]. Altogether, the lands designated in the Studies for new projects could absorb more than 15 million residents, which figure corresponds to 4 million flats.

The Studies are continued to be provided because the approval thereof is essential for EU procedures. At the same time, the majority of municipalities are not interested in the provision of Local Physical Plans for many reasons. Fifteen years after the approval of the laws regulating spatial planning and economy problems by the Polish Parliament, only about a dozen of percent of urban lands have been covered by valid Local Physical Plans, despite the fact that such Plans are the main instruments of spatial economy and they are indispensable for the space of towns and communes to be rationally planned and effectively managed.

What is the result of the disappearance of urbanistic control is a chaotic development of many towns and extremely harmful spread of development. The sources of such processes are described by research conducted by order of Ernst & Young in 2007. The researchers indicated that, in the communes subjected to studies, half of the Building Permits was issued under the Administrative Decision procedure (Land Development Conditions Decision) applicable to the lands that are not covered by Local Physical Plans [4]. The said procedure, which is exceptional in civilized countries that appreciate the significance of rational spatial economy, became a rule in Poland. What is interesting, many Polish lawyers claim that the said procedure is unconstitutional.

In addition, as it has been indicated by research, a considerable proportion of the Land Development Conditions Decisions breach the law, because such Decisions are also issued outside the boundaries of the lands indicated in the Studies of Spatial Development Conditions and Directions as capital investment lands. That is yet another example of incapacity or passivity of public agencies that are responsible for extending control over the legality of administrative actions.

The main cause of such a pathological situation is the law which implemented the instrument of the Land Development Conditions Decisions. Building Permits applicable to the lands that are covered by the approved Local Physical Plans are issued by the central government administration, while the Land Development Conditions Decisions are issued

by the local governments (municipalities, communes) where no Local Physical Plans exist. For that reason, the majority of municipalities concluded that approval of a Local Physical Plan would limit their freedom of decision-making. It is also worth noting that the instrument of the Land Development Conditions Decision belongs to highly corruptive legal regulations because the related procedure, in contrast to the Building Permit Decision issuance, has not been clearly defined in the law.

Financial limitations are also important causes of planning incapacities on the part of communes. We can conclude from the research conducted by the University of Reading that the expenses spent on planning procedures, urbanistic control and issuance of the decisions relating to capital investments by the local governments in the United Kingdom exceeded 1.15 billion euros a year [5]. Even if we take into account the differences existing between our countries, a comparison with the planning budgets of the Polish communes is very unfavourable.

### **Systemic Sources of the Crisis**

The attempts at stopping a growing crisis in spatial management that were made after 1994 turned out to be ineffective for a number of reasons. The main cause of such failures was the neo-liberal economic policy of subsequent Polish governments. The leaders of the Polish reforms failed to notice that the principles of the *Chicago School* have never been implemented by any civilized or developed country, while the same principles brought breakdowns in Latin American and Asian countries where the Chicago messengers managed to implement such principles in economic practice [6].

Leszek Balcerowicz and his successors not only did implement Friedman's doctrines, but even went beyond what was proposed by the Chicago School, since they subjected to the market game in Poland also these sectors in which the public authorities' obligations were unquestionable for many reasons: spatial and housing economies. That was explained by both Paul Samuelson in his fundamental economy handbook and another Nobel Prize winner, an economic liberal and former Vice President of the World Bank, Joseph Stiglitz [7].

Economists have no doubts that a control of spatial processes is required, and that is confirmed by the "market deficiency" theory which explains that market mechanisms are harmful in the real estate and capital investment sectors. "Market deficiencies" are negative "external effects", while lack of public interest protection and competition imperfection lead to weak counteracting of inflation and unemployment, poor information causing defective market operation, imperfect supply of desired goods, a lack of social compassion and omission of ethical norms, and domination of medium-term interests. Such faults case that urban planning and development control is generally accepted in developed and civilized countries.

Another reason of Polish backwardness in spatial economy is a nearly two centuries-long statehood-building gap. When Poland suffered partitions and real socialism, other European countries were building modern legal and financial systems, improving their local governments and creating conditions for urban planning and management to develop. Those were the decades of large urban projects and the decades of search for new

solutions; the eras of Cerda, Hausman, Howard, Gedess, Garnier and Abercrombie. For the Polish towns and Polish urban design, those were the years which were mostly lost, and that is why spatial economy law and economic instruments presently belong to the most neglected areas of public domain in Poland.

The condition of our laws is generally criticized, although we fail to appreciate the consequences of our underdeveloped taxation system for urban development and real estate market operations. The cadastre tax, being a basic economic regulator of land management, existed in Poland for five years only. It was implemented by the Second Republic Law in 1934 and cancelled by the People's Republic. The civilization gap caused by the loss of sovereignty and the decades of socialism is still visible in our laws, public institutions or mechanisms of exercising government. However, the gap had especially dramatic dimension in respect of the Polish urban design, because we practically missed the whole urban history in the areas of building local administration, planning systems, market economy or rigorous private property protection.

Our crisis is deepened by a lack of independent and competent civil service. During the two decades of democracy building, no civil corps, which assures lawfulness and continuity of public administration operation existing in the developed countries, has been established. That happened because, contrary to frequent declarations made by subsequent governments, no government was interested to create central and local civil service in Poland to be independent of political twists. That would be an uncomfortable limitation of the Polish politicians' activities by independent civil servants guarding lawfulness. As to the field of spatial economy, where lawfulness and observation of law and continuity of planning and management are necessary, that shortcoming is especially harmful.

The third important cause of our failures in the building of a modern space management system is social passivity. In developed countries, civic society, being educated, aggressive and aware of its power and role, is a partner and watchdog for the public authority. In confrontation with such a society, the authorities must care for urban living standards and space quality. We are only starting to create civic society in Poland. It will be a long and difficult process. That is why we miss in our country social control over the government operations and, unfortunately, we are not doing much to build social awareness of spatial matters.

The fourth considerable cause of the situation is of a different nature. We should realize that the "improvements" of our spatial economy regulations were conducted without reliable analysis or identification of the causes of the growing crisis. Consequently, subsequent wrong legal modifications reduced public authorities' competences and tasks, weakened spatial planning and building control, spread corruptogenic regulations and multiplied discretionary decisions.

The causes for which the Anglo-Saxon and Western European countries control spatial processes, maintain expanded administrative services, modernize planning techniques and conduct wide research on spatial processes are known and obvious. In the United Kingdom, 800 inspectors control the implementation of the government's guidelines, issued on the basis of laws and generally effective. In France, 70,000 civil servants

employed in departments, regions and at the central level, control the rationality of spatial processes and lawfulness.

The respective national governments understand that planning control is necessary because space is a non-renewable resource and many of its elements, especially wherever land is used intensely, and it belongs to precious and rare commodities. Citizens, property owners, businesses, social groups, local communities, international corporations and states are space users. When users utilize space for their needs, inevitable conflicts and disputes have to arise, because of frequent contradictory interests. For that reason, conflicts are inevitable features of spatial management, and those conflicts require difficult and often unpopular political decisions. At the same time, the ambiguous nature of space as the object of personal or group ownership on the one hand and as a common wealth on the other hand, causes that market mechanisms and the ownership law may not be the only regulators of land use and management or of resolving inevitable conflicts.

The public authorities' responsibility for rational space management, conflict resolution, conservative land use and citizens' interest protection creates the requirement of public control over various land use forms and principles, regardless of the land's legal status. Consequently, what decides of the spatial economy's quality is the governments' political will, statutory laws and the condition of the administration that is responsible for the observation of laws.

Irrational spatial economy causes various pathological phenomena. Various "special laws" were introduced in Poland to resolve long-term growing problems within several months, and subsequent cabinets were competing under the slogan of "inexpensive government", pushing spatial problems to the local governments' responsibilities. That has been absurd policy because, without active participation of all public authorities, including the central government, national planning, wise regional policy, planning institutions, good statistical systems and proper financial resources, it is not possible to obtain rational spatial economy at the local level.

An example of pathology and harmful activities of public authorities is the statutory changing of the status of urban farm lands (from agricultural to residential), even of those belonging to the highest bonitation class. The previous status-change procedure was a preventive instrument (although it was not completely effective) against harmful spread of development, and the consequences of the new law will not be positive. Even a simple analysis indicates such a conclusion.

In Gdańsk, arable land constitutes 38% of the city, or 9,890 ha, with the absorption of ca. 3 million residents. Presently, the city's population is 460,000, and, according to the Study of Spatial Development Conditions and Directions, approved by the City Council, the number of residents will decrease by 2030. Gross land-use intensity is low and it amounts to less than 50 persons/ha, with more than 40% of the city remaining undeveloped. Therefore, how effective will the land status change be in Gdańsk?

In Gorzów Wielkopolski, arable lands occupy 40% of the town, or 3,560 ha, with absorption exceeding 1 million of residents, while the town's population is 130,000 today, and the chances for dynamic development are rather limited.

Statutory changing of the status of urban farm lands will be harmful because it will accelerate urban sprawl and lead to the development of the lands which will never be furnished with infrastructure. In fact, market laws will cause that developers will invest on the cheapest lands ("cheap land" was the main slogan of the government coalition who sponsored the legislative initiative in question), that is in the suburbs bereaved of infrastructure and services, creating an absurd urbanization model, with low urban land use intensity. All will lose (except for the developer who will sell flats and start looking for even better "opportunities"). That will end with a disaster for the residents and the town in the future, because even the richest country in the world is unable to finance such a spatial "policy".

Contrary to the developers' promises, urban farm-land status change will not increase the land supply for residential projects and will not accelerate housing construction, as such projects would be placed on lands bereaved of infrastructure and transportation systems. In fact, arable and ecologically active land loss will increase, together with the growth of substandard development, and the only beneficiaries of the new law will be real estate speculators.

Another harmful legislative initiative is the "Friendly Government" Committee bill amending the Building Law, approved by the Parliament. The amendment will augment spatial chaos and conflicts, and decrease the design quality and investing conditions. The bill, which did not receive any positive opinion outside the Polish Parliament, has been approved despite a number of protests. Later, it was vetoed by the President, and if not found contradictory to the Polish Constitution by the Constitutional Court, the Polish Building Law will become a curiosity in the European Union.

A lack of public control over space causes that urbanization, so beneficial for many countries, has a nature of an uncontrolled and impulsive process in Poland, while the consequences of unplanned land management and lack of spatial development coordination processes are well known. Macroeconomic consequences of the lack of planning control and the "urban sprawl" will end with housing estates bereaved of services and green areas, chaotic development of suburban communes, deteriorating living conditions in various areas, and destruction of social bonds and local identity.

Irrational spatial economy is equivalent to greenery devastation, neglected public lands and poor climate in towns. Public green areas, developed in the Polish towns since the 19th century, are presently gradually sold out and destroyed. No large public park has been constructed in Warsaw after 1989, while dozens of hectares of green areas have been destroyed. And no reliable loss report has been made to that effect. Transportation systems developed according to plans are a precondition of effective urban land operation, offering comfort of transportation and limiting loss of social time.

When the governing coalition liquidated the ministry responsible for spatial economy matters, it proved that it did not understand or respect urban problems, spatial and housing economies, while the EU recommendations, observed in many other fields, were not of interest to our government in the area of spatial economy.

Once we analyse the consequences of the decision that liquidated the Ministry of Building, we should take into account the actual mode of operation of the state authorities in Poland. Lack of a government department or a Minister, member of the government, responsible for housing and spatial economy matters bereaves those departments of proper representation at the government level. Such matters are of minor importance in the Ministry of Infrastructure whose priorities include transportation, motorway construction and railway modernization. There is a different situation in the Western European countries where the ministers responsible for housing issues, towns and spatial economy hold strong political positions. We can give here the French example where the Housing Council was established, chaired by the Prime Minister and composed of the ministers, including the Minister of Finance, responsible for the government's housing policy.

The institutional placement of spatial economy matters in a Polish Ministry that is unable to cope with the attainment of its priorities and whose boss is struggling to survive pushes those matters to the bottom of the government's priorities. A proof of that is the "Polska 2030" Programme whose authors failed to notice urban, urbanization and spatial matters, because once there is no Minister, there are no matters in the world of bureaucracy. The policy of neglecting spatial matters is in fact conducted in Poland with unusual consistency by subsequent cabinets, regardless of their ideologies or propagated programmes.

### **Spatial Economy Reform**

A reform is still required if we want the Polish towns and metropolitan areas to become European towns and metropolitan areas and compete on the global markets in the future, and what is more important, to be economically effective and friendly to their **residents**. However, a preliminary condition of overcoming the spatial economy crisis is a political will and determination of the national authorities to establish public control over spatial processes, which used to be Polish reality in the early Second Republic, but later became neglected by the Third Republic governments. The public authorities are obligated to care for social and economic order of space and the right to decide about the methods of space use.

Proper models do exist. The Western European countries have collected extensive experience having built legal and institutional systems for spatial management in democratic states and in the market economy conditions, respecting the ownership rights and socializing planning.

The objectives of a reform seem to be obvious after years of debates. A number of good proposals are contained in the documents prepared by subsequent Ministers responsible for spatial economy matters, the Report of the State Spatial Economy Council, The Proposals of National Urbanists' Council (2005), the Memoranda and Reports of the Polish Academy of Sciences, the Opinions of the Main Urbanists and Architects Commission, the Expert Opinions of the Institute of Urban Development and numerous documents of professional organizations.

Effective protection of public interest requires care of the creation of proper living conditions and beneficial conditions for social and economic development, as well as of the protection of cultural and natural values. It is also in the public interest to protect the natural



environment, arable lands and forests or counteract the construction of substandard housing estates.

What requires special attention is the problem of effectiveness of the implementation of the state's spatial economy at the local level, and, in particular, the government's guarantee of minimum living standards for all citizens which is equivalent to the provision of a clean environment, well operating transportation systems proper access to services.

A preliminary condition of the implementation of rational spatial economy in economic and social practice is a political will of central authorities, which results from the Third Republic reality. Laws, institutional solutions, practical operations and financial resources, all the instruments required for the establishment and performance of spatial economy, are in the hands of the Polish Parliament and government. For that reason, without making political decisions in key issues, even formal definitions of spatial economy and approval of laws will not change anything. That has been demonstrated by the experience of recent decades: laws filled with intentional spells and slogans of the type "spatial order protection," approved by the Parliament, finally failed to serve anything.

### **Seven Main Spatial Economy Problems that Require Political Decisions**

1. Public authorities should decide about the changes of the forms of land use. That principle is a basic condition of ordering spatial economy in Poland. Without public control of land management, we will not be able to assure social spatial order, with the users' guarantee of the possibility to enjoy spatial qualities and eliminate conflicts, segregations and exclusions. Planning stability is also an elementary condition of economic order or economically effective spatial use, with proper conditions for investment. Without spatial economy, we will not be able to ensure effective protection of our historical heritage and cultural order in our towns. We will not be able to stop environment devastation or implement the constitutional principle of sustainable development in business practice. Those objectives can be fulfilled only by the introduction of effective public control over land use, based a on formally defined spatial, housing and urban policies (in laws) for communes, regions and the whole country.

2. It is necessary to define clearly the rights of real estate users. What is decisive for a possibility of effective control over spatial processes are the boundaries of public authority authorizations, especially the method of performing constitutional ownership rights. The ownership rights disputes have continued since ancient Rome, with legitimisation of ownership since the 17th century. However, ownership rights are still the objects of political and legal disputes. For that reason, the Polish law should define the contents of the usufruct rights. If usufruct rights do not obtain limited interpretations, as accepted in other countries, and their changes are not subjected to effective public control, no new legislative initiatives may bring expected improvements. Still, it will be the real estate owner who will decide, which is unpunished practice in Poland, when his land or forest becomes a development land.

3. Obligatory status of spatial planning is a necessity and planning should be subjected to statutory regulations. That is a condition of rationalization of Polish spatial economy and a condition of building of a modern spatial planning system, as well as a system for

monitoring and control of the courses of spatial processes. Only then, it will be possible to implement legally the principles which guarantee that the investment processes will be taking place exclusively on the lands covered by approved Local Physical Plans and by urban planning on the lands that are developed intensely and important for the town. Also, the hierarchy of planning documents should be determined in the laws and comply with the hierarchies of social and public interests. It is necessary to attain the situation in which urbanization processes are controlled and the scope of allowed development expansion results from realistically evaluated commune needs and the nationally and regionally approved spatial economy principles. It is necessary to amend our legal system and spatial economy institution systems. That will require either modernization or building anew of public institutions for spatial and housing economies at the central level, as well as creation of effective instruments for the performance of well-defined and implemented public authorities' spatial economy at all planning levels. Legal regulations should also prevent the phenomenon of avoidance of task performance by public agencies. An interesting attempt at management system modernization has been made by the Minister of Regional Development. His draft assumptions of a new integrated management system was approved by the Council of Ministers in April 2010 [8], and the implementation of the premises contained in that document would also facilitate a spatial economy model. When we realistically evaluate that opportunity, however, we should doubt whether it is possible to introduce in the present political atmosphere a proposal that breaches ministerial interests and imposes a stricter planning and coordination discipline on all public authorities, including municipalities.

4. Introduction of the target supervision of local governments is necessary and unavoidable. The commune's spatial policy should serve both local community and the nation, and that is why such a policy must be contained in the framework of the state's spatial economy determined by the government and the Parliament. That will require substantive control over the local planning contents, which is a general practice in the countries representing the centuries of local government traditions. However, attempts at legal ordering of regional and metropolitan spatial coordination matters are treated in Poland, after only twenty years of our experience in the functioning of local governments, as an attack against local governance. However, communes are not responsible for the condition of our regions and towns. It is rather the central government and the Parliament which are responsible for the poor condition of suburban lands, as those authorities provide specific policies for the local governments.

5. It is necessary to create beneficial conditions for investors' and entrepreneurs' activities. That is a key task of a spatial economy reform, because such activities are decisive for substantive spatial and urban policy performance. That conception requires the provision of the conditions for obtaining social consensus and balance between the public and private interest spheres, as well as creating proper legal instruments and institutions that will allow for reconciliation of the interests of urban communities, businesses, investors and owners. The state's spatial policy should support business activities, eliminate investment or macroeconomic risks, especially the risk of unjustified waste of space and irrational

consumption of environmental resources. Those purposes should be served by a stable spatial policy on the part of the public sector, the government and municipalities, as well as the transparency and cohesion of such a policy. At the same time, spatial policy should limit to corruption phenomena and processes the highest degree possible. It is necessary to provide preferential conditions for public and private partnership (PPP) and non-profit organizations because, without such partnership, it is not possible to modernize Polish towns or resolve our housing problems. However, the participation of a private investor in the projects conducted by the public sector, and such projects include by principle urbanistic modernizations and house building under the PPP system, is difficult in Poland. Firstly, the authorities will not make such a step because they will immediately be accused of corruption, rightly or not. Secondly, the public authorities are not trustworthy partners for private investors, because there is a realistic threat that the succeeding mayor or commune leader will stop to respect the obligations assumed by his or her predecessor. And thirdly, we are dealing in Poland with the legal system which does not protect the investor's interests. That happens because the law regulating our PPP was built on the basis of the principle of non-confidence, which consequently rather deters than supports the co-operation between public and private sectors.

6. Implementation of basic economic instruments in the spatial management system. There are dozens of various instruments available in the practice of many countries. The key importance, however, is attached to the cadastre tax, which continues to be a political *taboo* in Poland. However, it is possible to introduce such a tax in the first stage with reference to unused urban lands that have obtained the status of development lands. That process would not raise social conflicts, but rather initiate the process of ordering urban areas, facilitate the communes' spatial policies, increase the communes' income and limit land speculation processes.

7. It is necessary to socialize the planning and spatial policy processes. First of all, it is necessary to build a modern social participation system. The present principles and forms of community participation in the process of spatial economy determination are "liturgical" or incidental in nature. Good examples exist in that area and we need to use them. It is also necessary to start social education and create informational grounds for authentic social participation, which require development of a comprehensive social information and education systems relating to the spatial economy problems and sustainable development principles.

### **State's Housing Policy**

Housing policy is a central problem of a reform. Housing economy is determined to a large extent by the quality of spatial economy and municipal public authorities, and, at the same time, the condition of the housing sector and housing economy and the quality and standard of housing estates and apartment complexes affect the quality of space because house building and the associated services decide about the image, functions and shape of the town.

For a number of years in Poland, we have been dealing with a crisis of both housing sector and the whole spatial economy. The crisis has been caused by the state's incapability and a lack of any rational policy on the part of public authorities in the respective areas. And, similarly to the whole spatial economy, we also need to recognize in the area of housing that meeting housing needs by the Poles is a political task of the state and that free market economy is not adequate to resolve housing problems. The acceptance of those assumptions would require taking a number of new steps by the central authorities, the Parliament and the Government, as well as the local governments.

The respective activities have to be diverse to meet housing needs, taking into account the capabilities of various social groups. Similarly to the majority of European countries, a large portion of the Polish society expects the government to offer limited financial aid, together with institutional and legal solutions that would facilitate fulfilment of housing needs by the majority of citizens. There is also a segment of the society who will not resolve their housing problems, without a direct help of the government and the provision of social housing and rented flats on a larger scale. Such policies were conducted by the EU countries in the post-war decades of the 20th century when the housing problems required solutions.

Holland can be an example of that process. Until 1990, Holland conducted its housing policy, with an active participation of its government. In that period, council flats rented to citizens constituted more than 70% of their housing stock. After basic housing needs were fulfilled, the policy of the Dutch government changed radically. Presently, 70% of newly erected flats are those constructed on a private basis. That new policy resulted in the reduction of the number of constructed flats by half (down to ca. 70,000 units a year) and price increases. However, despite such radical changes, the public sector still controls house building where the following stages of project performance exist:

- The municipality buys and develops the land designated for house building, with infrastructure. Basically, arable lands are designated for that purpose, and the purchase price is presently at the level of ca. 150,000 euros per hectare.
- The land is offered to developers and private investors either under PPP or as open offerings, while the law excludes house building on other lands than those designated by the municipalities.
- Developers start to construct new houses after selling 60-70% of flats (with the support of bank loans).

The final land value reaches even 5 million euros per hectare in case of attractive locations and after amendments of the local plans and infrastructure provision. The author of the respective studies underlined that the main negotiations in that process, as well as the main disputes, concern presently how to share the planning fee between the investment process participants (mainly the municipality and the developer. [9]

It is necessary to formulate a conception of a long-term housing policy of the state which should contain a credible diagnosis of the housing condition in Poland, evaluation of social needs and the housing balance covering the needs of all social groups. That will require the provision of a long-term housing programme, with the determination of not only the quantities of units, but also the contribution of the central budget to the housing sector.

It is necessary to discontinue the **myth of the poverty** of our country. Undoubtedly, we belong to one of the poorest countries of the European Union, but England assumed the largest housing programme in history in 1947, despite the fact that its economy was ruined by the war, the country was in debt and the food stamp system was in place.

The fact that the government's aid to the housing sector has practically been liquidated in Poland results from the choice of political priorities. However, there are a number of subsidy sources for non-budgetary aid to housing that may be implemented. They can include the public sector's income from the land rent and a gradual introduction of the cadastre tax. Also the public and private partnership can become a source of financing, which is used in that way in the richest European countries for dozens of years, as we mentioned above.

It is necessary to create actual preferences for the implementation of housing programmes; first of all, we need to interconnect the arrangements of the Local Physical Plan and the Study of Spatial Development Conditions and Directions with the performance actions and coordinate them with the developmental policy instruments.

It is necessary for the local governments to prepare land for housing projects, with attractive locations, using the land resources of the railways, the army, the state treasury and municipalities, as well as undeveloped lands in towns. For that reason, it is necessary for the local governments to conduct active spatial and housing economies, especially to identify attractive lands for house building and services, as well as change of the laws, with liquidation of the railway, military and agricultural "empires" that currently trade in public properties on their own account. Such prepared lands should constitute housing municipalities' offerings for various types of investors: non-profit organizations, partnerships with residents and the whole free market sector.

A reform will be difficult. The expansion of public control is a controversial process. The scale of neglect is large. Misunderstanding have been concentrated for a number of years. Various stakeholder groups and the huge "grey zone" of the Polish economy do not favour any reforms. We are still unable to realize the consequences of the poor condition of our spatial economy and do not see a need to reform it.

For that reason, it is necessary to develop an alliance between the governing coalition and the main opposition parties for the sake of the implementation of a spatial economy reform to help to change the law, attain a proper financial policy of the public sector (the central government and the local governments) and develop modern institutional frameworks. Without an alliance "beyond divisions" and the creation of a civil service being truly politically independent, it will not be possible to conduct a long-term, stable and consistent housing policy. That conclusion results from the experiences of the Western European countries which have been conducting rational spatial and housing policies. It also results from our current experiences. Subsequent modest attempts at a reform, made by various ministries, were short lived and fell victims of either political disputes or the power of "ministerial Poland."

Also, local governments and their leaders counteract all attempts at imposition of any control on local spatial policies or implementation of municipality activity coordination

instruments, which is surprising in the country which has only twenty years of experience in local government building. That should be compared to the situation in England where local government have existed since the 14th century and nobody criticizes the central government's supervision of the municipalities' spatial economy, or the government's guidelines for the municipalities, defining spatial planning and spatial policy often in detail.

Based on statutes, the State Secretary of Communities and Local Government issues a Planning Policy Guidance which is binding for all entities. The Guidance interprets and details statutes. 31 editions have been published until today. The examples of them include *PPG 15. Planning policy guidance: planning and the historic environment* 1994, which contains 100 pages of detailed interpretations and clarifications of the Planning Law for local governments on the areas of historical importance, or *PPG 19. Planning policy guidance: outdoor advertisement control introduction* 1992, with 11 pages on the obligation to inspect the placement, sizes and nature of billboards. [10]

There are a number of arguments supporting the premise of the necessity of a reform quoted in this paper. The reform is in fact unavoidable because we will be forced to implement it under the global market requirements, the EU policies expanding on the wider and wider basis to spatial order and urban matters, and, last but not least, we will be forced to do so by our citizens who start to understand that finally they bear the costs of a lack of rational spatial economy. In fact, the macroeconomic losses resulting from chaotic urbanization processes, the costs of poor operation of towns and of real estate speculation processes will finally be reflected not only in our living conditions but also in our taxes and life styles.

The spatial planning crisis and a lack of urbanistic control make it impossible for is also to implement the recommendations contain in the EU documents. A number of documents prepared under the Brussels supervision, e.g. *The European Spatial Development Perspective* or such declarations as the "Leipzig Charter," recommend to conduct rational spatial economy, care of towns and of public spaces. The "Leipzig Charter" was also signed by a Polish minister, but the Charter's recommendations have been ignored in Poland. Besides, the conception of "territorial cohesion," a flag Community project, constituting the main source of the EU financial support, requires spatial planning strengthening and rational urbanization policies. We need to remember that the longer our national authorities remain passive in the spatial economy matters, the later will be assumed the task of building of an integrated, rational spatial management and a planning model and the larger the social, economic and cultural costs of our neglect.

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