

Zofia Sujkowska^{*}
Artur Życki^{**}

Efficiency of utilisation of the EU aid resources in Poland

An evaluation of efficiency of the way the aid resources awarded to Poland since 1989 have been utilised is a complex issue. The question has been a difficult one due to a number of various circumstances as well as to the fact that financial resources have been distributed among many individual programmes, sub-programmes and projects. The areas where foreign financial aid has been allocated and utilised are very broad, including almost every branch of Polish economy and, furthermore, some sectors beyond the economy as well. During a period of over ten years of implementation of PHARE programme, a set of rules regulating economic activities in Poland has undergone significant changes. In effect, consequential changes must have taken place in the area of objectives of the programme that had been and still is integrally related to general systemic transformation as well as to the whole sphere of economic changes taking place in our country.

Since its very outset, the PHARE programme has aimed at stimulating market-oriented economic processes in Europe's post-Communist countries. However, some time had to pass since decision had been made by the European Communities on applying aid, until the earliest measurable effects of such aid became visible. Although the first financial resources were made available immediately following the decline of "real socialism" system, neither donors nor beneficiaries of aid had been prepared well enough to make proper use of the funds in the first place. Therefore, the present evaluation regarding the initial stage of PHARE programme functioning – *i.e.* that soon after 1990 – has to be different than that of the final stage, after the year 2000.

^{*} Dr. **Zofia Sujkowska** – Świętokrzyska Academy, Kielce

^{**} Dr. **Artur Życki** – Ministry of Economy, Labour and Social Policy of the Republic of Poland

Stages of PHARE programme implementation

Implementation of PHARE programme in the countries that have participated therein followed a common, similar pattern. There have been five stages of the process distinguished in literature:¹

- years 1989-1991 – mainly emergency (humanitarian) aid;
- years 1991-1994 – principally training and advisory aid, referred to as *know-how*;
- years 1994-1997 – investment support;
- years 1997-1999 – supporting the process of integration with the EU;
- since 2000 until acquiring full membership in the EU – support for activities carried out in line with national strategies.

The first stage included projects that have contributed to economic stabilisation and aimed at supporting the process of reforms. Aid offered at that time was mainly of humanitarian, provisional nature. Most resources during the first year of the programme implementation (in the amount of ECU 100 million) were allocated to support of Polish agriculture: in the form of deliveries of animal fodders and pesticides as well as aid in kind. Also in the subsequent years the agricultural sector was one of principal beneficiaries of financial aid provided by the European Union. In the years 1990-1993 the European Commission earmarked the approximate amount of ECU 170 million for that purpose, accounting for almost 20% of the total amount of financial aid from the PHARE programme awarded to Poland.

The most significant feature of the second stage, that started in 1991 and, in practice, lasted until 1994, was financing of modernisation projects in key areas of economy as well as provision of *know-how*² in order to develop sound fundamentals of market economy. A substantial part of financial resources was aimed at restructuring of State-owned companies and at assistance to private sector. Within the programme *know-how* was provided to Polish entities, regarding such fields as carrying out market analyses, development of business plans or establishment of training centres for entrepreneurs. In the financial memorandum for the year 1993 the amount of ECU 55 million was allocated for supporting investments in infrastructure (roads, water intakes, tele-technical networks and centres, power-supply lines, heating and gas-supply networks).

Ways of distribution of PHARE programme resources, included in financial memoranda MF 9105 and MF 9205 and allocated for supporting the process of

¹ Dates of both starting and concluding individual stages of the programme have been blurred and activities peculiar for particular stages have overlapped.

² The meaning of this term includes assistance of experts and advisers as well as development of training and advisory centres.

restructuring of the countryside and agriculture, should be regarded proper. However, the Supreme Board of Supervision – the body that evaluated methods of PHARE programme implementation – found that nevertheless a number of negative occurrences have taken place during the stage of the programme implementation, affecting both the scope and the degree of funds utilisation. Out of the available amount of ECU 35 million provided for in the above-mentioned memoranda, only the sum of ECU 11.7 million was used until the end of 1993, accounting for just 33.4 per cent, out of which ECU 10.5 million under MF 9105 (61.8%), while ECU 1.2 million under MF 9205 (6.7%). Most effectively utilised funds within the whole programme were those earmarked for restructuring of rural co-operatives (71.2 per cent).³

During the years 1990-1994 Poland obtained from the European Union the total sum of ECU 1011.6 million that accounted for 23.8 per cent of the whole PHARE budget over that period. As much as 24.6 per cent of that amount was directed to activities in the area of private sector development and support for companies, while 19.9 per cent went to the area of infrastructure development, 16.6 per cent to agriculture restructuring, 16.1 per cent to education, health care and to the field of training and scientific research, 8.6 per cent to environment protection, 7.4 per cent to reform of State administration, 3.4 per cent to the reform of social policy. 3.4 per cent of the whole was assigned to other areas.⁴

Difficulties regarding proper programming and effective utilisation of resources have been experienced already at the very outset of PHARE programme implementation. Reasons for an incomplete utilisation of funds awarded to Poland should be looked for both on Polish and on the Community part. In real terms, our country managed to utilise only 68 per cent of funds awarded to it under PHARE programme during the years 1990-1994.⁵

The consequences of resolutions made at the European Union summit in Copenhagen, in June 1993, at which an essential change in the programme fundamental assumptions took place, may be regarded as the beginning of

³ Information on the outcomes of inspection regarding correctness of use of foreign technical aid for the countryside and agriculture not subject to repayment (PHARE programme), NIK (The Supreme Board of Supervision), Warsaw, June 1994, p.25.

⁴ Mroczek W., *Pomoc finansowa dla Polski w ramach programu PHARE (Financial Aid for Poland under the PHARE Programme)*, in: Kawecka-Wyrzykowska E. and Synowiec E. (eds.), *Unia Europejska. Integracja Polski z UE (The European Union. Poland's Integration with the EU)*, The Institute of Economic Conditions and Prices in Foreign Trade, Warsaw, 1997, p.450.

⁵ *Raport z wykonania programu działań dostosowujących polską gospodarkę i system prawny do wymagań Układu Europejskiego oraz przyszłego członkostwa w Unii Europejskiej w 1995 roku (The Report on Implementation of the Programme Adapting Polish Economy and Legal System to Requirements of the Europe Agreement and Future Membership in the European Union in 1995)*, URM (The Office of the Council of Ministers), The Office of the Government's Representative responsible for the European Integration and Foreign Aid, Warsaw 1996, p.180.

PHARE's third stage (1994 – 1997). It was at Copenhagen that the EU Council officially confirmed for the first time that the European Union might be enlarged by the adoption of the countries associated therewith. The pre-accession strategy, adopted in December 1994 at the summit in Essen, added subsequent significant changes to the programme, concerning principles of provision of aid within PHARE. In effect, the programme was subordinated to the supreme task of preparation of its beneficiaries to their future membership in the EU. Accordingly, the new priority area included investment in infrastructure in the fields of transport and environment protection.

As a result of those changes, also the principles of the aid programming and of PHARE programme implementation in Poland underwent fundamental changes. Whilst during the period between 1990 and 1994 the funds were made available on an annual basis, from 1995 all financial operations were based on the so-called *Multi-year Indicative Plan (MIP)*. The new condition that had to be met in order for the funds to be made available, was presentation of the National Operations Programme for a given year and reaching an agreement over such programme with the European Commission, within the Financial Memorandum. The aim of that change was to attain a higher degree of absorption of financial resources by the programme beneficiaries as well as to contribute to better efficiency of their utilisation and flexibility in the ways of their use. Furthermore, the new solution facilitated implementation of the pre-accession strategy of the countries applying for the EU membership. The first MIP for Poland was prepared for the years 1995-1999 but, although having undergone the process of negotiation earlier on, it was finally signed as late as in January 1996.⁶

The actual level of utilisation of the awarded funds may be evaluated only in the case of programmes whose contracting period has already been concluded. During the years 1990-1997 Poland obtained, under PHARE aid, the total amount of ECU 1,498 million. A considerable part of the sum, amounting to ECU 195.9 million, was earmarked for projects dealing with improvement of territorial development and of transport infrastructure. Investment projects mainly regarded establishment of trans-European transport networks and rendering traffic at border crossing points more effective.⁷ It should be added that throughout the early stage the level of funds awarded was raised up on an annual basis, reaching in 1993 the sum of ECU 225 million. During the subsequent

⁶ The Multi-Year Indicative Programme, adopted for the years 1995-1999, was discontinued after just two allocations (in the budget years 1995 and 1996). In 1997 new principles for the PHARE programme implementation were adopted, as a result of which projects responding to needs of beneficiary countries exclusively were given up in favour of projects directly related to the pre-accession programme that have been, since then, regarded as the priority ones.

⁷ Data taken from materials in possession of the European Commission Representation in Warsaw and from the following internet site: (<http://www.europa.delpol.pl>).

years the value of funds made available was reduced from one year to another, gradually decreasing to reach the lowest level in 1997, at ECU 149.4 million.

Out of the total amount obtained by Poland in the years 1990-1997 in the frame of PHARE aid, the sum of ECU 219.7 million was used for cross-border programmes (implemented annually since 1994) called PHARE CBC (*Cross Border Cooperation*). Vast majority of funds in that area was spent on programmes of Polish-German co-operation, marked with reference numbers PL 9402, PL 9502, PL 9604, PL 9701 and having the total value exceeding ECU 203 million.⁸

The fourth stage of PHARE programme implementation that started in 1997, was oriented towards execution of projects related with Poland's future membership in the European Union. PHARE programmes implemented in our country since 1997 have increasingly focused upon realisation of tasks subordinated to that priority objective.

In December 1997, during the summit in Luxembourg, the EU Council decided that the reinforced pre-accession strategy would include the so-called "Partnership for Accession" as its key component, combining all forms of aid for the applicant countries within a single, uniform framework. The document in question was proposed by the European Commission in October 1997 and was adopted on 25 March 1998. It was decided that recommendations contained therein would be implemented on the basis of National Programmes of Adoption of the *Acquis Communautaire*. In Poland the document entitled "The National Programme of Preparation for Membership in the European Union" (NPPC) was prepared.⁹ Both documents (Partnership for Accession and the NPPC) have substituted other documents that had been relevant in the area of PHARE programming before, *i.e.* the Indicative Programmes and Multi-Annual Indicative Programmes.

In the programmes for the years 1997 and 1998 the largest portion of aid was directed to activities in the field of European integration (ECU 20.5 million and ECU 17.52 million, respectively) as well as to infrastructure development (EUR 17 million and ECU 40 million, respectively). Moreover, the Special Preparatory Programme (SPP) was adopted, aiming at preparation of national and regional administration to effective utilisation of the future structural funds of the European Union.

⁸ An information on outcomes of inspection of implementation of cross-border co-operation programmes financed with contribution of the PHARE funds, The Supreme Board of Supervision, Warsaw, February 2000, p.19.

⁹ The NPPC was adopted by the Council of Ministers in June 1998. The Document defines directions of actions in the field of adaptation as well as time schedule of their implementation in Poland in the years 1998-2002. The Programme has been updated annually.

In 1998 Poland obtained from the PHARE fund the total amount of ECU 178 million, out of which: ECU 53 million for cross-border co-operation with Germany and Denmark; ECU 20 million for participation in programmes of students and young people exchange (Socrates, Leonardo da Vinci and Youth for Europe); ECU 10 million for scholarships for students of the Tempus programme; ECU 13 million for tightening of Poland's Eastern border; ECU 12.2 million for environment protection; ECU 9 million for administration training; and ECU 3 million for making improvements in functioning of courts. Furthermore, the amount of ECU 20 million was awarded for construction of a motorway bypass around the city of Kraków and for support in restructuring of metallurgy industry; ECU 10 million for restructuring of coal mining industry; ECU 7.5 million for support of agriculture (training of veterinary services, adoption of the EU accountancy system), while the remaining funds were used to finance other, minor programmes. However, in 1998 the Commission rejected 14 projects submitted by the Polish party. The projects were judged non-compliant to the EU procedural requirements. As a result, Poland failed to obtain the sum of ECU 34 million. In spite of that failure, in subsequent year 1999 Warsaw was given the support out of the PHARE fund resources in the amount of ECU 270 million.¹⁰

As a reply to postulates from the European Commission, the Committee for the European Integration adopted, on 28 September 1998, a document entitled *PHARE New Orientation* in which new solutions for obtaining and utilising, by Poland, the PHARE programme funds, were defined. According to guidelines contained in the *PHARE New Orientation*, financial resources may be used only in a number of specified areas. Thirty per cent of all funds have to be addressed for support and development of institutions ensuring smooth and efficient implementation of the EU *acquis communautaire* as well as effective functioning of public administration (through, among other things, reinforcing the system of fiscal control and tax administration as well as raising the efficiency of customs control). The remaining 70 per cent of the funds was provided for co-financing of investments in the area of infrastructure.

Since the year 2000 the PHARE programme has entered its final stage of implementation as one of three instruments of pre-accession aid awarded to Poland by the European Union, the others being the ISPA (Instrument for Structural Policies for Pre-Accession) and the SAPARD (Special Accession Programme for Agriculture and Rural Development). In line with decisions made at the EU summit in Berlin in March 1999, (Agenda 2000) a considerable increase in the scale of financial aid was foreseen for the EU applicant countries for the years 2000 - 2006. The European Council awarded the total amount of

¹⁰ Doliwa-Klepacki Z.M., *Integracja europejska (European Integration)*, Temida 2, Białystok 2000, p.104.

EUR 1,560,000 thousand to those countries. Out of this sum, Poland will be able to obtain as much as *circa* EUR 400,000 thousand each year.¹¹

The European Union's aid as an element of the pre-accession strategy

The new tactics of PHARE programme implementation in Poland was devised basing on the following documents:

- *The Act of 8 August 1996 on the Committee of European Integration*;¹²
- *The Regulation of the Council of Ministers of 16 June 1998 regarding establishment of the position of the Government Representative Responsible for Handling Financial Resources Obtained from the European Union*;¹³
- *Decentralised Implementation under New PHARE Orientation* of 14 July 1998 – the document of the European Commission, adopted by DG I and DG XX;
- *New PHARE Orientation* – the document adopted by the Committee of European Integration on 28 September 1998 to reply the postulates put forth by the European Commission.

In the light of the *New Orientation* the new priority aims of the programme include adaptation of Polish legislation to requirements of the Community law as well as development of infrastructure and of trans-European transport networks. The earliest PHARE programmes supporting projects in the field of socio-economic cohesion were financed, in the year 2000, on the basis of preliminary national development plans, prepared by the applicant countries back in 1999.

The effects of reforms carried out since 1997 (it was then that the concept of the *PHARE New Orientation* was being prepared) may also be observed considering the rate of contracting of resources from the PHARE fund. Firstly, five countries featuring the lowest contracting rate in 1997, proved able to demonstrate significant progress as soon as in 1998. Secondly, as suggested by dates of contracting of programmes from 1997 and 1998, an average time lapse between signing of a memorandum and contracting has been shortened. Thirdly, an average size of contract grew up (depending on a particular country) from to up to four times. The progress, however, slowed down in 2001 and again in 2002, due to a growth in a number of small projects that have been necessary to support socio-economic cohesion. Anyway, raising the contracting rate was just one of a number of objectives behind the reforms carried out in 1997. As a result, the number of PHARE programmes that have obtained either satisfactory

¹¹ (http://europa.eu.int/council/off/conclu/mar99_en.pdf). Arrangements made by the European Council during the summit in Berlin on 24 and 25 March 1999.

¹² *"The Polish Journal of Statutory Law"*, no. 106, item 494.

¹³ *"The Polish Journal of Statutory Law"*, no. 76, item 494.

or a higher grade in the Commission's evaluations, increased from 39 per cent in 1999 to as much as 56 per cent in 2000.¹⁴

Following the adoption of the *PHARE New Orientation* a principle was introduced that operational costs (including personal costs) of the managing units have been financed out of the beneficiary's budgetary resources. Furthermore, the managing units have been obliged to carry out tender procedures¹⁵ as well as to conclude contracts with contractors selected on the basis of such procedures. The contractors in questions provide services for beneficiaries of particular projects. Beneficiaries of projects are, in most cases, the State bodies, non-governmental organisations and entrepreneurs. Beneficiaries take advantage of assistance provided to them by contractors, mainly in the form of advisory services, equipment and training.

On the virtue of the Order no. 10 of the Minister of Finance of 9 July 1998 regarding granting of organisational regulations for the office of the Government Representative Responsible for Handling Financial Resources Obtained from the EU (RHFR) the Department of the EU Funds Budget has been established. Subsequently, through the Order no. 7 of 2 June 1999 the Minister of Finance changed the name of the above-mentioned body to the Department of Handling Aid Funds. The task of this body is to service and to supervise, on behalf of the Government Representative, the area of expenditures out of the EU funds as well as out of those from the State budget, allocated for implementation of particular projects.

The Regulation no. 1266/1999 of the Council of the European Union of 21 June 1999¹⁶ defined the principles of co-ordination of aid granted to the applicant countries in line with the pre-accession strategy. It was assumed in the Regulation that:

- each individual project may only be financed out of a single pre-accession fund;
- countries enjoying the pre-accession aid have to co-finance investment projects;
- selection of projects, tender procedures as well as contracts would be subject to approval by the European Commission. The Commission, by separate decisions made thereby, has the right to renounce this entitlement

¹⁴ *Phare 2000 – Przegląd, Wzmocnienie Przygotowania do Członkostwa (Phare 2000 – Review, Reinforcement of Preparation for the Accession)*. The Communication made by Mr. Günter Verheugen, the European Commission. Directorate General for Enlargement, C(2000)3103/2, Brussels, 27 October 2000.

¹⁵ Tender proceedings have been run on the basis of procedures included in chapter F of the European Commission guidelines entitled: *Decentralised Information System Manual* (the so-called DIS), (<http://europa.eu.int/comm/enlargement/pas/phare/implementation/index.htm>).

¹⁶ "Official Journal of the European Communities", no. L 161 of 26 June 1999.

transferring it upon the programme implementing agencies in beneficiary countries.

In any case, the European Commission should define as follows:

- guidelines regarding the pre-accession aid for each applicant country;
- principles of control and of results appraisal.

As a part of its activities in the area of co-ordination of reception of funds out of PHARE'99 resources, the Office of the Committee for the European Integration (OCEI) has prepared a schedule of work related with preparation of PHARE projects. This way, OCEI launched the work on projects put forth by particular ministries and other central-level bodies in a way that made it possible to complete them on time. It verified the presented projects and adopted the official Polish position regarding the financing of PHARE'99 projects.

Early in 1999 OCEI introduced a special reporting system enabling to carry on financial monitoring of PHARE projects. The managing units were obliged to prepare monthly reports including, among other things, data on the amount earmarked for the programme implementation, on the levels of funds contracted and those actually paid during the programme execution as well as on estimated amounts to be contracted in the future. The collected data have been transmitted to ministries and other central bodies. On the basis of that information particular ministries have been obliged to report to OCEI where accumulated information is then prepared and presented at three-monthly intervals to the Committee of the European Integration (CEI).

The method of execution of the adopted assumptions, quality and pace of implementation of particular projects as well as efficiency of utilisation of resources awarded to that end have been separate issues. It was found that in every second out of thirty PHARE programmes whose financing was concluded within the period from 1 January 1998 until 30 September 1999, the implementation went on slower than assumed in the financing memoranda. An average delay was almost three months. In consequence, 2.2 per cent of financial resources awarded to the Polish party failed to be contracted. On the other hand, compared to much more serious delays, reaching as much as 14 months that occurred during implementation of programmes during the period between 1990-1997, the former result could also be seen as a significant improvement.¹⁷ The largest delay in utilisation of resources given to Poland (over 31 months) took place in 1990. In the years 1991-1993 the average delay equalled to roughly one year.¹⁸

¹⁷ "An Information regarding outcomes of an inspection of the central-level administration actions in the area of obtaining and utilisation of financial resources provided by the European Union", The Supreme Board of Supervision, Warsaw, December 2000, p.30.

¹⁸ An information on outcomes of the inspection of utilisation of the aid granted by the European Union to Poland within the PHARE programme funds, The Supreme Board of Supervision, Warsaw, November 1998, p.33.

Compared to the earlier period, the *PHARE New Orientation* became a turning point both in terms of concept and ways of the programme implementation. The PHARE objectives, until then mainly focusing upon support of the process of systemic and economic transformation in the post-Communist Central and Eastern European countries, were replaced with the pre-accession strategy. Since that time the PHARE programme became one of the most important instruments behind preparation of Poland and other countries to integration with the European Union.

During over a decade of implementation of the PHARE programme it proved impossible to avoid any clashes, stumbles or even flagrant abuses. It has to be remembered that the programme was the first experience of such type and scale for both sides. Both had to acquire a number of new skills, starting with the very preparation of the programme, defining methods of its implementation, through evaluation of effects of the activities carried out. Polish central-level administration faced the most serious tasks. It was its mission to introduce the PHARE programme to virtually any area of economic and social life as well as to transfer resources down to lower levels of administration. What was additionally relevant during the process of the programme implementation was the fact that ministries and other central-level bodies themselves were beneficiaries of the EU aid as well. Admittedly, they were no exception and, just like any other, they also experienced “a number of problems and difficulties” in proper utilisation of the aid resources.

PHARE implementation in central-level bodies

The way the financial aid out of PHARE resources, provided for central administration in Poland, has been utilised, may be best described on the example of nine ministries and central-level bodies that were beneficiaries of such aid during the period since 1 January 1998 until 30 September 1999. During that period PHARE funds were made available to: The Securities Commission, the Ministry of National Education, the Ministry of Finance, the Ministry of Communication, the Ministry of Agriculture and Rural Development, the Ministry of Environment, the Ministry of Transport and Maritime Economy, the Office of the Committee for the European Integration and the Office of Competition and Consumer Protection. The efficiency of utilisation of the aid resources in those bodies may be evaluated only on the basis of examinations carried out by the Supreme Board of Supervision (NIK), since no other central-level institution has got accumulative data regarding that issue at its disposal. It seems interesting to examine how ministries and central-level bodies proved able to cope with the task of performing the programming and funds awarding procedures and how efficient was the use they made thereof.

The total value of aid awarded amounted to EUR 12,369.1 thousand,¹⁹ out of which utilisation of the sum of EUR 6,910.4 thousand (*i.e.* 55.9 per cent) was examined by NIK. All the above-listed institutions have taken advantage of aid in the form of advisory services. The total value of those services amounted to EUR 6,994.6 thousand, out of which the sum of EUR 3,922 thousand was then subject to inspection. The Board of Supervision found no irregularities in the way advisory services for the value of EUR 3,183 thousand were used. In other words, as much as 81.4% of services under scrutiny were found to be utilised properly. This included all advisory services provided for the following institutions: The Securities Commission, the Ministry of Finance, the Office of Competition and Consumer Protection, the Ministry of National Education and the Ministry of Communication as well as a part of services supplied to the Office of the Committee for the European Integration, the Ministry of Environment and the Ministry of Transport and Maritime Economy. Advisory services provided aimed at supporting implementation, by ministries and central bodies, of activities in the area of adaptation and harmonisation and in most cases they took form of preparation of studies, experts opinions and drafts of normative acts as well as of preparing and holding seminars.²⁰

Utilisation, by the Ministry of Communication, of advisory services for the amount of EUR 594.3 thousand was appraised positively. The draft Communication Act has been prepared properly as have been legal expert's opinions costing EUR 207.5 thousand, carried out by the team of experts from the European Commission. Moreover, the study on introducing the Single Market principles to Polish telecommunications market, for the value of EUR 180 thousand, has been carried out and used in a proper way.

The Office of Competition and Consumer Protection was another body that has utilised resources awarded thereto in a way that gave no reason for objections. The amount of EUR 372.8 thousand for preparation of expert opinions for the Office, was judged well-spent. As a result of those expert opinions it was possible, among other things, to prepare a draft act on consumer credit, a draft act on general product safety and a draft act on amendment of the act on counteracting unfair competition. Expert opinions were prepared mainly by Polish consultancy companies, as well as one British one and by the Faculty of Management of Warsaw University.

¹⁹ In two cases, where it has been impossible to ascertain the value of aid obtained in the Euro currency, such value was calculated, on the basis of an arithmetic average of the medium foreign currencies exchange rate applied by the National Bank of Poland during the period under examination.

²⁰ "An Information regarding outcomes of an inspection of the central-level administration actions in the area of obtaining and utilisation of financial resources provided by the European Union", The Supreme Board of Supervision, Warsaw, December 2000, p.27.

The Securities Commission has rejected the first offer for preparation of legal expert opinion, submitted thereto by the managing unit, in that case by OCEI. The offer was rejected due to lack of proper competence on the part of an expert suggested by a Western consultancy company. First of all, the expert had no experience in the area of implementing the European Union directives concerning capital market. Moreover, he did not know regulations in force in the field of public circulation of securities in Poland. Finally, he spoke no Polish language, so that those regulations would have to be translated into Polish. Following the rejection of the first offer the managing unit submitted another one that the Securities Commission has accepted and utilised the advisory service provided in effect, for the value of EUR 12.5 thousand, in a proper way.

Negatively appraised by the Supreme Board of Supervision was the lack of documents proving relevance of some advisory services in both OCEI and the Ministry of Agriculture and Rural Development. OCEI has taken advantage, in the frame of the contract PL9212-033, of advisory services for the value of EUR 268.5 thousand, which have proved of little use. The Ministry of Agriculture and Rural Development ordered and used advisory services for the value of EUR 255.4 thousand without being able to produce complete information regarding the entity that performed such services. Additionally, the Ministry had no documents concerning evaluation of quality of preparatory studies in the frame of provision of services, of procedure of such studies approval for implementation nor of the way the services were actually used. The lack of such fundamental information and documents rendered it quite difficult for the Ministry to exert supervision over utilisation of those services and to evaluate their efficiency.

The Ministry of Transport and Maritime Economy obtained financial resources in the amount of EUR 150 thousand. As part of one of advisory services, a Western company prepared a set of translations of acts of the Community law as well as draft normative acts in the field of road transport and inland navigation. The study ordered was "*a simple compilation of legal acts of different level, with proposals of some provisions being imprecise or wholly wrong from the subject-matter point of view*".²¹ The draft act, the preparation of which was paid out of PHARE funds, has actually been used only as a reference material at the stage of preparation, by the Ministry, of its own project.

Early in 1998 advisors paid out of PHARE resources prepared, for the Ministry of Environment, a concept of establishing and maintaining, within its structure, an information and documentation centre in the area of environmental protection issues in the European Union. As a part of that service, documentation kept with the Ministry regarding that area was gathered together and catalogued. The total value of that service amounted to EUR 65 thousand. However, the

²¹ Ibidem, p.28.

centre failed to start its activities by 3 December 1999 due to the lack, in the Ministry of Environment, of a properly-skilled librarian, a person having knowledge of foreign languages, professionally prepared to run such a unit.

The following institutions have obtained aid in the form of equipment purchased out of PHARE financial resources: the Securities Commission, the Ministry of National Education, the Ministry of Finance, the Ministry of Communication, the Ministry of Environment, the Ministry of Agriculture and Rural Development, OCEI and the Office for Competition and Consumer Protection. The total value of that equipment (consisting mainly of personal computers, printers and photocopiers) amounted to EUR 1,437.8 thousand.

While no objections have been raised regarding selection of purchases made, it happened quite often that officers of the above-mentioned bodies made incorrect entries into accountancy book and records. Such irregularities have been found with respect to fixed assets for the total value of EUR 1,004.8 thousand. The equipment obtained by the Office of the Committee of European Integration has only been put into records 15 months following its actual delivery. The entry was made on the basis of decision no. 15/99 made by OCEI General Director on 24 September 1999 on putting into beyond the balance records of foreign equity elements. No booking proofs have been entered into the accounting books. Furthermore, neither serial numbers nor inventory numbers of the equipment were recorded in books, making it impossible to identify particular elements of it. Such an omission was contrary to provisions of Article 24(1) of the *Accountancy Act of 29 September 1994*²² that oblige to run accountancy books and records in a way that is thoroughly current and free of any irregularities, irrespective of the level of an institution being the owner of evidenced property.

The Ministry of Agriculture and Rural Development, the Office of Competition and Consumer Protection, the Ministry of National Education, the Ministry of Finance, the Ministry of Environment, the OCEI and the Securities Commission have also taken advantage of training financed out of PHARE funds, for the total value of EUR 1,550.6 thousand. Subjects of the training focused around issues related with activities of those bodies. Moreover, their employees participated in foreign language courses. Officers of the Ministry of National Education have taken part in English language courses in the British Council, at the total cost of EUR 14.8 thousand. Officers of the Office of Competition and Consumer Protection have participated in a training held by the Warsaw University Centre for Europe, entitled "The Theory and Practice of Consumer Law" the cost of which amounted to EUR 25.1 thousand. Officers of the Ministry of Environment have participated in trainings concerning Austria's experience of the accession

²² "The Polish Journal of Statutory Law", no. 121, item 591 with later amendments.

processes. The cost of the training, held in both Austria and Poland by the Danish School of Public Administration, amounted to EUR 288 thousand.

The Ministry of Agriculture and Rural Development has taken advantage of technical aid and purchase of publications financed out of PHARE resources, having the value of EUR 1,117 thousand. The Ministry of Finance has undergone an audit performed in the National Agency of Agricultural Property of the State Treasury, financed out of PHARE financial resources, the value of which amounted to EUR 738.6 thousand. The Office of Competition and Consumer Protection spent the funds awarded thereto for translations, conferences, support for activities of consumer organisations as well as of information programmes for consumers, at the total value of EUR 344.6 thousand. The OCEI and the Ministry of National Education have organised study travels at the value of EUR 152.7 thousand. In the Ministry of National Education the sum of EUR 30 thousand out of PHARE funds was allocated to finance the provision of the employees' access to internet. The Securities Commission has spent EUR 3.5 thousand for translations of normative acts.

It is discomfoting that offices through which such a broad stream of the EU aid resources flows and which should act as a good practice model for other beneficiaries of the PHARE programme, have featured such shortages and irregularities in terms of proper management and supervision themselves. Moreover, also the way the inner documentation in those bodies has been run and the issues of personal responsibility of individual officers, in many cases those entrusted with high positions, occur quite far from perfect. Even after a decade of obtaining and making use of Western-European financial aid, Polish central-level administration – as found in the Supreme Board of Supervision's inspections carried out in 1999 – proved not prepared well enough to properly obtain and utilise aid funds from the European Union.

Inspection of utilisation of the aid resources

Tasks involving supervision and inspection of the PHARE programme and the pre-accession funds have been carried out, on the part of the European Commission, by the European Accountancy Court (EAC), while on the part of Poland, by the Supreme Board of Supervision (NIK). The EAC has repeatedly evaluated both the way and procedures of distribution of aid resources addressed to Central and Eastern European countries critically. In its opinion institutions of the European Union have been the party to blame for delays in PHARE programme implementation. In reply to those accusations expressed by the EAC, this time the European Commission put the blame wholly upon the Council of the EU and upon PHARE Managing Committee, rather than to refer to responsibility

of beneficiary countries for being in delay (as it used to do a number of times before).²³

As one concludes from the annual report of the European Accountancy Court, published in November 1999 (regarding the financial year 1998), procedures used by the European Commission were too complicated and unclear. As a result, not even a half of financial resources put at its disposal were distributed by November 1998. The report also points out that “*procedures applied by the EU institutions were excessively burdensome*” as regards distribution of resources out of the EU budget for aid awarded to the third countries. In the case of the PHARE programme this resulted in as much as 57 per cent of funds being left to be distributed during the last 45 days of 1998. “*Delays like that have seriously hindered smooth programme implementation*” – as the EU auditors comment.²⁴

In the report there is a statement that almost 5 per cent of the EU budget for the year 1998, that is the amount of over EUR 4 billion, has either been spent in a way inconsistent with applicable law or even defrauded, due to insufficient supervision over the way aid resources had been transferred to beneficiaries. Also, according to the tradition of such reports, the document includes most spectacular examples of “mistakes” in calculating subventions for agricultural sector. However, relatively the largest number of irregularities wasn’t found in the areas that have obtained highest subsidies, such as agriculture or expenses borne in the field of structural funds (in total amounting to EUR 67.2 billion), but in the so-called inner policies for which the EU has spent the sum of nearly EUR 5 billion. According to auditors, spending of one-third of those funds features “serious mistakes”. In 1998 the French Commissioner Edith Cresson was the person responsible for that segment of the EU policy. It was her arrogance, a habit of selecting experts from among her friends as well as tolerating irregularities have contributed to the Commission being dismissed in March that year.²⁵

On the Polish part, proper utilisation of the aid funds awarded to Poland has been inspected by the Supreme Board of Supervision. During the period between 1990 and 1997 the European Union awarded to our country, within the PHARE programme, nearly EUR 1.5 billion. Out of that sum we managed to utilise only around one billion. The SBS examined the way and efficiency of utilisation of those funds. It occurred that serious difficulties existed even at the level of carrying out a thorough, comprehensive evaluation of measurable effects of the PHARE programme on the scale of the whole country. This is due to an

²³ Geber A., Correspondence from Strasbourg, the Radio Information Agency, 16 November 1999.

²⁴ An information from the Polish Press Agency service from 16 November 1999.

²⁵ Ibidem.

insufficient knowledge on the part of the national co-ordinator of foreign aid in that area.²⁶

Neither the Government Representative Responsible for the European Integration and Foreign Aid and, at a later time, the OCEI, have carried on systematic and regular analysis and evaluation of effects of the implemented programmes. They have had neither general, synthetic, nor detailed data on how the PHARE funds had been spent or which benefits had been achieved in result. Moreover, the Department of Foreign Aid, Funds and the Community Programmes of the OCEI has indicated – as if forgetting the fact it was the body that should have directly co-ordinated projects implemented in the frame of PHARE programme – that in most cases the appropriate ministries failed to keep proper monitoring of the process of programmes implementation and to evaluate their results. The same Department furthermore observed that supervision over implementation of the programmes on the part of the State administration was insufficient. This was due to too frequent personal changes regarding head positions, to the “*lack of interest in the supervised programme and of proper understanding of their role and tasks on the part of the officers appointed to fill these functions*”.²⁷

Weakness of the effects evaluation system has also been confirmed during inspection of the programme managing units. Such units have not carried on any systematic appraisal of the process of implementation for all the programmes. In many cases they were not preparing *monitoring and appraisal reports*. Such documents were meant, among other things, to evaluate a level of attainment of objectives of any given programme, regarding the previous year and relating to *strategic plans*. Evaluation in question should have been done basing upon the so-called objective-achievement indicators, included in those plans.

Evaluation, by the SBS, of effects of financing advisory services out of PHARE funds has been particularly critical. It was noted that out of 22 final beneficiaries subject to the inspection, in as many as 16 units studies prepared by the financed consultants had not been implemented in the whole or even in any part. The main reason for having wasted 60 per cent of resources spent for that form of aid was low quality of those studies in the opinion of those who had commissioned them.

An example of an improper utilisation of aid is found in projects of restructuring of the Ursus Tractor Industry Company. In the project prepared in

²⁶ *An information on outcomes of the inspection of utilisation of the aid granted by the European Union to Poland within the PHARE programme funds*, The Supreme Board of Supervision, Warsaw, November 1998, p.48.

²⁷ “*An Information regarding problems experienced in utilisation of the PHARE programme’s resources allocated to Poland*”, submitted to General Director of the OCEI (together with a letter ref. no. DPZ/97/878/AK) by the Director of the Department of Foreign Aid, Funds and the Community Programmes of the Committee for the European Integration, Warsaw, 23 April 1997.

the frame of the contract made on 14 February 1992, having the value of EUR 1.4 million, it was foreseen that, among other things, the Ursus company would have been divided into smaller, largely independent organisational units and that units not directly involved in production of tractors would be separated out of the company. In December 1992 another company-healing programme was prepared, for the year 1993. Surprisingly, it suggested solution quite contrary to what was included in the previous one, that is, *inter alia*, consolidation of Warsaw-based companies that in 1992 constituted a part of Ursus TIC (plants operating under a license) and integration, with the company, of those units that had made up Ursus TIC at an earlier time. The managing unit of that programme was the Agency of Industrial Development S.A. As a result of such initiatives, involving a couple of subsequent restructuring programmes contradictory to each other, the PHARE funds earmarked for that purpose were wasted.

Back in 1993 Wołomin Glassworks obtained, in the frame of PHARE programme, a sum of nearly EUR 150 thousand in the form of free-of-interest credit for the company restructuring. The prepared programme had reflected the company needs in a perfect way so it was adopted with no objections. However, it was never actually implemented; it only served as a bidding argument during negotiation of terms of an arrangement with a bank. In 1997 it was decided that preparation of a new implementing programme was necessary.

Also the Factory of Harvesting Machinery “Agromet” (FHM) obtained, in the years 1992-1993, the sum of almost EUR 250 thousand for restructuring. However, plans prepared at the cost of nearly EUR 200 thousand haven’t been implemented since in 1996 the FHM company was put in liquidation.

It happened quite often that quality of even expensive studies was so low that they proved simply unusable. In the frame of TOURIN PL 9201 programme (The Foundation of Tourism Development) the “Plan of development of tourist product” has been prepared for years 1995-2004. The project cost reached EUR 800 thousand and it was appraised positively by the Foundation Board. Then a second stage of the programme TOURIN PL II 9310 was initiated, consisting – as assumed – in implementation of strategic solutions from the first stage. Another EUR 360 thousand was spent for that purpose, in addition to previous costs. However, the authors found that, due to fundamental changes taking place in the area of economic circumstances, the study prepared thereby had to be done anew.

Preparation, in the frame of the programme PL 9002, of the so-called master plan for WARTA Foundation has been another example of improper utilisation of the aid funds made known in the report. The purpose of the plan was to carry out, in the years 1991-1992, a thorough study of economic and ecologic situation in the basin of the Warta river and to define a programme of investment projects for that area. The cost of the study was very high, amounting to nearly EUR half a million. However, the project was appraised negatively by all six province

governors in the Wielkopolska province. It occurred that authors of the study did nothing more than collect a set of commonly known information, while actions suggested were a casual shortlist of comments and observations contributed by persons who evaluated an initial version of the report.

The Leather Industry Company "Radoskór" S.A. in Radom obtained in 1993 an advisory aid having the value of EUR 48,085 in the form of the plan of financial restructuring of the company. The study has become the basis for conclusion of the bank agreement. The restructuring plan was not made full use of and banks refused to grant the requested financial support (according to preliminary mutual obligations the sum of such support was to amount to PLN 1.5 million). As a result the plan regarding the output increase coupled with cost reduction has remained another useless document.

Most projects were seriously in delay already at the early stage, in most cases due to improper organisational preparation and lack of appropriate personnel. The financing memorandum for PL 9408 Fiesta III programme was signed in December 1995, with completion date foreseen at December 1997. In fact, the responsible minister failed, during that time, even to appoint officers involved in the programme handling. First assumptions and projects of the programme were presented as late as in June 1997 and, to make things worse still, they were not approved by the European Commission. In consequence, financial resources in the amount exceeding EUR 2 million remained unused.

Examples of responsible and rational utilisation of funds have, unfortunately, been much less frequent. The Szczecin Shipyard – an example of spectacular success in preparation of a large company to new market conditions – obtained in 1992 a credit in the amount of EUR 48.5. This aid was allocated for legal service of the restructuring process. As a result of this effort its credibility in banking environment has been regained and financial liquidity of the company has been restored. Moreover, the programme implementation brought some measurable benefits and, most importantly, the company's newly gained credibility made it possible to take credits and to start building ships again.

The Lublin Regional Bank S.A. implemented, since 1996, two projects for the total value of EUR 1,167,072. The first one regarded an audit for co-operative banks while another one involved advisory services. Another good practice example is found in the Ironworks named after T. Sendzimir – the company that has participated in two projects financed out of PHARE resources. Usefulness of the first one, dealing with the company restructuring, having the value of EUR 498,198 has been appraised by SBS positively. Another project, concerning marketing studies and preparation of a technological and economic analysis precedent to start-up of production of corrosion-proof sheets of metal, the value of which amounted to EUR 199,973 was given positive evaluation as well.

It is actually impossible to carry out full, comprehensive evaluation of effects of implementation of the PHARE programme in Poland at present. Responsible ministers had not exerted proper supervision either over the very process of projects implementation or of their results. Worse still, they had no detailed data on costs borne by the State budget on co-financing the programmes. Central-level officers have attempted to explain that situation by the fact that such calculations would have proved too complex or that no appropriate methods of carrying out such balances had been worked out.

The pre-accession programmes

Since early 2000 Polish central-level administration has been able to obtain, annually, the amount of EUR 168,700 from the SAPARD fund as well as EUR 384,800 thousand from the ISPA fund.²⁸ On the virtue of provisions of Article 1(5) of the *Act of 8 August 1996 on the Committee for the European Integration*, since 1 January 2000 the Office of the Committee for the European Integration has been the body responsible for co-ordination of activities in preparation for obtainment of both ISPA and SAPARD funds resources. However, the OCEI has not agreed with the European Commission, neither directly nor via the Ministry of Foreign Affairs, upon principles according to which such funds are to be transferred by the Commission. Consequently, not knowing requirements the Polish administration has to meet in order to obtain pre-accession funds, appropriate ministries have been unable to prepare a schedule of activities of central administration aiming at meeting such conditions.²⁹

Furthermore, the Ministry of Finance has not approved the procedure of transfer of SAPARD programme funds from the European Commission and the Ministry of Agriculture and Rural Development (MARD) has got no projects to finance that programme. The leaders of the latter Ministry, in defence of accusations against them, have argued that: *“Financial procedures related to disbursement of expenditures within the SAPARD programme have been*

²⁸ The European Commission has not resolved in a final and binding way whether it would be possible to use the ISPA and SAPARD funds resources, not utilised during a given year, in subsequent years. In the case of the SAPARD programme the Commission announced, on 26 January 2000, that the applicant countries would be given such an opportunity. Still in order to be fully operational, that decision has to be confirmed in an appropriate regulation. In the case of the ISPA programme, however, the Commission hasn't announced its official position in the matter in question yet. The Commission representatives suggest in the unofficial way that it is not going to be possible to use the ISPA fund resources, unused during a given year, in any subsequent period (*“Rzeczpospolita”*, 18.02.2000).

²⁹ *“An Information regarding outcomes of an inspection of the central-level administration actions in the area of obtaining and utilisation of financial resources provided by the European Union”*, The Supreme Board of Supervision, Warsaw, December 2000, p.8.

*prepared and would be included in a three-party agreement to be concluded between the Government Representative Responsible for Handling Financial Resources Obtained from the European Union, the Minister of Agriculture and Rural Development and the President of the Agency of Agriculture Restructuring and Modernisation, regarding principles of co-operation in the area of the SAPARD programme financial management”.*³⁰

One of serious difficulties experienced by Polish central-level administration in the area of utilisation of the funds in consideration has been the fact that the European Commission failed to prepare appropriate executive acts to regulations of the Council of the European Union. A delay in transferring, by the European Commission, of PHARE'98 programme financial resources, earmarked, *inter alia*, for handling those pre-accession funds has been another hindrance. One of a couple of medium-term objectives of PHARE PL 9808.01 programme was preparation of ISPA and SAPARD projects for implementation. It may be concluded from the financing memorandum signed on 24 December 1998 that it was in this very programme that funds to achieve that objective had been awarded.

Both our country and our European Union partners have regarded problems of agriculture and of rural areas as particularly difficult. This has been due, among other things, to the fact that the rate of transformation in the agricultural sector has been slower than in other sectors of economy. Furthermore, agriculture has to be considered as a social sphere as well, rather than just as a purely economic area. In spite of a great deal of hope related with the pre-accession programme SAPARD, attempts to start it up before 2002 proved unsuccessful. While obtainment and utilisation of resources of that fund is not going to solve the problems experienced in rural areas of Poland anyway, it nevertheless may prove very important for the sector. Aleksander Kwaśniewski, the President of the Republic of Poland, had the following comment regarding that issue: *“We have certainly been well aware that it is not a proper strategy to merely wait for resources from the pre-accession funds within the SAPARD programme and for the future pre-accession subsidies. What we want to perceive in foreign aid from the European Union is an instrument of support for transformation taking place in Polish countryside. For transformation – to be sure – devised by ourselves and carried out by ourselves”.*³¹

³⁰ The letter (DHk-091-5/00) from Janusz Warakowski, General Director in the Ministry of Agriculture and Rural Development, to Janusz Wojciechowski, the President of the Supreme Board of Supervision, dated on 18 December 2000, regarding accusations relating to improper implementation, by the Ministry, of the aid programmes presented in *“An Information regarding outcomes of an inspection of the central-level administration actions in the area of obtaining and utilisation of financial resources provided by the European Union”*, The Supreme Board of Supervision, Warsaw, December 2000.

³¹ An Address during the 9th European Congress of Agricultural Economists, Warsaw, 26 August 1999, in: *Addresses, letters, interviews of Aleksander Kwaśniewski, the President of the*

The body entitled to handle the funds from the European Union in the agricultural sector has been, since 1 January 1999, the Agency of Agriculture Restructuring and Modernisation (AARM).³² One of projects within the scope of AARM terms of reference was to pilot implementation of IACS computer system. The aim of the system, as assumed, is to provide comprehensive control and supervision over the whole area of cultivation, breeding and food production as well as to define the level of aid from the EU budget for those individual farms that are to be included in the system of the EU subsidies. Introduction and reaching full operational capacity of the IACS system is necessary in order for Poland to be able to take advantage, as the future EU Member State, of subsidies under the structural funds.

However, a number of problems have been experienced during the process of implementation of the programme. It had been a source of much controversy even before it was actually prepared. According to the information published by mass-media, Poland has lost the sum of EUR 33 million out of the total amount of the pre-accession aid for the agricultural sector. Mirosław Sekuła, the President of the Supreme Board of Supervision, informed during the press conference, held by the management of the SBS on 2 April 2002 that the Board intended to submit a set of documents concerning the inspection carried out in the Agency of Agriculture Restructuring and Modernisation over to prosecution.

Negative appraisal has focused upon irregularities in the field of public procurement that occurred during the IACS system implementation. Additionally, the Board had objections regarding correctness of contracts concluded by the Agency as well as application of procedures of order fulfilment by the Co-operation Fund foundation that has purchased computer equipment for the system. Forms and procedures of supervision over the Agency activities on the part of former Ministers of Agriculture in the years 1999-2001 have also been criticised. During the inspection the SBS started co-operation with, *inter alia*, the European Office for Fighting Corruption and Abuse as well as with the Chief Inspector of Treasury Control. The latter institutions were involved in checking those aspects and fields of the Agency activities that had remained beyond the scope of inspection carried out by the SBS. At the motion of the SBS the Warsaw prosecutor office has been investigating that matter, under direct supervision of the General Prosecutor. Furthermore, due to a very serious scale of abuse, the Prime Minister has made decision on participation of the State Protection Office in the proceedings.

Republic of Poland, 1999, a selection, the Chancellery of the President of the Republic of Poland, Warsaw 2000, p.307.

³² On the virtue of the provisions of Article 3(a) of the Act of 29 December 1993 on the establishment of the Agency for Agriculture Restructuring and Modernisation, "*The Polish Journal of Statutory Law*", no. 1, item 2.

Zbigniew Wesołowski, the vice-President of the Supreme Board of Supervision, informed that the Board has formulated a set of nine critical post-inspection statements. Six of them have regarded subsequent presidents of the AARM, two of them – former Ministers of Agriculture and the remaining one – the Co-operation Fund.³³ As observed in the information concerning the inspection carried out: *“In 1999 the Agency was unprepared, both in terms of organisation and logistics, to implement projects it had been entrusted with”*.³⁴

Following the session of the Government held on 19 March 2002, Krystyna Gurbiel from the OCEI informed journalists that the European Commission requested repayment of *circa* EUR 2.8 million spent for the pilot project of the IACS system. Apart from that, the Commission withheld implementation of all PHARE programmes related with the IACS system implementation in Poland. In fact, it is very unlikely that such resources, once their utilisation had been withheld, could be regained. This regards the amounts awarded to Poland in the frame of PHARE 2000 and 2001 programmes, that is, *circa* EUR 8 million. The loss also includes the amount of EUR 4.45 allocated, within the PHARE 2000 programme, for establishment of veterinary inspection points along Polish borders.

According to K. Gurbiel, losses have also occurred in the field of resources earmarked for investments in the frame of the so-called social and economic cohesion project. This has been a regional development programme implemented in five provinces of Poland under the PHARE 2000 programme. It was found during the inspection that two of projects submitted by the authorities of the Silesia province, within the above-mentioned programme, have been totally unprepared for implementation. This regards the project of construction of a trunk road leading to the border of a special economic zone in Miedźna (EUR 180 thousand) and a trunk road to an airport near Katowice (EUR 17.45 million). Those losses occurred due to problems with buying out land for the intended projects. In general, as much as 17 per cent of the funds, out of the total sum of EUR 484 million in the PHARE 2000 programme have been found in threat of being lost.³⁵

Within another pre-accession fund – *i.e.*, the ISPA fund, the European Union might award to Poland the total amount of EUR 1.24 billion for investments in the area of construction and modernisation of transport infrastructure. As one concludes from the report on costs and benefits of integration with the European

³³ Press conference held by the Supreme Board of Supervision on 2 April 2002, also in the following web site: (<http://euro.pap.com.pl/cgi-bin/europap.pl?grupa=1&dzien=0&ID=33730>).

³⁴ *An information regarding the outcomes of an inspection of preparation and implementation of the integrated management and control system ZSZK-IACS, including implementation of pilot projects PL 9805.01 and PL 9805.03*, the Supreme Board of Supervision, Warsaw, March 2002.

³⁵ Press service of the Polish Press Agency of 19 March 2002, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=33556>).

Union, adopted by the Government in July 2000, an estimated total value of investments in the area of transport infrastructure in Poland, co-financed from the ISPA fund resources, would amount, in the years between 2000 and 2006, to EUR 2.74 billion. Out of that, the sum of EUR 1.66 billion would be spent on road transport projects while the sum of EUR 1.08 billion on railway transport projects.

According to what has been assumed, investment projects implemented with contribution of the ISPA programme, have required co-financing out of public financial resources. The contribution of the latter funds in the projects planned would reach the level of EUR 1.5 billion, out of which the sum of EUR 0.5 billion would be in the form of credits taken in the European Investment Bank (EIB). The cost of any project co-financed through the ISPA programme funds participation must not be lower than EUR 5 million. The EIB is going to grant credits as well as guarantees for credits extended by other banks, to be used in all sectors of economy (mainly in the areas of telecommunications, transport, industry, power engineering and environment protection).³⁶

On 18 January 2001 Antoni Tokarczuk, the Minister of Environment, presented 22 applications of the intended projects for co-financing of which Polish party requested. The list included investment projects submitted by cities and communities aiming at general improvement of quality of waters and of the area of waste management in their respective territories. Apart from that, an additional list has also been prepared, including other ten projects for implementation of which Poland was going to apply in the near future. Unfortunately, the ISPA funds beneficiaries had many objections regarding the hitherto-applied procedure of awarding financial resources within the fund, complaining that it failed to reflect either needs or hopes concerning that programme. Applications submitted early in the year 2000 were decided upon by the Steering Committee as late as in the last months of that year. Even at that time Poland has obtained approval just from ten of its applications, for the total amount of EUR 180 million.³⁷

An example of an important project, implemented under the ISPA programme, has been modernisation of the national road no. 4 between Kraków and Tarnów – the project that is going to cost PLN 223 million. Farther Eastwards, the same road communicates the above-mentioned towns with Rzeszów and with Poland's Eastern border, being one of the most over-trafficked roads in the Lesser-Poland. Its assumed traffic capacity has been at the level of 14 thousand motor cars 14 per day, while in fact the average daily

³⁶ Press service of the Polish Press Agency of 16 March 2001, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=6788>).

³⁷ Press service of the Polish Press Agency of 18 January 2001, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=5539>).

number of cars on it reaches 18 thousand. Financial resources for that investment have come, in a major part (actually as much as 75 per cent, *i.e.* the sum of PLN 167.25 million) from the ISPA fund, while the rest is going to be covered by the State budget. Work involving preparation of technical designs for that project started in the first half of the year 2000. Construction of each segment is going to proceed according to a two-year plan. Completion of the whole project has been scheduled for the year 2004.

The route Kraków-Tarnów has been divided into two parts: the first one from Kraków to Targowisko and another one Targowisko-Tarnów. The scope of road work in the first segment, 21.5 kilometres long, has included: replacement of bituminous hard shoulder; construction of pavement in order to increase the road carrying capacity to the European Union standards, modernisation of two crossings in Wieliczka and one crossing in Targowisko. Furthermore, work aiming at improvement of the project's environmental standard is going to be carried out, including, among other things, installation of noise screens, separators and a drain system. Additionally, two bridges, two viaducts and twelve culverts are going to be modernised. The total sum to be spent for implementation of the whole project is going to amount to PLN 76 million.

On the second segment of the road, that from Targowisko to Tarnów, a similar scope of work is going to be carried out upon a distance 34.5 kilometres long. It is planned to rebuild the crossroads in Rzezawa as well as to modernise ten bridges, seven viaducts and 32 culverts. The total value of investment will amount to EUR 147 million.³⁸

Warsaw has also been among beneficiaries taking advantage of non-repayable financial aid in the frame of the ISPA pre-accession programme, obtaining therefrom the sum of EUR 27.5 million for carrying on construction of "South" wastewater treatment plant and for modernisation of another wastewater treatment plan, called "Czajka". Both those subsidies and subsequent ones that have been expected, for the value of EUR 130 million, are going to be spent on construction and modernisation of the city's wastewater trunk sewer system. The total value of the investment consisting in construction of "South" wastewater treatment plant has been estimated at the sum of EUR 36 million, 65 per cent out of which would be provided from the ISPA fund resources. The remaining 35 per cent will be covered from the municipal budget. The treatment plant, having the capacity of 112 thousand cubic metres per day, will regulate wastewater management in the Southern part of left-bank Warsaw (residential districts of Ursynów, Wilanów and Służew). The projects of modernisation of "Czajka" wastewater treatment plant, on the other hand, includes as follows: designing buildings, machinery, trunk sewers, pump station and a waste-trap under the

³⁸ Press service of the Polish Press Agency of 27 November 2000, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=4497>).

Vistula river bed. The same investment is also going to involve a commission for preparation of financial, tax and legal analyses. Both projects have formed a part of a comprehensive programme for solving problems of wastewater management of Poland's capital city. It has been assumed that until 1 January 2006 one hundred per cent of wastewater from Warsaw would undergo treatment before being dumped to the Vistula river.³⁹

The ISPA pre-accession fund was initialised quite late – only in the last months of the year 2000. Neither one of projects under implementation with financial contribution of that fund's resources has been completed so far. Procedures applied and principles of the programme functioning adopted have only recently begun to actually work in practice. Both parties, Polish and the EU, taking advantage of experience gained during implementation of PHARE programme, have learned to program their tasks in an efficient way and to make proper use of financial resources from the ISPA fund.

The current situation and perspectives for further implementation of the PHARE programme

The total value of aid supplied by the European Union to 10 Central and Eastern Europe applicant countries is going to amount, in the years 2000-2006, to **EUR 3.120 billion per annum**. The PHARE programme budget for the period between 2000 and 2006 for all the applicant countries will amount to the sum of EUR 10.920 billion, that is around **EUR 1.560 billion annually**. According to initial estimates, in the near future Poland alone will be beneficiary of PHARE financial resources in the annual amount of *circa* EUR 400-450 million. In the year 2000 the value of aid awarded to Poland within the PHARE programme amounted to a record-breaking sum of EUR 483.4 million. However, taking advantage of aid provided by the European Union has required co-financing of the implemented programmes out of each country's own budget resources, at the level not lower than 25 per cent. This means that co-financing of the PHARE programme financial contribution since the year 2000 has to be taken into account at the stage of preparation of the State budget.⁴⁰

At present the Office of the Committee for the European Integration has monitored and identified, on the current basis, threats that may affect the level of utilisation of the aid resources. It is assumed that thanks to early recognition of difficulties faced in the stage of implementation it will be possible to apply such remedy measures as necessary and available to officers responsible for the process of implementation of any given project. Furthermore, the National Aid

³⁹ Press service of the Polish Press Agency of 17 July 2001, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=29923>).

⁴⁰ (<http://www.europa.delpol.pl/podstrona.php?url=/V/3.php>).

Coordinator, being aware of potential threats and having appropriate knowledge thereupon, will be able, following prior consultation with the European Commission, to make decision on re-allocation of funds to other projects or to submit an application for extension of a project implementation period.

The way the aid resources have been utilised stirs much emotion and controversy and has been – both in the past and at present – a subject of a number of press information and comments. This has happened in the case of evaluation of the PHARE 2000 programme implementation as well. In December 2000 both Polish and the EU parties signed the Financing Memoranda for PHARE 2000 programmes. As expected, the total value of the European Union financial aid to Poland, in the frame of the budget for the year 2000 amounted to EUR 484.36 million. Following a number of publications in which the way, the level and the effectiveness of utilisation of those funds were criticised, Ewa Haczyk, a press spokesperson of the European Secretariat in the Ministry of Foreign Affairs, issued an official commentary regarding that matter.

“Under the PHARE 2000 programme Poland was awarded the amount of EUR 484 million. Within that pool of money it was planned to support projects relating to institutional development (sector of agriculture, financial sector, environment protection, administration of justice and home affairs, domestic market, statistics, development of export); regional projects in the frame of socio-economic cohesion; cross-border co-operation projects as well as co-financing of Poland’s participation in the Community programmes and in the Fifth Framework Programme (scientific research and technology).

Until December 2001 thirty per cent of that sum has been utilised for projects implemented under the PHARE 2000 programme, both for those submitted by the central-level administration and for those applied for by territorial administration. Poland has got time until October 2002 to conclude contracts with contractors – in other words to provide for utilisation of the remaining 70 per cent of the total amount of resources allocated thereto – and then another year (namely, 2003) for actual spending of those funds.

According to the report of 28 January 2002 the Office of the Committee for the European Integration (OCEI) has identified the following groups of problems in relation to PHARE 2000 programme implementation:

- provision of co-financing by the Polish party, since the lack of such contribution makes projects implementation wholly impossible;
- provision, by the programme beneficiaries (*i.e.* central level as well as territorial administration) and by PHARE implementing units of a high-quality documentation, necessary for projects implementation and ensuring timeliness in submitting such documentation to the European Commission services.

During the period of 10 years of utilisation of financial resources in the frame of PHARE programme, that is since 1990 until 2000, Poland contracted

funds at the level that accounted for 84 per cent of the total available amount of EUR 2.52 billion”.⁴¹

On 20 December 2001 Danuta Hübner, the Minister for European Integration and Bruno Dethomas, the Ambassador of the European Commission in Poland signed a financial memorandum entitled “PHARE 2001 National Programme”. The total PHARE budget for Poland for the year 2001 will amount to EUR 468.45 million. That amount, within PHARE 2001 allocation, consists of the following elements:

- budget of PHARE 2001 National Programme, the value of which amounts to EUR 396 million;
- Cross-Border Co-operation Programmes of the value of EUR 56 million;
- Reconstruction II programme for the value of EUR 15 million, allocated to Poland for reconstruction after losses suffered as a result of a flood;
- 2001 Horizontal Programme of the Community Support in the Area of Nuclear Safety for Poland, for the value of EUR 1.45 million.

The PHARE 2001 National Programme includes co-financing of projects in the area of institutional development and investments the aim of which is to enhance Poland’s ability in the field of adoption and application of the Community law. The budget of the PHARE 2001 National Programme has been divided into polls for activities in seven areas. The highest sum, amounting to EUR 169.9 million, was allocated for building of social and economic cohesion. In a similar way as it had been done before, this area of financing is to include implementation of the Regional Operational Programmes submitted by authorities of individual provinces. Such programmes mainly consist of projects related with development of manufacturing sector and business. Other objectives have been as follows: justice and home affairs, institutional and administrative reinforcement, home market, agriculture, environmental protection as well as Poland’s participation in the Community programmes.

The Minister Hübner emphasised that at present, compared to the previous years, more resources have been allocated to investments and programmes that enable Poland to improve the system of implementation of the EU deal. In the frame of the PHARE programme the total amount of EUR 2.5 billion has been transferred to Poland until the year 2000. Out of that sum we have actually taken advantage of just 70 per cent of funds available. The minister mentioned the following reasons for incomplete utilisation of those resources: insufficient qualifications of persons involved in programmes implementation regionally and locally as well as imperfections occurring at the stage of programming. *“Those taking part in programmes implementation have faced a very important task of*

⁴¹ The Communication issued by Mrs. Ewa Haczyk, the press spokeswoman of the European Secretariat of the Ministry of Foreign Affairs on 21 February 2002, press service of the Polish Press Agency, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=32965>).

*supervising and monitoring of particular stages of utilisation of aid. We have to do our best in order to have enough vision and imagination as early as at the stage of programming, to be able to evaluate whether any given programme would fit implementation potential among beneficiaries who – admittedly – have been decentralised. I hope that this process of learning is going to go on smoothly” – the Minister Hübner said.*⁴²

On 25 July 2001 the Committee of the European Integration adopted the subject matter of the PHARE 2002 programme as well as a preliminary draft for the year 2003, including specification of resorts or offices responsible for particular sectors. The first round of negotiation with the European Commission, regarding project fiches, took place between 10-12 October 2001. It was agreed during the debate with the Commission that subsequent versions of project fiches would be submitted in three phases, depending on the level of preparation of particular projects. The second round of debate with the European Commission focused on the PHARE 2002 programming, during which earlier projects that had undergone modification were discussed and new ones were presented, was held on 19 December 2001 in Brussels. In addition, a time schedule for further activities was also agreed and preliminary negotiation regarding utilisation of additional resources in the amount of EUR 52 million, increasing total allocation for Poland in the year 2002, was held.

In general, the PHARE programme implementation, irrespective of any imperfections occurring and mistakes made, brought considerable effects in almost any area of our lives. Transformation that has taken place thanks to aid resources provided by the European Union have much more than just measurable value that can be precisely calculated in millions of Euro: moreover, they also have had their positive effects in social dimension and such effects are going to last. What we have experienced is the period of more than ten years spent on gradual adaptation and preparation for the EU membership, including also a valuable lesson in terms of experience gained in dealing with the EU institutions. Today Poland, thanks to its participation in projects inspired by the PHARE programme, is prepared better than ever to become the European Union Member State.

⁴² Press service of the Polish Press Agency of 20 December 2001, (<http://euro.pap.com.pl/cgi-bin/europap.pl?ID=32958>)