

STRUCTURAL FUNDS OF THE EUROPEAN UNION IN POLAND – EXPERIENCE OF THE FIRST PERIOD OF MEMBERSHIP

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Introduction

Poland joined the European Union on May 1, 2004 and subsequently became eligible for support from the EU Structural Funds. The amount of the support available (between the years 2004 and 2006 €12, 809.7 million; between 2007 and 2013 approximately €9, 650.00 million) significantly exceeds former transfers made within the frames of Pre-accession Funds (PHARE II, ISPA, SAPARD) or the earlier editions of aid programmes. Thus the access to resources of Structural Funds becomes an important factor of economic development of Poland which is much different from the level of economic development of the ‘old’ Union (EU-15). It should be expected that Poland, as the country of the largest population and the largest area of all new European Union member states, where one can see significant disparities in the level of economic development among regions, in the nearest future will remain the main beneficiary of the structural policy, replacing Spain in this role. The question that is still open is whether the support coming from the Structural Funds will be properly applied and whether it will have serious impact on the process of economic development.

The aim of this article is to present the results of the first period of taking advantage of the Structural Funds in Poland. The analysis refers to realisation of the planned activities in the strategic document which is the *National Development Plan/Community Support Framework 2004-2006*, being a base of the new model of the Polish regional policy. The obtained results show the level of making the most of Structural Funds, including the structure being a result of Operational Programmes which are part of the National Development Plan, and the structure of beneficiaries among which the listed ones are: units of local governments, enterprises, non-governmental organizations and educational institutions. In each case the

analysis includes regional differences of the absorption process which helps to define the influence of the support coming from the Structural Funds on changes of regional economic differences of development in Poland.

Regional differences in Poland

Administrative-territorial organisation of Poland

The territorial division of Poland, which has been in force since January 1, 1999, is based on a new, three-tier model: the commune (gmina), the district (powiat) and the voivodship (województwo), operating on the principles of decentralisation and self-government (see Figure 1). In the new administrative organisation, districts have been restored as local government units (beside communes operating since 1990). But particularly important was the change in the status of the voivodship. This administrative region, being the highest-level territorial unit of a mixed central government/self-government character, has become the chief unit responsible for execution of the regional policy. The new territorial organisation has also changed the number of regions: instead of the old 49 voivodships, 16 large ones have been created. For political reasons, it was impossible to carry out the intended division into 12 voivodships which would be similar in size and demographic potential to the regions of the EU member states. The limitation of the number of voivodships from 49 to 16 has led to a loss of particularity and an increase in uniformity of Poland's regional system (cf. Churski, 2002; Churski, 2004).

In addition to the territorial-administrative division, Poland also makes use of the NUTS classification of territorial units, as the EU member states do. Its introduction on July 13, 2000 resulted from Poland's obligations under the *National Programme for the Adoption of the Acquis* and the negotiating position on statistics (cf. Rozporządzenie Rady Ministrów z dnia 13 lipca 2000..., 2000 as amended.). As in the EU, the system embraces five levels:

Level 1 (NUTS 1) – corresponds to macro-regions (6 units);

Level 2 (NUTS 2) - corresponds to voivodships (16 units);

Level 3 (NUTS 3) - corresponds to sub-regions that do not appear in the territorial division of Poland; it has been established specially for NUTS purposes (45 units);

Level 4 (NUTS 4) - corresponds to districts and towns with district status (379 units); and

Level 5 (NUTS 5) - corresponds to rural and urban communes (2,478 units).

From the point of view of regional policy, the relevant levels are NUTS 2 and NUTS 3 (see Figure 2). Support areas under domestic regional policy can be delimited at the voivodship level (NUTS 2 units), groups of districts – sub-regions (NUTS 3 units), and districts (NUTS 4 units). It is assumed, however, that the voivodship will remain the basic area under regional policy.

Socio-economic disparities among Polish regions in comparison with the European Union

The market-oriented transformation of the Polish economy initiated at the beginning of the 1990s has not only petrified the old spatial disparities, but also opened the way to very strong forces leading to new regional inequalities. As a result, there has been a growing polarisation of the regional system, particularly along two dimensions (cf. Strykiewicz, Churski, 2006):

- (1) poorly developed eastern regions versus western ones with more advanced economic bases, and
- (2) rural versus urban (especially metropolitan) areas.

The east-west split in the adjustment of the Polish regions to the new political and economic system can be readily observed in many dimensions and characterised by many indicators. Some of them (per capita regional GDP, inflow of foreign investment, and commercialisation of agriculture) are presented in Figures 3-6. This state of affairs can be accounted for in terms of both contemporary factors (such as a more favourable demographic structure in the west, or transborder exchange) and the legacy of the past, even such remote past as the times of the partitions (cf. Gorzelak 2000; Gorzelak, Jałowicki 2001).

The synthetic measure of socio-economic development widely employed in analyses of regional differences is per capita GDP. The range of variations in the index for Polish voivodships (NUTS 2 units, 2002 data) is 1:2.1 and it is close to the EU average. The lowest level of economic development is registered in the east of Poland. There are four voivodships forming a compact area with the lowest per capita GDP, popularly known as 'the eastern wall': Warmia-Mazuria, Podlasie, Lublin, and Podkarpacie. The 'wall' extends to include Świętokrzyska Land, which does not abut on the eastern state border but also displays a

similarly low development level. In the 1990s those regions (with the exception of Podlasie) developed at a slower rate than the remaining areas, which has widened the inter-regional disparities between the east and the rest of the country. The reasons accounting for the per capita GDP persisting at a level lower in those regions than the national average include the highest proportion of the farming population in the country, loss of the old economic base as a result of restructuring processes (this mainly concerns Warmia-Mazuria with its problems of former state farms, as well as Świętokrzyska Land and Podkarpacie wrestling with the restructuring problems of towns formerly dependent on the iron-and-steel and armaments industries), and finally the lowest level of foreign direct investment in Poland. The highest GDP level can be observed in voivodships whose principal cities are the largest metropolitan areas in Poland: Mazovia with Warsaw (148.9% of the national average), Silesia with the Upper Silesian conurbation (110.9%), and Wielkopolska with Poznań (106.5%). It should be emphasised that in the case of Silesia a steady downward tendency in per capita GDP can be observed, which is a consequence of restructuring process of the extractive and iron-and-steel industries (cf. *Zintegrowany Program Operacyjny...*, 2004; Figure 7).

Findings of embracing the period 1995-2001 show that the regional differentiation level of the economic development in Poland systematically grows. Highest with the dynamics of the height of GDP in the arrangement of NUTS 2 units are characterized the richest voivodships – Mazovia (10.4%), Wielkopolska (7.8%) and Pomerania (6.5%). The lowest dynamics of the height appears in regions of relatively higher poverty and concentration of negative social effects of the restructuring process – Opole (2.7%), Silesia (3.9%), and Lubuska Land (4.5%). Still greater spreads appear in the arrangement of NUTS 3 units. The dynamics of the height GDP in the analysed period attains the spread as five to one, from Warsaw (300.8%) and Poznań (205.1%) to Łomża (60.2%) and Elbląg (68.4%) (cf. Szlachta, 2005).

The level of socio-economic development of Polish voivodships is considerably lower than the EU average. In the expanded European Union, Polish regions (voivodships), particularly the eastern and some central ones, are among the poorest. The strongest voivodship, Mazovia (in 2002 its per capita GDP amounted to 70% of the EU-25 average), corresponds roughly to the poorest regions of southern Italy (Calabria, 68%) or the former East Germany (67%; cf. *Regions: Statistical Yearbook 2002*. European Commission). The other relatively well-developed Polish regions, such as Silesia, Lower Silesia and

Wielkopolska (close to 50% of the EU-25 average), have per capita GDP figures lower than the poorest regions of the old EU-15, such as Dytiki Ellada, Anatoliki Macedonia Thraki and Ipeiros in Greece, or Extremadura in Spain (58-59% each). The 'eastern wall' voivodships: warmińsko-mazurskie, Podlasie, Lublin, Świętokrzyska Land and Podkarpacie, are among the least developed regions of both old and new member states of the EU (their GDP amounted to 31-35% of the EU average). It should be emphasised that per capita GDP in those voivodships is significantly lower than it was in the poorest regions of Greece, Portugal and Spain on their accession to the EU. Thus, per capita GDP in the poorest region of Spain, Extremadura, was 44% in 1986 and in the poorest region of Portugal, Alentejo, 37% (1986) (cf. Churski, Stryjakiewicz, 2006).

Structural Funds of the European Union in Poland

Organizational and financial framework

Poland's accession to the European Union gave the country access to, much greater than in the pre-accession stage, opportunities of EU financing of pro-development enterprises. This involved implementing new, by Polish standards, obligatory procedures and rules regarding planning and making use of Structural Funds, including rules for programming (see Figure. 8). Poland, as a new member state, drew a strategic document on a national scale, called *National Development Plan 2004-2006*, and adopted by the Polish government on January 15, 2003. This document has been drawn pursuant to guidelines of Council Regulations 1260/1999 (1999) and constitutes an analysis of actions taken by Poland, under the current objectives of the EU regional policy (Objectives 1, 2, 3) corresponding to internal priorities of the regional policy, including the implementation strategy and indicating sources of financing. The strategic objective of *National Development Plan* is to develop competitiveness of the Polish economy based on knowledge and entrepreneurship, and capable of harmonious growth to ensure an increase in employment and improvement of social, economic and space cohesion between Poland and the EU on the regional and national levels. It is assumed that implementation of the strategic objective will be possible through completion of its smaller parts which have been defined in the following way (cf. *Narodowy Plan...*, 2003):

- creating grounds for obtaining a sustainable, high level of GDP,
- increasing the level of employment and education,
- incorporating Poland into the European network of transportation and information infrastructure,
- intensifying the process of increasing the participation of high value-added sectors in the economy,
- developing the technology of information society,
- providing support for the participation of all regions and social groups in Poland in the development and modernisation processes

National Development Plan had been submitted to the European Commission in Brussels for its approval. Within the Plan's framework and as a result of negotiations, on July 31, 2003 the structure of *Community Support Framework* was agreed upon. (cf. *Podstawy Wsparcia...*, 2003). This document defines priorities of the actions to be taken and specifies the extent of support coming from Structural Funds and from national resources necessary for their execution. The final version of the document was handed to the Polish party in December 2003..

In compliance with obligatory in the European Union complementary principle, the activities outlined in *Community Support Framework 2004-2006* will be executed with the participation of national resources and complementary financing from the Structural Funds. The budget structure is the following: (cf. *Podstawy Wsparcia...*, 2003; see Figure 9):

- | | | |
|---|---------------------------|----------------|
| • Public financial means | €11, 411.9 million | (83.0%) |
| • from the Structural Funds : | €8, 275.8 million | (72.5%) |
| • from the national resources, i.e. national budget, local governments budgets and others | €3, 136.1 million | (27.5%) |
| • private financial means | €2, 361.2 million | (17.0%) |

Total amount of €13, 733.1 million is complemented with financing from Cohesion Fund (€4,178.6 million) and resources from Community Initiatives: INTERREG (IW INTEREG) (€221.4 million) and EQUAL (IW EQUAL)(€133.9 million). Thus the budget of *Community Support Framework for 2004-2006*, including all the sources of financing, amounts to over € 18,2 billion.

National Development Plan/Community Support Framework is implemented through six Operational Programmes and their executive documents, called *Programme Complements*⁴

- *Sectoral Operational Programme –Human Resources Development (SOP-HRD)*

- *Sectoral Operational Programme – Improvement of the Competitiveness of Enterprises (SOP - ICE)*
- *Sectoral Operational Programme – Restructuring and Modernisation of the Food Sector and Development of Rural Areas (SOP – RURAL)*
- *Sectoral Operational Programme – Transportation (SOP – TRANSPORTATION)*
- *Integrated Regional Operational Programme (IROP)*
- *Financial Instrument for Fisheries Guidance (SOP – FISH)*

The above list should be completed with *Operational Programme – Technical Assistance (OP – TA)*, aimed at providing the most effective and compliant with the EU law absorption of EU support available to Poland within Structural Funds. *Operational Programmes*, pursuant to *Council Regulation 1260/1999 (1999)*, include indexes of priorities with long-term activities to be implemented with the help of one or many Structural Funds, Community Initiatives and/or financing from European Investment Bank. Execution of each of the *Operational Programmes* is coordinated by a selected ministry acting as Managing Authority, but the institution responsible for the supervision and control over the entire implementation process of *Community Support Framework* is the Ministry of Regional Development (see Table 1). Both Managing Authorities and Ministry of Finance, acting as Paying Authorities, are responsible for management of finances.

Total value of support from Structural Funds available to Poland according to *Community Support Framework 2004-2006* amounts to nearly €8,3 billion. The highest share of this amount (60%) constitute funds from European Fund of Regional Development, followed by European Fund of Agriculture Guidance and Guarantee (14.4%), and Financial Instrument of Fisheries Guidance (2.5%). Structure of distribution of the EU Structural Funds under specific *Operational Programmes* clearly points out to the fact that the major objective of the EU support is to stimulate the development potential of regions and to prevent the discrimination of the least prosperous regions (35.9%), to develop human resources and employment (17.8%), and to promote the competitiveness of the sector of services and industry (15.1%) (see Figure 10). It is fully compliant with current priorities of structural Policy of the European Union targeted at achieving economic, social and spatial cohesion on the area of the new, expanded Community in the fastest possible way. (cf. *Third Cohesion Report...*, 2004; *Third Progress Report...*, 2005).

Status and structure of absorption the EU Structural Funds

Analysis of the status and structure of making use of the EU Structural Funds in Poland, including the analysis of seven *Operational Programmes and Community Initiatives, EQUAL and INTERREG IIIA*, was carried out on the basis of published and non-published materials of *Authority Managing the Community Support Framework* that is Ministry of Regional Development.

The analysis contains the data from Report entitled *The Period of absorption of the EU Structural Funds in Poland (2005)* as well as monthly and quarterly updates prepared by Managing Authorities. The analysis covers the first two years of Poland's membership in the EU and spans between May 1, 2004 – date of Poland's accession to the EU – and March 31, 2006.

The analysed period of implementation of Structural Funds can be described by three stages:

- (1) Applying for financing from the Structural Funds by beneficiaries, which means submitting a correctly filled application form directed to a specific priority category and activity of the *Operational Programme*,
- (2) Signing of contracts or decisions on granting financing for a project, which means an approval for its implementation and financing, synonymous with obtaining by a beneficiary a promise guarantying refund of part of the project costs on the project's completion according to the approved application documents,
- (3) Refund of the project costs, involving transfer of funds constituting the support from the EU Structural Funds for the implementation of the completed and financially settled project onto the beneficiary's account.

Given that the procedure of the project implementation can very often be very lengthy and last up to several months, and the refund usually takes place after the project's completion, this analysis focuses on the second stage of the above scheme.

Between May 2004 and the end of March 2006 value of applications for cofinancing from Structural Funds exceeded €15,600 million, which constitutes 774.0% of all allocated EU funds for 2004 and 181.6% of these allocations for the whole programming period of 2004-2006. The submitted applications have undergone a verification and evaluation procedure aimed at rejecting the projects containing formal errors and selecting the best ones of the entire pool. As a result, applications for EU funding of the total amount of over €5,900 million, which corresponds respectively to 290.0% and 68.3% of allocated EU funds for 2004 and the entire programming period for 2004-2006, have been qualified to the second stage of the scheme i.e. decisions on granting financing and signing contracts. The tangible effect of

the support and proof of the project's implementation is the flow of funds between the programming accounts and beneficiaries, constituting the partial refund of the project costs. By the end of March 2006 the amount slightly exceeding 1,000 million, which is approximately 50.0% of all allocated EU funds for 2004 and 11.7% of funds from the Structural Fund programmed for Poland in the period of 2004-2006, had been transferred out of programming accounts in favour of Polish beneficiaries. It should be noted that in each of the stages of implementation of the Structural Funds in Poland one can observe a growing tendency, which is both the highest (though at the lowest level of absolute values) and in the most important areas – flows of funds between programming accounts and beneficiaries. (cf. J. Borkowski, *Dwa lata Polski...*, 2006) (see Figure 11).

However, the advancement of implementation of *Community Support Framework*, including the support from the Structural Funds varies highly both in terms of specific programmes and regions.

In terms of variety of programmes, the first place, considering the amounts of refunds obtained from the Structural Funds, is taken up by the programmes supporting the restructuring and development of agriculture and fishery, as well as those promoting transformations of the employment market and improving the competitiveness of Polish regions, including their infrastructure (see Figure 12). Taking into account the following facts:

- Polish economy can be characterised by the highest share of population employed in agriculture out of all member states of the EU, and the restructuring of his sector is one of the priority tasks for the Polish government,
- Polish employment market, as a result of structural unemployment and hidden unemployment in agriculture, can be characterized by the highest value of unemployment rate in the EU,
- Polish voivodships are among the least developed regions both in the old and new member states of the EU,

the above structure should be considered compliant with the priorities of the development of Polish economy. Additionally, it should be noted that programmes aimed at execution of smaller value projects whose implementation process has been decentralized and takes place at the regional level (such as IROP, SOP-HRD) make relatively the best use of EU funds.

The situation is far worse when it comes to programmes targeted at the implementation of huge projects, centrally coordinated by ministries, the proof of which can be

SOP-TRANSPORT. The observed tendencies show far greater institutional efficiency of the regional administration, including, above all, local authorities on the voivodship level in comparison to the central administration. They can also serve as a further proof for existence of financial barriers in the preparation of huge projects. They result from the financial structure based on the principle of cofinancing, according to which the beneficiary's own contribution should constitute at least 25.0% of all the costs of the project.

According to the data collected by the Ministry of Regional Development – Authority Managing Community Support Framework – by the end of 2005 the total of 40,000 contracts of the value of EU financing exceeding €5,900 million had been signed. In terms of regions, considering the number of contracts signed, the first place is taken up by mazowieckie voivodship with its capital city in Warsaw (5,533 contracts signed) and wielkopolskie voivodship with Poznań (4,263). And the lowest number of contracts had been concluded in voivodships of south-western Poland: lubuskie (943), opolskie (1233) and dolnośląskie voivodships (1856) (see Figure 13). Analysis of regional differentiation of Poland in terms of the value of the contracts signed proves the initially identified tendencies (see Figure 14). Regions in which the value of the signed contracts exceeded €400 million are the biggest voivodships with capitals in the biggest Polish metropolitan areas (with the exception of Łódź): mazowieckie with Warsaw, śląskie with Katowice, wielkopolskie with Poznań, dolnośląskie with Wrocław and pomorskie with the Tri-city: Gdańsk-Gdynia-Sopot. The lowest value of the contracts signed (below €200 million) was observed in opolskie and lubuskie voivodships, which can also be characterized by the lowest number of contracts signed, and świętokrzyskie and podkarpackie voivodships, i.e. the regions with the lowest level of socio-economic development (per capita GDP below 35.0% of the EU average). Taking into account the index of total value of signed contracts per capita, four regions occupy highest rankings: zachodniopomorskie, pomorskie, dolnośląskie and mazowieckie (see Figure 15). In these voivodships, value of the index under analysis exceeds the average value for Poland amounting from 101.5% to 127.4% of the national average (see Figure 16). The lowest value of support per capita in Poland resulting from signed contracts can be observed in łódzkie, małopolskie and podkarpackie voivodships (below 66.0% of the average value in Poland). By looking at the obtained map of EU funds distribution, one can draw an obvious conclusion that the absorption of the EU funding is lower in the agricultural voivodships of poor economic development in southern and eastern Poland, and in the region

of Łódź which can be characterised with particularly high concentration of socially negative consequences of the restructuring process of the old textile industry area. The highest absorption of the EU funding can be observed in voivodships with relatively high level of economic development, having their capital cities situated in big metropolitan areas. Assuming that financing from the Structural Funds should go in the first place to the poorest and least developed areas, it is difficult to accept this state of affairs. What needs emphasising though is the high position of pomorskie voivodship in terms of the total value of contracts signed per capita in Poland (€214.4 constituting 127.4% of the average value in Poland). A large number of activities performed by beneficiaries in this area aimed at obtaining the EU funding are a proof for a good organization of the process responsible for the absorption of the EU financing by the local authorities of pomorskie voivodship. It is also a good sign for the prospective development of this area which can be characterised by a high level of structural unemployment resulting from the collapse of state farms and the restructuring of industry after 1999.

Beneficiaries of Structural Funds

Apart from the amount of the financial resources, efficiency of the EU support is conditioned by the made-up of beneficiaries and projects completed by them. Report of the Authority Managing *Community Support Framework First Period of Absorption of the Structural Funds in Poland* (2005) contains the following data on the structure

Of beneficiaries:

- Units of local authorities,
- Entrepreneurs,
- NGOs,
- Educational and research-oriented establishments: higher education institutions, training institutions, research centres.

Data covers the period from May 1, 2004 until July 31, 2005.

High level of activity of local authority units in the process of obtaining the EU funds is the fundamental indication of the efficiency of the regional policy. Experience of other EU member states proves that efficiency of regions in creating adequate grounds for the regional development and management of Structural Funds depends significantly on the availability of EU funding and involvement of local societies in the process of obtaining them.

During the analysed period local authority units have concluded 2,323 contracts at the total value of €1,989.0 million, out of which €1,414.2 million, corresponding to 71.1%, constitute Structural Funds. This means that local authorities in Poland are major beneficiaries of EU funding. In the analysed period they obtained 43.0% of financing from Structural Funds. The average value of the project completed by local authorities is €860 thousand, €611 thousand out of which came from EU funds. In the internal structure, both in terms of the number of contracts and their value, the local level (communes and districts (powiaty)) prevails over the regional level (voivodships) (see Figure 17-18). The discrepancy is even bigger in term of the number of contracts, which is further proved by the fact that voivodships implement projects of an average value higher than the ones implemented districts and communes (see Figure 19). The regional cross-section of the number and value of contracts concluded shows that the highest level of activity can be observed in voivodships with the high level of economic development, having their capital cities in big metropolitan areas: mazowieckie voivodship with Warsaw, wielkoposkie voivodship with Poznań and pomorskie voivodship with the Tri-city. The lowest level of activity of local authority units can be observed in voivodships of the so-called: 'eastern wall' and mentioned before opolskie and lubuskie voivodships. In case of the last two, significant negative discrepancies can result from inadequate organisation of the implementation process of the Structural Funds by the management bodies of the voivodships. The fact that the low level of activity of local authorities in poorly developed agricultural regions – podlaskie, lubuskie voivodships and old industry regions affected by structural unemployment such as łódzkie voivodship – maintains, should be deemed a very negative phenomenon. What should be emphasised, however, is the position of warmińsko-mazurskie voivodship, which despite its agricultural profile and a high level of unemployment resulting from the collapse of state farms, is second in Poland in terms of the number of contracts concluded and relatively high value of absorption of EU funding (see Figure 20). Projects implemented by local authority units can be divided into four major groups, pursuant to the categories employed by Structural Funds. (cf. *Commission Regulation (EC) No 438/2001*):

- (1) Production sector,
- (2) Development of human resources ,
- (3) Basic infrastructure,
- (4) Technical assistance.

Vast majority of projects implemented by local authority units constitute investment in basic infrastructure (86.0% of the total value of projects completed by local authorities). The second biggest category constitute projects related to human resources development (11.6%). The third place is taken by projects aimed at supporting production sector (2.4%) (cf. *Pierwszy okres...2005*). The above structure confirms the existence of huge gaps in the field of infrastructure development which can be observed in Poland both on the local and regional levels. Local authorities in the first place try to obtain EU funding for expensive investment schemes to fill the gaps. These investment projects come respectively from the following fields: road infrastructure, environment infrastructure (mainly water purification installations), social infrastructure (schools and sports facilities) and healthcare. As a result, one can still observe in Poland that the so-called 'hard' projects prevail over the 'soft' ones. Relatively low interest in 'soft' projects in this group of beneficiaries aimed at development of human resources results from the lower value of such projects and their complexity during the implementation stage. It should be noted here that there is a common, though difficult to understand given a high level of unemployment, lack of interest in new forms of retraining and education available through Structural Funds. It can result from low effectiveness of the trainings conducted so far measured by the number of graduates taking up employment, which can indicate the inappropriate research of the employment market conducted by the projects authors.

Enterprises constitute an important group of beneficiaries of EU funding. They can obtain financial support for growth of their investment schemes, modernization, increase of productivity, increase of export and international cooperation, increase of employment rate, and meeting the EU standards in the field of environmental protection. By reaching out for EU funding, enterprises can improve their competitiveness and innovativeness on the market. During the analysed period enterprises concluded 1,341 contracts of the total value of €1,039.0 million, €210.5 million out of which (20.3%) constitute support from the Structural Funds. Low level of absorption of EU funding results from the principles of granting the structural support in the sector of enterprises. The actual amount used constitutes 6.4% of the total amount of financing coming from the Structural Funds obtained by Poland in the analysed period. The average value of the project implemented by enterprises is significantly lower than of the projects implemented by units of local authorities and amounts to €774 thousand, €157 thousand out of which constitute EU funding. The project authors in this

group of beneficiaries consist mainly of small and medium size enterprises (81.2% of the total number of project authors), followed by micro-enterprises (11.7%) and big enterprises (7.1%). When looking at the regional map of Poland, in two voivodships with big industrial areas and great industrial restructuring problems: łódzkie and śląskie, the value of EU funding obtained by enterprises was the highest. High level of activity of entrepreneurs from this area both in terms of the number and value of contracts concluded promotes the restructuring process of the regional economy. Low level of activity in voivodships of eastern and southern Poland, on the one hand, can result from a lower number of business entities registered in those regions, but on the other hand, it points out to the lower level of entrepreneurship and economic innovativeness (see Figure 21). If the current status maintains, it can seriously hinder the socio-economic development in those already poorly developed areas. The structure of projects submitted by enterprises and approved for EU funding pursuant to the appropriate category shows that half of EU funding goes to cofinancing of material investment schemes, such as buildings and equipment. The second biggest tranche goes to projects related to the improvement of processing and marketing of agricultural products (30% of the total funding). Significant part of funds goes to supporting investment schemes in the field of environment-friendly technologies promoting cleanliness and energy-saving (8.7%) (cf. *Pierwszy okres...2005*). The above data shows that in case of enterprises - the second analysed group of beneficiaries of the Structural Funds, similarly to territorial authority units, 'hard' projects prevail. It only proves the opinion that Polish economy lacks proper infrastructure, which also affects enterprises. Such tendencies in spending the funding from Structural Funds promote the development of competitiveness and innovativeness of the Polish economy in line with the requirements of the EU Uniform Market.

The third analysed group of Structural Funds beneficiaries in Poland consists of NGOs. Pursuant to the Polish law, NGOs sector is made up of the following units: foundations, associations, trade unions, economic self-governments, churches and denominational groups, social organisations and other non-profit entities. NGOs sector in Poland is very young, most of the members have been active no more than five years, and can be characterised by poor financial status, low budgets and lack of any financial reserves or properties. Under such circumstances the functioning of this sector, which is particularly important from the point of view of private-public partnership building which constitutes the basis for the modern process of regional development, can supported from Structural Funds. It

should be noted, however, that in order to qualify for support it is necessary to make one's own contribution/ have resources for the project financing which can be later refunded, and this can be a major obstacle in case of NGOs sector in Poland. Between May 1, 2004 and July 31, 2005 281 projects submitted by NGOs for EU funding have been qualified for support and ended as contracts concluded. The total value of the projects is €260.4 million, €204.7 million out of which, corresponding to 78.6%, constitute EU funds. In terms of the amount of EU funding obtained, NGOs are third biggest beneficiary (6.2% of the total amount of EU funding obtained) of the Structural Funds in Poland. Given that over 50% of NGOs' projects are implemented as huge contracts on the national level, the average value of the project in this group of beneficiaries is higher than the value of projects carried out by local authority units and enterprises, and amounts to €926.7, thousand. Likewise, the average value of EU support remains at the relatively higher level and amounts to €728.5 million. The most active in obtaining EU funding are foundations (32.4% of the total projects implemented by NGOs), associations (29.5%) and organisations of employers and economic self-governments (16.0%) (cf. *Pierwszy okres...*2005). Less active are churches and denominational groups (5.0%), and trade unions (1.4%). On the regional map, three voivodships stand out: mazowieckie, wielkopolskie and lubuskie. The last one is particularly worth the attention, as it is the voivodship with the highest number of projects carried out in Poland by NGOs, and supported by EU funding (see Figure 22). The least active NGOs can be found in the following voivodships: świętokrzyskie, kujawsko-pomorskie and podlaskie, where value of projects obtained by NGOs does not exceed 1.0% of the funding obtained by similar organizations on the national scale. It should be noted, however, that such geographical distribution of EU funding shows a strong correspondence to the number of NGOs registered in each of the voivodships. As a result, what mainly decides about their high or low level of activity measured by the number and value of implemented projects is merely their number and not the fact of being particularly entrepreneurial or skilled at obtaining EU funding. As for the category of support, in the case of NGOs virtually all the funding goes to training and consulting projects aimed at the development of human resources (85.0% of the total number of projects), support of competitiveness of enterprises (6.0%) and strengthening of the development potential of regions (6.0%).

Last but not the least group of analysed beneficiaries consists of entities operating in the field of education and science: higher education establishments (over 450 in Poland),

training institutions defined in *Act on the Promotion of Employment and on Institutions on the Employment Market* (cf. Dz.U. Nr 99, poz.1001), and organisational units conducting scientific research or development works, branches of Polish Academy of Sciences, and establishments operating pursuant to *Act on the Research and Development Centres* (cf. Dz.U. 2001 Nr 33, poz. 388 as amended). The group of project authors analysed until July 31, 2005 has concluded 426 contracts of the total value of €296,8 million (out of which €197,7 million, corresponding to 66.6%, constitute support from Structural Funds). The above figures place this group of entities on the fourth position among the EU funding beneficiaries (6.0% of the total amount). The average value of the project carried out by such entities is at the level of €696.9 thousand and is the lowest in the analysed group. The average value of EU funding per one project is approx. €464.2 thousand. Looking at the distribution of contracts, the most active are training institutions and higher education establishments (each approx. 40.0% of the total number of contracts in the given group of beneficiaries). However, given the value of contracts, the first position is taken by higher education establishments (70.5% of the total value). Less active, both in terms of number and value of the projects, are research and development centres, which mainly use other than Structural Funds EU programmes, with the Sixth European Union Framework Programme of Research and Development. On the regional map, again mazowieckie and wielkopolskie voivodships lead, but śląskie is also in the top, which should be considered a positive phenomenon given the high concentration of problems resulting from the restructuring of the old industrial area in this voivodship. Another positive factor is a high number of projects submitted from the regions of the so-called 'eastern wall', above all from warmińsko-mazurskie, lubelskie and podlaskie. It should be mentioned that these projects are of relatively low value but as the financial situation of beneficiaries will improve, the trend may also change. What's alarming though is a low activity of beneficiaries from the kujawsko-pomorskie, opolskie, lubuskie and świętokrzyskie voivodships (see Figure 23). Admittedly, they have very low research and development potential, but in those areas in particular the high activity in the sphere of education and science is highly required due to a high level of unemployment. Categories of support in the analysed group of projects are varied, depending on the type of beneficiaries. Higher education establishments implement mainly expensive infrastructure projects aimed at improvement of the teaching process. They also submit their applications in the group of training projects, which with support from the Structural Funds allow better access to paid studies, postgraduate studies and extramural

forms of education for the working and unemployed. Training institutions focus on training projects of relatively low budgets. Research and development centres submit projects connected with building or modernisation of laboratory and research facilities aimed at ensuring better cooperation between the R&D sphere and economy. (cf. *Pierwszy okres...2005*).

Summing up the above analysis of the beneficiaries of the Structural Funds in Poland, it should be noted that the tendencies presented are stable and according to the latest data of the Ministry of Regional Development (May 2006) remain at the same level both in terms of the made-up of beneficiaries and structure of categories of support as well as regional diversification. Still, the biggest beneficiaries of the Structural Funds in Poland are local authority units and enterprises. (cf. *Dwa lata Polski...*, 2006).

Summary

Results of the conducted analysis lead to the following conclusions:

- (1) Progress in absorption of the Structural Funds in Poland, particularly due to significant acceleration of pace in the last six months, should be evaluated positively. With the obtained support in the form of the amount of contracts concluded of the total value of €5.900 million, corresponding to 68.3% of the total EU funds allocated for 2004-2006, Poland maintains an average level of new member states of EU, surpassing Lithuania (47.9%), Slovakia (46.5%) and the Czech Republic (45.8%). Even though, the amount of payments made (11.7%) puts Poland on the one before the last position, only before the Czech Republic (4.6%), the total value of the submitted applications puts Poland on the third position (181.6%) among new member states, behind Slovakia (240.0%) and the Czech Republic (204.0%) (cf. *Stan wdrażania...*, 2006; *Szesnaste sprawozdanie roczne...*, 2005).
- (2) Comparing the value of payments transferred by the European Commission to the old member states at the end of 2001, or the first two years of the current financial policy 2000-2006, it has to be observed that they remained at much lower level than the payments received by Poland and other new member states. The highest payments, at the level of 7.0-8.0% of allocations planned for 2000-2006, were observed in countries which are the biggest beneficiaries of Structural Funds: Germany, Portugal and Spain. In case of Italy, the Netherlands and the UK no payments as refunds of the projects costs were made in the given period. (cf. *Analiza poziomu wydatków...*, 2005).
- (3) Distribution of EU support, both on the national scale and in the specific groups of beneficiaries, focusing on the restructuring and modernisation of agriculture, the improvement of infrastructure, the development of the competitiveness of economy and quality of human resources correspond the priorities of the EU and

Polish economic policy. (cf. *The Impact and Added...*, 2005; *Podstawy Wsparcia...*, 2003).

- (4) Regional distribution both in terms of the entire support as well as in specific groups of beneficiaries does not show any tendencies to concentrate itself on the least developed regions. The highest number and value of projects cofinanced from the Structural Funds can be observed in the best-economically developed voivodships with their capital cities in big metropolitan areas: mazowieckie with Warsaw, wielkopolskie with Poznań. Unfortunately, in the regions with high level of structural unemployment (e.g. warmińsko-mazurskie), undergoing the process of the restructuring of traditional industry (e.g. łódzkie), and with high concentration of small, individually-owned farms (e.g. podlaskie, świętokrzyskie), the level of activity observed has to be considered unsatisfactory and indicating too little evidence adequate absorption of EU support available through the Structural Funds .

Despite the above-mentioned problems and necessary modifications to be made in the programming and absorption of the Structural Funds, it has to be noted that the funds have had a significant impact on the basic macroeconomic factors – development of national economy and improvement of the employment market. Data provided by the Ministry of Regional Development (cf. *Dwa lata Polski...*, 2006) covering the period of 2004 and 2005 only confirm that GDP in Poland increased respectively by 0.01% and 0.86% as result of EU support. This means that in 2005, due to support from Structural Funds, GDP in Poland was higher by €2,200 million. EU structural support had direct effects on the employment market; the number of jobs rose by over 1,000 in 2004 and over 79,000 in 2005, which led to the decrease in the unemployment rate respectively by 0.01% and 0.5%. The remaining tendency of the increasing amount of EU support for the projects in Poland allows to assume that Poland will satisfy the projections for 2006. According to the 2006 projections, the impact of the Structural Funds on shaping the macroeconomic situation in Poland will tend to grow stronger and stronger, and will result in the growth of GDP by 2.8% and increase in the number of job offers by approx. 250 thousand by the end of 2006 (decrease in the unemployment rate by approx. 1.5%).

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