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Managing European Regional Policy in Poland in the Initial Period after the Accession

The quality of the delivery system – along with theoretical underpinnings, development strategy and the country's institutional system – has a decisive influence on EU regional policy implementation. An analysis of the management system of the Integrated Regional Development Programme (IROP) shows that there are definitely more weak than strong points. The main weaknesses include: strong centralisation and 'red tape', far exceeding the usual practices in the EU; not transparent, politically sensitive project selection and time-consuming procedures; unclear allocation of responsibility, high costs imposed on beneficiaries, low managerial skills, and, finally, conflicting solutions with existing legal distribution of powers between regional government and regional representative of the central government. Implementation effects of 2004–2005 confirm that the delivery mechanism fails to meet expectations.

Poland is now facing a unique opportunity to advance its national interests in a stable, safe and wealthy organisation – the European Union. One of the many opportunities offered by the EU accession is the possibility to receive financial support for development programmes and projects, which could reach levels as high as 3.5% of Poland's annual GDP. However, it is rarely realised that only an underdeveloped country or region can gain large-scale benefits from such assistance. There is every reason to believe that, as the country's wealth grows in the coming decade or so, partly due to these funds but predominantly thanks to Poland's own efforts, Poland will gradually lose its entitlement to cohesion-related assistance. Hence, it is a matter of great concern how well the European funds are used to promote Poland's development and improve its competitiveness.

The effective use of the financial measures offered by European regional policy depends on several groups of factors:

1. The theoretical foundations and the model of the country's development;
2. The country's development strategy (and relevant operational documents) underpinned by the above;
3. The country's institutional system;
4. The regional policy management system.

The paper mainly discusses the system for managing European regional policy in Poland. First is a brief discussion concerning the environment in which

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the system operates, with special attention devoted to the above three groups of factors.

1. The model and strategic foundations for development

It is no secret to say that at the beginning of the century Poland had a relatively weak strategic base. Worse still, it was insufficiently used while preparing implementation documents for the cohesion policy. The strategy entitled *Poland 2025. The Sustainable Development Strategy*[1] was practically shelved and, even though referred to as one of the country's strategic documents, it bears no obvious relation to the adopted operational documents. Another strategic document of major importance to any development strategy, *Poland's Spatial Development Perspective*, offered many conclusions that nonetheless were not reflected in the National Development Plan or the Community Support Framework (or, for that matter, other documents related to the EU policy). As an example, the funds allocated to IROP (Integrated Regional Operational Programme) or SOP Transport are being distributed without any demonstrable links to the *Perspective's* propositions concerning the country's development based on the belts and nodes of growth, increasing the role of agglomerations (metropolises) or the need to harmonise the country's spatial development through providing supports to the strongest growth centres of Eastern Poland (Olsztyn, Białystok, Lublin and Rzeszów). It was clearly visible that as accession approached, those in charge of the country's development policy tended to focus more and more on EU requirements, while forgetting the fact that EU funds should not be seen as an end in itself but rather as a means to support national development. This is evident, for example, in the very structure of the documents underpinning the National Development Plan.[2] Altogether, six strategies of this kind – mistakenly dubbed as 'national' – were developed, including a development strategy, for the sole reason that this is the number of budget lines in the EU Cohesion Policy (four Structural Funds and a Cohesion Fund divided into two distinct parts). To go further, one can observe that the National Development Plan for 2004–2006, a document providing the basis for the Community Support Framework prepared by the Commission for this planning period, was restricted only to such development priorities and measures that were eligible for EU co-financing. If we consider the fact that the quite controversial development instrument, though independent of the EU cohesion policy context, stipulated in the "Principles of Supporting Regional Development Act" (2000) – the voivodship contract – was practically abolished in 2005, one cannot escape the conclusion that shortly af-

[1] *Poland 2025. The Sustainable Development Strategy for Poland Up To 2025*, 2000, Warsaw: Government Centre for Strategic Studies and Ministry of Environment.

[2] EU Council Regulation No 1260/1999 does not use the term of national development plan; it only refers to a development plan as a mandatory programme document in any structural policy. Poland, for some reason, has had a fairer share of unfortunate translations of EU terms than some.

ter the EU accession, Poland's development (and regional) policy was reduced to the sole task of implementing EU's structural policy. Such a policy can greatly enhance the country's development, but we cannot overlook the fact that not every Polish development priority will naturally coincide with external priorities. The Russian-German pipeline under the Baltic Sea is a glaring example.

This lack of a solid strategy means more than a lack of a sense of direction or vision of what we would like to achieve in the foreseeable future. It also means that there is no point of reference to assess the efficacy of any measures and activities undertaken via operational programmes, and consequently that the efforts and means employed (and thereby the achievements) will be dispersed or delayed. This was tactfully yet unmistakably pointed out by the European Commission, which made a reference to the inability of 'certain' new Member States to focus on real, strategic priorities. Worryingly, although *Poland's Spatial Development Perspective* (criticised by some) was revised in 2005, work on new strategic documents for the program period 2007–2013 was begun without any updated strategy for the country's regional development (which is still in the planning phase).

What should be particularly emphasised is the fact that, despite the apparent support for the implementation of the Lisbon Strategy and the building of a competitive, knowledge and information based economy, proclaimed in all the major documents, one will not find any tangible proof of incorporating the modern development paradigm either in the national budget or in the cohesion budget. Contrary to scientific findings, and despite these grand declarations, Poland spends a mere 0.6% of its GDP on R&D (as compared to Sweden's 4%, and EU's average 1.9%), and this expenditure shows a consistently falling tendency. Unlike in Ireland, the structural funding is mainly spent on infrastructural investments. It has to be added, though, that these are seldom strategic investments; for the most part (with the exception of activities funded from the cohesion budget), they form local-scale projects. Worse still, no mechanisms are in place to guarantee that they complement other local activities. There can be no synergy effect in such a situation. Neither the enterprise development nor human resources measures attract any significant attention and fail to utilise the available funds even though, along with innovation, they lay the foundations for growth in contemporary world. Similarly, it is as difficult to perceive any strategic framework in other economic policies, not only structural policy.[3]

2. The institutional system

The condition of the institutional system cannot be regarded as satisfactory. The experiences of the poorer countries to join the EU over the past decades, before the recent round of enlargement, teach us that mere EU accession does

[3] It is also true of agricultural policy, which will mean a much higher spending for the Polish budget – just as is the case in the EU – than structural (i.e. development) policy.

not suffice to accelerate development and advancement of civilisation if not accompanied by development-oriented reforms of the institutional system.[4] Despite the enormous assistance received since its accession in 1981, Greece still has not been able to pass the threshold of 70% of the EU's average GDP. The former GDR *Länder* have experienced similar development problems, even though they have absorbed assistance far in excess of one billion euro over the last decade.[5] Apart from the most glaring examples of ineffective use of external aid, one can find examples corroborating the thesis which claims that with a concentration of national effort to increase a country's competitiveness, external (here: European) funds can be effectively used to promote development. In this context, Ireland is a model success story: within a single generation it was able to achieve at the beginning of the decade, the highest GDP level in the EU (after Luxembourg), starting off in the mid-1980s with a standard of living at a level close to that of Greece (about 65% of the EU's average). There can be little doubt that this was possible primarily owing to the determination and resolve in the fundamental reform of the institutional system.

The situation in Poland can be succinctly characterised as follows. It is widely believed that the opportunities offered by the system created in 1989 and 1990 have been exhausted. It is not clear, despite all the ringing declarations, if the system can really change in a way to maximise its positive influence on the developmental processes. It has to be conceded that since the mid-1990s the current system has put more and more obstacles in the way of both entrepreneurs and citizens. It is over-regulated, with a growing number of activities that require permits or licences. The tax system is overly complicated, and tax collection is very different from European standards, to say the least. The system's opaqueness and the unfinished process of privatisation invite corruption and result in the government becoming involved in conflicts with investors, including foreign ones. At a crucial moment in the country's development, the majority of its territory lacks valid town-and-country development plans, which while being a serious obstacle to investment can also adversely affect the spatial order. No financial incentives can fully offset the negative consequences of such a situation for potential investment in Poland. The existing public procurement law has provisions that can practically block any tendering procedure and lead to delay lasting many months in investment projects involving public funds. If we take into account the fact that structural policy employs the N + 2 principle (whereby an investor awarded European funding has three years to complete and financially settle the investment),[6] a delay of several or more months as

[4] Kozak 2003.

[5] Olszyński 2003.

[6] Incidentally, the Managing Authority is still waiting for an unequivocal interpretation of this provision and is unable to answer this simple question: what is the exact start date for an N + 2? Worse still, as the Managing Authority has decided to reserve the last six months of this period for the financial settlement and closure of the project, in fact this period, from the very beginning, is N + 1.5.

a result of submitting objections to the tendering procedure or contract award by the competing applicants can jeopardise the very investment project (which in extreme situations can involve the need to repay any EU funds already utilised). The average time needed to resolve business disputes is about 1,000 (say: a thousand) days – a further proof of the low quality of the institutional system.

Another important feature of the institutional system is its growing reactivity and a tendency to deal with the problems at hand rather than to address strategic challenges.

Last but not least, the characteristic feature of the recently developed cohesion policy system include a high level of centralisation and the delegation of too many direct management-related responsibilities to the Ministry of Economy and Labour (Ministry of Regional Development), which – in addition to regional development policy – was in charge of other public administration sectors and for the structural policy at large (in its capacity of the Managing Institution) and has evidently exhausted its potential for an effective and efficient performance of its tasks.[7] It seems that an inherent weakness of not only this Ministry, but also of the public administration system at large (mainly central administration, though) is that it is involved both in policy (strategy) formulation and its implementation, which has a number of damaging consequences. Although it is beyond the scope of this paper to examine it any deeper, it can be concluded that the entire model of central administration is inconsistent and incoherent. It is a far cry from the model whose implementation was begun with economy ministries in 1997 (the so-called reform of the administrative government centre), when policy making was separated from policy implementation (division of duties between ministries and departments or other public agencies).[8] The model was underpinned by more or less realistic assumptions, such as the need for a gradual departure of central administration from the (still prevailing) sectoral approach and for adopting a horizontal and regional approach and incorporating public governance principles (the latter being a motive ascribed to the activities of the time somewhat prematurely). Today, this model is in ruin. It could be added at this point that, generally speaking, EU policies are better delivered where implementation is delegated to specialised agencies,[9] also because it is easier, if necessary, to make adjustments in the activity of such institutions than that of ministries. The recent experiences involved in the preparation and implementation of structural policy in Poland leave no doubt that without defining the desirable ultimate model of central administration and resuming institutional reform, Poland's development policy is bound to encounter huge and growing obstacles. As Irena Jackiewicz writes, […] *it is difficult to determine the direc-*

[7] That should not be very surprising to the body involved – the draft of the management system was prepared in this Ministry.

[8] For more information about the centre's reform, see Przeciszewski 2004.

[9] Excluding the EQUAL Community Initiative, where the implementation agency was in practice incapacitated by superior structures. The case of the General Directorate for National Roads and Motorways (GDDKiA) is too complicated to be summarised in one sentence.

tion of the institutional reform of the state structures. […] *We can therefore speak of a reorganisation of the government centre rather than of its reform* (Jackiewicz 2004, p. 116). In connection with regional policies, it should also be observed that in the years 2002–2003, that is on the eve of EU accession, certain significant institutional changes were launched,[10] which instead of positive solutions disturbed the preparatory process even further.

The establishment of a separate body, the Ministry of Regional Development (in 2005), and entrusting it with the task of coordinating the entire structural policy may prove to be a step forward, provided that the Ministry manages to forgo any ambitions towards centralisation and direct involvement in the implementation process. The latter role, which has been excessively developed so far, stands in direct contrast to the ability to formulate policy and strategy. This task is much more important for promoting development than the government officials who make the decisions on awarding grants of several dozen or even several hundred thousand euros, especially in view of the fact that nobody has so far been able to prove that the human resources in the central departments of the state are of a better quality than those in regional or private institutions. Moreover, one should not overlook the consequences which not only the Common Agricultural Policy will have in terms of both the development and missed opportunities. Not only does Poland's development rely on the cohesion (structural) policy, but also on other policies and their effect on growth.

In addition to the above, two other aspects may have a bearing on management and their effects should be highlighted. Firstly, the experiences gained during pre-accession programmes. Regretfully, save for ISPA, the remaining two instruments (Phare and Sapard), intended to prepare the then candidate countries for the absorption of Structural Funds and the Cohesion Funds and started in 2000, were inappropriately designed. As a result, their positive results were limited to the promotion of certain standards and dissemination of experiences related to the management of projects, and not programmes. This is demonstrated by the fact that since the completion of all Sapard and Phare projects, Poland needs to maintain a system for managing those projects which is independent of structural funding and which engages precious, highly qualified human resources. Only ISPA, which was designed by European experts and not diplomats, and directly modelled on the Cohesion Fund, was integrated with the Cohesion Fund in Poland upon the accession. Unfortunately, even the lessons from the negative experiences (still valid as an experience) with the highly centralised and complicated Phare and Sapard programmes were not learnt in order to simplify the structural fund management procedures in Poland. On the contrary – both systems show an alarming number of similarities related to their management philosophy.

[10] Liquidation of the Ministry of Regional Development and Construction and of the Polish Agency for Regional Development, reorganisation of the Ministry of Economy, Labour and Social Policy which led to the establishment of the Ministry of Economy and Labour, which was also in charge of regional policy.

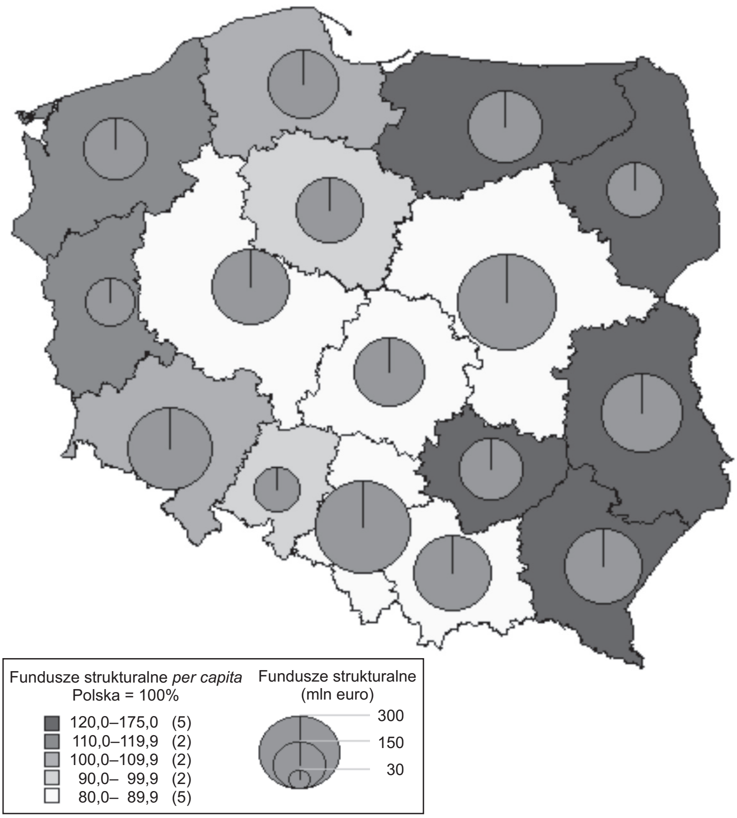

Fig. 1. IROP allocation in 2004–2006, by voivodeship.

Source: prepared by M. Smętkowski, EUROREG, based on the data from the Ministry of Regional Development.

Secondly, the allocation of funds between the regions. Logic would seem to indicate that substantial pre-accession financial assistance should be allocated to: 1) development goals of particularly underdeveloped regions, and 2) they should focus on key centres of growth in those regions. However, this was not the case: the bulk of pre-accession funding was directed to the voivodeships of western Poland,[11] which – it must be admitted – had accumulated broad experience in project management. According to the allocation algorithm adopted for IROP, preference should be given to the eastern voivodeships, which – with some exceptions – encountered more difficulties in the absorption of EU funds than other regions (Podkarpackie being the only exception to the rule to date). Worse still, even though there existed possibilities to finance preparatory activities in

[11] Which was mainly in connection with the Phare Cross-Border Cooperation Programme, imposed upon Poland under the influence of German MEPs (since 1994, 50 million euro of the EU funds allocated to Poland for projects coordinated with the German INTERREG programme).

those voivodeships from funds available under pre-accession programmes and the so-called technical assistance as part of Structural Funds, the issue simply went unnoticed. Regardless of the nature of regional problems, the structure of instruments and manner of their application are identical everywhere, which does not facilitate addressing the region's specific needs or circumstances.

3. The system of regional structural policy management in Poland in 2004–2006

The current management of IROP in Poland is largely a result of the overall centralisation of structural policy in Poland, the decision to create one integrated programme (IROP) instead of 16 regional ones, and – last but not least – of the nature of the instruments applied. It should be emphasised that the system was significantly decentralised during the months preceding the accession. Since the responsibility for IROP rested with the minister (initially the Minister for Economy and Labour, and then for Regional Development since 2005), an intermediary management role in the voivodeships was entrusted to the Intermediate Bodies (the Voivodes – Government representatives in the regions). Despite the statutory responsibility of the regional (voivodeship) governments for regional development, such governments play a rather limited role in the system – they enjoy some discretion in awarding grants but really their role is confined to collecting and selecting projects). It can be said that the implementation issues mainly rest with the Voivodeship Labour Offices, which while formally belonging to the structures of the Marshal's Offices, in reality have strong links with the Ministry of Finance. This peculiar situation of Marshal's Offices has been reflected in the term, new to EU phraseology, of a 'participator management institution'. Severe as the formal and actual constraints on its management role may be, the voivodeship government is an important player in the process of identification and selection of applications submitted under IROP.

Project selection procedures under IROP

Let us remind ourselves of the three priorities that have been identified for IROP:

I. Development and modernisation of infrastructure to enhance the competitiveness of the regions (measures: transport system, environmental protection infrastructure, social infrastructure <education and health>, tourism and culture, information society infrastructure, public transport in agglomerations) – 1.76 bn euros from the ERDF;

II. Strengthening the development of human resources in the regions (development of competencies, scholarship programmes, vocational reorientation of former farmers, vocational reorientation of workforces affected by restructuring, entrepreneurship promotion, Regional Innovation Strategies) – 0.44 bn euros from the ESF;

III. Local development (rural areas, areas undergoing restructuring, socially and economically degraded urban, post-industrial and post-military sites, micro-enterprises, local social infrastructure) – 0.73 bn euros from the ERDF;
IV. Technical assistance – 0.04 bn euros.

The aggregate EU allocation totals 2.97 bn euros, alternatively the IROP budget can be estimated at 4.1 bn euros when you include national co-financing. Given the strong zloty, these funds have less purchasing power than was anticipated during budget planning. The dispersion of activities and the need to adjust management to this situation does not portend well for the actual implementation.

Intermediate Body (Voivodeship Office)
↑
Voivodeship Board
↑
Regional Steering Committee
↑
Panel of Experts (appointed by the Managing Authority – Ministry of Economy and Labour – MEL)
↑
Marshal's Office (relevant organisational unit)
↑
Final Beneficiary/Project Promoter

Fig. 2. Project evaluation and selection in IROP, Priorities I and III (excluding Measures 1.6 and 3.4).

Note: A Final Beneficiary can be a Project Promoter.

Managing Authority (Ministry of Economy and Labour – MEL)
↑
Regional Steering Committee
↑
Final Beneficiary's Panel of Experts (appointed by the Managing Authority, i.e. MEL)
↑
Final Beneficiary – (body)
↑
Final Beneficiary (dept. responsible for the project; project promoter)

Fig. 3. Project selection in IROP, for Priority II, own projects submitted by Final Beneficiaries.

In the case of Priorities I and III (with the exception of Measures 1.6 and 3.4, public transport in agglomerations and micro-enterprises), the beneficiaries (project promoters) submit their applications to the relevant unit of the Marshal's Office. Then, upon formal evaluation, the application is passed on to the panel of experts who carry out a content-related appraisal. The list of evaluated projects (but not the actual applications) is forwarded to the Regional Steering Committee, which can make changes in the ranking list of eligible projects. Such a list is then passed on to the Voivodeship Board which, at its own discretion, prepares the final list of approved projects, which is later forwarded to the Intermediate Body to have agreements signed with the indicated beneficiaries and to monitor project implementation.

Things become complicated in the case of Priority II, where the voivodeship government can both be the beneficiary of assistance (submitting an application for funds for its operations) or a disposer of such funds (mainly with regard to activities of Voivodeship Labour Offices).

In the **former** case (own project procedure, Fig. 2), the beneficiary (here: the relevant department of the Marshal's Office[12]) submits an application to another department (relevant in respect of IROP project processing). Then, after formal evaluation, the application is passed on to the Project Appraisal Committee for content-related appraisal; to the Regional Steering Committee (as an item on the ranking list) and the Managing Authority (MEL) for approval, and finally to the Voivode. It is to be regretted that applications are not passed straight to the Managing Authority, as this would be a much more logical and 'clean' solution[13].

In the **latter** case (competitive tendering, Fig. 3), the procedure is as follows: the project promoter submits an application to the final beneficiary (FB, here: the relevant department of the Marshal's Office), where it is formally evaluated and then passed on to the Project Appraisal Committee. Then, upon completion of the content-related appraisal, the list of projects is forwarded to the authorised representative of the FB who approves of the list and signs an agreement with the Project Promoter. Although this may seem a long process, the mechanism is logical: the Marshal's Office examines the projects and makes independent decisions on the award of funds. Such an arrangement leaves no doubt as to who is responsible for the correctness of the activities.

a) Approving the annual framework plan of activities of the Final Beneficiary (FB – institution responsible for the evaluation of applications submitted by project promoters and their later processing)

A similar mechanism is used for Measure 3.4 (support to micro-enterprises employing up to 10 people). The Final Beneficiary (regional financing institution) carries out a formal and content-related appraisal of projects and signs an agreement with the Project Promoter. In this mechanism, it is quite clear who is responsible for what. Therefore, it is difficult to understand why this system is applied only to micro-enterprises and not all small (or even medium-sized) enterprises, which would easily receive support directly from the regional level. In most cases, the grant amount (an issue which is regulated by structural policy

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[12] Fortunately, the procedure provides for the possibility to delegate this task to other entities.

[13] Alternatively, the evaluator's role could be performed by an independent private institution that would have the required experience and qualifications. In such a situation, the role of the Ministry could be limited to preparing a specification of the main tender conditions and approving of the completion of the project work.

provisions) is not so high as to need involving bodies from a supra-regional level. Instead, such bodies could focus their activities on large projects and monitoring, which in itself is a necessary and demanding exercise.[14] It should be noted at this point that in the years 1994–1996 larger grants (up to 100,000 euros) were awarded to SMEs under the Phare STRUDER programme. It was a time when regional development agencies were already significant players, and, not surprisingly, today they are among the best-prepared institutions in the business environment sector (and more).

a) Approving the annual framework plan of activities of the Final Beneficiary (FB – institution responsible for the evaluation of applications submitted by project promoters and their later processing)

Intermediate Body (Voivodeship Office)
↑
Voivodeship Board
↑
Regional Steering Committee
↑
(only the Framework Plan for FB's activities)

b) Evaluating applications submitted by project promoters to the Final Beneficiary

Final Beneficiary (Voivodeship Labour Office, Marshal's Office, institution selected by tender)
↑
Final Beneficiary's Project Appraisal Committee
↑↓
Project Promoter

Fig. 4. Project evaluation and selection in IROP, competitive tendering, Priority II (human resources development) and Measure 3.4 (support for micro-enterprises).

A completely different procedure is applied for project applications submitted under Measure 1.6 (development of public transport in agglomerations): they are directly passed on to the Ministry, and in the case of largest projects (with a value in excess of 50 million euros), the Commission takes part in the project appraisal and makes the final decision.[15]

The management system in regional structural funding programmes should be reshuffled in such a way as to ensure that the partnership principle at the pro-

[14] As a rule, grants for SMEs in the EU (that is, Poland) are small – up to 100,000 euros (excluding tax) for a period of three years.

[15] In the initial version, and in a mode of thinking based on investment needs yet not sufficiently backed by the knowledge of EU regulations, this measure was entitled 'support for public transport in the Warsaw and Silesian agglomerations'. After objections from the Commission, which on this occasion showed that Polish decision-makers were not necessarily well-versed in EU regulations, this measure comprises a competitive tendering procedure for agglomerations with a population over 500,000. This example clearly shows that even sensible development policy goals do not have to be in line with the principles of European structural policy.

gramming stage is observed. The rightful role of the voivodeship government should also be restored. At the same time, arrangements that ensure the transparency of decision-making in the grant award process and clear responsibility for making such decisions should be introduced. In the current system (with the exception of Measures 1.6 and 3.4, and the competitive tendering procedure in Priority II), the diffusion of responsibility among too many executive bodies does not add to the transparency of the system and thereby does not enhance an effective allocation of funds. Worse still, it can provoke a considerable public controversy and quite unnecessarily impair the credibility and prestige of the regional authorities.

Evaluation criteria

In all cases, project appraisal is a two-stage process (with the exception of Measure 1.6, public transport in agglomerations, which is governed by a completely different procedure).

Stage 1 involves the formal evaluation of projects, focusing on eligibility criteria (completeness of the application, submission by the required deadline, etc.). Due to the ambiguity of concepts and terms, and the lack of clear guidelines concerning interpretation, in many cases the issue of the relevance of a given project to a given measure turns a formal evaluation into a content-related appraisal, carried out by unauthorised but non-competent officials.[16]

Stage 2 refers to an appraisal performed by experts – competent specialists who have received additional training. In practice, projects are appraised by people who are specialists, but in a different field, frequently well-wishing officials who lack any practical management experience and with training consisting of little more than an informal talk. Even with the best-qualified experts, the lack of clear and transparent interpretation guidelines, including the definitions of concepts used and the frequently overly complicated evaluation criteria, must give rise to reservations and provoke objections.

Let us examine this, using the example of the measure for information society infrastructure (Table 1). Firstly, it can be seen that one of the criteria (correctness of indicators) is technical and not content-related in character. Secondly, it is not clear which factors determine a high score. One may wish these to be such aspects as the quality and innovation of the proposed solutions, but such criteria are absent. Similar questions and doubts can be raised in respect of many measures under IROP priorities I and II.

[16] As an example, the notions of the cultural institution or site revitalisation proved to be problematic issues of this type. IROP contains no definitions (there is only reference to revitalisation of post-industrial and post-military sites). Nevertheless, officials made intuitive, entirely arbitrary judgements on this matter, not only at the formal evaluation stage but also in the course of the content-related appraisal. Even more interestingly, all appeals from decisions made at the regional (voivodeship) level were patiently rejected by the relevant department of the Ministry of Economy and Labour on the grounds that appeals can only refer to procedures, and not decisions.

Evaluation under IROP priority II (human resources development) is much simpler. Five adopted criteria (Table 2) seemingly make work easier if not for the fact that six additional detailed criteria have also been planned.

Table 1. Content-related and technical criteria, Measure 1.5 (information society infrastructure).

Criterion	Weight	Maximum score
Sustainability and institutional feasibility	2	8
Impact on the improvement of the economic conditions in the region	4	16
Correctness of indicators	1	4
Technical feasibility	1	4
Horizontal policies	1	4
Complementarity with other information society measures	1	4
Preventing digital exclusion (digital divide)	1	4
Scalability (the project can be developed further)	1	4
Access to the worldwide web in small towns and villages	2	8
Data security (transmission and storage)	1	4
Supra-regional impact	1	4
Compliance with regional e-strategy (**if one exists**)	1	4
Maximum score		68

Source: based on IROP Programme Complement ZPORR 2004–2006, Polish Journal of Laws No. 200 of 14 September 2004.

The project evaluation criteria for applications to support micro-enterprises (up to 10 staff) prompt similar reflections. There are eight such criteria, but it is extremely difficult to form an opinion on what factors determine the achievement of the highest score (approval of the project). What is more, those projects are more likely to be successful where the applicant's own contribution is higher, which points to an implicit assumption that preferences should be given to wealthier companies and businesses. It could be asked what theoretical underpinnings can be used to justify such an approach?

Table 2. Project selection criteria for Priority II (on the example of Measure 2.1: development of competences).

Basic criteria	Maximum score
Rationale for the project	20
Beneficiaries of assistance, criteria of their selection and participation in the project	15
Expected project outcomes	15
Mode of project management	20
Justification of project costs (input/results)	30

Source: see Table 1.

As a result, though probably in good faith, the evaluation criteria were designed in a way which calls for a lot of involvement on the part of evaluators yet largely disperses their attention on controversial issues and makes the overall evaluation of the project quality even more difficult when compared with other projects. In consequence, even with a diligent approach to their duties by the evaluators, such ‘scattering’ of the criteria can lead to a situation in which projects with no more than a mediocre value will easily pass the evaluation stage.

Quality of human resources

The quality of human resources is a central problem of the management system, which can be ascribed to two factors that, in my opinion, are of crucial significance.

Firstly, the beginning of the decade saw the rapid wasting of the earlier institutional achievements and assets, after a series of institutional changes at the central level and liquidation of institutions and teams that had experience in the implementation of regional development programmes. On the eve of the EU accession, this was followed by a hasty process of assembling at the central level (which is of crucial importance in a centralised implementation system) of huge teams of officials whose main distinctive features included enthusiasm, lack of professional experience, young age and low pay. These teams are still characterised by high turnover rates, which in consequence entails poor institutional memory.

Secondly, the authorities did not make use of people with practical experience in managing projects and programmes to lead such teams, not to mention using experts from such institutions as investment banks. It is quite peculiar that in 2003 and 2004 all managerial positions were filled with officials having central-level careers and considerable experience in policy-making but not in programme management.[17] Although there are many managers in the regions who have a lot of experience in managing large programmes and development projects, they remain unnoticed as a natural pool of executives. Regretfully, central administration has not been able to produce any capacity for the absorption of people with experience, and promotes their staff to managerial posts obviating competition procedures, using the ‘acting manager’ formula.

Similar phenomena, though less intense, could be observed at the regional level, where teams in the Voivodeship Offices were promptly expanded owing to their new role of the Intermediate Bodies (with the role of Marshal’s Offices being simultaneously reduced to the highly limited functions of a ‘Management

[17] The government structures could not find room for people with several years of experience in managing EU-financed programmes and for senior management positions in the voivodeship administration until late 2005. To be more exact, two such persons were employed: one in the Ministry for Regional Development and one in the Ministry of Finance. It is only to be hoped that the government will finally initiate a policy of employing experienced and competent specialists.

Participatory Institution' – it should be noted that European law does not know such a term). At this level, however, the distance between these institutions and the beneficiaries (local governments, businesspeople, etc.) is far smaller, which does have its advantages. However, it has weaknesses involving some inherent systemic defects.

The quality of the evaluation team is a critical part of the exercise. Entrusting the role of experts to appraise investment and training projects to officials who sometimes lack relevant expertly experience will certainly lower the costs of the evaluation process, although only in the short term. It must be conceded, though, that some of these people have gained quite a sizeable experience over a span of two years. Another source of worries is widespread employment, at all tiers of administration, including central ministries, of young university graduates as part of intervention works and entrusting them with duties that require several years' experience without sufficient training or internship.

The IROP management system: overall assessment

In the first phase of its implementation, the IROP management system has manifested both its weaknesses and strengths, though the latter are few in number.

Strengths: The greatest strength lies in making use (in Measure 3.4 – grants for micro-enterprises) of specialised non-governmental institutions (however, these are not outside the control of public institutions, their significant stakeholders), where the tasks of such institutions were clearly defined in terms of their responsibility for the project selection process. The whole responsibility rests with such an institution (its director), which sounds just about perfect. In addition to the above, delegating the management of several measures under Priority II (human resources development) to specialised labour offices can be regarded as a strength of the system. However, this opinion must be rather cautious because to date the bulk of their activity has involved registration, payment of benefits and other statutory activities that have little to do with activities aimed to create jobs and to organise training. What can be viewed as a valid arrangement is the delegating of the entire responsibility for the evaluation to the office (in its capacity of a Final Beneficiary). In this respect, however (unlike in Measure 3.4), accountability is not so obvious or as clearly defined since a Voivodeship Labour Office is a part of the Marshal's Office, but one lacking a self-standing status.

In terms of management, it should be admitted at the outset that the **weaknesses** include those which only call for minor adjustments and improvements, as well as those which jeopardise the attainment of IROP's desirable objectives. As regards narrowly understood management, the weaknesses of the system include:

Drafted (and not polished) programme documents, including indicators and guidelines for the managing entities and beneficiaries; in a situation involving a lack of experience in running programmes, this can lead to communication chaos, potentially inadequate decisions and bad publicity;

Failure to make use (or limited use) of experts who have gained management experience in earlier development programmes;

Appointing people lacking the required knowledge or experience as experts for the task of appraising projects. This also happens in many ministerial departments;

(Despite the above statement) Ignoring expert opinion (including that from teams responsible for content-related appraisal), and frequent arbitrary decisions on awarding grants made by the Regional Steering Committees and Voivodeship Boards;[18]

Diffusion of responsibility for the final decisions on grant awarding (except for Measure 3.4), owing to: a) introducing bodies expressing opinions concerning changes in the ranking of projects prepared by experts, and b) recruiting as many as two thirds of their members from people who not only theoretically represent the potential beneficiaries' communities – local governments, entrepreneurs' organisations, NGOs, etc. – which in terms of the selection system makes it difficult for them to be objective in matters that concern themselves because there is not one local government or organisation which has not applied for EU co-financing;

Excessive degree of institutional (and procedural) complexity;

Sometimes confusing the strategic level with the decision-making (operational) level, a concern for the entire system of structural activities rather than IROP alone;

No crisis management elements (it is assumed that everything will proceed as planned, and so contingency planning is unnecessary; nothing could be more wrong);

Excessive red tape, with few exceptions (Measure 3.4); complete lack of elements of executive management;

Procedures are not aligned to the nature of the projects; save for Measure 1.6, there is no discrimination between small projects and large-scale projects;

– It is not quite consistent (or even plainly inconsistent) with the spirit of the underlying legislation concerning the competences of regional (voivodeship) governments defining the scope of accountability for the region's development. In the current system, the management role of the voivodeship government is marginalised. Even in Greece, which cannot be considered to be a paragon of efficient management of structural activities, every region has its own operational programme;[19]

[18] The quality of the experts can indeed be questioned. This, however, does not warrant a conclusion that expert opinion is not necessary for the appraisal, but rather that incompetent people should be removed. Economising on the quality of experts' work is rarely a good idea.

[19] The option to choose between 1 integrated or 16 regional development programmes was investigated only in administrative terms and in the short-term perspective. It was argued (see, for example, Rimoux 2001) that implementation would be faster, more efficient and less conten-

– Attitude to the beneficiaries: the system was founded on the unspoken assumption that every beneficiary is a potential criminal – hence applicants are expected to provide such huge quantities of documents (statements, certificates, notarised documents, etc.).

In my opinion, among the many issues that should be addressed and which in some cases call for radical changes, the really dangerous ones (in quite a large number of IROP activities) are those that inevitably lead to political corruption which: 1) is bad in itself; 2) leads to a suboptimal allocation of funds; 3) in extreme cases[20] it is an encouragement for breaching the procedures which, at the end of the day, is bound to bring serious problems to the beneficiaries (annulment of selection procedures and their results) and potentially can endanger, *ex post*, successful utilisation of the funds available under IROP. Although it has to be said that, paradoxically, it is better to leave some funds unutilised than to spend them on bad projects or in a way which will leave behind undesirable patterns of behaviour.

What can be regarded as a serious flaw in the system (and proof of a lack of managerial approach) is ignoring (or hiding from the public view) the costs of the system's functioning. It has to be borne in mind, though, that concealment entails the risk that the benefits from co-financing certain areas can be significantly reduced because of the total costs involved in both preparation and implementation. Overheads, such as costs of staff, equipment, communication, etc. is not the only problem, as alarmingly high and unnecessary costs lie in wait for the applicants, who are forced to provide numerous officially certified documents, which consumes a lot of their time and money. One call for projects which attracted over 600 applications and had sufficient funds for a mere 20 was not exactly an exception.

The quality of the system or the decisions that are made as part of this system are not improved with the involvement of social and business partners as well as local authorities, which is very necessary at the stage of programming EU regional policy in the case of management, and with the insufficiently transparent allocation of competencies and responsibilities. Let me put it very strongly: this is not because of some natural inclinations of the partners involved, but because of the system's opaqueness. A threat that is particularly dangerous, though not only confined to the sphere of regional policy, is an inefficient payment system that is as complicated as it is ineffective, and certainly very costly. However, this latter aspect probably remains outside the sphere of analytical interest. Let me just say that it would be absolutely unacceptable in a private company.

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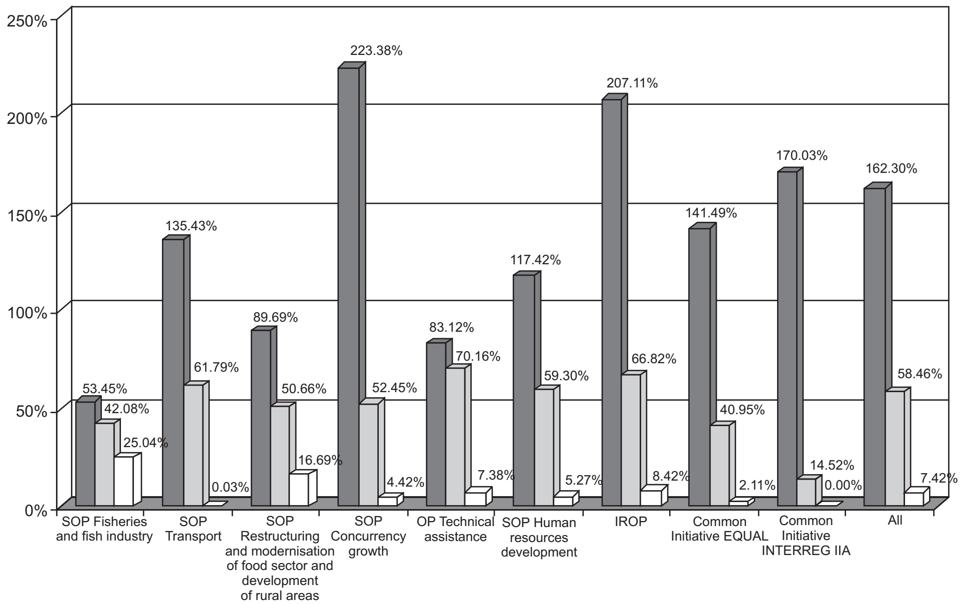
tious if there was one programme encompassing all the voivodeships. There are good reasons to believe that this analysis was fallacious. Its main weakness is the adopted short-term conceptual horizon; it sacrificed experiences that could be gained in the sphere of managing regional development, with the utilisation of substantial EU funds by regional governments, on the altar of spending European money. The Germans committed a similar mistake in the former GDR in 1990, though on a dramatically greater scale: they underestimated the issue of the regions' (*Länders*') right to sovereign decision making.

[20] According to NIK (Supreme Chamber of Control), they are not so rare at all.

The first outcomes

Results represent a rough but acceptable measure to assess the quality of any management system. In view of the fact that it is not yet possible to carry out qualitative analysis, let us take a quantitative look. By the end of 2005, the electronic SIMIK system for monitoring and audit had yet to be made fully operational, which means that it was not possible either to systematically monitor progress or to respond to problems as they arose.



- Value of applications submitted since the launch of the Programme as a percentage of disbursed commitments for the entire 2004–2006 programming period.
- Value of contracts (decisions) for co-financing. concluded since the launch of the Programme as a percentage of disbursed commitments for the entire 2004–2006 programming period.
- Value of disbursements made from the Programme's bank accounts since the launch of the Programme as a percentage of disbursed commitments for the entire 2004–2006 programming period.

Fig. 5. Submitted applications, value of contracts and value of the disbursements under the operational programmes for the 2004–2006 allocation as a percentage of the available allocation as at 31 December 2005.

Source: *Preliminary National Reference Framework*, Council of Ministers, Warsaw, 14 February 2006, chart 34.

According to the Ministry report,[21] by the end of June 2005, the applications received in seven programmes and two initiatives corresponded to 544% of the EU allocation for 2004, and to 128% of the EU allocation for 2004–2006. These data tell more about the applicants' enthusiasm rather than the working of the system itself. The latter is more faithfully captured by the allocation of funds

[21] Report on the implementation of the National Development Plan/Community Support Framework 2004-2006, Ministry of Economy and Labour, Warsaw, September 2005.

to specific projects (i.e. signing an agreement with the beneficiary), and is best expressed by actual disbursements (funds committed, specific work completed, the contractor's invoices paid). The data for all the operational programmes for the period May 2004 till December 2005 (20 months) are shown in Fig. 5. The Integrated Regional Operational Programme had a higher than average spending for all the programmes (8.42% as compared to 7.42%). Of the total budget allocation for the INTERREG Community Initiative, 350,000 zlotys were disbursed by the end of February 2006 (of the allocation in excess of 100 million euro).

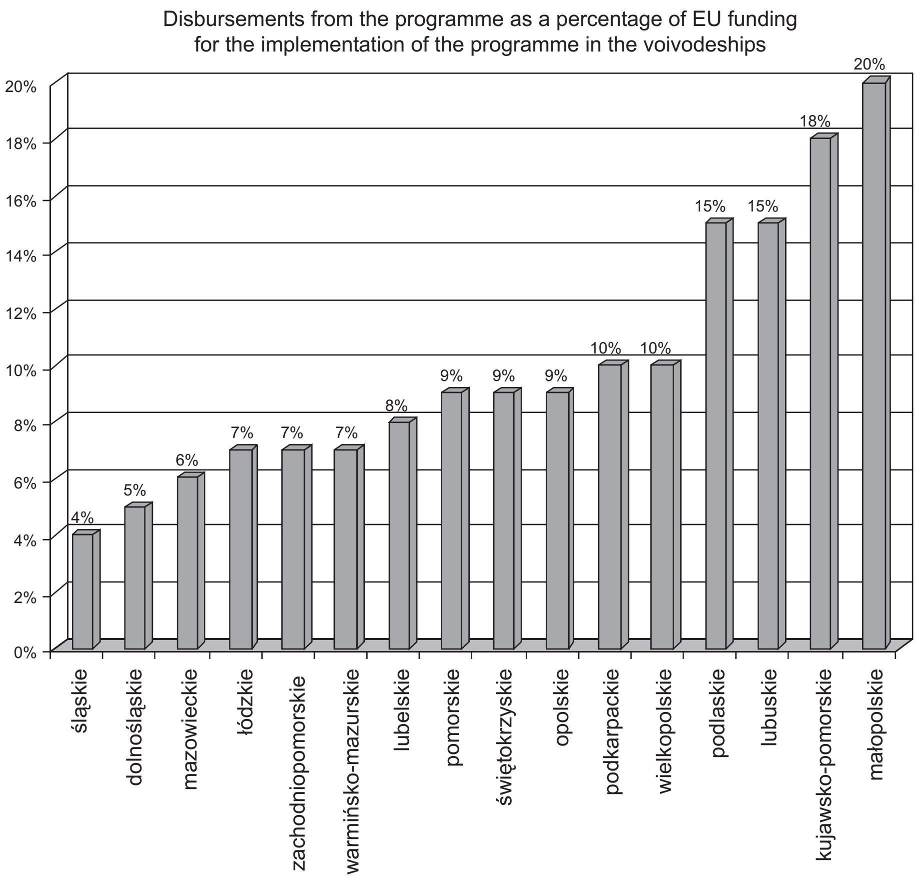


Fig. 6. IROP payments by voivodeships, as a percentage of the 2004–2006 allocation, as at 31 December 2005.

Source: *Integrated Regional Operational Programme – Implementation Status (as at 31 December 2005)*, Ministry of Regional Development. Warsaw, February 2006.

As regards IROP, we should bear in mind that the criterion of allocating funds to individual voivodeships, adopted in the Support to Regional Development Act, was based on three types of information: size of the population – 80%; level of unemployment in poviats (districts, second tier of the administrative structure) – 10%, and GDP level in the voivodeship – 10%. Using such a criterion meant that the voivodeships with a high level of structural unemployment and a relatively low GDP received a higher allocation of funds. As a result, in the Warmińsko-Mazurskie voivodeship, the per capita EU structural funding allocation was nearly twice as high as in neighbouring Pomorskie. Paradoxically, among those with the smallest allocations were those voivodeships where the above indicators were at a relatively good level, even though the number of the unemployed in absolute terms was higher than in those with more generous allocations. In short, the legislator assumed that the voivodeship's needs (measured by the above indicators) should determine the size of the allocation among the regions. In this way, the issue of their absorption capacity was completely disregarded.

The data concerning the actual disbursements made in the individual voivodeships in the 20 months of IROP's implementation show that the worst payment situation is in the Śląskie, Dolnośląskie and Mazowieckie voivodeships (4, 5 and 6% of the allocation, respectively), and the best in Małopolskie, Kujawsko-Pomorskie and Lubuskie (20, 18 and 15%, respectively; Fig. 4). It is difficult to see any underlying pattern in this. If experience in project implementation was important, the three voivodeships bordering with Germany, which have had a fair share of pre-accession funding since 1994 (Phare CBC) should be among those with the best results. Lubuskie is indeed performing well, but Zachodniopomorskie and Dolnośląskie occupy the last positions in the list, along with Śląskie (which was clearly another region with privileged access to assistance funds). This would mean that the expenditures made to prepare the management capacity as part of pre-accession programmes did not bring the expected results. It cannot be said, either, that the voivodeships that are the best developed and have the highest potential are in the lead: Mazowieckie occupies a distant 14th position, Śląskie 16th, and Wielkopolskie 5th (outdistanced by Podlaskie, for example). No connection with the regional needs (which represented the decisive factor in giving the highest per capita IROP allocation to the least developed regions) and the absorption of funds can be found. Therefore, the motivation and competences of the regional human resources remain the only plausible explanation for the existing differences in the spending. This, in turn, is an argument in favour of changing the regional allocation formula for the period after 2006: instead of the 80+10+10 algorithm, the size of the population could be one sufficient criterion (and this is a commonly adopted EU practice for the distribution of funds between Objective One regions).

Every country encounters difficulties the first time it makes use of the EU structural programmes. Poland, however, had five years to become acquainted with the requirements and even the practical aspects of implementing the cohesion policy in the 'older' EU countries.[22] It cannot be claimed that EU regula-

[22] These were acquainted with the provisions governing cohesion policy for 2000–2006 six months before the beginning of the implementation period. In view of the newly introduced N + 2

tions are complicated and imposed from above; contrary to appearances, the EU leaves the Member States a lot of freedom in shaping their management systems. Comparison with other countries will inevitably be flawed and not always legitimate, for a number of reasons. This is true (at least for now) for comparisons both within the group of the 2004 accession countries, and particularly for those with countries which became EU members at an earlier date. The few available statistics about other new Member States (EU-10) indicate that while Poland effectively paid 2.6% of the budget allocation by the end of August 2005, Latvia paid 18.6%, Slovakia 5.6%, Hungary 2.9%, and only in the Czech Republic it was less, i.e. 1.1%.[23] These data can justify any sense of success in Poland's achievement and no comparison should be made before more extensive data are available.

Conclusions

The system for managing regional policy has proved to be centralised, complicated, and unreliable. From the very start, it has called for modifications, changes and adjustments, which obviously were not able to change its essential features. Its main characteristics include: inflexibility of procedures, lack of transparency in decision-making with all the negative consequences of this; undue efforts wasted on direct implementation instead of work on policy and strategy, and poor staff selection mechanisms. In effect, it can be claimed (though hypothetically, as there has been no relevant empirical research) that this is probably one of the most costly management systems in Europe.

The negative features of this system stem from two sources. Firstly, from the inherent features of any institutional system in general, and public administration in particular. Polish administration does not understand the notion of calculated risk, and officials are formally required to make only unerring decisions. As a result, public administration officials have developed finely honed skills to avoid taking independent decisions because any decision can be potentially dangerous. Instead, administration cultivates various collective bodies, unending consultations, opinion soundings, in short: a diffusion of responsibility. It is based on an unspoken assumption that every beneficiary is a potential crook. Polish administration can hardly be described as one that is growth-oriented, and the question whether elements of executive management can be introduced into the administration practice in the foreseeable future still remains open.

principle, many applicants chose to submit their applications under the 2001 budget, which left more time for the execution of the project. In Poland and other accession countries, the N + 2 principle was known since the mid-1990s.

[23] Analysis of the level of structural funding expenditures in Poland and 'old' and 'new' EU Member States in the programming period 2000–2006, http://www.funduszestrukturalne.gov.pl/NR/rdonlyres/315D55D6-0E26-455B-938F-9059AB2B7F43/14853/analiza_wydatow_z_funduszy_211005r.pdf

The second source lies in a total ignorance of the experiences accumulated by teams responsible for the implementation of various development programmes (such as Phare STRUDER or Phare CBC). This was tantamount to reinventing the wheel, by developing procedures that reveal that their authors had no experience in managing pre-accession projects or programmes. This is clearly demonstrated by the poor results of the INTERREG Community Initiative. Due to its procedures (which, for some reason, were more complicated than on the German side of the border), even entrusting implementation to persons with extensive experience in cross-border projects did not help improve efficiency of programme delivery.

– Looking to the future with the planning period 2007–2013, far-reaching changes should be made in the management system. The draft National Strategic Reference Framework, adopted on 14 March 2006 by the Council of Ministers, is an attempt towards simplification and decentralisation, but on too modest a scale. Worse still, the issue of the management system was only sketchily treated. In the context of our earlier remarks, it seems justified to say that further work on the management system should firstly and foremostly take into account the following guidelines:
– Separating the strategic, supervisory and control functions from operational decisions. Officials working in ministries should not take part in making operational decisions; this should also apply to the regional level;
– Increasing the accountability of private (or, more broadly, other than governmental) institutions for the implementation of specific activities and functions in the system (currently processing a grant application takes about nine months; every single private financial institution would be able to do it in a time several times shorter;[24]
– Delegating full political and financial responsibility for the delivery of regional programmes to the voivodeship government (in line with the relevant legislation defining the competences of regional governments); this should also apply to handling payments;
– Increasing the role of experts in making decisions on grant award, with a view to selecting projects that are of cardinal development importance, which should help reduce the level of political corruption and enhance the concentration of development efforts;
– Developing an effective system for promoting and bringing in top practitioners;
– Retaining the specifically Polish development instrument which would allow to attain development policy objectives which are not necessarily convergent with European policy objectives. Here, I do not mean activities that would

[24] It should be recalled once again that in the past such a mechanism was used in Poland with the Commission's approval.

stand in contradiction to European goals but ones which are not regarded as priorities in light of EU regulations.[25]

All this is not likely to solve the problem of the quality of Poland's development policy but would certainly streamline its implementation.

What is the only source of concern raised in relation to the preparation for the new planning period 2007–2013 (again, not backed by a sound strategy) is a reduction, once again, of the planning work on the management system to be 'improved' instead of creating a wholly new system, developed with a long term view and intended to attain the goals of Polish development policy implemented with the use of European funds, and not *vice versa.* Last but not least, it is high time that the approach: 'EU money is only a tool' was rephrased. At the end of the day, it is not important how much money will be spent. What matters is what we will achieve with it.

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[25] The presentation of the draft NSRF at the session of the Spatial Planning Committee of the Polish Academy of Arts and Sciences (PAN) on 1 March 2006 proved that yet again there was not enough time for a debate on the goals of Poland's development policy. Instead, we had a discussion on the planning of such measures only which are expected to receive EU co-financing.