

THE EUROPEAN UNION'S REGIONAL POLICY FROM 1989 UP UNTIL 2004: THE CASE OF POLAND WITH SPECIFIC REFERENCE TO THE PRE-ACCESSION FUNDS

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by
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To my mother

APPROVAL PAGE

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Arts.

Prof. Dr. M. Lütfullah Karaman
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This is to certify that I have read this thesis and that in my opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts.

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AUTHOR DECLARATIONS

1. The material included in this thesis has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.

2. The program of advanced study of which this thesis is part has consisted of:

i) Research Methods course during the undergraduate study

ii) Examination of several thesis guides of particular universities both in Turkey and abroad as well as a professional book on this subject.

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ABSTRACT

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JULY 2005

EUROPEAN UNION'S REGIONAL POLICY FROM 1989 UP UNTIL 2004: THE CASE OF POLAND WITH SPECIFIC REFERENCE TO THE PRE-ACCESSION FUNDS

After the Cold-War, the conflict between the capitalist West and communist East and the bi-polarity of the world came to the end. The competition would be replaced by co-operation among states. The Europe has been split into two by the Berlin Wall during the cold-war. West Europe saw East Europe as a potential exporter of communism. Therefore, the West was affected in a positive manner by the downfall of communism. The downfall of communism terminated obstacles preventing co-operation between West and East Europe. East European people wanted to be rich and to have a democracy like their Western neighbours. The European Union was seen by CEECs as an organization which would open the door to the wealth and democracy. Although the EU members preferred to form a limited relationship at the beginning, in 1993, the Copenhagen Summit turned the full membership into a realistic option. In 1997 Luxembourg Summit, the EU accepted some CEECs including Poland as candidates for the full membership. Poland had to do changes in her domestic institutions and law for the adaptation into the *acquis communautaire* law during its candidacy period. Regional Policy and the Co-ordination of Structural Funds is a part of the *acquis communautaire*. Poland succeeded adaptation to EU Regional Policy. The EU's pre-accession funds supported Poland until 2004.

Key words:

European Union, Regional Policy, Regional Development, Poland, Pre-Accession Funds

KISA ÖZET

ÇAĞRI ÇOBANOĞLU

TEMMUZ 2005

AVRUPA BİRLİĞİ'NİN 1989'DAN 2004'E KADAR OLAN BÖLGESEL POLİTİKASI: KATILIM ÖNCESİ FONLARA ATIFLA POLONYA ÖRNEĞİ

Soğuk Savaş Sonrası, kapitalist Batı ve komünist Doğu arasındaki çatışma ve dünyanın iki kutupluluğu sona erdi. Bu bir anlamda da rekabetin yerini işbirliğinin alacağı demektir. Avrupa kıtası Soğuk Savaş boyunca Berlin Duvarıyla ikiye ayrılmış bir haldeydi ve Batı Avrupa, Doğu tarafının komünizm ihraç etmesinden çekinmişti. Bu sebeplerden ötürü Batı Avrupa komünizmin çökmesinden çok olumlu derecede etkilenmişti. Komünizmin çökmesi Batı ve Doğu arasındaki engelleri kaldırdı. Doğu Avrupalılar da Batı Avrupalılar gibi zengin ve onlar gibi demokrasi içinde yaşamak istiyorlardı. Bu yüzden bu hedeflerini gerçekleştirmek için Avrupa Birliği'ne üye olmak istediler. İlk başta AB ülkeleri tam üyeliğe sıcak bakmasalar da daha sonra 1993'deki Kopenhag zirvesinde tam üyeliğe yeşil ışık yakıldı ve 1997'deki Luxemburg zirvesiyle de Polonya'nın da içinde bulunduğu bazı Doğu Avrupa ülkelerinin tam üyeliğe adaylıkları kabul edildi. Bundan sonra Polonya, AB müktesebatı ile uyum sağlamak için kendi iç kanunlarında ve kurumlarında değişiklik yapmak zorunda kalacaktı. 'Bölgesel Politika ve Yapısal Fonların Koordinasyonu' bu müktesebatın başlıklarından biriydi. Polonya, AB Bölgesel Politikasına uyum göstermede başarılı olmuştur. Ayrıca, Polonya üyelik tarihi olan 2004 yılına kadar katılım öncesi fonlardan yararlanmıştı.

Anahtar Kelimeler:

Avrupa Birliği, Bölgesel Politika, Bölgesel Gelişim, Polonya, Katılım Öncesi Fonlar

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LIST OF ABBREVIATIONS

APDs	Accession Partnership Document
CEECs	Central and Eastern European Countries
CoR	Committee of the Regions
CSF	Community Support Framework
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
EDIS	Extended Decentralized Implementation System
EEC	European Economic Community
EIB	European Investment Bank
EMU	European Monetary Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GNP	Gross National Product
ISPA	Instrument for Structural Policies for Pre-accession Aid
NDP	National Development Plan
NPAA	National Programme for the Adoption of the Acquis
NUTS	Nomenclature of Territorial Units for Statistics
OPs	Operation Programmes

PHARE	Poland-Hungary Assistance in Restructuring their Economies
pNDP	Preliminary National Development Plan
PPP	Purchasing Power Parity
SAPARD	Special Action for Pre-Accession Measures for Agriculture and Rural Development
SEA	Single European Act
SMEs	Small and Medium-Sized Enterprises
SPDs	Single Programming Documents
TEU	Treaty on the European Union
UK	United Kingdom

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INTRODUCTION

After the downfall of the Soviet Union, communism in Central and East Europe collapsed. Central and East Europe countries (CEECs) which had been perceived as a threat to liberal/democratic systems of Western Europe until that time, became potential partners for Western European countries. The European Union, composed of Western European countries, attracted the interest of ex-communist CEECs as a union promoting wealth, democracy and a free market. There was some rapprochement between the EU and CEECs, but the parties had been pursuing contradictory goals. CEECs were aiming at full membership of the Union, while the EU was looking for a model that included political and trade association, but not full membership. Europe Agreements emerged out of the difference of approach between the EU and CEECs. The Europe Agreements were in favour of the EU rather than a mid-way path between the parties (EU and CEECs). Although a clause about the possibility of the full membership of CEECs was added to the Europe Agreements of Poland, Czechoslovakia and Hungary, there was no guarantee of their membership of the EU.

In 1993, the way to full membership was opened to the CEECs by the Copenhagen Summit. This gave the opportunity to the CEECs to accede to the Union. However, the Copenhagen Summit laid down some criteria to the countries which wanted to join the EU. In 1997, five Central European

countries (the Czech Republic, Estonia, Hungary, Poland and Slovenia) were accepted as "candidate countries". The criterion taken into consideration in defining the candidacy of the countries was the political and economic success of these countries in their adaptation to the post-communist era and the EU principles. In June 2001, the accession date of the candidate countries was determined at the Gothenburg European Council as being 2004.

After the approval of the candidacy of CEECs, they were faced with the *acquis communautaire* that is the entire body of EU legacy. My thesis includes 'Regional policy and co-ordination of structural instruments' which is a part of the *acquis communautaire*. Poland is one of the CEECs. I have examined the adaptation process of Poland to the Regional Policy of the EU with specific reference to Pre-Accession Funds.

Among the various EU policies, the reason behind my preference is my personal concern with the rising differences between cities, regions and countries in the world. Unequal distribution of wealth and resources across the world is a serious problem causing conflicts and preventing peace in the international arena. To do away with unfair global disparities, it is crucial to give a chance or opportunity to backward places for developing themselves and for reducing the gap between themselves and rich regions or countries. The EU is a union implementing that kind of policy for many years. However, I will not discuss how successful the EU regional policy is. My thesis is about

new members of the EU from CEECs because I am more interested in what was expected from new members during their candidacy period rather than what the EU gives them after membership in the regional policy issue. On the other hand, pre-accession aids provided by the EU is an important gain for the candidate countries, an issue for which this dissertation devotes a chapter.

Similarities between Turkey and Poland can explain why I chose Poland as a case country. The upcoming EU negotiations with Turkey has motivated me to study Poland's adaptation to the regional policy of the EU.

Poland can be an example to be followed by Turkey. There are important similarities between Poland and Turkey. Both countries have a big population. Poland is the most crowded country among the CEECs. Agriculture is important for both countries and both countries have a sizable agricultural population. More importantly, although there has not been a communist rule in Turkey, central state planning has been dominant in Turkey because of strict centralism as it was in Poland before the adaptation process. Probably, most of the obligations asked of Poland will be demanded from Turkey too. Issues taken seriously by the European Commission about regional policy are reflected in accession partnership documents and regular reports between Poland and the EU. Therefore, the documents between Poland and the EU related with the regional policy are worth to be examined. This is not valid for the documents between the EU and some other countries

such as Malta and Cyprus. Other CEECs could be similar to Turkey like Poland in terms of centralism, but there are other similarities between Turkey and Poland in that both countries have a big population (Poland is the most densely-populated country among CEECs). Agriculture is important for both countries, and both countries have a huge agricultural population.

I have divided my thesis into three chapters. In the first chapter, I have mentioned about the general structure of EU Regional Policy; its emergence, objectives, instruments and implementation procedures. The Second chapter is the adaptation process of Poland to the Regional Policy. The process which was experienced by Poland from 1989 until the 1997 Luxembourg Summit is examined in this chapter. Later, the efforts which Poland has made are discussed. The ideas of some thinkers are presented concerning Poland's approach to regional policy. I also make my own comment within the chapter.

The third chapter is the last chapter of the thesis. Pre-Accession Funds and their effects on Poland's adaptation process are the subject of this chapter. Some examples of projects co-financed by the pre-accession funds are given. The transformation of Phare and the emergence of Sapard and Ispa are also examined in this chapter.

CHAPTER 1

THE STRUCTURE OF EUROPEAN UNION REGIONAL POLICY

This chapter introduces regional policy. It seeks to shed light on the following questions: how Structural Funds come out; what purposes they serve, why is that only four countries benefit from the Cohesion Fund; the criteria regarding the distribution of funds according to regions; the meaning of Objective regions; what the Community Initiatives are; what function the European Investment Bank performs.

1.1 Emergence of EU Regional Policy

First reference to the regional policy was made in the Preamble to the Treaty of Rome in 1957. In the treaty, there was a reference to the need to “reduce the differences between the various regions and the backwardness of the less favoured regions”. The creation of the European Investment Bank in 1958 was another step towards the emergence of regional policy because of the EIB’s responsibility for granting loans to less developed regions. During the 1960s, regional problems were invisible because of the Union’s economic prosperity. The accession of new members has widened the regional disparities between countries and regions. The EU has been forced to set up regional policy instruments to decrease the negative effect of enlargement on the regional development of the Union. The first enlargement in 1973 caused the establishment of the European Regional

Development Fund (ERDF). The function of the ERDF was to compensate the UK for the Common Agricultural Policy and assist Ireland with its industrial decline problem. The European Social Fund (ESF) and European Agricultural Guidance and Guarantee Fund (EAGGF) were funds established by the Treaty of Rome but their regional aspects were developed at the same time with the establishment of the ERDF.¹ The ERDF is different from the ESF and EAGGF in terms of its origins. The ERDF did not come out of the Treaty of Rome and was designed as the first policy instrument to be dedicated to the problem of unequal development between EU regions.²

Although, the establishment of the ERDF was a cornerstone in the emergence of the EU Regional Policy, it was not in the real meaning until enlargements in 1981 and 1986 and the adoption of the Single European Act (SEA).³

The EC had considerable shortcomings even after the creation of the ERDF. These may be clarified as followed:

- Lack of agreement over the definition of a region
- limited regional assistance

¹ Jorge Juan Fernandez Garcia, "Regional Policy" ,in *The Student's Guide to European Integration: for Students by Students*, Ed. by. Jorge Juan Fernandez, Jess Clayton, Christopher Hobley, Cambridge, Polity Press in association with Blackwell Publishing Ltd. 2004, p. 194.

² Ákos Kengyel, "The EU's Regional Policy and Its Extension to the New Members", Discussion Paper, *Center for European Integration Studies*, Rheinische Friedrich Wilhelms-University of Bonn, C 76, 2000, p. 6.

http://aei.pitt.edu/archive/00000225/01/dp_c76_kengyel.pdf

³ *Ibid.* p. 7.

-problems in applications of weak regions for regional funds of the EU to the Commission.

In 1986, the Single European Act (SEA) was signed and entered into force in 1987. The SEA was a turning point of EU Regional Policy. General rules were laid down for a genuine regional policy. The Community recognition of the need for 'social and economic cohesion' and the necessary action required to strengthen such cohesion was introduced to the European Economic Community (EEC) Treaty within Title V by the SEA. Three financial instruments, which would be known as Structural Funds, (The European Regional Development Fund, The European Social Fund and the European Agricultural Guidance and Guarantee Fund) were established.⁴

The SEA was based on a social mission rather than the interests of various business groups. It was a counterbalance to the Single Market Programme (SMP) because the SMP was prepared to facilitate both deeper economic integration and greater competition through free trade, but the SEA was formed to overcome the pressures of capitalism on economically weak regions. In spite of the positive effect of the SEA on regional policy, there had been no rise in the share of the EU budget allocated to regional policy until the reforms in 1988 known as Delors Package 1. The Delors Package 1

⁴ Nevra Esentürk, "EU Regional Policy and Turkey's Adaptation Process as a Candidate Country", Thesis Advisor: Asst. Prof. Dr. Çiğdem Nas, T.C. Marmara Üniversitesi, Avrupa Topluluğu Enstitüsü, İstanbul, 2004, pp. 11,12

reforms increased the resources available to the Structural Funds twofold. In 1992, Structural Funds resources were doubled again by Delors Package II.⁵

There were crucial developments in 1992 for the regional policy of the EU. The Treaty on the European Union (TEU) or the Maastricht Treaty was signed. By the entry of the Maastricht Treaty into force, EC regional policy gained a legal basis. Article 130a within the Treaty states;

“ The Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions, including rural areas.”

This statement proves that economic and social cohesion is one of the fundamental objectives of the Union. Another change brought by the Treaty was the creation of the Cohesion Fund. The Cohesion Fund is a financial instrument that is different from the Structural Funds. The goal of its establishment was to help weaker states of the Community to meet the convergence criteria for economic and monetary union (EMU) and to provide financial contributions to projects in the field of environment and transport networks of member states whose GDP per capita is below 90 percent of the EU average.⁶

The Maastricht Treaty set up the Committee of the Regions. This institution has an advisory status. The reason for its establishment was to

⁵ Garcia, *op.cit.*, pp. 194–195.

⁶ Angela K. Bourne, “Regional Europe”, in *European Union Politics*, Ed. by. Michelle Cini, Oxford: Oxford University Press, 2003, pp. 285,286.

realize the participation of regional and local bodies in economic and social cohesion. The addition of the principle of subsidiarity to the implementation of Structural Funds was another change introduced by the Treaty.⁷

The European Commission was ordered to submit an assessment of the candidates' applications for membership and to prepare a detailed analysis of what enlargement would mean for the EU after the Madrid European Council in December 1995. It also reaffirmed that the necessary decisions for launching accession negotiations would be taken within six months of the conclusion of the Intergovernmental Conference (IGC) on the reform of the EU's institutions. (The conference was completed in June 1997 in Amsterdam) The importance of economic and social cohesion was once again emphasized by the Amsterdam Treaty. In July 1997, the Commission presented Agenda 2000 after the Amsterdam Treaty negotiations. On 26 March 1999, at the Berlin European Council, the Heads of Government or States concluded a political agreement on Agenda 2000.⁸

Agenda 2000 was an action programme whose main objectives were to strengthen Community policies and to give the European Union a new financial framework for the period 2000-06 with a view to enlargement. It made reforms on regional policy by increasing the effectiveness of the Structural Funds and the Cohesion Fund by greater thematic and geographic

⁷ Esentürk, *op.cit.*, p. 14.

⁸ The European Union Enlargement, Agenda 2000 and the European Commission's Opinions, http://europa.eu.int/comm/enlargement/intro/ag2000_opinions.htm, (30 April 2005).

concentration of projects on specific objectives and geographical areas and thus improving management. The structure of regional policy mentioned in this paper is the outcome of Agenda 2000, which constitutes the last reform of EU regional policy.⁹

1.2 Objective Regions of Regional Policy

Until the Agenda 2000 reforms, objectives of regional policy had experienced various reforms. The 1988 reforms were the first step to put the priorities of regional policy into order. As a result of the 1988 reforms, five Objectives were designated;

- to promote the development of less developed regions (whose per capita GDP is less than 75 percent of the Community average) (Objective 1);
- to convert the regions seriously affected by industrial decline (Objective 2);
- to combat long-term unemployment (Objective 3);
- to facilitate occupational integration of young people below 25 (Objective 4);
- to promote rural development : (Objective 5)
- to accelerate the adjustment of agricultural structures (Objective 5a),

⁹ Agenda 2000, Strengthening the Union and preparing the 2004 enlargement, http://europa.eu.int/comm/agenda2000/index_en.htm, (4 March 2005).

- to facilitate the development of rural areas (Objective 5b).¹⁰

In 1993, Objective 6 was added to the list through the reforms known as Delors II, because of the candidacy of three Nordic states. Finland, Norway and Sweden had vast areas that depended on primary products such as agricultural, fishery and forestry products. Objective 6 covered the northern areas of these countries on the basis of their low population density.¹¹ Besides, there have been some changes in the existing objectives apart from Objective 1, 2 and 5a. Objective 3 and 4 of the 1988 reform was brought together to create a new Objective 3. Its goal was to combat long-term unemployment and to promote the entry of young people into the labour market. The new Objective 4 was formed to promote the adaptation of workers to industrial change. The context of Objective 5 was enlarged. It took the responsibility for the development and 'Structural adjustment' of rural areas.¹²

Today, there are three objectives which cover former ones. The new Objective 1 is composed of the former Objective 1, 5a and 6. The former Objectives 2 and 5b are covered by the new Objective 2, and lastly Objective 3 replaces the former Objective 3 and 4.

¹⁰ Milena Minkova, "Regional Development in the CEECs: The Association Agreements and EU Regional Aid Policy", Discussion Papers, No:15, published by the Local Government and Public Service Reform Initiative, *Open Society Institute*, 2000, Budapest (Hungary), (7 May 2005).

¹¹ Clive Archer and Fiona Butler, *The European Union: Structure and Process*, Biddles Ltd, Guildford and King's Lynn, London, 1996, p.139.

¹² Ian Bache, *The Politics of European Union Regional Policy Multi-Level Governance or Flexible Gatekeeping ?*, Sheffield Academic Press Ltd, England, 1998, p.83.

The most important objective is Objective 1 promoting the development and structural adjustment of regions which are suffering from slow economic growth and unemployment. 69.7 percent of the Structural Funds budget goes to the Objective 1. Regions whose average GDP per capita over the last three years is less than 75 percent of the Union's overall average are eligible for this objective. To prevent overuse of the fund, the percentage of those who benefit from the fund is limited to 20 percent of the EU's total population.

Objective 2 contributes to the economic and social convergence of regions, especially regions in industrial decline. This objective receives 11 percent of the Structural Funds budget. Objective 3 takes measures for the human resources development of regions. Objective 3 is allocated 12.3 percent of the Structural Funds budget.¹³

1.3 The Instruments of EU Regional Policy

1.3.1 Structural Funds

The EU has funds providing financial support to regions which are poor and weak compared with developed regions of the EU. These are the Structural Funds and the Cohesion Fund. Structural Funds are separated into four types. The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Guidance Section of the European Agricultural

¹³ Garcia, *op.cit.*, p. 196.

Guidance and Guarantee Fund (EAGGF), the Financial Instrument for Fisheries Guidance (FIFG).

1.3.1.1 The European Regional Development Fund (ERDF) : To promote economic and social cohesion within the European Union through the reduction of imbalances between regions or social groups is its principal objective.

Areas to be co-financed by the ERDF

-productive investment for the creation or maintenance of jobs

infrastructure

-local development initiatives and the business activities of small and medium-sized enterprises

This fund covers all development areas: transport, communication technologies, energy, the environment, research and innovation, social infrastructure, training, urban redevelopment and the conversion of industrial sites, rural development, the fishing industry, tourism and culture.¹⁴

1.3.1.2 European Social Fund (ESF): It is the main financial instrument allowing the Union to realize the strategic objectives of its employment policy. Preventing and combating unemployment, developing

¹⁴ Ulrich Brasche, *Türkiye'nin Avrupa Birliği'ne Katılım Süreci: Avrupa Birliği'nin Bölgesel Politikası ve Türkiye'nin uyumu*, İktisadi Kalkınma Vakfı Publications, İstanbul, November, 2001, p. 45.

human resources and promoting integration into the labour market are the goals of the ESF.

Fields where the ESF is applied

- Integration of the long-term unemployed within the workforce
- Integration of the young unemployed persons within the workforce
- Integration of persons excluded from the labour market within the workforce
- Promotion of equal opportunities for all people in the labour market through the EQUAL initiatives
- Specific actions to improve women's access to the labor market
- Improving education and training systems
- Promoting a skilled workforce
- Increasing human potential in the field of research and development¹⁵

1.3.1.3 European Agricultural Guidance and Guarantee Fund (EAGGF): This fund contributes to the structural reform of the agriculture sector and to the development of rural areas. The EAGGF is composed of two sections, the Guidance Section and the Guarantee Section. The EAGGF deals with rural development and the improvement of agricultural structures.

¹⁵ The European Union Regional Policy 2006–2006: The European Social Fund, http://europa.eu.int/comm/regional_policy/funds/prord/prords/prdsb_en.htm, (12 March 2005).

Fields where the EAGGF is applied

- Investment in agricultural areas (modernization, reduction in production, costs, product quality, the environment)
- Aid for early retirement
- Compensation for less-favoured areas
- Agri-environmental measures
- Processing and marketing of agricultural products
- Development and optimal utilization of forests
- Development of rural areas through the provision of service, support for the local economy, encouragement for tourism and craft activities.¹⁶

1.3.1.4 Financial Instrument for Fisheries Guidance (FIFG): It is the specific fund for the structural reform of the fisheries sector. The FIFG aims to contribute to achieving a sustainable balance between fishery resources and their exploitation.

Areas to be co-financed by the FIFG

- adjustment of the fishing effort
- fleet modernization
- aquaculture development
- protection of marine areas
- fishing port facilities

¹⁶ Brasche, *op.cit.*, p. 46.

- processing and marketing of fishery products
- product promotion¹⁷

These different types of Structural Funds are allocated to relevant objectives. An objective can cover areas to be supported by Structural Funds. Objective 1 is supported by all four Structural Funds.¹⁸ Objective 2 is supported by the ERDF and ESF. Regions outside Objective 1 which are parts of Objective 3 are supported by the EAGGF and FIG. Objective 3 regions are under the support of the ESF.¹⁹

1.3.2 The Cohesion Fund

Spain was reluctant to be a net contributor to the structural funds. While the Maastricht Treaty was being negotiated, Spain was looking for support to create a new fund to compensate herself. The support came from relatively poor countries of the Community. Ireland, Greece and Portugal argued for an additional fund to eliminate economic and social differences between themselves and rich member states. The European Council was prompted into action by the threat of veto and formed the Cohesion Fund to help these

¹⁷ *Ibid.*, p. 47.

¹⁸ Erhan Erçin, *15 Soruda 15 AB Politikası: Avrupa Birliği'nin Bölgesel Politikası*, İktisadi Kalkınma Vakfı, İstanbul, Ekim 2003, p. 6.

¹⁹ Reform of the Structural Funds 2000–2006 – Comparative Analysis (1999), European Commission, p. 5. http://europa.eu.int/comm/.../docoffic/official/regulation/pdf/irfo_en.pdf (19 March 2005).

states on their efforts to catch up with the standards of richer member states.

This fund would assist Member States whose per capita GNP was below %90 of the Community average to meet the convergence criteria for economic and monetary union. At the same time, it would finance projects designed to improve the environment and develop transport infrastructure. The allocation of fund would be based on the countries not on regions. Although the principle of additionality is valid for this fund and beneficiary countries should make their own investment in these areas, in reality the principle is not implemented as strictly as it is implemented in the structural funds. On the other hand, additionality clashes with the target of decreasing public expenditure in Cohesion Countries. Therefore, Cohesion Countries are informally exempt from additonality to some degree.²⁰

Some authors have claimed that the formation of the Cohesion Fund was a side-payment to poor member states so that they would not prevent the implementation of the EMU (European Monetary Union) by voting against it. Most authors claim that the Integrated Mediterranean Programmes (IMPs) played the same role in gaining the support of Italy and Greece for the Iberian enlargement. Naturally, there is another group of thinkers who explain that regional policy is not just a side-payment but more than that.

²⁰ Stephen George and Ian Bache, *Politics in the European Union*, Oxford University Press, New York, 2001, pp. 373,374.

They would claim that Ireland is a good example as a long-term recipient of funds because she has the fastest-growing economy in the EU today.²¹

1.3.3 European Investment Bank

European Investment Bank (EIB) was established in 1958 by the Treaty of Rome as the main financial institution of the EU.²² The EIB contributes towards the integration, balanced development and economic and social cohesion of the Member Countries through funding projects. Projects and programmes must be viable in four fundamental areas (economic, technical, environmental and financial) to receive support of the EIB.²³ Activities of the EIB within the EU can be classified into four types

1. Developing the transport and telecommunications infrastructure: Highways, airports, railways and communication networks are included in the responsibilities of the EIB. The Channel tunnel was the largest-ever single project of the EIB. The EIB made an important contribution to the development and integration of the EC by this project. Transport is a key issue for the success of the single market in the EU and the EIB has an important role in the building of the transport infrastructure backed by 45 percent of the bank's lending activity in the EU.

²¹ Garcia, *op.cit.*, pp.199,200.

²² *Ibid.*,p.194.

²³ Official Site of European Investment Bank,
http://www.eib.org/faq/faq_projects_loans/index.asp?style=printable (4 March 2005)

2. Protecting environment: The EIB defines environmental protection as a priority area and supports projects by taking their effects on environment into consideration.

3. Strengthening the international competitive position of EU industry and promoting cross-border collaboration: adjusting the industries to structural change, and promoting the growth of enterprise and innovation.

4. Supporting the activities of SMEs (Small and Medium-Sized Enterprises): The bank, like a channel, sends money to SMEs through global loans.²⁴

The EIB helps not only member states but also non-member states. The large-scale economic development of Central and Eastern European Countries has been assisted by the EIB since 1990. Sometimes, this assistance has been supported through co-financing projects with the European Bank for Reconstruction and Development.

Activities financed by the EIB proves that the institution has a crucial meaning for regional policy. Especially, areas covered by the ERDF and the Cohesion Fund are within the responsibility of the EIB.

1.4 The Implementation of EU Regional Policy

The basic principles regulating the implementation of EU regional policy were set up by reforms after the adaptation of the Single European Act (SEA) of 1986. Five main principles directing the implementation of regional policy

²⁴ Desmond Dinan, *Ever Closer Union: An Introduction to European Integration*, Lynne Rienner Publishers, Colorado (USA), 1999, p.325.

are as follows: Programming, Concentration, Additionality, Partnership, Subsidiarity.

1.4.1 Concentration

It is rational for any regional policy to concentrate its funds on regions that suffer from their disadvantaged positions. In the EU, the concentration of Structural Funds on regions with the most serious development problems was seen as a method to increase the effectiveness of the European regional development policy. The separation of regions into categories (Objectives) with regard to the seriousness of their development problems helps the Commission to decide where the funds will be used.²⁵ On the other hand, there are two reasons for concentration. The first one is to justify the regional policy of the EU. The transfer of funds from the richer member states to poorer ones proves the ability of the EU in the provision of social and economic cohesion. The Second reason is the lack of a system of large-scale financial transfers to poorer ones through a federal government in the EU. Structural Funds are the only instruments to bear the burden.²⁶

²⁵ Esentürk, *op.cit.*, p.20.

²⁶ Harvey Armstrong and Jim Taylor, *Regional Economics and Policy*, Oxford (UK), Blackwell Publishers Ltd., 2000, pp. 325,326.

1.4.2 Partnership

This principle has a fundamental importance for the success of EU regional policy. The preparation, decision-making and implementation processes of the Structural Funds require close cooperation between the Commission, national governments and regional authorities. This principle develops the dialogue between these institutions.²⁷

There are three main reasons for the implementation of this principle by partnership with member states and regional institutions. The First reason is that the EU cannot manage the whole process without the help of member states. Besides, Member states have their own regional policies according to their situation. Therefore, EU and member states should work together. The Second reason is related to the structure of the EU. The EU is not a federal system. There is no budget of a true federal government and no large tax-raising power in the EU. The EU can not run a regional policy on its own. It must rely on the budget and bureaucracies of member states. The increasing importance of local governance is the third reason. Local governments have an interest as to how funds are used in their areas. The EU has to take their views into consideration.²⁸

The principle of partnership was reformed several times like the other principles of the structural funds. Although this principle has been in the

²⁷ Esentürk, *op.cit*, p.21.

²⁸ Armstrong & Taylor, *op.cit.*, p. 329.

Commission's agenda since 1970, it had to wait until 1988 to be accepted.²⁹ The Framework Regulation adopted by the Council in 1988 defined partnership as 'close consultation between the Commission, the member states concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal'. The 1993 reform did not make an important change to it.³⁰ With the introduction of Agenda 2000, the partnership principle included the organizations that aimed to promote equality between men and women and sustainable development through the integration of environmental protection and improvement requirements. The selection of partners remained with central governments.³¹

1.4.3 Additionality

The Additionality principle is based on the idea that the structural funds should not be used for the replacement of national funding done by member states. Development projects have to be co-financed by the EU and national institutions. Structural Funds are complementary or additional to the expenditure of member states' regional policy but not a substitute.³² However, member states can try to use the Structural Funds to cut back their own regional policy commitments. Therefore, with this in mind, the EU limits

²⁹ George and Bache, *op.cit.*, p.370.

³⁰ Bache, *op.cit.*, p.86.

³¹ George and Bache, *op.cit.*, pp. 379-381.

³² Esentürk, *op.cit.*, p.20.

the proportion of its spending in a project by determination of the co-financing rates within the project.³³ The 1993 reforms introduced criteria to prevent member states from overusing the funds. According to the 1993 reforms criteria, the Community would not contribute to projects of Objectives 2,3,4 and 5b more than 50 percent of their total cost. In addition, the contribution of the community would not get over 75 percent of projects' cost within Objective 1.³⁴ Agenda 2000 added private companies' investments to the co-financing list. As a result of this, the cost of companies' investments in Objective 1 regions at the level of 50% and in other objective regions at the level of 30% would be co-financed by the Community.³⁵

The principle of additionality can be interpreted as a natural part of the partnership principle. In other words, it is a partnership to meet the cost of the project.

1.4.4 Programming

This principle sets the timetable for the allocation of assistance. Structural funds are allocated to medium-term programmes rather than to individual projects. The principle of programming implies that each project should be included within a development plan. A programme has features of being a

³³ Armstrong & Taylor, *op.cit.*, p. 332.

³⁴ Bache, *op.cit.*, p.87.

³⁵ Brasche, *op.cit.*, p. 38.

multi-annual, multi-project and multi-partner contract. It is a co-ordinated solution on the problems of a region. Preparing programmes including individual projects is more practicable than preparing sole individual projects, and greater emphasis could be put on the design and implementation of coherent development strategies through the multi-annual programming of assistance.³⁶

The process of assistance is described below ;

“ First, development plans are drawn by the member states and presented to the European Commission. In the case of Objective 1, the Commission examines the plans submitted by each member state and, based on the plan and in consultation with the member states, adopts a Community Support Framework (CSF), which is supplemented by operationd programmes (Ops). There are actual guidelines for the implementation of the programmes. In the cases of Objectives 2 and 3, the Commission adopts what is known as Single Programming Documents (SPDs).”³⁷

In 1988, funds which would support Objective regions, have been programmed for 5 years except Objective 2 regions. Objective 2 regions would receive the funding in three years periods because this system would make Objective 2 regions flexible to respond to potential problems caused by unforeseen industrial decline. In 1993, the timetable changed and the period

³⁶ Armstrong & Taylor, *op.cit.*, p. 330.

³⁷ Andrés Rodríguez-Pose, *The European Union: Economy, Society and Polity*, Oxford: Oxford University Press, 2002, p. 51.

was risen to 6 years for Objective regions. In the case of Objective 2, 6 year period has been designed as two three-year phases because of the possible adjustment of the eligible areas and CSFs at the end of the first phase.³⁸ 1999 reforms (Agenda 2000) increased the period of funding to 7 years for all objectives; but in the new regulation, there would be an evaluation at the semi-period to change the programme if necessary.³⁹

Process of programming has been separated into stages. 1988 reforms have organized a system of three-stages. In this system, the first move was coming from the national governments. The government would submit regional development plans after consultation with sub-national units. These plans would give detailed information about regional problems, set out a strategy indicating priorities and estimate a required funding. Second, the Commission would make a mix of its own views with those of the government in Community Support Framework (CSF). The CSF is a document determining the priority areas to be funded, forms of the assistance and providing a financial plan. The CSF includes Operational Programmes (OPs) that are directed towards priority issues and sectors. At the last stage, OPs would be agreed by the partners to realize the objectives of the CSF.⁴⁰ In 1993, three-stage process was decreased to two stages. According to this new system, governments would submit a single programming document

³⁸ Bache, *op.cit.*, pp.73-85.

³⁹ Brasche, *op.cit.*, p.34.

⁴⁰ George and Bache, *op.cit.*, p.370.

comprising development plan and applications for assistance relating to it. On the other hand, The CSFs setting out priorities, funding and forms of assistance, were retained.⁴¹ Today, the regulation done by Agenda 2000 has both types of programming processes. Three-stage type is suitable for very large allocations, while two-stage funding is designed for small ones.

1.4.5 Efficiency

Efficiency principle was created by Agenda 2000 reforms. The main aim is to provide the correct management by monitoring the effectiveness of implementation of structural funds.⁴² To make the efficiency principle more effective, a performance reserve was proposed at the level of 10% of structural funds. It would be allocated to the regions performing well during the programme period. Although the proposal was accepted, the proportion was decreased to 4%.⁴³

1.5 Community Initiatives

Community Initiatives (CIs) differ from the programmes which are designed and run by member states through Structural Funds. Although approximately 6 percent of Structural Funds budget is allocated to

⁴¹ Bache, *op.cit.*, pp. 85-86.

⁴² Esentürk, *op.cit.*, p. 21.

⁴³ George and Bache, *op.cit.*, pp. 377-379.

Community Initiatives, Community Initiatives are controlled by the Commission.

Interreg III : It is designed to strengthen economic and social cohesion in the EU through cross-border, transnational and interregional cooperation. ERDF finances it. Special emphasis has been given to integrating remote regions and those which share external borders with the candidate countries.⁴⁴

Leader + : It is designed to help rural actor to achieve sustainable development by encouraging the implementation of integrated, high-quality and original strategies. Partnership and exchange of experience among regions or countries are included in this initiative. EAGGF Guidance Section is the source of finance for this initiative.⁴⁵

EQUAL: The aim of this initiative is to fight against discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation and inequality in the access to labour markets. ESF is the financial instrument of this initiative.⁴⁶

URBAN II: It supports new strategies and projects designed to promote the economic and social regeneration of urban areas in crisis. Urban II is financed by the ERDF. Information and experience-sharing on sustainable

⁴⁴ European Union Regional Policy, Connecting European Regions, http://europa.eu.int/comm/regional_policy/interreg3/index_en.htm, (20 May 2005).

⁴⁵ Erçin, *op.cit.*, p. 15.

⁴⁶ *Id.*

urban development in the European Union will be strengthened by Urban

II.⁴⁷

⁴⁷ European Union Regional Policy, Boosting Depressed Urban Areas, http://europa.eu.int/comm/regional_policy/urban2/index_en.htm, (20 May 2005).

CHAPTER 2

THE ADAPTATION PROCESS OF POLAND TO EU REGIONAL POLICY

The Chapter covers the transformation of Poland, communist rule of Poland and historical factors affecting regional disparities in Poland. How Poland acted after the downfall of communism, what kind of policy EU followed before accepting the full membership of Poland are questions related with the first part of the Chapter.

In the second part of the Chapter, I will try to answer the following questions how the Communist legacy affected Polish regional policy; were these effects negative; how Polish people perceived regional policy at the beginning; what kind of country Poland was before the communist rule, is there any connection between regional disparities and the history of Poland; which groups supported reforms about the regional policy and which ones were against them, what kind of discussions have been made; is there any clash between regional policy and market economy, and if there is a clash; which one should be preferred by Poland and why?

In the third section, the formal documents are examined. These are Accession Partnership Documents and Regular Reports. Did Poland follow the directions of these instruments, did Regular Reports affect Poland's adaptation process, was Poland criticized when she failed to act in tandem

with the EU stipulations; could Poland be seen as a successful candidate in the field of regional policy?

2.1 The First Developments in Poland after the downfall of Communism

Since the downfall of the Soviet Union in 1989, there have been crucial changes in world politics. A new era have since begun. European Community (EC) has been affected by the fall of Communism in Central and East Europe. During the Cold-War, EC's objective was to encourage individual countries towards independence from the Soviet Union by signing trade agreements with them. However, these agreements were not economically profitable for CEECs because the export of agricultural products, coal and steel and textile was restricted by EC. These agreements meanwhile politically benefited the EC.⁴⁸

After CEECs gained their freedom, EC had to develop a new policy towards these countries. The policy implemented by EC during the Cold-War would not be enough to satisfy the expectations of CEECs. USA has been supporting EC to prepare plans and projects for the transformation of CEECs. In the service of adaptation of CEECs to the post-communist area, Phare programme, that was formed in 1989, was the first project that emerged

⁴⁸ Ulrich Sedelmeier, Helen Wallace, "Policies Towards Central and Eastern Europe", in *Policy-Making in the European Union*, Ed. by. Helen Wallace, William Wallace, Oxford: Oxford University Press, 1996, pp. 354,355.

from the western economic summit of the Group of Seven (G7). Phare (Poland and Hungary: Aid for the Restructuring of Economies) programme was developed out to speed up the reform process in Poland and Hungary. This programme would be spread out towards other CEECs in the following years. The European Bank for Reconstruction and Development was another institution related with the transformation of CEECs.⁴⁹

The basic expectation of CEECs from EC was approval for accession to the Community. However, this approval was not an easy decision for EC. There have been various obstacles before the accession of CEECs. One of these obstacles was the possibility of reunification of East Germany with West Germany as a result of the fall of Berlin Wall. East Germany would already enlarge the Community, and other CEECs had to wait until this happened. Another problem is related with the discussion between those who defend the widening of the Community and those defending the deepening of the Community. Those who favour the developing the depthness of the Community was against the enlargement because they thought that the acceptance of new members would harm the integrative achievements of the Community. How much enlargement would actually cost and which of the member states would pick up the largest part of the cost were other

⁴⁹ *Ibid.*, pp. 356,357.

questions in people's minds causing negative ideas about the accession of CEECs.⁵⁰

On the other hand, members of EC were aware that the enlargement was the only tool to stabilize CEECs. Instability in CEECs could be the source of instability in the whole of Europe through the immigration and rise of crime rates as a result of immigration. Besides, the EC had presented itself as a union of democracy and peace and when the possibility of membership of non-western European countries became a realistic option, turning down the new democracies would be a negative image for the EC.⁵¹

The EC stuck between rejecting and accepting new members offered alternative agreements to CEECs instead of full membership. European Economic Area as a free trade area linking the EU with non-EU West European States and Europe Agreements which are political and trade association agreements with several CEECs were the leading ones of alternatives offered by EC.⁵²

Official diplomatic relations between Poland and the European Economic Community were initiated as early as September 1988. Poland began negotiations with the EEC concerning the Agreement on Trade and Economic Cooperation, which was eventually signed in Warsaw on 19 September 1989.

⁵⁰ Lykke Friis, "EU Enlargement and then There were 28", in *The European Union: How Does It Work?* Ed. by. Elizabeth Bomberg, Alexander Stubb, New York, Oxford University Press, 2003, p. 187.

⁵¹ *Id.*

⁵² *Id.*

It was a non-preferential agreement containing a most favored nation clause for both parties.⁵³

On 25 May 1990, Poland submitted to Brussels an official application for the commencement of negotiations or an Association Agreement with the European Communities. The first negotiation began with Poland and at the same time with Hungary and Czechoslovakia in December 1990. The final outcome of negotiations did not satisfy CEECs. The main criticism of Poland and other CEECs was about the EC reluctance to establish a clear link to future membership. Although the Commission accepted that CEECs were seeking eventual membership, there was no link between association and accession. Accession was totally a separate question for the EC. CEECs wanted a connection to be established between Europe Agreements and accession, and Germany and Britain as members of EC supported CEECs' offer. As a result of these pressures, a new statement was added in which EC recognized future CEEC membership as the associates' 'final objective'. However, this statement wasn't interpreted as a positive step. On the contrary to that, it was perceived as a stand against enlargement.⁵⁴

Other point which the CEECs criticized was about free trade principle. EC approved the elimination of tariffs and quotas in industrial products over five

⁵³ Sylwia Pusz, "Conditions and Consequences of EU Enlargement: A Polish Perspective", National Europe Centre Paper No. 10, Australian National University, <http://www.anu.edu.au/NEC/pusz2.pdf#search='sylwia%20Pusz%20a%20polish%20perspective'>, (14 March 2005), p. 2.

⁵⁴ Sedelmeier and Wallace, *op.cit.*, p. 370.

years, but different provisions were implemented to sectors like textiles, iron, coal and steel, and agriculture. Slower and limited liberalization would be done in these sectors. Even after the completion of liberalization in these sectors, EC had a right to restrict the export of CEECs .⁵⁵

The reason behind the strict measures to prevent the import in non-industrial sectors was economic interests of domestic EC sectors. EC sectors were aware that the products coming from CEECs would create a new competition within domestic EC market, and economic interests gained primacy over political ones. It was difficult to make a clear-cut separation between member countries of EC in terms of economic and political goals. There were different positions in a member state. Ministries of economics, industry and agriculture of a EC member were at the same side with producer lobbies and other sectoral interest groups, while foreign ministries of the same states were representing political goals.⁵⁶

Later, on 16 December 1991, the Europe Agreement was signed establishing the association between Poland and European Communities and their Member States. This agreement was crucial to form political dialogue and to develop commercial and economical relations. The agreement would be operational on 1 February 1994.⁵⁷

⁵⁵ *Ibid.*, p. 371.

⁵⁶ *Ibid.*, p. 371,372.

⁵⁷ Pusz, *op.cit.*, p. 3.

EU Council Summit in Copenhagen in 1993 opened the way of membership to all CEECs which had concluded or were about to conclude the special association agreements or Europe Agreements. The Copenhagen Criteria, which were accepted in the Summit, had to be implemented by CEECs to access to the Union.⁵⁸

On 8 April 1994, Poland submitted in Athens an official application concerning Poland's accession to the European Union, declaring Poland's readiness to open the accession negotiations within the appropriate timescale. Based on the recommendations of the European Commission, the EU heads of states and governments, during the Luxembourg summit on 12-13 December 1997, made the decision to start the process of enlargement of the European Union, which was to cover all candidate countries from Central and Eastern Europe and Cyprus and Malta (twelve states in total). However, in accordance with the decision of the Council of Europe, the accession negotiations were to commence only with five Central European countries which were the most advanced in political and economic terms (the Czech Republic, Estonia, Poland, Slovenia, Hungary and Cyprus).⁵⁹

⁵⁸ Friis, *op.cit.*, p. 187.

⁵⁹ Pusz, *op.cit.*, pp. 3,4.

2.2 The Communist Legacy and the Discussions about the Reformation of Local Governments

In the Soviet Model, territorial governments were established on the local level (rural and urban municipalities), county level and regional level. There was a hierarchical system called "dual subordination" meaning the subordination of the executive board and the administrative apparatus to organs of the higher territorial tier and to their own council.⁶⁰ In dual subordination, local and national interests had to be represented at the same time by a territorial government, but in a situation in which local and national interests clashed with each other, national ones were superior to local interests and local institutions were obligated to follow the way of central government that was the main representative of national interests.⁶¹ Democratic centralism and homogeneous state authority were other principles to be followed by the territorial governments. These principles were the natural outcome of a Communist regime, but except for the formal regulations limiting decentralization, informal actions were taken to press over the territorial governments. For example; although some bodies would be elected, this did not come true. Nomination replaced elections. In fact,

⁶⁰ Michael Illner, "Territorial Decentralization: An Obstacle to Democratic Reform in Central and Eastern Europe", in *The Transfer of Power: Decentralization in Eastern and Central Europe*, ed. Jonathan D. Kimball, Open Society Institute-Local Government and Public Service Reform Initiative, Budapest (Hungary), 1998, p.10.

⁶¹ Jerzy Regulski, *Local Government Reform In Poland: An Insider's Story*, Open Society Institute-Local Government and Public Service Reform Initiative, Budapest (Hungary), 2003, p.20.

formally, elections were done, but without competing candidates and secret voting.

Other negative sides of regional policy of Communist governance were as follows:

1- Communist party controlled territorial governments, their functionaries, and their personnel. Persons occupying the posts had to be approved by the Communist party.

2- Because of the centralist structure, territorial governments could not take initiatives. Important decisions about the local or regional development were taken and financed by the higher level territorial administrations and the centralist ministries.⁶² Investment priorities of various ministries were decisive in regional plans and this was a top-down approach based on the proposals from ministries.⁶³ It is not difficult to claim that within this structure, local units had no chance to propose their own initiatives; therefore the people, whose will was not reflected on the proposals prepared by the central institutions, could not be satisfied by the way local and regional units were governed.

4- Territorial governments had a weak financial power because they did not have their own properties. They belonged to the central state. Territorial

⁶² Illner, *op.cit.*, p.11.

⁶³ Ludek Sykora, "Local and regional planning and policy in East Central European transitional countries", 1999 http://www.natur.cuni.cz/~sykora/text/rpap_2.htm, (14 May 2005).

governments were only administering them.⁶⁴ Non-central places were in a disadvantaged position because of the top-down distribution of funds.⁶⁵

5- A contradiction between interests of the state and the interests of the territorial governments was unacceptable. Territorial government had to follow the path of the central state. The path was the interest of the working class.

6- A horizontal type of relationship did not exist. Territorial units were not administered as a complex socio-economic organism.

7- Vertically organized and centrally controlled enterprises prevailed over local and regional governments about local and regional issues. That meant that territorial organizations were dominated not only by the central state but also by economic organizations with power and patronage.⁶⁶

It is clearly seen that the regional development policy of Poland's communist system was completely opposite to the EU regional policy, especially in terms of allowing local units to decide on their own. The autonomy granted to local governments in Poland today, was avoided during the communist era. On the other hand, in ex-Poland, some regions in which concentration of industries located, had been given powers much more than others and had become the focus and driving force of national development,

⁶⁴ Illner, *op.cit.*, p.11.

⁶⁵ Sykora, *op.cit.*

⁶⁶ Illner, *op.cit.*, pp.12.

like Slaskie.⁶⁷ By contrast, the EU regional policy aims at making all regions participant in the economy. Therefore, the communist legacy of Poland was a negative factor for the reform process, because there have been groups, inherited from the socialist order, whose interests would have been affected negatively by reforms compliant with the EU regional policy.

The stages Poland has experienced between 1990 and 1999 included important reforms in local and regional restructuring of the country. The first reform process in 1990 restructured the municipalities (gminas). In 1990, The Act on Local Self-Government provided a complete autonomy and delegation of certain rights and responsibilities to municipalities, such as the right to own property, collect taxes, manage their financial resources and formulate and promote general municipal interests.⁶⁸ The newly elected government was in favour of the reform of municipalities and popular support for change made it easier. The great will of people for reform accelerated the process. Regulski stresses this point and says that there were three ways to form the legislation for decentralization of local administration. First, to make local elections before changing the legal system. Second; to reform the municipalites before elections at local level;

⁶⁷ Andrei I. Lobatch, "EU Membership and Growing Regional Disparities: Poland's Strategy Options To Optimise Structural Transfers From The Union" <http://unpan1.un.org/intrdoc/groups/public/documents/NISPAcee/UNPAN018524.pdf> (13 May 2005)

⁶⁸ Ludek Sykora, "Regional Policy and Planning In Transition States Of East Central Europe (the Czech Republic, Hungary and Poland)", in *Regional Policy and Planning in Europe*, Paul Balchin, Ludek Sykora, Gregory Bull (ed.), London, Routledge. <http://www.natur.cuni.cz/~sykora/text/rpap.htm> (20 March 2005)

third; one to study in detail methods to replace existing regulations with new ones before elections held. The first method would probably create problems for newly elected local bodies that are supposed to be reformers. New officials would work by the existing system and when they became familiar with it, it would be eliminated. Third method would need a long time to be followed. The detailed work on formulation and preparation of new municipalities' councils would spend one year and a half at least and Polish people could not wait for so long. Therefore, second option was preferred with regard to the success of reformation and the consent of people.⁶⁹

Although positive atmosphere about the decentralization of municipalities was widespread, there were some groups standing against it.

The Polish bureaucracy was naturally opposed to economic and political transformation, because it is a well-known fact that decentralization limits the power of state officials. In the Polish case, the resistance against reforms was stronger than a country with democratic culture. First, Polish politicians, even those who supported transformation, experienced a totalitarian system; hence, democracy and decentralization were new concepts for them. On the other hand, it was easier to rule local governments by decree than to rule them by negotiation.

Second resistance came from the first free elected government in Poland. Although members of the first coalition in post-communist Poland consisted

⁶⁹ Regulski, *op.cit.*, pp. 40-41.

of elected non-communist parties which were mostly reformist, there have been some individuals connected with the communist regime in important ministries who controlled the police and security services. The Ministry of the Interior was such an example. Another source of resistance was the Ministry of Finance that was in favour of central administration of funds to succeed in the reform process.

The Fourth group that resisted, was composed of heads of state-owned enterprises. During communist governance, state-owned enterprises did not perform efficiently. They survived on subsidies. The guarantee provided by the subsidies made state-owned enterprises deficit-bringing institutions. Formation of municipalities with autonomy would change this system because municipalities had to finance themselves to make projects and enterprises in their regions had to bring money. Efficiency was a necessity and the losses of state-enterprises would not be met by central government. The heads of the enterprises had to prove themselves to stay in their positions. They did not like the new system.

The last group was trade unions. In fact, trade unions were among the prominent challengers to communism and played a key role in its elimination. However, trade unions are naturally against decentralization of government. The reason is that, they negotiate with one government in a centralized structure. However, decentralization forces trade unions to deal with many

bodies of government rather than a central government.⁷⁰ Trade unions lose their dominant position by a decentralized state. They are bound to make some sacrifices to persuade local representatives and to take interests of local institutions into consideration.

In the second half of 1990s, the EU motivated Poland to continue the reforms in the area of regional government. The approval of accession to the EU brought missions, including the creation of regional governments (voivodship) and counties (powiat) in line with the standard set by the EU. Poland possessed some advantages: "In the second half of the 1990s, the establishment of regional government gained a new momentum with the requirements of EU on associate states. However, there is a major discrepancy between the population size of regions in the Czech Republic, Slovakia and Hungary and the territorial basis of EU structural policies. At present, only Poland has regional government on the size scale acceptable for the allocation of EU regional development assistance" says Ludek Sykora.⁷¹

Second reform period in Poland began in 1997 after national elections. Second and third dimension of territorial organization had been already planned in 1990s but the coalition government composed of Democratic Left Alliance (Sojusz Lewicy Demokratycznej - SLD) and Polish Peasant Party

⁷⁰ Regulski, *op.cit.*, p.37; pp.221-222-223.

⁷¹ Sykora, *op.cit.*, "Local and regional planning and policy in East Central European transitional countries".

(Polskie Stronnictwo Ludowe - PSL) did not favour of decentralization between 1993 and 1997. SLD had a socialist background. It was formed by the partnership of various political parties, social organizations and the Social Democrats of the Republic of Poland (Socjaldemokracja Rzeczypospolitej Polski - SdRP); the successor of the communist Polish United Worker's Party (Polska Zjednoczona Partia Robotnicza – PZPR).⁷² PSL was organized as the successor to the communist United Peasant Party (Zjednoczone Stronnictwo Ludowe – ZSL). PSL had an agrarian-populist basis and was popular among rural people. The party had a stand against the decentralization attempts. It is ironic that PSL supported the accession to the EU officially but the idea of accession to the EU "at any price" was not compliant with their terminology.⁷³

PSL's attitude is similar to that of Nationalist Action Party in Turkey. Similar terminology is used by both parties, like the the former's refusal to gain the access to the EU "at any price" in Poland and the latter's proclamation that "accession should not be accomplished at the cost of our pride".

With the election of new government which is a coalition between Solidarity Electoral Action (Akcja Wyborcza Solidarność - AWS) and the

⁷² Michal Kulesza, "Methods and Techniques of Managing Decentralization Reforms in CEE Countries: The Polish Experience" in *Mastering Decentralization and Public Administration Reforms in Central and Eastern Europe* (Ed.) Gabor Peteri, Budapest (Hungary), Open Society Institute-Local Government and Public Service Reform Initiative, 2002, p. 213.

⁷³ Aleks Szczerbiak, "Explaining Declining Polish Support for EU Membership" in *Journal of Common Market Studies*, Volume 39. No.1, March 2001.

Freedom Union (Unia Wolności - UW), the opportunity to proceed with the decentralization of territorial structure was found. AWS was a centre-right organization including three different ideological groups: liberals, Christian-democrats and nationalists.⁷⁴ UW is a liberal party making a coalition with AWS.⁷⁵ Although the rightists came together to the coalition ideally, they could not continue this harmony when they started to implement practical policies. It was unlucky for Poland that a government making reforms towards the EU membership would dissolve after one election period. The multi-ideological structure of the party was a factor. Their unity was based on their rivals. The rightist coalition parties had commonality in anti-communism. However, there was a clash between them about economic views. UW was supporting the free market economy but the platform of rightist parties aimed to maintain the state as protective institution in economy. In addition to domestic problems of the coalition, there were economic problems in Poland. In fact, the coalition reduced the inflation rate, but the implementation of restrictive policy to get the inflation down caused new problems, like low production and high unemployment. The opposition criticized the government harshly because of social and economic situation of the country.⁷⁶ In 2001 elections, the leftists governments won the majority of seats while the parties of the ex-coalition had none.

⁷⁴ Kulesza, *op.cit.*, p.214.

⁷⁵ Regulski, *op.cit.*, p.240.

⁷⁶ Regulski, *op.cit.*, pp.85-86.

Before territorial administration reform was passed on January 1, 1999, there had been conflicts between pro-decentralization sides and pro-centralization sides during the period. There were two points where the discussion centred. The first point to be resolved was the number of counties (county). Most of the economic analysts pointed on the necessity of the establishment of large units that would limit the counties' number between 175-200. Michal Kulesza who has made important contribution to the reform process since 1990s, criticized the low number of counties. He declared that it is difficult to be accepted by the people. He was right. People wanted to have county status that were advantageous. Citizens of many cities opposed the government proposal and rallied in streets in spite of the rise of county status to 308 and approval of county status for 65 cities by the government. In 2001, the government agreed to add 7 new counties to existing ones and 315 counties emerged.⁷⁷

The discussion about the status of regional governments was centered around the unity of Poland. Reactions to avoid federalization and disintegration of the country were developed against the government proposal by PSL and various leftist groups. Even a group within the coalition party, AWS, objected to the decentralization of regions. Opposing groups disliked not only the decentralization itself but also the low number of

⁷⁷ Pawel Swianiewicz and Mikolaj Herbst, "Economies and Diseconomies of Scale in Polish Local Governments" in *Consolidation or Fragmentation ? The Size of Local Governments in Central and Eastern Europe* (Ed.) Pawel Swianiewicz, Budapest (Hungary), Open Society Institute-Local Government and Public Service Reform Initiative, 2002, p.231.

regions. The government proposed a system with 12 regions. 49 regions would be reduced. Opponents of the government act demanded 25 regions to be established.⁷⁸ "Political bargains to gain MPs votes" forced the government to increase the number of regions to 16. Twelve regions with larger parts would be more powerful before the central government. Centralist parties were motivated to act against the proposal because of this reason.⁷⁹ Besides, politicians from different parties came together to prevent their regions to be accumulated under one region.⁸⁰

My general view about the conflict between pro-reform groups and anti-reform groups is that leftists parties carrying the communist legacy are naturally opposed to it. Big regions are perceived as a threat to the power of central state and this is true. Small regions with weak powers are easily directed by the central administration. Therefore, anti-decentralization alliance preferred high number of inefficient regions rather than low number of efficient regions.

The effect of public opinion in these reforms was not stable according to me. People took side sometimes with the ruling party and sometimes

⁷⁸ Wiktor Glowacki, "Regionalization in Poland" in *Regionalization for Regional Development and Accession to the European Union: A Comparative Perspective*, (Ed.) Gerard Marcou, Budapest (Hungary), Open Society Institute-Local Government and Public Service Reform Initiative, 2003, p.111.

⁷⁹ Tatiana Majcherkiewicz, "Great Expectations: The Regional Administrative Reform in Eastern Central Europe in the anticipation of the EU" in *The Ionian Conference 2000 Facing the Challenges of the New Millennium Governance and citizenship in the European Union - the influence of culture*, p.9., <http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN017672.pdf> (17 March 2005)

⁸⁰ Glowacki, *op.cit.*, p.111.

opposing groups. The preference of the Polish people was not clear. To give an example, at the beginning of 1990s, they backed the decentralization of municipalities; on the other hand, they opposed to the limited number of counties or they did not have sympathy for high salaries of local governors. Indeed the legislation to limit mayors' salaries was supported by 90% of Polish people.⁸¹ Therefore, parties tried to get popular support for their policies. Generally, reformers are more disadvantageous than anti-reformers because people are afraid of losing what they have as a result of changes. The first reformers at the beginning of 1990 did not face this kind of reaction because people were tired of the communist order; but after years have passed, people lost their enthusiastic feelings about reforms and they were motivated to protect what they had. The policy followed by the PSL can be taken as an example of this situation. The PSL defended that a two-tier system of regional organization should be implemented rather than three-tier one because it is cheaper⁸² although "since the middle of nineties, the delaying of county and regional reform has been the main obstacle to the further development of the Polish economy". It is also known that decentralized big regions have greater flexibility and efficiency than centralized small ones and does not cost much.⁸³ The policy followed by the

⁸¹ Pawel Swianiewicz, "Sympathetic Disengagement: Public Perception of Local Governments in Poland" in *Public Perception of Local Governments* (Ed.) Pawel Swianiewicz, Budapest (Hungary), Open Society Institute-Local Government and Public Service Reform Initiative, 2001, p.201.

⁸² Glowacki, *op.cit.*, p.111.

⁸³ Majcherkiewicz, *op.cit.*, p.8.

PSL did not completely bring about positive opinions about the introduction of counties into negative ones, but it should be emphasized that the percentage of people who were not sure whether the introduction of counties was too costly or not, increased in the years when reforms were close to be finished.⁸⁴

Anti-reformers could be defined also as anti-EU. Especially, 1998 reforms were forced by the legislation of the EU. The EU was a prime motive behind these reforms.

Although anti-reformers did not gain the majority in the parliament after 1997 elections, they had still some powers. Public television in Poland was such a power that it was used by the leftists for their own goals. The SLD and the PSL participated the television to the fight with the center-right government. Polish public television criticized reforms and refused to broadcast educational programmes of the government. The government's actions were watched in cable and private channels, but public television was reaching to for greater number of people.⁸⁵ As a result of both views which are opposite to each other, it is important to understand how Polish people have been affected, how they think about reforms – are they good or not- do they trust on them, do they participate in the elections of local government, are there different views among Polish people based on the place where they

⁸⁴ Swianiewicz, *op.cit.*, "Sympathetic Disengagement: Public Perception of Local Governments in Poland", p.194.

⁸⁵ Kulesza, *op.cit.*, p.206.

live or the education level they have. The results of some surveys can make our mind clearer about the answers to these questions.

TABLE 1.

Turnout in Local, Parliamentary and Presidential Elections in Poland

	1989–1990	1993–1995	1997–2000
Local	42% (1990)	32% (1994)	46% (1998)
Parliamentary	63% (1989)	51% (1993)	47% (1997)
Presidential	61% (1990)	68% (1995)	61% (2000)

SOURCE: Statistical Yearbooks, GUS, Warszawa

The table above is clear that Polish people do not care about local governments. The participation to local elections is lowest in all periods and there is no stable rise.

Some argue that when people are happy or satisfied with their conditions, they do not go to elections to make a change. When they are not happy, they do not hesitate to vote. Therefore, does the low participation of Polish people to the local elections proves their satisfaction ? If we look at Table 2, we see that this is not completely true.

TABLE 2.

	Big impact	Small impact	No impact
National government	49	33	12
Parliament	46	35	13
Local government	34	42	16

SOURCE: CBOS survey of citizens, March 1994

The table above gives the results of a survey done among 94 people. Participants were asked: "Do you Feel That Decisions Made by the Following Institutions have a Significant Impact on Your and Your Family's Life?" Elections were seen effective by people except local government elections. Therefore, the thesis explaining the low participation in turnout of local governments based on the happiness degree of people is confuted in the case of Poland. The real reason is that the Polish people did not think that local elections were so important that they had to vote.

With regard to the latest developments bringing self-government and organizing second and third tier of local governance, the table below illustrates the opinions of Polish people on the Regional Reform and the percentage agreeing with the following options.

TABLE 3.

	Introducing Regional Government is Too Expensive	Regions Would Save Public Money	Introducing Regions Will Bring More Advantages Than Disadvantages to My Personal Life	Introducing Regions will Bring More Advantages Than Disadvantages to the Whole Country
Size of community				
– rural	46	46	17	27
– city <20 000	41	50	28	32
– city 20–100 000	50	63	34	42
– city 100–500 000	55	51	18	28
– city over 500 000	28	61	32	48
Education level				
– primary	40	38	17	25
– vocational	52	53	24	31
– secondary	48	58	26	37
– university	39	72	34	49

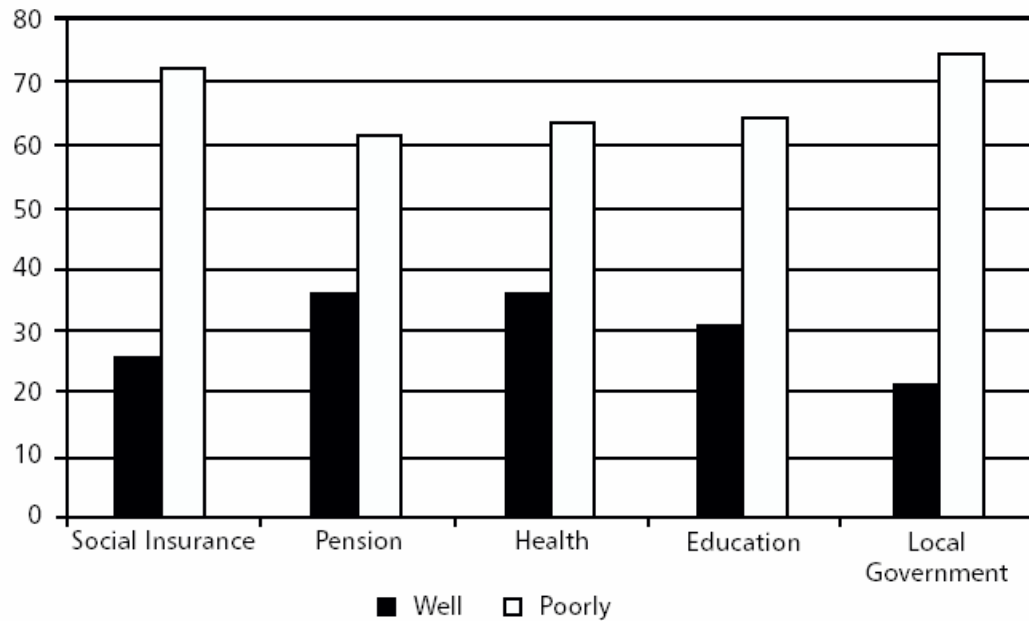
SOURCE: OBOP 03/1998

Well-educated people and those living in big cities are groups that trust on regions to save the public money overwhelmingly. It is interesting that all groups believe that introduction of new regions are more advantageous to the whole country than to their personal lives.

Table 4 illustrates the answers given to the question “Do you Feel Well Informed About the Following Reforms?”. It does not need much efforts to notice that the differences are higher in local government issue as compared with other reform titles.

TABLE 4.

(CBOS Survey of Citizens 06.2000)



2.3 The Regional Differentiation

2.3.1 The Reasons of Regional Differentiation in Poland

Before discussing the details of regional policy implemented by Poland, the regional structure of Poland should be examined. Poland has a regional differentiation between its Eastern and Western parts. This differentiation can be seen in geography, cultural aspects, the level of economic development, education and urbanization of the regions. According to Gorzelak, there are two reasons for the differentiation between the east and west of Poland.

1- Structural reason (Historical reason)

2- Urban-Rural Dimension⁸⁶

Historical reason: The origin of territorial differences goes back to the period between 13th and 15th centuries. Through "the first wave of urban development"⁸⁷, the spatial pattern⁸⁸ of ancient cities was determined and a system of "the agrarian regime"⁸⁹ shaped the villages in a specific way. The importance of these processes was risen by the acceleration of industrialization on some parts of Poland during the 19th century. These parts attracting economic activities during the history are defined as the West of Vistula River.

However, the reasons mentioned above still fall short of explaining the differences between eastern and western Poland in a historical context. There was another reason causing the differentiation. It was the rule of Poland shared by three powers: Russia, Prussia and Austria. These occupying powers left deep effects in Poland by their political and economic approaches.

The western regions of Poland were under the control of Prussia. Prussia implemented strict governance over Poland. Political, economic and cultural

⁸⁶ Grzegorz Gorzelak, "Regional Policies and Regional Capacity-Building in Poland", in *Central and Eastern Europe on the Way into the European Union: Regional Policy-Making in Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia*, Ed. by. Martin Brusis, (December 1999) a project on the integration of Central and East European countries into the European Union, jointly realized by the Bertelsmann Foundation and the Bertelsmann Group for Policy Research, Center for Applied Policy Research, p. 134.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

pressure of Prussia over Poland caused a positive result for the modernisation of Polish regions. Polish economy became strong against the German economy and a more orderly spatial planning was achieved as a result of these developments. On the other hand, Russian controlled eastern regions of Poland only made a negligible progress. The inefficiency of the bureaucracy and the corruption of Russian officials were general characteristics of the rule. The importance of the location of a region in its development level can be perceived better when the position of ód region, located in the east of Poland, is taken into consideration. Ód was on the western side of Russian controlled areas and it was one of the most advanced places within the eastern side. It was a bridge between West (Europe) and East (Russia) and achieved some economic development by taking advantage of its location.⁹⁰

According to Grzegorz Gorzelak, historical differentiation of the former and present Polish territories can be presented as follows:

- Territories in the west of Vistula which had been under the influence of the West for the long time, is like part of Western Europe, today.
- Territories in the east of the line dividing Slavic Christendom into two Parts, western (Roman-Catholic) and eastern (Orthodox) which had been under the influence of the East, belongs to Eastern Europe;

⁹⁰ *Ibid.*, p. 134,135.

- Territories between these two historical borders, are transitional areas. Western and Eastern Europe influences shaped their social, economic and spatial structures.⁹¹

Urban-rural dimension of the regional differentiation in Poland is a general condition for most countries. Education centers, industrial factories, cultural and scientific activities of a country are generally concentrated on urban areas. Foreign capital goes to urban areas too. Almost all regions including companies with foreign capital locates in the west of Poland. However, the level of urban-rural polarization in terms of regional development in Poland today is sharper than that in the communist period of Poland. The rise of this differentiation can be seen in the distribution of agricultural activities across the country.

Grzegorz Gorzelak makes a separation between agricultural areas in terms of East-West separation as below :

- "Large farms of several hundreds" (or even a few thousand hectares): They are based on hired labour and functioning according to the principles of a capitalist enterprise. North-western Poland is the place of these farms.
- "Big, dynamic family farms" (a few hundred hectares): They are functioning in accordance with the principles of the free market and they are family enterprise models. The mid-western region of Wielkopolska attracts this kind

⁹¹ *Ibid.*, p. 135.

of agriculture farms because of the region's "the tradition of high agricultural culture".

- "Numerous small farms" (from 1 to 5 hectares): Self-provision, reproduction of a certain lifestyle and sense of security in uncertain times are characteristics of these farms. They are located in the south-eastern Poland with the smallest farms and the highest hidden rural unemployment.⁹²

The geographical location has a key role in making regions advantageous or disadvantageous as in the past, and its importance is still related with trade. Today, regions that are close to the EU border, have cross-border cooperation and trade with the EU states. Western regions of Poland attracted foreign investment into their regions. In addition to their geographical advantages, they had an inheritance of more modern economic structure, better qualifications of the labour force, better equipment with high-quality institutional and material infrastructure than eastern regions.⁹³ (Although western Polish regions enjoyed a big rise in cross-border trade with Germany, they could not maintain it at the same level because they did not make investments on business.)⁹⁴

The differentiation between regions in Poland was not eliminated under the communist rule because of policies concentrating investments on already

⁹² *Ibid.*, 137,138.

⁹³ Lobatch, *op.cit.*

⁹⁴ Grzegorz Gorzelak, "Decentralization, Regional Development and Regional Policies", http://www.bbr.bund.de/english/publications/download/izr/8_2000_gorzelak.pdf , p.352. (17 May 2005)

developed areas and newly established centres with no industrial traditions. Besides, the inefficiency of infrastructure under the responsibility of municipalities was an obstacle before the improvement of living conditions even in industrialized regions.

According to me, the regional differentiation is a normal consequence of privatization and market economy. Social democratic (or welfare) governments care about the balance between regions and intervene on the economy when it is necessary to provide a balance. In capitalist systems, individual entrepreneurs play active roles and make investments on regions that promise tangible economic benefits. Individual entrepreneurship does not care about the social welfare or economic differentiation among regions. That is why rising urban-rural split in Poland since the start of the transformation from the planned economy to the market economy is not something unexpected. At this point, there is a conflict between free market economy and regional policy of the EU.

2.3.2 The Conflict Between Principles of Equity and Efficiency

Free market and regional policy are implemented by the EU although they seem contradictory to each other. Regional policy of the EU has been created against regional disparities resulting from the lack of social policies during the long process that began in 1957 and continued to the beginning of 1990s. It was developed within the Community as a reaction to the existing

structure of free market system. However, today in the Polish case, regional policy is a structure established in the Union, and Poland was faced with it before she completed its transformation to the free market economy. EC members were already liberal/capitalist countries when they developed regional policy but Poland is an ex-communist country and it is difficult for Poland to adapt into the regional policy of the EU while trying to comply with the rules of free market system and privatization. This situation forces Poland to define her first priority between liberal (efficiency) and social (equity) approaches. This choice was very important to decide where structural funds, which would be taken by Poland after accession, would go.

Sykora refers to the conflictual situation of transition countries whose target was to be member of the EU. According to him, a balanced development of national territory is the main interest of the State, and the distribution of various activities across the country should promote similar conditions for people living in different regions. He says that while the regional disparities is reduced, the national growth should be taken into consideration. However, this creates a bias between two principles. One of them is in favour of the social equality and reduction in regional disparities, but this principle can hamper the economic growth of the country. The other

one gives priority to the national economic growth requiring agglomeration economies and rising regional disparities.⁹⁵

Grzegorz Gorzelak defines the conflict between regional policy and national growth as equality-efficiency dilemma. According to him, efficiency should be the goal because this is the rational choice for the conditions of world economic structure. Global economy, privatization and openness need to pursue the efficiency principle. After the goal of "overcoming the country's civilisational backwardness by means of fast economic growth and deep structural changes in the economy and social-occupational structure" has been achieved, the bridging of regional disparities may be the new goal.⁹⁶

Gorzelak defends very limited intervention of central state over regional institutions. Only in some fragile situations, like the prevention of social uprising, the reduction of social tension because of regional disparities or the recovery of a region suffering from a sustained, heavy regression, an intervention by the central state could be accepted, according to Gorzelak. For the next years, Gorzelak thinks that areas that would benefit from the aid programmes of regional policy should be selected on the basis of unemployment rate rather than the low level of GDP per capita. This would provide an increase in the national growth.⁹⁷

⁹⁵ Sykora, , *op.cit.*, "Local and regional planning and policy in East Central European transitional countries".

⁹⁶ Gorzelak, *op.cit.*, "Regional Policies and Regional Capacity-Building in Poland", p. 142.

⁹⁷ *Id.*

Gorzelaak thinks that reaching the equality goal is more difficult than reaching the efficiency goal in a modern economic system. His idea of non-intervention of central power is supported by the new decentralized system of territorial administration making some reforms about the change of tasks and responsibilities between the central government and regional institutions.⁹⁸

NDP (National Development Plan) reflects Gorzelaak's ideas in its draft in 14 January 2003. NDP considers that the real problem is not the differentiation but the low economic potential of all regions. (NDP) Besides, the poor condition of regional governments in the eastern part is mentioned in the NDP. Factors limiting the development of these regions are recounted by NDP:

- ineffective employment structure
- low level of agriculture productivity
- low level of development of industry and services
- low quality of human resources (a weak industry)
- low urbanization
- low involvement of foreign capital⁹⁹

Gorzelaak criticizes not only equality principle but also the EU Regional policy itself. He says that new members of the EU will force the EU to look

⁹⁸ Gorzelaak, *op.cit.*, "Regional Policies and Regional Capacity-Building in Poland", p. 143.

⁹⁹ Poland National Development Plan 2004–2006 Adapted by the Council of Ministers on the 14th of January 2003, p. 35.

for some changes in regional policy as a result of increasing burden. According to him, new regional policy should be constructed around the efficiency and modesty.¹⁰⁰

2.4 The EU's Evaluation of Poland's Efforts with regard to Agreements between Poland and EU

2.4.1 Accession Partnership Documents (APDs)

During the adaptation process of Poland to EU Regional Policy, Poland has taken significant steps to develop the necessary structures for the implementation of the Structural Funds after accession. The Accession Partnership Document has served as the guide for Poland in taking these steps. In Luxembourg, in December 1997, it was decided by the European Council that the Accession Partnership would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the candidate countries within a single framework.¹⁰¹

Accession Partnership 2001 contained a programme of action which included the following:

- “Establish National Development Plan and define the implementation structures of the final plan”

¹⁰⁰ Grzegorz Gorzelak, “Regional Development in Central Europe and European Integration”, http://www.bbr.bund.de/english/publications/download/izr/12_2001_gorzelak.pdf , p.748. (18 May 2005)

¹⁰¹ Accession Partnership Document 1999, http://europa.eu.int/comm/enlargement/dwn/ap_02_00/en/ap_pl_99.pdf (19 March 2005)

- “Define the bodies in charge of the implementation of Structural Funds and the Cohesion Fund, in particular the Managing and Paying authorities; establish a clear division of responsibilities”
- “Ensure effective inter-ministerial co-ordination and clarify responsibilities for regional policy issues”
- “Set up the required monitoring and evaluation systems for Structural Funds, in particular for ex-ante evaluation and for the collection and processing of the relevant statistical information and indicators including regional statistics for the purposes of ex-ante evaluation”
- “Improve the budgetary system according to structural funds standards; establish financial control arrangements for Structural Funds management, establish and properly staff future managing and paying authorities for Structural Funds management”
 - “Develop the technical preparation of projects eligible for Structural and Cohesion Funds assistance (project pipeline)”¹⁰²

Steps taken by Poland in the path of adaptation to Regional Policy through the guidance of Accession Partnership has been followed by the European Commission through regular reports. The Commission would report regularly to the European Council on progress made by each of the candidate countries of Central and Eastern Europe in preparations for membership.

¹⁰² Accession Partnership, 13 November 2001, http://europa.eu.int/comm/enlargement/report2001/appl_en.pdf (21 March 2005)

2.4.2 Regular Reports

The first regular report was submitted at the end of 1998. Naturally, there have been many problems to be solved about the adaptation to regional policy. Firstly, it was stated that the achievement of the legal, institutional and budgetary structures within regional policy was a condition for Poland's participation to the EU. The most important development concerning the adaptation of Poland's regional policy to that of the EU was the territorial State Administration reform. This reform would be effective on 1 January 1999. It changed the territorial division of Poland. 16 regions (voivodships) and 308 counties (powiats) and over 2,500 local, self-governmental units (gminas) were created through this reform. Poland's act was the most radical decentralization reform of territorial organization among all CEECs. This reform took the political power from the central state and gave it to regional authorities. Regions would be governed by elected regional assemblies presided by elected representatives of the regions called Marshall. On the other hand, there would be a representative of the central government (Voivod) appointed by the Prime Minister. The responsibilities and authorities of regional and local institutions were increased. 16 regions were equipped with property and budget. Self-governmental counties became responsible for post-graduate education, roads, employment services performed by the old regional governments in previous times. Municipalities took the obligation for basic service delivery to the population, as well as for basic technical local

infrastructure. According to 1998 Regular Report, the entry of the reform of territorial administration into force would have a positive effect on the development of a genuine regional policy approach.

Although the positive effect of the territorial State Administration reform was emphasized in the report, there was a great burden of work to be finished. There was no central co-ordinating Ministry although a specific Government Committee on Regional Policy was recently created. Financial procedures and monitoring and control procedures were weak as were financial instruments. For effective co-ordination and implementation, institutional structures and ministerial responsibilities had to be strengthened and clarified.¹⁰³

In 1999, a new regular report was published. When this regular report was declared, the territorial state administration reform had entered into force on 1 January 1999. The next move was to make the order brought by the reform operational. Implementation was very crucial for the EU. According to the report, the formation of 16 new regions could correspond to political level regions (NUTS 2) designated in accordance with EU methodology and in the light of State Administration Reform. Administrative level regions had to be defined to comply with NUTS 3 concept of EU methodology. Clarification was emphasized between political (NUTS 2) and administrative (NUTS 3) levels of regions in order to ensure a smooth

¹⁰³ 1998 Regular Report From The Commission On Poland's Progress Towards Acession, http://europa.eu.int/comm/enlargement/report_11_98/pdf/en/poland_en.pdf (3 April 2005)

implementation of regional policy. On the other hand, an official coordinating body has not been created yet. The new Law on Public Finance regulating the principles of budgetary commitment and expenditure control was seen as positive act, and this law would facilitate multiannual programming. But the lack of identification of budgetary provisions for regional interventions was a shortcoming to be fixed. Monitoring and control procedures still required some progress and institutional structures and ministerial responsibilities needed to be strengthened and clarified as the 1998 Regular Report had stressed. General judgement of 1999 Regular Report was stated in the conclusion part. " Poland has achieved some progress in developing the capacity to participate in EU structural policy. However, many problems remain and efforts need to be accelerated if Poland is to be ready for participation by the date of accession."¹⁰⁴

Poland made important progress about the issues mentioned in Regular Report 1999. Regular Report 2000 was quite positive. The territorial state administration reform became operational and newly formed local and regional self-government institutions started to carry out their obligations about the regional policy. A five level NUTS classification was constituted. One of the most important developments was the adoption of the Law on Regional Development in May 2000. It was not only a progress in the

¹⁰⁴ 1999 Regular Report From The Commission On Poland's Progress Towards Acession, http://europa.eu.int/comm/enlargement/report_10_99/pdf/en/poland_en.pdf (10 May 2005).

legislative framework, but also put some rules for programming, management and institutional structures of regional development in Poland. The regional contract (voivodship contract) was the outcome of this law "as the fundamental basis for the funding of regional development programmes throughout the country".¹⁰⁵ By the regional contract, self-government institutions benefit from the state budget to do their tasks that are part of regional government strategies and programmes. The main purpose of this agreement is to support the socio-economic development of the country and its regions. For the realization of this purpose, five priorities have been defined.

Priority 1. Development and modernization of the infrastructure to enhance the competitiveness of regional governments.

Priority 2. Restructuring of the economic base of regional governments and creating conditions of their diversification.

Priority 3. The human resources development.

Priority 4. Supporting the regions threatened by marginalization.

Priority 5. Development of the regional co-operation.¹⁰⁶

A step towards the development of the National Development Plan 2000–2006 was taken by the approval of the Preliminary National Development Plan (PNDP) 2000–2002 in 2000.

¹⁰⁵ 2000 Regular Report From The Commission On Poland's Progress Towards Acession, http://europa.eu.int/comm/enlargement/report_11_00/pdf/en/pl_en.pdf (10 May 2005).

¹⁰⁶ EU Structural Funds in Poland, the Voivodship Contract, <http://www.funduszezstrukturalne.gov.pl/English/Voivodship+Contract/> (9 April 2005).

In financial and budgetary management, budgetary provisions for regional interventions had to be identified both at national and regional levels. In the part of overall assessment of the Report, significant progress Poland has made and required instruments established by Poland for the implementation of the economic and social cohesion was stated. Although the Ministry of Regional Policy and the newly established inter-ministerial co-ordination structures had been constructed, their effectiveness had to be proven in practice. Besides, in the system which the territorial state administration reform brought, the division of responsibilities between the marshals and the Voivods needed further clarification. Considerable training would be required to ensure that the administrative management and co-ordination structures could function effectively. To prepare National Development, more efforts were necessary. The success of Poland in the adaptation to regional policy could not continue in the period after Regular Report 2000. Regular Report 2001 criticized the limited progress Poland achieved. However, there were some developments. Regional contracts between each Marshall and the Minister for Regional Development were concluded in June 2001. In this way, the amount of support given to each regional self-government were determined for 2001 and 2002. This support would help self-government bodies in the pursuance of their development under the supervision of the Voivod. The only positive progress was in the clarification of institutional structures.

The adoption of National Strategy for Regional Development was another positive act because it was one of six medium-term strategies, which were necessary to establish NDP (National Development Plan 2000-2006). The Support Programme for 2001-2002 to start implementing this strategy was adopted.

The lack of development in the partnership principle was criticized. The establishment of regional government steering committees including the representatives of social partners was not enough because the presence of the social partners in consultations at central level remained limited.¹⁰⁷

In the assesment part of Regular Report 2001, it was stated that there was no much progress. Compared with previous years, the progress was slow in 2001. NDP had to be completed until the accession and the time was receding. For the implementation of Structural Funds, the distribution of responsibilities had to be determined. However, managing and paying authorities and other authorities which would take roles in the implementation of structural funds under the overall responsibility of the managing and paying authorities weren't defined yet. The division of responsibilities was also unclear at the central level, between central and regional levels and at the regional level between Voivods and Marshalls.¹⁰⁸

¹⁰⁷ 2000 Regular Report From The Commission On Poland's Progress Towards Acession

¹⁰⁸ 2001 Regular Report From The Commission On Poland's Progress Towards Acession, http://europa.eu.int/comm/enlargement/report2001/pl_en.pdf (11 May 2005).

The negative commitment of Regular Report 2001 accelerated Poland's efforts for accession. During 2002, Poland worked very hard to change negative atmosphere in the Commission to positive one. Adoption of amendments to the Public Finance Act and the designation of the management structures for the implementation of the Structural Funds and Cohesion Fund were reflections of efforts by Poland. Managing and paying authorities were designated as Ministry of Economy and Ministry of Finance respectively. All these positive changes were indicated in the Regular Report 2002. In spite of these developments in institutional structure, establishment of effective inter-ministerial cooperation needed more efforts. To implement the system of financial flows between Paying Authority, Managing Authorities, Intermediate Bodies and final beneficiaries and to place the appropriate systems and procedures for financial management and control was an obligation. To operate managing and paying authorities, a trained staff had to be prepared.

The First draft of NDP 2004-2006 was submitted in June 2002. In the first draft of NDP, there were six Sectoral Operational Programmes, one Integrated Regional Operational Programme and one Technical Operational Programme to be implemented. Marshall and Voivod would be responsible for the implementation of the Integrated Regional Operational Programme.¹⁰⁹

¹⁰⁹ 2002 Regular Report From The Commission On Poland's Progress Towards Acession, http://europa.eu.int/comm/enlargement/report2002/pl_en.pdf (11 May 2005).

In the last draft of NDP, six sectoral programmes were reduced to five sectoral programmes. There was one Integrated Regional Operational Programme and one Technical Operational Programme.

- Improvement of the Competitiveness of Enterprises
- Human Resources Development
- Transport
- Restructuring and modernisation of the food sector and rural development
- Fisheries and fish processing
- Integrated Regional Operational Programme
- Technical Assistance¹¹⁰

These programmes would be accepted in the Community Support Framework (CSF) after all Regular Reports about Poland was completed. The programmes would be financed by the structural funds between 2004-2006. The ERDF would meet the biggest proportion by 60.1 %. It would be followed by the ESF (23.1%), EAGGF (14.4%) and FIFG (2.4%).¹¹¹

The global objective of the Community Support Framework in Poland was the convergence with the socio-economic development of the EU through the achievement of the following specific objectives:

¹¹⁰ Poland National Development Plan 2004-2006 Adapted by the Council of Ministries on the 14th January 2003, www.pldg.pl/p/pl/TarJF/downloadFile/39/3/1/1/2 (2 May 2005)

¹¹¹ Structural Funds in Poland, [70](http://europa.eu.int/comm/commission_barroso/hubner/ground/doc/poland8b.pdf#search='STRUCTURAL%20FUNDS%20IN%20POLAND%20(â,-%208.3%20billion)'>http://europa.eu.int/comm/commission_barroso/hubner/ground/doc/poland8b.pdf#search='STRUCTURAL%20FUNDS%20IN%20POLAND%20(â,-%208.3%20billion)' (3 May 2005).</p></div><div data-bbox=)

- Developing the growth of, and employment in, the enterprise sector
- Human capital development
- Improving infrastructure endowments related to economic growth and the quality of life
- Improving the conditions for regional development, including rural development¹¹²

At the concluding part of Regular Report 2002, it was stated that "A reasonable degree of legislative alignment has been achieved, although the current level of administrative capacity needs to be substantially improved. Negotiations on this chapter have been provisionally closed." On the other hand, it was not an end, as was stated. Although Poland met the commitments in general meaning, Poland would make efforts to do better. The report continued thus: "Poland should focus further efforts on defining the detail of the implementation structures and on reinforcing the administrative capacity".¹¹³

In 2003, the last regular report was submitted. There wasn't a big difference between this report and the previous one. Poland had generally met requirements of the acquis. At the conclusion, the report summarized the whole process of Poland's adaptation to the regional policy of the EU and mentioned about the degree Poland achieved. In the report, it was said that

¹¹² Community Support Framework 'Promoting Economic Growth and an Environment for Job Creation' Brussels-Warsaw, December 2003 CCI: 2003 PL 16 1 CC 001

¹¹³ 2002 Regular Report from the Commission on Poland's Progress Towards Accession

Poland was expected "to focus on establishing an adequate pipeline of well-prepared projects." According to the report, while Poland was essentially meeting the requirements for membership in areas of territorial organisation and programming, she in fact fulfilled its legislative, institutional and financial obligations partially.¹¹⁴

Nonetheless, on the whole, it can be asserted that Poland made significant advances towards integrating itself into the EU in the context of regional policy, particularly after criticisms raised in the regular reports of the European Commission. Especially, in 2000 and 2002, Poland embarked on successful reforms. When we examine previous reports, we see that the deficiencies mentioned in these reports were resolved by Polish administration; the success of Poland was indeed reflected in the ensuing reports. The negative comments of the Commission did not break the self-confidence of Poland on the way of membership. On the contrary, it motivated Poland to strive harder.

¹¹⁴ 2003 Regular Report from the Commission on Poland's Progress Towards Accession, http://europa.eu.int/comm/enlargement/report_2003/pdf/cmr_pl_final.pdf (12 May 2005)

CHAPTER 3

PRE-ACCESSION FUNDS GIVEN TO POLAND

The last chapter of the thesis relates with pre-accession funds. Questions as the following are asked for this purpose: What is the role of pre-accession funds in the adaptation process of Poland? Is there a similarity between pre-accession funds and the funds after the accession (the Structural Funds and the Cohesion Fund)? Is there negative criticism about pre-accession funds? when were these funds formed? Which country gets the biggest share of these funds? What are the criteria in the distribution of pre-accession funds?

Poland has benefited from three pre-accession funds during her candidacy period. These pre-accession funds were Phare, Ispa and Sapard.

The General Goals of the pre-accession funds were ;

- To help next member states in catching up with Community standards and legislation
- To prepare next member states for the use of EU Structural and Cohesion funds¹¹⁵

¹¹⁵ Peep Mardiste-Estonian Green Movement-FoE, Lessons learned from EU pre-accession funds, <http://www.coalition-on-eufunds.org/Peep%20Mardiste.pdf> (3 May 2005).

3.1 PHARE (Poland and Hungary: Aid for the Restructuring of their Economies)

Phare programme was created in 1989 to help Poland and Hungary in their transition to liberal economy. Later, it was enlarged to cover other CEECs. When it was established, there was no clear link between the usage of Phare and the membership of Poland to EU. Phare was later connected with the accession of Poland in 1997 when she was accepted as a candidate country.

Evolution of Phare from 1989 to the accession of Poland and other CEECs is seen below :

Phase 1 1989–1991—humanitarian aid

Phase 2 1991–1993—recommendations and training

Phase 3 1993–1997—investment support

(at the level of regions and sectors)

Phase 4 1997–1999—assistance is focused on pre-accession needs

Phase 5 from 2000 till EU enlargement—assistance programs

(Phare, ISPA, SAPARD) are focused on the needs of European integration

Phase 6 from the date of accession till the end of 2006—access to

EU structural funds¹¹⁶

¹¹⁶ ICPS Newsletter, Technical assistance prepared Poland to join the European Union, A publication of the International Centre for Policy Studies, 14 May 2001, http://www.icps.kiev.ua/doc/nl_eng_20010514_0107.pdf#search='ICPS%20NEWSLETTER%2014%20MAY%202001%20technical%20assistance%20Poland', (4 May 2005).

Phare is responsible for two basic areas in helping accession countries to achieve the adoption of the *acquis communautaire*. Areas under the responsibility of Phare ;

1- Institution Building

2- Investment

Institution Building, getting 30 percent of the budget, is defined as the process of helping the candidate countries to develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity. An innovative tool was introduced to serve that purpose: Twinning¹¹⁷

Twinning is a EU funded programme focusing on institution building. Twinning aims to assist the Candidate Countries in developing modern and efficient administrations, whose task is to transpose, implement and enforce European legislation (*acquis communautaire*) along the same standards as in the current Member States.¹¹⁸

In this framework, administrations and semi-public organisations in the Candidate Countries, jointly with their counterparts in the Member States, develop and execute Twinning projects based on the transposition, enforcement and implementation of specific parts of the *acquis communautaire*

¹¹⁷ PHARE, ISPA, SAPARD – From EU pre-accession Instruments to EU Structural Funds in the Slovak Republic, Information Leaflet published by Delegation of the European Commission in Slovak Republic, ISBN 80-968152-9-6, Bratislava 2002, p. 7. <http://www.europa.sk/test/dokumenty/phare/Phare-Ispa-Sapard.pdf> (6 April 2005).

¹¹⁸ *Ibid.*, 19.

These projects involve bringing several short-term experts from the Member States to assist their counterparts in the Candidate Countries in their reform process.¹¹⁹

Regional government of Dolnośląskie of Poland benefited from Twinning programme of Phare. The basic objective of Twining programme implemented in regional government of Dolnośląskie of Poland was to prepare institutional, administrative and budgetary structures in the region of Dolnośląskie for the future participation in the EU economic and social cohesion policy.¹²⁰

Investment:

The adoption of the *acquis communautaire* means that the candidate countries have to ensure that, as soon as possible, their enterprises and main infrastructure respect Community norms and standards. This requires considerable investment. This is particularly the case for the enforcement of Community rules in areas such as environment, nuclear safety, transport safety, working conditions, marketing of food products, consumer information, and control of production processes. In order to avoid long transitional periods, investment efforts are necessary to adapt to Community norms and to develop major infrastructure. The types of investment support

¹¹⁹ Pre-accession: Phare Twinning programme, 14.07.2004, <http://www.evd.nl/zoeken/showbouwsteen.asp?bstnum=110112> (10 March 2005).

¹²⁰ Phare EU-Institution Building Programme (Twinning) Poland, Twinning–Covenant, Project Reference No. PL2000/IB/OT02- Commitment Of Twinning-Partners Between The Comunidad of Castilla y León and the Comunidad de Madrid (Spanish Autonomous Regions) and Dolnośląskie Voivodship (Poland). www.umwd.pl/twinning/download/Convenio.doc (23 March 2005).

includes structural and social actions, SME development, adoption of European Community norms, and large-scale infrastructure. This second priority accounts for around 70 per cent of the Phare budget.¹²¹

Phare helps also ISPA for its efficient implementation. In Poland, through twinning of Phare, various works have been done to set up the sector strategies and to train officials for the management and implementation of ISPA. Sending EU consultants and organizing seminars, conferences and study trips to the EU countries is also part of the process. That shows that Phare can help not only candidate countries in their reform process but also other pre-accession funds' implementation. Besides, Phare can play an active role in the construction of necessary structures which are under the responsibility of ISPA. For example, one part of a motorway in southern Poland was constructed by Phare while other part of it was finished by ISPA. However, it is important to state that this was not a co-financed project formally because the co-financing of an ISPA project by another EU fund is not allowed.¹²²

Transformation of Phare into a pre-accession fund through Agenda 2000 reforms made Phare connected with Structural Funds after accession. Phare

¹²¹ The Enlargement Process and the three Pre-accession instruments: Phare, ISPA, SAPARD, European Commission, Enlargement Directorate General, February 2002, p. 8.
http://europa.eu.int/comm/enlargement/pas/phare/pdf/phare_ispa_sapard_en.pdf (24 March 2005)

¹²² Przemyslaw Slowik, "Instrument for Structural Policies for Pre-accession: a step towards the Cohesion Fund ? – Case of Poland" Supervisor: Prof. Eric Philippart, College of Europe, Bruges, Department of Political and Administrative Studies, Academic Year: 2001-2002, pp.12,23.

was seen as an instrument of preparation "to enable candidate countries to get familiar with the procedures and rules of the funds they could access after joining the European Union". When structural funds are examined, it is noticed that Phare has similar type of activities with those of ERDF and ESF.¹²³

When we look at distribution of Phare resources among candidates of CEECs between 1990-2000, it is seen that Poland benefited most from Phare resources. 1609,88 million Euro was paid to Poland between 1990-2000 by Phare. Among ten countries, four countries (Poland, Romania, Hungary, Bulgaria) take %73 of all resources. The factors affecting the different amount of distribution of Phare resources are;

- countries were included in PHARE at different times, hence the period of use in some cases is shorter than in others;
- economic and social potential of the recipient country;
- absorption capacity and administrative readiness;
- experience in management and programme realization.¹²⁴

¹²³ Pawe Capik, "Pre-accession Assistance: Conditions, Spatial Distribution and Management Issues on a Polish example", University Association for Contemporary European Studies, p. 4. <http://www.uacesstudentforum.org/papers/Capik.pdf#search='Pawe %20Capik'>, (25 March 2005).

¹²⁴ *Ibid.*, 5.

3.2 ISPA (Instrument for Structural Policies for Pre-Accession

Aid)

ISPA was founded by Agenda 2000 as a pre-accession fund focusing on environment and transport fields of the *acquis communautaire*. ISPA provides financial support to candidate countries in their way of adopting the *acquis communautaire*.

35 projects were approved in 2000 and 2001. In the field of environment, 21 projects were accepted. 13 projects were defined for transport including six road, five rail and two technical assistance projects. Finally, one project was approved for the transfer of the responsibility from the Commission to the national authorities for financial management and control.¹²⁵

The beneficiary countries of ISPA had to prepare ISPA investment strategies before they submitted their projects to ISPA Management Committee. These documents were playing the guide role for the selection of ISPA projects. The decision about the selection of the projects was being given according to the level of connection established between the content of the project and the investment requirements for achieving compliance with the *acquis* in transport and environment sectors.¹²⁶

The key criteria for the selection of projects

¹²⁵ Press releases of the Representation of the European Commission in Poland – Archives <http://www.europa.delpol.pl/index.php?id=ekomunikat&koid=93&samSession=9d304a2b2e99cab04588c4d2369ba79e> (2 June 2005).

¹²⁶ The Instrument for Structural Policy for Pre-Accession (ISPA) in 2000 – Annual Report, European Commission, p. 9.

- the Community dimension of investments to be developed
- a systematic long-term approach in line with the environment strategy to be ensured
- concentration of the projects to impact the maximum number of people
- to ensure maximum financial leverage¹²⁷

That environment problems of candidate countries get over the budget of ISPA caused the creation of directives called "investment heavy" meaning costly to implement. Four areas which were determined according to this criteria are drinking water supply, treatment of waste-water, solid-waste management and air pollution.¹²⁸

In transport, ISPA focus on three of four Corridors crossing Poland.

Corridor 1: It joins Poland with Baltic States

Corridor 2: It connects Poland with Germany and Belarus

Corridor 3: It connects Poland with Germany and Ukraine

Corridor 4: It connects Poland with Slovakia and Czech Republic

Following projects were identified in ISPA Annual Report 2000;

Corridor 2 : The project on this corridor was planned to modernize the E-20 railway at the east of Warsaw.

Corridor 3: the A4 motorway between Wroclaw and Gliwice and the modernized railway E-30 between Legnica and the German border would continue to be constructed.

¹²⁷ *Ibid.*, p. 14.

¹²⁸ Slowik, *op.cit.*, p. 15.

Corridor 4: The improvement of road access to the ports and road connection with some CEECs was designed to improve the traffic on the north-south axis.¹²⁹

Pre-accession funds spent on transportation aims to build an infrastructure for transport in Poland and to link regions which lacks of a well-functioning transportation to each other and to connect Poland with transport networks of the EU; Trans-European Transport Networks (TEN). The EU motivates the candidate countries to make investments on transportation and emphasizes that the development of transportation is an important factor in the improvement of economy in the candidate countries.¹³⁰ I think that the EU had interests about the development of transport infrastructure and network of candidate countries as much as the candidate countries had. The development of transport networks would ease the trade between old members and new members. The old members which are much more richer, would export the products or would make investments on these countries by using transport networks. The networks with the bad situation increases the cost, if air, sea and railroad transportation is not brought into the sufficient level, the intensity of roads would be preferred and this would cause a slow-moving traffic. Therefore, a healthy trade needs a well-performing transport networks. Przemyslaw Slowik claims that the EU did not take Poland's priorities and national interests into the consideration while it defined targets

¹²⁹ ISPA 2000, pp. 63-64.

¹³⁰ *Ibid.*, pp.15-16.

to be achieved in Polish transportation.¹³¹ As a result of this, it could be said that the EU defines the objectives according to its own interests.

3.3 SAPARD (Support for Pre-accession Measures for Agriculture and Rural Development)

SAPARD was founded in Agenda 2000 together with ISPA. SAPARD focus on agriculture and rural development areas. The key objectives of the programme are to improve the quality of life of rural population, to create a competitive and efficient agricultural-and-food processing sector, to ensure jobs and an adequate income for the agricultural, disadvantaged regions and provide for the sustainable development of rural areas.

15 Priority Matters of SAPARD

- to invest in agricultural holdings
- to improve the processing and marketing of agricultural and fishery products
- to improving the structures for quality, veterinary and plant health controls
- to promote agricultural production methods that aim to protect the environment
- to diversify economic activities in rural areas
- to set up farm relief and farm management services
- to set up producer groups
- to renovate villages and preserving the rural heritage

¹³¹ *Ibid.*, abstract.

- to improve and re-parcell land
- to establish and update land registers
- to improve vocational training
- to develop and improve rural infrastructure
- to manage water resources
- to promote forestry, including afforestation, to invest in forest holdings
- to finance technical assistance, including studies.¹³²

SAPARD is a multi-annual programme whose budget is 3.6 billion Euros for the period 2000-2006. Criteria for the distribution of 90 % of SAPARD resources are based on agriculture employment and agriculture land in each country, the remaining 10 percent is allocated based on country geographical specifics.¹³³

To qualify for financial assistance from the EU, an applicant country must meet certain requirements set out by the EU legislation. The first condition of SAPARD for the period 2000–2006 is a Rural Development Plan drawn up by the applicant country and submitted to the European Commission. Another requirement is an accredited Paying Agency operating in compliance with the applicable EU regulations.¹³⁴

¹³² Andrea Mészáros, "SAPARD—The Mechanism and The Critical Points of a Pre-Accession Programme", <http://ieconf2000.euweb.cz/SAPARD.doc> (19 March 2005).

¹³³ Capik, *op.cit.*, p. 7.

¹³⁴ Phare, Ispa, Sapard – From EU pre-accession Instruments to EU Structural Funds in the Slovak Republic, Information Leaflet published by Delegation of the European Commission in Slovak Republic, p. 27.

The basic obstacle to the development and modernisation of agri-food sector in Poland was the lack of capital. Necessary investments could not be achieved without the capital. The creation of SAPARD was very important to solve the problem. Improvement of the agricultural and food processing sectors' effectiveness and improvement of conditions for the economic activity and creation of new jobs were the priorities of SAPARD in Poland. Realization of these priorities would be managed by improving economic competition in Polish agricultural and food processing sectors, applying the *acquis communautaire* standards in the field of the quality, food safety and the protection of natural environment.¹³⁵

The low productivity of agricultural labour in Poland was one of the major obstacles to its successful integration into the EU, and one of the basic reasons of low productivity of Polish agriculture was outdated machinery and equipment.

Organic agriculture is seen as a solution to the problems of Polish agriculture by some experts but weak distribution networks and processing industry for organic products constitute significant obstacle to the development of organic farming in Poland.

The reason of low productivity in agriculture of CEECs was production and farm structure. The farms' size is not determinant in gaining the success. The

¹³⁵ European Commission – Representation, SAPARD - Special Accession Programme for Agriculture and Rural Development – ARCHIVE, <http://www.europa.delpol.pl/index.php?id=esapard§ion=2&samSession=30c1a1bb3ccc95d3e6148c884f6cae22>, (10 April 2005).

important thing is to produce goods which are profitable according to characteristics of the farm or location. For example; the small farms could produce organic agriculture products or benefit from agro-tourism while big farms focused on reducing the cost.¹³⁶

¹³⁶ Pawel Bryla, "The impact of SAPARD on the behaviour of farms and food-processing enterprises in the Lodz region", <http://www.eaae-wye.org.uk/papers/Bryla.pdf#search='pawel%20bryla%20The%20impact%20of%20SAPARD%20on%20the%20behaviour%20of%20farms%20and%20foodprocessing%20enterprises'>, (5 May 2004).

CONCLUSION

The EU Regional Policy has an important role in social and economic cohesion of the EU. Its functions in economic areas are crucial for the EU's existence in the future, because a Union which does not care about income and social disparities among regions can not survive for a long time. Therefore, regional policy could be seen as a justification mechanism for the EU. Besides, it is a mechanism whose rules are adaptable to new circumstances that result from enlargement. The enlargement is the basic motive behind the reforms in regional policy.

Poland had a difficult but mostly successful adaptation process in the area of 'Regional policy and co-ordination of structural instruments'. The transformation process of Poland was an extra obstacle for Poland compared with countries which did not have to experience this transformation process because Poland was averse to policies that smacked of socialism. Another difficulty for Poland and other CEECs was that CEECs had to carry the burden of adapting to market economy and regional policy by contrast to the previous EU member states in which regional policy was developed after the establishment of market economy and democracy.

During reforms there were heated discussions in Poland about numbers and powers of local governments. Leftist governments were pro-centralization and liberal or centre-right governments were in favour of de-

centralization. At the end, although centre-right parties seemed to be the winner of the challenge, in reality, there was no clear winner. Poland has managed to form its regional policy that fit the EU legislation. However, Poland still needs to go further in the case of regional policy.

If a candidate country's adaptation to the EU regional policy is discussed, it is worth to mention about the pre-accession aids the candidate country takes. Pre-accession funds helped Poland to align itself with the EU regional policy. Many projects, which were necessary to raise the standard of living of the Polish people and to catch up with the EU standards in various fields, have been achieved thanks to pre-accession funds. Moreover, pre-accession funds prepared Poland for the Structural Funds after gaining membership.

Poland took 7.8 billion Euros between 1990-2003, the level of aid received by Poland which has risen to over 10 after the candidacy.¹³⁷

During the reform process, Poland witnessed the challenge between the reformers and those who wanted to keep statusquo. Generally, people are suspicious of changes in social, economic and political systems. They are afraid of losing what they have. Anti-reformist parties or individuals everywhere tend to take advantage of this tendency by writing bad scenarios about the potential effects of transformation. The same method was used in Poland, too.

¹³⁷ Hakan Karabacak, "Avrupa Birliđi Mali Yardımları ve Türkiye ile Mali İşbirliđi", p.103., <http://www.maliye.gov.tr/apk/md146/ABmaliyardim.pdf> (1 June 2005).

The path that Poland has followed could be an inspiration for other candidate states. Similar discussions can also be done in other states. Issues like the unity of the state, federalization and disintegration of the country have been hotly discussed matters in different parts of the world.

Redefining the regional structure of a country is not a simple matter. It could create disagreements between inhabitants of a region within a country. When a region is affected positively by the arrangement of regional structures, other regions may be disadvantaged. As a result of that, the EU regional policy becomes a matter for people on the street rather than an exclusive preserve of politicians. However, it should be kept in the mind that the EU regional policy targets the reduction of gaps between regions and countries and the elimination of poverty. This means that one should bear in mind that changes done in the regional structure of states should comply with the EU standards.

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