



years of
POLAND

**in the
European Union**

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Editorial team:

Małgorzata Kałużyńska, Ph.D. Katarzyna Smyk, Ph.D. Jakub Wiśniewski

Translators:

Centrum językowe IDEA, Jarosław Brzeziński (UKIE/DA)

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Mariusz Antosik

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Introduction

On 1 May 2004 Poland acceded to the European Union (EU). Fifteen years of efforts preceded by the systemic transformation of 1989 came to an end. During this time, Poland was obliged to pass all required stages of the accession procedure initiated by the submission of the membership application in April 1994. Membership conditions were defined during the accession negotiations, which were opened in March 1998. The negotiations were ultimately finalized with the signing of the Treaty of Accession in April 2003. At the same time Poland engaged in extensive harmonization in order to fulfill membership criteria. The historic decision in favour of Poland's accession to the EU expressed by the society in the accession referendum on 7–8 June 2003 sealed the decision of the Polish authorities. Poland acceded to the EU together with 9 other countries, mostly from the region of Central and Eastern Europe. The accession of Bulgaria and Romania on the 1 January 2007 completed the enlargement of 2004.

Despite the long-lasting preparations on the part of the government and the state administration, undertakings and the society, Poland's accession to the European Union was in many respects a step into unknown territory. It was difficult to foresee what the arduously negotiated conditions of Poland's membership in the European Union might bring in practice. Many – and frequently contradictory- forecasts were formulated before 2004 regarding the expected impact of the EU on distinct spheres of economic and social life in Poland. Five years later, many doubts have been dispelled. Forecasts formulated during the accession have been verified by daily realities. Today we are able to measure, analyse and evaluate the phenomena that were subject to predictions, estimates and speculations only a few years ago. Economists are able to provide data depicting of the evolution of the Polish economy after the accession. Political scientists follow closely the activity of Polish representatives at EU forums. Lawyers focus their attention on the consequences of the introduction of the *acquis communautaire* into Polish legal order.

And finally public opinion polls provide crucial information on how the European integration process is perceived by citizens.

This publication attempts to bundle these developments in a single, coherent and comprehensive picture of Poland in the European Union. It should be noted that chapters comprised in this report differ not only in terms of the issues they discuss, but also in the way that the latter are presented and in the methodology applied. Such a loose approach, taking into account the complexity of the topic and multitude of its facets, was an intended purpose of the authors. At the same time, it should be borne in mind that each chapter is meant to be an inspiration for reflection on the EU's impact on a different area of public life in Poland. Rather than providing readers with facts, information and data, the report attempts at their analysis and interpretation. Faced with the challenge of addressing so many facets in a single publication, authors were often forced to present the discussed phenomena selectively, highlighting the areas of economic and social life where, in their opinion, the EU's impact had been most significant.

The report was written with the Reader in mind, who does not deal with the subject of the European integration on a daily basis. The authors have attempted to present the complex, and frequently highly specialized issues in a plain and „friendly” manner for persons not used to reading governmental strategic documents. The report focuses on a viewpoint of the common citizen, fulfilling a specific social role – that of an entrepreneur, taxpayer, consumer, voter, patient, or a migrant worker. In this manner the impact of the EU on the economy, society or state's legal and institutional order assume the shape of real changes felt in everyday life instead of remaining abstract processes and phenomena.

The authors of this publication believe that describing the recent five years has an enormous cognitive potential. This concerns not only the historical context – explaining past events, presenting the inner history of meetings at the diplomatic level, or identifying membership effects in individual spheres of public life. Assuming that Poland's membership in the EU is an ongoing process, drawing conclusions from the past may, and should, translate into an advantage for Poland 's membership in the years to come.

Most chapters contain an element of forecast concerning the prospects for the forthcoming years. They formulate postulates and recommendations for public institutions. Frequently, the processes and trends taking place in Poland are presented against the background of processes taking place in new member states, or – more broadly speaking – in other EU states.

The report refers to the years 2004–2009, during which Poland became active as a full-fledged EU member. In order to lend proper context to the subject at hand, authors of individual chapters nevertheless frequently refer to the pre-accession period, when accession negotiations were carried out and changes were introduced into Polish law, preparing it for the forthcoming accession.

Works on the report were completed in February 2009. It follows that not all statistical data was available for the most recent events and processes concerning the fifth year of Poland's membership in the EU. In early 2009, it was difficult to foresee the developments in many areas of Poland's European policy, e.g. those ensuing from the advancing economic crisis.

The report is composed of three parts relating to particular dimensions of the membership – the economic, social and political dimensions. An introductory chapter precedes each set of analyses for every dimension and is meant to serve as a synthesis of the findings presented in the individual chapters of the report.

The part devoted to the economic dimension of the EU membership discusses the impact of Poland's integration with the EU in terms of GDP growth, trade balance, inflation, the financial sector, FDIs and other macroeconomic variables. The chapter concerning agriculture addresses issues relating to Poland's participation in the reform and deployment of CAP and modernisation of Polish rural areas, connected with direct payments to agricultural production. This chapter also discusses such issues as turnover of agrarian land, the standing of the food industry, or trade in agricultural products with other EU member states. It also analyses the impact of the CFP on the situation of the Polish fishing sector. The following chapter concerns transportation infrastructure. Discussion of this topic focuses in particular on investments co-financed from the EU budget. Moreover, it describes the changing determinant factors of the road and railway infrastructure (as well as, to a lesser extent, of sea infrastructure), particularly in the context of demand for haulage of persons and goods. Air transportation is covered in a separate chapter, which discusses the phenomenon of universalization of air services. It explains briefly the impact of the so-called liberalization package on the emergence of low-cost carriers and the ensuing lowering of the costs of air travel.

The chapter concerning the energy sector addresses gas and electricity market reforms resulting from Poland's accession to the EU. It also discusses challenges relating to security and energy infrastructure. The accession also entailed the introduction of high standards of environmental protection. The chapter devoted to this issue focuses

on the costs of this process, particularly as perceived by entrepreneurs. By referencing issues of air protection, water supply and sewage and waste management, the chapter analyses the scope and nature of changes in legal and institutional structures as well as environmental protection infrastructures. It is a well-known fact that SMEs, constituting approximately 99% of all entities pursuing economic activity, play a particular role in the Polish economy. The chapter devoted to this issue allows to better understand how well Polish businesses and Polish entrepreneurs were able to compete in the internal market comprising 450 million consumers. Moreover, it sheds light on how much co-financing Polish businesses have received from structural funds. The chapter devoted to innovation addresses a related topic, also concerning Polish initiatives and undertakings. It describes the efforts made by the Polish administration and private sector with the objective of creating a knowledge-based economy. It illustrates the opportunities and challenges created for the Polish innovation by Poland's membership in the EU. A chapter concerning financial flows concludes the macro-economic part of the report. It compares and balances the funding obtained from the EU budget with the membership contribution paid by Poland to the EU budget.

Poland's accession to the European Union was not only a political and economic but also a social event. More than 38 million Polish citizens obtained formal European citizenship, which provided them with a new, broader point of reference. The part devoted to the social dimension of membership focuses on daily life of Poles. It discusses the impact of European integration on individual spheres of life, such as work and economic relations, education or leisure. Moreover, it addresses the question of how state authorities have fulfilled their role as a guarantor of rights – social, civil or consumer ones. It also elaborates on the issue of EU's impact on the Polish society understood as a whole – its socio-economic cohesion and national identity. A separate chapter concerns the changes on the Polish labour market and employment migrations of Poles. It discusses basic labour market indicators, such as employment, unemployment or occupational activity. It also explains the interrelation between the situation on the Polish labour market and economic migration. Furthermore, the analysis discusses the costs and benefits for the economy and the society following from a greater cross-border mobility of Poles. The following chapter addresses the topic of internal security and Poland's accession to Schengen. It describes the consequences for citizens of Poland's accession to the Schengen area, including the protection of internal and external borders (with due account of the effects of implementation of a common visa and asylum policy). It also discusses

initiatives undertaken in the area of police cooperation, the fight against terrorism, organised crime or the functioning of customs services within the EU. Moreover, it presents and evaluates achievements of the authorities in the area of justice, with due account of the judicial cooperation in civil and commercial matters, as well as the cooperation in criminal matters.

The chapter concerning education and sport addresses the issues that are covered by the EU competence only to a limited extent, remaining at the member states' discretion. At the same time, the free movement generated by the interest in receiving education or practicing a sport has not been without impact on Polish systems of education and sport. A separate issue is the participation of Polish citizens in Community educational programmes and in investments in sport and school infrastructures in Poland co-financed from EU budget. The following chapter concerns the topics of culture and tourism. It addresses the important topic of the spiritual dimension of the European integration, where the EU fulfils the role of an institution supporting the cultural heritage of Europe. Moreover, the chapter describes measurable effects of Poland's membership in the EU concerning Union investments in the area of tourism and broadly understood culture. The chapter devoted to protection of consumers and public health readdresses the topic of security by providing an answer to the question of how many new rights have been acquired by consumers and patients after 1 May 2004. It describes the relationship between acts of the *acquis communautaire* and decisions made at the European level on the one hand and e.g. lower charges for international mobile connections on the other. The part concerning the social dimension is concluded with a chapter discussing the support for the membership among Poles. It seeks out dominant trends and variables determining the approval of or prejudice towards the EU. The analysis also covers the dynamics of the perceived benefits and costs, considered by the public opinion as consequences of accession. Another issue addressed in the chapter is the perception of the Union as compared with other member states (particularly those acceding to the EU jointly with Poland). It also describes the differences and similarities in the assessments of approval for the EU among all of its citizens by quoting international research.

The part concerning political dimension of the European integration starts with a chapter devoted to the analysis of the role of Poland at the EU forum. It presents the political perspective of the EU enlargement of 2004, by referencing the general and comprehensive changes caused in the European Union by the enlargement process from the viewpoint of political agenda, priorities and further lines of development of the Europe-

an integration. Moreover, the chapter discusses the impact of enlargement on the decision-making process and the functioning of the European institutions. Additionally, the chapter presents priority areas of Poland's activities at the Union forum as important denominators of how its role is defined within the European Union. The following chapter, concerning the cooperation with its neighbours to the east details the efforts made by Poland regarding the intensification of economic, social and political relations with countries located in the eastern part of Europe. The chapter „Regional cooperation” covers the groupings operating in the region with active participation of Poland: the Vysegrad Group, the Central European Initiative and the Council of Baltic Sea States. It relates the transformations that took place within the aforementioned organisations in connection to the EU enlargement. The text also addresses the impact of Poland's participation in those organisations on the ability to realize the priorities of Poland's European policy.

The chapter „Poland in the globalised world” addresses the changes in relations with third countries and in the Poland's role at the forum of such international organisations as the UN and others. It also discusses Poland's participation in the drafting and implementation of the EU Common Foreign and Security Policy. The following chapter concerns the broadly understood membership process management. It does so by presenting the functioning of the European policy coordination system and discussing preparations for Poland's first presidency in the EU in 2011. A discussion on the implementation and application of the *acquis communautaire* is of importance from the viewpoint of the public administration. The analysis helps understand to what degree Poland was able to meet the obligation to transpose acts of the *acquis communautaire* into the Polish legal order. The part concerning the political dimension of Poland's membership in the EU is concluded with a chapter relating to the role of the EU in strengthening the Polish administrative capacity.

The publication was prepared by the Department of Analyses and Strategies of the Office of the Committee for European Integration (UKIE) in cooperation with other departments (the European Union Law Department, the Integration Policy Department, the Department for Coordination of Preparation and Operation of Polish Presidency of the European Union Council, the Department for Institution Building Programmes and the National Aid Coordinator Department). It is a follow-up and – in a way – a crowning of the partial reports recapitulating Poland's membership in the EU that were prepared by UKIE in previous years. The report uses UKIE's own data and information obtained from ministries and central government offices responsible for a given subject and re-

sponsible for the realization of particular aspects of the European policy of Poland. The authors thus wish to thank in particular the following ministries and central government offices for their valuable support and contribution into works on the report: the Chancellery of the Prime Minister, the Ministry of Finance, the Ministry of Economy, the Ministry of National Defence, the Ministry of Labour and Social Policy, the Ministry of Agriculture and Rural Development, the Ministry of Regional Development, the Ministry of Sport and Tourism, the Ministry of Interior and Administration, the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Environment, the Ministry of Infrastructure, the General Directorate for National Roads and Motorways, the Financial Supervision Commission, the National Bank of Poland, the National Health Fund, the Polish Agency for Enterprise Development, the Office for Foreigners, the National Headquarters of Border Guards, the Police National Headquarters, the Civil Aviation Authority, the Polish Air Navigation Services Agency, as well as the Office for Competition and Consumer Protection.

Finally, the role of external experts should not be forgotten. Their analyses and comments contributed to an even more substantive and in-depth character of the report. A detailed list of expert opinions contracted in connection with the works on the report is contained in the bibliography.



Executive summary

- In February 2009, 75% of surveyed Poles supported Poland's membership in the European Union (EU). Despite slight fluctuations in social moods during the recent 5 years, the approval for Poland's membership in the EU has consistently and regularly gone up. This support was a direct response to the benefits gained through accession. The most frequently perceived changes concerned the freedom of movement, the opportunity to take up employment and education in other countries, the amelioration of the situation in the agricultural sector and for the Polish economy in general, the improved situation on the domestic labour market, and the role of Poland on the international arena. Elderly people, disability pensioners and farmers have shown the least enthusiastic attitude towards the EU. At the same time, a growth can be noted in the number of supporters of Poland's membership in the EU among the said social groups as compared to 2004. Managerial staff and students have been consistently the greatest enthusiasts of the EU during those 5 years.
- The emerging consequences of Poland's accession to the EU vary in terms of scale, nature and the area of interest. Most of the enlargement effects have been recorded in the area of economic cooperation with EU Member States – the result of Poland's adoption of uniform rules binding on the EU internal market. Furthermore, many significant changes have also been recorded in agriculture, due to extensive progress of the European integration process under the Common Agricultural Policy (CAP). On the other hand, in such areas as health care, culture or education, changes were indirect and arose from the availability of structural funds in a given area. It may be thus argued that membership effects depend on the specific nature of a given area and should be assessed from this perspective.

- Poland has embraced the opportunity for economic development arising from the membership in the EU, while building her economy on sound foundations and rational macroeconomic policy. The dynamics of the present crisis make it difficult to offer reliable economic forecasts for 2009. However, analyses of the opinions of economists and institutions forecasting economic development indicate that Poland continues to be listed among the very small group of European states that stand the chance of avoiding a GDP decline in 2009 and are considered as most competitive economies of the European Union: according to the Lisbon Council and the Allianz report *European Growth and Jobs Monitor 2009*, the Polish economy remains the second (right after Finland) most competitive EU economy for the second year in a row.
- The EU membership proved to be a buffer protecting against shock waves in the world economy. As a member of the EU internal market, Poland is largely protected against protectionist trends emerging in the world in connection with the financial and economic crisis. The financing by structural funds, the EU Cohesion Fund, and the CAP play an additional protective role in Poland, and are expected to be of significant support for economic growth in the future.
- Poland gained access to the European assistance and stabilisation funds. Thus, Poland may count not only on the aid from the International Monetary Fund during a crisis, but also on the support from European financial institutions and on solidary support from other member states. Poland currently does not need to request such type of assistance and there are no reasons to believe it will need to do so in the future. However, the very awareness that such support can be requested, is an additional insurance policy. Decisions of the European Council of March 2009 are a good example. Heads of EU states and governments decided at this occasion to double the assistance fund for new member states remaining outside of the euro zone, raising its budget to EUR 50 billion.
- Poland's accession to the EU should be assessed by taking into account its long-term effects, which is when the greatest benefits from EU membership are to be attained. The short-term nature of the current crisis should not obscure the achievements of the five years of the EU membership. *Ex-ante* estimates of 2001 forecast additional growth in new member states at the level of 1.3–2.1% annually until 2009. According to *ex-post* assessments, the period 2000–2008 brought an average annual economic growth increase in new member states of approximately 1.75%.

- The EU membership significantly contributed to the increase in economic growth rate in Poland. After the accession, the economic growth was driven by consumption and investment demand, and the highest GDP growth of 6.6% was attained in 2007. This corroborated pre-accession forecasts regarding the beneficial impact of accession on economic growth related inter alia to the increased foreign trade and investments, as well as to the transfers from the EU budget. On top of that, the GDP *per capita* in Poland rose from 43% of EU-15 average in 2003 to almost 51% in 2008. The labour productivity indicator in Poland went up from PLN 31.21 per hour worked to PLN 41.57 in the same period.
- Improvement can also be noted on the labour market. The economic boom, partly the result of the accession to the EU, has led to employment growth and unemployment decline. In the first six months of 2007, 15 million persons on average claimed to hold jobs which constituted a 9% growth compared to 2002. As a consequence of the world economic crisis, the number of working persons in Poland ceased to grow beginning from 2009. In early 2009, due to the economic crisis, the rising unemployment rate became the major problem on the Polish labour market. Structural funds have been among key instruments preventing adverse outcomes of tensions on the labour market. To this end, a minimum of PLN 16.8 billion were announced to be expended by the end of 2009. Among other things, of the funding available for innovative investments of large companies is to be increased (to PLN 2.5 billion at the end of 2009).
- Some changes on the Polish labour market in the years 2004–2009 have been related to non-Union factors, such as the demographic change or global business outlook. Poland's accession to the EU (particularly the resulting emigration) exposed certain inherent problems of the Polish labour market. Labour resources were structurally unmatched to the labour demand as a result of inadequate occupational education and training policy in the past. Despite the large numbers of the unemployed, surpluses of the labour force are rather scarce and shortages have emerged in certain economy sectors.
- The years 2004–2007 marked an unprecedented growth in the scale of mobility among Poles. During this period, the number of persons taking up employment in EU countries rose from approximately 1 million to 2.3 million. The largest number of Poles worked in the United Kingdom, Germany, Ireland, the Netherlands, and in Italy. In 2007 the emigration wave began to stabilise at the level of

320 thousand persons per annum. In 2008–2009 not only did Poland's emigration wave weaken; moreover, Poles began returning home in growing numbers. This development concerned Ireland and the United Kingdom in particular. Making social and occupational integration easier to compatriots returning to Poland has become a test for Poland's immigration policy.

- Contrary to what was generally believed, the impact of migration on labour market indicators was only moderate. However, the fact that large volumes of Poles left for abroad had far-reaching consequences for the structure of the Polish labour market and for the social cohesion. The said consequences were manifested through such diversified developments as salary pressure, new models of occupational careers or improvement of the income situation of Polish families.
- Transfers from the EU were an important factor of Poland's economic growth in the years 2004–2009 and its prospects for the future. Between 1 May 2004 and 31 December 2008 those transfers amounted to EUR 26.5 billion. At the same time Poland paid EUR 12.5 billion in contributions to the EU budget. Hence the positive balance of financial flows with the EU reached EUR 14 billion after five years of membership.
- Owing to her membership in the EU, Poland was given the opportunity to avail herself of the cohesion policy financing (structural funds and the Cohesion Fund). In the years 2004–2006 the said financing amounted to approximately EUR 12 billion – approximately EUR 68 billion is to be committed for Poland in the years 2007–2013. The cohesion policy financing was allocated to projects in the area of transport infrastructure, environmental protection, support to SMEs, and occupational activation of the unemployed.
- The absorption of the cohesion policy financing in the period 2004–2006 reached approximately 92.4% for structural funds and approximately 51% for the Cohesion Fund, as of the end of January 2009. Problems regarding the absorption of financing from the Cohesion Fund in the years 2004–2006 were caused mainly by obstacles in the deployment of infrastructure investments related to the implementation of the environmental protection acquis and to the public procurements procedure. On the other hand, the delays in spending for the years 2007–2013 followed among others from the protracting negotiations at the EU level as regards the size and breakdown of the EU budget for those years. Therefore, the launching of projects failed to take place in early 2007 and the volume

of the absorbed funding remains relatively low. Nevertheless, it must be stressed that the system works quite efficiently and a significant absorption rate growth is to be expected soon, even more so considering that a procedure-simplification programme has been developed in view of the economic crisis.

- The rise in the FDI (Foreign Direct Investments) inflow to Poland has been an indirect effect of the accession to the EU. It correlated with the growth in Poland's credibility, macroeconomic stability, and investment attractiveness. The FDI inflow to Poland reached a record value of EUR 16.6 billion in 2007, exceeding the threshold of 5% GDP in this year. As a consequence, the FDIs have become an important factor contributing to the growth in Poland and improving competitiveness of the Polish economy. According to the preliminary data from the National Bank of Poland, EUR 1.47 billion of FDIs flowed into Poland in January 2009. This marks a 35% growth compared to the same time frame of the previous year during which FDIs amounted to EUR 1.092 billion.
- The accession to the EU had a significant impact on Poland's trade. Since the accession, the trade volume grew on the average by approximately 18.7% annually. Since the accession to the EU, the trade balance has deteriorated (from EUR – 11.8 billion in 2004 to EUR – 25 billion in 2008), e.g. owing to the improvements in Polish financial situation. At the same time, the FDI inflow helped improve trade structures regarding highly-processed goods. New member states and developing countries have gradually gained in importance as Poland's trade partners.
- The EU membership has hardly had any impact on the level of inflation in Poland. Admittedly, in the first months after the accession, a relatively large, one-off inflation growth to the level of 4.6% could be noted, following mainly from the introduction of new indirect tax rates and an increase in foreign demand. In the years 2005–2007, the annual price indicators in Poland fell below 3%. In 2008 the annual inflation rate exceeded 4%; however inflation began to drop in the last months of 2008. Price fluctuations were caused mainly by developments of global nature (including energy and food price fluctuations) and were unrelated to the EU membership. Finally, domestic developments also influenced the level of inflation, including the post-accession growth translating into higher consumption levels, which entailed inflation pressure.
- Poland's accession to the European Union lent more impact to changes in rural areas. The CAP instruments had a positive impact on profitability of agricul-

tural production and improved the financial situation of farmers. In 2008, the average income of persons employed in agriculture in Poland was 90% higher than the level recorded in 2000. Higher income in the sector, however, does not mean that the same positive accession effects have been noted for each farm. Although very small farms enjoyed the highest growth of incomes in relative terms, their level continues to depart significantly from the average income earned in urban areas and does not secure funding for investments in the development of a farm. Rural development policy accelerated the process of modernization of the agricultural sector and the diversification of income sources in rural areas.

- The accession changed the supply and demand conditions on individual agricultural markets. The global agricultural output in 2007 was higher by as much as 46% as compared to 2000. The gross added value of agricultural production increased during that period by almost PLN 10 billion (from PLN 17.7 billion to PLN 27.2 billion).
- The improved conditions for agricultural activity and direct payment system per hectare of land have translated into high growth of agricultural land prices. In 2008, the price of one hectare of arable land was 140% higher in transactions between farmers than in 2003. In the same period, prices per one hectare of arable land sold by the Agricultural Property Agency went up by 230%. The widespread fear during the pre-accession period that real estates would be bought out on a mass scale by foreigners failed to materialize, however. Interest in purchasing both agricultural land and woodland, as well as the so-called second residence, did not go up significantly.
- The lifting of trade barriers between Poland and the EU proved the high price competitiveness of domestic agricultural and food products. Poland has had a positive balance in foreign trade of those goods since the accession. In the years 2003–2007 export rose by 250% while import went up by approximately 125%. Other EU countries grew in importance as trade partners of Poland. In 2003 almost two thirds of all agri-food export were directed to countries of the present EU-27. Four years later this share exceeded 80%.
- Regarding fisheries, Poland was subject to the rules for the protection of fish resources in the Baltic Sea and thus to the ensuing requirement to adjust the catching potential of the fishing fleet to state of the resources. To this end, Poland

reduced 40% of its fleet under the programme of the vessels scrapping in the years 2004–2006, and a further reduction by 30% is envisaged by 2013.

- Dynamic growth can be also noted in the case of exports of fish products, with member states being the main destination (90% of deliveries). The value of fish product export rose by 40% and amounted to USD 442 million immediately after accession of 2004, reaching as high as USD 923 million in 2007. Import has also grown, owing largely to the high demand for fish as raw material for the processing sector. Opening to Community markets contributed to an unprecedented development of the fish processing sector, which recorded a doubling of income in 2008 as compared to 2003.
- Owing to the EU's financial aid road transport has been developing dynamically in Poland. Many important motorway investments have been deployed, including the A2 motorway section Konin–Stryków, of A4 motorway sections Kleszczów–Sośnica, Legnica–Wrocław and the A6 motorway section Klucz–Kijewo. The Union support also covered the construction and modernisation of express roads, including the S1 section Bielsko-Biała–Cieszyn, S7 section Biało-brzegi–Jedlińsk, the S22 section Elbląg–Grzechotki and several ring roads, including those of Grójec, Hrebenne, Mszczonowo, Otmuchów, Puławy (jointly with a new bridge across the Vistula), Wyszków, Żagań and Żary. Financing from EU funding has also covered the deployment of several road projects of regional and local character. The railway transport also benefited from the EU funds. The modernisation covered e.g. a fragment of railway line connecting Warsaw with Łódź and sections of the railway lines E20 Rzepin–state border and Mińsk Mazowiecki–Siedlce. Construction of the last section of the first line of the Warsaw subway was also completed with the EU's co-financing.
- Despite the increase of expenditures on infrastructure development, the past five years in the EU have been too short of a period to eliminate the arrears resulting from many years of prior negligence in the area of transport infrastructure development and modernisation. The necessity to draft multi-annual investment plans, defining in advance the funding committed to the deployment of specific undertakings and schedules of their implementation, has been a positive factor indirectly forced by the membership in the EU.
- Poland's accession to the EU has changed the spatial pattern of demand of the transportation of persons and goods. An increase in demand can be noted for

connections between Poland's major cities, between the central and eastern part of Poland as well as West European countries and Lithuania through Warsaw and Wrocław towards the border with the Czech Republic.

- The optimistic forecasts concerning the development of the air services market in Poland after accession were confirmed. In 2008 Polish airports serviced over 20 million 650 thousand persons. This meant a 134% growth in the number of serviced passengers as compared to 2004. The carriage offer has been expanded, air ticket prices adjusted and regional airports developed. As an example, the offer of low cost carriages from Poland covered 27 countries and 103 foreign ports, with approximately 360 connections being offered by those carriers. In 2004 regional airports serviced 31.1% passengers, and in 2008 their share in passenger services rose to 54.32%.
- The air market in Poland has experienced a dynamic development of low costs carriages. The market share of low cost carriers rose from 31.5% (3.2 million passengers) in 2005 to 50% (8.6 million passengers) in 2007. The migration of Poles to the United Kingdom and Ireland certainly had a significant impact on the development of this category of carriers. Low cost carriers serviced routes to the main destination countries of employment migrations of Polish citizens. Connections to the United Kingdom and Ireland alone were responsible for almost 60% of Polish low cost carriages.
- The implementation of the *acquis communautaire* in the area of energy led to far-reaching ownership changes and transformations of the Polish natural gas market. The introduced changes aimed at the creation of conducive market conditions enabling free competition. Poland's energy security in the fuel sector improved owing to the establishment of the system of mandatory reserves of liquid fuels and the gaining of access to effective assistance mechanisms within the framework of the EU, allowing Poland to fight against adverse effects of oil supply interruptions.
- Due to the necessity to adjust to EU standards in the period 2004–2009, positive trends have been recorded when it comes to the improvement of natural environment conditions. A gradual improvement of air, water and soil quality has been achieved without prejudice to economic development. Before the accession to the EU, Poland was granted as many as 20 transitional periods allowing for convenient distribution of time for the most cost-intensive measures. The scale

of the outlays borne so far on the harmonisation with the EU environmental requirements is evidenced by the fact that over PLN 7.5 billion were spent on the construction and modernisation of waste water treatment plants and sewage networks in the years 2003–2005 alone. In 1990–2008 Poland expended as much as PLN 6 billion on air protection in the cement manufacturing sector alone. The total size of investment outlays to be borne within 15–20 years following the accession is estimated at PLN 120–140 billion.

- The economic transformation of the 1990s contributed to the dynamic development in the number of SMEs in Poland, assimilating the Polish economy to the EU-15 economy. After the accession, SMEs continued to constitute a decisive majority of all undertakings operating in Poland (approximately 99% of the total number of businesses, i.e. over 1.7 million active economic entities). The gradual employment growth in an average company after the accession corroborated the extremely slowly advancing process of concentration among Polish undertakings. However, diversification of the regional development of the SME sector has not taken place yet. In this respect, five years do not constitute a long enough period for significant changes to take place.
- Poland's membership in the EU contributed to the growth in the government's activity in the area of programming of pro-innovative measures, particularly in connection with the implementation of the Lisbon Strategy. Poland adopted many documents of strategic nature and initiated many legislative measures. An analysis of the innovation indicators and trends observed after Poland's accession to the European Union indicates that Poland's innovation level remains much below the EU average. According to annual reports of the *European Innovation Scoreboard*, Poland occupied the very bottom of the ranking as compared to other EU states (24th position in 2005 and 23rd position in 2008).
- After a period of intensive preparations, Poland acceded to the Schengen area on 21 December 2007. As a consequence, Poland lifted the controls at the EU's external land borders between Poland and other EU member states. Border crossing became easier and more accessible to Polish citizens. In the economic sphere, positive outcomes of functioning within the Schengen area are best visible in trade, tourism and transport. The effects of these actions met with a positive social reception, with approximately 85% of respondents assessing Poland's accession to the group of Schengen states well and very well.

- During the last five years, the number and value of smuggled goods went down and the potential for unlawful crossing of borders was significantly reduced. Owing to the presence in the EU and the Schengen area, the effectiveness of Polish prosecution bodies in the fight against organised crime and human trafficking has improved. Poland began issuing new – and better secured against forgery – identity cards and passports containing the basic biometric feature (an image of a face stored in the passport's microchip). Polish authorities also gained access to the Schengen Information System (SIS) and Visa Information System (VIS). Furthermore, by becoming a party to the Europol Convention, Poland acquired access to the IT databases of this office.
- Poland obtained additional Community funds, which were spent on hiring and training of officers, as well as on specialist equipment and IT systems. One of the assistance sources was the Schengen Financial Instrument (Schengen Fund), which allocated over EUR 313 million to Poland. Additionally, Poland also took advantage of the External Borders Fund, having been allocated EUR 78 million for the years 2007–2013.
- The seat of the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex) is located in Warsaw. The location of the agency has strengthened Poland's position in the coordination of actions protecting external borders.
- After Poland's accession to the EU, an increasing number of Polish students has been studying in other member states (from over 22 thousand in 2004 to almost 33 thousand in 2006). In countries where university education is covered by a fee (such the United Kingdom), the tuition for Polish students as EU citizens was reduced to the level binding for citizens of that country after Poland's accession to the EU.
- Polish schools, universities and occupational training facilities, as well as high school and university students and academic and research staff have increasingly taken advantage of the Community educational programmes, such as Erasmus. As a consequence, the number of students going abroad under the Erasmus programme in the academic year 2006/2007 (11.2 thousand persons) was twice higher than the number of students leaving in the year 2003/2004.
- Poland's accession to the EU has helped restrain the strong declining trend in both outgoing tourism of Poles and incoming tourism to Poland. In the years

2004–2006, the greatest growth was recorded in the number of Poles leaving for the United Kingdom, Belgium and Denmark. However, the greatest – that is twofold – growth in the number of foreigners coming to Poland was recorded from Ireland, Spain, Portugal, the United Kingdom, Norway and Romania. Revenues from tourism in Poland went up, reaching the level of PLN 70.2 billion in 2007, corresponding to 6% GDP. An interesting development after 2004 was the emergence of a new tourism segment – health tourism, which is assessed to have a great development potential due to the growing demand for health services and an attractive Polish offer guaranteeing high quality at relatively low prices.

- Poland's membership in the EU has translated into better consumer protection. A proper legal framework has been established. Furthermore, significant institutional changes have taken place and the position of consumer protection bodies has been strengthened to make their activities active and efficient – in 2008 for example, penalties exceeding PLN 25 million were imposed on undertakings breaching collective interests of consumers.
- The rights of Polish patients have been greatly expanded owing to Poland's integration with the EU. Subjecting Poland to regulations for a better coordination of social security systems has provided Polish citizens with the right for medical care on the territory of all Member States (EEA), eligible both during tourist and business trips. Financing coming from EU budget has helped start the process of modernisation of the Polish health care system and provide health care facilities with new equipment. Nevertheless, Poland has maintained full autonomy in the organisation of its public health care sector.
- The enlargement process expanded the area of stability in Europe, and reinforced the transformation potential and international position of the EU in the world. This confirmed the integration model based on the openness of markets and on the principle of solidarity. This model – guaranteeing effective and peaceful overcoming of divisions between societies – proved to be a powerful source of *soft power* of the EU and a reference point for other regional groupings in the world. The accession of new member states in 2004 and in 2007 proved that the enlargement policy has been, and continues to be, the EU policy with the greatest influence and impact. The positive effects of the accession of 12 new member states have proven that enlargement policy should be continued.

- At the same time, the enlargement proved to be an adaptation challenge for the EU. Regardless of the many economic benefits for the entire EU ensuing from the accession, there has been a decline of social support in some states for the continuation of the enlargement process – a phenomenon known as the „enlargement fatigue” has developed and trends to diversify the pace of integration process within the EU-27 have emerged. Overcoming those challenges will determine the success of the EU as an integration grouping in the future.
- It should be emphasized, that the enlargement did not result in a paralysis of the decision-making process in the operations of the EU institutions; neither has it disturbed the culture of compromise. Institutions and member states have adapted to new cooperation conditions within the EU-27. There has been an increase in the use of majority voting, accompanied by the reduced application of the consensus principle. There has been an increase in the significance of informal negotiations and bilateral contacts. Although the enlargement has increased the share of small and medium-sized states in the overall number of states, the demand for political leadership – to which the largest member states naturally aspired – increased at the same time. There has also been a growing tendency for greater cooperation in the intergovernmental dimension.
- The main priorities of Poland's policy in the EU concerned the maximization of opportunities ensuing from the membership, the efficient adaptation for functioning within the Union and securing the position of an influential member state with ambitions proportionate to its size and socio-economic potential. Poland participated actively in works carried out at the EU forum, including major debates in the years 2004–2009, such as the financial, treaty-related and climate and energy discussions, as well as those concerning individual policies. This proved that the ability to influence the EU reform process and Union's adjustment to the new challenges faced by Europe has been one of the most significant benefits following from Poland's accession to the European Union.
- The first five years of Poland's membership in the Union have been devoted to the consolidation of our country's presence within the Union mechanisms and structures. As she gathered experience, Poland “emancipated” herself within the EU. With time, Poland's activities have gained in intensity and become more innovative. Poland joined coalitions and has been gradually becoming a driving force and their leader. The degree to which Poland is identified as a poor state

and the extent to which it is regarded as a large state will determine Poland's presence in the EU in the coming years.

- Poland has been active in the shaping of the EU policy towards Ukraine. Beginning with the promotion of EU involvement in the Orange Revolution in 2004, Poland has tried to stimulate the advancement of political dialogue and economic cooperation with Ukraine as an important EU partner and neighbour. Another area of Poland's activity was a greater EU involvement in relations with Belarus. In general, however, Poland's priorities (shared by many other new member states) in the context of a deeper integration of East European states with European structures have frequently met with a reserved attitude of some EU-15 states. From the perspective of five years of membership, Poland's greatest success was without a doubt the Eastern Partnership initiative submitted jointly with Sweden in 2008 and addressed to six states of Eastern Europe and the Southern Caucasus. Its acceptance by all member states allows to hope for significant progress in the involvement of those regions in the cooperation with the EU. Following a decision of the European Council in March 2009, EUR 600 million have been allocated from the EU budget to this purpose. The key moment of the discussion on possible enlargement to the East is still to come, and the existing deep relations will provide a powerful argument in favour of following up of the enlargement policy.
- The shifting of the EU borders to the east has become an impulse for redefining the EU policy towards her new neighbours which fall within the framework of the so-called European Neighbourhood Policy (ENP) established in 2004. As a result, the countries of Eastern Europe have acquired the status of separate entities and their presence has grown in the European political discourse. Recognising the geopolitical role of the East European region, the EU changed her attitudes in key areas. However, the present disproportions in the allocation of funding under the ENP (EUR 3 for the south, against EUR 1 for the east) are real reflections of the Union priorities.
- Poland has been obliged to introduce visas for citizens of certain third states, including Ukraine, Belarus and Russia. As a result of those changes, there has been a decline in the number of foreigners' border clearances. At the same time, a drop in sales at border zone fairs can be noted, as well as a decline in currency exchange in foreign exchange offices, a decline in sales at commercial and catering faci-

lities in the border zone, and finally a decline in the volume of visitors in hotels and inns located in the area. However, Poland's initiatives have mitigated the consequences of the application of Community regulations. From Poland's perspective it is necessary to intensify the forms of cooperation with neighbouring non-EU states and support them with national and Community legislation. It is important to follow up on efforts in the context of the EU to reduce charges for Belarusian citizens for considering applications and for issuing uniform Schengen visas. A swift completion of negotiations on the local border traffic agreements with the EU's eastern neighbours and their fast implementation has become an urgent challenge in early 2009. Initiating efforts for the benefit of amendment to a relevant EU regulation has also been an important step allowing the border zone to be expanded.

- Poland's membership in the EU has not gone without an impact on regional cooperation. Poland has actively participated in the Visegrad Group (VG), Central European Initiative, or the Council of the Baltic Sea States in the past five years. Considering that all member states of the Group (Poland, the Czech Republic, Slovakia and Hungary) had acceded to the EU, cooperation with partners within this grouping proved to be particularly important. Initially the VG played the role a forum for consultations on European matters and support for integration aspirations of the states of Eastern Europe and Western Balkans. With time, it became an important forum for coming to terms on interests, for building alliances and realizing regional interests within the framework of the EU. Its meetings were expanded through the participation of the Baltic states and, after 2007, also of Bulgaria and Romania. In the forthcoming years an intensification of cooperation under the VG is to be expected due to the fact that three states of the Group will preside in the EU in the near future, the Czech Republic (1st half of 2009) and Hungary and Poland (the 1st and 2nd half of 2011 respectively).
- The enlargement of 2004 contributed to the strengthening of Poland's position in the world, the building of good relations with the member states and third countries (including neighbourhood relations), and to the participation in regional cooperation and activities at the forum of international organisations. At the same time Poland's membership in the EU has become an impulse for the revaluation of Polish foreign policy, its priorities and targets as well as the directions of involvement. By acceding to the Union, Poland gained the possibility

of active participation in the creation of the EU's policy towards the world. Because of this enlargement, the scope of interest of the Polish foreign policy has expanded. The enlargement gave an additional boost to Poland's ambitions and impressed the need on Poland to lend more dynamic to the development of the EU foreign policy. The years since the accession in 2004 have thus become an important period for further strengthening the identity of the EU as a key actor on international scene.

- During the post-accession period, economic relations with third states received a boost in the area of both investments and trade. There has been a visible improvement of Poland's image among economic and political communities of non-European countries. Growing interest can be noted in the field of economic cooperation with Poland as a partner offering products and services of "European" quality at relatively low prices. Upon her accession to the EU and as the economic situation improved in Poland, there has been a gradual but visible growth in migration pressures from third countries to Poland, which has increasingly been chosen as the destination country for migrants. It should be underlined that – in contrast to the area of foreign and security policy – despite her potential regarding the socio-economic policy, Poland has not contributed to EU relations with third countries in a significant way. There is a significant potential for improvements in the area of economic relations between Poland and third countries.
- The accession to the EU introduced major changes in the functioning of the Polish government administration. The fact that matters related to the European policy ceased to be an external aspect of the domestic policy, may be one of the most important of those changes. Considering the above, most organisational units in the majority of ministries have become actively involved in the programming, working out, and implementing the European policy. This process has become an important stage in the "Europeisation" of the Polish administration.
- The accession to the EU required the setting up of institutions and the development of internal procedures within the administration which would guarantee speaking „with one voice" at the EU forum. The European policy coordination system created to this end was based on the European Committee of the Council of Ministers. As part of the implementation process the European Committee of the Council of Ministers considered and adopted inter alia approximately 920 instructions for meetings of the EU Council and its auxiliary bodies and informal

meetings of ministers (and a parallel number of reports from those meetings), approximately 850 draft government's positions relating to EU consultation documents, as well as approximately 250 draft acts implementing the *acquis* and approximately 100 draft regulations of the Council of Ministers. These numbers reflect the scale of the intensity of works and Poland's involvement in daily management of the process of EU membership.

- Presiding over the EU is a natural consequence of Poland's accession to the EU and a commitment following from the member state status. In 2008 Poland began intensive preparations for the first Polish presidency of the EU in history, to take place during the 2nd half of 2011. To this end, in July 2008, the government appointed the plenipotentiary for preparations who coordinates government works in such areas as the preparation of human resources (training), budget, logistics and security as well as promotion and culture. Moreover, works have commenced on programming and selection of the priorities of Poland's presidency. In February 2009, a special website was launched where the progress of works can be followed (www.prezydencjaue.gov.pl). The presidency will prove a great challenge on the one hand. On the other it will be the most important instrument of influence on the EU that Poland will be able to take avail of in the coming years.
- The experience in estimating costs of the implementation of *acquis* gained during the accession negotiations helped Poland join the Union discussion on the improvement of the law-making process and the simplification of the binding regulations. Although five years after the accession those processes do not seem to be fully rooted in the Polish administration structures, many of their positive elements have been carried into effect. These include the development of a comprehensive government programme, the establishment of the first institutional structures or taking advantage of the opportunity – owing to structural funds – to improve administrative capacity in quality law-making.
- The issue of the pace of *acquis* implementation into the national legal order has remained an important challenge throughout the membership process. Although Poland managed to implement most EU regulations within the required time-frames during the accession preparations, a significant slowdown of this process can be noted after 1 May 2004. In 2005 Poland ranked 14th in terms of the transposition of the internal market directives, dropping to the 22nd position in 2008, and to the 26th position in February 2009 within the EU-27. Given the situation

of the legislative negligence, Polish courts have not hesitated to apply the *acquis* foregoing national law (particularly in taxation matters), which has not replaced correct and timely transposition. Thus, the state of the *acquis* transposition contradicts Poland's declared support of the internal market principles. In light of the above, improvements in this area remain a matter of urgency.

- Upon the accession to the EU, Poland gained access to proceedings before the Court of Justice, the Court of First Instance and the EFTA Court and was thus able to shape her legal situation within the Community. Moreover, Poland found herself able to influence the interpretations of the *acquis* provisions through court jurisdiction. Five years after accession to the Union, Poland ranks in „the upper band of the average level” in terms of the number of proceedings against the background of all member states, which is evidenced by statistics of both proceedings instituted in particular years, and a listing of proceedings in progress. Halting or, better, reversing this process is becoming increasingly urgent.
- During the five years of EU membership, the role of the Polish state administration shifted from aid recipient to aid donor. The financial support for the state administration – within the framework of the three allocations of the Transition Facility programme 2004–2006 – helped gain the required experience for the efficient functioning within the EU and for training experts in many areas. The most efficient financial instrument turned out to be the twinning cooperation between administrations of the EU states and the beneficiary states.. Financing under the allocations of Transition Facility programme for the years 2004–2006 was used by the Polish state administration for the deployment of 76 projects with the total value exceeding EUR 50 million. As aid donors, Polish state institutions were chosen by foreign beneficiaries in 18 projects with the total value of EUR 16.5 million (as of March 2009, concerns programmes CARDS, TACIS, Phare, Transition Facility and ENPI).
- Projects implemented by Poland, as a recipient of financial aid, in cooperation with state administrations of the EU member states allowed to initiate contacts, which later became the foundation for the exchange of mutual experiences, and as an aid donor to offer expert assistance to new states covered by EU financing. During the five years of EU membership, one can note growing interest in the role of aid donor under the twinning cooperation, and which resulted in the growing participation of Polish institutions in the projects. The knowledge and

skills acquired by the Polish state administration during the implementation of institutional development projects contributed to the readiness to offer assistance, and to do so not only from within the framework of programmes financed from EU funds. Polish institutions have become active in the role of aid donor, by implementing projects in the context of development cooperation for the states of Western Balkans, Ukraine, as well as Moldova, Belarus and Georgia.

Chap. 1

The economic dimension
of Poland's membership in the EU

15
years of POLAND in the European Union

Macroeconomic perspective / *Hanna Sroczyńska, Patryk Toporowski*

Agriculture and fisheries / *Marta Zielińska, Michał Nodzykowski*

Transport infrastructure / *Jacek Ryba, Kamil Jaworski*

Air Transport / *Małgorzata Kałużyńska*

Energy / *Michał Pelka*

Environment / *Ewa Florkiewicz*

Small and medium-sized enterprises / *Anna Wójcik*

Innovation / *Małgorzata Budzyńska*

Financial flows / *Lukasz Sosnowski*

Macroeconomic perspective

According to broadly endorsed expectations and forecasts by experts in the field, Poland's membership in the European Union (EU) was to have far-reaching effects for the Polish economy. Experts indicated that the accession would have a positive impact on Poland's macroeconomic stability and economic growth.

The fifth anniversary of Poland's accession to the EU is therefore an opportunity to verify these forecasts and hypotheses from the pre-accession period and to analyse the initial, medium-term effects of the EU membership. Thus, a number of pre-accession forecasts are quoted in this chapter which are then compared with the actual results of the Polish economy recorded in the post-accession period.

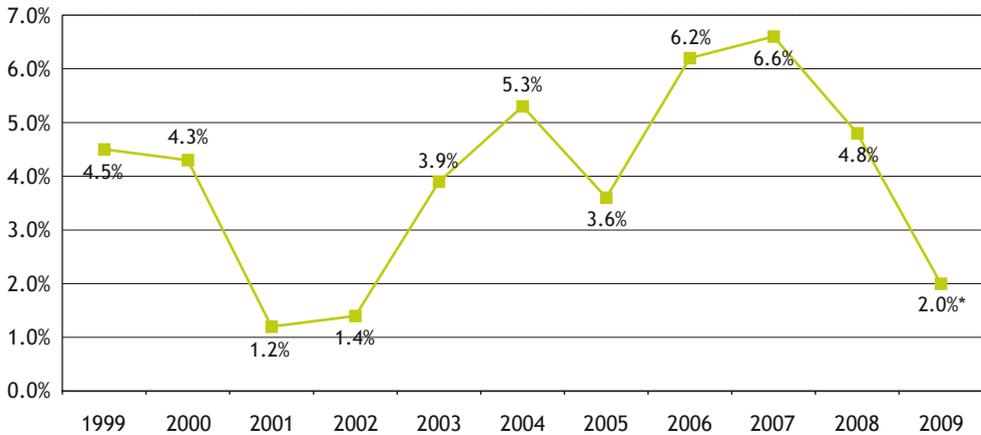
It should be borne in mind, however, that certain effects of Poland's integration into the EU were evident already in the pre-accession period. Poland's economic transformation should be viewed from a longer-term perspective of twenty years. In early 1990s, Poland started a complex process of reforms aimed at the introduction of the market economy which was one of the preconditions for the EU accession. On the one hand, Poland's accession to the EU was an ultimate effect of the entire process of economic transition; on the other, it created a unique opportunity for further growth of the Polish economy.

In addition, the process of Poland's integration with the EU occurred in parallel to certain developments of the global economy, such as the global economic upturn since 2004 and the subsequent international financial and economic crisis, with its climax in H2 2008. Therefore, developments in the Polish economy can be linked not only to the EU membership, but also to a number of different factors. As a result, it is often very difficult to point to "EU-specific" effects.

Economic growth: fluctuations and underlying factors

Before the accession, experts had forecasted a dynamic growth of Poland's economy resulting from the convergence with the economies of EU-15 Member States. For emerging markets, convergence was to contribute to their relatively high economic growth rate as compared against developed economies. The pre-accession report containing an *ex-ante* analysis of the effects of Poland's accession to the EU estimated that the average economic growth rate would exceed 5% in the first five years of membership. This forecast was based on the growing importance of foreign trade, financial transfers, and a more robust inflow of foreign capital after the accession, which can be attributed to the improved conditions for investments in Poland, higher financial reliability, and elimination of barriers to the free flow of capital¹.

Chart 1. Changes in Poland's GDP in the period 1999–2009



* Forecast of DG ECFIN, *Interim Forecast*, January 2009.

Source: Own study based on Eurostat and Central Statistical Office.

Indeed, if we analyse changes in GDP, it becomes evident that the accession spurred the growth of the Polish economy. In the period 1999–2003, economic growth rate ranged from 1.2% and 4.5%; in the post-accession period, it varied from 3.6% in 2005 to 6.6% in 2007. The 2005 growth in GDP of 3.6% (compared to 5.3% in the previous

¹ Office of the Committee for European Integration, *Bilans korzyści i kosztów przystąpienia Polski do Unii Europejskiej*, Warsaw 2003, p. 38.

year) can be explained by the decline in domestic demand resulting from the reduction of stock in the previous year².

The impact of accession on the high economic growth rate may be determined by analysing changes in subcomponents of GDP. Investment demand was the key driver of GDP growth (especially in 2005–2006), followed by consumption demand. Increased investment demand was accompanied by a considerable increase in gross fixed capital formation³ (from –0.1% in 2003 and 6.4% in 2004 to 17.6% in 2007), which resulted from the inflow of foreign direct investments and increased confidence of investors in the Polish market in the context of Poland's accession to the EU. Another key factor was the increase in exports, although its growth rate was on the decrease (from 14% in 2004 to 9.1% in 2007), which resulted – among others – from the strengthening of PLN vs. currencies of Poland's main trade partners. On the other hand, domestic consumer demand was on the increase (from 2.8% in 2003 and 6.8% in 2004 to 8.6% in 2007). However, Poland's accession to the EU alone cannot be considered the only or the basic driver of Poland's economic growth. Poland's economic upturn was attributable also to other factors, including among others the trends in the global economy.

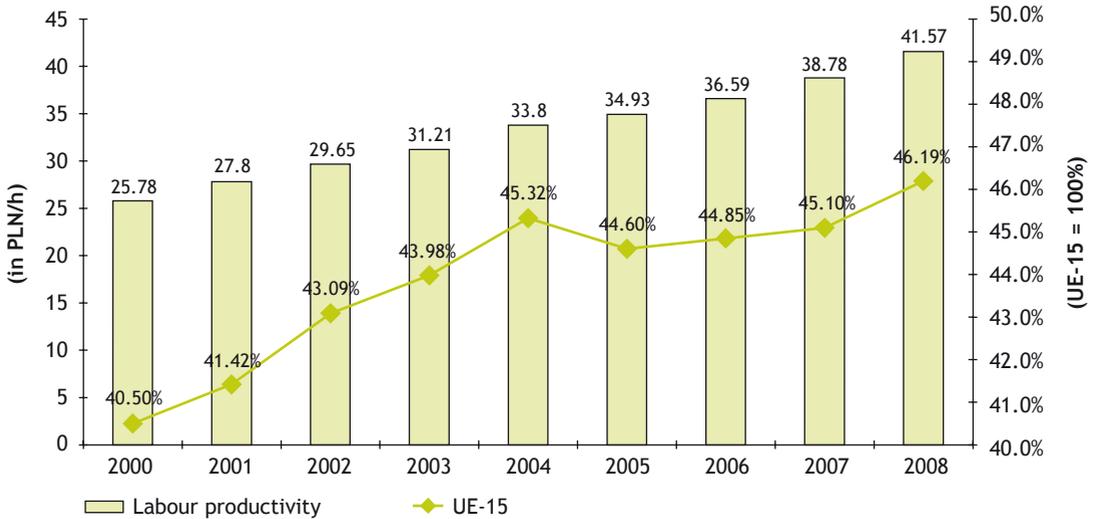
In 2007, the highest growth in production was recorded in industry (about 9.9%) and construction (12.5%). The increase in private consumption was rather moderate, which leads to the conclusion that Poland's economic growth was stable and sustainable in terms of its structure and did not result from an excessive increase in domestic consumption. GDP growth based on the increased investment demand, as well as the promising Polish market represent an opportunity to achieve higher economic growth rate in the context of the global economic crisis than in other countries.

In addition to the above factors, GDP growth rate also depended on the increase in labour productivity, which is defined as the value of production per input of labour. Its increase depends on the streamlined division of labour in a country, i.e. more efficient utilisation of labour force in the economy in general, leading to higher domestic production. Chart 2 presents productivity of the Polish economy in GDP (in PLN) per hour worked, compared to productivity of labour in EU-15.

² A. Żołnowski, *Wpływ członkostwa Polski w Unii Europejskiej na podstawowe zmienne makroekonomiczne – efekty unijne oraz kanały dyfuzji*, expert study for UKIE, 2009, p. 26.

³ *Rachunki kwartalne produktu krajowego brutto w latach 2003–2007*, Central Statistical Office, November 2008, http://www.stat.gov.pl/cps/rde/xbct/gus/PUBL_rachunki_kw_pkb_2003_2007.pdf.

Chart 2. Productivity of labour in Poland in 2000–2008 vs. EU-15



Source: Own study based on DG ECFIN, AMECO base.

In 2000–2008, labour productivity was up by about 60% from 25.78 PLN per hour worked to 41.57 PLN per hour worked. One should note, however, that the period of 2006–2008 saw a substantial increase in employment rate, and labour productivity statistics were lower as a result. In 2000–2003, labour productivity measured as GDP produced during one hour of work totalled 40.5–44% of average labour productivity in EU-15, while in 2004–2008 it reached 44.5–46% of EU-15 average. Inflow of FDI was one of the reasons for this improvement.

It was expected that the development gap between Poland and EU-15 would be reduced after the accession⁴. And indeed, the gap measured by GDP *per capita* was reduced in 2003–2008. Before the accession, the average GDP per one Polish citizen reached only 48.9% of GDP per capita in EU-27, but in early 2009 it was estimated that it had increased to 54.3% in 2008⁵. This bridging of the gap between Poland and other EU-12 Member States vs. EU-15 is a long-term process and is expected to take many more years.

The global economic crisis that emerged back in H2 2007 in the USA has manifested itself in real terms in highly developed countries, and in particular in the Euro

⁴ Office of the Committee for European Integration, *op.cit.*, p. 7, 31.

⁵ Eurostat, <http://epp.eurostat.ec.europa.eu>.

zone, the UK, and the USA. As a result, foreign investors have become more alerted to investment risks, in particular in emerging markets, including markets of the new Member States. In consequence, the new Member States considered not reliable enough by foreign investors suffered from a decline in investments, sharp reduction in foreign demand, and the flow of foreign capital to more developed countries.

In 2008, Poland experienced the first symptoms of economic downturn in the wake of the global financial crisis. They were evident mainly in the considerable reduction of gross capital formation (5.6% in Q3 2008) resulting from the decline in gross capital expenditure (3.5% in Q3 2008), which is of particular importance for sustainable economic growth.

This economic slowdown was somehow mitigated by a very limited reduction in consumption and a slight improvement in net exports in H2 2008. In 2009, the expected decline in consumption demand is likely to be mitigated by the reduction and flattening of tax rates. On the other hand, the increasing unemployment rate and stricter terms and conditions adopted for consumer loans, are likely to affect consumption rate and – by extension – GDP growth rate⁶.

In addition, higher investment risks, rising electricity prices and costs, as well as new limitations on mortgage and investment loans, put a curb on the scale of investments in many sectors of the economy. Many private and public institutions agreed that in view of the above, Poland's GDP growth rate in 2009 would be lower than in 2008; the actual forecasts differed, ranging from 0.5% to 4%. One should note that economic growth rate of 2%⁷ would land Poland in the list of the fastest-developing countries in the EU. Some financial institutions, such as HSBC, expected that Poland and China would cope best with detrimental effects of the global financial crisis⁸.

Balance of payments

Poland's accession to the EU had a significant impact on all key elements of its balance of payments. In 2004–2009, deficit in the current account was on the increase. This increase in deficit was offset by the increase in surplus recorded in the capital account. The balance of financial account also improved.

⁶ Bank BGŻ, *Makrotrendy*, no. 2(36), 2008, p. 2.

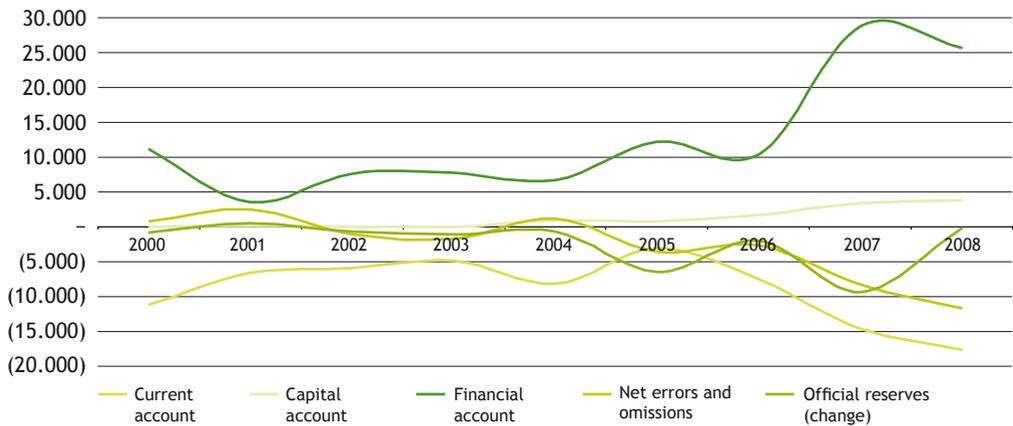
⁷ DG ECFIN, *Interim Forecast*, January 2009, http://ec.europa.eu/economy_finance/pdf/2009/interimforecastjanuary/interim_forecast_jan_2009_en.pdf.

⁸ D. Walewska, *Polska i Chiny: dwie wyspy, a wokół kryzys*, "Rzeczpospolita", 16 January 2009, p. B9.

In the case of Poland's current account, the increase in deficit resulted directly from the convergence mechanism observed in other new Member States: countries catching up with more developed Member States would record an increase in current account deficit and a surplus in capital account resulting from the inflow of foreign capital, e.g. FDI inflows or portfolio investments. This post-accession scenario had been forecasted already before the accession⁹.

The negative current account balance resulted mainly from the income recorded by foreign investors, for instance under dividends or interest on loans extended to Polish entities (including the Government and local and regional authorities)¹⁰. In addition, the decline in the balance of trade in goods recorded since 2006 also affected Poland's current account. Deficit in trade in goods reached EUR 4.6 bn, and more than doubled in 2007, up to 11.3 bn EUR. On the other hand, a considerable improvement was recorded for the balance of services and current transfers. Surplus in the balance of services was up from 0.4 bn EUR in 2003 to 2.9 bn EUR in 2007, while surplus in current transfers was up from 2.8 bn EUR in 2003 to 4.8 bn in 2008 EUR¹¹.

Chart 3. Poland's balance of payments in the period 2000 – November 2008, by accounts (in EUR mln)



Source: NBP, cit. A. Żołnowski, *Wpływ członkostwa Polski w Unii Europejskiej na podstawowe zmienne makroekonomiczne – efekty unijne oraz kanały dyfuzji*, UKiE expert study, 2009.

⁹ Office of the Committee for European Integration, *op.cit.*, p. 7, 38.

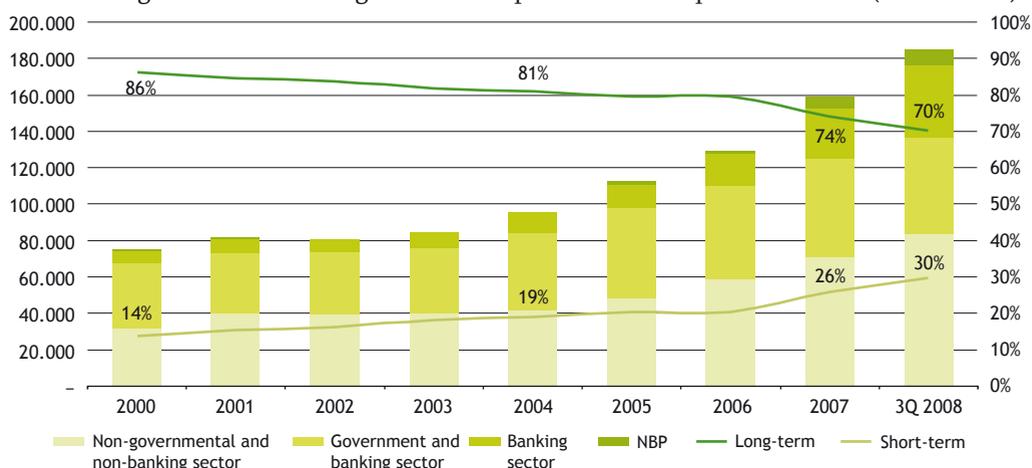
¹⁰ Office of the Committee for European Integration, *4 lata członkostwa Polski w UE. Bilans kosztów i korzyści społeczno-gospodarczych*, Warsaw 2008, p. 18–19.

¹¹ A. Żołnowski, *op.cit.*, p. 8.

On the other hand, a significant improvement was recorded in the balance of Poland's capital account – from –0.04 mln EUR in 2003 to 3.9 bn EUR in November 2008. This improvement resulted from EU transfers under structural funds and Cohesion Fund.

EU accession had a positive impact on Poland's financial account. This improvement was based mainly on the inflows of foreign direct investments, portfolio investments, and other investments. At the same time, since the date of accession, the value of Polish FDIs increased until 2007, and the same applies to the value of portfolio investments and other investments in the period 2005–2007. Similar trends were observed in other new Member States. Improvement of their financial accounts resulted from the inflow of capital, especially FDIs, after the accession. Just as in Poland, other Member States recorded an increase in FDIs located abroad, mainly within the EU. A conclusion may be drawn that the enlargement resulted in a bilateral increase in capital flows between EU-15 and EU-10.

Chart 4. Changes in Poland's foreign debt in the period 2002 – 3 quarters of 2008 (in EUR mln)



Source: NBP, cit. A. Żołnowski, *Wpływ członkostwa Polski w Unii Europejskiej na podstawowe zmienne makroekonomiczne – efekty unijne oraz kanały dyfuzji*, UKIE expert study, 2009.

One should note that in 2003–2007, Poland's total foreign debt almost doubled. Before the accession, foreign debt totalled about 85 bn EUR, but reached about 160 bn EUR in 2007, and increased to over 184 bn EUR in the first 3 quarters of 2008. At the same time, the share of short-term debt in total foreign debt gradually increased in the analysed period,

from 19% in 2004 to 30% as at the end of Q3 2008¹². After accession the systematic but moderate growth of public debt was observed. This increase was attributable among others to the inflow of transfers from EU budget under the cohesion policy. These transfers may only be used in co-financing of projects. To this end, the central government as well as local and regional authorities incurred debts – both in Poland and abroad. In addition, EU funds are released only after a project has been implemented, and the State must secure project financing beforehand. Private enterprises using structural funds were subject to the very same mechanisms, and their debt also increased. These debts were investment-related¹³, which increased GDP growth rate and may improve its growth in the future.

Foreign exchange rates

Before the accession, it was expected that PLN exchange rate would appreciate and stabilise at about 4 PLN/EUR in 2008. Experts assumed that this exchange rate would be achieved based on the government's strategy of participation in ERM II and adoption of single currency in 2008, as well as based on the inflows of foreign capital¹⁴.

Within the first four years of Poland's membership in the EU, PLN exchange rate gradually appreciated, both in nominal and real terms. In the case of PLN/EUR exchange rate, this trend was a reversal of the gradual weakening of PLN recorded since 2001.

Therefore, the pre-accession forecasts were correct as to the overall trend, but the actual degree of appreciation of PLN had been slightly underestimated¹⁵. Average annual exchange rate of EUR in 2008 totalled about PLN 3.5, i.e. about 15% below the forecast. As at the end of 2008, it exceeded PLN 4.00, and this depreciation trend continues. The strong appreciation of PLN after the accession had a number of reasons. These included: increased global demand for PLN, inflows of speculative capital, accelerating economic growth rate, and improved labour productivity.

PLN appreciation in real terms was a consequence of the Samuelson-Balassa effect. According to this mechanism, if labour productivity increases in one economy vs. another economy, the exchange rate of its currency becomes relatively stronger, assuming a similar inflation rate in comparable countries¹⁶.

¹² *Ibid.*, p. 14.

¹³ *Ibid.*, p. 26.

¹⁴ Office of the Committee for European Integration, *Bilans...*, *op.cit.*, p. 7.

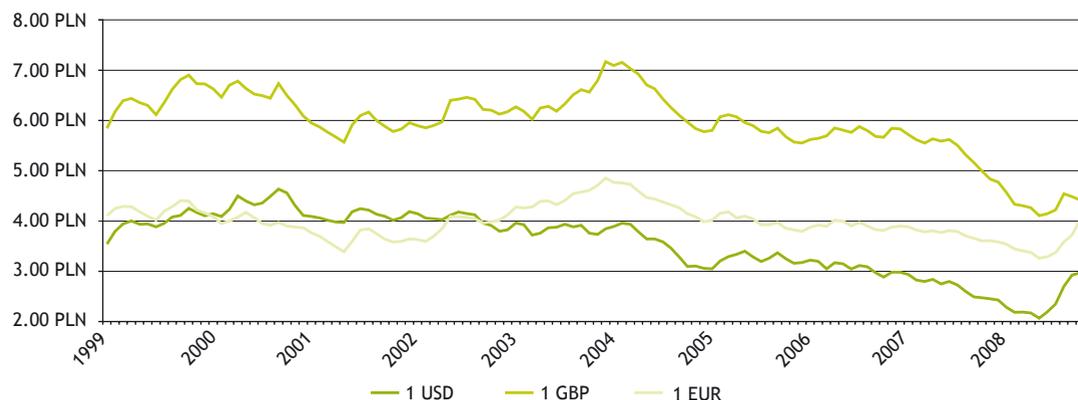
¹⁵ *Ibid.*, p. 7.

¹⁶ Indeed, labour productivity in Poland improved gradually (cf. Chart 2; sub-chapter: Economic growth: dynamics of changes and underlying factors).

The strengthening of PLN was based on the increased demand for the Polish currency among foreign investors. PLN was necessary to invest in Poland. In addition, PLN/EUR exchange rate in international currency markets depended on the transfers of funds from EU budget under structural funds or Common Agricultural Policy (CAP). On the other hand, exchange rate was on the increase as a result of transfers of money made by Polish immigrants in the UK and brought back to Poland.

In addition, as Poland's financial credibility and its attractiveness for investors increased, massive inflows of speculative capital were recorded, focused on the so-called convergence play¹⁷, i.e. location of investments in economies characterised by higher growth rate and promising higher returns. As a result, valuations of PLN were somehow detached from its actual value.

Chart 5. Weighted average exchange rate of PLN vs. EUR, GBP and USD



Source: Own study based on NBP, annual reports.

In H2 2008, in light of the global crisis, the appreciation trend was reversed due to the flight of speculative capital from the emerging – and less credible – markets back to highly developed countries. Faced with the global economic crisis, foreign investors have become more sensitive to foreign investment risks and started to withdraw their capital from the emerging markets. Nearly all new Member States that kept their national currencies were affected by this trend. The increasing demand for borrowings was accompanied by a decline in foreign direct investments. As a result, the main global currencies appreciated vs. currencies of the emerging markets¹⁸.

¹⁷ Office of the Committee for European Integration, *Bilans...*, *op.cit.*, p. 35.

¹⁸ J. Jankowiak, *Co dalej z kursem złotego?*, "Rzeczpospolita", 29 December 2008

To sum up, the impact of EU membership on PLN exchange rate was noticeable – albeit difficult to determine – and resulted in the appreciation of PLN in the period 2004–2008. However, in the face of the global financial crisis, it lost its importance. Due to the global economic downturn in 2008/2009, PLN was still treated by traders as an emerging market currency, not as an EU Member State currency. In consequence, PLN lost about 40–50% vs. stronger currencies.

Foreign trade

Poland's accession to the EU had a number of consequences for the Polish foreign trade. First of all, Polish businesses took advantage of globalisation thanks to the strengthening of Poland's position in the international arena. Secondly, Polish entrepreneurs entered the internal market and followed its rules (especially as regards environmental protection as well as human health and life protection standards). As a result, foreign trade increased substantially, and the Polish economy became more open. It confirmed the pre-accession hypothesis that Poland's trade would grow faster after the accession than its GDP¹⁹.

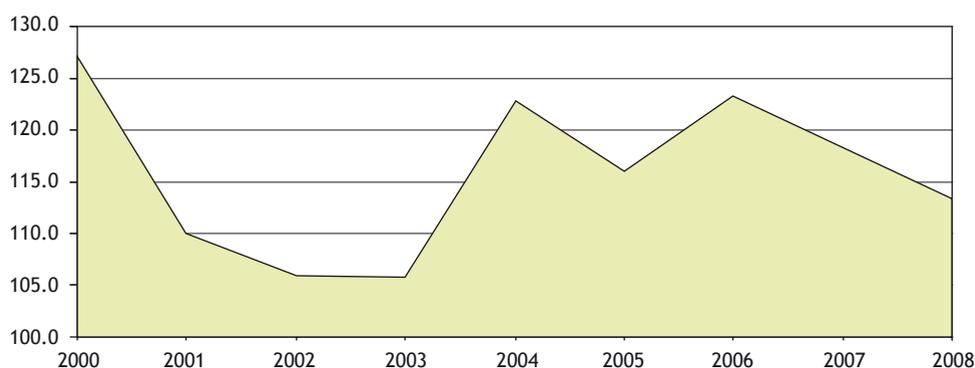
Polish products were exported mainly to EU Member States, and the resulting increase in exports resulted from Poland's participation in the internal market. In particular, Poland exported its agricultural and food products, enjoying a comparative advantage in their production. In addition, Poland was covered by the common trade policy (CTP), received subsidies to exports to third countries (the so-called export refunds), and adopted preferential customs duties as regards certain countries; it all added to the increase in the volume of foreign trade. On the other hand, foreign trade increased also based on the increasing demand for foreign products, accelerating economic growth rate, and appreciation of PLN.

Chart 5 presents the dynamics of changes in foreign trade in 2000–2008. Throughout this period, the value of trade was on the increase, which would indicate that the Polish economy gradually opened to the world. However, the highest increase in the value of trade (up by over 10% per annum) was observed since 2004, which would suggest that Poland's accession to the EU had a positive effect on its trade. In the theory of economics, it is called trade creation effect. It would have been even more pronounced

¹⁹ Office of the Committee for European Integration, *Bilans...*, *op.cit.*, p. 46.

if the key trade partners had experienced higher increase in their economic growth rate (resulting in an increase in trade based on the higher demand from Poland's trade partners)²⁰, and if Poland had encouraged them to be more active – for instance, by ensuring better access to its market, better transport infrastructure, and a more business-friendly environment²¹.

Chart 6. Changes in Poland's foreign trade (previous year = 100) in the period 2000–2008



Source: Own study based on Comext, Eurostat, and Central Statistical Office.

In addition to trade creation effect, there was yet another consequence of changes in customs duties in trade with third countries – the so-called trade diversion effect: increase in the volume of trade with one country or region, resulting from liberalisation of trade in the region, affected the volume of trade with other countries and regions. In Poland's case, some goods imported from outside the EU were partially replaced with goods coming from Member States or from countries covered by customs preferences under the common customs tariff²².

Interestingly enough, trade creation effect was stronger after the accession than trade diversion effect, both in Poland and in the EU. The enlargement did not result in any significant reduction of trade between the EU and third countries. Average annual increase in the volume of trade between Member States and third countries in the pe-

²⁰ Office of the Committee for European Integration, *4 lata...*, *op.cit.*, p. 23.

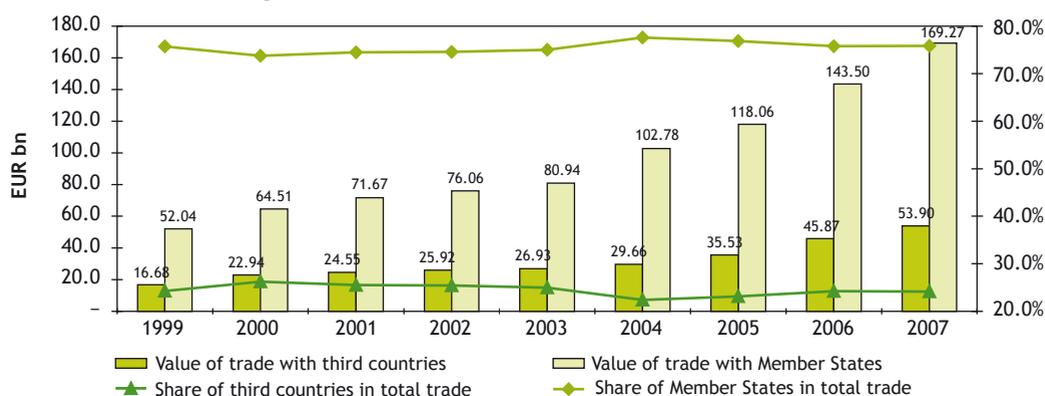
²¹ In terms of its efforts to enable the development of foreign trade, Poland ranked 45th in 2008 (cf. World Economic Forum, *The Global Enabling Trade Report 2008*; cf. Baltic Development Forum, *State of Region Report*, 2008, p. 61).

²² For instance, the country of origin of bananas was initially changed from Ecuador, Panama, Costa Rica, or Columbia, to Spain or Greece. However, after the zero customs duty was introduced in 2006 for bananas brought from the Caribbean, Latin America and Africa, their share in total imports to Poland remained similar to the pre-accession period.

riod 2004–2007 reached 10.4%, compared to 8.7% increase in trade within the EU in the same period²³.

Until 2005, the volume of imports to Poland increased slower than Polish exports. Since 2006, the volume of import of goods to Poland increased faster than exports of goods from Poland, which resulted from the appreciation of PLN and better financial situation of Poles. Trade deficit had been on the decrease until 2005; after 2006, it has been up again. In 2004, foreign trade deficit reached EUR 11.8 bn; in 2005, it totalled 9.8 bn EUR. In the period 2006–2008 it was on the increase, reaching the estimated level of 25 bn EUR in 2008²⁴.

Chart 7. Value of foreign trade within EU-27 and with third countries in 1999–2007



Source: Own study based on Comext and Eurostat.

Chart 7 presents the value of foreign trade between Poland and EU-27 Member States and third countries. In both groups, trade was on the increase, which would confirm the trade creation effect. After the accession in 2004, the share of third countries in foreign trade dropped. In 2003, about 25% of foreign trade was generated by third countries, but only about 22.5% a year later. This share increased in the following years, but the 25% threshold was never reached.

The importance of emerging markets in Poland's foreign trade increased in this period; it applies in particular to the new Member States. It would indicate that trade relations with these countries became closer after the accession. Similarly, the share of

²³ European Commission, DG ECFIN, *Five years of an enlarged EU, Economic achievements and challenges*, „European Economy” 1/2009, p. 53.

²⁴ Comext, Eurostat; 2008 estimate; Central Statistical Office.

EU Member States in total trade increased slightly, but a drop was recorded in the share of highly developed countries in general²⁵. In the first five years of EU membership, the volume of trade with third countries from the East increased significantly (e.g. with Ukraine and Russia; in the latter case, the value of trade depended mainly on prices of the imported energy carriers).

The increased share of exports to the new Member States was recorded not only in Poland, but in almost all new Member States. The share in trade within the group of the new Member States increased from 10.35% in 1999 to 13.5% in 2004 and 17.29% in 2007, although to some extent it resulted from the process of globalisation²⁶.

As regards the structure of trade, an increase in trade in 2004 was observed in nearly all sectors. Still, the highest increase in exports was recorded in agricultural and food products. In 2005, 10% of the total exports of agricultural and food products could be attributed to the participation in the EU's single market²⁷. After the accession, this upward trend was upheld for the first two years (reaching the annual average of as much as 30%), slowing down slightly in 2006 (to 20%)²⁸. The high increase in exports was also recorded in the sector of chemicals, machinery, and transport equipment. These are traditional, labour-intensive sectors, with relatively moderate technological development.

As regards imports, most sectors recorded increased values of trade after the accession. This significant increase in imports can be attributed to the economic convergence of Poland to EU-15 and the resulting accelerated economic growth and appreciation of PLN²⁹. The impact of EU membership was particularly evident in the sectors of machinery and plastics. The increased demand for these products resulted, among others, from the new production processes requiring spare parts for the newly purchased machinery or maintenance products.

In 2008, this upward trend expressed in PLN was maintained until the beginning of Q4, when it slowed down sharply. As regards trade denominated in USD and EUR, it slowed down already in H2 2008, and its balance deteriorated. The share of consumer goods in total imports increased, while the share of goods to be used in investments or intermediate consumption was on the decrease³⁰. As at the end of 2008, the total volume of trade was estimated at 253 bn EUR³¹.

²⁵ Central Statistical Office, *Informacja o sytuacji społeczno-gospodarczej kraju. Rok 2008*, 2008, p. 50.

²⁶ DG ECFIN, *Five years...*, *op.cit.*, p. 57.

²⁷ Office of the Committee for European Integration, *4 lata...*, *op.cit.*, p. 23.

²⁸ EUROSTAT, www.epp.eurostat.ec.europa.eu; cf. chapter on Agriculture.

²⁹ Office of the Committee for European Integration, *4 lata...*, *op.cit.*, p. 24.

³⁰ GUS, *op.cit.*, p. 48.

³¹ http://www.stat.gov.pl/gus/45_970_PLK_HTML.htm

In late 2008, the value of net exports depended on two basic and opposing factors, resulting from the global economic downturn. The first of these factors was related to the decline in demand for foreign products among Poland's main trade partners. They experienced the first symptoms of the global crisis back in 2007³². The opposite factor was connected with the weakening of PLN and the resulting attractive prices of Polish products.

Both before the accession and in 2004–2009, Germany was the main trade partner of Poland. Export of cars and accessories, as well as TV sets to Germany increased, while export of copper, engines, other products made of non-precious metals, electronic transmission equipment, as well as furniture shrank. It could be regarded as a positive effect of EU membership connected with FDI inflow in the previous years³³. The share of Germany in the Polish exports dropped from 26.1% in 2007 to 25% in 2008. It resulted mainly from the specific problems faced by the German economy and reduction of its foreign consumption, as well as from the increasing importance of other markets. In 2008, Germany recorded GDP growth of only 1.3%, and a GDP drop to – 2.3% is expected for 2009³⁴. As a result, the share of Germany in the Polish exports in 2008 was down by about 1.1 percentage point. At the same time, an increase was recorded for the imports of passenger cars and trucks, their spare parts and accessories, as well as engines. On the other hand, the opposite trend was recorded for the imports of other products made of non-precious metals, other specialist equipment and machinery, as well as processed petroleum oils³⁵.

The impact of EU accession on the Polish economy is also evident if we analyse changes in Poland's intra-industry trade with EU-15³⁶. Table 1 presents the share of intra-industry trade in total trade, as well as its structure. Since 2000, the share of intra-industry trade increased gradually, which would suggest that Poland's structure of trade became similar to EU-15³⁷.

³² Ministry of Economy, *Polska 2008 – raport o stanie handlu zagranicznego*, Warsaw 2008, p. 5.

³³ Cf. sub-chapter on Foreign Direct Investments in Poland.

³⁴ DG ECFIN, *Interim...*, *op.cit.*, p. 21.

³⁵ GUS, *op.cit.*, p. 51.

³⁶ Intra-industry trade is defined as simultaneous, two-way exchange of goods belonging the same industry between two countries. A significant share of intra-industry trade in total trade indicates high level of development of a given country, as it usually involves goods belonging to the processing industry which is well-developed in industrialised countries. Intra-industry trade can be broken down into horizontal trade based on parameters other than quality (e.g. colour, brand), and vertical trade based on the quality of goods or involving semi-finished goods necessary to manufacture a product. When a country exports certain low-quality goods or semi-finished goods and receives products of higher quality, its intra-industry trade is defined as low-quality vertical trade; in the opposite case, it is defined as high-quality vertical trade (cf. E. Czarny, K. Śledziewska, *Polski handel wewnątrzgałęziowy z Unią Europejską na początku XXI w.*, March 2008, p. 4).

³⁷ DG ECFIN, *Five years...*, *op.cit.*, p. 54.

Table 1. Changes in intra-industry trade in 2000–2006

	2000	2001	2002	2003	2004	2005	2006
Total intra-industry trade, of which:	28.27%	29.31%	30.55%	32.34%	37.63%	34.69%	36.00%
Horizontal	6.07%	7.33%	7.66%	7.41%	10.98%	10.03%	6.58%
Vertical (low quality)	17.56%	17.24%	17.50%	18.72%	18.29%	15.16%	18.99%
Vertical (high quality)	4.63%	4.74%	5.39%	6.21%	8.37%	9.50%	10.42%

Source: E. Czarny, K. Śledziewska, *Polski handel wewnątrzgałęziowy z Unią Europejską na początku XXI w.*, March 2008.

Studies have shown that after the accession no significant changes in the structure of intra-industry trade between Poland and EU-15 were recorded, and low-quality vertical trade still dominated. Therefore, Poland did not become an equal partner for EU-15. In the processing industry, Poland exported mainly low-processed goods, while importing finished goods or higher-quality goods. Poland needs more time for this adjustment. Suffice it to say that it took many decades for EU-15 Member States to achieve their current economic development, and Poland had only 20 years to implement the necessary economic reforms³⁸. On the other hand, two-way trade in automotive industry improved vs. total trade, which resulted from FDI inflows. A similar trend was observed in several other new Member States³⁹.

At the same time, irrespective of the dominance of low-quality vertical trade, the share of high-quality vertical trade gradually and steadily increased. It applies to total trade with EU-15 in 2000–2006. It means that although Poland produced relatively more low-quality goods than in EU-15, it gradually increased its exports of high-quality goods requiring more advanced technologies. The reasons for this improvement in intra-industry trade included the increased FDI inflows, more free trade, and introduction of EU technical standards after Poland gained access to EU internal market. It suggests that the Polish economy is becoming similar to the economies of EU-15 Member States (especially in terms of production of higher-quality goods).

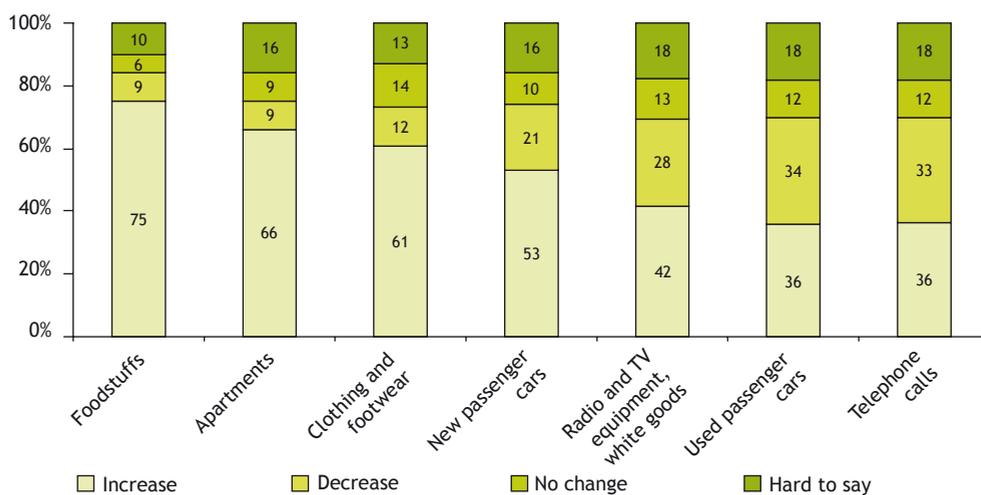
³⁸ E. Czarny, K. Śledziewska, *op.cit.*, p. 24.

³⁹ E. Kawecka-Wyrzykowska, *Evolving pattern of intra-industry trade specialization of the new Member States (NMS) of the EU: role of foreign direct investments – the case of automotive industry*, Conference 5 years of enlargement, a positive sum game, Brussels, November 2008.

Inflation rate

Inflation rate was one of the main macroeconomic variables discussed before the accession. In particular, Poles were afraid of the sharp rise in prices after the accession resulting from the increasing indirect taxes (alignment of VAT and excise duty with EU requirements, common customs tariff in trade with third countries), as well as quotas on food production following the introduction of CAP.

Chart 8. Pre-accession expectations of Poles as to changes in the selected categories of product and service prices after the accession



Source: IPSOS, cit. M. Grela, *Pięć lat członkostwa Polski w Unii Europejskiej – ceny i inflacja*, expert study for UKIE, Warsaw 2009.

Concerns were also voiced that demand for Polish products from EU-15 Member States will increase, given the high purchasing power of EU citizens. It was expected that convergence of prices in Poland and EU would be observed after the accession. On the other hand, it was expected that liberalisation of certain markets of products and services (including energy, telecoms, and air transport), increased competition, and elimination of barriers to the free flow of goods and services in the internal EU market would drive prices down⁴⁰. In 2003, the change in prices was expected to reach

⁴⁰ Office of the Committee for European Integration, *Bilans...*, op.cit., p. 58.

about 3.5–4% immediately after the accession, and then to drop to the forecast EU average, i.e. approx. 3.4%⁴¹.

Poles were mainly afraid of the rising prices of food. In a public opinion poll conducted by IPSOS Polska in March 2004⁴², 75% of respondents were of the opinion that prices of foodstuffs would rise after 1 May 2004. These concerns were raised mainly by less wealthy persons, whose financial situation would be affected if prices of basic commodities were to rise. More than 50% of respondents were also afraid of the rising prices of real property, clothing and footwear, as well as new cars.

Some of these concerns proved right and a considerable rise in prices was observed even before the accession. In April 2004, prices of consumer goods and services were up by 0.8% vs. March. Annual inflation rate was up from 1.7% in March to 4.6% in July 2004⁴³. The rise in inflation rate after the accession was therefore higher than expected by experts⁴⁴, but lower than expected by the public opinion in Poland.

In 2004, prices of foodstuffs rose significantly – from 3.3% in March to 9.1% in July. It resulted mainly from the rise in prices of meat, especially poultry, as well as sugar, oil, and other fats. Considerable increase was recorded for electricity prices, which resulted from the rising prices of mineral fuels (mainly crude oil and coal) and the increased profit margins of fuel suppliers. Many manufacturers (in particular in the food and agricultural sector) increased the volume of their exports to EU-15, where prices of products were higher. This increased exports volume reduced domestic supply of these products and accelerated the rise in their prices. In the following months, changes of CPI⁴⁵ slowed down to 4.4–4.6%, in line with the evolution of food prices.

In the period 2005–2006, inflation rate in Poland was low (the lowest of all new Member States) and relatively stable. It increased significantly in 2007, which resulted from the increase in domestic demand (along with the rise in salaries) and the level of global prices of energy carriers and food (to a large extent on a speculative basis). Prices of these product groups affected costs of production of other goods. It was experienced not only by Poland, but by other Member States as well.

From the five-year perspective of Poland's membership in the EU it may be concluded that the sharp temporary rise in prices observed in the first months after the ac-

⁴¹ *Ibid.*, p. 145.

⁴² *Oczekiwania Polaków dotyczące cen po wstąpieniu Polski do Unii Europejskiej*, IPSOS, March 2004.

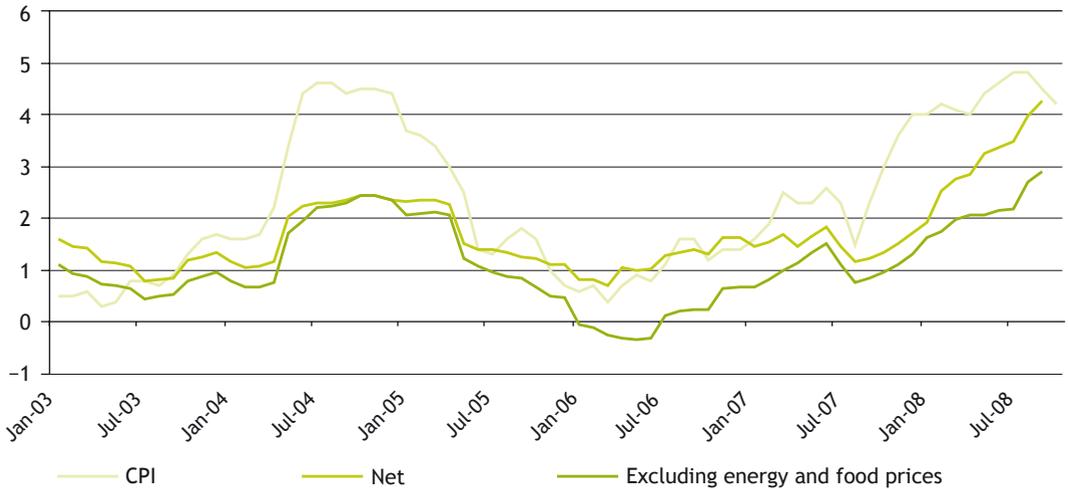
⁴³ M. Grela, *Pięć lat członkostwa Polski w Unii Europejskiej – ceny i inflacja*, expert study for UKIE, Warsaw 2009, p. 3.

⁴⁴ Office of the Committee for European Integration, *Bilans...*, *op.cit.*, p. 145; p. Makarova, W. Haremza, *Ocena inflacji bazowej dla roku 2004*, the Gdańsk Institute for Market Economics, 2004, p. 6.

⁴⁵ CPI – Consumer Price Index.

cession was reversed within one year. Since then, the impact of EU membership on the level of prices in Poland has been rather moderate. The faster growth in prices immediately after the accession had several reasons. First of all, increase was recorded in domestic demand (resulting from the expected high rise in prices after the accession). In this case, one may talk about the mechanism of self-fulfilling prophecy. Consumers who expected the rise in food prices started to buy more products; as a result, their prices began to rise. In consequence, there was a sharp increase in the price of sugar, as Poles would buy excessive amounts of sugar at excessively high prices.

Chart 9. CPI inflation and core inflation rates in 2003–2008



Source: M. Grela, *Pięć lat członkostwa Polski w Unii Europejskiej – ceny i inflacja*, expert study for UKIE, 2009.

In addition, new rates of indirect taxes (cigarettes, children's clothing, household cleaning products, LPG⁴⁶) were combined with mechanisms and rules of the common customs tariff (CCT) (e.g. customs tariffs for citrus fruits or fish). Only these regulations temporarily affected the inflation rate in the first five years after the accession, but to a much smaller extent than in 2004. Demand factors resulting in the rise in prices in the long term included: inflow of foreign capital and structural funds, as well as high rate of economic growth.

⁴⁶ Liquefied Petroleum Gas.

The accession had a moderate effect on the convergence of prices in Poland and in EU-15, and this effect did not consist in the rise in prices in all cases. Prices of certain products, such as clothing and footwear, dropped after the accession – in 2008, their prices still dropped by 6% per annum⁴⁷.

Liberalisation of certain markets and elimination of customs duties resulted in a significant drop in prices of some products and services (e.g. transport vehicles, transport services). In addition, the strengthening of PLN vs. USD and EUR slowed down the increase in prices. As a result, consumers and enterprises alike could buy cheaper (in PLN) imported goods and services (e.g. passenger cars and delivery trucks). To some extent, the strong PLN counterbalanced the effects of global rise in prices of energy inputs on fuel prices in Poland.

The impact of the accession on the increase in prices would have been higher if Poland had followed recommendations of the European Commission and liberalised prices for all groups of electricity and gas consumers⁴⁸. The EU attaches great weight to liberalisation of these markets, which was highlighted in the Lisbon Strategy. In the next several years to come, electricity prices in Poland will be determined by the market alone, and the resulting rise in electricity tariffs will impact the level of prices throughout the Polish economy.

Prosperity and household income

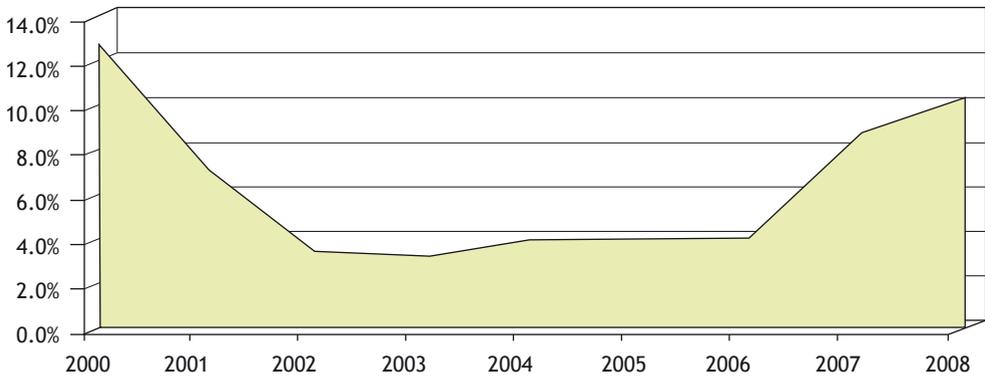
The improved financial situation of Poles (with the exception of effects of the global financial crisis) following the accession can be attributed to a number of factors. It resulted primarily from the faster economic growth and higher employment rates recorded by businesses in Poland and abroad, and thus from the higher income of their employees. Secondly, the financial situation of Poles improved in line with changes in the domestic labour market and as a result of high rates of labour migration to more prosperous Member States that had opened their labour markets to the new Member States. And finally, the financial situation and prosperity of agricultural producers improved because of Poland's participation in CAP and tendencies in global prices of agricultural products.

⁴⁷ A. Żołnowski, *Wpływ..., op.cit.*, p. 24.

⁴⁸ Cf. chapter on Energy.

The improved financial situation of Poles resulted from the rise in salaries and increased their purchasing power. Chart 9 presents the evolution of average salaries and indicates that after the accession, salaries increased faster than in the period of 2 years before the accession. However, a steep rise in income was observed only in 2007. In 2000, the average monthly salary totalled about 1924 PLN, in 2004 it increased to about 2290 PLN, and in 2007 and 2008 it reached 2691 and 2944 PLN, respectively⁴⁹.

Chart 10. Evolution of the average annual salary in the period 2000–2008



Source: Own study based on data provided by Central Statistical Office.

This sharp rise in average salary in 2007 and 2008 can be explained by the convergence of salaries in Poland and other Member States, which resulted, among others, from FDI inflows and the economic upturn in Poland, increasing the demand for labour. Labour migration opportunities, resulting from the partially free flow of persons, significantly reduced the number of workers who would agree to work for the same pay as before. Faced with the choice of whether to work and make money in Poland or abroad (e.g. in the UK or Ireland), often many people decided to leave Poland to work abroad⁵⁰. As a result, those who stayed in Poland could put greater pressure on employers and demand higher salaries. Prices of many services in Poland went up – for instance rates for home refurbishment services.

⁴⁹ GUS, *Zatrudnienie i wynagrodzenia w gospodarce narodowej w I–III kwartale 2008 r.*, December 2008, http://www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_pdl_zatrudnienie_wynagrodzenia_I-IIIkw_2008.pdf; http://www.stat.gov.pl/gus/45_1630_PLK_HTML.htm.

⁵⁰ Cf. chapter on Migrations.

The financial situation of Poles improved not only as a result of the rise in salaries and shortage of labour in the local market. Families of labour immigrants became beneficiaries of the accession – they received transfers of funds from their spouses, siblings, or parents working abroad. Farmers covered by CAP and rural development programmes also benefited from the accession. In terms of income, retirees and disability pensioners benefited the least from Poland's membership in the EU.

With time, the rise in salaries had become more obvious for Poles. In 2004, only 9% of respondents claimed that EU membership had a positive effect of the amount of their salaries and wages, but in 2008 this share reached 42% (up by 33%)⁵¹. In addition, the number of persons claiming that it was easier to find jobs in Poland after the accession also increased. In May 2008, 71% of respondents claimed that the accession had a positive impact on the number of jobs (up by 21% vs. 2004)⁵².

In late 2008, Poles did not experience any effects of the global financial crisis on the labour market and amount of salaries yet. However, the first signals of mass reductions of headcount and other methods of cost reduction (including reduction of working hours and salaries) were observed back then; still, these signals were rather limited and loosely connected with the accession. In January 2009, the average monthly salary was down by about 7% vs. December 2008, but was still higher than in January 2007⁵³. In addition, many businesses in Poland entered into currency option contracts and consequently faced the threat of bankruptcy and mass reductions of their personnel.

Foreign direct investments in Poland

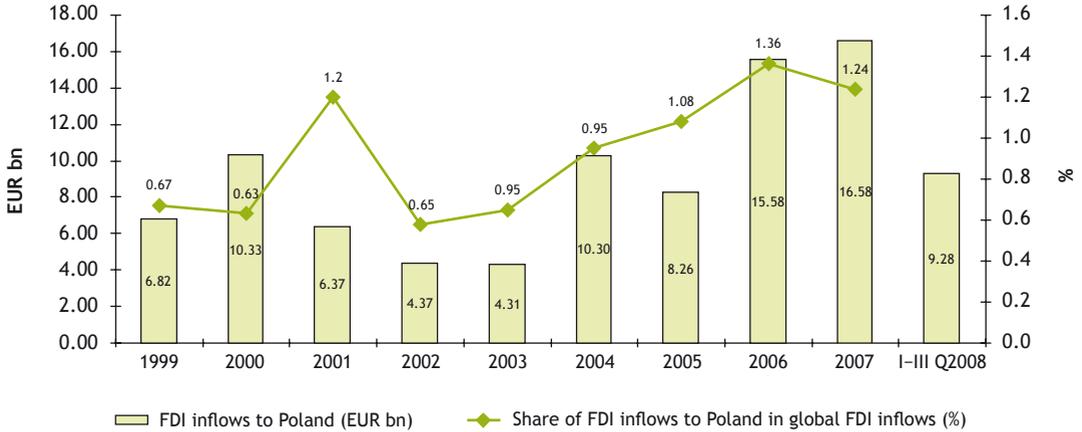
According to broadly endorsed expectations, Poland's accession to the EU would result in the increased inflows of foreign capital in the form of foreign direct investments. The pre-accession forecasts indicated that in 2004–2005 FDI inflows would reach about 10 bn EUR annually, and would increase to 15–16 bn EUR annually in 2013–2014⁵⁴.

⁵¹ SMG/KRC for DA UKIE, October 2004; GfK Polonia for UKIE/DA, May 2008.

⁵² *Ibid.*

⁵³ http://www.stat.gov.pl/gus/45_1786_PLK_HTML.htm

⁵⁴ Office of the Committee for European Integration, *Bilans...*, *op.cit.*, p. 34.

Chart 11. Total FDI inflows to Poland, 1999–2008⁵⁵

Source: NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2003 r.*, Warsaw, December 2004; NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2007 r.*, Warsaw, January 2009; NBP, http://www.nbp.pl/statystyka/Bilans_platniczy/bop_kw_2000_2008.xls; data provided by UNCTAD, own calculations.

As a result of the accession and stable economic situation, Poland enjoyed a more positive image as a reliable country attractive for investors⁵⁶. In 2004–2007, the value of FDI inflows was much higher than in the five-year pre-accession period, reaching nearly 51 bn EUR. It means that the average annual value of FDI inflows in the analysed period reached 12.68 bn EUR. In comparison, the inflows of FDIs in 1999–2003 reached 32.2 bn EUR, i.e. 6.44 bn EUR per year on average. The FDI inflows reached record-breaking levels in 2006 and 2007, respectively 15.58 bn EUR and 16.58 bn EUR, exceeding 5% of GDP in this period⁵⁷. It means the pre-accession forecasts of the increased FDI inflows proved right, and the value of capital inflow in the form of FDIs reached the expected levels even earlier. Given the economic downturn, preliminary estimates indicated that this rate of FDI inflow to Poland would slow down in 2008.

One can note that the increase in FDI inflows was observed after the accession not only in absolute terms, but also in relative terms. The share of FDIs directed to Poland in global FDI inflows in the pre-accession period 1999–2003 slightly exceeded 0.7%, but increased to over 1.1% in 2004–2007⁵⁸.

⁵⁵ As a result of changes in methodology, in 2004 FDIs included not only other loans granted/received between related parties, but also trade loans. For comparison purposes, 2003 data includes trade loans. In 2006, FDIs included real property investments. For comparison purposes, 2005 data includes real property.

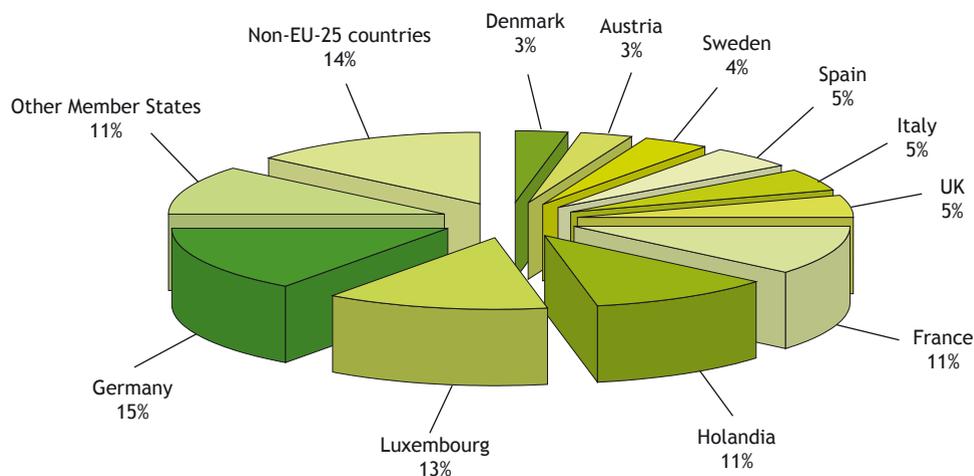
⁵⁶ Information on Poland's rating is presented in the following part of this chapter dealing with the Polish financial sector.

⁵⁷ NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2007 r.*, Warsaw, January 2009, p. 15.

⁵⁸ Own calculations based on data provided by NBP, UNCTAD.

Following the accession the FDI inflows to Poland increased from both the EU Member and third countries. In absolute terms, in 2004–2007 the inflows of investments from EU-15 exceeded 41 bn EUR, much more than before the accession (over 28 bn EUR in 1999–2003). The share of EU-15 in the total inflow of FDI to Poland dropped after the accession from nearly 90% in 1999–2003 to just under 82% in 2004–2007, but it resulted mainly from the increased interest in investments in Poland among investors from third countries⁵⁹. On the other hand, total FDI inflows from EU-10 in 2004–2007 were limited, reaching 1.89 bn EUR, i.e. under 4% of total FDI inflows in this period⁶⁰. As regards EU-15 investors, in both periods the majority of FDI came from Germany, France and the Netherlands. It should be noted that after the accession, a significant increase in FDI inflows from Luxembourg was recorded, which was probably connected with investments made by investment funds registered in Luxembourg.

Chart 12. Geographical structure of FDI inflows to Poland, 2004–2007



Source: Own calculations based on NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2007 r.*, Warsaw, January 2009.

Poland's accession to the EU and good results recorded by businesses operating in Poland encouraged investors to invest in the further development of enterprises in our country. As a result, the value of reinvested profits in 2004–2007 increased in compari-

⁵⁹ For more information on FDI in Poland from non-EU countries, see chapter *Poland in the globalised world*.

⁶⁰ Own calculations based on NBP, *Zagraniczne..., op.cit.*

son with 1999–2003. It means that the Polish economy is becoming mature – FDI in the form of reinvested profits are increasing in importance⁶¹. In the analysed pre-accession period, the category of reinvested profits affected the total value of FDI in Poland negatively. It could result from the early stage of investment development, which made it impossible for investors to generate profits or investors were not willing to invest their funds in Poland and focused on the transfers of funds outside of Poland⁶². After the accession, reinvested profits reached nearly EUR 19 bn, which means that their share in the total amount of FDI was significant⁶³. Starting from 2005, investor loans started to play a key role in the structure of FDI in Poland, which also confirms the good image of Poland among foreign investors.

However, the inflows of FDI to Poland cannot be analysed only based on the effects of EU accession. Other factors that investors would consider included access to highly qualified staff, relatively low labour costs⁶⁴, strategic location of Poland, and investment incentives offered e.g. in special economic zones (SEZs). It should be noted, however, that after the accession Poland had to introduce and apply EU regulations on public aid. The maximum amount of public aid depends on its type: regional, horizontal, or restructuring, as well as on the enterprise size. As a result, the rules of tax exemptions granted to enterprises operating in SEZs were changed. The maximum level of public aid now depends on the type of enterprise (small, medium, or large) and the duration of authorisation to operate in a SEZ. SMEs that had been authorised to operate in SEZs before 1 January 2001 can apply full income tax exemptions for the first 10 years of their operation in SEZs, and subsequently a 50% tax relief until the end of 2011 and 2010, respectively. Other SMEs and large enterprises were entitled to public aid in SEZs up to a certain level of regional support defined in a regional aid map for Poland⁶⁵.

When analysing FDI inflows we should also consider other factors, including international aspects. They include the national and global economic situation or changes in the global flows of FDI. Both before and after the accession, changes in FDI inflows were related to changes in its economic cycle⁶⁶, and the direction of

⁶¹ G. Hunya, *How to assess the impact of FDI on an economy*, OECD, 27 June 2007, p. 6.

⁶² For instance, in 2003 the amount of reinvested profits by foreign direct investors in Poland was -0.074 bn EUR, compared to 6.61 bn EUR in 2007. Source: NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2007 r.*, Warsaw, January 2009.

⁶³ Own calculations based on NBP, *Zagraniczne...*, *op.cit.*

⁶⁴ The analysis of the structure of FDI in Poland by sector shows that the majority of FDI were directed to the industrial processing sector where low costs of labour are of key importance.

⁶⁵ A.A. Ambroziak, *Funkcjonowanie specjalnych stref ekonomicznych w Polsce w obliczu zmian warunków udzielania pomocy regionalnej*, [in:] *Gospodarka Polski w Unii Europejskiej w latach 2004–2006*, ed. H. Bąk, G. Wojtkowska-Łodej, Warsaw 2007, p. 227.

⁶⁶ In the pre-accession period, the growth in GDP reached 1.4% in 2002 and 3.9% in 2003, while the inflows of FDI decreased from 4.37 bn EUR in 2002 to 4.31 bn EUR in 2003.

changes in GDP and FDI were the same after the accession⁶⁷. After the accession, investments in real estate reached an unprecedented scale, which also reflects the overall global trends. Beyond any doubt, the financial and economic crisis whose effects came into play in H2 2008 affected the level of investments. It was reflected in the preliminary estimates of FDI inflows to SEZs. Negative effects of the global economic downturn on investment processes in Poland were included in forecasts from early 2009, which indicated that the value of investments in SEZs would be reduced to 6.2 bn PLN in 2009, compared to 12.6 bn PLN declared by entrepreneurs in 2008. In addition, the number of authorisations to operate in SEZs is expected to be reduced from 207 in 2008 to 138 in 2009⁶⁸.

Based on this analysis it may be concluded that during first years of Poland's membership in the EU an increase in FDI inflows was recorded. However, the structure of business activities of enterprises investing foreign capital in Poland was not uniform throughout the country. In 2007, 61% of these enterprises were located in the provinces of Mazowieckie, Dolnośląskie, Śląskie and Wielkopolskie, and only 1% in each of the provinces of Warmińsko-Mazurskie, Podlaskie and Świętokrzyskie, and 2% in Podkarpackie and Lubelskie⁶⁹. Having in mind the importance of global and national factors influencing the level of FDIs in Poland, it seems that EU membership was the key reason for the intensive FDI inflows⁷⁰. The increase in FDIs after the accession both from EU Member States and from third countries confirms this conclusion. The stability of business operations improved, and investment risks in Poland were considerably reduced. FDIs enabled the dynamic development of production of LCD screens and white goods, and Poland has become an important exporter of cars⁷¹. In the first five years of Poland's membership in the EU, more foreign investors regarded Poland as an attractive location for their R&D and logistics centres⁷². As a result, FDIs have become a key factor supporting Poland's economic development, and improved the efficiency of operation, diffusion of technologies, as well as production and exports of more capital-intensive highly-processed goods. In the year of accession, the FDI inward stocks as a percentage of GDP reached 25.4% and increased to 33.8% in 2007⁷³.

⁶⁷ A. Żołnowski, *Wpływ członkostwa Polski w UE na bezpośrednie inwestycje zagraniczne w Polsce*, expert study for UKIE, Warsaw, February 2009.

⁶⁸ A. Woźniak, *Inwestycje w strefach będą o połowę mniejsze*, „Rzeczpospolita”, 9 January 2009.

⁶⁹ A. Żołnowski, *op.cit.*

⁷⁰ *Ibid.*

⁷¹ Office of the Committee for European Integration, *4 lata... op.cit.*, p. 10.

⁷² For instance, BSH corporation (*Bosch und Siemens Hausgeräte*) opened its R&D and IT Services Centre in 2007 in Łódź, and Parkridge from the UK and Tiner from Portugal opened their logistics centres in Kąty Wrocławskie.

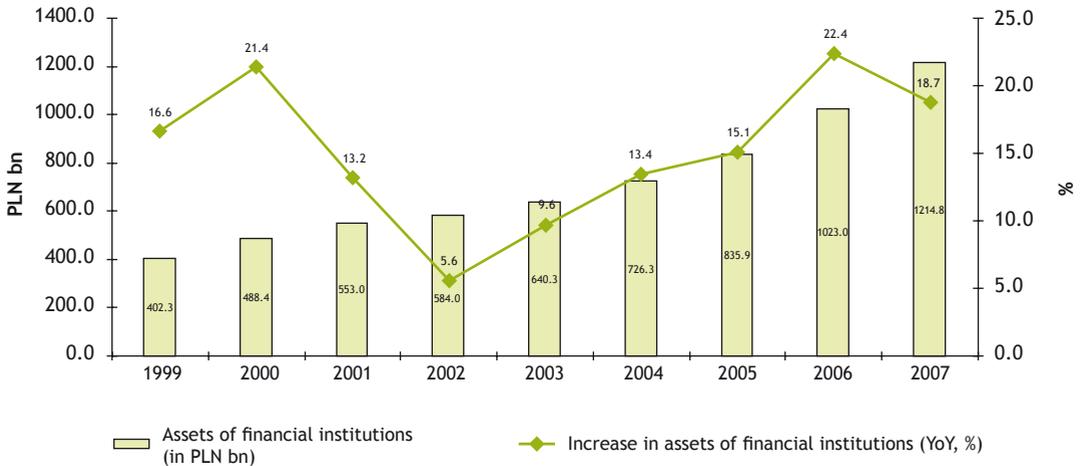
⁷³ United Nations Conference on Trade and Development, *World Investment Report*, New York, Geneva, 2005, 2008.

Polish financial sector

The Polish financial sector had been gaining in importance already in the pre-accession period. EU membership was another impulse for its development and the closer integration of the Polish financial market and financial markets of other Member States.

The value of assets of the Polish financial sector had been on the increase already in the pre-accession period, and this trend was continued after the accession. In 2006, this increase reached a record-breaking level of 22.4% per annum. In addition, the level of financial intermediation (financial system assets as percentage of GDP) increased from 78.6% in 2004 to 104.0% in 2007⁷⁴. However, the level of financial intermediation in Poland is still lower than in other Member States⁷⁵.

Chart 13. Assets of financial institutions in Poland, 1999–2007



Source: NBP, *Rozwój systemu finansowego w Polsce w 2005 r.*, Warsaw, November 2006; NBP, *Rozwój systemu finansowego w Polsce w 2007 r.*, Warsaw, November 2008.

Banking sector is the key element of the Polish financial system, but the level of its development is still relatively low. The banking sector assets to GDP ratio increased from about 58% in 2003 to about 68% in 2007, and probably about 75% as at the end of 2008,

⁷⁴ NBP, *Rozwój systemu finansowego w Polsce w 2007 r.*, Warsaw, November 2008, p. 1.

⁷⁵ In comparison, in 2007 the level of financial intermediation in the EUR zone reached 435.8% of GDP, in Hungary: 140.6% of GDP, and in Czech Republic: 134.2% of GDP. Source: Ibidem.

but this ratio was still the lowest of all Member States⁷⁶. In the past several years, share of the banking sector in total assets of the Polish financial sector dropped from 76.5% in 2003 to 65.4% in 2007. At the same time, the value of assets of investment funds increased from 5.2% in 2003 to 11.0% in 2007; the same applies to open pension funds and insurance companies⁷⁷. In 2008 and 2009, situation on the Polish financial system was affected by the difficulties of the global financial markets and economic downturn. 2008 saw a particularly high increase in the value of assets of the banking sector, resulting from high interest rate of bank deposits. Other forms of investments became less attractive, which resulted in a slower increase in the value of assets held by investment funds.

Poland's accession to the EU resulted in the closer links between the Polish financial sector and financial markets of other Member States. As indicated in Table 2, the number of subsidiaries of credit institutions from EU Member States dropped slightly in 2003–2007, but their total assets more than doubled. In addition, foreign institutions opened more branch offices in Poland. In 2003, credit institutions from EU Member States had no branches in Poland, but in 2007 the total of 14 branches operated in Poland and their total assets exceeded 9.5 bn EUR⁷⁸. The share of institutions representing EU Member States in the total assets of the Polish banking sector proves that the level of their involvement was high. As at the end of 2007, total assets of banks with the majority interest held by foreign capital, including branches of credit institutions, reached 70.9% of total assets of the Polish banking sector, of which 62.6% from EU Member States – mainly Italy (17.4%), the Netherlands (10.9%), and Germany (9.3%)⁷⁹.

Table 2. Activities of credit institutions from EU Member States in Poland, 2003–2007

	2003	2004	2005	2006	2007
Number of branches of credit institutions from EU Member States in Poland	0	3	7	12	14
Total assets of branches of credit institutions from EU Member States in Poland (in EUR mln)	0	834	1419	5527	9626
Number of subsidiaries of credit institutions from EU Member States operating in Poland	35	32	33	31	32
Total assets of subsidiaries of credit institutions from EU Member States operating in Poland (in EUR mln)	64 995	81 190	93 445	109 537	136 960

Source: European Central Bank, *EU banking structure*, October 2008.

⁷⁶ Information from the Polish Financial Supervision Commission, Warsaw, January 2009.

⁷⁷ NBP, *Rozwój systemu finansowego w Polsce w latach 2002–2003*, Warsaw, December 2004; NBP, *Rozwój systemu finansowego w Polsce w 2007 r.*, Warsaw, November 2008.

⁷⁸ European Central Bank, *EU banking structure*, October 2008, p. 45, 46.

⁷⁹ *Information...*, op. cit., 2009.

The perspective of EU membership, and later the accession itself, had a positive impact on Poland's reliability and confidence of foreign investors in Polish financial markets. The increasing stability of the Polish economy was reflected by decisions of rating agencies. At the end of 2002, Moody's upgraded Poland's ranking from Baal to A2, and in 2007 Fitch and Standard & Poor's moved Poland from BBB+ to A⁸⁰.

With Poland's accession to the EU and its improved ratings, the value of foreign portfolio investments in Poland increased after the accession. In 2003, the value of capital located in Polish debt securities reached nearly 22 bn EUR and exceeded 72.5 bn EUR as at the end of 2007. Similarly, the value of equity securities held by foreign investors increased from over 5 bn EUR to over 33 bn EUR in this period. In 2008, this upward trend in foreign portfolio investments was reversed – investors started to withdraw their capital from Poland⁸¹.

The flow of capital to the Warsaw Stock Exchange (WSE), including foreign capital, was not interrupted. This increased confidence and demand for securities at the WSE started much earlier. Several weeks before the referendum held on 7–8 June 2003, after optimistic public opinion polls regarding EU membership, WSE recorded an increase in stock exchange transactions, indicating intensified domestic and foreign demand. It was the year that saw the first foreign company ever, Bank Austria Creditanstalt, registered at the WSE. It was an indication that in view of Poland's accession to the EU, WSE gained in importance and prestige. 2004 was the starting point of nearly 5 years of economic upturn, although good results recorded at the WSE were attributable not only to the accession, but also to the upward trends in stock exchanges around the world.

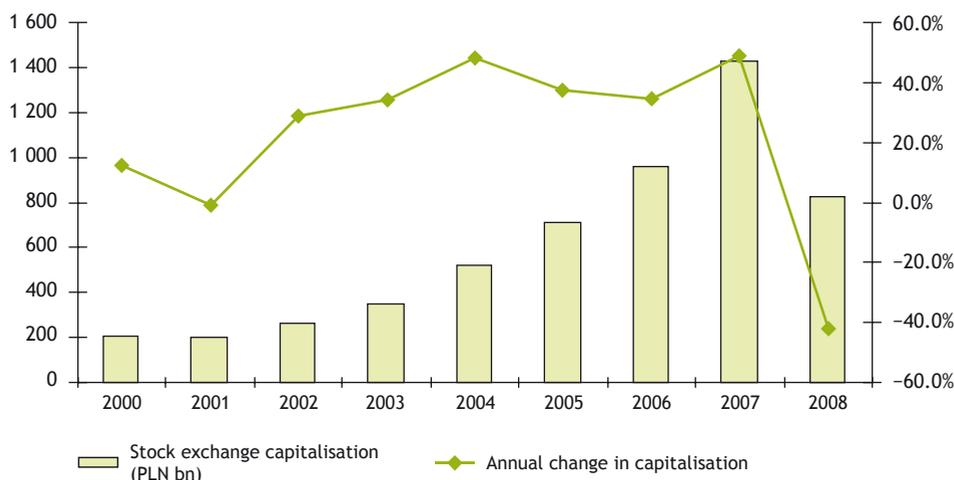
Speculative capital is characterised by high mobility and low stability. As a result, experts expected the possible sudden flight of speculative capital from the WSE. And indeed in 2008, in light of the financial crisis that quickly turned into the global economic crisis, international financial corporations started to withdraw their capital from emerging markets. Emerging countries, including Poland, were affected by the flight of capital from their stock exchanges in the period when the avoidance of risks was the key decision-making factor. In 2004, capitalisation of companies listed on the WSE dropped by over 40%. In early 2009, this trend continued. This downward trend can be linked to EU accession only partially; on the other hand, the impact of globalisation of the financial sector on the stock exchange was beyond any doubt. In addition, we must not forget

⁸⁰ World Bank, *EU 10 Regular Economic Report*, February 2009, p. 9.

⁸¹ A. Żohnowski, *Wpływ...*, *op.cit.*, p. 19.

that it occurred after a period of the overall upturn at the WSE, so in fact the accession, and globalisation in general, had a positive impact on the WSE.

Chart 14. Annual capitalisation (Polish and foreign stocks and bonds) of the Warsaw Stock Exchange, 2000–2008



Source: WSE, http://www.gpw.pl/zrodla/informacje_gieldowe/statystyki/Gpwspl.html.

Good ratings of the Polish economy assigned by rating agencies were important in the period of the international financial and economic crisis, whose effects came into play in the fifth year of Poland's membership in the EU. It was very important that the Polish economy was considered a stable and dynamically developing economy, as Poland was still classified as an emerging country, which could discourage investors from locating their funds in Poland – both in the form of foreign direct investments and acquisitions of securities.

The financial crisis that emerged in August 2007 in the USA and hit the financial markets with its full force in H2 2008 turned out to be a global problem. Therefore, its scale in a given country did not depend on its membership in the EU. Both EU Member States such as Hungary and Latvia, and third countries such as Iceland⁸² and Russia, suffered greatly from the effects of financial crisis.

Poland also experienced these problems, but on a much smaller scale. In the Polish financial markets, global financial crisis manifested itself through reduced confi-

⁸² Iceland is a member of the European Economic Area (EEA).

dence among financial institutions, limited financing options, and the resulting increase in the costs of financing. Poland did not experience any symptoms or events resulting in a breakdown of the main global financial markets, such as capital involvement in high-risk financial instruments⁸³ or financial instruments based on sub-prime loans. Although the increase in consumer loans in 2007 led to the situation when for the first time ever the value of loans granted to the non-financial sector exceeded the value of deposits, but it did not affect the quality of assets of the Polish financial sector⁸⁴.

EU accession contributed to the increase in openness of the Polish economy and strengthened its links with markets in other countries. At the same time, Poland became more exposed to the risks of financial crisis in global markets, including markets in Member States. On the other hand, EU accession made it possible for Poland to participate in the creation of solutions at the EU level to counteract the negative effects of the global financial crisis and implement these solutions in the national market. For instance, on 21 December 2007, the Minister of Finance, President of the National Bank of Poland (NBP), and Chairperson of the Polish Financial Supervision Authority (PFSA) signed an agreement establishing the Financial Stability Committee⁸⁵, in order to secure co-operation among the above authorities with the view to supporting stability of the Polish financial system. By signing this agreement Polish authorities implemented also recommendations adopted by *Economic and Financial Affairs Council* (ECOFIN) and *Economic and Financial Committee* (EFC) on the development of national solutions on crisis management⁸⁶. In addition, in accordance with conclusions of ECOFIN Council of 7 October 2008, the Polish Bank Guarantee Fund Law was amended. Under this amendment, 100% guarantees for bank deposits were increased to 50 thousand EUR. In addition, as a Member State, Poland participated in activities aimed at the restructuring of the international financial system architecture. The European Union is represented in G-20 group⁸⁷, whose meetings in Washington (November 2008) and in London (April 2009) were devoted to reforms of the international financial system.

It should be noted that the accession increased Poland's reliability in the international arena and created an opportunity for Poland's economic development. In the

⁸³ One exception is a problem of option contracts concluded by Polish companies to hedge foreign exchange risks. As PLN weakened in relation to other currencies, the value of their liabilities arising from these contracts increased considerably.

⁸⁴ This increase in demand for loans resulted from the improved financial situation of households in line with the increasing employment rate and household income, as well as the increased demand for external financing among enterprises.

⁸⁵ In November 2008, a Financial Stability Committee Law was adopted, resulting in closer links between these institutions.

⁸⁶ Information from NBP, Financial System Department, Warsaw, January 2009.

⁸⁷ In addition to the general EU representation, the following Member States have their representatives in G-20: the UK, Germany, France, and Italy. At the G-20 meeting in Washington in November 2008, Spain and the Netherlands also had their representatives.

first five years of EU membership, Poland was able to use the most of this opportunity. In addition, a well-balanced economic policy and strengthening of the foundations of the Polish economy reduced the scale of the global financial crisis in Poland. However, as the experience of certain Member States shows, EU membership had a relatively limited effect during the financial and economic crisis if combined with inappropriate economic policy at the national level. The role of Polish authorities in counteracting the negative effects of global financial crisis, such as the adoption of a regulatory package and “confidence package” of NBP, should also be emphasised. As mentioned before, these actions often resulted from decisions which were and taken at EU level, forming constituted a joint, coordinating response of Member States to the global financial crisis. After all, EU membership and the resulting access to EU funds was a factor that mitigated the scale of crisis in Poland, also in real terms.

Polish tax system

Poland's accession to the EU required an alignment of the national tax system with the EU legal requirements⁸⁸. Given the existing harmonisation of tax regulations, options for the amendment of the Polish tax system by the Polish authorities were limited after the accession. In the EU, harmonisation of national tax systems is focused mainly on indirect taxes⁸⁹. The degree of harmonisation of direct taxes at the EU level is limited and consists primarily in the rule of non-discrimination against other Member States. To a large extent, direct taxes depend on decisions of Member States.

Adjustments of the Polish tax laws were related mainly to indirect taxes, including Value Added Tax (VAT) and excise duties⁹⁰. As a result, a number of changes in VAT, e.g. change in tax rate on building materials and children's clothing from 7% to 22%, were introduced in 2004. As the customs border between Poland and other Member States was eliminated, exports and imports of goods from and to EU Member States are now qualified as intra-Community supplies and acquisitions of goods. It involved the

⁸⁸ The alignment process had started already before the accession – Art 69 of the Europe Agreement, establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland, of the other part, in Chapter III “Approximation of laws” listed the tax system as a specific area for approximation of laws. Also after the accession, works were carried out to eliminate discrepancies between the national and Community tax regulations – for instance, irregularities in real property taxes were eliminated as of 1 January 2009.

⁸⁹ Harmonisation of laws on indirect taxes will ensure the optimum functioning of EU internal market; it is based on Art. 90–93 of the Treaty establishing the European Community (EC Treaty).

⁹⁰ The key actions aimed at the harmonisation of laws on indirect taxes included the adoption of two acts: the Law of 11 March 2004 on Value Added Tax, and the Law of 23 January 2004 on excise tax.

introduction of new mechanisms, such the verification of customer status and application of special intra-Community procedures, such as tax warehouses and internal transit⁹¹. Introduction of tax warehouses and special tax supervision mechanisms reduced irregularities in the transfer of goods subject to excise duties and limited the grey area⁹².

As regards direct taxes, based on the Community legislation, Poland introduced regulations on taxation applicable to mergers, divisions, transfers of assets and exchanges of shares, as well as exemptions from withholding tax on dividends paid by Polish companies to businesses having their registered offices in the EU⁹³. Approximation of the Polish laws on taxes on capital in companies had a positive impact on the establishment and recapitalisation of companies. It should be noted, however, that EU Member States still have different tax systems for their enterprises, which leads to tax competition within the EU.

Given the specific nature of VAT, statistical and fiscal reporting does not provide the sufficient basis to estimate the financial consequences of changes in tax rates and scope of taxation resulting from the accession. One-off reduction of VAT income resulting from the shift in inflows was recorded in the first year of Poland's membership in the EU⁹⁴.

Poland's accession to the EU did not have any significant impact on the level and rate of growth of the total state budget income from excise tax. The accession and the resulting increase in the number of passenger cars brought to Poland (based on the elimination of customs duties and VAT on used passenger cars) increased the income from excise duties on cars⁹⁵. However, it had a limited effect on the amount of excise duties income, as the share of income from excise duties on cars in the total income from excise duties was small (3.7% in 2004)⁹⁶. In July 2008, the Law on the return of overpaid excise duties on intra-Community acquisitions or imports of passenger cars was introduced. This Law regulated the returns of excise duties on passenger cars brought to Poland in the period from 1 May 2004 to 1 December 2006⁹⁷. By the end of 2008, the amount of excise duties returned under this Law totalled about 104 mln PLN⁹⁸.

It must be emphasised that in the five-year period of Poland's membership in the EU, tax matters were – and will remain – an important element of the EU economic agenda, and Poland became entitled to actively participate in the creation of the Com-

⁹¹ Ernst & Young, *Wpływ członkostwa Polski w Unii Europejskiej na polski system podatkowy i konkurencyjność podatkową Polski*, expert study for UKIE, Warsaw 2009.

⁹² Information from the Ministry of Finance, *op.cit.*

⁹³ Ernst & Young, *op.cit.*

⁹⁴ Information from the Ministry of Finance, *op.cit.*

⁹⁵ Regulations on excise duties on passenger cars are not harmonised at the EU level.

⁹⁶ Information from the Ministry of Finance, Financial Policy, Analysis and Statistics Department, Warsaw, February 2009.

⁹⁷ This Law implemented judgement C-313/05 of the Court of Justice of the European Communities.

⁹⁸ Information from the Ministry of Finance, *op.cit.*

munity tax policy. Tax on energy products, including engine fuels containing biofuels, is one example of this policy. Unification of these regulations has a positive impact on the functioning of the EU internal market and makes it impossible to use strategic products as instruments of discrimination⁹⁹.

Impact of the enlargement on the EU

The European Union is currently one of the main global economies, accounting for more than 30% of the world's GDP¹⁰⁰. EU also has a strong position in global trade. In 2007, its share in global imports reached 19%, and its share in global exports exceeded 17%¹⁰¹.

Still, the enlargement had no fundamental impact on the basic economic indicators of the EU, as the economic weight of the new Member States was relatively small¹⁰². In 2004, the share of EU-15 in total GDP of the EU (in EUR mln) reached 94.6%, and forecasts for 2009 indicated a slight decline of this share to 92.1%¹⁰³.

After the enlargement, differences between the level of GDP *per capita* in old and new Member States remained. According to Eurostat, forecasts of GDP *per capita* for EU-15 for 2009 totalled 30.7 thousand EUR and were higher than the average GDP *per capita* for EU-27 (26.5 thousand EUR). As a result, the gap between the EU and the USA in income per capita was still visible (EU-27 = 100, USA = 154.3)¹⁰⁴. However, in the past several years, the majority of new Member States recorded higher growth rates than EU-15. The group of the new Member States was not uniform – differences in their GDP *per capita* remained, and some new Member States, especially Baltic States, experienced the economic downturn in 2008.

Still, the enlargement has had a positive impact on growth both in the old and new Member States. It is estimated that the accession process boosted economic growth in the new Member States by about 1.75% each year during the period 2000–2008. The economic growth in the new Member States reached 5.6% on average in 2004–2008 vs.

⁹⁹ *Ibid.*

¹⁰⁰ European Commission, *Five years of an enlarged EU – Economic achievements and challenges*, COM(2009) 79 final version, Brussels, 20 February 2009, p. 3.

¹⁰¹ Eurostat.

¹⁰² European Central Bank, *The EU economy following the accession of the new Member States*, "Monthly Bulletin", May 2004, p. 49.

¹⁰³ Both in 2004 and in the period of five years after the enlargement, Poland had the highest share in total GDP of the EU, respectively 1.9% and 3.2%. Source: Eurostat, update from 7 February 2009.

¹⁰⁴ European Commission, *Communication from the Commission on the European Competitiveness Report 2008*, COM(2008) 774 final version, Brussels, 28 November 2008, p. 3.

the pre-accession period (1999–2003), when it reached only 3.4%¹⁰⁵. The positive effect of the enlargement on growth was also visible in EU-15, in particular in those old Member States that increased trade with and investment in the new Member States.

All Member States recorded an increase in trade after the enlargement vs. the pre-accession period, also based on the intensification of globalisation processes. In the new Member States, the average annual growth rates of trade volumes in 2004–2007 reached 12.8%, compared to 9.4% in 1999–2003; in old Member States, these figures totalled 6.0% and 4.4%, respectively. The enlargement has had a positive impact on trade in the EU, as the openness (average GDP share of exports and imports) increased in both the new Member States (from 47% in 1999–2003 to 56% in 2004–2008), and the old Member States (from 34% to 38%). After the accession, the share of low-technology industries in the structure of manufacturing exports of the new Member States dropped from 31% in 1999 to 21% in 2006. On the other hand, the share of manufacturing exports of medium-high-technology industries and high-technology industries increased, reaching levels similar to those recorded by the old Member States. It should be noted that after the accession, integration of trade between new Member States developed quickly – in 2007, 19.5% of exports of new Member States were directed to other countries in this group (compared to 14.1% in 2003). The new Member States became important partners also for EU-15. In 2003, 5.7% of exports of old Member States were directed to new Member States, and in 2007 this share increased to 7.5%¹⁰⁶.

The accession of new Member States to the EU also increased investment opportunities for businesses from old Member States; they could locate their funds in the enlarged internal market of the EU and take advantage of the stable conditions for business activities in the new Member States. As a result, the enlargement strengthened the competitiveness of enterprises from EU-15 and helped to maintain jobs in the national labour markets. In some sectors (e.g. machinery, furniture, medical instruments, chemicals, and wood), investments in the new Member States were associated with the increased employment rates in EU-15¹⁰⁷. Concerns raised in the pre-accession period regarding the negative implications of the enlargement for relocation were therefore unfounded.

It should be borne in mind that foreign direct investments from EU-15 in the new Member States were often located in the financial sector, which had a positive effect on the development of their financial systems. The significant share of foreign entities in

¹⁰⁵ DG ECFIN, *Five years...*, p. 29–33.

¹⁰⁶ *Ibid.*, p. 32, 53–59.

¹⁰⁷ European Commission, *Five years...*, *op.cit.*, p. 7.

the financial sector of the new Member States intensified the mutual financial relations between these countries and EU-15.

Conclusions

It is possible to evaluate the first medium-term effects of the accession based on the first five years of Poland's membership in the EU. Therefore, the paragraphs above contain an analysis of the macroeconomic effects of Poland's membership in the EU, including the alignment of the Polish financial and tax system introduced after the accession. The impact of the enlargement on the EU's economy is also discussed.

Poland's membership in the EU has had major implications for the Polish economy. The accession resulted in a multi-level convergence of the Polish economy with EU-15. This process was reflected in the increasing level of GDP or labour productivity. In addition, the Polish economy has become more open and more integrated with economies of other Member States. This trend manifested itself (as expected already in the pre-accession period) in the form of intensified trade between Poland and other Member States and a higher level of foreign investments in Poland - also in the financial market. These closer economic links between Poland and other Member States were based also on the higher reliability of the Polish economy, resulting from the increasing macroeconomic stability and the accession to the EU. In addition, the harmonisation of regulations on indirect taxes made it easier for cross-border businesses to operate in the internal market, while limiting the freedom of Member States in the area of their tax policies.

The impact of Poland's accession was also felt regarding the exchange rate of PLN and, to a limited extent, changes in Poland's inflation rate. The impact of the accession on changes in prices was particularly evident at the beginning of Poland's membership in the EU. The faster rise in prices immediately after the accession resulted from a number of factors, including the increase in domestic and foreign demand, or introduction of new rates of indirect taxes. In the long term, the increase in prices was based on changes in the global process of energy inputs and food, as well as inflows of foreign capital and structural funds or high economic growth rate. Almost from the very beginning, the exchange rate of PLN began to systematically increase, in line with expectations on the part of experts (or sometimes even exceeding these expectations). This trend was reversed only by the global economic crisis. It resulted from the fact that despite its EU

membership, international investors still regarded Poland as an emerging market characterised by higher investment risks.

Finally, the EU membership added to the increase in household income and general prosperity in Poland. The improvement in the financial situation of Poles resulted mainly from faster economic growth, higher demand for labour, and partially from transfers of funds from immigrants. Another social group that undoubtedly benefited from the accession were farmers – under both the CAP and rural development programmes.

It should be borne in mind that the enlargement brought advantages not only for Poland, but also for other Member States and third countries – including opportunities to locate capital in an attractive market, access to relatively cheap and efficient labour force, transfers of human capital, or the relatively large and developing market.

On the other hand, as a result of the opening of the Polish economy after the accession, Poland is more exposed to foreign economic shocks, especially in the context of the global financial crisis and economic slowdown. At the same time, a solid national economic policy and the EU membership have added to the stable and sustainable economic growth, which may help mitigate the effects of the global crisis in Poland.

The current developments make it difficult to formulate certain economic forecasts. Still, based on the opinions of economists and institutions forecasting the development of economies, Poland is listed as one of the few European countries that have a chance to avoid a reduction in GDP in 2009 and is considered one of the most competitive economies in the EU.

EU membership provided a shock absorber for Poland – to some extent, it protected Poland from shocks in the global economy. As part of the EU internal market, Poland is largely protected from global protectionist policies connected with the financial and economic crisis. Structural funds, the Cohesion Fund, and the Common Agricultural Policy have also provided Poland with a buffer – and will provide a significant contribution to the economic growth. Poland gained access to the EU aid and stabilisation funds. Thus, in the context of the global crisis, Poland may count on the support not only from the International Monetary Fund, but also the European financial institutions, as well as on the joint support from other Member States. There is no need to use this aid at present, and there are no indications that Poland might need it in the future. Still, the fact that Poland could fall back on this option provides an additional “insurance policy”. The main challenges faced by the Polish economy result from the global crisis which emerged in the financial sector and affected the economy in general. It means that busi-

nesses – including those operating in Poland – find it difficult to source capital and must cope with the reduced demand – also from foreign investors. It is thus necessary for the national authorities to follow an extremely cautious economic policy and that they actively participate in the development of coordinated solutions at the EU level. At the same time, it is important to promote Poland among foreign investors as a stable country based on sound economic foundations. With the positive experience of EU membership resulting in the opening of the Polish economy, Poland should take a firm stand against economic protectionism.

Before the accession, Poland had assumed an obligation to adopt the common currency, and is now looking towards its membership in the EUR zone. The introduction of the EUR will have long-term consequences for Poland's economy and its citizens, and will involve the reduction of transaction costs or the elimination of currency risks. However, to become a member of the EUR zone, Poland must first satisfy the specific economic convergence criteria. In the next several years, the Polish economy will have to face challenges connected with the fulfilment of these criteria and the preparations for functioning in the common currency area.

Agriculture and fisheries

Poland's accession to the European Union in 2004 and placing agriculture and fisheries sectors under community framework brought many challenges, which evoked not only expectations, but also fears. Their scale was mainly the result of highly advanced European integration process in these areas. The changes resulting from the accession, especially in agricultural sector, seemed to be relatively the most far-reaching in comparison with other policies. The accession brought substantially change to economic conditions of agricultural production, and the implementation of the policy meant almost institutional revolution.

Expectations towards the accession process focused mainly on the opportunities to improve economic effectiveness of the sectors, to restructure and modernize them as well as to increase income support, diversify farming activities in rural areas and improve trade balance. The stability of agricultural and fisheries policies was listed as an important argument for the EU accession, which would enable better planning and increase the predictability of the results of decisions made previously. EU membership was seen as a chance to implement both policies also by taking measures in the area of education and infrastructure, by boosting entrepreneurship and supporting environmental protection.

There were also fears that the accession might result in the loss of competitiveness of both sectors. In case of agriculture the fears focused on the confrontation with competitive production of Western Europe as well as high environmental and veterinary standards, restrictions on the sales of agricultural produce and possible elimination of Polish food from the market. These fears were mainly driven by the general feeling that the conditions of Poland and the EU-15 were not equal, which was related to differences in subsidy levels granted to agricultural sector in different Member States. People also feared that foreigners might become interested in buying out agricultural land. Regarding the fisheries, the most controversial issue was the perspective of introduction of fishing

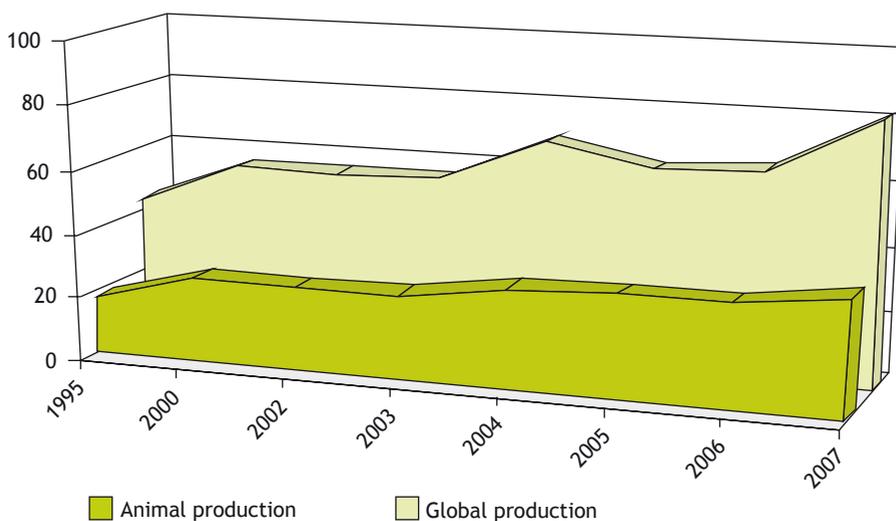
quota in compliance with community regulatory framework and their impact on the future of Polish fisheries.

Agriculture

The influence of accession on agricultural production

Poland's entry into the European Union had a positive influence on Polish agricultural production. General improvement of sector profitability encouraged farmers to develop and intensify their production. In the post-accession period global production has augmented (see graph 1) and in 2007 it was already 46% higher than in 2000. Unutilised agricultural areas were more frequently used for farming purposes. In 2007 set-aside agricultural land and fallows constituted only 3.5% of arable land (in 2000 they equalled nearly 12%)¹⁰⁸. The visible increase in the acreage of cropland was also the result of the introduction of direct payments and payments for less favoured areas which are calculated per hectare of agricultural land.

Graph 1. Global agricultural production (in PLN bn)



Source: *Concise statistical yearbook*, GUS (Central Statistical Office) 2008; *Statistical yearbook of agriculture and rural areas 2007*, GUS (Central Statistical Office) 2008.

¹⁰⁸ GUS, *Ochrona środowiska 2008*, Warsaw 2008, p. 116.

The improvement of economic effectiveness of agriculture was the result of new production conditions, which occurred after May 1st, 2004. As an outcome of Poland's accession to the EU the sector became subject to the mechanisms of common agricultural and commercial policy. Changes included certain aspects of intervention policy, especially for cereal, sugar and butter markets. Subsidies for food consumption, processing and private storage were also made available. Another step was the introduction of negotiated production quota for milk, starch, sugar and tobacco. Common rules of customs protection and export support took effect.

Elimination of trade barriers showed high price competitiveness of national agricultural products. Export of Polish beef to the EU countries surged. While in 1990 only 18 % of beef and veal was exported, in 2006 it amounted to more than half of the production. The accession provided poultry producers with a wide range of opportunities, especially after access to absorptive Russian market had been limited. The level of export to the EU countries significantly increased and in 2008 it constituted nearly one fourth of total poultry production. During the post-accession period Poland began to report positive balance in foreign trade in pork. Though in 2008 the balance became negative both in terms of quantity and quality¹⁰⁹. This was the result of many factors, including high PLN exchange rate and a dramatic decrease of production in Poland. Contrary to expectations, the entry to the European market did not eliminate the seasonal and cyclic fluctuations in pork livestock production. It was especial-

ly notable in the fifth year of membership. After the significant rise in cereals and fodder prices profitability fell and resulted in a serious collapse of swine breeding. According to Central Statistical Office in January 2009 the number of livestock reached the lowest level since 1970¹¹⁰.

A major increase in demand from the EU customers,

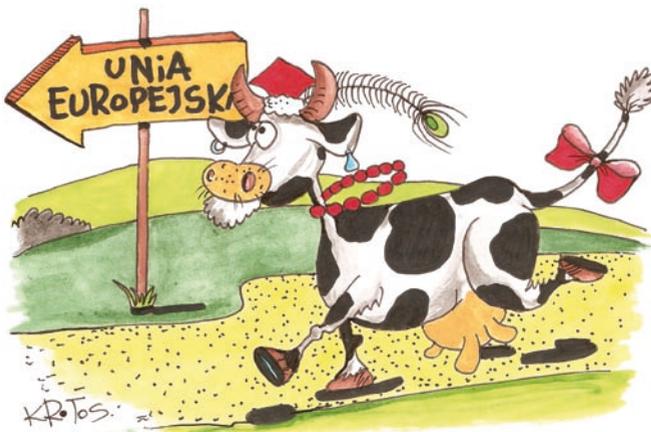


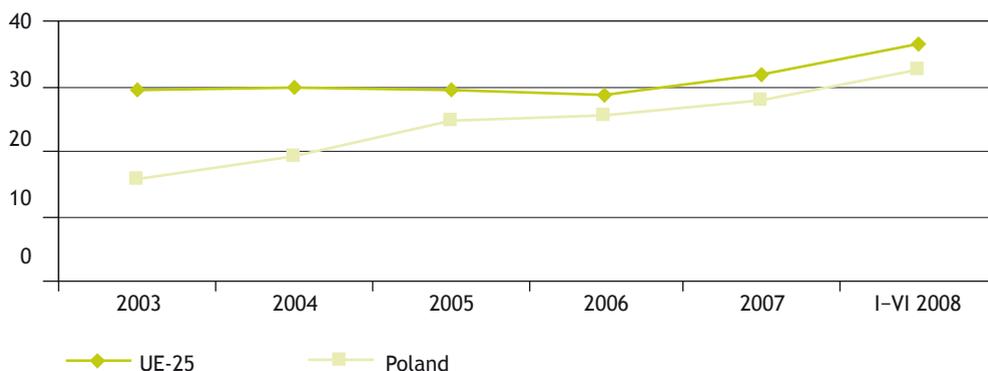
fig. TADEUSZ KROTOS, Sign: European Union

¹⁰⁹ It is estimated that in 2008 the import of pork reached 430 thousand tons and was 55 thousand tons higher than the export.

¹¹⁰ *Pogłowie zwierząt gospodarskich w 2008 r.*, GUS, 2009.

combined with reduced possibilities of a quick agricultural production growth resulted in the unexpectedly fast process of the price convergence between Poland and the chief EU producers, especially on the pork market, where the prices equalised in the first few months after the accession. A relatively well-developed intervention regime for cereals also favoured the convergence between Polish and EU prices. The supply restricted by quotas and accompanied by growing external and internal demand (due to economic boost and related improvement of the purchasing power of the society) was conducive to the significant increase in the price of milk (see graph 2) and butter. Already in 2004 milk farm-gate price came close to the price level in Holland and Great Britain¹¹¹. After Poland's accession to the EU there was also a hike in beef prices (see graph 3) which in 2008 reached the level corresponding to 75% of the EU average. It should be also noted that positive price changes improved the profitability of cattle rearing. Owing to the accession, the downward trend in cattle production which had lasted since 1990s was halted¹¹².

Graph 2. Average milk prices paid to the farmers in Poland and in the EU-25 (EUR/100 kg of standard milk)

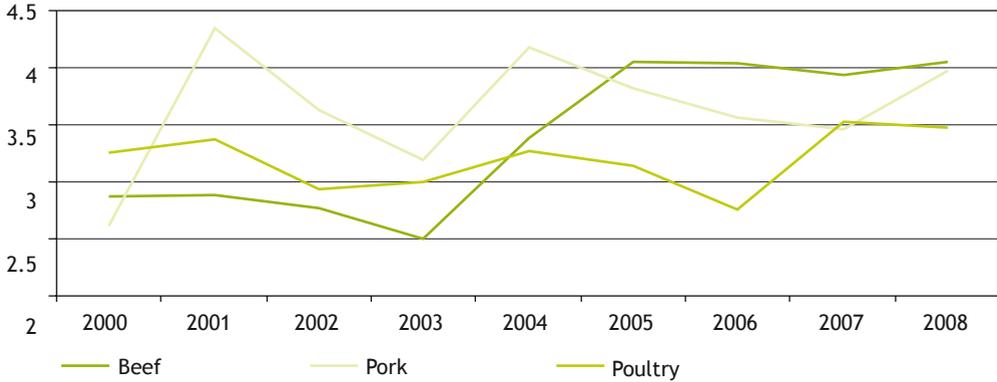


Source: *Rynek mleka. Stan i perspektywy*, IERiGŻ, 2008, p. 19.

¹¹¹ The countries with lowest farm-gate prices in the EU-15.

¹¹² The decrease in headage by approximately 41% between 1990–2004.

Graph 3. Farm-gate prices of slaughter livestock (PLN/kg)



Source: *Rynek rolny*, IERiGŻ years 2003–2009.

One of the problems which Polish agriculture faced before the accession was the unpredictability of farm-gate prices. CAP, aimed at stabilising the markets (among others) introduced instruments which upheld the prices of agricultural products which was conducive to the profitability of production. The EU intervention regime for cereals was different from the Polish regime applied before. For example, it did not include rye anymore and was based on different intervention period as well as lower intervention prices. However, the EU intervention policy guidelines were defined much more in advance which helped farmers to plan the activity in a better way. The purchase was conducted in the more effective manner. Already in the first year of membership the farmers did not queue for many days, as they had used to before the accession¹¹³.

Many CAP instruments intended for stabilisation of the milk market were introduced following Poland's entry into the EU; such instruments applied not only to raw milk but to many milk products as well (such as skimmed butter, powdered milk, cheese and lactose). The most significant was the milk quota, reducing supply in order to increase the profitability of production. The milk quota agreed during the accession negotiations was divided into two parts: the bulk one (for suppliers who delivered their production to dairies) and the one for direct sales to consumers. Penalties were applied in case of exceeding production limits and Poland experienced such penalties in the 2005/2006 season¹¹⁴. Since that time threat of penalty effectively prevented any oversupply. Milk

¹¹³ *Polska w Unii Europejskiej – doświadczenia pierwszego roku członkostwa*, UKiE, 2005, p. 32.

¹¹⁴ The bulk quota was exceeded by 3.32%.

quotas constituted a serious barrier to the production growth, during the period of prosperity on the global market in 2007. However, the restrictions on production did not permit the producers to fully utilise export opportunities. Finally, under the pressure of Member States, including Poland, the European Commission accepted the idea of increasing milk quotas and proposed a 2% increase, effective from April 2008. The future of milk quotas was already decided under common agricultural policy reform in 2003. The regime shall be abolished by 2015. During CAP health check review completed by 2008, Member States decided that milk quota in the EU shall augment by 1% every year until the 2013/2014 season¹¹⁵.

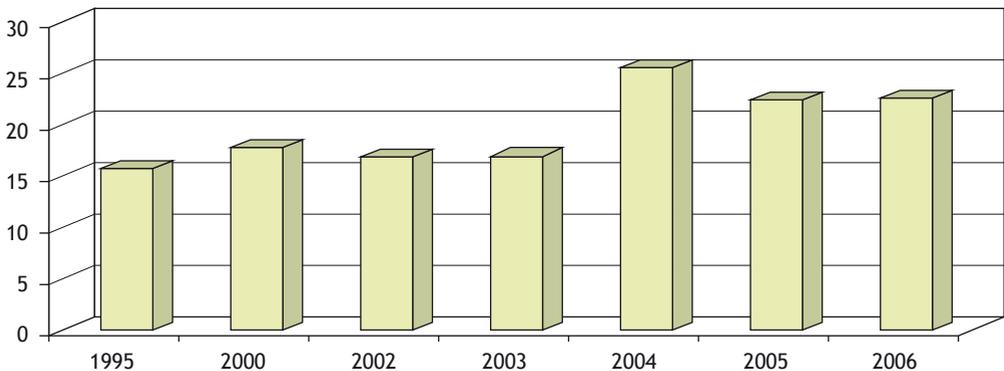
Production restrictions were also introduced on the sugar market, which brought benefits to both sugar producers and sugar beet farmers. After accession sugar beet farm-gate prices were nearly by half higher than in 2003. In addition, Polish beet producers were covered by the single area payment scheme and received direct payments, unlike the EU 15 farmers engaged in the same type of production. However, since the season of 2006/2007 a new sugar regime was launched. It aimed at phasing out the institutional production as well as the price support in the long-term perspective and brought substantial changes to the operation of sugar market. As a result of this reform, sugar production in the whole EU, including Poland, has been decreasing. In the season of 2008/2009 the production is estimated not to meet the national consumption and Poland for the first time will become a sugar importer. The fall in sugar production and sector restructuring resulted in the decrease in sugar beet farm-gate prices (to the pre-accession level). The farmers have been compensated for these losses by the so-called sugar payments.

The EU legislation related to the CAP has evolved over the five-year-membership period. The provisions of the reform conducted in 2003 have been implemented; some other markets (such as sugar, fruit and vegetables or wine market) have also been reformed, regulations simplified and the policy has been subject to an overall health check. Some of the CAP and trade instruments have been introduced, other suspended, depending on the current situation on the global foodstuffs and agricultural product markets. For example in 2007, subsidies to the export of pork to third countries were introduced upon the motion of Poland and France, which significantly improved the situation on the internal market. Similar situation occurred in 2009, when the European Commission not only reintroduced milk subsidies in reaction to the declining market situation, but also promised to increase scope of intervention for butter and skimmed powdered milk.

¹¹⁵ Only in Italy the milk quota shall be increased by 5% in 2009/2010.

Entry into the European Union affected not only revenues, but also costs related to agricultural production. The studies which estimated potential costs and benefits of accession assumed that any price or production changes might take place over a medium- rather than short-term perspective¹¹⁶. It turned out, however, that the increase in production costs occurred sooner than expected, just before accession to the EU. The perspective of the introduction of the full VAT rate on capital goods was an incentive for the augmentation of prices of agricultural machines and construction materials. The demand for machines increased also due to the fact that farmers wanted to use SAPARD grants for the purchase of agricultural machines before the VAT rate increased. The rise in agricultural production costs was related also to the increase in fuel prices which depended on the situation on international fuel markets and USD exchange rate. After joining the EU the demand for mineral fertilizers, crop protection products and industrial fodder has increased due to the rise in profitability of agricultural production. The supplies of mineral fertilizers in 2007 were 27% higher than in 2003; at the same time the consumption of crop protection products has risen by approximately 5–8% a year. Higher demand was reflected by increased prices. It should be noted that due to a sharp rise in the prices of capital goods in the post-accession period, agricultural subsidies were partially taken over by the producers of fertilizers, agricultural equipment and machinery, which did not have a positive influence on the pace of modernisation and restructuring of rural areas.

Graph 4. Gross added value of agricultural production (PLN bn)



Source: *Concise statistical yearbook*, GUS (Central Statistical Office) 2008; *Statistical yearbook of agriculture and rural areas 2007*, GUS (Central Statistical Office) 2008.

¹¹⁶ *Bilans Korzyści i kosztów przystąpienia Polski do Unii Europejskiej*, UKiE, Warszawa 2003, p. 125.

The changes of agricultural products prices against the changes of capital goods prices were reflected by the price scissors indicator which has been favourable for farmers since 2006. It means that the increase in agricultural production exceeded the increase in costs. This trend reversed in 2008. The indicator fell to 91.8%¹¹⁷. The acceleration of gross added value after the accession (see graph 4) which measures the value of goods produced (outputs) less the value of inputs used for the production indicated a general economic improvement of the sector during 5 years of membership.

Farming income

Poland's entry into the EU resulted in the increase of the farm income. According to Eurostat data an average farming income¹¹⁸ in Poland raised in 2008 by 90% (in comparison with the year 2000). In comparison with 2007, however, the income of Polish farmers fell by nearly 16%¹¹⁹ which was the result of supply/demand situation on agricultural markets. Only Latvia and Estonia experienced a greater decrease among the new Member States. However farming income growth in these countries between 2000 and 2008 was decisively greater and oscillated around 186% (Latvia) and 155% (Estonia).

The value of farming income was not only determined by the income from the sales of agricultural products (less the incurred costs). Money flows also had a considerable impact. The scope of financial flows for farming purposes¹²⁰ significantly expanded due to Poland's participation in the EU and the implementation of the CAP and structural policy mechanisms in the sector. In the whole period between 2004–2008 Polish rural areas received 10 387.321 mln EUR only in direct payments (along with the EU and the national budget). Apart from the fact that the value of direct payments in Poland has been continually increasing and it will reach the level of EU-15 payments only in 2013, their impact on the income of the farmers is meaningful. In 2008 subsidies constituted 42% percent of a farming income, whereas a few years earlier before the accession to the EU that share did not exceed 10%¹²¹.

The improvement of income in the sector does not mean, however, that each individual farm has benefited equally from the accession. Very small farms experienced

¹¹⁷ *Wyniki produkcji roślinnej w 2008 r. według GUS*, <http://www.ppr.pl/artykul.php?id=152765&dzial=2>.

¹¹⁸ Eurostat statement is based on the raw data submitted by the Member States. It takes into account agricultural and related income excluding other income sources (such as non-farming activities, real estate income or any kind of payment or benefit).

¹¹⁹ Eurostat, *EU27 real agricultural income per worker down by 4.3%*, 18th December 2008.

¹²⁰ More information on the financial aspect of membership can be found in the chapter 1.9 *Financial flows*.

¹²¹ R. Mroczek, *Wpływ Wspólnej Polityki Rolnej na rynki rolne w Polsce*, [w:] *Rozwój sektora rolno-spożywczego w Polsce*, IERiGŻ, Warszawa 2008, p. 31.

relatively highest income increase. However, despite CAP financial support the strong majority of farms has not been able to become capable of achieving income status which would guarantee a farming family the standard of living equal to the one outside the sector (parity consumption level) and securing financial resources for farm development. Only farms which are over 35 hectares (around 76 thousand farms) have the potential to develop, offer investment opportunities and guarantee an adequate standard of living for the family¹²².

Investment and modernisation of farms

Poland's accession to the EU resulted in the investment boom in rural areas and accelerated farm modernisation processes. Preferential investment loans and EU aid funds played an important role in this process.

The obligation to adjust to sanitary, hygienic and veterinary requirements combined with the access to financial resources was a significant investment incentive. Milk farms faced a huge challenge, since they had to adjust to Community quality standards. In mid 2003 only 4% of farms supplying milk to dairies complied with production standards and milk quality applicable in the EU¹²³. The farms had to make necessary investments and modernise cowsheds, build dedicated milk storage areas as well as install modern ventilation, lighting and milking systems. Therefore, milk farms were granted a transitional period (until the end of 2006) for the adjustment of milk to quality standards.

Before the accession many farmers also feared environmental protection and animal welfare standards imposed on Polish farms. They were afraid that the adjustment costs estimated at 1708 mln EUR¹²⁴ would be too high to be met and would lead to the downfall of many farms. The farms involved in animal production required greatest environmental investment: building storage structures for manure and liquid organic waste. Cost of adjustment per individual farm was estimated to reach even 17 thousand PLN¹²⁵. Egg producing farms required appropriate adjustments as well. As a result of accession negotiations they were granted a transitional period (until December 31st, 2009) for the modernisation or replacement of cages for laying hens, thanks to which the investment process could be spread over several years.

¹²² W. Poczta, *Rolnictwo*, [w:] *Polska wieś. Raport o stanie wsi*, FDPA, Warszawa 2008, p. 35.

¹²³ *Plan Rozwoju Obszarów Wiejskich na lata 2004–2006*, MRiRW, 2004, p. 26.

¹²⁴ *Bilans korzyści i kosztów...*, *op.cit.*, p. 123.

¹²⁵ *Ibidem*, p. 122.

In the situation where farming profitability was low, modernisation changes required public support. Investment activities aimed at the adjustment to community requirements were possible already before the accession, especially due to the financial support under SAPARD. However, only a few farmers were interested in such opportunity. As a result, only a few animal-rearing farms benefited from the programme. The majority of funds were used on the modernisation of the machine park.

After Poland's accession to the EU the funds for the adaptation to the community standards were available under Rural Development Programme (PROW) between 2004–2006. The farmers could obtain funds for purchasing natural manure storage equipment and for necessary investments on milk and egg producing farms. Nearly 631 mln EUR of public funds was spent on the adjustment of farms to the EU standards with approximately 70.8 thousand farmers who benefited from the¹²⁶. Under the Agricultural Sectoral Operational Programme between 2004–2006 nearly 27 thousand farmers received direct support for farm investment.

It was expected that direct payments would be one of the key instruments which could stimulate an investment process after Poland's accession to the EU. Although such payments definitely improve farming income, we are still missing complete information concerning the main purposes of the utilisation of funds. Fragmentary studies show that the majority of payments were used to cover current agricultural production expenses¹²⁷.

Between 2004–2007 capital expenditure on agriculture increased by nearly 70%. Farm investment in building infrastructure increased in the above period from 844m. PLN to 1430 mln. Availability of funds also stimulated the demand for agricultural machinery. In 2007 the tractor supplies increased by nearly 70% in comparison to 2005. There was also an increase in the sales of cultivators (550%), combine harvesters (20%) and potato planters (78%)¹²⁸. As a result of modernisation efforts there was a herd concentration in modern farms and the increase in the share of high quality milk. On the other hand some farms, especially the small ones, gave up production. Between the season of 2004/2005 and 2008/2009 the number of milk suppliers decreased from 355 thousand to 195 thousand. This did not, however, influence global milk production in Poland due to the increase in the cattle headage and the improvement of milk productivity of the cows¹²⁹.

¹²⁶ In the whole period between 2004–2006. Status as of 30th November 2008.

¹²⁷ W. Poczta, *Rolnictwo...*, *op.cit.*, p. 40.

¹²⁸ J. Pawlak, *Rynek maszyn rolniczych*, [w:] *Rynek środków produkcji i usług dla rolnictwa*, IERiGŻ, Warszawa, September 2008.

¹²⁹ Despite significant progress, cow productivity was one of the lowest in the EU.

Environmental protection

Environmental protection is one of the main pillars of the European model of agriculture. The purpose behind the changes to common agricultural policy is to strengthen competitiveness of agricultural production in the EU and at the same time to prevent the degradation of natural environment. Poland by joining community structures decided to accept and develop this model on its territory. Although environmental aspects were already covered by national agricultural policy guidelines, the accession provided access to a number of instruments which enabled the implementation of these guidelines.

Apart from the adjustment of Polish farms to environmental standards as described above, Poland's accession to the EU resulted in the introduction of many economic instruments promoting nature conservation. In order to receive direct payments in the European Union the applicants have to meet cross-compliance requirements. Agricultural producers have to comply with the obligations concerning environmental protection, public, plant and animal health as well as animal welfare. In Poland and other EU-10 countries covered by Single Area Payment Scheme this mechanism was in the beginning limited to keeping the land in the so-called good agricultural and environmental condition in compliance with environmental protection guidelines. This meant haymaking and grazing on meadows and pastures in the grass vegetation period; some cereal species could not be grown on the same area for longer than 3 years. The popularity of direct payments shows that these requirements were not a barrier for Polish farmers and they did not prevent the access to the EU funds; but on the contrary, they increased the level of environmental care.

From 2009, the scope of requirements to be met by farmers applying for direct payments will be increasing. At the first stage (Area A)¹³⁰ the changes will cover the requirements related to the conservation of wild birds, wild flora and fauna, the protection of water and the principles of use of sewage sludge in agriculture. The farmers shall adequately store and dispose of empty packages of substances used for farming purposes which could be dangerous to groundwater, such as crop protection products, gasoil or fuel oil. The requirements also define when and where sewage sludge can be used for agricultural production and define what the farmers should not do because it may be detrimental to biodiversity. Moreover it will be necessary to comply with the requirements of animal registration and identification, such as herd tagging or running the register

¹³⁰ From 2009 the condition for receiving direct payments shall be the compliance with area A requirements – related to environmental protection as well as animal identification and registration. Compliance with area B requirements – related to public, animal and plant health as well as the notification of certain diseases and area C requirements-related to animal welfare shall become the condition for receiving direct payments in the future.

of cattle, pigs, sheep and goats. It should be stressed that such conditions are nothing new. Prohibitions, counterindications and recommendations related to co-dependence requirements had been already included in the legislation and since 2009 they have been necessary for obtaining direct payments.

The agri-environmental scheme was one of principal measures under RDP which were focused on the protection of landscape and biodiversity. This scheme promoted sustainable production methods, sound soil utilisation and the protection of water, endangered bird species and habitats situated in Natura 2000 areas¹³¹. Farmers voluntarily accepted the obligation to comply with certain requirements concerning environmental protection and animal welfare, which were harsher than the direct payment requirements concerning good agricultural condition of the land. The payments also compensated the farmers for any additional costs. Over 208 mln. euros were allocated to that scheme between 2004–2006. 70 thousand farms received the support. The measures related to soil and water protection evoked the greatest interest. The agri-environmental scheme is being continued in present financial circumstances. Allocation of funds to agri-environmental measures between 2007–2013 exceeds 2,3 bn EUR. It is estimated that 200 thousand farmers will participate in the programme.

One of the support directions under the agri-environmental scheme was the development of eco-farming. Thanks to available EU funds the farmers have become increasingly interested in ecological production. They can obtain the support to cover the costs of required controls, which check the procedures and the quality of actual production. In 1998 there were only 410 certified ecofarms, by 2004 this amount increased to 3.7 thousand whereas in 2008 the number of producers engaged in ecofarming exceeded 15 thousand¹³². It should be noted that the transformation of a regular farm into an eco-farm is a long-term process. It takes about 3–4 years before a farm is awarded a relevant certificate. However, the demand for ecological products in Poland is growing slowly. That is why RDP 2007–2013 introduced measures aimed at the stimulation of market growth in this area. For example, a group of agricultural producers can obtain a refund of 70% of costs of informing about food quality systems and the costs of their promotion.

Before Poland's entry into the EU many people feared that the improvement of agricultural production profitability would put the environment under greater pressure. In fact, although the consumption of manure per hectare of agricultural area increased,

¹³¹ More information about Natura 2000 areas can be found in the chapter *Environmental protection*.

¹³² The data of Chief Inspectorate of Agricultural and Food Quality, as of the end of August 2008.

numerous economic instruments introduced after the accession protect the environment from excessive ecological degradation. The implemented schemes often presented a different approach than the one adopted in the EU-15, where agri-environmental measures are mainly aimed at the restoration of lost environmental values. On the other hand, measures implemented in Poland are rather aimed at the preservation of the status quo. Additionally community support favoured dynamic development of ecological products market.

Thanks to the accession Polish farmers became more aware of the impact of their activities on nature. In 2004 only 30% of farmers were aware that agriculture can be potentially harmful to the environment¹³³. With time farmers also have become more convinced that they can also exert a positive influence on the condition of the environment¹³⁴.

Agricultural land

Poland's accession to the EU directly influenced the increase in agricultural land prices. Poland, like the majority of the other Member States that joined the EU in 2004 decided to implement Single Area Payment System (SAPS) in which the direct payment amount depended on the area of agricultural land maintained in good agricultural condition and not coupled with level and type of agricultural production. Other common agricultural policy instruments (such as payments for less favoured areas) as well as general improvement of economic situation of agriculture led to the increase in the land value. More and more farmers have become interested in buying land to increase their farming area. An additional factor which influenced the demand was speculation, especially in the face of uncertain situation on financial markets. The number of people willing to buy even poor quality, sandy land was growing; the buyers probably wanted to use it for non-farming purposes

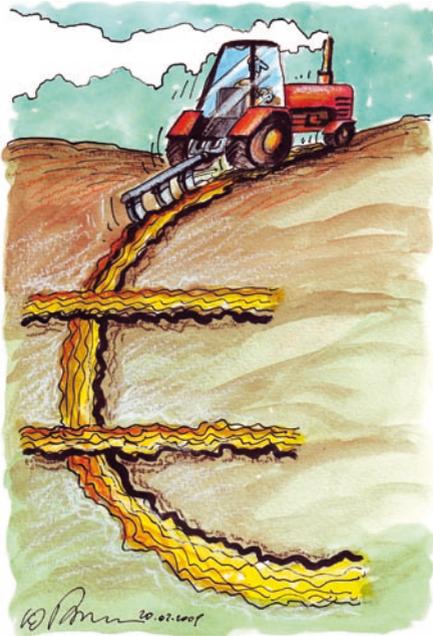


fig. DARIUSZ PIETRZAK

¹³³ Program Rozwoju Obszarów Wiejskich na lata 2004–2005, MRiRW, Warszawa 2004, p. 26.

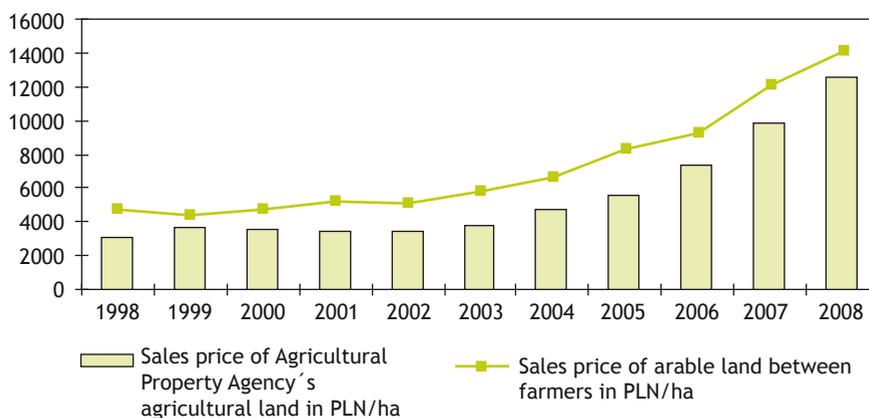
¹³⁴ Czy Polacy dbają o środowisko naturalne, CBOS, July 2008 r.

(the access to agricultural insurance or the possibility to obtain the permit to change the status of the agricultural land in a much faster way). In 2008 there was also the increase in the demand of land for wind farm development.

Such high demand could not, however, be satisfied due to the reduced supply. The perspective of potential gain alone initially stopped agricultural land owners from taking the decision to sell their acreage. The owners were waiting for the launch of CAP instruments in order to include their value in the land price and further estimate the profitability of transaction. In the later period farms (especially those with non-farming sources of income) were more willing to sell agricultural land. It was the result of the wage growth in the country and relative stabilisation on the job market. However the scale of this phenomenon was too small to cover high demand. The Agricultural Property Agency (ANR) 135 was not able to stabilise the market either¹³⁶.

As a result, agricultural land prices soared following the decrease in the period of 2001–2002 (see graph 5). In 2008 the price of one hectare of arable land traded by farmers was 140% higher than the price of 2003; 1 hectare of arable land sold by the Agricultural Property Agency increased 2.3 times in the same period. The price levels also varied depending on the region. The land was the most expensive in the Wielkopolska region; the cheapest land was offered in the Podkarpackie and Lubuskie voivodeships.

Graph 5. Agricultural land prices between 1998–2008 (PLN/ha)



Source: Data provided by the Central Statistical Office and the Agricultural Property Agency.

¹³⁵ The Agricultural Property Agency manages agricultural land owned by State Treasury; the main part of this land comes from former state owned farms. The Agency complies with relevant legal procedures applicable to its land trade activities.

¹³⁶ In many communes spatial development plans expired at the end of 2003. There was also no information on the future use of the real estate, which prevented appropriate land valuation. Moreover, it was necessary to secure the land for reprivatization purposes. The claimed area was around 550 thousand hectares.

A significant increase in land prices was an important barrier for new farmers and for the improvement of the agrarian structure. Between 2005–2007 the fast decrease in the number of farms with an area of 1–2 hectares was halted¹³⁷. On the other hand, higher value of agricultural land had a positive influence on their credibility and they could be used as a guarantee for mortgage loans. What is more, financial resources from land sale could be used to offer more extensive support to non-farming activities.

The share of leased land in Poland is not high in comparison with other countries in the region¹³⁸. However, in the subsequent years of membership the agricultural land lease has become increasingly more popular. This was the result of diminished land purchase possibilities described above and simultaneous increase in the profitability of agricultural production. The Institute of Agricultural and Food Economics (IERiGŻ) estimates that in 2007 one out of every five farms leased the land, whereas in 2000 only one out of every eight farms chose this option¹³⁹. This was reflected by the ground rent level. Ground rent related to lease agreements concluded between the farmers increased by 48% in the period of 2005–2007.

Poland's entry into the European Union brought also changes in the purchase of real estate by foreigners. Citizens and entrepreneurs from European Economic Area (EEA) can purchase real estate in Poland without the need to obtain any permits. The only exception to this rule is agricultural and forest land which is subject to the transition period of 12 years (and also the purchase of the-called second home with a transition period expiring in May 2009). If a future buyer leased the land for the period of 3 or 7 years (depending on the voivodship)¹⁴⁰, no permit is required. Similar restrictions to the trade of agricultural and forest land were introduced by the Czech Republic, Estonia, Latvia, Lithuania, Hungary and the Slovak Republic¹⁴¹.

Despite the studies which showed the advantages of foreign investment in agricultural land (such as more land in good agricultural condition and the increase in the farming effectiveness)¹⁴² the question of purchase of land by foreigners evoked many fe-

¹³⁷ W. Dzun, W. Józwiak, *Gospodarstwa rolne w Polsce przed i po wejściu do UE*, [w:] *Dziś i jutro gospodarstw rolnych w krajach Centralnej i Wschodniej Europy*, red. T. Czekaj, Z. Mirkowska, J. Sobierajewska, Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej, Warszawa 2008, p. 10.

¹³⁸ In 2005 r. 22% of agricultural areas was classified as leased-land property, whereas in the Slovak Republic and in the Czech Republic this indicator equalled respectively 91% and 86%.

¹³⁹ A. Sikorska, *Dzierżawa gruntów rolnych*, [w:] *Rynek ziemi rolniczej. Stan i perspektywy*, IERiGŻ, Warszawa 2008, p. 26–27.

¹⁴⁰ The requirement of a 3-year lease period applies in the following voivodships: Lubelskie, Łódzkie, Małopolskie, Mazowieckie, Podkarpackie, Podlaskie, Śląskie and Świętokrzyskie. The requirement of a 7-year lease period applies in the provinces: Dolnośląskie, Kujawsko-Pomorskie, Lubuskie, Opolskie, Pomorskie, Warmińsko-Mazurskie, Wielkopolskie and Zachodniopomorskie.

¹⁴¹ These countries have applied a 7-year transition period.

¹⁴² See: A. Koronowski, *Zasady zakupu ziemi przez cudzoziemców jako przedmiot negocjacji członkowskich*, Kancelaria Sejmu, Biuro Studiów i Ekspertyz, Warszawa 1998; J. Swinnen, L. Branken, *Review of the transitional restrictions maintained by New Member States on the acquisition of agricultural Real estate*, CEPS, LICOS, KUL, Brussels 2008.

ars among the society. In 1999, 89% of farmers and 83% of the inhabitants of rural areas claimed that the foreigners should not be allowed to purchase land in Poland¹⁴³. In the accession year almost two thirds of the farmers (65%) declared that they would not sell their land to a foreigner¹⁴⁴. Not only the inhabitants of rural areas feared the acquisition of Polish land by foreign capital. One in ten Poles when asked what he or she fears most in the integration process mentioned national assets buyout (including land) by foreigners¹⁴⁵. Immediately after the conclusion of accession negotiations the membership criteria related to land purchase were negatively assessed by over half of the respondents (58%)¹⁴⁶.

These fears proved hugely inflated. There was no dynamic increase in the land purchase by foreigners, although this issue had been one of the most sensitive ones during the pre-accession negotiation stage. The number of permits to purchase agricultural and forest land is stable (around 230 permits are issued every year). The year 2005 was exceptional, since 324 permits were issued (including 174 permits for physical persons) and the total area of all transactions exceeded 1760 hectares. Land purchase for second home purposes has also been quite stable. Most permits were issued in 2006 (136 permits), whereas only 106 permits were issued in 2008¹⁴⁷.

As a result of Poland's accession to the EU the citizens and entrepreneurs from the EEA were no longer required to obtain a permit to buy shares in land-owning companies. Due to that already in 2005 the acreage of agricultural land with purchase permits (issued for this kind of transaction) was 40 times lower than in the previous year. It means that capital from EEA countries was primarily interested in the purchase of shares in Polish land-owning companies.

Diversification of activity in rural areas

During the transformation in early 1990s the conditions of agricultural production in Poland significantly worsened. The reduction of state interventions resulted in the rapid decrease of agricultural product real prices and the diminishing internal demand lead to problems with the products sales. Unfavourable agrarian structure (with the domination of small farms) restricted the possibilities of improving the effectiveness of agricultural production. A potential solution would be finding other employment op-

¹⁴³ *Rolnicy i mieszkańcy wsi o przyszłości polskiej wsi i rolnictwa w obliczu integracji z Unią Europejską*, Instytut Spraw Publicznych, Warszawa 2000, p. 13.

¹⁴⁴ *Rolnicy nie obawiają się wykupu ziemi przez cudzoziemców*, PAP, 9th September 2004, <http://old.euro.pap.pl/cgi-bin/raporty.pl?rap=40&dep=59845&lista=0>.

¹⁴⁵ *Nadzieje i obawy związane z integracją*, CBOS, 2003.

¹⁴⁶ Studies of TNS OBOP commissioned by the Office of the Committee for European Integration, December 2002 r.

¹⁴⁷ Data provided by the Department of Concessions and Permits in the Ministry of the Interior and Administration.

portunities. However, at this time the possibilities of earning a living outside the sector were limited as a consequence of general economic conditions. Unemployment soared and farms started to be viewed as a social buffer. It is estimated that unemployment (both hidden and open) in the rural areas affected over two million people.

The question of excess labour and unemployment were some of the main problems of the rural areas. Poland's accession into the EU was an opportunity to improve the situation of rural area inhabitants on the job market. Thanks to the pre-accession funds¹⁴⁸ which were mainly available under SAPARD Polish rural areas received an important incentive to develop all kinds of initiatives. In the whole period covered by the programme, 45 mln PLN were spent on the creation of additional income sources in the rural areas. Activities which received financial support included services offered to farms, construction works and services, installation works and services as well as tourism and transportation services. The majority of implemented projects were focused on agro-tourism. 2620 projects were executed under the measure directed to entrepreneurs aimed at the creation of additional jobs for the total amount of 220 mln PLN.

Poland's economic development after the accession to the EU positively influenced the job market and created new jobs in the whole country. Some rural areas inhabitants found new jobs in the cities or emigrated to different countries. There were also some changes in the agricultural policy approach, which further acknowledged the question of multifunctional development of rural areas. Community structural policy instruments offered additional support to income diversification in rural areas. Agricultural SOP had a budget exceeding 300 mln PLN for supporting alternative rural income sources, 90% of which has been already paid out¹⁴⁹. Integrated Operational Programme of Regional Development (IOPRD) included measures for professional reorientation of people leaving agriculture and the support for micro-enterprises. Rural Development Programme for the years 2007–2013 has allocated 1.37 bn EUR for the diversification of rural economy.

Poland's entry into the EU also accelerated the process of deagriculturalisation of rural areas and led to the improvement of the situation on Polish job market. Between 2003 and 2007 registered unemployment in rural areas fell by over one third¹⁵⁰ and the percentage of people employed in agriculture in this period decreased from 18.3%

¹⁴⁸ The funds from the loan of the World Bank, offered under Rural Areas Activation Programme, also played a significant role.

¹⁴⁹ Status as of the end of August 2008.

¹⁵⁰ *Rocznik Statystyczny Rolnictwa i Obszarów Wiejskich 2008*, GUS, 2009, p. 91.

to 15%¹⁵¹. In 2007 inhabitants of rural areas employed outside the agricultural sector worked in such sectors as industrial processing (31.9%), trade and repairs (17.1%) and construction (9.9%)¹⁵².

Although the resources from the EU budget definitely influenced the pace of the process and opened the opportunity to develop alternative income sources it is still hard to estimate the effectiveness of the projects as a whole. Not always the measures designed for rural areas were adequate and adjusted to the actual needs. For example, few farmers were interested in individual consultations concerning the choice of a new profession; another example would be subsidies for workplaces employing farmers. At the moment the rural development policy implemented in Poland is based on RDP 2007–2013. The allocation of financial resources to individual measures shows that the conception of multifunctional rural development is not yet fully supported in Poland. The majority of funds have been allocated to measures related exclusively to agricultural production. It is the indicator of traditional approach to rural areas and the need to change the approach to the idea of sustainable development of rural areas at both the strategic and the implementation level.

Food industry

The years preceding Poland's accession to the EU was the period of relative stagnation in the development of Polish food industry. Between 1999–2002 average growth rate of sector production sales was only 1.5% a year. Production recovery took place recently in 2003 when the vision of accession was real and tangible. Sector's production sold increased by 7.7% and the fast rate of production was upheld in the first months of 2004¹⁵³. Temporary decline in the dynamic sector development in Poland lasted until mid 2005. In the later period the industrial production of foodstuffs, beverages and tobacco products developed at a rate of 6–8% a year¹⁵⁴. Such dynamic growth was possible due to the general income increase and resulting increased demand, mainly for beverages, snacks, desserts and highly-processed food.

The rise in production was conducive to the radical improvement of financial indicators of the whole food industry. Between 2004–2007 net profitability doubled in

¹⁵¹ I. Frenkiel, *Ludność wiejska*, [w:] *Polska wieś 2008*, FDPA, 2008, p. 54.

¹⁵² *Ibidem*, p. 55.

¹⁵³ Unless specified otherwise, statistical data on food industry are quoted after R. Urban, *Wpływ członkostwa w Unii Europejskiej na przetwórstwo rolno-spożywcze w Polsce*, expert study commissioned by the Office of the Committee for the European Integration, November 2008.

¹⁵⁴ The production level in 2008 was almost 60% higher than in 1997 and it exceeded the value of 2002 by nearly 40%.

comparison with the year 2003 and reached approximately 4% of the value¹⁵⁵. The share of unprofitable firms in the overall number of sector entities decreased from 25% to 16%. The importance of capital provided by external investors (both financial and strategic) for financing purposes greatly diminished, since the companies generated significant profit.

Already in 2003 food sector experienced investment growth as a result of the efforts to adjust production sites to community standards and fears of external competition after the entry to the European market. Capital expenditure in 2003 increased by 15% and by further 10% in the subsequent years, reaching the level of 6–7 bn PLN. Initially some investment concentrated on construction works related mainly to obligation of adjusting production facilities and infrastructure to applicable community standards. However, the majority of capital expenditure in the longer perspective was allocated to the purchase of technological equipment, i.e. to the modernisation of the production potential and the increase of its effectiveness, which had a positive influence on the competitiveness of the industry.

A clear sign of the increase in the level of competitiveness of Polish agrifoodstuffs is a hike in export values which took place after Poland's accession to the EU. It should be noted that the rate of development of food industry production was twice as fast as the increase in the internal demand. Production surplus was sold on foreign markets. Although in 2002 there was a negative balance in the agricultural and food products trade, it improved radically already one year before the EU accession and reached the level of over 2 bn EUR in 2007. In 2003–2007 export increased by 250%, whereas import increased by app. 125%. Some other EU countries become important trade partners of Poland. In 2003 nearly two thirds of the agricultural and food export was sent to the countries of the present EU-27. Four years later this export share exceeded 80%. Nearly 70% of import came from the Community. A positive trend in foreign trade demonstrated that food sector was well prepared for the integration and that it made good use of price advantage and good quality of Polish food thanks to which the companies were able to overcome barriers to sales markets. However, 2008 data demonstrated that the sources of industrial development might soon be exhausted mainly due to the decrease in the comparative advantage and the deceleration of economic growth in the EU countries.

Export success achieved after the accession would be impossible without the support from the EU funds (SAPARD and Agricultural SOP) which enabled the imple-

¹⁵⁵ A drastic rise in the prices of agricultural products on the global market resulted in the slight decrease of financial results of food and agricultural processing in the 1st half of 2008. Profitability indicators of this sector decreased on average by 1 percentage point, but they are still significantly higher than before the accession. The decrease was due to relatively high prices (in the 1st half of 2008) of raw materials such as milk, cereals and poultry livestock. The fall in prices of these products in the 2nd half of 2008 may indicate that the decrease in the profitability of agricultural and food processing can be a temporary phenomenon.

mentation of community standards and quality management systems. By mid 2008 the support from these funds equalled 3.2 bn PLN, out of which SAPARD provided 1.9 mln and Sector Operational Programme provided 1.3 bn PLN. Such payments contributed to 21.1% of the value of investment in the so-called sensitive sectors (including the fruit and vegetables sector) and to nearly 10% of the value of investment of the whole food industry (2003 – 1st half of 2008). Given that the value of investment projects co-financed from public funds (both EU and national ones) was twice as high as the value of received payments, it could be inferred that the aid schemes covered app. 60% of investment in the sensitive sectors and 25% of all investment in the food industry, which means that if it had not been for the EU accession the degree of investment growth in food industry and especially in its sensitive sectors would be much lower.

The accession positively influenced the development of food industry. Competitive pressure motivated processing plants to intensify investment aimed at achieving compliance with hygienic, sanitary and veterinary standards applicable in the internal market. As a consequence pessimistic forecast did not come true and the national market was not dominated by imported products; what is more, Polish food industry is considered one of the most modern industries in the whole Europe.

Fisheries

Management and protection of resources

The inclusion of fisheries into Common Fisheries Policy after the accession to the UE meant that Poland had to accept the guidelines of protection of marine resources and to implement a number of applicable legal instruments. In practice it signified that Poland would be included in the Total Allowable Catch (TAC) system used for determining and controlling the allowable catch in the Baltic Sea and that it would have to accept fishing quotas set for particular fish species. Apart from that Poland had to adjust to many technical restrictions in the areas such as: protection periods and days closed for fishing, restrictions on fishing nets (e.g. the prohibition to use drift nets for salmon fishing), minimum mesh size as well as permitted engine power or vessel tonnage.

The most controversial element of common fisheries policy is the determination of fishing quota. This question causes many reservations among fishermen, not only in

Poland. These doubts are presented mainly in relation to cod fishing, whose population was drastically diminished in the last three decades. The reduction of cod stock in the Baltic Sea was caused primarily by overfishing between 1980–1990 and unfavourable reproduction conditions in the Baltic Sea (low average depth, low water salinity). As a result, the cod stock has been decreasing and so have the quota assigned to Member States. At the same time the number of days closed for fishing has been increasing. At the beginning of the 80s Polish fishermen caught 120 mln tons of cod; this number has been steadily decreasing due to the decline in cod stock and related fishing restrictions, reaching 29 thousand tons in 1990 and 15 thousand tons in 2004¹⁵⁶. The fishing quota allocated for 2008 was even more reduced as a consequence of penalty for overfishing in the previous year and it equalled 12 thousand tons. These restrictions were especially harmful for Polish fishermen, since cod fishing is the most profitable. Lack of the possibilities of fishing and sales of this fish species for many of them was equal to the loss of the main source of income. This situation was further aggravated by the lack of adjustment of the large part of Polish fleet to fishing other species such as herring or sprat. Therefore the requirements related to the protection of cod from extinction imposed by the EU legislation have been the incentive for necessary reforms and the modernization of fishery infrastructure.

The situation in the sprat fishery was different from the situation of the cod fishery. In the case of sprat, Polish fishermen still underutilized allocated fishing quota. This phenomenon could be best illustrated by the situation from 2007 when Polish sprat quota was utilised only in 50%, which meant a significant fall in comparison with the pre-accession period. Sprat catch in 2007 was around 60 thousand tons, i.e. almost 40% less than in 2004. This was caused mainly by the reduction of the fishing fleet in framework of fishing vessel scrapping programme between 2004–2007. In this period, 32 large vessels adapted to catchments of pelagic species were withdrawn. In addition, large deficiencies in sprat fishing in the last few years are also the result of shortcomings in the organization of the fishery market, which is one of the reasons for the low price of sprat in direct sales. Sprat fishing for fishmeal was the most profitable; however due to the low sprat price on the domestic market the majority of fish discharges took place in Danish ports. Similar situation applied to herring, which was caught mainly by vessels adapted to sprat fishing. Also in this case, the decrease in the catch volume was due to the

¹⁵⁶ Data source: E. Kuzebski, *Wpływ członkostwa Polski w Unii Europejskiej na sektor rybołówstwa. Ekspertyza przygotowana na zlecenie UKiE, 2008 r.* unless specified otherwise.

reduction of fishing fleet in Poland and low prices as well as the problems with selling the herring on the domestic market faced by the fishermen¹⁵⁷.

Salmon and bull trout catches also changed after Poland's entry into the EU. This happened mainly as a result of the requirement to adjust Polish legislation to the Council Regulation of 2004¹⁵⁸. The regulation phased out the use of drift nets in catchments of the Salmonidae in order to prevent incidental catches of porpoise. As an outcome, a nearly 80% fall in the catches of this species was predicted for 2008, which could bring losses of 10m. PLN¹⁵⁹. These radical restrictions on domestic salmon catches did not, however, negatively influence Polish salmon processing sector. It was possible thanks to the increase in the import, mainly from Norway, which is the main exporter of salmon on the Polish market.

Positive changes took place in relation to flounder catchments. Due to the good condition of flounder stock, the size of catches in Poland quadrupled between 1990–2007. Since Poland entry into the EU this value equalled around 10 thousand tons a year. The increase in the catchment of this species counterbalanced cod catchments subject to numerous restrictions, which are performed using similar techniques.

Table 1. Polish catchments of main fish species in the Baltic Sea between 1990–2007

Year	Sprat	Herring	Cod	Flounder	Others	Total
1990	14 299	60 919	28 730	2 253	4 419	110 620
1992	30 127	52 864	13 314	3 905	3 416	103 626
1994	44 556	49 111	14 426	4 900	3 507	116 500
1996	77 472	31 246	34 856	8 836	3 407	155 817
1998	59 090	21 873	25 779	5 835	4 567	117 143
2000	84 324	24 516	22 120	5 601	4 590	141 151
2002	81 243	35 512	15 891	9 232	5 016	146 895
2004	96 658	28 410	15 120	8 798	4 819	153 805
2005	74 383	21 819	12 784	11 148	4 206	124 340
2006	55 946	20 653	15 091	9 429	3 762	104 881
2007	60 145	22 087	10 967	10 698	3 890	107 787
2004/2007	-38%	-22%	-27%	22%	-19%	-30%

Source: Own summary prepared on the basis of the following publication: E. Kuzebski, *Wpływ członkostwa Polski w Unii Europejskiej na sektor rybołówstwa*, an expertise study commissioned by the Office of the Committee for the European Integration, 2008.

¹⁵⁷ K. Hryszko, *Rynek Ryb*, „Rynek Ryb. Stan i Perspektywy” 2008, no. 5, p. 65.

¹⁵⁸ Council Regulation (EC) no. 812/2004 of 26 April 2004 laying down measures concerning incidental catches of cetaceans in fisheries and amending Regulation (EC) no. 88/98.

¹⁵⁹ E. Kuzebski, *op.cit.*, p. 9.

A serious problem faced by both Polish and the UE fisheries are illegal, unreported and unregulated catchments, especially the catchments of cod and the creation of the so-called grey zone. The scale of this phenomenon was augmented by the systematic decrease in cod stock and unbalanced fishing potential of Polish fleet. The membership in the UE gives Poland a number of additional measures to counteract overexploitation of fish stock in the Baltic Sea. Unfortunately, despite such measures illegal catches are still a plague of Polish fisheries. They not only destroy available fish stock (e.g. by catching young fish below reproductive age), but also they lower direct sales prices, which brings a loss for all fishermen.

Financial resources from community funds allocated to the reduction of fishing fleet (vessel scrapping) and the introduction of the identification system for caught fish, as well as checks and controls of fishermen have played an important role in the fight against cod overexploitation and illegal catchments in the Baltic Sea. However, experience shows that these resources have not been sufficient enough. For example, despite the withdrawal of as many as 200 vessels out of 790 holders of cod catchment license, the fishing quota for 2007 was considerably exceeded. As a result of the inefficacy of the above measures the European Council decreased fishing quota in the subsequent years and decreased cod catchment period. This is why in 2008 for the first time in history Polish cod fleet spend the greater part of the year (187 days) in the port.

The organization of the fishery market

As a result of accession to the EU Poland had to reorganize its fishery market which was largely fragmented due to the fishing fleet privatisation in the 1990s. The legal basis of the new organization of Polish fishery market was provided by the act of 2004 160 which complied with relevant EU legislation. The Act defined and specified a number of key principles related to efficient operation of the fishery market. First of all it defined the conditions for the introduction of fish products on the market and the guidelines for intervention measures on the fishery market. Moreover, the Act defined the principles for the creation and operation of fish producer organizations and cross-sector organizations. According to the Act, the only founders of such entities can be the owners of fishing vessel and fish breeders with a sufficient market potential¹⁶¹. Since Poland's

¹⁶⁰ The Act of October 10th, 2002 on the Organization of the Fishery Market amending the Sea Fisheries Act (Polish journal of Laws No. 181, item. 1514) The Act on Organization of Fishery market and Financial Support for Fishery Trade of January 22nd, 2004 entered into force on the accession date (Polish Journal of Laws No. 34, item. 291 as amended.), and was amended (among others) by the Act of 20th April 2004 on the amendment and repealing certain legal acts as a result of Poland's membership in the European Union (Polish Journal of Laws No. 96, item. 959). At the moment draft amendment to the Act on the Organization of the Fishery Market is under discussion.

¹⁶¹ I.e. at least 20% of fishing vessels adapted to specific fisheries and fishing methods in the case of vessel owners and at least 25% of the total product mass from breeding and rearing of certain species of water organisms in the case of breeders.

accession to the EU not more than six producer organizations have been registered and their activity is so far very limited. They have not broadened the scope of their activities despite the financial support available for such organizations.

The attempts to create institutional basis for the operation of fishery market in Poland made in the last five years have not been fully successful. Fish sales in theory should take place at fish auctions organized in Ustka, Władysławowo and Kołobrzeg. In fact only the auction in Ustka was able to meet with expectations, although not without certain problems. A similar thing happened with Local First Sales Centres (LFSC) which were created in five seaside towns: Ustka, Kołobrzeg, Władysławowo, Hel and Darłowo in order to improve fish discharge in fishing ports. By 2007 only the LFSC in Ustka was able to operate and the sales of fish was mainly based on direct agreements concluded between the fishing vessel owners and intermediaries or processors. This problem has not yet been solved between 2004–2009, which resulted in considerable differences between the first sale price and the retail price of fish paid by the consumer.

Structural policy

Polish fisheries were able to obtain structural funds in September 2004. The interested entities could apply for project co-financing under the Sectoral Operational Programme “Fisheries and fish processing 2004–2006” (SOP Fisheries). Such projects were related to the implementation of the number of measures of the fisheries policy. The most important ones included:

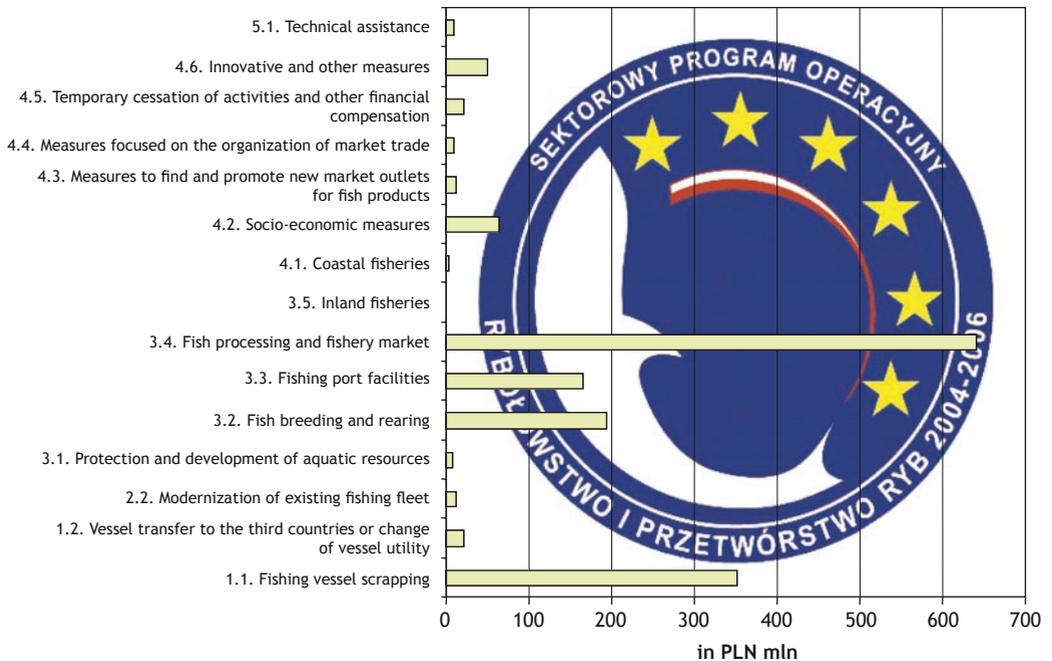
- The reduction of overfishing through the withdrawal of a part of fishing fleet,
- Full utilisation of allocated fishing quota and their maximisation for consumption goals;
- The development of fishing ports and harbours;
- The improvement of fish and fish products quality as well as the increase in the added value of fish and fish products;
- The revitalisation of fisheries-dependent regions and the regions depended on fish breeding and rearing;
- The increase in the fish consumption in Poland and the improvement of market supply in the area of sea and freshwater fish and their products;
- The development of the first sales and fish products distribution system.

Funds allocated under SOP Fisheries significantly helped in the transformation of Polish fisheries. 3807 investment contracts for the total value of 1.6 bn PLN were signed by the end of June 2008, nearly half of them were co-financed from the EU funds.

The decisive majority of co-financed investments were made in the fish processing sector¹⁶². The investments were mainly focused on the modernisation of processing plants, the purchase of transport infrastructure, and the creation of quality control systems; on many occasions support was also required for the construction of completely new sites.

The next measure which received substantial support under SOP was fish vessel scrapping under the policy of the reduction of fishing fleet capacity in the Baltic Sea. The value of vessel scrapping contracts (444 vessels to be scrapped by mid 2008) equalled 373 mln PLN. What is more, 54 mln PLN was allocated to the payment of compensation to nearly 1400 fishermen who left their trade as a result of the liquidation of fishing units (app. 37 thousand PLN per person).

Graph 6. The value of investment under each SOP Fisheries measure (as of June 30th, 2008)



Source: E. Kuzebski, *Wpływ członkostwa Polski w Unii Europejskiej na sektor rybołówstwa*, an expertise study commissioned by the Office of the Committee for the European Integration, 2008.

¹⁶² By 30 June 2008 640 mln PLN have been allocated to measures related to fish processing.

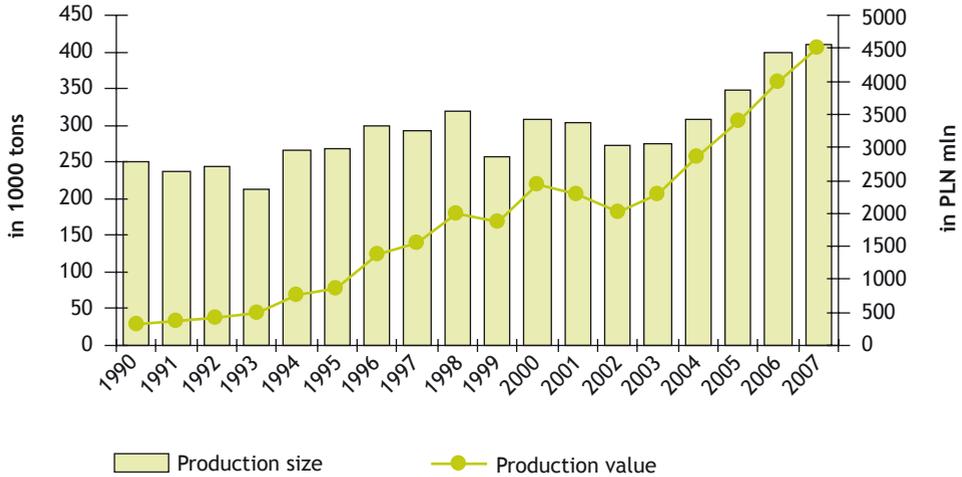
The reduction of fishing fleet achieved as described above brought permanent changes in Polish fisheries. Vessel scrapping resulted not only in the reduction of fishing capacity, but also significantly influenced the level of employment in the fishing sector. Thanks to compensation payments for the loss of employment as a result of vessel scrapping the fishermen had the chance to acquire new qualifications and start a different activity. Under SOP Fisheries 26% of fishermen used the received funds for business which was not related to fishing, such as tourism or gastronomy. 35% of fishermen decided to engage in an activity which was related to fishing, such as the investment in fish processing or the purchase of equipment for other fishing vessels¹⁶³. In the future, the EC plans to support the reduction of fishing fleet by further 30% by using increased funds allocated to that objective in the period of 2007–2013. It is necessary since the fish potential is still too high for the available fish stock despite a 40% reduction.

Fish processing and external policy

Fish processing is one of the fastest developing sectors of food industry in Poland. It is clear that such rapid development has been possible thanks to the opportunities offered to Poland at the time of the accession to the EU. Unprecedented growth rate of fish processing sector in 2004–2009 would not have taken place without investment opportunities enabled by funds under SAPARD and SOP Fisheries. Similarly, Polish fish products could not expand as they have until now, without the entry to the EU internal market and the elimination of boundaries for Polish fish products. From the moment of Poland's accession to the EU there has been a significant increase in the size and value of production of fish processing sites. Such increase was possible despite a relatively low (app. 240) number of companies operating in the fish processing sector. At the beginning of 2008 the value of sales of fish products equalled over 4.5 bn PLN, which means that it doubled since 2003.

¹⁶³ B. Marciniak, *Zamierzenia i realia*, cz. II: *Ocena skuteczności realizacji programu redukcji floty rybackiej*, „Wiadomości Rybackie” 2008, no. 9–10, p. 11.

Graph 7. The size and value of production of fish processing sites



Source: *Rozwój rynku rybnego i zmiany jego funkcjonowania w latach 1990–2007*, IERiGŻ, 2008.

The increase in the size of fish processing production was only possible due to a very dynamic growth of export sales. At the beginning of 2008 the share of direct export in total revenues from that sector exceeded 50%. This meant that the value of exported fish and fish products exceeded 2.5 bn PLN. This value was twice as high as the value from the period before Poland's accession to the EU. After the accession export has been focused on the EU Member States, and especially Germany, Denmark and Great Britain. The share of these countries in the overall trade value increased from 57–77% in the pre-accession period to 90% in 2008¹⁶⁴. The dynamics of growth in the area of smoked fish export and processing which took place after Poland's accession to the EU should also be noted. The growth in the sales of smoked salmon in this subsector was 5 times higher than the analogical growth in 2003. It could be concluded that these processed products have systematically gained popularity on the European markets, such as the markets in Denmark, Italy, France and especially in Germany, where in 2005 Poland achieved 80% share in the total supply value.

We should also mention a significant increase in the import of fish which invariably accompanies export growth. In 2007 approximately 380 thousand tons of fish and fish products with the total value of 2.8 bn PLN were imported from abroad. It was a growth by

¹⁶⁴ *Rozwój Rynku Ryb i zmiany jego funkcjonowania w latach 1990–2007*, IERiGŻ, Warszawa 2008, p. 64.

over 50% in terms of quantity and by 84% in terms of value in comparison with the increase of 2003. As a consequence, despite high export level Poland's trade balance in fish and fish products is negative and Poland has become a net importer. Poland's main trade partners in the area of import are at present EU Member States, such as Denmark, Germany, Holland and Great Britain, but also other countries such as Norway or Iceland or the developing countries such as China (pollock), Vietnam (panga) Thailand (tuna) and Argentina (hake)¹⁶⁵.

The success of the Polish fish processing sector in the recent years has also manifested itself in the systematic employment growth. Thanks to very good financial results and high profitability of production sites between 2003–2007 the sector could achieve a nearly 40 increase of employment. At present the number of people employed in this sector exceeds 4 000.

However, despite visible growth and progress which has taken place in the fisheries sector in the last few years there is still a huge gap between Poland and well-developed EU countries. It is confirmed for example by the fact that the value of production sold in Poland in 2006 per one employee was 3.3.times lower than in Germany¹⁶⁶. This is mainly the result of lack of advanced technologies and problems with efficiency or the organization of production

Conclusions

This chapter analysed the changes which took place in the agriculture and fisheries as a result of Poland's accession to the European Union. The assessment of changes which took place in the five years of membership clearly indicates that the benefits obtained by the agriculture and fisheries sector significantly exceed costs incurred. This was mainly possible thanks to the financing from EU funds and access to the markets of other Member States.

CAP mechanisms modified the functioning of individual agricultural markets. Production quota, export support and access to the internal market transformed the supply and demand conditions. The changes combined with major financial flows lead to a significant growth of agricultural income, especially in the case of small farms. However, despite a number of positive changes these small farms are the main problem of

¹⁶⁵ *Ibidem*, p. 69.

¹⁶⁶ *Ibidem*, p. 91.

Polish agriculture. In the long term they will not be able to make profit which would guarantee them an adequate standard of living and secure the resources for further investment. The improvement of agricultural activity conditions and the direct payment scheme per one hectare of agricultural land led to the drastic increase in agricultural land prices. However, the fears of land buyouts by the foreigners voiced before the accession did not come true. The interest in the purchase of both agricultural and forest land as well as second homes has not experienced significant growth.

The UE membership meant accepting the European agricultural model which is not only based on the implementation of the Treaty guidelines aimed at the increase of the income. The main objective of European agriculture is to increase competitiveness of production and sustainable management of resources. That is why economic incentives under CAP led to the increased protection of natural environment, animal welfare and biodiversity. The entry to the EU had also positive influence on the implementation of the conception of a multifunctional growth of rural areas. A number of measures focused on the development of entrepreneurship and on rural areas and promoting their cultural values were introduced in this period.

For food industry the fact that Poland was included in common market structures was of a crucial importance. This was both a huge challenge (increased competition of imported foodstuffs on the domestic market) and a chance (new outlet markets). The sites managed to comply with the quality and safety standards and use their advantage (mainly in the cost area) at every new opportunity. The export of agricultural and food products significantly increased after the accession; the products were mainly exported to other UE countries. In 2009 the growth dynamics has decreased, however the trade balance still stays positive.

The positive impact of accession is confirmed by public opinion polls. Since 2006 public opinion has claimed that the farmers were the social group who obtained the most benefits from the accession. According to the polls conducted in 2008 by GfK Polonia nearly 2/3 of the respondents (64%) were convinced that the membership was beneficial to Polish agriculture¹⁶⁷. Also CBOS polls (Public Opinion Research Centre) show that according to public opinion agriculture is a dominating sector which has gained the most¹⁶⁸.

The accession to the UE introduced far-reaching changes in many aspects of Polish fisheries. First of all the sector had to undergo deep transformation in order to com-

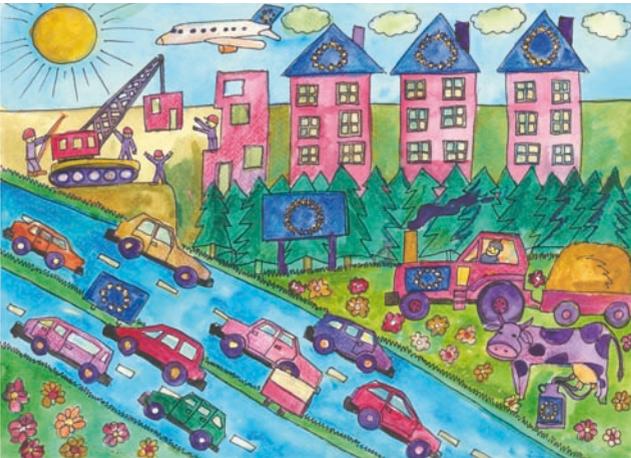
¹⁶⁷ Social studies of GfK Polonia for the AD of the Office of the Committee for European Integration, May 2008.

¹⁶⁸ *Bilans czterech lat integracji Polski z Unią Europejską*, CBOS, April 2008.

ply with the protection requirements of Baltic Sea fish stock. To this end Poland greatly reduced its fishing capacity by eliminating 40% of its fleet and strictly complied with quota or temporary fishing closures. These measures irreversibly transformed the character of Polish fisheries and helped the sector become part of a broad common fisheries policy of the UE.

Moreover, Poland's accession to the EU enabled the development of Polish fish processing sector whose income was two times higher than in the pre-accession period. Participation in the common EU market also enabled the dynamic growth of export of Polish fish products to other Member States which at present constitute 90% of overall fish export value. However, we should remember that despite positive transformation Polish food processing sector still needs to be improved, especially in the areas of technology as well as efficiency and organization of production; despite export growth foreign trade balance is still negative due to high import values.

Transport infrastructure



An entry for the art competition 'I live in Europe', organised by the Ministry of Regional Development

On the date of Poland's accession to the European Union, its transport infrastructure was underdeveloped. Without raising the issue of the influence of transport infrastructure on regional convergence¹⁶⁹, it should be pointed that its underdevelopment was a major barrier to the development of the entire country¹⁷⁰. With the EU membership, Poland gained access to Community funds that could be used to develop and upgrade its transport systems.

In terms of sources of financial transfers, infrastructure investments were financed from the following funds:

- Cohesion Fund (CF),
- European Regional Development Fund (ERDF) used both for the Sectoral Operational Programme Transport and the Integrated Regional Operational Programme (IROP)¹⁷¹ as well as cross-border co-operation programmes INTERREG IIIA, in which Poland participated.

¹⁶⁹ B. Rokicki, *Teoria ekonomii a założenia i realizacja działań prowadzonych w ramach polityki spójności Unii Europejskiej. Proponowane kierunki przyszłych reform*, [in:] *Przyszłość polityki spójności a przegląd budżetu Unii Europejskiej w latach 2008–2009. Materiał do dyskusji*, ed. J. Ryba, Warsaw 2006, p. 36.

¹⁷⁰ T. Komornicki, *Wpływ członkostwa w Unii Europejskiej na rozwój infrastruktury transportowej w Polsce – aktualizacja i rozwinięcie ekspertyzy dot. 4 lat członkostwa Polski w UE* wykonanej dla Urzędu Komitetu Integracji Europejskiej, Warsaw, 15 December 2008, p. 4.

¹⁷¹ Measure 1.1. *Modernization and expansion of the regional transport system* and Measure 1.6. *Public transport development in agglomerations*.

Non-financial effects of Poland's membership in the EU on the development of transport infrastructure

The impact on Poland's membership in the EU on the development of transport infrastructure is not limited to the inflow of funding for investments. Poland's membership in the EU resulted in the increase in demand for passenger and cargo transport. It also resulted with it certain institutional changes.

As described in the Chapter dealing with macroeconomic perspective, Poland's membership in the EU has been a development stimulus for the Polish economy as a whole¹⁷². This process resulted in the increase in demand for passenger and cargo transport (intensification of both foreign and domestic trade). The impact of the first five years of membership in the EU on changes in the demand for transport infrastructure is as follows¹⁷³:

- increase in the demand for connections between Central and Eastern Poland with Germany and other Western European states,
- increase in the demand for transit from Poland's eastern border with Lithuania, via Warsaw and Wrocław, towards the Czech border,
- further drop in the demand for transit in the north-south direction,
- increase in the demand for transport infrastructure connecting the main cities of Poland (hexagonal network),
- increase in the demand for transport infrastructure connecting metropolises with their hinterland.

Institutional changes included mainly the obligation to formulate specific long-term investment plans, which was a major step forward compared to the pre-accession period. In addition, the EU regulations imposed supervision over the work on and implementation of investments co-financed from EU funds.

¹⁷² Cf. Chapter I.1 herein.

¹⁷³ T. Komornicki, *op.cit.*, p. 12.

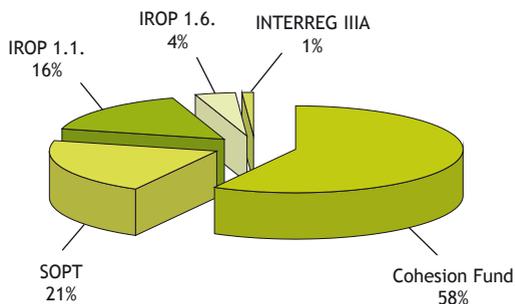
Community funds as a source of co-financing of investments in the programming period 2004–2006

In the programming period 2004–2006, about EUR 4.8 bn was earmarked in the EU budget for transport infrastructure investments in Poland (cf. Table 1). This amount does not cover local road infrastructure investments¹⁷⁴. This financing came from the following funds:

- Cohesion Fund,
- European Regional Development Fund used both for the Sectoral Operational Programme Transport (SOPT) and the Integrated Regional Operational Programme¹⁷⁵ as well as cross-border co-operation programmes INTERREG IIIA, in which Poland participated by.

Chart 1. Allocations from EU funds for transport investments

Fund	Amount of financing in EUR mln
Cohesion Fund	2,783
SOPT	1,025
IROP 1.1.	768
IROP 1.6.	168
INTERREG IIIA	about. 40
TOTAL	4,744



Source: Own study based on materials provided by the Ministries of Infrastructure and Regional Development.

In the context of financial benefits understood as transfers from the EU budget allocated to investments in transport infrastructure, we should also assess economic aspects of projects carried out as part of the cost-benefit analysis – one of the key elements of any project's feasibility study. Under the application procedure, the applicant must in fact prove that economic benefits of the project will exceed the expected costs. For transport infrastructure projects, a cost-benefit analysis should be performed for the following criteria:

¹⁷⁴ Implemented mainly using IROP funds under Measure 3.1.

¹⁷⁵ Measure 1.1. and Measure 1.6.

- value of time,
- value of cost of operation,
- value of accidents,
- air pollution.

This list is considered obligatory for all projects implemented using EU funds in the transport sector. However, this list is by no means closed. The cost-benefit analysis may also include effects of noise and climate change.

Table 1. List of main categories of economic costs (and benefits) recommended for evaluation in the case of specific types of transport infrastructure projects

Road infrastructure	Railway sector: infrastructure and rolling stock	Air transport	Public transport
Recommended	Mandatory	Recommended	Recommended
Vehicle operating costs	Travel time	Costs of delays	Costs of time of the current users of public transport
Costs of time of road infrastructure users	Vehicle operating costs	Costs of travel time of transferred passengers	Costs of time of the current users of public transport
Costs of road accidents and casualties	Costs of accidents (optional)	Costs of passenger service time	Costs of time of car users taken over by the public transport
Costs of environmental pollution	Costs of air pollution	Costs of time of users taken over from other means of transport	Vehicle operating costs for the current users of private transport vehicles becoming users of public transport
	Costs of noise (optional)	Vehicle operating costs of the current users who formerly used other means of transport	Public transport vehicle operating costs
	Wider economic impacts of the project, such as costs of climate changes, damage to the landscape, noise (optional)	Costs of environmental impacts	Costs of environmental impacts
		Costs of effects of accidents	Costs of effects of accidents

Source: Ernst&Young, *Analiza korzyści projektów infrastrukturalnych realizowanych w Polsce ze środków UE – ekspertyza*, December 2008.

Road transport

The majority of EU funds for the development of transport infrastructure in Poland were allocated to the upgrading of the road transport sector. As for national roads co-financed from the Cohesion Fund or SOPT, about 190 km of motorways, 160 km of expressways, and 110 km of ring roads and bypasses were built or modernized by 31 December 2008. The scale of investments with a share of EU funds exceeded investments implemented using the national budget only, representing a ten-fold increase for motorways and five-fold increase for expressways (cf. Table 3).

Table 2. Kilometres of national roads built in the period May 2004 – December 2008

	Motorways	Expressways	Ring roads and bypasses
Built using EU funds	192.56	141.39	91.65
Built using national budget funds only	20.30	27.70	231.51
Sections built by licence holders	75.80	0	0
Total	288.66	169.09	323.16

Source: Own calculations based on data provided by General Directorate for National Roads and Motorways, as at 31 December 2008.

At the same time, about 100 km of motorways and 170 km of expressways were being built using EU funds as at 31 December 2008 (cf. Table 4).

Table 3. Kilometres of national roads in progress

	Motorways	Expressways	Ring roads and bypasses
Built using EU funds	99.10	170.97	0
Built using national budget funds only	55.40	41.30	128.53
Total	154.50	212.27	128.53

Source: Own calculations based on data provided by General Directorate for National Roads and Motorways, as at 31 December 2008.

The major investments in national roads in Poland included:

- A-2 motorway, section Konin–Stryków (new investment),
- A-4 motorway, sections Kleszczów–Sośnica (new investment) and Legnica–Wrocław (modernization),
- A-6 motorway, section Klucz–Kijewo (modernization),
- S-1 expressway Bielsko-Biała–Cieszyn (new investment),
- S-7 expressway, section Białobrzegi–Jedlińsk (modernization) and Grójec ring road (modernization),
- S-8 expressway, section of Wyszaków ring road (new investment).

Table 4. Economic effects of road infrastructure investments – modernization of A-6 motorway, section Klucz–Kijewo

Beneficiary	General Directorate for National Roads and Motorways
Total project value	PLN 129,303,046
Grant amount	PLN 87,608,109
Economic performance indicators	ERR: 17.32% ENPV: PLN 105,640,000
Outcomes	improved load capacity of road and bridge pavements up to 11.5 tonnes of axle weight
Products	length of the upgraded road – 7.73 km; number of reconstructed bridges/overpasses – 14; length of stormwater drainage systems constructed – 5.008 km; number of the constructed environmental protection facilities (stormwater pre-treatment facilities) – 23; length of the constructed noise barriers – 2.6 km

Source: Ernst&Young, *Analiza korzyści projektów infrastrukturalnych realizowanych w Polsce ze środków UE – ekspertyza*, December 2008.

Despite the substantial investment effort, these investments have no nationwide impact due to the insufficient concentration of funds (cf. Fig. 1).

One of the criteria of assessment of the Polish road system is the degree of adjustment of roads to axle weight of 11.5 tonnes per single axle. Because of regression in construction and modernization of road network observed in the pre-accession period, Poland applied for a transition period in order to fully implement Directive 96/53/EC¹⁷⁶. Pursuant to this directive, EU Member States shall provide international roads for vehicles with axle weight of 11.5 tonnes per axle. The transition period negotiated in the Accession Treaty refers to the conditions of access to Polish roads for this type

¹⁷⁶ Council Directive 96/53/EC of 25 July 1996 laying down for certain road vehicles circulating within the Community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic, OJ L 235 1996 p. 59, as amended



photograph by MARZENA SAMBORSKA, entitled 'On we go' A photo sent as part of a photography competition „ZPORRe zmiany w regionach” [Considerable changes in regions]. Building a ring road of Wąbrzeźno, kujawsko-pomorskie voivodeship

of vehicles and the road upgrade scheme¹⁷⁷, as defined in Annex I to Decision 1692/96/EC¹⁷⁸. According to the provisions of the Accession Treaty, Polish road system must be fully available for vehicles with axle weight of 11.5 tonnes per axle as of 1 January 2011. However, the negotiated transition period made it possible for Poland to apply partial derogation from Art. 3.1 of Directive 96/53/EC. As a result, vehicles using non-upgraded sections

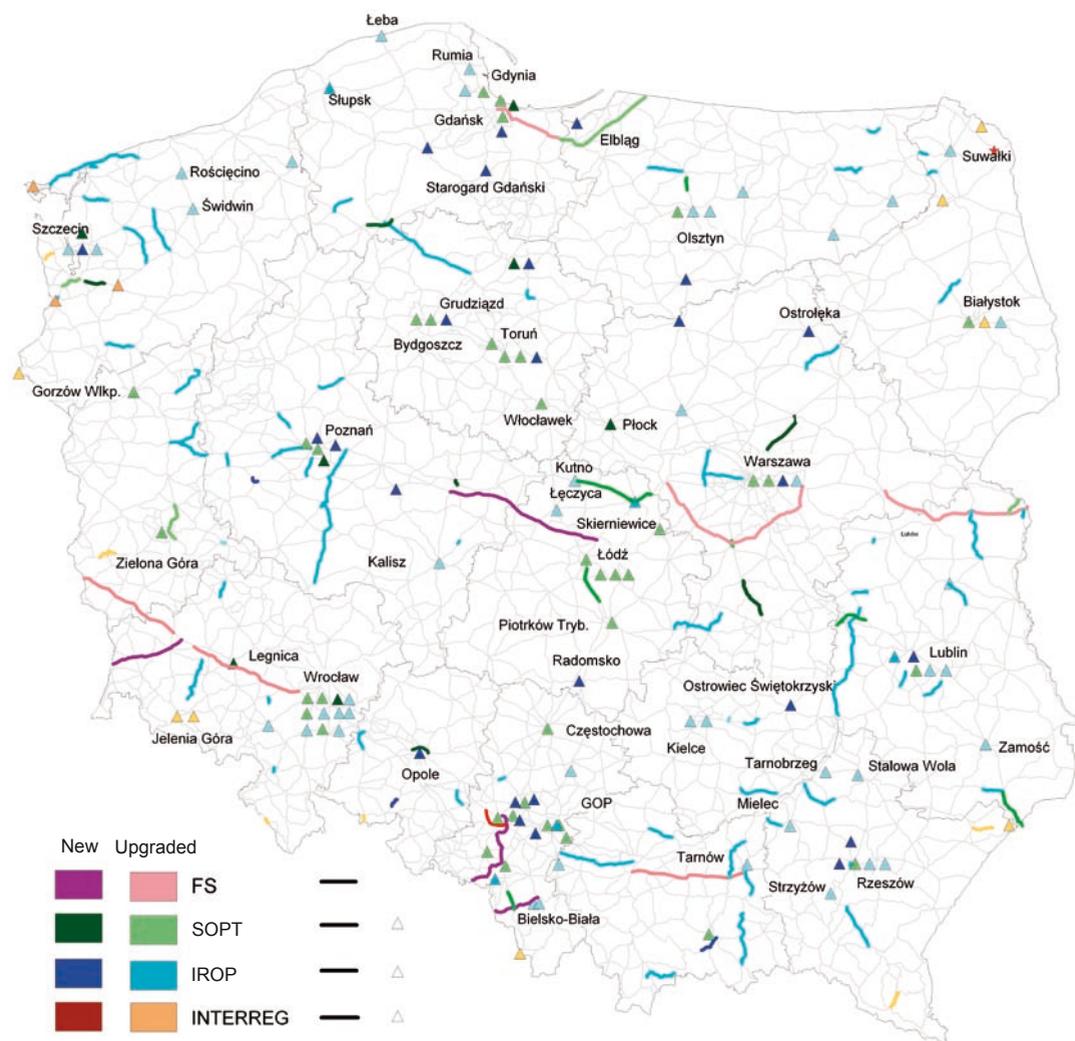
of the Polish road network must meet the applicable Polish axle weight limits during the transition period. Roads forming part of Trans-European Transport Network (TEN-T) are exception to this rule – they had to be made available to vehicles with axle weight of 11.5 tonnes as of the date of accession to the EU. Until the end of 2008, Poland could impose charges on vehicles with axle weight in excess of the Polish limits for the use of Poland's main transit roads. As of 1 January 2009, no additional charge for extra axle weight can be imposed on vehicles using roads listed in Annex I to Decision 1692/96/EC. It means that as of 1 January 2009, partial derogation from Art. 3.1 of Directive 96/53/EC shall apply only to the Polish road network not included in TEN-T. Until 31 December 2010, Poland may still impose extra charges for the use of its non-upgraded roads (i. e. not listed in Annex I to Decision 1692/96/EC) by vehicles in international road traffic.

Based on the summary of data on Poland's progress in meeting the requirement of axle weight of 11.5 tonnes per axle vs. the scheme of road upgrade contained in the Accession Treaty, we can identify Poland's achievements in the past 5 years in terms of adjustment of its international road network to axle weight of 11.5 tonnes.

¹⁷⁷ Roads no. 1, 2 (50 – Warsaw ring road), 3, 4 and 18, 6 and 8.

¹⁷⁸ Decision No. 1692/96/EC of the European Parliament and of the Council of 23 July 1996 on Community guidelines for the development of the trans-European transport network. Official Journal L 228/1, 1996, as amended.

Fig. 1. Location of road investments (new and upgraded) co-financed from EU funds in the period until 31 December 2008



Source: T. Komornicki, *Wpływ członkostwa w Unii Europejskiej na rozwój infrastruktury transportowej w Polsce – aktualizacja i rozwinięcie ekspertyzy dot. 4 lat członkostwa Polski w UE wykonanej dla Urzędu Komitetu Integracji Europejskiej*, Warsaw, 15 December 2008.

Table 5. Implementation of accession obligations as regards the adjustment of roads to axle weight of 11.5 tonnes per axle (in kilometres)

Item	1 January 2004	1 January 2005	1 January 2006	1 January 2007	1 January 2008	1 January 2009
Upgrade of roads – obligation	551	780	1 039	1 292	1 650	1 975
Upgrade of roads – implementation	659	839	1 025	1 346	1 605	1 802
Of which based on EU funds	115	140	291	489	520	590

Source: Own calculations based on data provided by General Directorate for National Roads and Motorways, as of 31 December 2008.

Under the Treaty of Accession, Poland assumed the obligation to adjust certain international roads (3006.7 km in total) to axle weight required by the EU based on the adopted schedule. In order to meet this requirement, about 1200 km of roads still needed to be adjusted to axle weight of 11.5 tonnes per axle as at 1 January 2009. Out of 1800 km of the constructed or upgraded roads listed in the Treaty of Accession and adjusted to axle weight of 11.5 tonnes, nearly one third were financed from EU funds. It is important to note that Poland faces no sanctions for its underperformance in the implementation of the adopted schedule observed in the past two years. The Polish road system must be fully available for vehicles with axle weight of 11.5 tonnes per axle as of 1 January 2011; this should be a sufficient incentive for Poland to meet its obligations in this area. If non-upgraded roads are used by this type of vehicles, they will be damaged much faster.

As a result of Poland's membership in the EU, newly built or upgraded sections of Polish national roads are now designed in line with the Community requirement of 11.5 tonnes per axle. In consequence, the total number of kilometres of roads meeting this requirement exceeds 4100 km, and one fourth of all investments adjusting road infrastructure to axle weight of 11.5 tonnes per axle were implemented using EU funds.

Table 6. Number of kilometres of national roads adjusted to axle weight of 11.5 tonnes per axle

Item	1 January 2004	1 January 2005	1 January 2006	1 January 2007	1 January 2008	1 January 2009 ¹
Roads adjusted to axle weight of 11.5 tonnes per axle (total)	1 090	1 565	2 190	2 988	3 762	4 111
Of which based on EU funds (PHARE, ISPA, FS, EFRR)	185	279	547	784	828	1 001

Source: Own calculations based on data provided by General Directorate for National Roads and Motorways, as of 31 December 2008.

Railway transport

According to experts, concentration of EU funds allocated to investments in railway transport – which is much higher than in the road sector – is a good trend, although they also emphasise that these funds were allocated to upgrade railway lines rather than to build new lines¹⁷⁹. Until 31 December 2008, the following railway transport investments co-financed from EU funds were completed:

- upgrade of Warsaw–Łódź railway line, section Łódź–Skierniewice,
- upgrade of E-30 railway line, section Legnica–Węgliniec,
- upgrade of E-20 railway line, section Rzepin–German border,
- upgrade of E-20 railway line, section Mińsk Mazowiecki–Siedlce.

Given that only certain sections of the above lines were upgraded, effects of these investments will be visible in a couple of years, i.e. after the entire railway lines are upgraded.

¹⁷⁹ T. Komornicki, *op.cit.*, p. 24.

Table 7. Economic effects of railway infrastructure investments – upgrade of Warszawa–Łódź railway line (stage 1, Skierniewice–Łódź Widzew section)

Beneficiary	PKP Polskie Linie Kolejowe S.A.
Total project value	PLN 1,115,502,120
Grant amount	PLN 678,863,425
Economic performance indicators	ERR: 17.32% ENPV: PLN 105,640,000
Outcomes	reduction of travel time from Warsaw to Łódź by 19 minutes for passenger trains, by 17 minutes for inter-regional trains, and by 5 minutes for regional trains; increase in passenger traffic between Warsaw and Łódź
Products	upgraded railway section Skierniewice–Łódź

Source: Ernst&Young, *Analiza korzyści projektów infrastrukturalnych realizowanych w Polsce ze środków UE – ekspertyza*, December 2008.

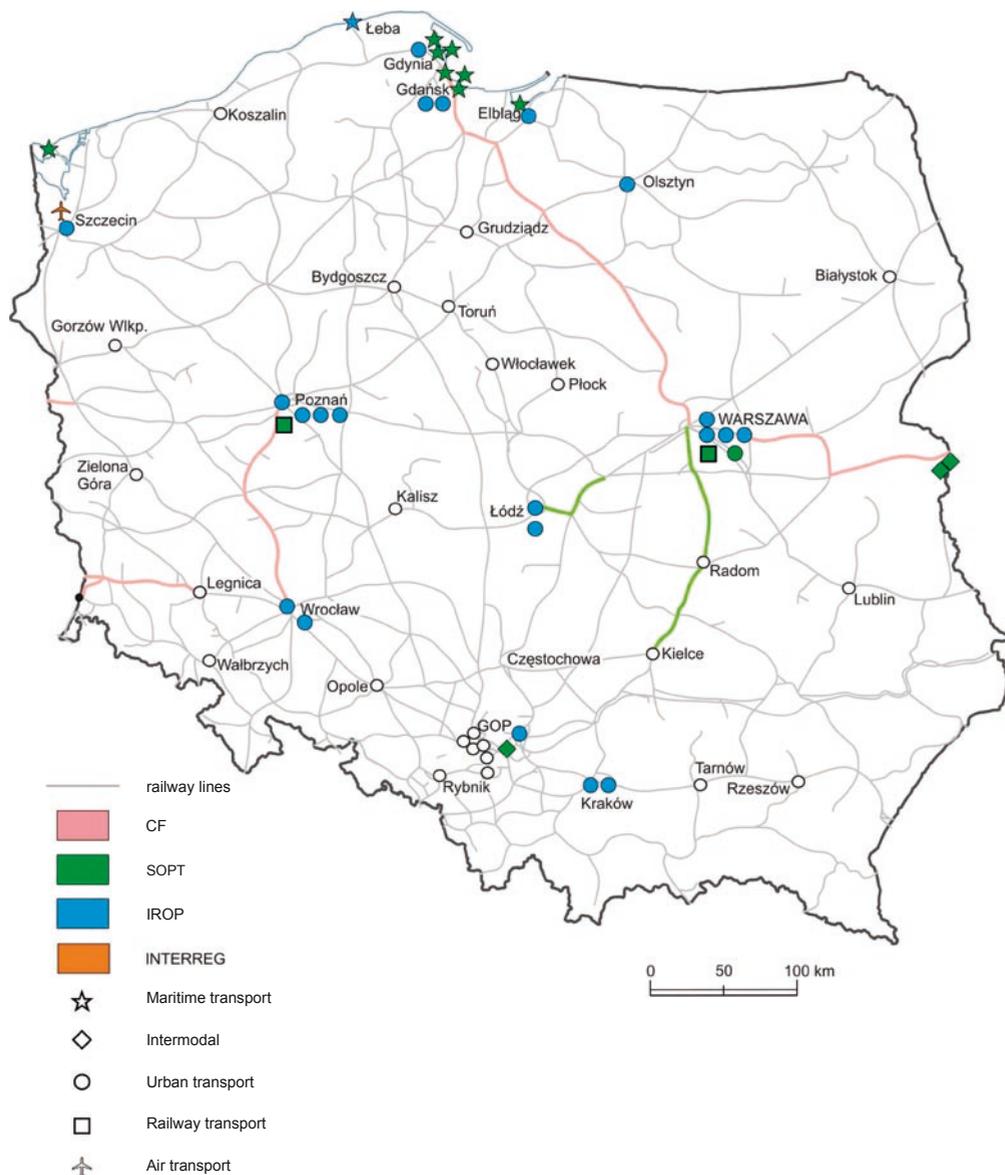
Urban transport

As regards urban transport, the largest completed investments co-financed from EU funds included:

- construction of the last section of the Warsaw subway,
- construction of Bemowo–Piaski tram line in Warsaw,
- upgrade of Aleje Jerozolimskie tram line in Warsaw,
- upgrade of the north-south tram line in Wrocław.

In addition, IROP funds were used in many cities for the purchase of urban transport vehicles.

Fig. 2. Location of investments other than road transport investments co-financed from EU funds



Source: T. Komornicki, *Wpływ członkostwa w Unii Europejskiej na rozwój infrastruktury transportowej w Polsce – aktualizacja i rozwinięcie ekspertyzy dot. 4 lat członkostwa Polski w UE wykonanej dla Urzędu Komitetu Integracji Europejskiej*, Warsaw, 15 December 2008.

Maritime transport

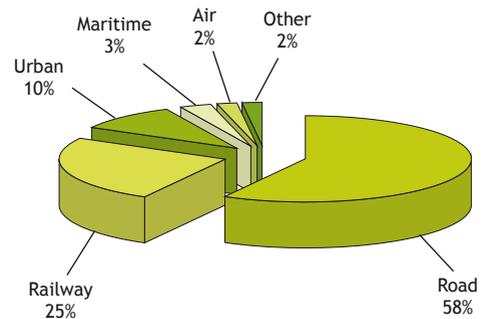
Construction of a logistics centre in the port of Szczecin was the only important maritime transport project completed by 31 December 2008 (using funds of Sectoral Operational Programme Transport). In addition, Poland's maritime transport benefited from road investments directly or indirectly connected with ports. Major projects were also in progress in the port of Gdańsk (projects improving access by road to industrial wharf, free zone, and Westerplatte passenger terminal) and Gdynia (upgrade of inner port entrance).

Community funds as a source of co-financing of investments in the programming period 2007–2013

In the programming period 2007–2013, the majority of investments in transport infrastructure are planned under Operational Programme Infrastructure and Environment (OPIE) based on EU budget funds from the European Regional Development Fund and Cohesion Fund. These investments will be connected mainly with road infrastructure (58%) and railway infrastructure (25%).

Chart 2. Distribution of EU funds under OPIE by transport sectors

	ALLOCATION in EUR mln
Road transport	11,104.4
Railway transport	4,863.0
Urban transport	2,014.0
Maritime transport	606.8
Air transport	403.5
Other	432.2
Total	19,423.9



Source: Study by the Ministry of Infrastructure.

In addition, investments in transport infrastructure were planned under 16 regional operational programmes (about EUR 4.4 bn in total¹⁸⁰). Additional EUR 660 mln was allocated to this purpose in Operational Programme Development of Eastern Poland¹⁸¹. Obviously, co-financing of investments in transport infrastructure will be also possible under cross-border co-operation programmes, but given their specific nature at this stage it is difficult to define the future amount of funds allocated to transport infrastructure in Poland.

Programme documents for period 2007–2013 assume that the total amount of EUR 24.5 bn will be earmarked in the EU budget for investments related to broadly defined transport infrastructure, i.e. about EUR 3.5 bn per year. In comparison, about EUR 4 bn was allocated to this purpose in the 2004–2006 programming period, i.e. about EUR 1.8 bn per year.

When work on this Chapter was still in progress, no transport infrastructure investment co-financed from EU funds for the period 2007–2013 had been implemented yet. It results mainly from the fact that negotiations on the current financial perspective lasted much longer than initially assumed, and the final compromise was reached only in December 2005. A very late adoption of the Cohesion Policy legislative package (July 2006) was a direct effect of this. As a result, the Commission's approval of the relevant programme documentation prepared by Poland was also much delayed (e.g. Operational Programme Infrastructure and Environment on 5 December 2007, and Operational Programme Development of Eastern Poland on 2 October 2007).

Other barriers to the implementation of infrastructure investments include those resulting from the implementation of *acquis* in the area of environmental protection as well as problems connected with public procurement procedures.

Environmental problems result from the fact that the earlier transposition of environmental protection directives to the Polish law was incomplete, and – according to the European Commission – made it impossible to achieve the assumed objectives. The Act¹⁸² implemented on 15 November 2008 significantly modified the procedure of environmental impact assessment of the planned projects, introducing in particular the so-called reassessment at the final stage of the investment process, and extending the

¹⁸⁰ R. Kierzenkowski, *The challenge of rapidly improving transport infrastructure in Poland*, OECD Economics Department Working Papers No. 640, 29 September 2008, p. 18.

¹⁸¹ Ministry of Regional Development, Operational Programme Development of Eastern Poland 2007–2013. National Strategic Reference Framework 2007–2013, Warsaw, 2 October 2007.

¹⁸² The Act of 3 October 2008 on the access to environmental information and its protection, public involvement in environmental protection, and environmental impact assessments (Journal of Laws No. 199, item 1227).

scope of powers of environmental organisations in this procedure. In addition, the principles of environmental impact assessment for Natura 2000 areas were specified in more detail. It eliminated the basic differences between the Polish law and Community legislation stressed by the Commission, and “unblocked” the implementation of infrastructure investments co-financed from EU funds.

Given the delayed implementation of operational programmes resulting *i.a.* from prolonged negotiations and the aforementioned problems with the implementation of *acquis* in the area of environmental protection, as well as the pre-defined schedule of preparations for these investments, public procurement procedures will be launched all at the same time. In addition, with a limited number of contractors and subcontractors, if a large number of public procurement procedures are simultaneously announced by beneficiaries, contractors tend to quote disproportionately high prices compared to the actual value of contracts. The very structure of contracts also increases the cost of investments. Large-scale public tenders eliminate smaller construction companies with human resources and material base insufficient to meet the requirements defined in Terms of Reference. Lack of adequate standards is yet another reason for the increase in investment costs, affecting the quality of project documentation developed by beneficiaries. Errors in project documents identified during the implementation of investments, as well as negligence on the part of the Contracting Authority, are often used as a basis for claims by contractors. However, at the beginning of 2009 there were some indications that this tendency to increase the investment costs, which works to the detriment of beneficiaries, could be reversed, even if only partially. Faced with a significant economic slowdown and the resulting drop in prices of certain building materials, as well as the lower number of contracts, contractors must compete for these contracts to a greater extent than in the period of economic upturn. As a result, it is often the case that prices quoted by contractors in the course of public procurement procedures are more attractive.

Conclusions

When we attempt to evaluate the first five years of Poland's membership in the European Union in terms of its impact on the development of transport infrastructure, we must remember that the deficiencies in this area at the date of accession were so significant

that despite the considerable transfers of EU funds it was simply impossible to quickly and effectively bridge this gap. However, we must also point out that according to public opinion, Poland's accession to the EU had a positive impact on the condition of roads and infrastructure in Poland. In a study conducted by Public Opinion Research Centre (CBOS), over 50% of respondents agreed with this statement and only 9% thought otherwise¹⁸³.

The summary of Poland's membership in the EU can be therefore positive, given a number of benefits. First of all, changes in the demand for transport services resulted in the establishment of closer economic links between most regions of Poland and the EU. In addition, the mandatory application of EU funds in accordance with EU regulations was used as a basis for a relatively coherent vision of transport infrastructure development, with precisely defined priorities and the timeframe for their implementation.

Even more importantly, a number of large road investments (motorways and expressways) were completed; it was a good reaction for the evolving trends in demand. As a result, the accessibility of some cities and regions was improved. For instance, the length of Poland's motorway network increased from 405 km in 2003 to 765 km as at the end of 2008¹⁸⁴. In addition, major investments were implemented in the area



photograph by ANDRZEJ KISIEL, entitled 'You can see better from the top'
A photo sent as part of a photography competition „ZPORRe zmiany w regionach”
Redevelopment of a bridge in Żydów along with access to voivodeship road No 205,
zachodniopomorskie voivodeship

of railway and urban transport. As a result, the role of transport infrastructure as a barrier to Poland's development is now reduced.

In addition, it must be emphasised that the first five years of Poland's membership in the EU can be regarded as a process during which potential beneficiaries were prepared to the absorption of much higher Community funds for the development of transport infrastructure in the years to come.

¹⁸³ CBOS, *Bilans czterech lat integracji Polski z Unią Europejską*, BS/66/2008, April 2008.

¹⁸⁴ According to the Ministry of Infrastructure.

On the other hand, the major points of criticism include the obvious tendency to upgrade the existing transport routes rather than building new roads or railway lines, excessive fragmentation of funds injected to the Polish transport sector under IROP and INTERREG, or earmarking of excessively high funds for the purchase of rolling stock instead of implementing infrastructure investments¹⁸⁵.

Based on the analysis of programme documents for the period 2007–2013, we may conclude that these problems have been eliminated, at least partially.

¹⁸⁵ T. Komornicki, *Wpływ członkostwa Polski...*, *op.cit.*, p. 36.

Air Transport

The air transport market is one of the most important sectors in the world economy. In terms of traffic figures Europe is ranked second after North America¹⁸⁶, in terms of the number of airports, Europe is in first place. At the same time, air transport – closely related to the global business outlook and related to oil prices – is an industry that is especially sensitive to changes in the global macroeconomic situation, particularly in the context of the economic crisis. The air services market in the European Union (EU) has been liberalised. This means that the system of reciprocal international agreements between states, with a restricted network of connections and set prices, ceased operating, and the principle of free access to air routes began to apply. The *acquis communautaire* in the area of air transport covers aspects from, among other things, access to the internal market through passenger protection, environmental protection, protection of social rights of airline employees, to questions of safety and counter-terrorism measures.

“Who wants to go to Gdańsk? There isn't a lot there after you've seen the Shipyard Wall”¹⁸⁷, said Michael O'Leary, the Managing Director of Ryanair, Europe's largest low-cost carrier, in 2005. In the following years it became clear that – despite his opinion – there were large numbers of people willing to travel to Gdańsk and many other Central and Eastern European cities. According to figures from the European Organisation for the Safety of Air Navigation (*Eurocontrol*), in 2007 the number of flights in Europe surged to 10m., an increase of 5.5% in comparison with 2006. The largest increase in air traffic – reaching in some countries as much as 20% year on year – was noted in Central and Eastern Europe. *Eurocontrol* predicted that the greatest amount of traffic in 2008 is to be expected along the Adriatic coast, in the Baltic republics and in Poland. According

¹⁸⁶ J. Litwiński, *Linie lotnicze świata w 2007 r.* [Airlines of the world 2007], Research, Technical and Economic Information Centre, The Civil Aviation Office.

¹⁸⁷ K. Done, *Polish low-cost airline set to expand into UK and Irish markets*, “Financial Times”, 8 December 2005.

to forecasts, low-cost carriers¹⁸⁸ are for the first time expected to account for 20% of the total number of flights¹⁸⁹.

The changes which have taken place in the EU market following the liberalisation of air services created enormous expectations in Polish society regarding the price of air tickets after Poland's accession to the EU. The dynamic growth in traffic which occurred in Poland after accession created both a great deal of enthusiasm concerning the potential for development of the Polish market, as well as interest in participating in that market. According to the International Air Transport Association (IATA) in the course of four years, starting from 2005, Poland was to become the fastest growing air transport market in the world. IATA's calculations indicated that in 2005 Polish airports would handle around 11.5 mln passengers, that is about 25% more than in 2004. IATA estimated that in the years 2005–2009 passenger flights in Poland would grow at an average rate of 11.2% per annum. This would be the fastest predicted growth in the world among countries handling more than 2 mln passengers annually. According to these predictions from IATA, Poland would exceed the dynamic pace of development of the Chinese and Czech markets¹⁹⁰.

The liberalization of air services in the EU is one of the few examples of fully successful market opening. Poland, at the moment of joining the EU on 1 May 2004, was able to take advantage of 7-year experiences of a liberalised air services market¹⁹¹ and expect – similarly as in the countries of Western Europe – a beneficial impact thereof (increased competition in the market, the emergence of new carriers, decline in ticket prices, a wider range of air services, and so on).

Changes in the air services market associated with Poland's accession to the EU

The first, partial liberalising activities in Poland took place prior to accession to the EU and were associated with liberalisation of the bilateral agreements on the basis of which the market in Poland functioned, and also the entry of the first low-cost airlines

¹⁸⁸ On account of the fact that low-cost carriers (LCC) usually don't offer free, hot meals, access to an executive lounge, loyalty programmes and in-flight entertainment (these services are often called "frills"), they can also be called *no-frills carriers*.

¹⁸⁹ *Flights in Europe surge to all-time high in 2007 and forecast to grow steadily in 2008*, Press release – Eurocontrol, January 2008.

¹⁹⁰ *IATA Passenger Forecast 2005–2009*, IATA, October 2005.

¹⁹¹ The process of liberalisation of the aviation services market began in 1987. The introduction on 1 January 1993 of the third liberalising package ended the liberalisation process in this market, although in fact it only ended in 1997, when carriers received cabotage rights (that is, the right to operate within the domestic borders of another country) within the EU.

into the market. First came the liberalisation of the agreement with the UK, Germany and Scandinavian countries. Next, the agreements with Spain, Italy and France were liberalised. Thanks to the initial opening of the market, as early as in December 2003 the first and – interestingly – Polish low-cost airline offering international flights appeared. In December 2003 *AirPolonia* launched the first connection between Warsaw and the London airport Stansted (*AirPolonia* went bankrupt after a year in operation). The first foreign low-cost airline to appear in the Polish skies was the German company *Germanwings*, which in March 2004 started operating the first connection on the Warsaw-Cologne route¹⁹².

After 1 May 2004 the number of foreign carriers providing regular connections to and from Poland systematically increased, including further low-cost carriers. This trend continued during the first years following accession. In the period 2007–2008 a dozen or so foreign and a handful of Polish carriers operated in the Polish market (PLL LOT, *Centralwings*, *JetAir*, *Sky Express*) providing regular flights to and from Poland as well as within the country. In 2007 seven foreign carriers entered the Polish market, and in 2008 only three. In 2007 two carriers either withdrew or suspended services, while in 2008 eight did.

After accession the Polish air transport market developed dynamically. The number of low-cost carriers increased, foreign carriers recorded increased volume of haulage, and the range of offered services improved. LOT Polish Airlines (the national carrier) was confronted with increased competition in the air services market, while at the same time maintaining a strong position therein.

In 2004 almost 9 mln passengers were handled by Polish airports, in 2005 over 11.5 mln, and in 2006 over 15 mln. The number of passengers handled in 2005 in comparison to 2004 grew by 30.18%, and those served in 2006 in relation to 2005 rose by 33.57%¹⁹³. The number of passengers handled in 2007 amounted to 19.1 mln. This means that in 2007 more than 10 mln (117%) people were handled in comparison to less than 9 mln who travelled in 2004. This translates into an average annual growth of 29.5% (in the five years prior to accession the Polish, air transport market grew at an average annual rate of 7.5%). By comparison the global air transport market grew at that time at a rate of 6% per annum¹⁹⁴. In the first half of 2008 Polish airports handled over 9 mln passengers, which

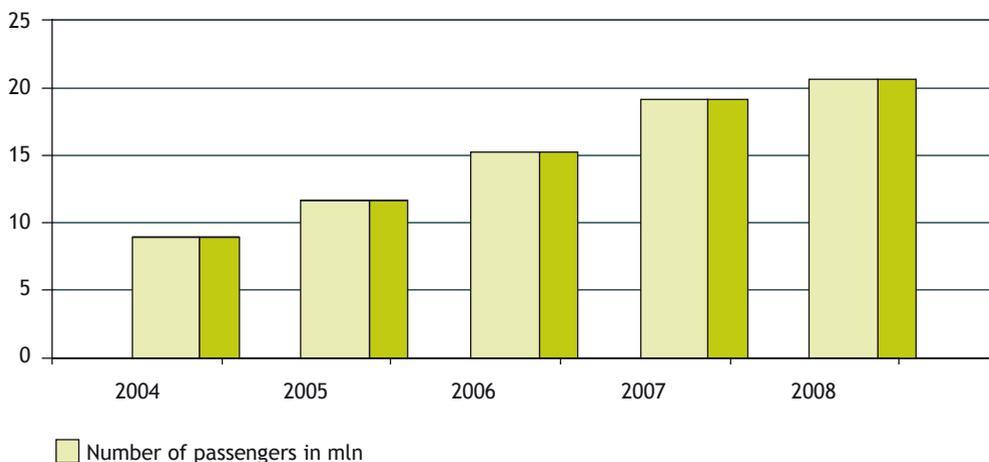
¹⁹² P. Zagrajek, *Korzyści i straty dla polskiego sektora transportu lotniczego wynikające z przystąpienia Polski do Unii Europejskiej* [Gains and losses for the Polish air transport sector resulting from Poland's accession to the EU], expert study commissioned by UKIE, p. 9.

¹⁹³ *Analiza rynku transportu lotniczego w Polsce w latach 2004–2006* [Analysis of the air transport market in Poland 2004–2006], The Civil Aviation Office, September 2008, p. 13.

¹⁹⁴ *Ibid.*, p. 26.

constitutes growth in relation to the same period of 2007 at a level of 14.43% (1.2 mln passengers). The growth in passenger traffic isn't as dynamic as in previous years¹⁹⁵. In 2008 Polish airports served over 20,650,000 people, or 1,541,000 more than in 2007. The lower figures for the entire sector were influenced by the last quarter of 2008, when all airports served 6.5% fewer passengers than in the same period of 2007. Overall, in relation to 2004 Polish airports recorded an increase in passenger numbers of 134%¹⁹⁶.

Chart 1. Number of passengers handled in Poland 2004–2008



Source: Author's own elaboration based on statistics from the Civil Aviation Office.

However, it is worth looking at the growth in air transport from the point of view of the so-called base effect. Poland is characterised by the poor mobility¹⁹⁷ of its citizens in making use of air services. Despite the fact that the mobility of Poles has increased since 2004, in comparison with the EU-15 and other countries that acceded to the EU in 2004 (e.g. Hungary, Czech Republic), it still is at a low level. The mobility indicator of Poles grew by 0.23 in 2004 to 0.3 in 2005 and 0.4 in 2006. Worse figures than Poland were recorded only by Romania and Slovakia. The Czech Republic, Hungary, Estonia and Latvia have mobility indicators twice as high, at a level from 0.8 to 1.0. In Germany and France this coefficient is at a level of 2.0, whereas in Sweden, Finland and Norway at

¹⁹⁵ *Statystyki ruchu lotniczego w I półroczu 2008 r.* [Air traffic statistics for the 1st half of 2008], Polish Air Navigation Services Agency, www.pata.pl.

¹⁹⁶ The Civil Aviation Office statistics, www.ulc.gov.pl.

¹⁹⁷ The proportion of passengers handled by airports in a given country against the population size.

a level from 3.5 to 7.0. The dynamic growth in the number of passengers (33.6%) achieved in Polish airports in 2006, higher than the EU average, was possible thanks to the low mobility indicator¹⁹⁸. According to predictions from the Civil Aviation Office concerning the numbers of passengers using air transport, Poland should achieve a mobility indicator of 2.13 by 2030¹⁹⁹.

In 2007, when 2.5 bn passengers were handled in the United Kingdom, and the mobility indicator of that country amounted to 3.95, in Poland that coefficient amounted to mere 0.5²⁰⁰. In 2004–2007, the market in the UK grew considerably more slowly than in Poland, at an average rate of 3.5%, that is 8 and a half times more slowly than in Poland. This translates, however, into a quantitative increase of 25 mln passengers, or 2 and a half times greater than in Poland. Achieving good results for the growth of passenger numbers in Poland was possible thanks to the low mobility indicator. The growth in passenger numbers of 3.8 mln translates into a rise of over 30%, but the same numbers in, for example, Spain would give that country a growth of only 2%²⁰¹.

In 2004–2006 foreign carriers were the driving force in the development of Polish air transport. They started the majority of the new connections, and in 2005–2006 carried the majority of the passengers travelling to and from Poland. In 2005 the share of foreign carriers in the number of passengers departing and arriving at Polish airports on scheduled flights amounted to 51.37%, and to 58.04% in 2006. The top ten, in terms of number of passengers carried on scheduled flights, included eight foreign carriers, of these five foreign low-cost carriers²⁰². Two things happened to Polish air transport: the dynamic development of low-cost carriers and an increase in the sector of networked haulage. In the years 2005–2007 the number of passengers served by traditional airlines in the Polish market grew by 21%, generated by an average annual increase in flights of 10%. LOT Polish Airlines, the Polish market leader²⁰³, increased its passenger numbers between 2005 and 2007 by 20%. In the same time, LOT's greatest competitor, the German Lufthansa, increased flights to and from Poland by 45%, however in terms of figures

¹⁹⁸ J. Litwiński, *Działalność polskich portów lotniczych w 2006 r.* [Activities of Polish Airports 2006], Research, Technical and Economic Information Centre, Office of Civil Aviation.

¹⁹⁹ Civil Aviation Office forecast concerning number of passengers using air transport as well as the volume of trade operations in Polish airports up to 2030, www.ulc.gov.pl.

²⁰⁰ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 26.

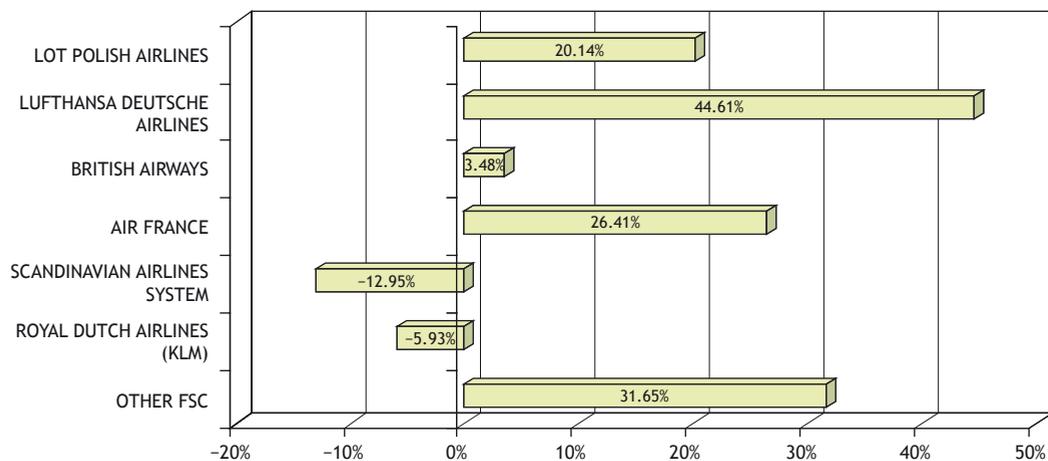
²⁰¹ J. Litwiński, *Działalność...*, *op.cit.*, p. 9.

²⁰² *Analiza...*, *op.cit.*, p. 40.

²⁰³ On account of competitive pressure, LOT decided to create a separate low-cost carrier. The task of the new company was partly to protect PLL LOT from the expansion of foreign low-cost carriers, as well as building a strong commercial enterprise combining the model of regular low-cost flights with charters, which were taken over in their entirety from LOT. The daughter company of PLL LOT, with the trade name Nowy Przewoźnik Sp. z o.o. *Centralwings*, was granted the licence at the end of 2004. It began operations at the beginning of 2005, firstly from charters, then at the beginning of February *Centralwings* began regular flights on the route Warsaw–London Gatwick.

this translated into 270,000 passengers, i.e. more than two thirds fewer than in the case of LOT²⁰⁴. LOT's network was significantly reduced. In September 2008 Nowy Przewoźnik Sp. z o.o. *Centralwings* withdrew from providing scheduled flights (restricting the flights on offer before the summer season). This decision was a reaction to the financial-economic crisis, which is affecting the air transport market and leading to fewer flights.

Chart 2. Growth in passenger numbers in the Polish market 2005–2007 for the six largest network carriers



Source: P. Zagrajek, *Korzyści i straty dla polskiego sektora transportu lotniczego wynikające z przystąpienia Polski do Unii Europejskiej, ekspertyza na zlecenie UKIE*, p. 13, based on the Civil Aviation Office data.

49 low-cost carriers from 22 countries operated on the European market in 2007 (with the following countries enjoying the largest share: the United Kingdom – 8 airlines, Germany – 6 and Sweden – 5). In comparison with the previous 21 years, there are further 25 carriers offering more than 50 flights daily²⁰⁵.

In 2005 over 3.2 mln passengers used services of low-cost carriers, and firms in this category took 31.5% of market share. In the following year this share amounted to 46%, which translates into 6.5 mln passengers. In 2007 over 8,600,000 passengers travelled to and from Poland using budget operators, which gave them over 50% of market share²⁰⁶.

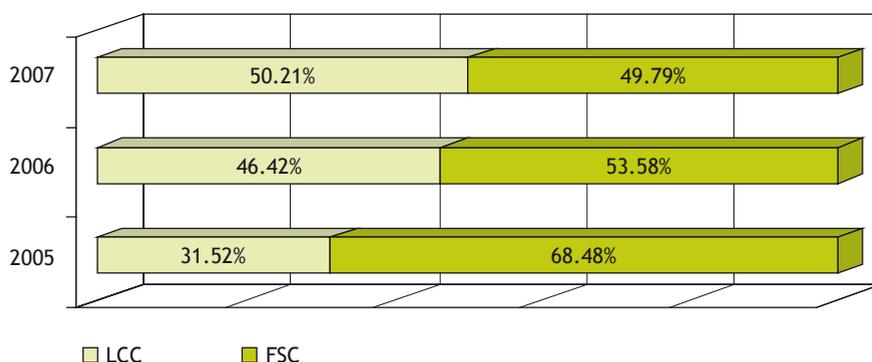
²⁰⁴ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 13.

²⁰⁵ *Low-Cost Carrier Market Update*, Eurocontrol, June 2007, p. 16.

²⁰⁶ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 10.

In 2007 Poland was one of seven European countries whose share of low-cost carriers was over 20% (Ireland, the United Kingdom, Slovakia, Spain, Germany and Belgium/Luxembourg). A majority of member states recorded an increase in budget flights, with 2 percentage points average growth (excluding through-flights). In 2007 Poland was in 13th place among European countries in terms of growth in low-cost carriers²⁰⁷. In 2008 five low-cost carriers were in the top ten in terms of numbers carried on scheduled flights. This group of five carriers took 48.82% of the market.

Chart 3. Budget carriers' market share against traditional operators 2005–2007



Source: P. Zagrajek, *Korzyści...*, *op.cit.*, p. 11, based on Civil Aviation Office data; (LCC: *Low Cost Carriers*, FSC: *Full Service Carriers*).

In the winter season 2003/2004 it was possible to fly from Polish airports via foreign carriers to 24 destinations abroad, whereas in the 2006/2007 season it was already possible to fly to 55 foreign destinations²⁰⁸. In a period of five years the offer of low-cost carriers in Poland has covered 27 countries and 103 foreign destinations. These have offered about 360 connections. In the 2008 summer season passengers travelling to and from Poland had 180 connections at their disposal²⁰⁹.

The socio-demographic profile of travellers using the low-cost airlines was mainly delineated by such variables as: income, education, age and profession. According to an analysis by the National Goods and Services Survey²¹⁰ in 2006, the percentage of

²⁰⁷ *Low-Cost...*, *op.cit.*, p. 8–10.

²⁰⁸ *Analiza...*, *op.cit.*, p. 42.

²⁰⁹ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 11.

²¹⁰ Sample: 45 400 people; travellers flying at least once a year – 7% (3 163 persons), Acxiom.

people using a low-cost airline at least once in the year was 7.4%. This constituted a group of active tourists travelling mainly on holiday in Europe, and a portion of them even travelled further. Income seems to be the most significant variable influencing travel on budget airlines – the higher it is the more frequently a person confirmed using them (in 2006 one in six of those travelling earned more than 4,000 PLN per month, and only 7.5% below 1,000 PLN per month). Education significantly influenced declarations of using budget airlines. As many as three quarters of those declaring making at least one flight using a budget airline in 2006 completed secondary or higher education (those with primary or vocational education made up 12%).

In terms of profession, the customers of budget airlines were dominated by specialists, private business people, managers and directors. They were also the residents of the largest cities. In 2006 people in the 25–29 age group (21% of travellers), as well as those in the 30–39 age group (also 21%) most frequently declared using low-cost carriers. In the 40–49 age group the usage was much lower (15%), similar to the 50–59 age group (16%), but in the oldest age group the percentage of those travelling by budget airline was much higher (19.7%). The percentage of these people in the test group was not much lower (index 117), which should be interpreted as meaning that in this age group this feature is significantly more frequent than in the tested population. Gender has little discernable effect on actual use of low-cost carriers. Men travelled slightly more frequently in 2006.

In terms of non-scheduled transport, mainly connected with holiday charter flights, there was a steady increase in licences granted to foreign carriers. This mostly concerned carriers from Turkey, Tunisia, Egypt and Israel. This is conditioned by growing demand from travel agents for this type of operation. In 2007 the Civil Aviation Office issued about 60 licences, while in 2008 there were about 70. One way of explaining this phenomenon is through tourist destinations. The most popular destination among Poles in the winter season was Egypt (32% according to sales in the winter offer 2008/2009)²¹¹.

Migration and the air transport passenger market in Poland

The migrations of Poles to the United Kingdom and Ireland undoubtedly exerted a large influence on the development of low-cost travel in Poland. Incoming traffic via low-cost operators increased considerably, especially with the opening of routes to Cen-

²¹¹ P. Otto, *Loty do Anglii zdrożeją o 30 proc.* [Flights to England to cost 30% more], "Gazeta Prawa", 29 September 2008.

tral and Eastern Europe, especially Poland. This coincided with the growth of Eastern and Central European citizens taking up employment in the United Kingdom after the EU expansion. "But we can't say that without the budget carriers there'd be no Polish plumbers," claimed Harry Bush, Director for Economic Regulation of the British *Civil Aviation Authority*, "These people would otherwise have travelled by bus"²¹².

The low-cost airlines operated routes to countries which were the main directions of the economic migration of Poles. Connections to the United Kingdom and Ireland formed almost 60% of Polish low-cost trips. The clear leader in flights in this direction was *Ryanair*, for whom flights to the United Kingdom and Ireland constituted, e.g. in December 2008, 85% of flights to and from the Polish market²¹³. In 2000 there were only five scheduled flights between the United Kingdom and Poland. Six years later, according to figures from the aviation regulator – *the Civil Aviation Authority*, 27 different connections between 12 Polish and British cities were identified²¹⁴. Almost 40% of all low-cost flights in the first six months of 2007 were concentrated on 10 connections to and from the United Kingdom, including one between Poland and the United Kingdom (in 16th place, a drop of one place in relation to 2005)²¹⁵.

In the years 2004–2006 the destinations most frequently chosen by travellers were: London – five carriers, Copenhagen, Paris, Milan – four carriers, Rome, Helsinki, Frankfurt – three carriers²¹⁶. Of course, the number of travellers between Poland and the United Kingdom grew most dynamically. In 2003 the airlines carried 512,000 people on these routes. In 2004 there were already almost a million. In 2005 the number of passengers was three and a half times greater. In 2006 *Centralwings* opened up a connection from Warsaw to Leeds, *Sky Europe* from Kraków to Birmingham, and *Ryanair* from Łódź to East Midlands²¹⁷. Hitherto no airline had offered flight between these cities and Poland, and they are only a few of the new connections that the low-cost airlines were interested in starting up in 2006. The traditional carriers showed little interest in opening up new connections in 2006. LOT considered launching flights to Birmingham and Edinburgh. These plans failed to materialize, however, and the connection to Edinburgh was opened by *Centralwings*²¹⁸. Five of the six routes which *Centralwings* decided to add to its summer flight schedule were

²¹² K. Done, *No-frills airlines had „little impact on growth”*, „Financial Times”, 16 November 2006.

²¹³ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 12.

²¹⁴ *Flying lessons*, „The Economist”, 19 July 2008.

²¹⁵ *Low-Cost Carrier Market Update*, Eurocontrol, June 2007, p. 13.

²¹⁶ *Analiza...*, *op.cit.*, p. 42.

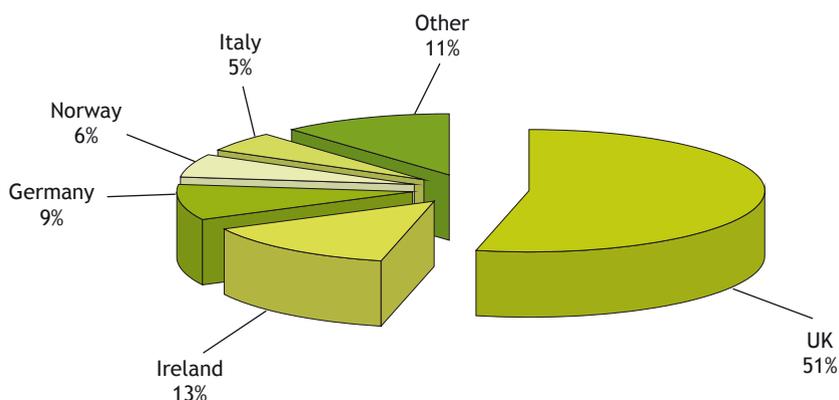
²¹⁷ Ryanair planned to reduce connections between Poland and the United Kingdom from March 2009 to 11. Ch. Starter-Smith, *Ryanair cuts 11 routes to Poland*, „Daily Telegraph”, February 2009.

²¹⁸ A. Burak, *LOT i British Airways tracą pasażerów* [LOT and British Airways lose passengers], „Rzeczpospolita”, 28 January 2006.

to connect Poland with the United Kingdom and Ireland. These routes were to take up 60% of *Centralwings* capacity and flight growth predicted for 2006²¹⁹.

Carriers reduced the number of connections to the United Kingdom when the numbers of Poles flying there decreased. The low-cost airlines announced only nine new connection start-ups from Poland in autumn 2008. In the same period of previous years they announced many more routes. Route closures to the United Kingdom resulted in the opening of other new connections. *WizzAir* closed 9 routes, mainly from the United Kingdom, but opened 17 new ones in Europe, including to Rome, Milan and Bologna²²⁰.

Chart 4. Estimated market share of low-cost carriers (LCC) of individual markets to and from Poland in December 2008



Source: P. Zagrajek, *Korzyści...*, *op.cit.*, p. 12.

Effects of development of the air transport market in Poland on ticket prices

The most anticipated change following accession was a drop in ticket prices. For example, the price of a ticket from Warsaw to Paris (to *Beauvais* airport) in March 2008, offered by *WizzAir*, amounted to 1 PLN (240 PLN after airport charges and taxes). This wasn't a representative price for the entire low-cost flight segment in Poland. The price for low-cost flights fluctuated from 1 PLN to figures significantly over 1,000 PLN in one direction.

²¹⁹ *Centralwings* new offer was commented on in the British press: "Centralwings, a low-cost carrier belonging to PLL LOT, plans a rapid expansion into the British and Irish markets, to meet the growing needs of Polish workers in both countries", K. Done, *Polish low-cost...*, *op.cit.*

²²⁰ P. Otto, *Loty do Anglii...*, *op.cit.*

Unfortunately, figures for the average price of flights in the Polish market are not available. Estimates and the actions of carriers in the form of aggressive price policies testify to their significant fall. It has been estimated, for example, that the entry into the Polish market of the low-cost carriers led to a drop in the cost of plane tickets of one third between 2004–2005. Research from other markets shows in general that liberalisation of the market has a considerable influence on the drop in prices. Two years after the liberalisation of the market, between Dublin and London, where three airlines were competing, *British Midland*, *Ryanair* and *Capital*, prices fell by almost a half in comparison with connections between Dublin and other European capitals (with the exception of Madrid) where there were two dominant carriers (a duopoly). A further example is the route between Cologne and Hamburg. When in January 2003 the connection began to be operated by *Hapag-Lloyd Express*, Lufthansa reduced the return fare restriction from 143 EUR to 92 EUR without restrictions (36%)²²¹.

In October 2004, i.e. less than a year after accession, market research was conducted to detect the perceived benefits and drawbacks resulting from accession. One of the issues concerned the effects of membership on the price of plane tickets. The largest group of people (69%) were still unable to estimate its influence, 17.8% assessed that accession had led to a fall in ticket prices, 7.6% thought they had gone up, and 5.5%, that they had remained unchanged. Price falls were mentioned mostly by the young (18–24 years) men, pupils and students and those with higher education. Two years after this research (2006) a group of Poles selected at random were asked once again to assess the influence of membership on the price of plane tickets. This time the positive influence of membership was perceived by 38% of those asked, while a negative influence was stressed by 6%, 22% of those tested felt that membership had had no effect on ticket prices. Once again, men mentioned the positive benefits, most often aged 25–29, with a higher education (58% of people with a higher education stated that the influence of the EU had been positive), occupying directorial positions or working in liberal professions (68.5%). They simultaneously possessed the highest incomes and lived in the largest cities. They mostly lived in the south of the country (Małopolskie, Podkarpackie), and also in Zachodniopomorskie. As they declared, they spoke at least one western language fluently²²².

Intensive promotional activities focussed on the customer from the very beginning of the emergence of low cost carriers on the Polish market. Following the expe-

²²¹ P. Zagrajek, *Korzyści...*, *op.cit.*, s. 8.

²²² Monitoring by the Department of Analysis and Strategies of UKIE based on SMG/KRC, October 2004, SMG/KRC, September 2006.

periences from the EU market, the practice of quoting the net price, in other words the price without airport handling fees and various taxes and duties was adopted in Poland. In effect the final price paid by a passenger was often many times greater than that mentioned in the adverts. A passenger was not only unable to be fully aware of the actual cost of the flight, but might also not be able to properly compare the offers of different carriers. Standard practice here was, apart from collecting an airport handling fee, manipulating the insurance costs, suggesting they formed an integral part of the flight, adopting exchange rates that were unfavourable for the passenger or applying a fee for credit card transactions. In many cases additional fees were collected which didn't reflect the real costs incurred by the airline. In the Polish market, this type of price advertising was initially prohibited by regulations regarding dishonest practices. Ultimately, though, the relevant EU regulations were passed regulating the issue of establishing the price of air fares²²³. Carriers, in order to appear to be lowering prices, decided to exclude part of the services from normal flight offer, and at the same time from the price initially quoted. This concerned such services as registered baggage, or airport handling fees²²⁴.

It is hardly surprising, then, that in 2006, 57% of Poles had a negative opinion of flight offers for a few PLN and thought that the airlines were not operating honestly, quoting ticket prices at such a level in adverts. A portion of them (33%) was of the opinion that often the total costs were higher, and 24% were convinced that this was the rule. From the research carried out by Pracownia Badań Społecznych (PBS DGA) it emerged that mere 6% Poles declared that offers of tickets for a few PLN are completely honest. The remaining 12% considered that they were honest but admitted that their availability was restricted²²⁵. However, for the majority of budget airline customers the most important criterion in choosing a particular offer was the price²²⁶.

Development of regional airports after accession to the EU

In Poland 12 commercial airports are in operation (a commercial airport is an airport which operates business flights, that is flights associated with passengers, cargo

²²³ Regulation of the European Parliament and of the Council no 1008/2008 of 24 September 2008 on common rules for the operation of air services in the Community, OJ EU 2008 L 293/3.

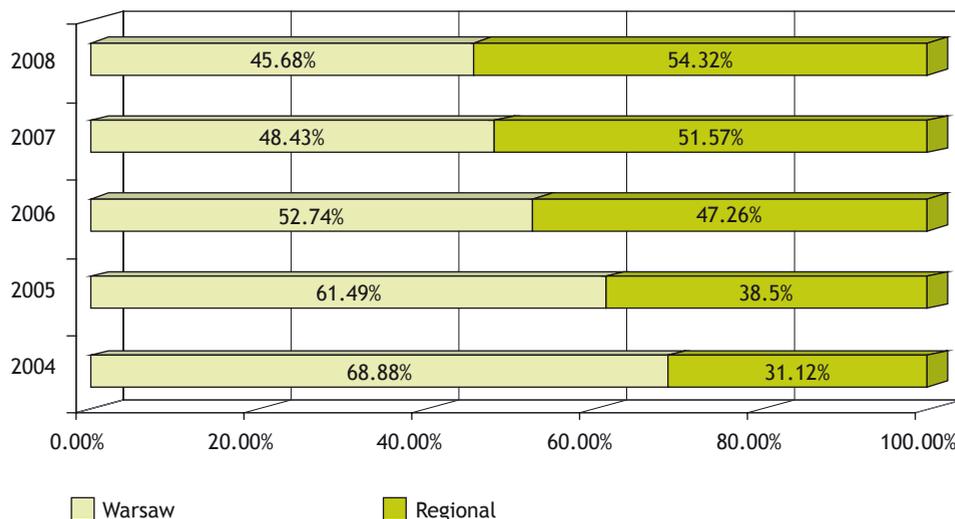
²²⁴ P. Zagrajek, *Korzyści...*, *op.cit.*, s. 7.

²²⁵ *Wojna cenowa przewoźników. Co na to klient?* [Carrier price war. What does the customer think?], Report prepared by On Board PR-ECCO Network based on public opinion poll carried out by PBS DGA in July 2006 on a nationally representative random sample of Polish residents aged 15 and over, Warsaw, August 2006, p. 3.

²²⁶ *Ibid*, p. 4.

and/or mail). Development of regional airports began after accession to the EU. In 2004 these airports served 31.1% passengers. Their share in the number of passengers gradually increased year on year and in 2008 it amounted to 54.32%²²⁷.

Chart 5. Share of regional airports in the Polish market compared to Warsaw airport



Source: P. Zagrajek, *Korzyści...*, op.cit., p. 27 and *Liczba obsługiwanych pasażerów oraz wykonanych operacji pasażerskich w polskich portach lotniczych w latach 2007–2008*, Civil Aviation Office, February 2009.

The dominant role in the Polish market was played by Warsaw airport. The growth in share of the regional airports did not take place at the cost of a reduction in the number of passengers handled by the central airport. It was more a result of the higher development dynamic of the regional airports compared to Warsaw airport and the difference in the levels of development prior to EU accession. At the moment of accession, the regional ports mostly handled internal flights operated mainly by the national carrier.

A characteristic feature in the development of the regional airports was the number of passengers of low-cost carriers served by them. In 2005 budget airline passengers constituted 21.31% of all passengers handled by Warsaw airport, and in 2006, 28.64%. In the regional airports their share in 2005 and 2006 amounted respectively to 49.42% and 66.44%. The leading regional airport is Kraków. In the period 2004–2006 it handled the greatest number

²²⁷ *Liczba obsługiwanych pasażerów oraz wykonanych operacji pasażerskich w polskich portach lotniczych w latach 2007–2008* [Number of passengers handled and passenger operations in Polish airports 2007–2008], Civil Aviation Office, February 2009.

of passengers among all the regional airports²²⁸. The greatest growth in the number of passengers in the years 2004–2007 was recorded by the airports in Łódź, Bydgoszcz and Rzeszów.

In quantitative terms, these airports have the lowest numbers of new passengers. In quantitative terms the greatest growth has been achieved in Warsaw, where in the years 2004–2007 passenger growth was maintained at a level of over 3 mln passengers. The second-placed airport was Kraków.

Table 1. Comparison of regional airports on the example of Łódź and Kraków

Kraków Airport	Łódź Airport
The airport had the most diverse network of connections. In 2006, 21 airlines operated flights there, including 13 traditional carriers. Passenger structure looked as follows: low-cost airlines – 62%, traditional carriers – 33% and others – 5%.	The airport handled relatively the largest percentage of low-cost passengers. In 2005 and in 2006 the share of low-cost carriers was over 97%.
In 2004–2007 passengers volume grew by 278.8%. In 2008 relative to 2007 the number of served passengers fell (–4.8%).	In 2004–2007 passenger numbers grew by 4,917.11%. In 2008 relative to 2007 passenger numbers grew by 9.46%.
The airport had the best passenger handling results, taking 15.3% of the market in 2006. In 2008 its share was 14%.	Łódź's market share in the total number of passengers handled by Polish airports grew from 0.07% in 2004 to 1.33% in 2006. In 2008 this share was 1.65%.
In terms of the financial prospects for the years 2007–2013 the passenger terminal is to be expanded. The plan guarantees better service and increases the airport's capacity.	In 1998 the airport reopened after over a dozen years of closure, but the amount of flights was restricted. The airport has been modernised and expanded.

Source: Own work based on CAO data, *Działalność polskich portów lotniczych w 2006 r.*; P. Zagrajek, *Korzyści...*, *op.cit.* and CAO statistics (www.ulc.gov.pl).

Structural funds and aviation in Poland

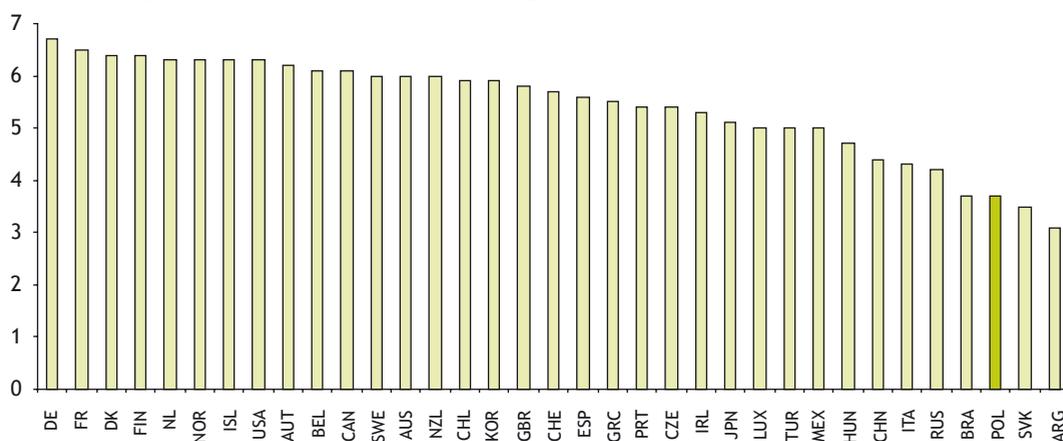
In the initial period of EU membership, Polish air transport practically received no significant aid from EU funds. The only large project directly associated with aviation was the modernisation of the Szczecin–Goleniów passenger terminal, supported by the INTERREG Polska–Mecklenburg programme to the tune of 4.3 mln PLN. Indirectly associated with air transport was the modernisation of the section of railway line No. 8 (Warszawa Zachodnia–Warszawa Okęcie), using 55 mln PLN of support from the SPOT fund. This line ensures efficient connection of public transport with the airport Warszawa–Okęcie. A similar function will also be fulfilled by the road connecting the Rzeszów–

²²⁸ *Analiza...*, *op.cit.*, p. 14–15.

Jasionka airport with national roads Nos 9 and 19 (supported by IROP)²²⁹. The quality of aviation infrastructure in Poland is considered poor. The effects of using structural funds in terms of air transport will only be visible in several years, after 2013.

The “Polish Airports” State Enterprise (PPL), who owns the Warszawa-Okęcie airport, two regional airports, and owns shares of from 8.06% to 76.19% in other regional airports, has, according to experts, a strong market position; it restricts competition between regional airports and imposes high prices for services²³⁰.

Chart 4. Comparison of aviation infrastructure quality



Source: Schwab, M.E. Porter, *The Global Competitiveness Report 2008–2009*, World Economic Forum, Geneva, Switzerland 2008 (7 stands for good quality, 1 for poor quality).

The design capacity of Terminal 1 at Warsaw airport, set at 3.5 mln passengers annually was exceeded in 1998, when over 3.8 mln passengers were handled. The limit of operational efficiency, set at 6.5 mln passengers annually, was exceeded in 2005, when over 7 mln passengers handled were recorded. This required new investment to be undertaken. By opening a new terminal in December 2006 and then Terminal 2 in March 2008, Warsaw airport raised passenger service standards.

Thus far in Poland no new commercial airports have been opened. Among the existing airports, only Warsaw, Gdańsk, Poznań, Wrocław, Katowice and Kraków are

²²⁹ T. Komornicki, *Wpływ członkostwa w Unii Europejskiej na rozwój infrastruktury transportowej w Polsce*, grudzień 2008 r. [The influence of EU membership on the development of transport infrastructure in Poland, December 2008], expert study commissioned by UKiE, p. 26.

²³⁰ R. Kierzeńkowski, *The challenge of rapidly improving transport infrastructure in Poland*, OECD Economics Department Working Papers No. 640, 29 September 2008, p. 16.

above the viability level estimated at 350,000 passengers per annum. This means that so far only five Polish regions have a fully viable air transport system. The remaining airports in Szczecin, Bydgoszcz, Łódź, Rzeszów and Zielona Góra have not managed to develop their flights sufficiently to reach the viability level. The additional fact that traffic in these airports is generated mainly by a single airline deepens the sensitivity of these airports to the shaky business outlook in the air transport market²³¹.

On account of the location of commercial airports operating in Poland, some regions of the country, especially those in the east and a part of the Zachodniopomorskie Region, lie outside the areas they cater for. Plans for the development of the aviation infrastructure envisage that, at least in some of these areas, airports will be built in the future. Bearing in mind the relatively early stages of the work on these projects, it is hard to predict the timescale for their delivery²³². In the years 2007–2013 the financing of aviation infrastructure as well as navigational infrastructure will be supported from EU funds.

First, as a part of the Operational Programme “Infrastructure and Environment” the development of the aviation network in Poland as a part of the trans-European transport network (TEN-T) is envisaged. Funds will be allocated for investments such as: expansion and modernisation of passenger terminals, construction of new terminals, increasing capacity of regional airports and modernising aviation infrastructure. Secondly, the development of regional airports is expected, as a part of the Regional Operation Programmes with funds from the European Regional Development Fund. The total allocation from the Cohesion Fund designated for the TEN-T road and air transport network in the years 2007–2013 amounts to 8,802.400 mln EUR. The total value of projects carried out in the region of air transport should reach 4,442.490 mln PLN (this envisages an estimated EU support level of 1,306.270 mln PLN)²³³. Support will be used in such projects as: developing runways and airport access roads and the construction and expansion of passenger terminals.

Conclusions

This chapter has attempted to analyse certain aspects of the changes that have taken place in the Polish air passenger transport market as a result of accession to the EU.

²³¹ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 29.

²³² *Ibid.*

²³³ Updated list of individual projects for the Operational Programme Infrastructure and Environment, February 2009.

Thanks to Poland's accession to the EU, improvements have been made in the accessibility of airline services in Poland. This was, above all, associated with the full liberalisation of flights – opening the market and providing access for EU carriers to the Polish market, and vice versa. These positive changes in the market would not have been possible if Poland had not withdrawn from its original intention of shielding these areas with a transitional period. The idea behind the transitional period was to protect the national carrier from competition from foreign carriers. In the course of the five years since Poland joined the EU, the carrier has maintained a strong market position and held first place in terms of passengers handled in Polish airports in the years 2005–2007.

In the period under discussion, of particular importance for the development of the Polish air transport market was the arrival of the low-cost carriers. In the course of five years a total of 22 low-cost carriers operated in the Polish market, of which half withdrew either as a result of commercial decisions or through going out of business. This was caused by the constant appearance of new competitors (the entry of new low-cost carriers into the market) and the battle for customers through price cutting. Only five of the eleven operating carriers offered more than two connections. Two of the three clear leaders in the European market operated in Poland: *Ryanair* and *EasyJet*. *Air Berlin* – the third largest low-cost carrier in Europe – along with *FlyNiki* withdrew after a few months of operating in Poland. *Ryanair* operated from the largest number of airports in Poland, that is from Łódź, Gdańsk, Szczecin, Bydgoszcz, Poznań, Wrocław, Katowice, Kraków and Rzeszów. This carrier operated from 31 bases in Europe, of which 19 were opened in the period in which it began offering flights to and from Poland²³⁴.

Liberalisation also had an effect on the situation of regional airports and the growth in passenger numbers handled by them. Regional airports increased their network of international connections as well as their importance in the Polish air transport market. Their development didn't take place at the cost of the amount of movement handled by Warsaw airport.

The events which took place in the Polish air transport didn't differ from the events taking place in the liberalised EU market. There was a significant increase in the range of flights on offer, new carriers arriving in the market, including low-cost carriers which generated increased numbers of flights as well as new, more attractive prices.

²³⁴ P. Zagrajek, *Korzyści...*, *op.cit.*, p. 11–12.

Energy

Energy in the European Union (EU), as in all industrialised countries, plays a vital role in the economy. The significance of energy for Europe's economic growth and competitiveness is systematically increasing. The establishment of a smoothly operating energy market is a prerequisite for dealing with all three challenges the European markets are facing: competitiveness, stability and security of supplies.

For many years the European Communities have not paid much attention to the issue of energy. The Treaty establishing the European Community did not provide for the creation of a common energy policy (similar to, say, the common agricultural policy). In this area, the principle of subsidiarity was mostly applied and community actions were focused only on selected aspects of energy. The major breakthrough occurred at the end of the 1980s. It was then that discussions on the energy sector started in the European forum. In 1988, a working document on the internal energy market²³⁵ was published which, for the first time, expressed an opinion on the establishment of a single energy market. The document postulated the integration of the internal energy market and defined those areas which should be the subject of arrangements under the integration. The issue of integration of markets was developed in the Green and White Papers published in 1995, referred to as the "Energy policy of the European Union". Proposals to integrate the energy market were included in the two primary energy directives: the electricity directive in 1996²³⁶ and the gas directive in 1998²³⁷. Both directives were to mark the beginning of a single, liberal and competitive energy market²³⁸.

²³⁵ Internal Energy Market 1988, COM (88) 238.

²³⁶ Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity.

²³⁷ Directive 98/30/EC of the European Parliament and of the Council of 22 June 1998 concerning common rules for the internal market in natural gas.

²³⁸ The EU energy policy was then politically strengthened during the summit in Lisbon in March 2000, at which the economic and social reforms programme was adopted, i.e. the Lisbon Strategy. During the session in Lisbon, the European Council called for a quick completion of work on the internal market and requested the European Commission, the Council of the EU and member states to speed up the liberalisation of energy markets.

Renewable energy sources and biofuels

The European Union promotes renewable energy sources (RES)²³⁹. In the EU, renewable energy sources include wind energy, solar energy, geothermal energy, wave energy, tidal energy, small scale hydro power plants with a capacity of up to 10 MW and biomass power plants. The purpose of increasing the share of renewable energy in the energy balance of individual member states by 2020 constitutes an integral part of the Climate and Energy Package adopted in December 2008. For the entire EU it is at 20%, and Poland committed to reach a 15% share.

In Poland, the renewable energy sources market dates back to the 1990s. This was related to the emergence of wind, solar, geothermal and biomass based plants. This market, though it developed dynamically, was relatively small before accession to the EU. This situation changed considerably in the face of the need to meet international obligations and EU requirements. For example, the Energy Law of 1997 introduced far-reaching changes in order to align Polish legislation with the requirements of the 2001 directive on electricity generated from renewable energy sources. These modifications concerned e.g. environmental protection law, financial support of investments, spatial and land use planning, construction law, public procurement law, and so on. New solutions providing a basis for the intensive development of the renewable energy sources market based on generation and distribution of electricity were put into practice as late as in October 2005.

Wind energy is the most dynamically developing renewable energy source. In Poland, the increase in power from wind energy from 2006 until the end of 2007 was 100% (installed power increased from 152MW to almost 300MW)²⁴⁰. For the renewable energy sector the beginning of 2008 was very promising, as a draft directive was adopted and promotion of renewable energy sources started under the EU climate package. The year ended with adoption of the climate package on 17 December 2008 and decisions concerning renewable energy.

The European Union also supports the use of biofuel and fuel enriched with bio-components in order to reduce the emission of greenhouse gases, decarbonisation of fuel

²³⁹ In December 1997, the "Energy for the future: renewable sources of energy – White Paper for a Community strategy and action plan" prepared by the European Commission was adopted. The document assumed that consumption of renewable energy will increase to 12% by 2010. In 2001, the European Parliament adopted a directive on promotion of electricity generated from renewable energy sources in the internal market.

²⁴⁰ Source: EWEA, www.ewea.org.

used for transport, reduction of EU dependence on the import of crude oil and liquid fuel, creation of new sources of income in rural areas and development of permanent substitutes for fossil fuels²⁴¹. Under Polish law²⁴², businesses operating in the sector of production, import or intra-Community acquisition of liquid fuels or biofuels, and selling them or disposing of them in another form in the Republic of Poland or using them for their own purposes, as of 1 January 2008 are obliged to assure at least minimal share of biocomponents and other renewable fuels sold or used for their own purposes annually²⁴³.

Changes in the natural gas and electricity markets – liberalisation

Legislation concerning the single energy market resulted from the adoption of two energy directives. The first one, adopted in 1996 and called “the electricity directive”, pertained to the common principles of the internal market in electricity. The second one, adopted in 1998 and called “the gas directive” pertained to the rules of the natural gas market. The electricity directive set out common principles governing the generation, transmission and distribution of electricity as well as rules for the organisation and operation of the electric energy sector and access to the market. It required that the owners and operators of the electric power network allow free access to the network to other entities. On the other hand, the gas directive determined the basic and common principles concerning the transport, distribution, supply and storage of natural gas. After both directives were put into life, the process of liberalisation of the electricity and natural gas markets began. In that period, considerable differences between member states had already been observed as to the liberalisation of the natural gas and electric energy markets. Some member states opened their energy markets much wider than was set out by the applicable law.

The experience gained during the implementation of the provisions of the electricity and gas directives encouraged member states to consider the speeding up and deepening of the liberalisation processes in the electricity and natural gas sectors in the EU. The results of discussions at EU levels included the second energy package, which

²⁴¹ The major legal acts regulating the transport biofuel market in the EU include directive 2003/30/EC of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport and directive 2003/96/EC of the Council of the EU of 27 October 2003 on restructuring the Community framework for the taxation of energy products and electricity.

²⁴² Law of 25 August 2006 on biocomponents and liquid fuels (Journal of Laws no. 169, item 1199).

²⁴³ Article 2 Section 1 item 25 and article 23 Section 1 of the said Law.

consisted of, among other things, a new EU directive concerning common rules for the internal market in electricity and a new directive concerning common rules for the internal market in natural gas. Poland supported the actions taken by the Commission right from the start of the legislation process aimed at market liberalisation started by the Commission.

Both new directives outlined extended consumer protection and the public obligations of undertakings²⁴⁴. It also introduced a duty for member states to make sure that power companies include in bills or promotional materials information concerning the share of individual energy sources in the total fuel of the supplier over the previous year and to indicate sources of information on environmental impact. The provisions concerning the independence of the designated operator of the transmission system were extended. The minimum to be introduced by member states was determined in order to assure the independence to the operators of the natural gas and electric energy transmission system. A duty was introduced to designate operators of transmission systems if the system was a part of a vertically integrated undertaking. To assure the independence of these operators, provisions were introduced to guarantee independent decisions, as in the case of a transmission system operator. Also the deadlines for acquiring the right to choose electric energy and gas supplier by individual user groups were changed in order to speed up the introduction of competition in the electric energy and natural gas markets. In particular, the deadlines for acquiring the right to choose an electricity or gas supplier by individual user groups were changed. For individual users the right was to be available as of 1 July 2007.

Moreover, the gas directive obliged the member states to undertake necessary measures to assure “equal and open” access to the gas mains. In line with the directive, gas undertakings could deny access to the transmission system only as a result of its limited capacity or if it obstructed the implementation of previous contractual obligations. The directives clearly required the member states to designate one or more regulatory authorities whose area of competence was specified in detail²⁴⁵. In Poland, pursuant to the Energy Law of 1997, the Energy Regulatory Office is the regulatory authority.

²⁴⁴ The electricity directive provided special protection for households and small businesses. It is obligatory to require the electricity companies to connect users to the network in line with conditions and tariffs based on the calculation methods or conditions set out or approved by regulatory authorities of a member state.

²⁴⁵ In line with the directives, the regulatory authority should have supervisory competence over: the principles of management and assignment of connection capacity, together with the regulatory authority or authorities of interconnected member states; mechanisms for regulation of overloading the national grid; time period in which connection to the network and repairs are performed, the issuing by operators of information concerning the allocation of interconnection, connections and operation of the network, accountancy unbundling, adherence to conditions and tariffs related to the connection of new electric energy producers, level of transparency and competition. Moreover, a duty was introduced to equip the regulatory authorities with competences to determine or at least approve calculations before they are introduced or to determine the requirements for the connection and provision of transmission and balancing services. The regulatory authorities should also have the right to change the requirements, tariffs, principles, mechanisms and methods specified above in order to assure equal treatment of operators.

Before accession to the EU, the Polish natural gas sector was dominated by Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), which held a monopoly. This company dealt mainly with natural gas extraction and import to Poland, as well as its transmission and sale (distribution) to users. PGNiG was a perfect example of a natural monopoly²⁴⁶. As a consequence, it was difficult to speak about the natural gas market, for on the one hand there was only one seller in Poland, and on the other, prices were determined in an administrative manner by approval of gas tariffs by the Energy Regulatory Office.

In order to fulfil pre-accession obligations concerning the alignment of Polish legislation, the government undertook actions to introduce proper market mechanisms, while maintaining the reliability and developing the natural gas transmission systems²⁴⁷. The European Commission paid special attention to the problem of eliminating cross subsidisation between user groups²⁴⁸. Also a plan to change the legal and ownership structure of the natural gas market was devised. It was aimed at introducing a structure allowing competition in the market. Unbundling²⁴⁹ became necessary, which means that from a vertically integrated business²⁵⁰ the operations involving transmission, storage and distribution²⁵¹ need to be separated.

The transformation process that was started fundamentally changed the natural gas market in Poland. First of all, far-reaching ownership changes were observed. The Operator Gazociągów Przesyłowych – Gaz-system SA company was established (hereafter referred to as: Gaz-System), which in 2006 was designated by the President of the Energy Regulatory Office to perform the role of gas transmission system operator in Poland. Hence a State Treasury company, independent of PGNiG both in legal and ownership terms²⁵², was created. Such a solution became a guarantee for fair and transparent requirements for natural gas transmission in Poland.

²⁴⁶ Undertaking producing energy and the owner of the transmission infrastructure has no interest in sharing it with competitive entities. So it was necessary to unbundle the undertaking and separate the operations involving transmission, distribution and storage.

²⁴⁷ See: Programme for introduction of a competitive market in natural gas and implementation schedule.

²⁴⁸ Cross subsidisation means covering the costs concerning one type of business operation handled by an undertaking or one of the tariff groups of service recipients out of the revenues from another type of business or a different tariff group.

²⁴⁹ Unbundling can take on the following forms: accounting, organisational (separation of managing authorities), legal (separation of an independent company), ownership (the operation is handled by a different entity, not related in terms of ownership).

²⁵⁰ A vertically integrated business is a business performing two or more of the following: production, transmission and distribution of natural gas (business operation).

²⁵¹ "The vertically integrated network operators have no incentive to develop the network in the overall interest of the market with the consequence of facilitating new entry at generation or supply levels. There is considerable evidence that investment decisions of vertically integrated companies are biased to the needs of supply affiliates. Such companies seem particularly disinclined to increase, for example, gas import capacity in an open process which has, in some cases, led to security of supply problems. (...) The Commission has examined the unbundling issue closely and concluded that only strong unbundling provisions would be able to provide the right incentives for system operators to operate and develop the network in the interest of all users." Communication from the Commission to the Council and the European Parliament. Prospects for the internal gas and electricity market [SEK (2006) 1709] [SEK(2007) 12].

²⁵² It is worth stressing that the directive required legal separation of transmission as a minimum. As for unbundling, Poland has a considerable track record, especially when compared to many EU-15 states (e.g. France or Germany). In a sense, Poland has become the leader in unbundling. Gas-System is independent of PGNiG and it took over PGNiG's transmission infrastructure. When performing ownership unbundling, Poland went even further than was required and in that area it, in a sense, became a leader in the introduction of a competitive market. States such as Germany or France still oppose ownership unbundling.

In the case of Gaz-System, the unbundling was not only legal (establishment of separate companies), but also ownership-related. The next step was to separate distribution companies from PGNiG that would sell gas directly to consumers. Distribution companies within the PGNiG capital group took over the distribution. Also in this case Poland decided to employ a more market-oriented solution. The binding directives, including the so-called 2nd liberalisation package only required the accounting unbundling of natural gas transmission, whereas the unbundling as effected by PGNiG was of legal nature, i.e. it consisted of the establishment of separate capital companies belonging to the PGNiG capital group.

On 1 July 2007, in line with the 2nd liberalisation package, all gas consumers, both industrial and individual recipients became eligible to apply the TPA²⁵³ principle. In line with this principle, each recipient may use the current transmission and distribution network and make a free decision on choosing an energy seller. Hence, on the one hand the entity offering the transmission service cannot obstruct the consumer in making a free choice of energy supplier, and on the other hand the transmission network operator must provide transmission services to all entities based on principles of equality and transparency, that is, it requires the infrastructure holder to make it available to any contract²⁵⁴. Moreover, the ability to choose an energy seller by each recipient should be free of charge and uncomplicated. In 2008 not all customers had the actual ability to change natural gas supplier, however the eligibility to apply the TPA principle by all entities is yet another step towards breaking the monopolist structure of the natural gas market.

Although in 2008 the dominant position in the natural gas sector, in particular in the area of distribution, was held by PGNiG capital group, there were also a dozen or so other gas sellers. Their operations consisted basically in the resale of natural gas purchased from PGNiG to end users using their own local distribution networks. These entities were local monopolies in their networks and combined the distribution and selling operations. Another step aimed at introduction of the TPA principle was marked by appearance of distribution companies other than PGNiG group members in the market. Their market share is still low, but in the future it may increase, resulting in establishment of several large distribution companies²⁵⁵.

²⁵³ Third Party Access.

²⁵⁴ Energy under any trade contract will be supplied to the location specified in the contract if the technical and economic requirements are met.

²⁵⁵ "Between 2005 and mid-2007, the number of independent suppliers in the electricity market increased in 40% of the Member States where data was available. In gas, the number increased only in a quarter of the Member States. However, in France, Italy, Poland and the Netherlands, the increase was 50% or more [10 to 15 suppliers in France; 0 to 75 in Poland; 8 to 20 in the Netherlands; 123 to 182 (2006) in Italy]. In 7 out of 21 Member States, no independent supplier is active in the national gas market. In electricity this is reported only for Cyprus, but relevant data for electricity is not available for 15 Member States. Retail markets are not yet well developed, mainly because of limited access to gas supplies for new entrants. Even in the most developed market – the UK – competitive forces are dominated by gas producers." Communication from the Commission to the Council and the European Parliament. Prospects for the internal gas and electricity market, *op.cit.*

At the end of 2008 another legislative problem regarding the liberalisation directive was removed, namely the lack of free access of entities selling natural gas to storage facilities. The need for free access to gas storage facilities, in particular underground gas storage facilities, results not only from the need to use storage areas when supplying gas to users but also from the legal obligation to maintain stocks of natural gas. PGNiG was designated as the operator of the storage system in the gas sector, which means that it must share available storage area in a transparent way and in line with market principles²⁵⁶. Sharing storage facilities by PGNiG with other entities was the next step towards further development of competition. In consequence, the Polish gas market was opened to new entrants which previously could not enter the Polish market as they did not have proper storage areas at their disposal.

The natural gas price has not been liberalised and is still determined based on the tariff approved by the Energy Regulatory Office for individual users. The uneven distribution of regulations in the energy market led to favouring some undertakings at the expense of others. This resulted in major disturbances in the operation of the market mechanisms introduced. In such conditions it is difficult to speak of free competition, though on the other hand individual users are less vulnerable to considerable price increases. It should be remembered that the situation of the sector in the years 2004–2008 was a consequence of the condition of the Polish natural gas market which resulted from insufficient development of infrastructure.

Poland has fully implemented the hitherto regulations concerning gas market liberalisation, in legislative terms. In particular, proper legal and ownership transformation was made, thereby allowing the establishment of a truly competitive natural gas market. However, the rate of liberalisation itself will largely depend on four main factors: extension of the transmission system in directions allowing to increase its flow capacity, extension of storage capacity of the underground natural gas storage facilities, implementation of natural gas supply diversification projects and, further on, supplementation of the Polish gas system by additional connections (interconnectors) with transmission systems of neighbouring states.

Poland faces the task of providing the conditions and a stimulus to develop gas infrastructure (gas storage facilities, interconnectors, more modern and extended transmission network etc.) which will help create a truly competitive market forming a part

²⁵⁶ As for gas storage, 100% of capacity of underground gas storage is held by PGNiG SA. In 2007 the company made available 50 M m³ to OGP Gaz-System SA, as this undertaking was the transmission system operator. The remaining capacity was used only by PGNiG.

of the single EU energy market. It should be stressed that without proper infrastructure allowing actual diversification of sources and directions of natural gas supplies, real liberalisation is not possible²⁵⁷. Of particular importance is the employment EU instruments, e.g. cohesion policy, which has funds earmarked for energy infrastructure under the Operational Programme Infrastructure and Environment or for the development of the Trans-European Network – Energy (TEN-E) which may be financed out of a separate EU budget line.

As in the case of natural gas, Poland declared the adoption of *acquis* related to the electric energy sector. Similar to the natural gas sector, Community legislation was adopted to speed up the introduction of solutions aimed at the elimination of the actual monopoly of distribution companies in the area of the sale of electricity to end users. The basic difference during accession negotiations was the market structure, as in Poland instead of one dominating company, there were natural local monopolies. Recipients purchased electric energy from a local supplier they were connected to.

One of the major problems of the Polish electric energy market before the implementation of the directive was the domination of long-term contracts (LTC)²⁵⁸. These contracts obstructed the free trade in energy and had a negative impact on the market by reducing its scope. Moreover, access to the retail market was reduced by monopolistic actions of large network operators, mainly due to the actual inaccessibility of the TPA principle for individual customers. Also the weakness of the Polish electric energy sector was noticed, which resulted in problems related to their ability to compete in the European market and their investment potential.

In 2004, before the implementation of the electricity directive, non-individual users often gave up actions aimed at changing their seller due to the practices employed by distribution companies designed to discourage users from changing sellers by means of formal and technical requirements. Moreover, users were encouraged to maintain the status of a tariff-based user by re-negotiating some terms of contracts, which posed artificial barriers in the development of competition. For example, the employment of the TPA principle related to very high costs due to upgrade of measurement, settlement and IT systems resulted in the fact that profits from the new tariff were reduced by the costs of the upgrade and adjustment of the recipient to the new tariff. Moreover, there

²⁵⁷ Imported gas comes mainly from Russia.

²⁵⁸ In 1994 an economic mechanism, namely long term contracts, was introduced to the Polish energy industry. These are long-term contracts for the supply of electric energy which guarantee revenues for energy generators. This allowed financing investment projects assuring state energy security and meeting the growing international ecological standards.

was no actual price competition in the production area and little interest of producers in direct sales to recipients.

During the implementation of the electricity directive, the need to establish new entities, stronger in terms of capital was observed, which brought about the consolidation of power companies in 2007. Consolidated companies included: PGE – Polska Grupa Energetyczna SA, Tauron Polska Energia SA, ENERGA SA and ENEA SA. Moreover, ownership unbundling was performed in the areas of the distribution and sale of electricity or its generation in the existing companies²⁵⁹. This unbundling followed two guidelines. First of all, distribution was unbundled: new business entities were established in order to take over operations related to the distribution of electricity (distribution network operators, DNO) to which the distribution infrastructure of the existing companies was contributed. Secondly, unbundling covered trade: the existing distribution companies retained all assets related to operations in the area of distribution, but assets related to other licensed operations (trade and generation of electricity) were unbundled (transferred to other entities). Also an independent transmission system operator for the power sector was established. For the period between 1 January 2008 and 1 July 2014 in Poland, PSE – Operator SA was designated as the operator.

The next step towards electricity market liberalisation was the liberalisation of energy prices for industry starting from 1 January 2008. As of that date, energy tariffs were no longer approved by the President of the Energy Regulatory Authority, but determined by the energy market. This resulted in considerable increases in electricity prices. They are justified, among other things, by the failure to remove prices for individual users from the control of the Energy Regulatory Authority, increases in prices of energy carriers, demand for additional capital for investments and taking into account the costs of climate policy. In 2008 the price of electricity for business entities, which consume 75% of the electricity consumed, went up by approximately 25–30%. This increase resulted in a boost in production costs, a drop in competitiveness in the market which was especially noted in sectors where electricity is a significant cost item (e.g. the metallurgical sector) though it was also a stimulus to search for ways allowing for more effective use of the energy and implementation of more efficient technologies. At the turn of 2009, the forecast of further increases in prices (by over 40%) for the industrial sector resulted in widespread protests. There were also voices in favour of returning to tariffs for the industrial sector.

²⁵⁹ The Energy Law required vertically integrated undertakings to perform legal unbundling of transmission and distribution system operators.

On 1 July 2007, the TPA principle was formally introduced. It meant that each of the 15 million recipients, individual or other, was allowed to change their electricity provider. Unfortunately, few recipients made use of that right. By the end of 2007, there were only 604 recipients who had concluded a sales contract with a seller other than the company unbundled from the vertically integrated undertaking operating in the area of the DNO whose network they were connected to. In 2008 there were few such changes, only 1018 out of 15 million eligible recipients (households and enterprises). Perhaps it was because there was no wide-scale and clear information campaign aimed at informing all users on their rights and how to use them which would provide them with the knowledge allowing them to protect themselves against dishonest contractors.

In legislative terms, Poland implemented the hitherto regulations concerning the liberalisation of the electricity market and made transformations allowing the establishment of the ownership structure of the sector which made it possible to create a free electricity market. Similarly as in the case of natural gas, there is a problem of the isolation of the Polish system from other power systems, without which the creation of the single energy market in the EU will be impossible.

Energy security and infrastructure

The EU regulations concerning obligatory stocks of liquid fuels are the oldest part of community energy law (expressed for the first time in the directive of 1968). The current directive on stocks dates back to 1998. Member states must maintain stocks of crude oil sufficient for 90 days of average consumption for the previous year. In line with the directive²⁶⁰, a member state must create and maintain infrastructure necessary to accumulate and maintain the stocks required by the law and to implement procedures for controlling how this requirement is fulfilled.

In the negotiation position closed in 2001 concerning the area of energy, Poland assumed the obligation to implement the directive on fuel reserves. Poland reported considerable difficulties in the implementation of regulations pertaining to storage. So a transition period was negotiated, to reach the level of 90 days worth of stocks by 31 December 2008. The schedule for increasing stocks assumed that the said 90 days would be

²⁶⁰ Council directive 98/93/EC of 14 December 1998 amending Directive 68/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products.

reached in 2008²⁶¹. The schedule was as follows: 2002 – 50 days; 2003 – 58 days; 2004 – 65 days; 2005 – 72 days; 2006 – 80 days; 2007 – 87 days; 2008 – 90 days.

In order to fully implement the directive and meet the Polish obligation set out in the accession treaty, the Law on liquid fuel stocks was adopted²⁶². The law sets forth the principles for creating intervention stocks of crude oil and petroleum products, which include state stocks created by the Ministry of Economy and maintained by the Material Reserves Agency (not less than 14 days' average daily internal consumption) and obligatory stocks created and maintained by undertakings (not less than 76 days' average daily internal consumption).

The obligation to reach a fully satisfactory, 90-day level of fuel stocks was basically met in 2007. It cannot be stated that a fully satisfactory result was achieved due to the status of the development of the Polish storage infrastructure²⁶³. Taking into account the development of the fuel sector and motorisation in Poland, storage capacity is relatively low and should be urgently increased. In particular, the capacity of underground storage facilities, where storage is the cheapest, is too low. Despite these imperfections of the system, it should be noted that owing to these changes Poland not only has its own crude oil and liquid fuels reserves, but also can obtain support in case of a serious disruption of supply which considerably and realistically improves the energy security of the country.

Unfortunately, no similar mechanism is in place in the case of natural gas. Taking into account its energy security, Poland decided to create obligatory strategic reserves of natural gas, similar to the fuel reserves, which was a pioneer solution in the EU²⁶⁴. Polish regulations may be a model for a future, amended directive concerning natural gas security. The introduction of such a mechanism is one of the Polish proposals put forward in the EU forum related to European security.

It is obvious that no aid procedure can be of use without a proper energy infrastructure. Poland acceded to the EU with relatively poor energy networks. The power

²⁶¹ The Regulation by the Ministry of Economy of 14 June 2002 on the schedule for creating liquid fuel stocks.

²⁶² Law of 16 February 2007 on the stocks of crude oil, petroleum products and natural gas and procedures in situations of threat to the fuel security of the state and disruptions in the petroleum market.

²⁶³ Apart from the obligation to maintain a similar level of fuel stocks, Poland was also committed to apply for membership in the International Energy Agency (IEA). IEA was established in 1974 to create an international system of cooperation and support in oil crises. Membership requirements are specified in the Agreement on an International Energy Program of 18 November 1974 and further decisions of the Executive Office, called the Co-ordinated Emergency Response Measures Decisions.

²⁶⁴ The Law requires the producers and importers of natural gas to create reserves whose size should cover 30 days of import of natural gas carried out by a undertaking operating in the natural gas trade with other countries or an entity importing natural gas over twelve months starting from 1 April of the previous year to 31 March of the current year. Obligatory stocks are assets of undertakings required for their accumulation and maintenance, and the related costs are included as justified costs which are the basis for determining the tariff. The obligatory stocks of natural gas are at disposal of the minister of economy and may be used by gas transmission system operators or interconnected gas systems responsible for assuring the security of the gas system pursuant to the decision of the minister. Reaching this stock level is planned for 2012.

network is obsolete, some of its parts are even 40 years old. Similarly, the gas network is underdeveloped. In many regions of the country (parts of the Pomorze, Mazury and Łódzkie regions) it is practically cut off from the Polish transmission system and the only possibility for gas supply is to deliver it in containers. There is also an insufficient number of gas and power interconnectors with the transmission systems of other countries, which obstructs mutual assistance in case of disruption to supplies. Moreover, interconnectors will be necessary to implement the single and competitive energy market.

The weakness of the energy market consisting in the lack of proper connections is not only a Polish but a European problem. To facilitate the emergence of a single market, the TEN-E network development programme was created²⁶⁵. Under TEN-E, the types of projects that can apply for financing using financial instruments were determined. The list of gas-related investments is very long and apart from transmission it also includes increasing the capacity of underground gas storage facilities, extension of reception terminals and actions for increasing the consumption of liquefied natural gas. For example, the list includes a project concerning an interconnector between Denmark and Poland that will facilitate the transmission of natural gas from the North Sea to Poland. However, until now in Poland the funds from TEN-E have not been effectively used. In future, growth in the amount of funds under financial instruments may be expected, allowing for the allocation of higher funds for infrastructure. In particular, it is necessary to acquire financing for projects necessary for the security and functioning of the single market which are not purely investments.

At the moment, Poland is determining its priorities concerning network development, focusing mainly on assuring proper supplies of natural gas. In particular, connections are needed, which would permit diversification of supplies (LNG terminal, connection with Denmark). Planned power interconnectors are supposed to be an answer for rising demand for electricity in Poland (the Poland-Lithuania energy bridge).

Problems related to climate policy

During the process of negotiations under further climate conferences or the ratification of the Kyoto protocol, the European Union decided that the problem of climate change

²⁶⁵ The aim of EU policy under TEN-E is to create competition and equal access of businesses to the Community market, speeding up the regional development and increasing the economic and social cohesion of member states. The EU policy follows three main priorities of the common energy policy: competitiveness, security of energy supplies and sustainable development. The European Investment Bank is the main source of financing for the trans-European networks. TEN-E covers both the extension of local networks and their interconnections, as well as international connections.

was one of its top priorities. Including the Convention and Kyoto Protocol in the domestic law determined the scope of changes introduced gradually to community policy and legal solutions concerning air quality. Under the Kyoto Protocol the European Community declared an 8% reduction in greenhouse gases emissions. This commitment was divided among individual EU-15 states. EU member states decided that the countries lagging furthest behind in terms of economic development were allowed to increase their emissions between 2008 and 2012 against the 1990 level. On the other hand, other member states declared higher reductions. Poland, like other “new” member states which acceded to the European Union on 1 May 2004, was to fulfil the obligations under the Kyoto Protocol by 2012.

For some years now the European Union has been stressing the fact that climate protection policy has the highest priority in the EU strategy and programmes related to environmental protection. The foundations of the European climate policy were determined in the directive on the greenhouse gas emission trading scheme (EU ETS). Thus, a new economic mechanism was introduced into the EU legal system. Each member state was committed to develop and submit to the European Commission, for each settlement period, i.e. 2005–2007 and 2008–2012, a National Allocation Plan for greenhouse gas emission allowances. This plan provided for the allocation of greenhouse gas emission allowances to all entities under the EU ETS and set out the allowance reserve.

As of 1 January 2005, enterprises covered by the EU ETS were required to register their emissions. At the end of each year the enterprises are required to submit reports on emissions for a given year. The enterprises must also make sure they have sufficient allowances to return each year in order to avoid financial sanctions. Member states are required to allocate allowances before the end of February each year, in line with the final decision of allocation and to keep a national register, accumulate verified data on emissions and make sure that each enterprise returns the appropriate number of allowances. Each member state is required to submit an annual report to the European Commission. In the first stage of system operation, i.e. between 2005 and 2007, in the entire EU approximately 12,000 entities were covered, which accounted for 46% of European CO₂ emissions. These enterprises were required not to exceed the allocated allowances for emission of greenhouse gases. One allowance is equivalent to 1 tonne of CO₂. Any potential surplus resulting, say, from the upgrade of plant could be sold to entities whose emissions exceeded the limit they were allocated. If the granted allowances turned out to be insufficient for an entity, it was required to make an additional purchase of a number that would be necessary for production.

The Polish National Allocation Plan I for the years 2005–2007 was approved by the Commission provided that Poland reduces the allowance limit by 16.5%. In the three-year settlement period of 2005–2007, Polish enterprises generally managed not to exceed the allocated allowance limits. In 2005, the emissions in Poland totalled 203 mln tonnes of CO₂, whereas the annual limit was 239 mln tonnes²⁶⁶. Owing to surpluses which could be sold, the first period of the emission trading scheme was not very harsh on the Polish economy. What is more, over the National Allocation Plan I period, due to regulation of the energy selling price, electricity bills did not include the price of allowance for CO₂ emissions.

This was different in the National Allocation Plan II for the years 2008–2012. The draft of the Polish National Allocation Plan II was very much criticised by the European Commission. The Polish response²⁶⁷ did not satisfy the Commission²⁶⁸, which in March 2007 decided that the number of allowances requested by Poland should be reduced to 208.5 mln tonnes. Poland took the Commission's decision to the European Court of Justice. Nevertheless, until the court proceedings were completed, Poland had to comply with the Commission's decision. To that end, on 1 July 2008 the Council of Ministers adopted the National Allocation Plan II in line²⁶⁹ with the European Commission's decision²⁶⁹.

In the years 2008–2012, due to the negative decision of the European Commission, a significant deficit of emission allowances will be noted, which will translate into prices and the competitiveness of the Polish economy. A shortage of allowances may particularly affect the power sector. In comparison to the previous draft of the National Allocation Plan II (not approved by the Commission), professional power plants will be granted not 105,760,000 tonnes of CO₂ but 129,941,966, which is 19% lower, professional combined heat and power plants will be allocated not 26,509,318 tonnes of CO₂, but 38,260,314, which is down by 31%. The purchase price for necessary allowances will affect the prices of electricity, which in Poland is generated mainly from coal (brown and hard).

This may result in the obstruction of the economic development of Poland and as a consequence the failure to take the opportunity to eliminate the development gap granted by integration into the European Union. It is also possible that the competitiveness of Polish products against EU and non-EU products will drop significantly, which in consequ-

²⁶⁶ In 2006, in some sectors, a considerable increase in emissions was noted (e.g. 26.5% in the cement sector), but the energy producers who generate most CO₂ emitted only 1.8 % of carbon dioxide more than in the previous year.

²⁶⁷ In line with the new proposal, Poland requested an emission allowance for the period of 2008–2012 amounting to 259,692,421 tonnes of CO₂. The number of allowances requested by Poland in the new National Allocation Plan II took into consideration the situation of the Polish economy.

²⁶⁸ The European Commission stated that only by imposing a requirement to reduce emission could enterprises be encouraged to switch to modern technologies.

²⁶⁹ Despite that fact the National Allocation Plan II has not gained final approval of the European Commission yet. Without this approval, the National Allocation Plan II cannot function properly.

ence may translate into additional growth in the unemployment rate and a drop in budget revenues as well as the lower attractiveness of Poland for foreign investors. Growing costs of electricity generation will translate into higher electricity bills for individual users.

In March 2007 the European Council unanimously set the targets of reduction of greenhouse gas emissions by 2020, i.e. 20%, increase in the share of renewable energy sources to 20% and a 20% increase in energy efficiency. The solutions were left for the member states to decide. The Council conclusions contained a provision on strengthening the emission trade mechanisms, which are to contribute to further reduction of CO₂ emissions. On that basis, at the beginning of 2008 the Commission presented the Climate and Energy Package.

The original package architecture, namely the solutions concerning EU ETS were unfavourable for the Polish economy. In the new draft directive on the EU ETS, the National Allocation Plans were replaced with sectoral plans on the EU level. Moreover, the directive introduced a requirement for 100% of professional power plants to purchase allowances for CO₂ emissions by auction, and gradually for the remaining sectors, from 20% in 2013 to 100% in 2020. The situation of Poland in Europe was specific, as approximately 96% of electricity is generated from hard coal which is related to high emission levels per MWh²⁷⁰. In particular, there was a threat in Poland that the prices of CO₂ would be shifted onto consumers resulting in a dramatic increase in electricity prices both for the industry and households. This would deteriorate the financial condition of the society, bring about the loss of jobs and a considerable drop in economic growth rate and budget revenues.

The main proposal in difficult negotiations concerning the package was the EU ETS adjustment by introduction of a long-term derogation consisting in application of the indicator and auction method (with indicators varied depending on the type of fuel). Poland also supported additional balancing of the package by creating a specific solidarity fund for less well-off member states which would be burdened with incommensurate package implementation costs and which had reduced CO₂ emissions considerably since 1990.

The negotiations resulted in Poland's success, i.e. introducing provisions in the ETS directive which assured an ambitious reduction of CO₂ in a manner that would be more beneficial for the economy, in particular for the Polish power sector. From 2013 on, free allowances will be able to cover 70% of the power sector's emissions. This percentage will be gradually reduced, until 2020. Owing to the possibility to introduce free allowances in the power sector, it will be possible to considerably reduce the increase in electricity prices both for industry and households. Moreover, a solidarity fund was established, which will

²⁷⁰ About 960 kg of CO₂, with European average of approx. 400 kg per MWh (e.g. France – 100 kg / MWh).

be funded by appropriate redistribution of emission allowances among the member states. 10% of total emissions in Europe will be divided based on levels of prosperity (based on the GDP) which will assure that the emission allowances from well-off states will be transferred to less developed states. Over 2% of all emission allowances will be divided based on performance in reduction of emissions under the Kyoto Protocol. As for energy-consuming industries, it was decided that emission allowances will be divided free of charge and on a wide scale. This should reduce the risk of transferring the production outside the European Union and hence, protect jobs in these industries in the European Union.

Despite successful negotiations, it is difficult to sum up the costs of the current climate policy. The costs of its implementation are made up of investment and administrative expenses. Investment expenses are related to adjusting plants to the requirements set out in the ETS directive and the Kyoto Protocol in order to reduce the greenhouse gas emissions incurred by enterprises and transferred to consumers. There are also the administrative expenses on establishment of the system. The period between 2005–2007, for which the National Allocation Plan was developed, turned out to be quite positive for the Polish economy. The situation is expected to change in the period of 2008–2012, when the number of allowances is insufficient and their high price will be reflected in prices on the Polish market. Climate policy is very costly, especially for countries such as Poland, whose power sector is based largely on coal.

Conclusions

The chapter concerning the energy sector presents a general and summary view of the major actions and transformations in the selected subsectors, in particular the electricity and gas, as well as the issues related to energy security, renewable energy sources, biofuels and climate policy. In a short, five-year period many major changes were made to the Polish model and operation of the energy sector.

Markets fundamental for the economy and consumers, i.e. the natural gas and electricity markets, underwent significant transformation. Some effects can already be noticed, others are expected soon. A good framework for investments, i.e. a stable regulatory system and a fair incentive for investments, has not been created in Poland. In particular, the tariff system was retained for the natural gas and electricity prices for individual users, which is not beneficial for competition or investments. The infrastruc-

ture-related problems which are the major barrier to the development of the Polish energy sector have not been solved. In particular, there was not enough time for efficient diversification of energy carriers and extension of liquid and gas fuel storage facilities.

The adoption of the electricity and gas directive provided only a legal framework for operation of the Community energy market. Implementation of the directives does not mean automatically that a liberalised market will emerge, it is a *sine qua non* condition for a liberalised and competitive market. It should be noted that these transformations in the Polish energy sector are a part of a certain process which has not been completed yet, and the effects of which may be expected in future. It should be remembered that actual liberalisation is not possible without thorough diversification. Similarly, a truly single market is not possible without the elimination of the domination of large, vertically integrated energy companies in Europe. Despite all the efforts so far, related to transformations in the natural gas and electricity sectors, Poland is at the beginning of a long road. The prospect of putting the Polish natural gas sector on a market basis will not happen in five or ten years, but rather a dozen years or more.

The energy security of Poland has not been considerably strengthened as natural gas is still imported from practically a single source. The only evident success is the considerable progress in increased security in the fuel sector, not by changing the import structure but rather by creating reserves as a safety margin in case of a disruption in supply.

The energy security of Poland in the fuel sector has indeed increased. First, Poland has fulfilled the obligations under the accession treaty and created stocks which provide a safety margin in case supply is disrupted. Second, Poland gained access to an effective aid scheme under the EU which allows it to combat the negative results of disruption in supply of crude oil using the reserves of other member states.

The alignment-g geared transformation in the energy sector was related to the need to incur financial expenses on the upgrade or construction of new plants, as one of the major problems in Poland is the infrastructure. Hence, new and higher financial expenses are needed to ensure that Poland's infrastructure can provide cheap, sustainable, safe and clean energy. In this context, it is extremely important to use the funds available under EU schemes.

Changes are under way in the natural gas and power sectors, energy security, climate and renewable energy sources. In the case of liberalisation, there have been no positive results of the process, i.e. a competitive and single, consumer-oriented European market, or negative results, e.g. higher increase in energy prices for individual users.

Environment

The accession of Poland to the European Union (EU) has been a significant motivating factor on national policies for the management of natural resources in terms of adapting those policies to EU environmental protection standards.

The process of adaptation in this area began long before accession. During the political transition period, Poland was already a long way down the road to applying EU environmental protection requirements, limiting in this way the extent to which economic growth was dependent on pressure on the environment. It should be remembered that the adaptation process concerning the environment was a long-lasting one and demanded not only the relevant legal and institutional preparation, but also significant financial investment. In this context it was important to establish transition periods during the negotiations on accession with reference to the most costly elements of community law to the Polish economy.

The influence of Polish membership of the EU in terms of the environment will be able to be assessed in its entirety only after the conclusion of the last of these periods, and so after 2017.

Nevertheless, the sheer weight of the effort undertaken by Poland in terms of adapting to UE standards of environmental protection needs to be emphasized. As a result of the actions already taken, positive trends have been observed in terms of improvements in the condition of the environment in Poland. This is due not only to the harmonisation of Polish law with the *acquis communautaire*, but above all an effect of the significant investment in the infrastructure protecting the environment. The vast majority of adaptational investment received financial assistance from the EU. The almost total usage of the pool of resources from the European Regional Development Fund (ERDF), designated for environmental protection in the years 2004–2006 must be considered a success.

A general review of the consequences of Polish membership of the EU in the area of environmental protection

Comprehensive legal acts governed matters of environmental protection long before activities adapting to meet the requirements of the EU were undertaken. The transformation of the political system and the associated reduction in the market share of traditional sectors, including heavy industry as well as the prospect of EU membership initiated a broad ranges of changes in environmental policy. The terms negotiated by the Polish government to an extent forced actions to be taken limiting the negative impact on the environment even in the pre-accession period. The start of the process of adapting to the demands of the community constituted a further, significant step on the road to improving the state of the environment in Poland.

A prime example of this was the activity aimed at cleaning the air in the highly industrialised, and at the same time most adversely ecologically affected zone of the so-called Black Triangle²⁷¹. Thanks to the combined efforts of the governments of the relevant states and financial support from the pre-accession assistance fund PHARE²⁷² a significant reduction in levels of the main polluting substances into the atmosphere was achieved. In the years 1989–1997 emissions of sulphur dioxide (SO₂) as well as nitrogen oxides (NO_x) in the Polish regions of the Black Triangle were reduced by about 70%, and dust particles by almost 90%, which enabled legally allowable levels of concentrations of these substances to be achieved as early as in 2000²⁷³.

Environmental protection is one of the key areas subjected to the regulatory activities of the European Community (EC). There are currently over 600 legal acts in force in this area. The initiation of wide scale processes of harmonisation with the *acquis communautaire* resulted in the transposition to the Polish legal framework of the most important directives in the area of environmental protection as early as in 2000–2001²⁷⁴. In relation to the 13 community legal acts which were the most costly to implement, the Polish government negotiated as many as 20 partial transitional periods, guaranteed by the accession treaty. They made

²⁷¹ A region formed by northern Bohemia in the Czech Republic, southern Saxony in Germany and the defunct Jeleniogórskie and Wałbrzyskie regions in Poland, covered by a programme of actions worked out by a working group created under an agreement between the environmental ministers of Czechoslovakia, Germany and Poland in June 1991. In March 2000, a decision by the Black Triangle working group lifted individual requirements in relation to the region.

²⁷² PHARE: *Poland and Hungary: Assistance for Restructuring their Economies* – a programme set up in 1989 aiming at providing material assistance to EU candidate countries.

²⁷³ Elektrownia Turów SA, „Czarny trójkąt” staje się zielony [The “Black Triangle” goes green], „Rzeczpospolita” 2000, No 86 (5556), advertising supplement „Energia XXII – Ciepło, Elektroenergetyka, Gaz”, p. 15.

²⁷⁴ As part of the Act of 9 November 2000 on access to information on environment and its protection and on environmental impact assessment, Act of 27 April 2001 – Environmental protection law, Act of 27 April 2001 on waste and the Act of 18 July 2001 – Water law.

it possible to stagger the adaptations which were most difficult or expensive to implement. As far as the number of transitional periods negotiated, the area of the environment differed not only from the other areas being negotiated by the Polish government, but also with that of the other countries aspiring to membership of the EU. It should be emphasized that the other candidate countries negotiated four transitional periods at most. Agreement of the Polish postulates was a reflection of the scale of the problems and amount of investment necessitated. The investment sums incurred in the 15–20 years following accession in terms of the environment and energy policy have been estimated at the time at 120–140 bn PLN²⁷⁵.

The acquisition of four transitional periods for the gradual achievement of the levels required by the EU for sewage treatment was particularly important (and the associated necessity of building and modernising waste water treatment plants) as well as three transitional periods for adapting the energy sector to EU limits on atmospheric pollution. Also negotiated was the possibility of gradually acquiring the so-called integrated permit, covering emission of pollutants into atmosphere and discharge of waste water as well as waste generation, constituting a kind of “ecological licence” to conduct activity for large industrial firms, livestock farms, or landfill sites. Poland also gained transitional periods for adapting to EU requirements in terms of waste management, enabling the gradual achievement of the required targets for recovery and recycling of packaging waste, the modernisation of landfill sites or the introduction of organisational solutions in terms of the monitoring and control of transboundary shipment of waste.

Without the option of gradually adapting to the requirements of the EU, the Polish economy would have been exposed to significant costs imposed on the industrial sector. It would also have been impossible to adapt the existing environmental protection infrastructure in order to achieve the existing EU standards in this area by the date of accession.

Just how crucial it was for the Polish economy to get these transitional periods is clearly demonstrated by the length of time over which they were granted. These periods are still operational in relation to the most costly areas to adapt²⁷⁶. In the energy sector the process of adapting to the requirements of the EU in terms of limiting the emission of pollutants into atmosphere only ends in 2017. Full adaptation of waste water treatment plants to the higher requirements regarding the degree of waste water treatment is to end in 2015, and for landfill sites to meet EU technical requirements – in 2012.

²⁷⁵ J. Truszczyński, *Wyniki negocjacji akcesyjnych w obszarach energii i ochrony środowiska* [Accession negotiation results in the areas of energy and environmental protection], *Rzeczpospolita* 2003, No 60 (6440), advertising supplement “Ochrona środowiska XVI”, p. 1.

²⁷⁶ On adapting to the requirements of the Directive of the European Parliament and of the Council 2001/80/EC of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants, Council directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment and Council directive 1999/31/EC of 26 April 1999 on the landfill of waste.

In this regard it is still essential to take new, and continue the already started long-term adaptational investments. The full benefits associated with the improvement in environmental quality and the influence, if any, of the adaptations in this area on the competitiveness of the Polish economy will be revealed only over a lengthy period.

The majority of the EU requirements concerning protection of the environment from pollution are already operative. Here also, it was necessary for Polish industry to make the required financial investment and enormous effort of adapting.

In this area the adaptation of key industrial sectors the requirements of the IPPC directive should be considered a significant achievement²⁷⁷. The regulations resulting from the IPPC directive forced the adoption of the Best Available Technique (BAT) as well as a reduction in the energy and material consumption of technological processes – which was an essential condition of receiving the integrated permit mentioned earlier. By the end of 2008 integrated permits had been issued to 94.7% of the 3020 installations requiring one²⁷⁸. While it is true that these installations constituted only about 15% of all businesses whose activities have impact on the environment²⁷⁹, but on account of their size, they were responsible for the majority of the pollution introduced into the environment across the country.

The example of the IPPC directive shows how, for some businesses, entry into the EU could make it necessary for them to end their activities, due to their failure to meet the new environmental protection standards. From 1 Jan 2004 to 31 Dec 2007 the Inspection for Environmental Protection started the procedure to close down 836 installations that didn't have the required integrated permit (comprising 28.1% of all installations subject to this requirement). As a result, in this period 221 orders closing down installations not having the necessary permit were issued²⁸⁰. This gave a clear signal to factories, that not adapting to community requirements meant incurring severe losses associated with halted production. A high-profile case in this regard was the halting of production at the “Ekoutil”²⁸¹ animal waste disposal plant.

²⁷⁷ Directive of the European Parliament and of the Council 96/61/EC of 24 September 1996 concerning integrated pollution prevention and control (consolidated version: directive 2008/1/EC of 15 January 2008).

²⁷⁸ Data source: Chief Inspectorate for Environmental Protection, Department of Inspections and Decisions; Ministry of the Environment, Department of Environmental Instruments.

²⁷⁹ Rough calculations based on data from: Ministry of Environment, *Program wdrażania dla Dyrektywy Rady 1996/61/WE w sprawie zintegrowanego zapobiegania i ograniczania zanieczyszczeń* [Program implementing Council Directive 1996/61/EC concerning integrated pollution prevention and control], Warszawa 2001.

²⁸⁰ Chief Inspector for Environmental Protection, *Informacja w sprawie ustalenia przez Inspekcję Ochrony Środowiska stanu uregulowania formalnoprawnego w zakresie posiadania pozwoleń zintegrowanych przez prowadzących instalacje podlegające temu obowiązkowi (wg stanu na dzień 31 grudnia 2007 r.)* [Information regarding the establishment by the Inspection for Environmental Protection of the state of the legal regulations regarding possession of integrated permits by operators of installations requiring them (as of 31 December 2007)], Warszawa 2008, p. 7.

²⁸¹ For more on this subject: B. Gomzar, *Książę na kościach* [Prince of bones], “NIE” 2006, No 25, p. 4–5; <http://www.kropla-sepzn.vel.pl/index.php?name=News&file=article&sid=150>.

However, it should be remembered that the environmental aspect of Poland's EU membership has been associated not only with financial costs. A measurable effect of the adaptational activities is the improvement in the environment, and also improvements in people's quality of life through modernisation of environmental protection infrastructure across the country. The modernisation of Polish businesses has also been important, on condition they meet high ecological standards, enabling them to become more competitive in the EU's internal market.

The improvement in the competitive position of Polish companies in the market has also been supported by the mechanisms offered by the EU in the area of environmental management (EMAS²⁸²) and the ecological labelling of products²⁸³ (*Ecolabelling*). The use of these instruments brought mutual benefits – for the environment and for business, resting particularly on reducing the amount of emissions, and at the same time the amount of the charges for exploiting the environment, reducing the amount of raw materials used and improving the company's public image.

It's also worth paying attention to the fact that as a result of Poland's accession to the EU the level of environmental protection was also raised – by the inclusion of environmentally sensitive areas of the country in the European Ecological Natura 2000 Network²⁸⁴. Thus far, 141 special protection areas for the conservation of birds have been designated as well as 364 special areas of conservation of natural habitats have been proposed – which in total cover 18.95% of the area of the entire country²⁸⁵.

It should at the same time be emphasized that Poland, with its unique natural resources, constitutes a valuable acquirement for the EU-15, enriching Europe's natural heritage. At the moment of Poland's accession many protected areas, such as national parks or nature reserves, were designated. The changes in the environment brought about as a result of economic development had progressed more slowly in our country than in Western Europe. As a result, unique species and varieties of natural habitats were preserved in the territory of Poland²⁸⁶. Prime examples of this are: the Białowieża Forest, preserved

²⁸² The Eco-Management and Audit Scheme – EMAS, established by regulation (EC) no 761/2001 of the European Parliament and of the Council of 19 March 2001 allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS); as at the end of 2008, 15 organisations, including 12 businesses in Poland were registered in EMAS.

²⁸³ The Community ecological labelling Ecolabel, which can be applied for under regulation (EC) no 1980/2000 of the European Parliament and of the Council of 17 July 2000 on a revised Community eco-label award scheme as well as the Commission's decisions of on the establishment of ecological criteria for the Community eco-label award scheme for individual product groups; as at the end of 2008, 11 Ecolabel certificates have been issued (10 for cleaning agents).

²⁸⁴ The basis for the creation of the Natura 2000 Network is the Council directive 79/409/EEC of 2 April 1979 on the conservation of wild birds as well as Council directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora; the Natura 2000 Network is created by two types of area: special protection areas (SPAs) and special areas of conservation (SACs).

²⁸⁵ Data source: General Directorate of Environmental Protection, Natura 2000 Areas Department.

²⁸⁶ M. Trzeciak, *Projektowane regulacje prawne zagrożeniem dla ochrony przyrody* [Proposed regulation is a legal danger to nature protection], "Przyroda Polska" 2005, no 2; http://przyroda.polska.pl/wartosci/czego_nam_zazdroszcza/index.htm.

in its almost primeval state and the Rospuda valley, known mainly due to the controversy surrounding the construction of the Augustów bypass. Compared to other member states, Poland also stands out by its significantly varied and rich fauna, including numerous species threatened with extinction and rarely encountered on the European continent²⁸⁷.

Maintaining water, air and nature cleanliness also has a not insignificant social meaning. For the majority of society (84%) the state of the environment is, aside from the economic and social aspects, an important factor influencing quality of life²⁸⁸.

A detailed description of the consequences, for the environment as well as for business, of the adaptational activities taken in particular areas of environmental protection associated with Poland's accession to the EU is contained in the following parts of this chapter.

Atmosphere protection

The reduction of emissions of the most polluting substances such as sulphur dioxide (SO₂), nitrogen oxides (NO_x), dust particles, carbon monoxide (CO) and carbon dioxide (CO₂), which additionally contribute to the greenhouse effect, are of crucial importance in improving the quality of the air in Poland. Adapting to meet the community requirements in the area of atmospheric protection is, however, associated with significant investment in modernisation or building new installations.

In this regard, the most important and at the same time most expensive community legal act to implement is the LCP directive²⁸⁹, introducing limits on the emissions of individual polluting substances produced by the burning of fuel for the production of electricity. In relation to the values for allowable emissions established in the LCP directive for sulphur dioxide, nitrogen oxides and dust particles, the transitional periods for power stations, combined heat and power plants (CHP) and heating plants listed in the accession treaty still apply. The sequence of ends of transitional periods for achieving the required levels of sulphur dioxide and dust particles only began at the beginning of 2008 (and will last respectively till the ends of 2015 and 2017), and in relation to the emission of nitrogen oxides – it will begin on 1 Jan 2016 and last to the end of 2017. Si-

²⁸⁷ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 13.

²⁸⁸ Eurobarometer, *Attitudes of European citizens towards the environment, Results for Poland, 2008*, p. 3.

²⁸⁹ Directive of the European Parliament and of the Council 2001/80/EC of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants.

multaneously, Poland became obliged to reach the intermediate targets for the emission of polluting substances across the entire sector of large sources of combustion in 2008 and 2012 respectively.

Implementing the LCP directive demanded making significant investments in the energy sector. The entire cost of implementation, estimated in the financial-implementation plan at 47 bn PLN, to be incurred in the years 2003–2020²⁹⁰, is considered one of the most expensive environmental directives. As an example, the cost of the investment required for the removal of sulphur from gases produced in the combustion of fuels for electricity in selected CHPs in Poland has been estimated of the order of 120 to 330 mln PLN for each plant²⁹¹.

Nevertheless, it has to be admitted that the Polish energy sector has successfully tackled the challenges set by the EU in the area of protecting the atmosphere against pollution. A range of investments have been carried out aimed at adapting to the requirement of keeping EU emission standards, although in recent years a falling trend has been observed in terms of the numbers of installations for the reduction of gas and dust pollution being put into use.

An example of good practice in this area is the investment carried out in Poland by the Vattenfall energy company. Since 2001 there has been an ongoing effort at modernising and building new installations for the combustion of fuels in electricity production as well as installations for the reduction of gas and dust emissions, enabling a significant ecological effect to be achieved, based on the reduction of sulphur dioxide, nitrogen oxides and dust emissions in the CHPs belonging to the company. A prime example is the wet combustion gas desulphuring installation, currently under construction in the Warsaw CHP Siekierki. The aim of the undertaking is a significant reduction in emissions of SO₂ and dust, making it possible to meet more stringent future emission standards required by the EU²⁹². Thanks to this, the residents of Siekierki in Warsaw will be able to enjoy cleaner air.

The actions taken have resulted in a significant reduction in emissions of SO₂, whose main source (60%) is power plants. Figures from the Central Statistical Office (GUS) indicated a 21% drop in emissions in pollution in comparison with 2000, of which

²⁹⁰ Data source: Ministry of Environment, Department of Climate Change and Protection of Atmosphere.

²⁹¹ S. Krystek, *Działania w zakresie budowy, wymiany i modernizacji urządzeń elektrowni dla pokrycia zapotrzebowania na energię elektryczną i ciepło oraz realizacja wytycznych UE w zakresie ochrony środowiska*, [Actions taken to build, replace and modernise power station equipment to meet heating and energy needs as well as EU environmental protection guidelines], conference materials Polish Chamber of Power Industry and Environment Protection, 28.11.2005, http://www.igeos.pl/doc/2005/11/miedzynarodowa/prezentacje/11_S.Krystek_pol.pdf.

²⁹² Data source: Vattenfall Heat Poland SA.

19% took place after the accession (2004–2006). In 2007 the number of areas in which allowable limits for SO₂ were exceeded fell dramatically (from 14 to 1)²⁹³.

A drop in emissions of other pollutants into the atmosphere has also been noted, which was of course connected with significant financial investment in areas other than the power sector. For example, in the cement production sector in the years 1990–2008 6 bn PLN has been spent on adaptational investment, as a result of which a 40-fold drop in emissions of dust particles into the atmosphere has been achieved²⁹⁴.

The situation looks somewhat different when it comes to the emission of greenhouse gases, particularly carbon dioxide (CO₂) and the chlorofluorocarbons (CFCs) used in cooling and air conditioning systems. The total emission of these gases has for a long time had a downward tendency, yet since 2002 it has slowly been increasing. The increase in emissions has resulted above all from increased energy needs, associated with the economic development of the country. However, this tendency is no different to the average growth of emissions of CO₂ noted in the EU-27²⁹⁵.

A similarly unfavourable tendency has been noted also in relation to the emission of the suspended dust particle (PM10) which can be hazardous to health. In 2007, the allowable levels for this dust particle were exceeded in as many as 60 of the 170 areas of the country designated for the assessment and management of air quality²⁹⁶. The dust particles are emitted not only by industry, but also by vehicles and municipal heating systems, hence reversing the unfavourable tendency in this regard will require a wide range of investments, especially in extending the road network so as to reduce the amount of traffic jams.

Apart from continuing the current actions aimed at meeting community requirements in terms of atmospheric protection, Poland has faced new challenges in this area. The prime example here is the CAFE directive²⁹⁷. In order to fully implement its regulations it will be necessary to undertake a broad range of actions in terms of monitoring, informing, reporting and managing air quality, for which the costs of preparing and setting up the appropriate infrastructure alone has been estimated at 24.4 mln PLN²⁹⁸.

Atmospheric protection is an area in which Poland's membership of the EU has been the most visible. The vast majority of the investment aimed at reducing the emis-

²⁹³ Data source: Ministry of the Environment, Department of Climate Change and Protection of Atmosphere.

²⁹⁴ *Ibid.*

²⁹⁵ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 10.

²⁹⁶ Data source: Ministry of the Environment, Department of Climate Change and Protection of Atmosphere.

²⁹⁷ Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.

²⁹⁸ Data source: Ministry of the Environment, Department of Climate Change and Protection of Atmosphere.

sions levels of Polish industry has been carried out precisely because of the demands of the community. A positive result of these activities is the gradual improvement in air purity, achieved against a background of ongoing economic development.

Water and sewage management

A priority, demanded of EU member countries, and at the same time the most expensive task for the protection of water from pollution caused by public sewers, is ensuring the full biological cleaning of sewage and improved levels of removal of nutrients (compounds of nitrogen and phosphorus) – in accordance with the requirements of the urban waste water directive²⁹⁹. The requirements covering urban sewage systems and sewage treatment will not fully apply in Poland before 31 December 2015. However, the intermediate targets defined in the accession treaty impose gradual adaptation to the specific demands. Poland is bound to reduce biodegradable pollution in successive stages by the ends of years: 2005, 2010, 2013 and 2015 and, as a result, to achieve a minimum 75% reduction in the figures.

Attaining community targets in terms of urban waste water treatment by 2015 has required equipping the country with a modern water and sewage infrastructure. Activities in this area were defined in the National Programme for Municipal Waste Water Treatment (NPMWWT) 2003. This programme envisages the construction, expansion and modernisation of 1734 waste water treatment plants in almost 1577 agglomerations and also the building of about 37,000 km of sewage network. The cost of implementing NPMWWT by 2015 has been estimated at 42.6 bn PLN, including 32.1 bn PLN on building, expanding and modernising urban sewer systems, and on building, expanding and modernising waste water treatment plants – about 10.5 bn PLN. An example of investment conducted under the auspices of NPMWWT is the “Complex protection of groundwater in the Kielce agglomeration” project, envisaging in particular the expansion and modernisation of the water and sewage networks in an area covering four municipalities³⁰⁰.

A result of the increased efforts undertaken with the aim of meeting the community requirements concerning urban waste treatment has been a significant improvement in efficiency in this area. A clear increase has been noted in the amount of waste treated

²⁹⁹ Council directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment.

³⁰⁰ More on this project at: http://www.wod-kiel.com.pl/dzien_wody_2008.html.

in sewage works with highly effective cleansing facilities, enabling a greater reduction of nutrients. According to statistics from GUS, in the years 2004–2007 the quantity of waste treated by such methods grew by 17%³⁰¹, and in comparison with the year 2000 – by as much as 80%. In the post-accession period, the number of urban waste water treatment plants with improved removal of nutrients has increased by almost 10% (from 689 to 765). In these plants, as much as 70% of the sewage supplied by sewage systems in towns and villages across the country is treated, which gives a result close to the EU-27 average³⁰². A measurable effect of the activities aimed at improving water and waste water management in Poland, as indicated by the statistics, is also the 21%³⁰³ growth in the extent of the sewage network in the years 2004–2007.

In the years 2004–2007 no significant changes have essentially been noted when it comes to the quantity and proportion of treated and untreated industrial and urban waste water. Positive trends in this area are visible in the longer perspective, over the years 2000–2007, where a significant reduction in quantity has occurred: industrial and urban waste water requiring treatment – by 14%, and untreated waste water – by 50%³⁰⁴.

The efficiency of the removal of nutrients in the waste water treatment process has an indirect effect on the state of cleanliness of the waters in the Baltic Sea. In the years 2000–2007 a drop in the quantity of nutrients deposited in the Baltic has been noted, respectively by 13% for nitrogen and by 25% for phosphorus³⁰⁵. Despite this positive trend, and also the gradual drop in the concentration of these substances in the waters of the Odra and Vistula in the long-term³⁰⁶, the state of water purity in this body of water still cannot be considered satisfactory. The ongoing high level of destruction of the marine environment negatively influences both fish stocks in the Baltic, and in this way indirectly the condition of the fisheries industry and the tourist attributes of the Polish coast.

It is therefore necessary to mobilise efforts aimed at improving the quality of the waste water discharged into water and into the soil. A positive signal in this area is the

³⁰¹ Source: own calculations based on: Central Statistical Office, *Ochrona środowiska 2005* [Environmental protection 2005], Warszawa 2005, p. 189; Central Statistical Office, *Ochrona środowiska 2008* [Environmental protection 2008], Warszawa 2008, p. 202.

³⁰² Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 8.

³⁰³ Source: own calculations based on: Central Statistical Office, *op. cit.*, p. 194; Central Statistical Office, *op. cit.*, p. 181.

³⁰⁴ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 7.

³⁰⁵ *Ibid.*, p. 8.

³⁰⁶ J. Igras, *Ocena wielkości zrzutów składników biogenych z obszarów rolniczych Polski do Bałtyku* [Assessment of the amount of discharge of biogenic components from Poland's agricultural areas into the Baltic, [in:] *Ocena stanu zanieczyszczenia płytkich wód gruntowych, narażonych bezpośrednio na zrzuć składników biogenych, w tym szczególnie z rolnictwa oraz możliwości potencjalnego wpływu zanieczyszczeń pochodzących z produkcji rolnej na środowisko, opracowanie wykonane na zlecenie ministra rolnictwa i rozwoju wsi* [Assessment of the level of pollution in shallow ground waters, exposed directly to discharge of biogenic components, especially from agriculture, as well as the possible influence of agricultural production on the environment, research commissioned by the Ministry of Agriculture and Rural Development], ed. J. Igras, Puławy 2008, p. 112.

activity of the Finnish *John Nurminen Foundation*. In Poland, it has begun conducting a large project connected with the removal of nutrients by improving urban waste water treatment processes which will take in from 130 to 150 towns³⁰⁷.

The quality of the surface waters in Poland has improved. The results of monitoring research show that in the years 2004–2007 the percentage of extremely polluted water has dropped by 4%. Despite this positive trend, the current state of river purity is still unsatisfactory, especially as far as the bacteriological aspect is concerned (the results of the monitoring from 2007 showed a major share of waters with low (III and IV) quality ratings)³⁰⁸. But even that constitutes a large improvement in comparison to previous years; e.g. in 2001 as much as 52.4% of river sections were assessed as being unclassified (below the purity level required for being classified) with regard to sanitary criteria³⁰⁹.

Despite the positive results achieved following accession in terms of improving water quality, both inland and at sea, it is still essential to maintain the efforts aimed at meeting the high standards for the quality of waste water discharged into the environment.

Waste management

Following Poland's accession to the EU, the systems of waste management have also improved. In order to meet community requirements in the years 2001–2007, separate systems for collecting, recovery or recycling materials containing hazardous substances, such as: car batteries, end-of life vehicles, waste electrical and electronic equipment, and also the system for managing packaging waste were established. This has made it possible to better use these types of waste, which is particularly relevant in terms of their increase as a result of the economic development of the country. In terms of neutralising hazardous waste, a clear upward trend has been observed. For example, in 2006 57% more of this type of waste has been passed on for disposal than in 2003³¹⁰.

Additionally in the post-accession period, not only has the required target for recycling of packaging waste been achieved, but it has even been exceeded; the general

³⁰⁷ More on the activity of the John Nurminen Foundation at: <http://www.johnnurmisensaatio.fi/?lang=en>.

³⁰⁸ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 7.

³⁰⁹ *Strategia wykorzystania Funduszu Spójności na lata 2004–2006* [Framework Reference Document for Cohesion Fund for 2004–2006] [attachment to a Ministry of Economy and Employment regulation of 30 July 2004 (Dz. U. Nr 176, poz. 1827)], p. 47.

³¹⁰ Ministry of Environment, *Sprawozdanie z realizacji krajowego planu gospodarki odpadami za okres od dnia 30 października 2004 r. do dnia 31 grudnia 2006 r.* [Report on the implementation of the national waste management plan from 30 Oct 2004 to 31 Dec 2006], Warszawa 2007, p. 19.

level of recycling planned for 2007 was reached as early as in 2003, mainly thanks to the recycling of waste from bulk packaging³¹¹.

A diametrically opposite trend dominates, however, in the management of waste electrical and electronic equipment, where the results achieved thus far are highly unsatisfactory. The figures available for 2006–2007 indicate enormous difficulties in reaching the collection, recovery and recycling targets for this waste demanded by the EU and intended to be achieved by the end of 2008³¹². These results are in large part a consequence of the inadequate development of the system of collecting waste equipment and the legal disposal of unwanted electrical equipment from individual users.

After Poland's accession to the EU, there were also disturbing new phenomena. In the initial period, approximately 1.7 mln end-of life vehicles were brought into the country, the vast majority of them over ten years old and accident-damaged, which relatively quickly became scrap, which led to a severe burden on the management of waste³¹³. Nevertheless, in 2006 the required targets for recovery and recycling of end-of life vehicles was achieved³¹⁴.

Disappointingly enough, following Poland's accession to the EU no real change in terms of the management of municipal waste has been noted. The dumping of such waste in landfill sites still represents the basic means of dealing with it, although a slight downward trend has been observed in this regard. In 2007, 90% of the municipal waste generated went to landfill, while barely 0.4% was dealt with by incineration, and biological composting – almost 3%. This is not a good result in comparison with the remaining EU-27 members, where the reverse tendency dominates (incinerated waste is increasing, landfill waste decreasing)³¹⁵. In the years 2004–2007, the share of the general volume of segregated municipal waste didn't change significantly. Despite there being a visible upward trend in this area, and close on half of Poles (44%) declare that they segregate their rubbish³¹⁶, the amount of segregated waste collected is still not great³¹⁷. As a result Poland is having great difficulty achieving the basic EU advice concerning treating the use of landfill as a last solution.

A significant problem is the import of waste from countries bordering Poland. Despite Poland receiving transitional periods in terms of transboundary shipment of

³¹¹ *Ibid.*, p. 25–26; data source: Ministry of Environment, Department of Waste Management.

³¹² Resolution of the Council of Ministers no 233 of 29 December 2006 on "National waste management plan 2010" (Mon. Pol. Nr 90, poz. 946).

³¹³ *Ibid.*

³¹⁴ Ministry of Environment, *Sprawozdanie z realizacji krajowego planu gospodarki odpadami za okres od dnia 30 października 2004 r. do dnia 31 grudnia 2006 r.* [Report on the implementation of the national waste management plan from 30 Oct 2004 to 31 Dec 2006], Warszawa 2007, p. 24.

³¹⁵ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 11.

³¹⁶ Eurobarometer, *Attitudes of European citizens towards the environment, Results for Poland*, 2008, p. 2.

³¹⁷ Ministry of Environment, *Sprawozdanie ...* [Report ...], *op.cit.*, Warszawa 2007, p. 13.

waste as well as the relatively stringent policies of the Chief Inspector of Environmental Protection, it is possible to observe import of waste to the country which is trying to be passed off as products. This means that the country's processing facilities cannot keep up with the amount of waste generated nationally³¹⁸.

However, the infrastructure of waste management facilities has been significantly expanded. As early as in 2004–2006 there were completed – or were under construction – 154 undertakings in this regard³¹⁹. As an example, the GUS statistics showed an almost 48% growth in the numbers of waste incinerators with energy recovery in this period³²⁰.

As a result of the large-scale investment made in the years 2000–2007 in total, an almost 17-fold increase in the efficiency of equipment and installations for the disposal of waste took place³²¹. The major part of the investment in this area was made with the aim of meeting the organisational and technical requirements laid down in the Landfill Directive³²². In particular, in the years 2004–2007, a 32%³²³ growth in the number of landfill sites equipped with modern degasification installations was recorded. The inability of meeting the high EU standards in this area necessitates the modernisation of these facilities by those running them, or face the prospect of their closure. According to estimates by the Ministry of the Environment, in the period from the date of accession to 2012, 663 existing landfill sites required adaptation to the requirements of the Landfill directive, while 361 qualified for closure³²⁴. The scale of the activity needed is best testified to by the fact that in the year of accession 1049 urban landfill sites were in operation³²⁵.

The effectiveness of the actions taken in respect of the EU requirements in terms of waste management depends not only on the activity of industrial factories and the provision of the relevant infrastructure, but also to a large degree on individual consumers. The key to success lies in changing social behaviour, which should be accompanied by the appropriate public information campaigns, but also on expanding the system for collecting different types of waste.

³¹⁸ Resolution of the Council of Ministers no 233 of 29 December 2006 on "National waste management plan 2010" (Mon. Pol. Nr 90, poz. 946).

³¹⁹ *Ibid.*, pp.10, 11 and 85; data source: Ministry of the Environment, Department of Waste Management.

³²⁰ Source: own calculations based on: Central Statistical Office, *Ochrona środowiska 2006* [Environmental Protection 2006], Warszawa 2006, p. 367; Central Statistical Office, *Ochrona środowiska 2008* [Environmental Protection 2008], Warszawa 2008, p. 382.

³²¹ Central Statistical Office, *Notatka informacyjna Wyniki badań GUS Ochrona środowiska 2008* [memorandum on CSO Research Results, Environmental Protection], press release for the press conference on 23 December 2008, p. 2.

³²² Council directive 1999/31/EC of 26 April 1999 on the landfill of waste.

³²³ Source: own calculations based on: Central Statistical Office, *op. cit.*, p.352; Central Statistical Office, *op. cit.*, p. 374.

³²⁴ Ministry of Environment, *Informacja na temat dostosowania składowisk odpadów komunalnych w Polsce do wymagań Dyrektywy Rady w sprawie składowania odpadów* [Information on accommodating landfill waste sites in Poland to the requirements of the Council Directive on the landfill of waste Warszawa 2004, p. 3–4, http://www.mos.gov.pl/2materialy_informacyjne/inne/info_pl.pdf.

³²⁵ Central Statistical Office, *Ochrona środowiska 2005* [Environmental Protection 2005], Warszawa 2005, p. 351.

Use of EU structural funds

In adapting to meet community needs in the area of environmental protection in Poland a not insignificant role has been played by the financial input coming from EU structural funds.

In the years 2004–2006, funding for projects in the area of environmental protection could be gained from the Cohesion Fund (CF) – as part of the Framework Reference Document for Cohesion Fund for 2004–2006, as well as funds from the European Regional Development Fund (ERDF) – as part of the Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (SOP ICE), measure 2.4 „EU aid for enterprises adapting to environmental protection standards” and Integrated Regional Operational Programme (IROP), priority 1, measure 1.2 “Environmental Protection Infrastructure”. In the Financial Perspective 2004–2006, over 2.5 bn EUR was available for spending on the protection of the environment³²⁶. The highest, because almost total, level of use of the available support funds designated for protection of the environment was achieved in the case of investments made under the auspices of the ERDF. According to figures from the Ministry of the Environment, 97% of the allocation available for this aim as part of SOP ICE (as of the end December 2008) was utilised, as well as 96.46% of the IROP allocation (as of the end September 2008).

The aim of measure 2.4 SOP ICE was to increase the competitiveness of the Polish economy in the conditions of a unified market, through supporting enterprises in adapting to meet the needs of environmental protection. Polish businesspeople could apply for support in the areas of: carrying out investments necessary to gain an integrated permit, water and waste water management, atmospheric protection as well as the management of industrial and hazardous waste.

By the end of 2008, financial support for the implementation of 240 pro-environmental investments supported under SOP ICE measure 2.4 had been confirmed³²⁷. The majority, as many as 42% of all the projects carried out, consisted of actions aimed at supporting businesses in carrying out the investment necessary to gain an integrated permit³²⁸. One example is the project “Automation of the production process applying

³²⁶ J. Książek, *Analiza wykorzystania środków z funduszy europejskich na realizację przedsięwzięć z zakresu ochrony środowiska, raport wykonany na zlecenie Urzędu Komitetu Integracji Europejskiej* [Analysis of the use of EU funds on environmental protection projects, report commissioned by Office of the Committee for European Integration], Warszawa 2008, p. 3.

³²⁷ Data source: Ministry of Environment, Department of Infrastructure and Environment Operational Programme.

³²⁸ J. Książek, *op.cit.*, p. 13.

modern technology”, carried out in the Starachowice company Odlewnie Polskie SA, entailing the installation of an automated mould production line as well as a mould material production station, worth a total of 15.2 mln PLN³²⁹.

Projects connected with atmospheric protection enjoyed the least popularity, constituting barely 7% of all projects carried out. They were both the most cost-intensive projects, of which a prime example is the investment installing a wet combustion gas desulphuring plant in Elektrownia Rybnik, worth a total of 244.8 mln PLN. The smallest projects, however, mainly concerned investments carried out in terms of waste management, such as modernising a concrete mixing plant by adding a separator for recycling cement rinsings, with a total value of 78.7 thousand PLN³³⁰.

The regional distribution for the use of ERDF support funds as part of SOP ICE measure 2.4 ranges from the Śląskie Region, where 40 projects were carried out, to the Warmińsko-Mazurskie Region with the lowest (3) number of projects carried out³³¹. In total, recipients of measure 2.4 SOP ICE received over 702 mln PLN in support, of which over 527 mln PLN came from the ERDF³³².

Investment in the area of environmental protection as part of IROP (priority 1, measure 1.2.) were aimed at reducing the amount of pollution escaping into the atmosphere, water and soil, improving flood protection security, increasing the use of renewable energy, and also improving environmental management.

As part of measure 1.2 IROP, 201 agreements to carry out projects and 138 applications for final payment of the balance have been received. As of the end of September 2008 the level of ERDF payments amounted to 1.1 bn PLN. The average share of financing from ERDF funds in eligible expenditure came to as much as 72%. Since the inception of the activities of IROP, as part of the programme, the construction or modernisation of 1979 km of sewer networks, 619 km of water distribution networks, 40 waste water treatment plants and 22 water treatment plants has been supported³³³. One example is the project “Building a sewer and sewage treatment network in five villages in the Złota municipality, between Złota and Rudawa”, with a total value slightly over 5 mln PLN³³⁴.

³²⁹ Ministry of Environment, *Finansowanie ochrony środowiska z funduszy europejskich w Polsce w latach 2004–2006* [Financing environmental protection from EU funds in Poland 2004–2006], www.ekoportal.pl, p. 9.

³³⁰ Ministry of Environment, *Sukces działania 2.4. Wsparcie dla przedsięwzięć w zakresie dostosowania przedsiębiorstw do wymogów ochrony środowiska w ramach Sektorowego Programu Operacyjnego „Wzrost konkurencyjności przedsiębiorstw, lata 2004–2006”* [Success of measure 2.4 Support for undertakings adapting business to environmental protection requirements as part of the Sectoral Operational Programme “Growth of Industrial Competitiveness, 2004–2006”, http://www.ekoportal.pl/jetspeed/portal/portal/Fundusze_UE/SPO-WKP/sukces_dzialania_2_4_spo_wkp.psm].

³³¹ J. Książek, *op.cit.*, p. 13.

³³² Data source: Ministry of Environment, *Department...*, *op.cit.*

³³³ J. Książek, *op.cit.*, p. 15–16.

³³⁴ Ministry of Regional Development, *ZPORR 2004–2006 projekty dla rozwoju regionów* [Integrated Regional Operational Programme projects for regional development 2004–2006], Warszawa 2006, p. 28.

Projects co-financed by the Cohesion Fund were implemented considerably slower. As of the end October 2008, in the environmental sector, the implementation of 90 CF projects (including 43 projects accepted as part of the pre-accession ISPA Fund³³⁵), with a total eligible cost of over 4.2 bn EUR, as well as the total sum of CF grants approaching 2.9 bn EUR, had been confirmed³³⁶. This involved 88 investment projects and two technical assistance projects.

Investments from the sewage management area dominated, of which many were implemented as part of the NPMWWT. Among the 79 projects, the following construction or modernisation projects can be highlighted: waste water treatment plant, waste water collection and pumping, sewage and water systems, water treatment plant and even new water stand pumps. A prime example of this is the three stage project for water supply and sewage treatment in Warsaw, taking in a range of tasks in terms of the conversion and modernisation of the water and sewage networks and the conversion and modernisation of the "Czajka" waste water treatment plant³³⁷. Also worth highlighting are the projects providing comprehensive solutions to the problems of water supply and sewage treatment in the Śląsk agglomeration, and among them the inter-municipal investment of the towns: Sosnowiec, Mysłowice and Katowice, whose aim was to create combined sewage overflow for the waste water treatment plant Radocha II in Sosnowiec³³⁸.

The remaining investment projects carried out under the auspices of the CF concerned waste management (8 projects depending mainly on the construction or modernisation of sorting centres and landfill, and also composting sites) as well as atmospheric protection (a single project carried out to modernise a heating network)³³⁹.

The greatest number, as many as 18, CF projects in the environmental sector were carried out in the Śląskie Region, while the fewest (only one) in the Lubelskie Region. Good results in terms of the use of CF resources were also achieved in the Mazowieckie and Małopolskie Regions, where support was given to ten projects in each of these regions respectively. The average share of CF support in the total eligible cost of each project amounted to 67% (against a maximum possible share of 85%)³⁴⁰.

³³⁵ ISPA: *Instrument for Structural Policies for Pre-Accession* designated for EU candidate countries, operating on a similar basis to the Cohesion Fund.

³³⁶ J. Książek, *op.cit.*, p. 4.

³³⁷ This project has hit certain difficulties in the final phase of its implementation; more on this subject at: http://gospodarka.gazeta.pl/gospodarka/1,33181,6153374,H%C3%BCbner_Polski_rzad_dobrze_korzysta_z_funduszy_UE.html.

³³⁸ Data source: Ministry of the Environment, Cohesion Fund Project Database, http://www.ekoportal.pl/jetspeed/portal/portal/Fundusze_UE/Fundusz_spojnosci/projekty_2000_2006.psm1.

³³⁹ *Ibid.*

³⁴⁰ J. Książek, *op.cit.*, p. 4-6.

It seems that such a qualitative and quantitative spread of CF projects carried out around the country was determined in the main by the subjective and objective criteria for supporting projects. In accordance with the Framework Reference Document for Cohesion Fund for 2004–2006, support from CF funding in the environmental protection sector was only available for large scale infrastructure investments carried out by public bodies³⁴¹.

By the end of December 2008, only 49% of the CF allocation for the environmental sector had been used³⁴². Among the most commonly occurring causes of difficulty in using assistance funds were, apart from inconsistencies between Polish and community law, the complex rules for public procurement and exceeding the project costs³⁴³. It should also be recalled that Poland still has time till the end of 2010 to spend the CF funding allocated for the years 2000–2006³⁴⁴.

In the financial perspective 2007–2013, for investment in the area of environmental protection in Poland, almost three times the amount of funds for the years 2004–2006 has been allocated, that is almost 7.5 bn EUR – to be used as part of the Infrastructure and Environment Operational Programme (IEOP) and also the Regional Operational Programmes, from CF and ERDF funds³⁴⁵.

Despite certain delays in carrying out projects supported by EU structural funds, Poland has effectively used the funding allocated to it in the 2000–2006 financial perspective for carrying out environmental protection projects. A future challenge, though, will be the effective use of the allocation in the years 2007–2013. The experience gained thus far should be of assistance in the process of applying for assistance, as well as in terms of implementing the projects and settling the funds received.

Conclusions

This chapter presented the key areas of adaptational activities in the area of implementing community policy regarding protection of the natural environment in Poland.

In association with the necessity of adapting to the environmental standards of the EU, positive trends in terms of the improvement in the state of the environment have

³⁴¹ Such as, in particular local self-governments and their unions, municipal management businesses owned by municipalities.

³⁴² Data source: Ministry of Regional Development, Department of Coordination of Infrastructure Programmes.

³⁴³ *Prawie 100-proc. wykorzystanie funduszy strukturalnych 2004–2006 w Polsce* [Almost 100% use of structural funds in Poland 2004–2006], www.ukie.gov.pl/WWW/news.nsf/0/3AA706A20C2D1962C125750D00417756?Open.

³⁴⁴ Data source: Ministry of Regional Development, Department of Coordination of the Implementation of EU Funds.

³⁴⁵ J. Książek, *op.cit.*, p. 22; according to the Ministry of the Environment data as at January 2009, only 10 projects were approved by the Commission for co-financing under OPIE.

been noted. Air, water and soil purity has gradually improved, achieved despite concurrent economic development.

Adapting to community requirements in this area was, however, associated with a considerable level of financial outlay on the modernisation or construction of new installations.

Apart from the ongoing continuation of activities aimed at meeting EU requirements in the area of environmental protection, Poland also faced new challenges – this time with no concessions whatsoever in the form of transitional periods.

In this respect, it seems essential to continue the adaptational activities in terms of environmental protection, the enormous majority of which are connected with considerable financial investments. As far as further adaptational activities are concerned, it is essential to achieve the right balance of economic issues against environmental protection in the activities of Polish businesses. In this context, the ability of receiving financial support from EU assistance funds seems particularly important.

Small and medium-sized enterprises

The transformation of Poland's economy during the 1990s has contributed to a dynamic development of entrepreneurship and growth in the number of small and medium-sized enterprises (SMEs) in Poland. As a consequence, the role of SMEs on the eve of Poland's accession to the EU was crucial (considering e.g. their number, their headcount, and share in Poland's GDP). Five years after Poland's accession, they still play the same role. SMEs account for the vast majority of all enterprises operating in Poland³⁴⁶.

Before the accession, entrepreneurs were generally considered in the public opinion as a social group that benefited the most from Poland's integration into the EU. However, entrepreneurs themselves were much concerned about their European competitors. Entrepreneurs representing small businesses expressed the highest concerns and were also marked by the lowest level of knowledge about the EU. They based their opinions on stereotypes, getting information on the EU from the mass media and experiences of their own company and business practice³⁴⁷. However, after just one year of Poland's membership in the EU, opinions shifted – nearly every second entrepreneur expressed the view that business outlook after the accession is good, and only every sixth respondent claimed otherwise (vs. every fourth respondent a year before). Other entrepreneurs either did not recognise any impact of the accession on the future of their businesses, or were not able to assess its nature³⁴⁸. Also, it is worth stressing, that before the accession, the majority of entrepreneurs claimed that Poland's integration into the EU would have a positive effect on thriftiness and enterprise, as well as on the quality of interpersonal relations³⁴⁹.

³⁴⁶ PARP, *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2006–2007*, Warsaw 2008, p. 21.

³⁴⁷ Demoskop, *Przedsiębiorcy o problemach integracji Polski z UE*, March 1997; Z. Mach, *Polscy przedsiębiorcy o akcesji Polski do Unii Europejskiej*, [in:] *Spoleczne aspekty integracji Polski z Unią Europejską. Badania i ekspertyzy 2001–2002*, Monitor Integracji Europejskiej, Warsaw 2002, no. 54, p. 94–102.

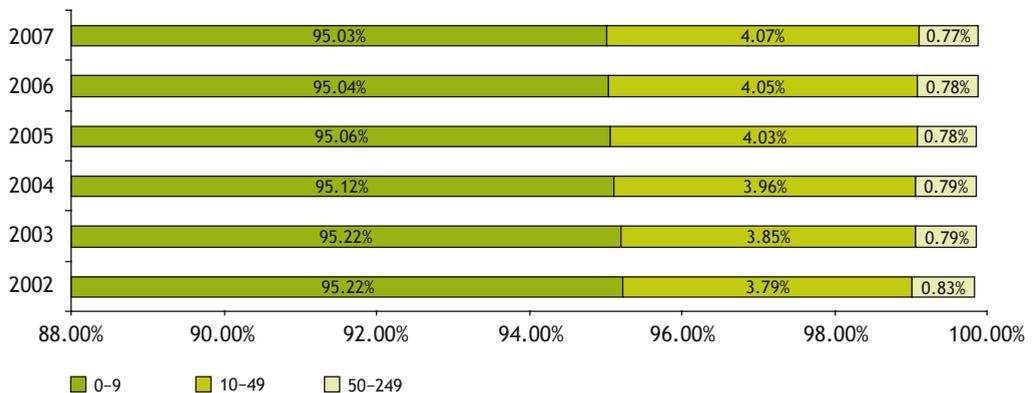
³⁴⁸ Krajowa Izba Gospodarcza (KIG, Polish Chamber of Commerce), *Wpływ przystąpienia Polski do UE na warunki prowadzenia działalności gospodarczej*, Warsaw 2005; KIG, *Badanie stanu przygotowania firm do działania na Jednolitym Rynku – CAPE 2004*, Warsaw 2004.

³⁴⁹ Z. Mach, *op.cit.*, p. 94–102.

Role of SMEs in Poland's economy

Small and medium-sized enterprises have been developing dynamically from the beginnings of Poland's political, social and economic transition. Their role in Poland's economy on the eve of accession to the EU was crucial both in terms of their number and headcount, as well as their share in GDP. In the past years, the importance of SME sector for the Polish economy and society has been on the increase³⁵⁰. SMEs account for about 99% of the total number of businesses in Poland, i.e. over 1.7 mln of active business entities³⁵¹. In this respect, Poland's economy is on par with other EU Member States. However, Poland's SME sector is very diversified, e.g. in terms of size, business specialisation, regional distribution, and export activities³⁵².

Chart 1. Structure of SME sector in Poland in 2002–2007



Source: Study by IBnGR based on: *Zmiany strukturalne grup podmiotów gospodarki narodowej w 2002–2007*, Central Statistical Office, Warsaw 2008, p. 13.

In 2003, Polish SME sector was dominated by micro-enterprises, representing over 95% of all enterprises from this sector. The low average employment rate (slightly over 2 employees per company) confirms that this sector was very fragmented. To a large extent, SMEs based their competitive advantage on low costs. As a result, they would take the lead in labo-

³⁵⁰ In 2006, the share of SMEs in GDP was 47.7% – in comparison, large companies with over 249 employees generated 22.7% of GDP. Data provided by the Central Statistical Office, after: PARP, *Raport...*, *op.cit.*, p. 18.

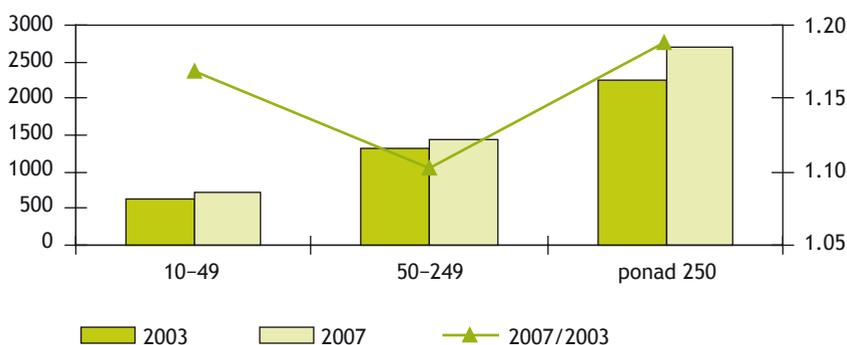
³⁵¹ Central Statistical Office, *Działalność przedsiębiorstw niefinansowych w 2007*, Warsaw 2009, p. 25.

³⁵² M. Grabowski, J. Lipiec, M. Tarkowski, *Wpływ członkostwa Polski w Unii Europejskiej na sektor MSP*, expert study prepared by IBnGR (The Gdańsk Institute for Market Economics) for UKiE, Warsaw 2008, p. 12–28.

ur-intensive sectors with low saturation of capital. After 5 years of Poland's membership in the EU, this picture has not changed – SME sector is still dominated by micro-enterprises.

The increase in headcount of an average enterprise confirms the slow process of concentration of Polish businesses (Chart 2)³⁵³. After the first year of Poland's membership in the EU, this process was listed as one of the effects of accession³⁵⁴.

Chart 2. Number of employees (in thousands – left axis) and its growth (right axis, 2003 = 1) by enterprise size, 2003–2007



Source: Calculations of IBnGR based on F-01 data, after: *Przedsiębiorczość w Polsce*, Ministry of Economy, Warsaw 2008, p. 12.

The highest increase in the number of employees in micro-enterprises in 2002–2007 (Table 1) was recorded in telecommunications (up by some 22%), manufacture of tobacco products (up by some 18%) and water transport (up by some 17%). These changes resulted mainly from deregulation of the telecoms sector, high market absorption, and the growing demand for services in the tourism sector. In the sector of medium-sized enterprises, in addition to companies representing telecoms and transport sectors, increased activity was recorded in education (up by 8%) and services (up by 7%). In the same sector, considerable increase in the number of companies was recorded in particular in air transport (up by over 30%) and manufacture of tobacco products (up by 20%). In air transport sector, the substantial growth in the number of newly established companies resulted, *inter alia*, from the development of low-cost airlines³⁵⁵. The same trend was observed for

³⁵³ *Ibid.*, p. 12–15.

³⁵⁴ *Sektor MSP rok po akcesji – próba oceny*, ed. M. Grabowski, *Polska w Unii Europejskiej doświadczenia pierwszego roku członkostwa*, Warsaw 2005, p. 22.

³⁵⁵ Since the date of Poland's accession to the EU, the number of holders of air transport licenses in Poland has been on the increase. As at the end of 2003, there were 5 license holders, compared to 15 as at the end of 2006. Cf. *Analiza Rynku Transportu Lotniczego w Polsce w latach 2004–2006*, Urząd Lotnictwa Cywilnego (Civil Aviation Office), Warsaw 2008, p. 29.

companies providing financial and insurance services (10%), in particular micro-enterprises³⁵⁶. Therefore, it seems that certain pre-accession forecasts indicating that manufacture of wood and of products of wood, manufacture of clothing and fur, as well as manufacture of furniture would benefit the most from Poland's accession to the EU, proved wrong³⁵⁷.

Table 1. Changes in the business structure of SME sector in Poland according to the highest increase in terms of the number of SMEs in 2002–2007 (%)

Business	Share of entities from SME sector in the total number of companies	Highest average increase in the number of companies			
		All SMEs	Micro 0–9	Small 10–49	Medium 50–249
Postal activities and telecoms	99.71%	21.25%	22.04%	10.67%	5.08%
Water transport	99.36%	16.58%	17.72%	2.27%	-1.43%
Manufacture of coke, refined petroleum products, and nuclear fuels	94.22%	12.34%	16.95%	5.05%	5.82%
Air transport	97.85%	12.26%	13.57%	4.77%	30.67%
Manufacture of tobacco products	75.40%	12.25%	18.70%	0.95%	20.48%
Waste management	99.84%	10.81%	11.84%	6.22%	-1.79%
Research and development	95.81%	10.46%	13.26%	3.16%	-2.70%
Mining of coal and lignite; extraction of peat	91.01%	10.13%	12.01%	5.42%	6.79%
Financial service activities, except insurance and pension funds	99.65%	10.00%	10.86%	-0.07%	3.64%
Management of real estate	99.94%	8.88%	8.99%	5.60%	-0.24%
Manufacture of other transport equipment	99.12%	7.64%	7.88%	4.04%	4.62%
Activities of other membership organisations n.e.c.	99.83%	6.39%	6.41%	6.47%	4.12%
Education	99.86%	6.03%	5.67%	8.04%	1.15%
Information technology	99.96%	5.65%	5.66%	5.80%	1.67%
Manufacture of basic metals	94.63%	5.33%	6.03%	3.60%	4.99%

Source: Study by IBnGR based on: *Zmiany strukturalne grup podmiotów gospodarki narodowej w 2002–2007*, Central Statistical Office, Warsaw³⁵⁸.

The largest drop in the number of companies in 2002–2007 (Table 3) was recorded in the leather business (5%), mainly affecting micro- and medium-sized enterprises. The same holds true for the fur business (down by nearly 3%). Pre-accession forecasts regarding pro-

³⁵⁶ *Ibid.*, p. 19.

³⁵⁷ UKiE, *Wpływ...*, *op.cit.*, p. 41.

³⁵⁸ *Ibidem*, p. 20.

blems faced by manufacturers of leather and fur apparel proved right in the longer term³⁵⁹. These businesses recorded the highest drop in terms of their number in 2002–2007³⁶⁰.

Also, it should be noted that SMEs often changed their business profile in order to survive in the market or strengthen their market position.

Table 2. Changes in the business structure of SME sector in Poland according to the highest decrease in terms of the number of SMEs in 2002–2007 (%)

Business	Share of entities from SME sector in the total number of companies	Highest average decrease in the number of companies			
		All SMEs	Micro 0–9	Small 10–49	Medium 50–249
Manufacture of leather and leather products	99.71%	-5.04%	-5.36%	-0.05%	-4.08%
Insurance, reinsurance and pension funding, except compulsory social security	98.05%	-3.80%	-3.84%	-6.55%	4.78%
Manufacture of wearing apparel and fur apparel	99.72%	-2.71%	-2.99%	0.00%	-1.40%
Forestry, including services	99.97%	-2.04%	-2.18%	6.01%	-3.00%
Manufacture of other non-metallic products	99.49%	-1.53%	-1.62%	-0.20%	-2.68%
Manufacture of food products and beverages	98.99%	-1.29%	-2.16%	1.26%	1.07%
Renting of machinery and equipment without operator and of personal and household goods	99.98%	-1.06%	-1.11%	3.48%	-0.45%
Land transport; transport via pipelines	99.92%	-1.02%	-1.15%	10.76%	0.75%
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	99.85%	-1.00%	-1.28%	3.31%	1.95%
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	99.98%	-0.88%	-0.95%	4.77%	-3.17%
Manufacture of radio, television and communication equipment and apparatus	99.45%	-0.75%	-0.65%	-1.51%	-5.16%
Manufacture of textiles and textile products	99.26%	-0.57%	-0.91%	2.96%	-0.26%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	99.97%	-0.30%	-0.38%	3.17%	-1.07%
Transport, storage and communication	99.91%	-0.27%	-0.39%	8.00%	1.06%
Manufacture of furniture; manufacturing n.e.c.	99.75%	-0.20%	-0.40%	2.97%	2.69%

Source: Study by IBnGR based on: *Zmiany strukturalne grup podmiotów gospodarki narodowej w 2002–2007*, Central Statistical Office, Warsaw³⁶¹.

³⁵⁹ UKiE, *Wpływ...*, *op.cit.*, p. 41.

³⁶⁰ M. Grabowski, J. Lipiec, M. Tarkowski, *op.cit.*, p. 20.

³⁶¹ *Ibid.*, p. 20.

In 2007, revenues of non-financial enterprises sector (over 49 employees) increased by 14.6% vs. 2006 (in real terms, up by 12.0%) and reached the highest level since 1998³⁶². This trend reflected the overall economic situation in the years 2004–2007. In general, SMEs took advantage of the economic upturn. Analysis of this data indicates that the most flexible businesses, quickly responding to market developments, adjusting their strategies to the specific business environments, and taking advantage of the benefits of Poland's membership in the EU, recorded the best results. Beyond any doubt, this increase in profitability recorded by SMEs resulted also from the injection of EU funds, earmarked mainly for the support to the sector's competitiveness.

Although SMEs account for the vast majority of businesses in Poland, their share in total capital expenditure³⁶³ has not only remained low since 2004, but has even been decreasing. For instance, capital expenditure of small enterprises in 2004 represented 25.5% of the total capital expenditure. In 2007, this share dropped to 23.7%. In 2004, capital expenditure of medium-sized enterprises represented 24.3% of the total capital expenditure. In 2007, this share totalled 24.1%³⁶⁴. It may result *inter alia*. from more difficult access to external financing than in the case of large companies. In 2004–2007, the highest investments were made by SMEs representing the following sectors: manufacturing, wholesale and retail trade and repairs, as well as management of real estate and business activities³⁶⁵.

The structure of business sectors and its changes in the period 2002–2007 indicate that about 40% of SMEs operated in sectors with low capital intensity, 30% of which were companies that required no specific qualifications or skills from their employees (e.g. wholesale and retail trade). Increase was recorded in the sector of management of real estate, linked with the increasing demand for real property (up by about 9%). Interestingly, a relatively high increase was recorded by transport companies in terms of their number. Poland's integration into the EU increased profitability of this sector, mainly based on the reduction of transaction costs in international transport and increase in the efficiency of the means of transportation. The dynamic growth in the number of small transport companies may also be attributed to liberalisation of

³⁶² National Bank of Poland, Ocena kondycji ekonomicznej sektora przedsiębiorstw niefinansowych w 2007 roku w świetle danych F-01/I-01, NBP, Central Statistical Office, p. 7.

³⁶³ According to the methodology adopted by the Central Statistical Office, CAPEX includes investments in new assets, upgrade of new assets, and purchase of used PP&E (GUS, *Działalność przedsiębiorstw niefinansowych 2004–2006*)

³⁶⁴ Central Statistical Office, *Działalność przedsiębiorstw niefinansowych 2004*, Warsaw 2006, p. 22; Central Statistical Office, *Działalność przedsiębiorstw niefinansowych 2007*, Warsaw, p. 33.

³⁶⁵ Sections A, B and M (forestry, fishing, and education) were not considered, as their statistics are unavailable under the statistical confidentiality requirement pursuant to the Law on Public Statistics.

access to the EU market in freight transport by road (even though liberalisation did not cover cabotage).

Statistics provided by the Central Statistical Office (GUS) indicate that in the area of exports, large companies benefited from Poland's membership in the EU to a much larger extent than SMEs³⁶⁶. In the case of large businesses, export revenues increased from 18.9% to 23%. In the case of SMEs³⁶⁷, the share of export sales remained practically constant and is lower than for large companies (Table 4). According to data provided by Polish Confederation of Private Employers Lewiatan, about 80% of SMEs are not interested in export sales at all³⁶⁸. It results from the correlation between company size and its exports activities (the smaller the company, the less active). SMEs that tried to strengthen their position in foreign markets took advantage of the simplified export procedures and reduction of red tape³⁶⁹. Still, the majority of SMEs sold their products in the Polish market (also owing to a strong increase in domestic demand and appreciation of PLN)³⁷⁰.

Table 3. Changes in the share of export sales in net revenues of Polish enterprises (by company size) in the period 2003–2007 (%)

Employer of	2003	2004	2005	2006	2007
Over 9 employees	14.8	16.0	16.0	17.0	18.0
10-49	7.3	8.0	8.0	8.0	7.0
50-249	11.9	12.0	12.0	13.0	12.0
Over 250 employees	18.9	20.0	21.0	23.0	23.0

Source: IBnGR based on GUS F-01 data, after: *Przedsiębiorczość w Polsce*, Ministry of Economy, Warsaw 2008; M. Grabowski, J. Lipiec, M. Tarkowski, *op.cit.*, p. 27.

In many studies and expert opinions prepared before 2004, the hypothesis was adopted that the impact of accession on the SME sector will depend on the region³⁷¹. Authors of those studies argued that the more developed regions of Poland located near the western Polish border, with stronger business links with their main partners from Member States, with higher employment rates and social and economic development,

³⁶⁶ Being in better financial condition as a rule, large enterprises invest in state-of-the-art technologies and techniques, improving their market competitiveness.

³⁶⁷ Data on small- and medium-sized enterprises – micro-enterprises are not covered by this analysis, as they do not submit F-01 forms.

³⁶⁸ Data for the period 2004–2009.

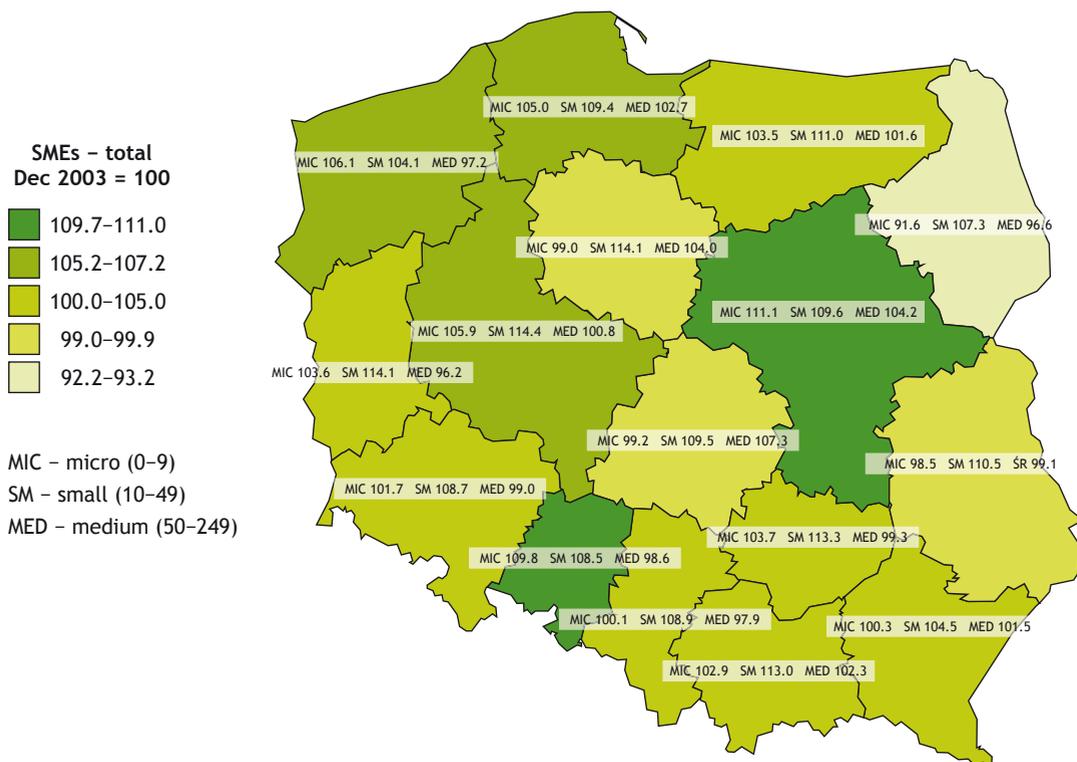
³⁶⁹ It applies mainly to Member States. As regards trade with third countries, certain difficulties were identified resulting from changes in trade regulations.

³⁷⁰ In the future, export activities will depend on, *inter alia*, international economic situation and the shift of Polish SMEs to *high-tech* production.

³⁷¹ M.W. Kozak, *Skutki integracji z UE dla polskich regionów*, [in:] *Korzyści i koszty członkostwa Polski w Unii Europejskiej – raport z badań*, ed. Z. Jurkowlaniec, Centrum Europejskie Natolin (Natolin European Centre), Warsaw 2003, p. 67–95.

would benefit more from Poland's membership in the EU. It was therefore assumed that SME sector should develop faster in provinces of western Poland and largest urban centres (Warsaw or Silesia, for instance). This phenomenon is confirmed by statistics provided by the Central Statistical Office (Chart 3). However, these regional differences are smaller than expected. It appears that the period of five years of Poland's membership in the EU is in fact too short for any major changes in this area. Considering the amount of funds available in the current programming period (2007–2013), it may be assumed that the impact of Poland's integration into the EU on the regional differentiation of SMEs will further increase, although it will be limited mainly to indirect effects through the upgrade and extension of infrastructure³⁷².

Chart 3. Changes in the number of SMEs in Poland in 2008 by regions



Source: Study by IBnGR based on data of Central Statistical Office³⁷³.

³⁷² M. Grabowski, J. Lipiec, M. Tarkowski, *op.cit.*, p. 35–36.

³⁷³ *Ibidem*, p. 35.

Impact of structural funds on the Polish SME sector

One of the main direct benefits of Poland's accession to the EU for SME sector was the access to structural funds (SF)³⁷⁴. In 2004–2007, this sector received about PLN 2.2 bn in assistance, i.e. nearly 58% of all structural expenditure on the Polish SME sector³⁷⁵. Effects of the implementation of programmes co-financed with EU funds are becoming increasingly more visible. However, several years are still needed to conduct a complete analysis of the impact of EU funds on the Polish SME sector. At the moment, it is still too early in the day to assess the sustainability of the positive changes.

Structural funds for the period 2004–2006 were available for Polish businesses since 2004 under the National Development Plan (NDP). The majority of projects (about 84%) with entrepreneurs as beneficiaries were contracted for implementation under two operational programmes: Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (SOP ICE)³⁷⁶ and Integrated Regional Operational Programme (IROP)³⁷⁷. The majority of projects were implemented in regions marked by the highest level of economic development (Mazowieckie, Śląskie and Wielkopolskie)³⁷⁸.

The overriding objective of SOP ICE was to improve the competitiveness of Polish enterprises operating in the open market. For instance, according to beneficiaries, implementation of projects under Measure 2.3 of SOP ICE (Investment aid for SMEs) resulted in the upgrade of technologies used by SMEs (91% responses), improvement of Health and Safety (78%), increased investment potential (50%), and reduction of environmental impacts (40%). In terms of the impact of projects, the lowest ranks were assigned to co-operation in R&D (4%) and starting co-operation with other enterprises (12%)³⁷⁹.

Studies on the impact of SOP ICE on the employment in the enterprises sector indicated that the programme contributed to the overall increase in headcount. The number of jobs established directly or indirectly in the group of enterprises-beneficiaries

³⁷⁴ However, we should not forget grants received by SME sector in the pre-accession period from PHARE (*Poland and Hungary Assistance for Reconstructing of their Economies*). For example: *PHARE 2000 Krajowy Program Rozwoju MSP (National SME Development Programme)*, or the project *Ułatwianie małym przedsiębiorcom dostępu do wiedzy w zakresie prowadzenia firmy (Facilitating access to knowledge to young entrepreneurs on how to conduct business)*.

³⁷⁵ W. Misiąg, M. Tomalak, *Wpływ wydatków z funduszy strukturalnych i Funduszu Spójności na stan finansów publicznych w latach 2004–2007, aktualizacja*, Ministry of Regional Development, Warsaw 2008, p. 59.

³⁷⁶ SOP ICE covers the following measures: SOP ICE Measure 2.1 – Consultancy aid for SMEs, SOP ICE Measure 2.2.1 – Support for entrepreneurs making initial investments, SOP ICE Measure 2.3 – Investment aid for SMEs, SOP ICE Measure 1.2.1 – Support for micro-loan funds, SOP ICE Measure 1.2.2 – Support for guarantee funds, SOP ICE Measure 1.2.3 – Supporting the creation of Seed Capital Funds, SOP ICE Measure 1.1.2 – Support for business environment institutions and networks of business environment institutions.

³⁷⁷ IROP covered 4 Priorities (Development and modernisation of the infrastructure to enhance the competitiveness of regions, Strengthening the human resources development in regions, Local development, Technical assistance), and a number of Measures under each Priority; for more information, visit www.zporr.gov.pl.

³⁷⁸ Ministry of Regional Development, *Oddziaływanie funduszy strukturalnych i Funduszu Spójności na gospodarkę Polski w latach 2004–2007 (I poł. roku)*, p. 66.

³⁷⁹ D. Jabłońska, *Wpływ funduszy strukturalnych na rozwój polskich firm* (presentation), PARP, Warsaw 2009.

of SOP ICE totalled about 80 thousand. The majority of these jobs were created by medium-sized enterprises (47% of all new permanent jobs)³⁸⁰.

The impact of SOP ICE on the level of innovation in the Polish economy as a whole was rather moderate. However, the programme had a major positive impact on its beneficiaries. Nearly half of respondents (46%) claimed that in the past 3 years, the level of innovation in their companies had definitely improved (vs. only 13% of entrepreneurs who did not receive assistance)³⁸¹.

The majority of respondents representing business environment institutions and entrepreneurs claimed that SOP ICE contributed to the improvement of the competitiveness of enterprises also by improving the quality of services provided by business environment institutions. Components of quality listed by respondents included better availability in terms of territory (physical access), costs (reduction of service costs), number (more institutions), and content (development and improvement of services)³⁸². As improvement of competitiveness of the economy in the long term is related to the intensity of its links with the R&D sector, support for industrial parks, science and technology parks, and technology incubators is of key importance (SOP ICE Measure 1.3). This assistance helped create good conditions for the development of enterprises (mainly companies in the process of dynamic development)³⁸³. Enterprises used infrastructure created as part of the project – including office spaces, production and storage facilities, roads, and specialised infrastructure. In Poland, the impact of parks and incubators remains local in scope (the scale of these projects is too limited to impact the economy of the entire region). However, the impact of parks and incubators on the employment in SMEs is evident, although not measurable at this stage. On the other hand, the impact of investments on the level of innovation was not positive according to respondents. Their role as a link between science and business does not work in practice³⁸⁴. According to experts, the percentage of respondents who responded positively to the following question: *Have representatives of technological park/incubator offered any help regarding co-operation with a research centre?* is too small (45%). The impact of the survey was weakened by the fact that out of all companies that received such an offer, only 41%

³⁸⁰ InfoAudit, Europejskie Centrum Consultingu (European Consulting Centre), Tyc G., *Wpływ realizacji SPO WKP lata 2004–2006 na poziom zatrudnienia w sektorze przedsiębiorstw*, Warsaw 2009, p. 3.

³⁸¹ PAG Uniconsult, *Wpływ realizacji SPO WKP lata 2004–2006 na poziom innowacyjności polskich przedsiębiorców*, Warsaw 2008, p. 3.

³⁸² PSDB, WYG International, *Raport z badania: Instytucje otoczenia biznesu wspierane w ramach Sektorowego Programu Operacyjnego Wzrost konkurencyjności przedsiębiorstw, lata 2004–2006: określenie wpływu Programu na ofertę usługową oraz poziom jakości świadczonych usług*, Warsaw 2007, p. 23.

³⁸³ PAG Uniconsult, *Raport końcowy z badania ewaluacyjnego: Ocena rezultatów wsparcia parków przemysłowych, parków naukowo-technologicznych oraz inkubatorów technologicznych w ramach działania 1.3 SPO-WKP*, Warsaw 2008.

³⁸⁴ *Ibid.*, p. 60.

used it. Furthermore, out of 50 technological parks/incubators, only 9 companies decided to start such co-operation³⁸⁵.

SOP ICE provided support also for loan funds and guarantee funds. According to the Evaluation Report for Sub-Measures 1.2.1 and 1.2.2, these funds considerably improved their potential for the grant of loans and guarantees to the smallest companies that find it very difficult to receive a bank loan³⁸⁶. According to entrepreneurs, advantages of loan funds are as follows: individual approach to customers, accepting borrowers with no history of borrowings, flexible forms of security, as well as simple and quick procedures. As for guarantee funds, their main advantage is in the efficient and quick evaluation procedure³⁸⁷.

At the regional level, IROP offered support that was complementary to SOP ICE. In particular, IROP 2004–2006 Priority 3: Local Development included Measure 3.4 Micro-enterprises. The objective of this Measure was to improve the competitiveness of micro-enterprises by facilitating access to specialist advisory services and improving investment capacities at the early stage of operation. Results of evaluations (data from three regions – Dolnośląskie, Śląskie, and Podkarpackie) indicate that this assistance contributed to the increase in the number of employees³⁸⁸. This conclusion was true for 86.4% of respondents. Every tenth micro-enterprise (9.4%) recorded no changes in this area, while 4.2% of respondents recorded a drop in the number of employees compared to the period before the grant³⁸⁹. The majority of enterprises for which it was possible to analyse data from the period both before and after the grant, recorded an increase in revenues (61% of micro-enterprises). 28.6% of respondents recorded no changes in the level of revenues, while every tenth company (10.4%) observed a drop in revenues.

Leverage³⁹⁰ was recorded by a vast majority (82.3%) of respondents – who confirm to have employed additional own funds in excess of the required contribution for the implementation of Measure 3.4 under IROP³⁹¹. Multiplier effect was recorded by 61.7% of micro-enterprises, and 38.3% respondents did not take any additional investment actions (in addition to the grant).

³⁸⁵ *Ibid.*, p. 64.

³⁸⁶ For example, beneficiaries of Sub-Measure 1.2.1 implemented almost three times more projects than funds that did not benefited from SOP ICE, [in:] K. Zielińska, *Wyniki ewaluacji poddziałania 1.2.1 i 1.2.2 SPO WKP* (presentation), Warsaw 2008.

³⁸⁷ PARP, *Raport z ewaluacji poddziałania 1.2.1 i 1.2.2 SPO WKP*, Warsaw 2008.

³⁸⁸ Resource, *Analiza wpływu wsparcia udzielonego w ramach Działania 3.4. Zintegrowanego Programu Operacyjnego Rozwoju Regionalnego 2004–2006 na wzrost konkurencyjności mikroprzedsiębiorstw*, Poznań 2007.

³⁸⁹ *Ibid.*, p. 8.

³⁹⁰ Leveraging occurs when the grant of funds for the implementation of a certain project increases the financial involvement of private sector in this project.

³⁹¹ *Ibid.*, p. 9.

Assistance granted under IROP Measure 3.4 also increased the number of customers for products/services (according to as many as 90% of respondents). 87.4% of respondents used the assistance to purchase new equipment necessary to conduct their business.

Structural funds for the period 2007–2013 that were of particular interest to SMEs included Innovative Economy Operational Programme (IE OP) and Human Capital Operational Programme (HC OP). For instance, in 2008, under IE OP more than 2300 grant applications were submitted, of which nearly 89% (over 2050) passed the formal evaluation phase, and nearly 50% (over 1070) passed the individual assessment stage³⁹². It is still too early to analyse the impact of these programmes on the SME sector (especially that some of these projects were launched in early 2009). However, outlook seems good, although much will depend on the sector's ability to utilise these funds properly.

When discussing the impact of funds on the SME sector, we must mention a number of initiatives and grants promoting equal recruitment and employment conditions, combating discrimination, creating good workplace relations and working conditions, as well as making employers more aware of the broadly defined ethics in employer-employee relations³⁹³. Many Community programmes are focused on the development of entrepreneurship among women and people with disabilities.

Despite many examples of good practices (i.e. selected examples of successful projects supported with EU funds), the exchange of information on these funds is still a problem³⁹⁴. It is confirmed by studies carried out by the Polish Agency for Enterprise Development (PARP), Polish Chamber of Commerce (KIG), or Polish Confederation of Private Employers Lewiatan (PKPP Lewiatan). Attention is drawn mainly to the excessively complicated procedures and incomplete or unclear information. To eliminate these problems, Ministries are developing new solutions. Ministry of Regional Development is responsible for the majority of works focused on the simplification of legal regulations for entrepreneurs in connection with the implementation of structural funds and the Cohesion Fund. Under the previous financial perspective, actions were taken to, *inter alia*, reduce the number of annexes to applications submitted by beneficiaries, allow for the introduction of technical corrections in payment applications (without sending them back to applicants), and replace the quarterly reporting timeframe with a semi-annual

³⁹² Data provided by Ministry of Regional Development.

³⁹³ For instance, the project implemented under Community Initiative EQUAL and co-financed by the European Social Fund: *Zatrudnienie Fair Play. Promocja kultury przedsiębiorczości i etyki rynku pracy (Employment Fair Play. Promotion of Business Culture and Labour Market Ethics)*.

³⁹⁴ Cf. the Polish Agency for Enterprise Development (PARP), *Dobre praktyki SPO RZL. Projekty nakierowane na doskonalenie umiejętności pracowników i menedżerów firm, dofinansowane w ramach Sektorowego Programu Operacyjnego Rozwój Zasobów Ludzkich, lata 2004–2006*, ed. J. Gontarz, Warsaw 2008; PARP, *Dobre praktyki. Wybrane projekty doradcze i inwestycyjne małych i średnich firm dofinansowane z Sektorowego Programu Operacyjnego Wzrost konkurencyjności przedsiębiorstw, 2004–2006*, ed. J. Gontarz, Warsaw 2008.

timeframe³⁹⁵. These issues are now handled by the Team for the Simplification of EU Funds Implementation System “Simple Funds”. Its tasks include the development of proposals as to the simplification of EU funds implementation system in the financial perspective 2007–2013, drafting reports on the proposed and implemented simplifications, as well as comparative studies of the Polish system and systems adopted in other Member States. In addition, guidelines are being developed to make it easier for entrepreneurs to utilise EU funds efficiently – also in the form of “Guides”³⁹⁶.

Innovation of SMEs³⁹⁷

Innovation is one of the main factors determining the market position of an enterprise. Studies have shown that companies that introduce innovation are more profitable. However, innovation dynamic is still what is missing in Polish enterprises³⁹⁸. According to entrepreneurs, barriers to investments in new technologies include mainly financial factors – high costs, insufficient own funds, difficulties in securing sources of external financing, and high risks of failure. Difficulties in securing external financing have always been a problem, especially for SMEs. Therefore, assistance under a variety of Community programmes, even though it is not always easy to obtain, is of key importance for SMEs.

As of 2004, new sources of financing from the cohesion policy funds have been available for entrepreneurs³⁹⁹. Evaluations have defined a number of positive aspects of this financing, including making entrepreneurs aware of the benefits of co-operation with institutions offering external financing, improvement of staff qualifications, as well

³⁹⁵ More i. a. [in:] *Odpowiedź sekretarza stanu w Ministerstwie Rozwoju Regionalnego – z upoważnienia ministra – na interpelację nr 195 w sprawie wprowadzenia ulatwień dla małych i średnich przedsiębiorstw w odniesieniu do procedur ubiegania się o środki pomocowe z Unii Europejskiej*, 4 January 2008, <http://www.sejm.pl>.
³⁹⁶ For instance, Polish Confederation of Private Employers Lewiatan (PKPP Lewiatan), *Mapa przedsiębiorcy 2007–2013*, Warsaw 2008, <http://www.mapaprzedsiębiorcy.pl>.

³⁹⁷ Based on: dr B. Marciniec, *Integracja Polski z UE jako milowy krok w innowacyjną przyszłość*, expert study for UKIE, Warsaw 2008.

³⁹⁸ In the case of Polish companies, indicators of the share of innovative SMEs (13.80% vs. EU-27 average of 21.57%) and the share of enterprises receiving State aid for innovative projects (30% of the EU average) are particularly low. The indicator of innovation expenditure of Polish companies, calculated as the percentage of their turnover, is also below the EU average (EU-27 – 1.87%, Poland – 1.56%; in comparison, in the Czech Republic – 2.15%). As regards the key innovation indicators, Poland's average is slightly above the EU-27 average only in terms of the company turnover coming from new products. It results from the fact that up until recently, emphasis has been placed on the restructuring and establishment of new enterprises rather than on the development of their scientific base and implementation of new technologies. Cf. *Czy warto inwestować w innowacje? Analiza sektora badawczo-rozwojowego w Polsce*, KPMG, Warsaw 2009 and PARP, *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2006–2007*, Warsaw 2008.

³⁹⁹ Structural funds have been available for entrepreneurs since 2004 under the National Development Plan for 2004–2006. In particular, innovative projects are supported from SOP ICE (Improvement of the Competitiveness of Enterprises), SOP HRD (Human Resources Development), and IROP. Forms of expenditure of EU funds in 2007–2013 are defined in National Strategic Reference Frameworks (NSRF). IE OP (Innovative Economy) is the key instrument of NSRF, focusing on the improvement of competitiveness of enterprises by increasing their innovation level. The total of EUR 9.7 bn was earmarked for this purpose. In addition, elements of innovation may be supported from HC OP (Human Capital), OP I&E (Infrastructure and the Environment), and, on a smaller scale, 16 Regional Operational Programmes.

as increase in employment and revenues⁴⁰⁰. Analysis of the effects of structural funds used in 2004–2006 in the area of innovation pointed to the increase in investment expenditure after 2004. Compared to other companies, beneficiaries of structural funds invest more in the purchase of automatic, computer-controlled production lines. However, it is still too early to identify any sustainable results of these projects. In the group of entrepreneurs who used this assistance, 46% claimed that in the past three years, innovation level in their company had definitely improved, compared to only 13% in the group of companies that did not use any assistance.

As mentioned before, large-scale support from public business environment institutions, such as technology transfer centres, technology incubators, as well as science and technology parks, was used after the accession. This assistance contributed to a great extent to the improvement of innovation level. Funds for the development of a network of business environment institutions were earmarked under SOP ICE. These projects are continued under SOP IE, focusing on the provision of end-to-end assistance to newly established or developing technology enterprises, based on highly specialised laboratories in the selected science and technology parks. Brand new solutions have also been developed for the support of co-operation among enterprises, including clusters. These opportunities should be fully utilised, considering that clusters are gaining in popularity in Poland, but – despite the common belief – only a small number of model, developing, and effective cluster initiatives currently exist in Poland. The importance of EU assistance in this area was confirmed by results of the study, which indicated that the majority of cluster participants were planning to apply for EU support to the development of cluster initiatives⁴⁰¹.

Assistance from structural funds was also of key importance to R&D activities of enterprises. Under SOP ICE, the amount of assistance to R&D Project increased, and public funds for the support of R&D activities were made available to enterprises without the need to co-operate with public science and research institutions. The extent of this support was further increased under IE OP. Under a new formula of targeted projects, combined with assistance for the implementation of their effects, co-financing of R&D activities together with implementation investments from public funds is now available for enterprises. In addition, IE OP offers support for enterprises preparing themselves to obtain the status of a Research and Development Centre.

⁴⁰⁰ Analysis of the impact of assistance from Measure 3.4 of the Integrated Regional Operational Programme (IROP) on the increase in competitiveness: Micro-enterprises.

⁴⁰¹ J. Hołub-Iwan, M. Małachowska, *Rozwój klastrów w Polsce. Raport z badań*, Szczecin 2008.

With the simplification of procedures and better skills of beneficiaries as regards the procedure of obtaining and management of funds, as well as the development of information and advisory networks, the amount and scale of utilisation of financing under structural funds is constantly increasing. However, the demand for assistance among SMEs is still not satisfied. This demand exceeds the available funds by several times, especially in the area of investments (e.g. in the case of SOP ICE – from 1.5 to 6 times)⁴⁰².

Already in the pre-accession period, enterprises and public science and research institutions gained access to financing under Framework Programmes for Research and Technological Development. However, these funds are very difficult to obtain, which is confirmed by data on the share of Polish entities in subsequent Framework Programmes (5th FP in 1998–2002, 6th FP in 2003–2006, and 7th FP in 2007–2009). These statistics indicate that the number of Polish entities participating in these programmes is relatively low compared to other Member States⁴⁰³.

Conclusions

In the past five years, SMEs recorded an increase in employment, revenues, and profitability. In particular, the third year of Poland's membership in the EU was the period of strong economic growth, which was reflected in good financial results recorded by enterprises. However, costs and benefits of membership were not uniformly distributed among all enterprises, business areas, and sectors.

Also, as expected before the accession, development of SMEs depended on the region, but the scale of these differences was lower than expected. The same holds true for the process of business concentration, which has not reached the forecast level.

Changes in the labour market in the period 2003–2007 influenced also the SME sector; SMEs had to compete for employees, for instance by increasing salaries.

SMEs focusing on export sales had to face competition in the EU's single market. Today, we may conclude that skills and innovation are key to the successful adaptation of company strategies to the new environment, and success depends on whether entrepreneurs are able to take full advantage of the opportunities offered by this large market. These changes signal the shift from price-based to quality-based competition among Polish companies.

⁴⁰² A. Ciechanek, P. Czyż, T. Klimczak, A. Kowalczyk, K. Pylak, *Poziom absorpcji przez małe i średnie przedsiębiorstwa środków w ramach sektorowego programu operacyjnego wzrost konkurencyjności przedsiębiorstw, lata 2004–2006*, Warsaw 2007.

⁴⁰³ Competitiveness and Innovation Framework Programme (CIP) was omitted as no data on its participants is available.

Still, structural funds were a very important factor of development for the majority of SMEs in this period. As SMEs tend to move on from the strategy of price-based competitiveness to quality-based competitiveness, they need to take account of increased investments (e.g. in new technologies). EU funds are an important source of funding in this area. Effects of this funding (extension and upgrade, increased headcount, innovation, access to new sources of financing, etc.) will be visible only in a long term, especially that new, even larger injections of EU funds are expected in the years to come.

In conclusion, Poland's accession to the European Union was to the advantage of the Polish SME sector. It is worth pointing out that EU membership highlighted certain good qualities of Polish entrepreneurs, such as experience, education, as well as readiness to invest and recruit new employees. Still, Polish SMEs face many challenges. It seems that, when the EU's common market is complete, SMEs will be able to fully utilise their potential, also by strengthening their position in the global market.

Innovation

Innovation is becoming an increasingly important item on the EU policy agenda, in particular since the adoption of the Lisbon Strategy in 2000 and its renewal in 2005. The main purpose of the Strategy is to build a knowledge-based economy⁴⁰⁴. Since that time, many initiatives have been undertaken, among which one that deserves particular attention is the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions *Putting knowledge into practice: A broad-based innovation strategy for the EU*⁴⁰⁵ published in 2006. The Commission presented there a list of ten priority actions aimed at facilitating the free movement of knowledge in the EU, creation of a single labour market for researchers („the 5th freedom”), promotion of clusters, eco-innovations, use of the public procurement to stimulate innovation or development of lead markets.

The to-date statistical data on the innovation level of the Polish economy do not give grounds for optimism. Poland, one of the larger EU countries with a very high economic growth rate, is marked by a very low innovation index. In 2007, it totalled 0.24 and was almost by half lower than the EU average (0.45). In consequence, in innovation rankings such as the *Summary Innovation Index*, Poland is in one of the bottom positions. In addition, only 20% of innovative solutions are developed as a result of R&D works, with the remaining 80% coming from outside⁴⁰⁶.

⁴⁰⁴ The term „knowledge economy” is commonly used to describe economic activity that relies not on „natural” resources (like land or minerals) but on intellectual resources such as know-how and expertise. A key concept of the knowledge (-based) economy is that knowledge and education (also referred to as „human capital”) can be treated as a commercial asset or as educational and intellectual products and services that can be exported for a high value return.”, *Green Paper. Copyright in the Knowledge Economy*, COM(2008)466.

⁴⁰⁵ *Putting knowledge into practice: A broad-based innovation strategy for the EU*, COM(2006)502, based on the Esko Aho's report on *Creating an Innovative Europe* drawn up by an independent group of experts established following the summit in Hampton Court and chaired by the former Prime Minister of Finland, Esko Aho.

⁴⁰⁶ D. Jabłońska, *Finansowanie przedsięwzięć innowacyjnych ze środków pomocowych UE (Funding innovative undertakings out of EU aid schemes)*, Warsaw, November 2008.

The role of innovation in Poland after the accession to the EU (major initiatives)

After the accession to the EU, Poland was involved in the implementation of the provisions of the Lisbon Strategy regarding, inter alia, innovation⁴⁰⁷. This was reflected in all major programme documents related to its implementation, especially in national reform programmes and the innovation strategy⁴⁰⁸. The most important role in promoting innovation is played by ministers of economy and science. Results of initiatives they have undertaken:

- the science financing system has been reformed⁴⁰⁹,
- the National Capital Fund has been established⁴¹⁰,
- pursuant to the Act on certain forms of supporting innovative activities⁴¹¹, new instruments have been introduced, such as: technology loan, the status of a Research and Development Centre (RDC)⁴¹² and tax incentives.

Also an entire system of operational programmes was developed, which facilitated the absorption of EU funds between 2004 and 2006 as well as between 2007 and 2013 (instruments supporting innovative actions out of EU funds are discussed further on).

In 2007, the experts of the Organisation for Economic Co-operation and Development (OECD) evaluated the Polish innovation policy, including the above instruments. The results of the review have been published in the *Policy mix for innovation in Poland – key issues and recommendations* report, which stated that the Polish government properly diagnosed the needs and made a good selection of instruments. However, implementation of these solutions was regarded as the most important challenge⁴¹³.

⁴⁰⁷ The first programme of the government of the Republic of Poland which was to boost innovation of the Polish economy *Zwiększanie innowacyjności gospodarki w Polsce do 2006 roku (Improvement of innovation of Polish economy before 2006)* was adopted already in the pre-accession period, in July 2000. The Commission expressed a very positive opinion on the document. In practice, the implementation was started after the accession to the EU and disbursement of aid from structural funds. See dr B. Marciniak, *Integracja Polski z Unią Europejską jako milowy krok w innowacyjną przyszłość (Integration of Poland with the European Union as a leap into an innovative future)*, an expert study commissioned by UKIE, Warsaw 2008, p. 5.

⁴⁰⁸ The primary documents developed to help implement the major goals of the Strategy include:

– *National Reform Programme for the years 2005–2008*,

– *National Reform Programme for the years 2008–2011 for the implementation of the Lisbon Strategy* adopted on 18 November 2008.

– *Kierunki zwiększania innowacyjności gospodarki na lata 2007–2013 (Directions for improvement of innovation of the economy for the years 2007–2013)*; the document is a continuation of the programme *Zwiększanie innowacyjności gospodarki w Polsce do 2006 r. (Improvement of innovation in Polish economy before 2006)*

⁴⁰⁹ Act on the principles of financing science of 8 October 2004 (Journal of Laws no. 238, item 2390).

⁴¹⁰ Act on the National Capital Fund of 4 March 2008 (Journal of Laws no. 57, item 491). The NCF started its operation in July 2007, in line with the projection, by 2013 support will be provided to app. 20 funds which will invest in app. 170 companies. See: D. Grodzka, A. Zygierewicz, *Innowacyjność polskiej gospodarki (Innovation in the Polish economy)*, BAS Biuro Analiz Sejmowych, Indos no. 6(30), March 2008.

⁴¹¹ Act on certain forms of supporting innovative activities of 29 July 2005 (Journal of Laws no. 179, item 1484).

⁴¹² As a result of amending the act of 2007, which included the reduction of requirements to 20% of revenues from sales of in-house R&D works in total sales and simplifying the status granting procedure, first enterprises obtained the RDC status as late as in the second half of 2008.

⁴¹³ See B. Marciniak, *op.cit.*, p. 9.

To sum up, the Polish membership of the EU has contributed to an increase in the government's involvement in programming pro-innovation actions, in particular in relation to the implementation of the Lisbon Strategy. Many strategic documents have been adopted and many legislative projects have been presented. The results of these actions earned various opinions. Positive trends have been pointed out, although, there are also opinions that Poland has not succeeded in developing an effective pro-innovation policy and the competence of national institutions which should participate in implementation of the knowledge-based economy are not particularized⁴¹⁴.

Innovation in the enterprise sector before and after accession to the EU

In the knowledge-based economy, the competitive advantage is determined by technologies and skills. In order to maintain it, an enterprise must have appropriate capital, modern technologies, highly qualified staff, act quickly, demonstrate the ability to acquire and process information, as well as to introduce innovation⁴¹⁵.

Between 1998 and 2000, innovative enterprises in Poland accounted for 17.1%. Between 2002 and 2004, this figure went up to 25.6% and between 2004 and 2006 it dropped slightly to 23.2%. By comparison, in the EU the innovative enterprises accounted on average for 42% of the total number⁴¹⁶. Innovative enterprises were dominated by large companies. This results from the scope of their business and ability to make considerable expenditures on innovations⁴¹⁷. In the years 2002–2004, innovations were implemented by 67% large, 40% medium-sized and 17% small enterprises. On the other hand, between 2004 and 2006 these figures were as follows: 65.5%, 37.4% and 13.9% respectively⁴¹⁸.

⁴¹⁴ "There are opinions that Poland lacks such a policy (state's pro-innovation policy), however, careful observation helps find some positive elements. Reports are published which prove that there are positive, though not very intensive, trends. Undoubtedly, the adoption of the Act on supporting innovative activities by the Sejm (Lower House of the Polish Parliament) or including the absorption of EU funds by Poland in the strategic assumptions for the financial perspective for the years 2007–2014 of the Innovative Economy Operational Programme deserve a positive opinion. At the same time, the structural instruments of the said measures, especially at the central level, are malfunctioning. There is no effective institutional support for pro-innovation measures, there is no idea for promotion and rewarding specific undertakings of businesses in the national market", professor J. Kaźmierczak, *Innowacyjność: uwarunkowania i perspektywy w warunkach polskich (Innovation: conditions and perspectives in Poland)*, Department of Fundamentals of Technical Systems, Faculty of Organisation and Management, the Silesian University of Technology, 2008.

⁴¹⁵ J. Kuczevska, *Ocena pozyskiwania środków pomocowych UE dla polskich przedsiębiorstw (Evaluation of the ways to acquire EU aid for Polish enterprises)*, [in:] ed. J. Otto, R. Stanisławski, A. Maciaszczyk, *Innowacyjność jako czynnik podnoszenia konkurencyjności przedsiębiorstw i regionów na jednolitym rynku europejskim (Innovation as a factor increasing the competitiveness of enterprises and regions on the single European market)*, Łódź 2007.

⁴¹⁶ See: B. Marciniak, *op.cit.*, p. 12. Summary research performed by the Central Statistical Office covering the enterprises that employed over 49 people showed that the number of innovative enterprises in the researched group went up between 2002 and 2006 from 33% to 42%.

⁴¹⁷ As far as expenditures on innovation per enterprise are concerned, enterprises dealing with coke production, manufacture of refractory products (PLN 119 mln per enterprise), manufacture of tobacco products (PLN 30 mln per enterprise) make much higher expenditures than manufacturers of office machinery and computers (PLN 1.1 mln per enterprise) or medical, precision and optical instruments, watches and clocks (PLN 2.2 mln per enterprise). See: B. Marciniak, *op.cit.*, p. 13.

⁴¹⁸ A. Zołnierski (ed.), *Innowacyjność 2008 (Innovation 2008)*, PARP (Polish Agency for Enterprise Development) report, Warsaw 2008.

The most innovative enterprises operate in the traditional sectors, such as manufacture of tobacco products (percentage of innovative enterprises – 100%), manufacture of coke, refined petroleum products and nuclear fuel (90%) and manufacture of chemical products (72%). They are followed by enterprises from the high-tech sector: manufacture of office machinery and computers (67%), manufacture of radio and television equipment (61%) or medical, precision and optical instruments, watches and clocks (57%)⁴¹⁹.

Table 1. Innovation indicators for Poland and EU average

Innovation inputs	European Innovation Scoreboard (EIS)								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
public R&D expenditures (% GDP)	-	-	0.45	0.43	0.46	0.43	0.39	0.39	0.38
EU average	-	-	0.67	0.69	0.67	0.69	0.65	0.65	0.65
business R&D expenditures (% GDP)	-	-	0.25	0.24	0.13	0.16	0.18	0.18	0.18
EU average	-	-	1.28	1.30	1.27	1.26	1.20	-	1.17
S&E graduates per 1000 people (aged 20–29)	-	-	5.90	7.4	8.1	9.0	9.4	11.1	-
EU average	-	-	10.26	11.3	11.5	12.2	12.7	12.9	-
population with tertiary education per 100 people (aged 25–64)	-	-	11.73	12.2	13.8	15.6	16.8	17.9	18.7
EU average	-	-	21.22	21.5	21.2	21.9	22.8	23.0	9.7
ICT/IT expenditures (EIS 2008)	-	-	-	-	-	7.2	7.2	7.2	2.6
EU average	-	-	-	-	-	6.4	6.4	6.4	2.7
Innovation outputs				2003	2004	2005	2006	2007	
EPO patents per million population	-	-	2.3	2.5	2.7	2.7	4.2	4.2	3.0
EU average	-	-	152.7	161.1	133.6	133.6	136.7	128.0	105.7
number of triadic patents per 1 million people	-	-	-	-	-	0.3	0.3	0.2	-
EU average	-	-	-	-	-	22.3	32.7	20.8	-
Economist Intelligence Unit innovation indices	2003–2007	Global rank	EU rank	2008–2012	Global rank	EU rank			
output index (based on patents)	5.65	48	22	6.14	46	21			
innovation inputs	6.21	33	19	6.71	33	19			
direct inputs	6.00	35	21	6.63	36	19			
innovation environment	6.84	27	14	6.93	33	15			

Source: EIS 2002, 2003, 2004, 2005, 2006, 2007, 2008; *A time for new ideas. Innovation in Central Eastern Europe. A white paper by the Economist Intelligence Unit*, June 2008.

⁴¹⁹ B. Marciniak, *op.cit.*, p. 13.

Poland displays a low economy innovation level compared to other EU states, however the growth rate of the Summary Innovation Index is higher than EU average. The R&D expenditures, both public and private, are still very low, as are the number of SMEs introducing own innovation, and intellectual property protection indicators. As far as the patent protection indicators are concerned (see Table 1), no positive trends have been observed. As for the number of European and triadic patents granted, Poland was in one of the bottom-most positions in EU-27. On the other hand, the indicators reflecting the number of Community trademarks and Community designs improved⁴²⁰.

Poland obtained good results in the area of human resources. The recorded percentage of population with tertiary education was lower than the EU average, but owing to positive trends recorded in this respect over the last few years, this distance is visibly decreasing. On the other hand, the number of S&T graduates as well as social studies and humanities was much higher than the EU average. The increase in the lifelong learning indicator deserves a very positive opinion. Another indicator which displayed a considerable growth following the accession, was the increase in the number of researchers in the enterprise sector – from 4686.4 people in 2002 to 9344.3 people in 2006. The almost double increase may be regarded as a sign of a positive change in the attitude of enterprises to the R&D performance and to implementation of new technologies. The increase in the number of R&D employees is a prerequisite for conducting in-house R&D. It is also a condition allowing enterprises to cooperate in this respect, as well as to increase their capacity to transfer technology from other entities⁴²¹.

The trends related to development of innovation may be analysed in more detail based on the changes of the following indicators: (1) the share of new and upgraded products sold, (2) the share of high and medium-high technology in products sold and (3) the value of export of the high and medium-high technology products in total export. The first of the said indicators in 2004 totalled 8.1% in Poland, whereas the EU-27 average was 7.3%, however in 2006 the value dropped to 4.56% against the EU average of 8.6%⁴²². On the other hand, the share of high and medium-high technology products in total products sold went up from 26.6% in 2002 to 31.6% in 2006⁴²³, which is all the more important that the high technology group includes sectors such as aviation, chemical, ICT and automoti-

⁴²⁰ In the case of EPO patent applications, a slight index growth was noted, from 1.5 per 1 mln people in 2001 to 3.0 per 1 mln people in 2005. However, Poland is still ranked as one of the last states (average in EU-27 – 105.7). A visible increase was recorded in the case of community trademarks, from 0.2 per 1 mln people in 2001 to 33.2 per 1 mln people in 2007 and community industrial designs – from 2.0 per 1 mln people in 2002 to 45.4 per 1 mln people in 2007.

⁴²¹ B. Marciniak, *op.cit.*, p. 15. M. Starczewska-Krzysztozek on the other hand stresses the dropping interest of the SMEs in innovation.

⁴²² EIS 2007 and 2008.

⁴²³ *Nauka i technika na lata 2002 i 2006* (Science and technology for the years 2002 and 2006), the Central Statistical Office.

ve industries. Finally, the share of the medium-high and high technology export in total export in 2006 was slightly higher than EU average and amounted to 48.9%.

The above indicators show that Polish enterprises manufacture increasingly more modern products, however their competitiveness is still low. It is also worth remembering that the dynamic development of the widely understood entrepreneurship, which occurred over the last dozen or so years in Poland, was related to the fundamental areas and sectors of the economy, such as trade and simple services. Boosting competitiveness in these sectors is achieved using the non-technological innovations, which are hard to measure⁴²⁴.

The main incentive which makes Polish enterprises implement innovations is the competitive pressure and the intent to maintain their market share. However, even such innovation contributes to an increase in productivity and quality of offered products and services. Enterprises learn how to manage their own potential better. The benefits would be higher if the enterprises gradually turning to investing in technological innovations. Alas, as few as 0.2% of enterprises operating in Poland intend to build a competitive position offering innovative products and services, whereas 52% of them want to compete with price. What is particularly worrying, is the dropping interest of the SMEs in innovative performance (new products and technologies launch, introduction of new organisation and management system). In 2006, over 57% SMEs regarded innovation as beneficial for the company's development, in 2008 it was over 40% less⁴²⁵.

Despite a generally unoptimistic picture of innovation in Poland, there are areas of considerable potential for innovation where Poland can be competitive. One of them is the industrial design which combines „creativity with innovation”⁴²⁶. The governments of major economic powers show active support for design. In all EU member states, there are institutions responsible for promoting design and its implementation systems, many countries developed long term plans of economic mobilisation with the use of design⁴²⁷. Poland prides on a long tradition in this area, however Polish design is not widely known outside Poland⁴²⁸. Its development requires support on the central and regional levels. In this context, including this area in the Innovative Economy Operational Programme is positive. Such support was necessary for the Polish potential to be

⁴²⁴ B. Marciniak, *op.cit.*, p. 15 and 20.

⁴²⁵ M. Starczewska-Krzysztozek, *Ranking najbardziej innowacyjnych firm w Polsce (The most innovative Polish companies ranking)*, Warsaw 2008.

⁴²⁶ G. Cox (see: *Analiza aplikacji wzornictwa przemysłowego w polskich przedsiębiorstwach (The analysis of the application of industrial design in Polish enterprises)*, report developed by the Institute of Industrial Design for the Ministry of Economy, Warsaw, December 2007.

⁴²⁷ *Can Poland be promoted by design?*, a conference, Warsaw 2006.

⁴²⁸ See more: B. Bochińska, *Design dla wszystkich i na co dzień – wysoka jakość życia mieszkańców i zrównoważony rozwój w regionie Morza Bałtyckiego dzięki stosowaniu współczesnego wzornictwa (Design for everyone everyday – high quality of life and sustainable development in the Baltic Sea region owing to the application of contemporary design)*, material prepared by the Institute of Industrial Design upon invitation from UKIE, October 2008.

fully harnessed. The number of local initiatives for establishing regional design centres is increasing. The fact that a success can be achieved is best reflected by Śląski Zamek Sztuki i Przedsiębiorczości (the Silesian Castle of Art and Enterprise) in Cieszyn. The design centre has been operating since 2005. The investment was financed out of PHARE funds (EUR 1.7 mln) and national funds (app. EUR 670 k). The centre generated new jobs in the tourist and economic sectors, boosting the attractiveness of the town and region and increasing their income (e.g. from tourism)⁴²⁹.

Factors determining the development of innovation in Poland – development of science and human capital

Factors determining the innovative potential of the economy include e.g. investments in the development of knowledge and scientific research, staff capable of applying new technologies and effective mechanisms of cooperation between science and industry.

Financing innovation, research and development

Framework programmes of the EU

Framework programmes which are aimed at supporting the development of S&T and promotion of the practical use of research results by enterprises are the largest source of financing R&D at the EU level. The budget of the Seventh Framework Programme (FP7) of the European Community for Research and Technological Development (2007–2013) amounts to over EUR 50 bn (it is by 63% higher than the budget of FP6 for the years 2002–2006). Community funding has a low share in the total funds allocated to the R&D in the EU, however funds from the framework programmes are not to replace funding from budgets of the member states, but to trigger the state involvement in R&D and to stimulate other sources of funding (leverage effect).

Poland participated in framework programmes already in the pre-accession period (in 1999), when the FP5 was implemented. Since 2004, the Polish participation has been related directly to the membership of the European Union.

⁴²⁹ *Wzornictwo w Polsce dzisiaj. Wzornictwo przemysłowe – element wzrostu konkurencyjności gospodarki (Design in Poland today. Industrial design – an element of improvement in the competitiveness of the economy)*, Stowarzyszenie Projektantów Form Przemysłowych (the Association of Industrial Designers).

Table 2. Membership of Poland in FP6 – Poland's results compared to those of EU-25

Indicator	Poland	EU-25	Poland's participation
Input into EU budget (in EUR mln)	2 595	110 672	2,34%
Number of teams reported	10 664	322 114	3,31%
Number of teams financed	1 876	74 460	2,52%
Funding for participants (EUR mln)	216	16 682	1,30%

Source: J.A. Siemaszko, *Udział Polski w 6. Programie Ramowym (Participation of Poland in the Sixth Framework Programme)*, Warsaw, December 2007.

1878 Polish entities participated in FP6 (2.5% of all participants), with Poland coming 11th among EU-25 member states. The highest success rate in FP6 was recorded by scientific institutions which submitted few applications. Instytut Matki i Dziecka (The Institute of Mother and Child) obtained funding for three projects out of three submitted applications, similarly to the Institute of Theoretical and Applied Informatics of the Polish Academy of Sciences – two financed projects out of two submitted applications. For comparison, the Warsaw University of Technology obtained the funding for 77 projects out of 365 applications (success rate of 21.6%). As far as funding under the FP6 is concerned, Poland turned out to be the net payer as funding under FP6 accounted for only 2/3 of the Polish contribution to the EU budget, which was proportionally allocated to FP6⁴³⁰.

For the time being, it is not possible to evaluate the Polish participation in FP7. Preliminary statistics compared with the results of FP6 indicate that Poland has retained the to-date position in the participation and funding rankings. After the European Commission published the results of the first 84 contests, Poland ranked 11th taking into account the number of applications and teams selected for funding, with the success rate of 19% and 13th in terms of amount of obtained funding. As for projects with Polish coordination, the success rate was 8.2%; to date only 28 such projects out of 341 applications have been approved for funding⁴³¹. Overall, projects with Polish teams participating account for 9.15% of the total and the number of research teams from Poland accounts for 1.72% of all teams⁴³².

As the statistical data show, Poland does not make the most of the existing opportunities. Unsatisfactory results of the Polish science sector are rooted in its insuffi-

⁴³⁰ J.A. Siemaszko, *Udział Polski w 6. Programie Ramowym (Participation of Poland in the Sixth Framework Programme)*, Warsaw, December 2007.

⁴³¹ *Informacja na temat udziału Polski w 7. Programie Ramowym Wspólnoty Europejskiej w dziedzinie badań, rozwoju technologicznego i demonstracji (dane za lata 2007–2008) (Information on the Polish participation in the Seventh Framework Programme of the European Community for research, technological development and demonstration (data for the years 2007–2008))*, the Ministry of Science and Higher Education, Warsaw, October 2008.

⁴³² *Ibidem*.

cient competitiveness and costs of team participation in projects under framework programmes. Despite increasing participation, the costs⁴³³ generated by projects are lower in Poland than in the EU-15 states owing to lower remuneration of people employed for project implementation. In order to improve the results concerning the participation and funding of the Polish entities in framework programmes, various remedies have been taken. First, the Polish scientific units were allowed to charge additional remuneration for participation in international projects which will be covered from EU funds as eligible costs⁴³⁴. Second, principles governing the co-financing of the participation of Polish entities in European research projects have changed. At present, they can apply for the coverage of the missing part of eligible costs included in contracts from the budget (up to 60% of total costs of a unit's participation in the project). Moreover, at the end of 2008 a test module of electronic application submission system was launched, which simplifies the application process and speeds up the evaluation procedure. Third, measures aimed at encouraging Polish entities to coordinate projects have been undertaken (the "Granty na granty" contest under which potential coordinators could, e.g. obtain funds for preparing a good project application). Fourth, an information and training campaign was started with the assistance of a network of 65 contact points. Finally, the structure of management in the R&D units and growth of international activity of the Polish scientific teams should be improved by higher expenditures on science in 2009 and staff stability (in 2008, elections of new authorities at most universities took place).

Polish enterprises do not fare too well as participants in the framework programmes. The largest Polish companies, such as Kombinat Górniczo-Hutniczy Miedzi (KGHM Polska Miedź S.A.), Polski Koncern Naftowy Orlen S.A., Grupa Lotos S.A., PGE Energia S.A. i BOT Górnictwo i Energetyka S.A. (PGE+BOT), Południowy Koncern Energetyczny S.A. (PKE), Telekomunikacja Polska S.A. are not involved in any projects or are involved in just a few of them. The lack of effective instruments for supporting the industrial involvement in the R&D activities on the national level is reported as the primary obstacle. Many prosperous enterprises do not carry out research on new technologies. The initiative to establish Polish technological platforms is a vital undertaking which is aimed at changing this state of affairs. However, the effects of such initiatives will be visible after some time only⁴³⁵.

⁴³³ Costs provide grounds to determine the funding obtained by teams from the community budget. They include: (1) costs of material, basically equal for all states and (2) costs of personnel, which comprise mainly the remuneration of researchers.

⁴³⁴ Informacja na temat udziału Polski w 7. Programie Ramowym Wspólnoty Europejskiej w dziedzinie badań, rozwoju technologicznego i demonstracji (dane za lata 2007–2008) (Information on the Polish participation in the Seventh Framework Programme of the European Community for research, technological development and demonstration (data for the years 2007–2008)), the Ministry of Science and Higher Education, Warsaw, 24 October 2008.

⁴³⁵ For more on that topic see: B. Wyznikiewicz, *Udział polskich podmiotów w programach ramowych Unii Europejskiej: wnioski dla przeglądu budżetu UE (Participation of Polish entities in EU framework programmes: conclusions for the EU budget review)*, Warsaw, December 2007.

Structural funds

Poland is one of the largest beneficiaries of structural and cohesion funds. In the years 2004–2006, app. 0.5 bn EUR from structural funds were allocated to measures related to the R&D and innovative economy despite the fact that the National Development Programme did not include a priority concerning the research and development⁴³⁶. Support under the Sectoral Operational Programme – Improvement of the Competitiveness of Enterprises attracted a lot of interest from applicants. The value of submitted applications was almost 4 times as high as the allocation amount for the entire programming period. Before the end of April, 3.07 bn PLN were disbursed under the programme⁴³⁷. Under the Operational Programme – Improvement of the Competitiveness of Enterprises, e.g. projects related to the improvement of the Tivoli software used for management of IT structure worth 55.4 mln PLN, or the creation of a modern laboratory for aviation industry material research for 25.5 mln PLN were carried out.

IROP funds were used to complete the 2nd stage of construction of Auditorium Maximum (“Maximum” Hall) at the Jagiellonian University which amounted to 44.9 mln PLN⁴³⁸. Microenterprises which used the support under IROP recorded an increase in number of employees (86.4%), revenues (61%) and investment expenditures (37.9%)⁴³⁹.

In the EU budget for the years 2007–2013, 15.6% of cohesion policy funds have been allocated to measures in the R&D area and for innovation and entrepreneurship. The most important instrument used to support innovation will be the Operational Programme – Innovative Economy. It is very popular among the beneficiaries⁴⁴⁰. In 2008, over 2300 applications were submitted, after their evaluation almost 230 contracts for co-funding of projects were concluded, totalling almost 2 bn PLN (over 4.8% of the allocation amount).

It is also indicated that the financial support obtained under the cohesion policy may help in eliminating financial and organisational weaknesses of Polish R&D facilities

⁴³⁶ The largest amount was allocated under the Sectoral Operational Programme – Improvement of the Competitiveness of Enterprises (SOP – ICE), Sectoral Operational Programme – Human Resources (SOP – HR) and Integrated Regional Operational Programme (IROP), co-funded by the European Regional Development Fund and the European Social Fund. See: A. Siemaszko, *Europejska Przestrzeń Badawcza – szanse i zagrożenia dla Polski (The European Research Area – opportunities and threats for Poland)*, in: *Zielona Księga PFSL. Polska wobec redefinicji Strategii Lizbońskiej (Green Paper: Poland and the Lisbon Strategy redefined)*, Warsaw–Gdańsk 2005.

⁴³⁷ B. Marciniak, *op.cit.*

⁴³⁸ *Oddziaływanie funduszy strukturalnych i Funduszu Spójności na gospodarkę Polski w okresie 2004 – I połowa 2007 (Impact of the structural funds and the Cohesion Fund on the Polish economy between 2004 and the first half of 2007)*, the Ministry of Regional Development, Warsaw, February 2008.

⁴³⁹ *Analiza wpływu wsparcia udzielonego w ramach Działania 3.4 Zintegrowanego Programu Operacyjnego Rozwoju Regionalnego na wzrost konkurencyjności: Mikroprzedsiębiorstwa (The analysis of the influence of support granted under Measure 3.4 of the Integrated Regional Operational Programme for improvement of competitiveness: microenterprises)*, quoted after: B. Marciniak, *op.cit.*, p. 32.

⁴⁴⁰ The following priorities were the most popular: 4. Investments in innovative undertakings and 8. Information society - improvement of innovation and the following related measures: 4.4 New investments of a high innovation potential – allowing to obtain support for investments in innovative technologies and 8.1 Support for business activity in the field of electronic commerce – covering the support for micro and small enterprises for development of digital products and provision of e-services.

as regard development and, as such, will have a positive impact on their participation in framework programmes (however, the effects will be visible in a few years' term). An additional benefit of the proposed solution is the EU financial support, relieving of domestic expenditures⁴⁴¹.

Despite the demand and said benefits, structural funds were not easily accessible for entrepreneurs due to complex procedures of application and settlement⁴⁴².

Allocation of domestic funds to support innovation

In the pre-accession period, the state practically did not support the innovative activities of enterprises. Considerable funds were allocated to rescue and restructure enterprises in conventional sectors, such as mining, steelworks or shipbuilding. Polish accession to the EU was related e.g. with the need to respect the EU principles of public aid. The ability of the state to support restructuring processes and save unprofitable enterprises were considerably limited, owing to which more funds could be allocated to pro-development purposes. In line with the guidelines and principles of the EU, the funding of innovative activities of enterprises increased, in particular investments in the SMEs, training and R&D sectors. Hence the public aid granted to Poland gradually evolved into assistance stimulating the socio-economic development. Beneficial changes were observed also in the structure of the public aid in Poland – the value of aid for horizontal purposes and regional aid increased and the sectoral aid decreased. The increasing share of subsidies, which are the most transparent form of aid, was also a positive effect⁴⁴³.

Before the accession, business environment institutions were not supported. This changed only after the accession to the EU. Institutions which contribute to improving the competitiveness of enterprises started to receive more robust support, e.g.: technology transfer centres, technology incubators and science and technology parks⁴⁴⁴.

Apart from the above instruments, co-funded by the EU budget, many national initiatives were launched⁴⁴⁵.

⁴⁴¹ B. Wyżnikiewicz, *op.cit.*

⁴⁴² B. Marciniak, *op.cit.*, p. 37.

⁴⁴³ *Ibidem*, p. 23–24.

⁴⁴⁴ *Ibidem*, p. 25.

⁴⁴⁵ The "Inicjatywa Technologiczna" (Technological Initiative) programme was one of the first ones to reflect EU and global trends. It was developed by the Ministry of Science and Higher Education to support scientific research carried out by Polish science centres which were directly related to industrial activities and enterprises, in particular SMEs. See: E. Gwarda-Gruszczyńska, D. Trzmielak, [in:] ed. J. Otto, R. Stanisławski, A. Maciaszczyk, *Innowacyjność jako czynnik podnoszenia konkurencyjności przedsiębiorstw i regionów na jednolitym rynku europejskim (Innovation as a factor increasing the competitiveness of enterprises and regions on the single European market)*, Łódź 2007.

Despite launching many instruments and allocating considerable funds to increase the consumption of foreign capital in the development of enterprises, in particular loans, guarantees and investment capital, the entrepreneurs remained distrustful towards foreign funding⁴⁴⁶. When asked about the best sources to finance an investment, they usually indicated own resources.

Intellectual capital for building an innovative economy

The level of innovation is clearly related to the capacity to generate and apply new knowledge, and the properly qualified staff constitutes the basis for success for competing enterprises. Difficulties with sourcing such personnel pose a problem for most of the EU states. It is estimated that Europe needs app. 250 k engineers.

In this context, good results of Poland in the area of education of young people should be regarded as an asset⁴⁴⁷. The number of graduates of science and technology, social studies and the humanities per 1000 population aged between 20 and 29 increased in the years 2001–2006 from 38 to 53 and is higher than the EU-27 average (40). A similar trend can be observed in the number of graduates of doctoral studies (aged 25–34). In the years 2001–2006, the relevant indicator went up from 0.53 to 0.86 which brought Poland closer to the EU-27 average for 2006, i.e. 1.11.

Entrepreneurs are more frequently reporting, however, that the educational profile in secondary schools and universities does not correspond to the market demand. For instance, the survey performed by OBOP opinion poll shows that in the Polish market the deficit of engineers amounts to app. 55 k, in two years' time this figure will go up to 67 k and in five years' time it will exceed 76 k⁴⁴⁸. The main reasons for lack of qualified specialists include graduates leaving the country (49% of respondents), too little focus on practical skills at universities (35% of respondents), too few graduates specialised in areas required by businesses (26% of respondents) and a low number of technical university graduates as technical universities are less popular (19% of respondents)⁴⁴⁹. Also the lifelong learning indicator in the group aged 25–64 per 100 inhabitants in Poland has

⁴⁴⁶ *Konkurencyjność sektora MSP 2008 (Competitiveness of the SMEs sector 2008)*, results of research, M. Starczewska-Krzysztozek, PKPP Lewiatan, November 2008.

⁴⁴⁷ *European Innovation Scoreboard 2007*.

⁴⁴⁸ *Zapotrzebowanie przedsiębiorstw na wykwalifikowaną kadrę inżynierską oraz ocena przygotowania do pracy absolwentów studiów technicznych (Demand of enterprises for qualified engineers and evaluation of technical studies graduates' preparation to work)*, TNS OBOP, December 2007.

⁴⁴⁹ *Ibidem*.

been low since 2005 – app. 5% (which is slightly above half the average value recorded in EU-27 in 2006, i.e. 9.7%). This proves low level of updating of knowledge and skills by people in the labour market⁴⁵⁰.

In the years 2004–2006, innovation and international cooperation in the area of development of human resources was carried out under the SOP-HR and the community initiative – EQUAL. Funds for the period between 2007 and 2013 were allocated under the Operational Programme – Human Capital financed from the European Social Fund. One of its aims is the alignment of education with the demand of the economy and the labour market⁴⁵¹.

What is more, participation in framework programmes brings about many benefits, despite criticism related to their efficiency. Apart from the access to funds, it results in improving the quality of the science sector, mobilisation of the Polish research teams in the transfer of technology, improvement of innovation of Polish economy, boosting the attractiveness of a career in science⁴⁵². Benefits for the scientific base resulting from participation in a framework programme include e.g. the mobility of staff, easier and shorter way between the result of research works and its implementation as well as the opportunity to start cooperation with renowned research centres in many countries. Such cooperation is also beneficial for the transfer of know-how, it facilitates the access to state-of-the-art technologies and research infrastructure of other countries and helps top build permanent partner relations.

Conclusions

The analysis of innovation indicators and trends recorded after the accession of Poland to the EU shows that although the level of innovation in Poland is much lower than the EU average, the annual updates of the EIS show its slight increase. The recorded changes should be interpreted as bolstering the Polish position in the international innovation arena⁴⁵³.

⁴⁵⁰ B. Marciniak, *op.cit.*, p. 15.

⁴⁵¹ Over EUR 960 mln were allocated for the implementation of Priority IV of the OP HC for the years 2007–2013, and for increasing the number of graduates of university courses of key importance for the knowledge-based economy – EUR 370 mln. It is estimated that additional app. 21 k students will complete 1st degree studies. In 2008 a pilot programme was launched under which 47 universities will offer additional places for over 2.3 k students and over 1.1 k incentive grants for the best students amounting to PLN 1 k each. See: *Resort nauki zapowiada zmiany na politechnikach (The Ministry of Science and Higher Education announces changes in the universities of technology)*, *Gazeta Prawna*, 27 October 2008.

⁴⁵² *Informacja na temat bilansu kosztów i korzyści związanych z członkostwem Polski w Unii Europejskiej od 1 maja 2004 r. do 1 maja 2006 r. w obszarach edukacji i nauki (Information on the balance of costs and benefits related to the Polish membership of the EU from 1 May 2004 to 1 May 2006)*, The Ministry of Education and Science, Warsaw 2006.

⁴⁵³ B. Marciniak, *op.cit.*, p. 17.

Membership of the EU should, in a longer term, contribute to a considerable increase in innovation and competitiveness of Poland. However, this is not a guarantee, but surely a chance for a quicker development. Poland is able to succeed in catching up with developed countries of Europe, and not only to receive, but also create innovations. Unfortunately, unlike the popular stereotype of an “entrepreneurial Pole”, the “Pole the inventor” phrase is not present in the public vocabulary⁴⁵⁴. Despite difficulties related to funding, risk connected to implementation of innovation and lack of demand for innovative products and services⁴⁵⁵, a considerable majority of entrepreneurs realise that in order to keep their competitiveness as it is or improve it, they must introduce innovative solutions in the next few years.

As the experience of well-developed countries shows, building competitive advantage based on knowledge and innovation yields good results. If Poland were to stay beyond the EU structures, the Polish economy and enterprises would have to face the challenge of building a knowledge-based economy anyway⁴⁵⁶. But in this case, the process would be more difficult and much longer. In recent years, the impulses for changes in the Polish system of science, technology and innovation often included the EU initiatives, in particular the Lisbon Strategy. Though to varying degrees, progress can be seen in all areas related to innovation – starting from the legal and financial environment to the development of intellectual capital. It should be remembered, however, that although any new instruments and solutions aimed at innovation have been introduced in Poland for a few years now, their effects and impact on competitiveness of the economy will be shown only after some time.

It is important that Poland make good use of the opportunities of the accession to the EU. This relates in particular to funds from the EU budget and the broadly understood cooperation. Poland allocates considerable amounts from structural funds to the implementation of the Lisbon Strategy, including the development of innovation. The projects carried out thus far improved the innovation of individual enterprises, however did not yield any noticeable effects looking at the entire economy. Hence, it would be advisable to focus the future support on projects that demonstrate the highest added

⁴⁵⁴ *Spoleczne determinanty przedsiębiorczości innowacyjnej (Social determinants of innovative entrepreneurship)*, report drawn for PARP by Pentor Research International, Warsaw 2007.

⁴⁵⁵ “The demand for innovative products and services in Polish economy is a real problem and a significant barrier to innovative undertakings. Consumers still believe innovation to be a luxury and treat innovative products and services as such – they start showing interest in them only if they have quite high and stable income in their households”, M. Starczewska-Krzyszoszek, *op.cit.*

⁴⁵⁶ This is the more justified, that according to projections of economic development of Poland by 2013 the to-date sources of development related to low labour costs, cheap resources or beneficial geographical location will be gradually used up. See: *Kierunki zwiększania innowacyjności gospodarki na lata 2007–2013 (Directions for improving innovation of the economy for the years 2007–2013)*, the Ministry of Economy, Warsaw, August 2006.

value for both the enterprises and the economy, for instance by priority financing of cooperation projects of enterprises, e.g. cooperation networks, enterprise groups or clusters. It is also worth considering the concentration of outlays on specific technologies which may become driving forces for new sectors of the economy. When specifying the technological areas of strategic importance, one has to take into account major challenges that lay ahead of a modern society. In the case of Poland, in the next few years these strategic areas will definitely include technologies related to energy security, counteracting climate change and ageing population⁴⁵⁷.

The long term and multi-stage process of integration with the EU is related to opportunities and challenges. On the one hand, Polish enterprises can sell products and provide services in the entire EU, on the other, there is the imminent threat of the exodus of qualified staff to states offering better career opportunities⁴⁵⁸. Regardless of that, integration of Polish economy into the single market is the only way to fully use the innovative potential of Poland and counteract the threats resulting from global competition⁴⁵⁹.

⁴⁵⁷ B. Marciniak, *op.cit.*, p. 37.

⁴⁵⁸ In this case, one of the significant benefits of improvement of innovation of the economy should be pointed out, namely reduction of brain drain.

⁴⁵⁹ *Ibidem*, p. 38.

Financial flows

Financial flows between the European Union (EU) and Poland represent one of the easiest-to-measure effects of Polish membership. It was exactly the opportunity to utilise incoming financial transfers under the Common Agricultural Policy (CAP) and cohesion policy following Poland's accession to the European Union that was brought up as one of key benefits of accession. When assessing costs and benefits of membership, it is relatively easiest to demonstrate financial effects expressed in amounts of financial transfers.

The obtainment of the being the so-called net beneficiary was one of Poland's key objectives in the course of accession negotiations. This was due to the candidate countries' worries that the value of incoming transfers from the EU would not offset the amount of the contribution paid by them to the EU budget. Therefore, one of Poland's primary pursuits was to "obtain the position of a net recipient from the first year of accession"⁴⁶⁰. This was to be facilitated by a five-year transition period of gradual arrival at the full amount of the national contribution and a reduction in financing of the so-called UK rebate⁴⁶¹. On the other hand, EU-15 feared a marked increase in their contributions to the EU budget after the enlargement. Finally, under the compromise reached, a marked increase in EU liabilities towards the new member states was reduced, while at the same time special instruments were launched preventing the new member states from coming, on balance, at a loss as a result of integration⁴⁶².

It should be borne in mind, however, that statistics on financial flows effected between the EU and Poland presented below might not, in many cases, be consistent with

⁴⁶⁰ Quote from: *Stanowiska Polski w ramach negocjacji o członkostwo RP w UE*, KPRM, Warszawa, February 2000 r., p. 377.

⁴⁶¹ In a simple picture, the UK is authorised to be reimbursed with 66% of the difference between its annual contribution to the EU budget and the total of funds received by it from the EU. The cost of its financing is shouldered by the remaining member states in proportion to their Gross National Income. Since 2001, certain net contributors (Germany, Netherlands, Austria and Sweden) have been eligible for a reduction in the contribution paid to cover the UK rebate down to 25% of the original amount paid by those countries. As a result, a greater burden of UK rebate financing was transferred onto the remaining 22 member states (in proportion to their GNI). Cf. *Budżet Unii Europejskiej*, Office of the Committee for European Integration, Warsaw 2008.

⁴⁶² At least in terms of financial flows between national budgets and the EU.

the statistics presented in other chapters of this report. The reasons for this are multifold. First, the financial flows as presented here do not take into account the division into financial perspectives for the years 2000–2006 and for 2007–2013. This is because Polish contribution to the EU budget depends only indirectly on the caps specified in the financial perspective. Further, funds transferred by the European Commission (EC) to Poland were treated solely as fiscal streams, related to all objectives and programmes, irrespective of their programming period, even less so implementation. Second, this chapter only considers transfers actually effected, rather than funds specified as caps and national allocations, or projects contracted or completed, but not yet settled⁴⁶³. Third, financial flows quoted below are expressed in Euros⁴⁶⁴ (the currency for settlements between Poland and the EU) and cover the period from 1 May 2004 to 31 December 2008⁴⁶⁵. This means that the actual balance of transfers in PLN may differ, depending on the exchange rate⁴⁶⁶.

Contributions to the EU budget⁴⁶⁷

The European Union budget is financed from the so-called own resources of the European Union. Since 1 May 2004, Poland has been participating in the financing of all EU expenditures in every calendar year. The system relies on contributions paid by member states in favour of the EU budget. The system of own resources comprises member states contributions⁴⁶⁸:

- traditional own resources (TOR) – that is customs duties collected on behalf of the European Union, agricultural duties and sugar levies⁴⁶⁹;
- VAT rate-based contributions⁴⁷⁰ and
- resource based on a share of the Gross National Income (GNI)⁴⁷¹.

⁴⁶³ Cohesion policy may serve as an example here. When reporting the „utilisation rate” of cohesion funds, the value of project delivery contracts signed, or commenced, or completed, may be given, which does not necessarily mean that the funds have actually been transferred.

⁴⁶⁴ Only when presenting data on Local or Regional Authorities of Poland, figures in Polish zlotys will be provided since LRA budgets are settled in PLN.

⁴⁶⁵ Unless otherwise indicated.

⁴⁶⁶ This is the case with e.g. direct payments which, under pre-financing from the national budget, are paid out to farmers already from December of a given year, while the EC transfers the amount in Euros only in the spring of the following year. As a result of the difference between the exchange rate as adopted by Poland and its actual value, there may be certain differences as to the actual flows on the day of the transfer. This applies, however, not only to direct payments to farmers, but also to SAPARD and advances under the cohesion policy.

⁴⁶⁷ For the system of own funds, cf. *Budżet Unii Europejskiej...*, op.cit. and *Środki własne UE. Podręcznik procedur i struktur administracyjnych*, Ministry of Finance, Warszawa, October 2007.

⁴⁶⁸ Also referred to as national contributions.

⁴⁶⁹ 75% of the collected amount. Member states keep 25% of the value of these as compensation for the collection cost. Sugar levies were also imposed on sugar and isoglucose manufacturers under the common organisation of the sugar market. TOR (Traditional Own Resources).

⁴⁷⁰ Based on the theoretical, harmonised VAT base. Member States contribute up to 0.3% of the base, which may not however exceed 50% of a given state's GNI.

⁴⁷¹ Each member state contributes funds in proportion to their share in the EU's GNI.

The latter component, although of complementary nature among EU expenditures and revenue from TOR and VAT, has the highest share among EU budget revenue types. There is also an additional source of income for the EU budget, referred to as "other", comprising interest on loans to third countries, taxes from EU staff, etc. It is not however classified under revenue contributed by member states, and its share in the EU budget financing is negligible.

Polish contributions to the EU budget (transferred to the European Commission's account) fall into two primary categories. The first is composed of revenue on customs duties, agricultural duties and sugar levies, collected by Polish tax authorities. The Ministry of Finance, relying on monthly reports on the amount of "revenue" from these sources, transfers 75% of the total as Polish contribution to the Community budget. The amount of this contribution primarily depends on how much was collected in customs duties by Polish customs authorities, and transfers are effected on a monthly basis⁴⁷².

The other, and a more substantial category of transfers is composed of VAT revenue and share of GNI. These contributions are made on the first working day of each month, twelve times a year⁴⁷³.

The general principle of EU budget financing stipulates that the monthly contribution of each member state should be equivalent to 1/12 of the annual contribution determined for that state in the EU budget. However, the EC is entitled to request member states to contribute in the first quarter of a given year the equivalent of 5/12 of the annual contribution. If this is the case, subsequent contributions are reduced accordingly, in order to reach the level of 1/12 a month annually⁴⁷⁴. In reality, Poland paid the biggest monthly contributions in annual terms in January 2005, as well as in February 2006, 2007 and 2008. What is more, as a result of the EC's request to increase the contribution in January 2005 and February 2006, Poland showed a negative balance of financial flows⁴⁷⁵.

⁴⁷² *Budżet Unii Europejskiej...*, *op.cit.*, p. 11.

⁴⁷³ *Ibid.*

⁴⁷⁴ *Ibid.*

⁴⁷⁵ On the basis of the data of the European Union Department, Ministry of Finance.

Structure of Polish contributions to the EU budget and its change over time

Poland was required to pay the full contribution to the EU budget from day one of its membership. However, for 2004, considering the fact that the accession to the EU took place in May, Poland paid a contribution reduced to the equivalent of eight months' membership. In the following years, Poland paid full annual contribution (details of the amounts of transfers to accounts of the European Commission in individual years are presented in Table 1).

Table 1. Summary of Polish contributions to the EU budget in the years 2004-2009

Contributions in EUR k		of which under:		
		GNI ⁴⁷⁶	VAT	TOR
2004	1 318 980	1 048 537	178 115	92 329
2005	2 379 385	1 751 508	359 033	268 843
2006	2 552 450	1 859 314	418 377	274 759
2007	2 779 298	1 937 863	506 468	334 968
2008	3 402 108	2 413 187	551 392	437 530
2009 ⁴⁷⁷	3 611 441	2 515 093	620 347	476 000
TOTAL	16 043 661	11 426 630	2 732 602	1 884 429

Source: European Union Department, Ministry of Finance and EU budget for 2009.

The largest growth in Polish contribution in percentage terms took place in 2005, totalling over 80%. We should however bear in mind that the 2004 contribution applied only to the period after 1 May. If we take this fact into account, the largest growth was in 2008, when the contribution equalled 122% of the 2007 contribution⁴⁷⁸. In general terms, Polish annual contributions to the EU budget from 2004 (full annual contribution) to 2008 increased by 82%. What is more, the Polish contribution in 2005 represented a mere 1.99% of the contributions of all member states combined, in 2007 totalled 2.4% and in the current year (2009) it will come to 3.1% of the contributions of 27

⁴⁷⁶ Under GNI, Table 1 shows combined contributions being a share of GNI, interest and contribution to the UK rebate.

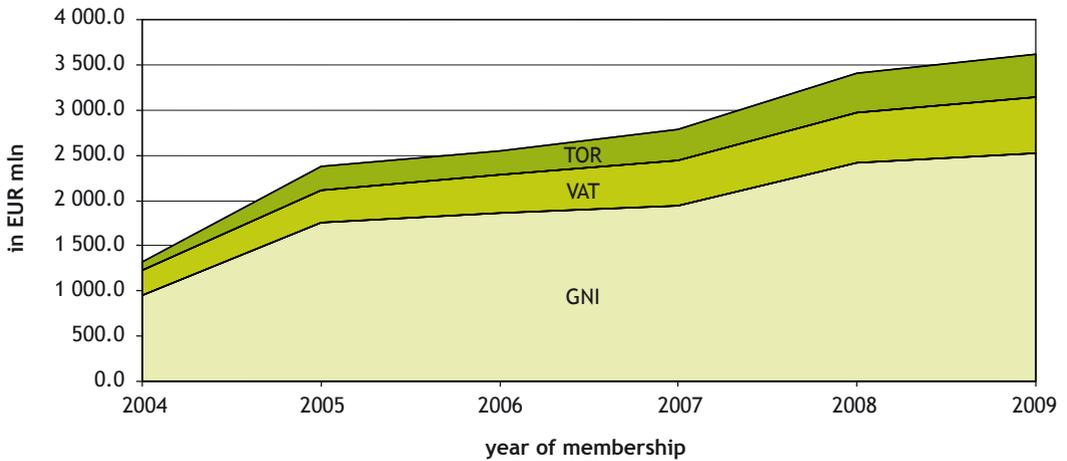
⁴⁷⁷ Expected Polish contribution on the basis of the EU budget for 2009. See: http://eur-lex.europa.eu/budget/data/LBL2009_VOLI/EN/Vol1.pdf (as at 26 January 2009).

⁴⁷⁸ This primarily resulted from a markedly higher economic growth rate in Poland as compared with the entire EU.

Member States. The EU budget for 2008⁴⁷⁹ provides that the new member states financed 7.6% of the EU expenditures. The Polish contribution represented over 35% of the total contribution of EU-12 states.

The primary reason behind the share of Polish financing of the Community expenses growing faster than the EU average was high growth of Polish GNI and the strengthening of Zloty at the expense of EUR, observed until the second half of 2008.

Chart 1. Share of individual components of the Polish contribution to the EU budget



Source: Own work based on details submitted by the European Union Department, Ministry of Finance and EU Budget for 2009.

A closer look at the structure of Polish contributions reveals an interesting balance between shares of their individual components. In 2004–2008, the share of GNI component ranged from 70 to 74% (71% on average), VAT contributions ranged from 15 to 21% (17% on average), whereas TOR contribution from 7 to 13% (12% on average). The resultant structure of contributions, more or less similar for all member states – is a case for treating national contributions to the EU budget as payments of individual countries⁴⁸⁰. It allows us to calculate, in a relatively easy manner, the net position of each member state, which is a factor causing EU policies to be perceived only from the perspective of fiscal obligations and benefits.

⁴⁷⁹ EU budget for 2008.

⁴⁸⁰ It is not a foregone conclusion which components of national contributions should be considered when calculating net positions. The biggest controversy surrounds the customs duties and levies contribution. Under the EU treaties, it represents EU income. Nevertheless, member states usually treat it as national contribution.

Funds received from the EU budget⁴⁸¹ and their structure

Poland receives funds from the EU in a much more complex way than that existing for its contributions. The group of most regular transfers includes direct payments to farmers. As a result of these transfers being certain, member states start to effect payments in favour of farmers under prefinancing already in December of the preceding year. In turn, the European Commission makes the relevant payments usually in the period February–April of the following year. The one-off payment of such substantial funds by the EC in favour of all 27 member states requires significant amounts of cash to be collected. This is exactly the reason why the EC, in the first calendar quarter of the year, may request the payment of up to 5/12, rather than 3/12, of the annual contribution, then proportionately reduced in the following months.

The second group of flows are transfers related to the cohesion policy. At least once every quarter, and in practice much more often, applications for payment are collected from Managing Authorities⁴⁸² and passed on to the EC. The Commission makes the relevant transfers more or less after 2 weeks from the application submission date. Outside this procedure, both after Poland's accession to the EU and the commencement of the new financial perspective for the years 2007–2013, Poland has received advances for structural projects. It is a unique form of transfers, made only to improve the spending of the funds at the beginning of the seven-year programming period.

The third group of flows is composed of funds which are not transferred to the account of the Ministry of Finance, but directly to final beneficiaries. They come from the implementation of such programmes as Youth in Action, Erasmus-Mundus, 7th Framework Programme and other.

Next to those mentioned above, Poland also received funds under such instruments as the Cash Flow Facility and Schengen Facility (in 2004–2006) and by the second quarter of 2008, pre-accession funds⁴⁸³.

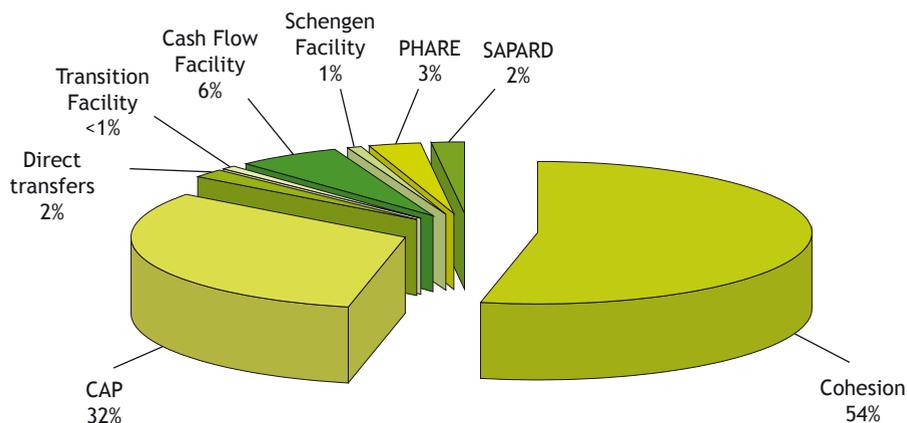
⁴⁸¹ Cf. *Budżet Unii Europejskiej...*, *op.cit.*, p. 11.

⁴⁸² Managing Authority coordinates and manages the implementation of EU funds in Poland. For instance, the Managing Authority for the Cohesion Fund is the Ministry of Regional Development. Its duties include interaction with the EC, drafting strategies for the utilisation of financial resources from the fund and its oversight, submission of funding applications to the EC, project monitoring and other.

⁴⁸³ Transfers to reimburse expenses under pre-accession funds were still being settled long after the accession to the European Union. For SAPARD programme, it was May 2008, and April 2007 for PHARE programme.

Also, at any point in time depending on the situation in agricultural markets, the EC transferred funds under the so-called market measures in agriculture, which, in the listings below, are covered as funds for CAP objectives.

Chart 2. Share of individual streams of funds from the EU budget to Poland in the period 1 May 2004 – 2008



Source: Own work based on data from the European Union Department and Regional Policy and Agriculture Department, Ministry of Finance.

Since the accession, Poland has received the greatest share of all funds to finance actions related to the cohesion policy, in particular under structural funds (Chart 3 and Table 2). The available statistics demonstrate that still in 2005, Poland received only 2.4% of all EU transfers related to the cohesion policy, while the index rose to 11.4% in 2007. When comparing this figure to 24.4% which is what all new member states received, it transpires that in 2007 Poland absorbed 46.8% of funds spent in our region. It is estimated that the shares of EU-12 and EU-15 in structural funds towards the end of the financial perspective for the years 2007–2013 will balance out (50% vs. 50%)⁴⁸⁴.

An important category of financial flows are also funds under the Common Agricultural Policy, being at the same time the second-largest heading in the EU budget. It is estimated that EU-12 will receive, under CAP, the total of 14% of all funds allocated to direct payments to farmers, and 42% of funds for rural development towards the end of

⁴⁸⁴ Author's own calculations based on: *EU Budget 2007 Financial Report*, European Commission, 2008, p. 77–78.

The economic dimension of Poland's membership in the EU

the financial perspective for the years 2007–2013⁴⁸⁵. In 2007, Poland received 5.8% of the 11.6% assigned to EU-12 under CAP⁴⁸⁶. It should also be stated that the income of Polish farmers from 2004 onwards has been supported by over EUR 3.5 bn coming solely from the EU budget (without direct payments made from December 2008 and complementary national direct payments – CNDP).

Table 2. Summary of EU funds coming to Poland in thousand EUR after 1 May 2004⁴⁸⁷

POLICY/HEADING		from May 2004	2005	2006	2007	2008	TOTAL
COHESION	ISPA/Cohesion Fund ⁴⁸⁸	209 178	229 083	520 761	1 292 208	1 671 658	3 922 888
	Structural funds	840 975	775 490	1 624 940	3 448 258	3 498 095	10 187 757
	of which:						
	ESF ⁴⁸⁹	204 244	174 632	301 015	922 133	753 869	2 355 893
	ERDF ⁴⁹⁰	497 279	431 394	992 494	2 179 697	2 394 812	6 495 676
	FIFG ⁴⁹¹	20 183	32 416	38 985	0	111 550	203 134
	EAGGF ⁴⁹²	119 269	137 048	292 446	346 428	237 863	1 133 055
	SUBTOTAL	1 050 153	1 004 573	2 145 701	4 740 465	5 169 753	14 110 645
CAP	Direct payments	0	702 685	811 581	935 102	1 037 601	3 486 969
	RDP ⁴⁹³	286 640	662 101	932 868	1 767 574	846 533	4 495 716
	Market measures	10 786	165 722	181 896	62 431	134 629	555 464
	Other agricultural transfers	0	11 574	11 101	5 263	12 398	40 336
	SUBTOTAL	297 426	1 542 082	1 937 446	2 770 370	2 031 161	8 578 485
Other	Direct transfers ⁴⁹⁴	53 365	72 968	100 204	77 342	143 981 ⁴⁹⁵	447 860
	Transition Facility	0	10 345	25 561	33 730	16 762	86 398
	Cash Flow Facility	429 009	612 044	514 293	0	0	1 555 346
	Schengen Facility	103 352	103 858	106 664	0	0	313 875
	PHARE	364 746	333 107	222 280	856	0	920 990
	SAPARD	118 293	339 077	12	0	34 716	492 099
TOTAL		2 416 344	4 018 055	5 052 162	7 622 763	7 396 372	26 505 697

Source: Own work based on data from the European Union Department and Regional Policy and Agriculture Department, Ministry of Finance.

⁴⁸⁵ Which results from the procedure of phasing-in to the full amount of direct payments. Quote from: *Five years of an enlarged EU. Economic achievements and challenges*, European Commission, 2009, p. 197.

⁴⁸⁶ *EU Budget 2007...*, *op. cit.*

⁴⁸⁷ As at 31 December 2008.

⁴⁸⁸ Pre-accession ISPA fund is itemised jointly with the Cohesion Fund, owing to the inclusion of ISPA projects and financial envelope into the Cohesion Fund on 1 May 2004.

⁴⁸⁹ European Social Fund.

⁴⁹⁰ European Regional Development Fund.

⁴⁹¹ Financial Instrument for Fisheries Guidance.

⁴⁹² European Agricultural Guidance and Guarantee Fund (changes after the separation of guidance and guarantee sections in 2007 incorporated)

⁴⁹³ In the case of Table 2, RDP should be construed as both the Rural Development Plan for the years 2004–2006 and the Rural Development Programme for the years 2007–2013.

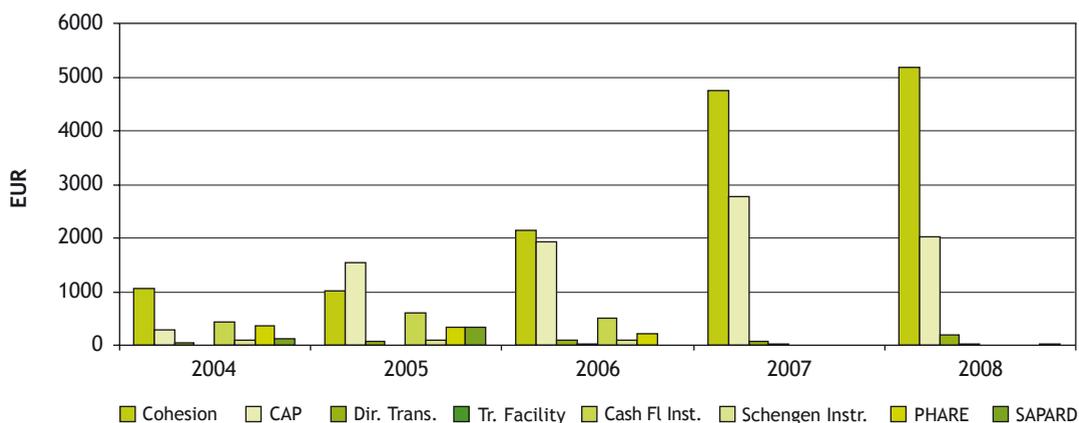
⁴⁹⁴ Direct transfers are construed as transfers of funds directly to beneficiaries, without the „account of the Ministry of Finance” acting as intermediary – classified above as the third group of transfers. These are e.g. ministries, research and scientific institutions, universities, government foundations.

⁴⁹⁵ Together with the transfer of EUR 4 477 k under the European Return Fund, External Borders Fund, European Refugee Fund and the European Fund for the Integration of third-country Nationals.

When combining cohesion funds with rural development funds, it can be stated that over 70% of Community assistance for Poland from 1 May 2004 was spent on development actions. On top of this amount comes funding under pre-accession PHARE and SAPARD programmes⁴⁹⁶, which impacted the economy also after 2004.

Since the accession, the structure of funds received by Poland from the EU has changed (chart 3). Initially, the total was made up of a large number of instruments and programmes. In recent years, the number of funding sources has been limited to two key ones. For instance, in the years 2004–2006, of significant importance were flows under the Cash Flow Facility, Schengen Instrument, as well as those under the Transition Facility⁴⁹⁷. Not without their importance were also payments of liabilities incurred prior to the accession under PHARE and SAPARD programmes. 2007 was the year of breakthrough, as it saw the cohesion and Common Agricultural Policy funds becoming the key sources of incoming funding. In 2008, cohesion funds obtained by Poland were twice as high as all payments in 2004 and were approximately equal to all incoming transfers in 2006.

Chart 3. Share of incoming funds from the EU budget to Poland in the period 1 May 2004 – 2008



Source: Own work based on data from the European Union Department and Regional Policy and Agriculture Department, Ministry of Finance.

⁴⁹⁶ Flows related to PHARE and SAPARD funds referred to in this chapter only apply to transfers after 1 May 2004.

⁴⁹⁷ So-called transition facility, being a continuation of the accession-related support. The fundamental role of these funds was to prepare the Polish administrative and legal system for the accession.

The above table shows the changes in amounts of funds coming from the EU budget to Poland. According to the table, the total of funds received by Poland showed the most robust growth in 2005 (vs. 2004). This is because the accession took place in May, rather than January 2004. Considering that the funds received in 2004 represent only 8/12 of the theoretical 2004 contribution, the figures are as follows: 10.9% in 2005, 25.7% in 2006, 50.9% in 2007 and -3% in 2008⁴⁹⁸.

The inflow of the pre-accession funds and those under the Schengen Facility, Cash Flow Facility and Transition Facility, owing to their transitional nature, was reduced. At the same time, funds to be spent on the Common Agricultural Policy were increasing in amounts, the growth rate being at its peak in 2005, when an almost 400% growth was recorded (nearly 250% with the projection) vs. 2004⁴⁹⁹. Cohesion funds in 2006 and 2007 were also marked by an extremely sharp growth rate of over 110%. These years saw an increased spending of funds under the Financial Perspective for 2004–2006.

We need to remember that financial flows, especially those involving cohesion and rural development funds, are in vast majority reimbursements of costs already incurred. They are essentially transfers to cover liabilities incurred in previous years. 2008 saw the utilisation of EU funds dwindling for two main reasons. First, we need to remember that this was a period of a switch-over to the new financial perspective. Member States were able to use structural funds from the previous perspective 2004–2006 up until 2009. On the other hand, funds under the New Financial Perspective (NFP for the years 2007–2013) are usually first launched as advances (2007 and 2008) for the first competitions to start, and real transfers are to be expected not before 2009. The second reason for a slower growth of incoming transfers were delays resulting from a late completion of financial negotiations on the NFP 2007–2013. As a result of this, new regulations also came delayed, similarly to the approval and implementation of Operational Programmes and the list of so-called major projects. The case for all European Union states is similar. The evidence is the comparison of EU budgets for the years 2008 and 2009 in terms of payment appropriations (that is funds to be transferred to national accounts). Their total was in 2009 lower than in 2008, although the budget in terms of commitments (i.e. funds to be contracted) was higher⁵⁰⁰.

⁴⁹⁸ Incoming transfers in 2004 were projected over the entire year, by multiplying the funds actually received by 12/8.

⁴⁹⁹ This resulted primarily from the transfer of 2004 direct payments funds only in 2005.

⁵⁰⁰ Cf. http://ec.europa.eu/budget/library/publications/budget_in_fig/syntchif_2009_pl.pdf, total payment appropriations, s. 7 (as at 17 February 2009).

Net position

“Net position” is the balance of financial flows between the national budget and the budget of the European Union. Constituents of this operation are contributions to the EU budget and returns of funds received from the EU as well as funds obtained by Poland from the EU. There are also terms such as “net payer”, denoting those member states whose balance of flows is negative (i.e. they pay more to the EU budget than they receive from it), and “net beneficiary”, denoting states with a positive balance of the flows. Poland, similarly to other new member states and some EU-15 states, is a net beneficiary of the EU budget. The biggest net payers are Germany, the UK, Holland, France and Italy. They are those who carry the most of the burden of financing development actions in beneficiary states. We should however remember that the division is not once and for all, but rather depends first and foremost on the level of economic development in a given country⁵⁰¹.

However, flows between the budgets alone are only a small portion of costs and benefits of the accession⁵⁰². There are several other types of financial flows outside the EU budget, but resulting purely from Poland's accession to the EU.

Table 3. Balance of financial flows between Poland and the EU from 1 May 2004 to 2008, thousand EUR

FLOW	from May 2004	2005	2006	2007	2008	TOTAL
Funds received	2 416 344	4 018 055	5 052 162	7 622 763	7 396 372	26 505 697
Returns to EU	0	-22 969	-4 046	-45 064	-7 826	-79 906
Contribution to EU budget	-1 318 980	-2 379 385	-2 552 450	-2 779 298	-3 402 108	-12 432 221
BALANCE	1 097 364	1 615 701	2 495 666	4 798 401	3 986 438	13 993 570

Source: Own work based on data from the European Union Department and Regional Policy and Agriculture Department, Ministry of Finance.

A closer look at the constituents of net positions itemised in Table 3 leads to the following conclusions:

⁵⁰¹ It is therefore possible than in the future Poland will also be a net payer to the Community budget. This is however not expected to happen before 2020.

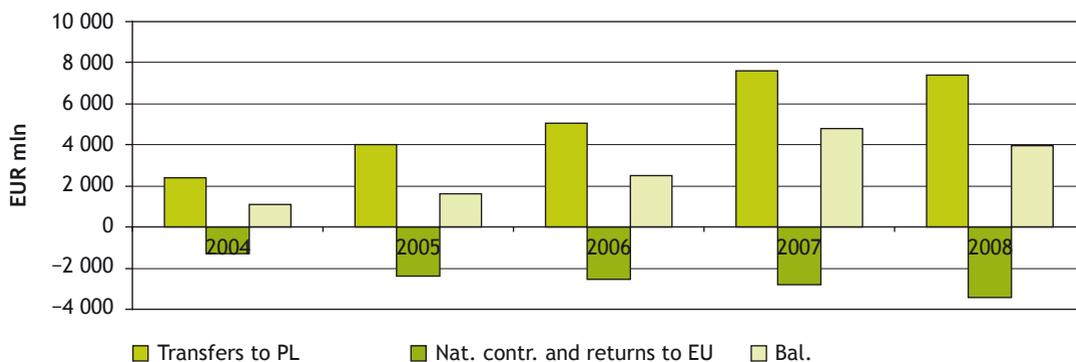
⁵⁰² There are significantly more costs and benefits experienced by national budgets, but enterprises, employees and consumers also experience them. Cf. J. Pietras, *Przyszłość budżetu UE. W poszukiwaniu spójności celów, polityk i finansów unijnych*, Warsaw 2008, p. 27-31 and J. Pietras, *European Value Added and EU Budget*, presentation at the conference Reforming the Budget. Changing the Europe, Brussels, 12 November 2008 r., slide 4, (available at: http://ec.europa.eu/budget/reform/library/conference/session4_pietras.pdf (as at 23 February 2009)).

- During Poland's five-year presence in the EU, Polish contribution has been consistently rising, reaching nearly EUR 3.5 bn a year, and, according to the 2009 budget plan, it should exceed this figure. However, the growth in contribution in 2009 vs. 2008 is not as significant as that two or three years ago. It resulted from two primary reasons: faster economic development of Poland as compared to the EU average and substantial strengthening of the Zloty in 2008. The second factor resulted in an "exchange rate-driven" growth of Polish GDP in Zlotys, when compared against other countries' GDPs in Euros. We should remember that the Polish 2009 contributions were calculated still before the financial crisis. As a result, it may turn out that, after the 2009 budget is adjusted, they will be reduced, owing to a slower economic growth and depreciation of the Zloty that began in late 2008.
- Return of funds previously received by Poland to the EU budget is rather irregular, but its total did not exceed 0.6% of the assistance received. Returns usually take place when irregularities in spending Community funding are detected, and the EC demands that those funds be returned.

Funds obtained by Poland have been systematically rising. 2008 was an exception, recording a nearly 3% drop vs. the previous year. As explained in the subchapter on funds received, this resulted from the entry into effect of the New Financial Perspectives (NFP).

All the above constituents of Poland's net position are presented in a graphical form in chart 4. Columns in the "negative" section show the flow of funds to the EU budget, and the last column of a given year shows the balance of flows as at 31 December.

Chart 4. The balance of financial flows PL–UE from 1 May 2004 to 31 December 2008



Source: Own work based on data from the European Union Department and Regional Policy and Agriculture Department, Ministry of Finance.

Other transfers

Poland's integration into the European Union in the financial dimension is not limited to flows of funds between the budgets of Poland and the EU. On the day of the accession, Poland committed itself to paying its national contribution also to the various EU institutions. At the same time, it was given the opportunity to use the funds of those instruments and institutions. The list of non-budget contributions and funds involving Poland includes:

1. European Economic Area Financial Mechanism (EEA FM) and the Norwegian Financial Mechanism (NFM). Acceding to the European Union, Poland also acceded to the European Economic Area (EEA). In 2003, the above instruments were established to support less affluent EEA countries and their donors, that is Norway, Iceland, Liechtenstein supported Poland with EUR 20.4 mln by the end of December 2007, and a further EUR 70.2 mln in 2008, totalling some 17% of EUR 533.51 mln allocated for the years 2004–2011⁵⁰³. Support under EEA FM and NFM is a form of compensation for the benefits enjoyed by those EEA countries which are not EU members, resulting from the accession of new states to the EEA. Currently, talks are being held on the amount of allocation under EEA FM and NFM in subsequent years.
2. Similarly to EEA FM and NFM, the Swiss Financial Instrument (SFI) was established in order to support economically the new member states. In 2006, Switzerland assigned EUR 645 mln for the years 2008–2012 to the new member states. Poland plans to launch the first funds under the instrument in 2009. Approx. EUR 311 mln are available to Poland.
3. The European Investment Bank (EIB) is an institution established by the Treaties of Rome, with a separate legal personality. EIB does not seek profit, and therefore offers to its members (EU member states and associated countries) low-interest loans to finance investment projects related to structural assistance and other EU financial instruments. The total of funds coming from the EU and EIB combined may not exceed 90% of the investment cost. Polish entities started to use low-interest EIB loans already in 1991. Between that year and end of 2008, Poland received over EUR 17.7 bn in such loans.

⁵⁰³ In the case of the so-called block grants, the funds can be used by 2012.

Table 4. Loans provided to Polish entities by EIB in 1991, thousand EUR

Borrower	Total loans
Government of Poland	5 782 000
Loans with a State Treasury security ⁵⁰⁴	4 455 000
Local and regional governments	868 740
Financial sector	2 727 140
Private sector	3 894 540
TOTAL	17 727 420

Source: Foreign Department, Ministry of Finance.

However, it was not until Poland's accession to the EU that the country paid its contribution to the EIB capital. The contribution is divided into 8 equal instalments, paid by Poland in accordance with the schedule presented in Table 5, totalling EUR 601.6 mln. The total value of EIB capital in 2007 amounted to over EUR 164.8 bn. The Polish contribution was calculated on the basis of GNI and number of residents. We need to remember that EUR 601 mln paid from the national budget enabled Polish entities to use investment loans on very good terms also in the subsequent years. Also, Polish entities could participate in such initiatives as: Jaspers (EC and EIB initiative) – offering support to structural projects, Jeremie (EC and EIB Group (EIB and the European Investment Fund) initiative to support micro, small and medium enterprises, and Jessica (initiative of the EC and EIB) – to support investment in urban development.

Table 5. Dates and amounts of Polish contributions to EIB capital

Date of payment		Amount in thousand EUR
2004	September	75 201
2005	September	75 201
2006	September	75 201
2007	March	75 201
	September	75 201
2008	March	75 201
	September	75 201
2009	March ⁵⁰⁵	75 201
Total		601 608

Source: Foreign Department, Ministry of Finance.

⁵⁰⁴ Loans taken out by state or private entities, with security on repayment furnished by the State Treasury.

⁵⁰⁵ When the report was drafted, the last payment for 2009 was planned to be made on 31 March 2009.

4. The European Central Bank is the core of the Eurosystem, that is ECB and the European System of Central Banks of those countries that have not yet adopted the common currency. Acceding to the EU, Poland decided to take a share in ECB's subscribed capital. The relevant payment was made on the first business day after 1 May 2004. It totalled 7% of the capital, that is EUR 20.014 mln. When Bulgaria and Romania joined the EU in 2007, the Polish share decreased, with the simultaneous reimbursement of EUR 0.356 mln. On 1 January 2009, Poland paid to the ECB a contribution of EUR 83 k following revaluation of its share in subscribed capital. As a non-member of the Eurozone, Poland did not receive its share of profits generated by the ECB⁵⁰⁶.
5. The Research Fund for Coal and Steel (RFCS) – Poland committed itself to pay EUR 92.46 mln in accession fee. Individual contributions (shown in Table 6) were paid from 2006, representing respectively 15%, 20%, 30% and 35% of the Polish contribution.

Table 6. Polish contributions to the Research Fund for Coal and Steel

Years	Amount in EUR k
2006	13 869
2007	18 492
2008	27 738
2009	25 726 ⁵⁰⁷
Total	85 825

Source: Budget and Finance Department, Ministry of Economy.

Poland's participation in RFCS enabled Poland to use funds assigned to the development of research in the coal and steel sector. Based on the available statistics, from 2004 to July 2007, Polish research entities contracted research projects, receiving EUR 52.7 mln in total contribution from the fund.

6. The European Development Fund (EDF) is the primary instrument for financing EU development aid to countries of Africa, the Caribbean and the Pacific (ACP). Currently, under the Cotonou Agreement, the tenth EDF for the years 2008–2013 provides the overall budget of EUR 22,682 mln. Poland is a regular contributor to

⁵⁰⁶ Statistics come from the Operations and Accounts Department of the National Bank of Poland.

⁵⁰⁷ When the report was drafted, the Ministry of Economy transferred a partial contribution for 2009 owing to a substantial appreciation of the zloty at the turn of 2009. The Ministry of the Economy, when it receives funds from the Minister of Finance, should immediately pay the outstanding amount.

EDF, with its share in the tenth EDF at EUR 295 mln⁵⁰⁸. It is expected that Poland will be asked to make the first payments in 2010 or 2011⁵⁰⁹.

Utilisation of EU funds and level of debt of local and regional authorities⁵¹⁰

The absorption of EU funds requires the allocation of appropriate funding to co-finance EU projects. Many entities (including Local and Regional Authorities, LRA) used loans to meet the requirement. The resultant risk is that the level of debt of Polish LRAs may rise excessively.

When analysing the statistics in Table 7, we should underscore that the LRA debt level dropped from late 90s of the previous century to 2006, increasing (in 2006) slightly, only to drop to 3.7% in 2007. We may conclude that EU funds coming to LRA budgets in Poland slowed down the debt level growth at Polish LRAs. What is more, starting from 2006, the share of LRA debt for the implementation of EU programmes and projects fluctuated around 10% of total LRA debt. Following the accession of Poland to the EU, the overall debt level to total revenue also stabilised (in Table 7, ODL/TR) as EU funds could be classified as LRA revenue.

Table 7. Aggregated LRA debt in Poland, in 1999–2008, thousand PLN

	YEAR									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 ⁵¹¹
Total aggregated debt	6 187	9 377	12 266	15 358	17 277	19 105	21 181	24 949	25 876	24 003
change	no data	51,6%	30,8%	25,2%	12,5%	10,6%	10,9%	17,8%	3,7%	-7,2%
ODL/TR	9,5%	12,9%	15,4%	19,2%	21,8%	20,9%	20,6%	21,3%	19,7%	no data
including aggregated debt related to EU programmes and projects	no data	2 515	2 375	2 137						
change	no data	-5,6%	-10,0%							

Source: Local and Regional Authorities Finance Department, Ministry of Finance.

⁵⁰⁸ Poland committed itself to pay contributions to the EDF starting from its tenth cycle. Its share was determined at 1.3%, which totals $1.3\% \times \text{EUR } 22\,682 \text{ mln} = \text{EUR } 294.87 \text{ mln}$. Cf. Proposal on the New Financial Perspective, Annex II, p. 34, http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/misc/87677.pdf (as at 2 March 2009).

⁵⁰⁹ At present, Poland does not finance EDF, as unused funds were reallocated from the 9th EDF and due to the preliminary stage at which the implementation of the 10th EDF is.

⁵¹⁰ Since the statistics in this subchapter come from annual budget reports of LRA, the figures are in PLN.

⁵¹¹ Q3 2008 data.

LRA expenditures under main headings of Polish LRAs' budgets in the years 2004–2007 are presented in Table 8. It shows that funds coming directly from the EU budget represent, in some instance, a major share of Polish LRAs' expenditures. This is the case with LRA expenditure on agriculture and forestry, where nearly 18% of funds in 2007 came from the EU, or expenditures on “transport and communication”, with EU funding accounting for nearly 10% there. The share of EU funds in LRA expenditure is the highest, at nearly 25%, under the heading “other social policy tasks”. The statistics presented here demonstrate a high effectiveness rate of LRAs in their spending of EU funds related to e.g. labour market, transport infrastructure and environment protection.

Table 8. LRA expenditure in 2004–2007 on selected municipality activities, EU funds itemised separately, in PLN k

	2004	2005	2006	2007
TOTAL LRA EXPENDITURE of which:	91 386 801	103 807 100	120 038 196	129 113 085
Agriculture and forestry of which:	1 969 960	1 727 408	2 211 550	2 530 079
– EU funds	191 175	278 104	449 761	445 470
Transport and communication of which:	11 604 218	14 089 381	18 794 450	20 769 397
– EU funds	234 239	1 138 473	2 280 322	1 916 992
Education and childcare of which:	33 419 760	35 138 091	37 090 814	39 376 746
– EU funds	7 864	95 741	177 860	183 990
Other social policy tasks of which:	836 481	1 039 376	1 519 883	1 724 688
– EU funds	29 490	125 902	360 405	427 188
Educational childcare of which:	2 691 024	3 514 853	3 907 523	4 032 991
– EU funds	45 290	269 248	316 778	207 321
Municipal services and environment protection of which:	5 248 053	5 754 672	6 539 297	6 948 440
– EU funds	220 306	661 461	976 307	871 067
Culture and protection of national heritage of which:	2 997 267	3 436 903	4 239 141	4 729 925
– EU funds	15 447	35 817	208 132	205 297

Source: Own work based on statistics from the Local and Regional Authorities Finance Department, Ministry of Finance.

Conclusions

In the period from May 2004 to the end of December 2008, Poland paid to the EU budget EUR 12.5 bn, and received from it EUR 26.5 bn. The net position of Poland was thus at EUR 14 bn. This figure should be supplemented with non-budgetary funds, referred to in the subchapter "Other Transfers". The total of Polish liabilities on those totalled over EUR 0.7 bn, and the profits came at nearly EUR 18 bn, the majority of which were EIB loans. We should also remember that the net position does not give a full picture of costs and benefits of EU membership. What is more, it should be argued that the total of costs and benefits of various types for entrepreneurs, consumers and workers is much more substantial than transfers between the budgets of Poland and the EU.

At present, it is extremely difficult to project the level of Polish contributions to the EU budget in the future. Models based on the GDP growth rate from before the financial crisis indicated that Poland's share, by more or less 2013, will reach 3.5%. For comparison, Germany's share in 2009 budget financing is at 19.7% and France's at 15.8%. Nevertheless, the looming recession in EU-15 markets in 2009, even with a minimum economic growth in Poland in the nearest future, may speed up the arrival at this level in a shorter period of time.

The level of EU funds utilisation is primarily dependent on the effectiveness of the government policies, Polish administration, as well as the will of potential beneficiaries to seek support from EU programmes and policies. It should be expected that the first transfers under the NFP for the years 2007–2013 will be launched in 2009, peaking in the subsequent years, to achieve the level of EU funds utilisation similar to that in the 2004–2006 financial perspective (nearly 100%) by 2015.



Chap.2

The social dimension
of Poland's membership in the EU



10
years of POLAND
in the European Union

Social perspective / *Jakub Wiśniewski*

Labour market and migration / *Jakub Wiśniewski*

Accession to Schengen and internal security / *Grzegorz Gancarz*

Education and sport / *Beata Słomińska*

Culture and tourism / *Beata Słomińska*

Consumer protection and public health / *Jan Szczodrowski*

Social perception of the Polish membership of the EU / *Maja Pilecka*

Social perspective

Assessment of the social situation in the period 2004–2009 against wider processes ongoing in EU countries

Due to the historical, cultural and above all socio-economic circumstances Polish society is – and will remain – different from Western European societies on many planes. As an example, our country will require many years to match Germany's level of economic development. A few examples are given below demonstrating the differences in development of our country in relation to other EU member nations. According to the calculations of independent experts¹ Poland had the highest number of children threatened by poverty in 2005 (29%), a long way behind the EU-25 average (19%). As Eurostat figures show, in 2006 Poland was sixth from last in the EU in terms of investment into research and development (allocating 0.56% of Gross Domestic Product – GDP against a European average of 1.86%)². According to calculations by the independent institute *The Lisbon Council for Economic Competitiveness and Social Renewal* Poland ranks lowest among the new member states in terms of its human capital³.

Poland joined the EU in 2004 as a country with huge regional disparities in terms of economic development. The problem lay with the significant underdevelopment of the eastern parts of our country (especially in terms of infrastructure, mostly physical). Before Bulgaria and Romania joined the EU, the five eastern regions of Poland were the poorest in the entire community. In 2008 Poland's GDP measured against purchasing power amounted to 54.9% of the average in the 27 member states⁴. Measured *per capi-*

¹ H. Frazer, E. Marlier, *Tackling child poverty and promoting social inclusion of children in the EU*, CEPS/INSTEAD, September 2007, http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/experts_reports/synthesis1_2007_en.pdf.

² A. Cieślak-Wróblewska, *Coraz mniejsze wydatki na innowacyjność*, "Rzeczpospolita", 11 March 2008.

³ Slovenia did best in this regard. In the above research four specific variables were taken into account: unit costs of education, degree of utilisation of resources, labour force productivity and the demographic situation (P. Schuler, S. Wyls, *The European Human Capital Index: the Challenge of Central and Eastern Europe*, The Lisbon Council Policy Brief, Brussels 2007).

⁴ Ministry of Employment and Social Policy, *National Employment Plan 2009–2011*, Warsaw 2009, p. 5.

ta, only Bulgaria and Romania showed a lower GDP. As the OECD report showed, in 2007 Poland was in the worst situation in the EU in terms of social stratification. The difference between the average incomes of the richest and poorest 10% of society was 13.5%, while in other European countries the figures were much lower, e.g. in the Czech Republic – 5.5%, in Sweden and Denmark – below 5%⁵.

It would be a mistake to make far-reaching conclusions from the above data. In many regards Polish society shows up favourably in international comparisons. In many evaluations Poland is spoken about as having dynamic, highly adaptable and capable citizens, drawing their roots from the experiences of the last few decades. In 2007 foreign companies invested in Poland 12.8 bn EUR, in 2008 – 13 bn EUR⁶. In 2007 Poland was one of the two fastest developing countries in the Organisation of Economic Cooperation and Development (OECD). Within the space of a few years Poland has managed to reduce unemployment by half. Compared with other countries Polish society is still relatively young. Half its citizens are under the age of 35. Poles are valued employees. The Polish educational market is among the fastest developing in Europe.

At the same time, in many areas of social life after Poland's accession to the EU the process of catching up with Europe in terms of the level of civilisational development has visibly accelerated. In 2007 alone the pace of GDP growth in Poland was higher than the EU-27 average by 3.8%. The higher pace of economic growth and the flow of direct foreign investment to Poland resulting in a greater number of workplaces led to an increase in prosperity levels in Polish society. Poles' material wealth has increased. For example, the average living space per person has grown from 22.2 m² in 2002 to 23.8 m² in 2007⁷. The quality of life has improved. Polish households have acquired more durable goods, such as cars or modern communications equipment (computers, satellite television, mobile phones)⁸. Average net income per person amounted to 895 PLN in 2007. In the years 2005–2007 this rose by 30% in real terms⁹. The number of households declaring that their regular income was insufficient to meet their ongoing needs fell (though this still concerned 32% of households). Poles are ever better qualified. In recent years the proportion of people having completed only primary education has fallen (51%). People with a secondary

⁵ J. Kumoch, *Pensje Polaków podzieliła przepaść*, "Dziennik", 22 October 2008.

⁶ IIC Partners, *Global Perspectives, National Profiles – Poland, 2009*, www.iicpartners.com.

⁷ Central Statistical Office, *Property economics 2007*, Warsaw 2008.

⁸ For example, in 2003 only 29.9% of the population had a mobile phone, by 2007 – 70.1%, the percentage of homes having a computer grew from 33.7% in 2003 to 53.8% in 2007. Internet access in 2007 was available to 39.2% of families, four years earlier it was barely 16.9%. Cf. J. Czapiński and T. Panek, *Diagnoza społeczna 2007. Warunki i jakość życia Polaków [Social diagnosis 2007. Poles conditions and quality of life]*, Warsaw 2007, p. 268–269.

⁹ Credible data on this matter can be found in the reports prepared regularly under the auspices of the Council for Social Monitoring, *Ibidem*, p. 17.

or tertiary qualification constituted 19% of the population in 2007, while in 2000 it was a mere 12%¹⁰.

Polish society has faced numerous challenges in recent years, independent of Poland's membership of the EU. As much as the process of ageing populations also affects other EU member states, the problem in Poland will shortly be particularly severe. Since 1997 Poland's population has steadily fallen, connected with a falling birth-rate¹¹. For every woman there is 1.3 children, while to maintain the population at a stable level, that figure should be 2.1. The fall in population level is also a result of the negative balance of long-term emigration. The demographic changes also concern the age structure – the proportion of children and young people in the general population fell from 29% in 1990 to 20% in 2007.

The average lifespan is lengthening (which is a consequence of improving living conditions, better-paid employment etc.). This means that the number of people above retirement age is steadily increasing – from 1990–2007 the proportion of this group in the entire population increased from 13% to 16%. This in turn leads to greater pressure on the state budget and retirement and pension systems.

The institution of the family has undergone changes. The number of people living alone and in non-married relationships has increased. The number of divorces has gone up. The patriarchal model of society is slowly changing in the direction of sexual equality in all areas of social life. Other challenges concern the evolution of socio-economic realities and alterations in social consciousness as a result of global processes. The structure of employment is evolving. Ongoing economic liberalisation is accompanied by relocation of industrial production to countries with lower labour costs. The emphasis on education reflects the importance of knowledge and information in all areas of life in the information society.

To conclude this thread, it could be said that social problems have appeared in the collective consciousness which have long been ignored, such as discrimination of women, national and ethnic minorities, immigrants or the disabled. The European Union, constituting a kind of window on the world for the modernising Polish economy emerging from decades of isolation, has accelerated the unavoidable process of adaptation to global conditions. For Poles coming into contact on a daily basis with the realities of life in Western Europe, it has become easier to grasp the distance separating them from the

¹⁰ *Ibidem*.

¹¹ Demographic data comes from the resources of the Ministry of Employment and Social Policy, *National Employment Plan 2009–2011*, Warsaw 2009, p. 8–12).

societies of developed countries. In some situations this could cause frustration or create an inferiority complex. Maybe the fact that Poles have saved little, despite growing incomes, can be explained by a kind of increased consumer demand, which in post-accession reality was additionally stimulated¹². Consequently, it changed the way in which Poles perceived their own situation, as testified by the figures relating to poverty. While objectively the percentage of households living in poverty fell in the years 2005–2007 by 3%, in subjective terms it increased by 9%¹³.

Work and economic status

Since 2004 the situation in the employment market has consistently improved. In 2005 almost 6% lived in households where no one was employed, though there were people actively seeking work there. Two years later this figure was a little over 3%¹⁴. Among the causes of unemployment “behavioural” factors dominated, connected with a lack of desire to find employment – be that education, childcare, health, the wrong age or a lack of interest in gainful employment.

A process of enormous significance for the Polish employment market (and also for society as a whole, its cohesion and identity, which is discussed in subsequent subchapters) was the economic migration of Poles in 2004. Surplus labour vanished from the Polish employment market. As a result the Polish labour market evolved in the direction of a “workers market”, strengthening the position of employees in their relations with employers. Meanwhile, when employed abroad, Poles became acquainted with new models of career development, acquired new skills and professional qualifications. Thanks to increased migration abroad social mobility inside the Polish labour market increased. In the context of economic status, remittances to families by Poles employed abroad played an important role.

On the other hand the migration exposed some weaknesses in the Polish labour market. On a regional and local scale, shortfalls in labour appeared. In relation to certain professions valuable human capital has been lost. In the case of people or

¹² In March 2007 over 74% of households had no savings. Cf. J. Czapiński, T. Panek (ed.), *op.cit.*, p. 18.

¹³ Polish and world media, describing the story of a railway worker from Działdowo, wrote about the discrepancy between the gloomy attitude in society and the objective realities of life in Poland during the period of EU membership. In 2007 Jan Grzebski awoke after spending 19 years in a coma. When Mr Grzebski fell into a coma petrol was still rationed and the Round Table (over ways for the communist party to give up power) discussions had just begun. Referring to the present reality, Mr Grzebski emphasized that it had exceeded even his wildest expectations. Cf. *Mężczyzna wybudził się ze śpiączki po 19 latach*, “Gazeta Wyborcza”, 1 June 2007.

¹⁴ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 22.

families receiving remittances there grew a risk of lasting professional inactivity and transfer dependency. It is difficult here to pronounce on the balance of gains and losses resulting from increased migration, nevertheless the scale of the improvement in the situation in the Polish labour market would certainly have been less if Poland had not joined the EU.

The example of Cieszyn, a town split by the Olza river, lying on both sides of the Polish-Czech border, is a good illustration of the new economic opportunities that arose for border regions following Poland's accession to the EU and Schengen zone. This is demonstrated by the advertising slogans found there ("European quality, Polish price, Czech VAT"). It is worth noting, at the same time, that the tightening up of the Polish borders with Ukraine and Belarus has, unfortunately, resulted in the reverse process – border trade, after a boom period at the end of the 90s – has become more restricted in the following decade.

It is difficult to estimate the role of the "EU factor" in explaining the improvement in the situation in the Polish labour market after 2004. In this respect, projects carried out under the auspices of the European Social Fund should be mentioned. They were aimed at those registered as unemployed on local employment exchanges, people professionally inactive as well as those in work. However, the money from structural funds (especially the European Social Fund) undoubtedly led to a fall in unemployment and growth in employment. For the 2007–2013 period Poland has been allocated 9.7 bn EUR, which are to be spent as part of the Operational Programme "Human Capital" (OP HC). "Human Capital" is the largest programme in the history of the European Social Fund carried out in any EU member state, with record sums of 11.4 bn EUR at its disposal (the extra 1.7 bn EUR comes from the national budget). According to analyses carried out by the Ministry of Regional Development between October 2004 – December 2006, thanks to investment from structural funds, the number of people employed in Poland rose by 320,000 people (a 37% increase in total employment)¹⁵.

The public infrastructure improving as a result of EU investment positively affected economic status and living conditions. Investment in terms of cohesion policies includes – apart from the above-mentioned professional training and new jobs – sewage plants, new roads, bridges, water supply and sewage systems and remaining infrastructure. Of course only a part of these funds have been invested during the first five years of Polish membership of the EU.

¹⁵ Ministry for Regional Development, *Final report on "The influence of EU structural funds on employment"*, Warsaw 2007, p. 2.

When discussing economic status it is worth looking at the position of Polish consumers. The liberalisation of community markets brought Poles measurable benefits in this regard, often leading to lower prices, higher quality and a wider range of products and services. While in the collective consciousness the influence of the EU on, say, airline services (budget airlines, finance and insurance, individual banking) or telecommunications (regulation of roaming fees inside the EU) was relatively unnoticed, in practice the changes in these fields took place almost exclusively as a result of decisions taken at the European level.

Summing up the discussion concerning work and economic relations, it should be stated that Polish household economies, following a period of high unemployment and uncertain employment, experienced a noticeable improvement in the economic sphere in the years 2004–2009. EU membership contributed to the amelioration of tensions in the Polish labour market. The decisive factors in this regard were the rapid economic growth, new jobs created by EU investment in infrastructure as well as a wave of economic migration.

Polish membership of the EU had a limited influence on some trends in the Polish labour market. For example, Poland – also compared to other EU-27 countries – displayed particularly low professional activity among people aged 45–59. Unfortunately, in the years 2004–2009 the deactivation of this group of workers continued. To put it simply, there was an enormous swathe of Poles in the country who not only weren't working, but worse, weren't interested in working. This slowed down the socio-economic development of Poland and had a negative effect on people's living conditions.

Leisure and personal development

The European Union influenced, directly or indirectly, the ways in which Poles spend their free time, and how they accumulate their intellectual capital. It is worth recalling that the forms of leisure and personal development 2004–2009 evolved above all under the influence of very general processes, such as the growth in incomes or availability of employment. Despite the improvement in these areas, about 74% of households were still not in a position to satisfy their leisure needs (e.g. in terms of holidays). The situation was similar with needs for cultural entertainment. Approximately one Pole in

three in 2007 was unable to go to the cinema, theatre, opera, classical or rock concert or exhibition for financial reasons. On the other hand, the number of people restraining themselves from purchase of books or newspapers for financial reasons fell by 10% (to, respectively, 24 and 29%)¹⁶.

Cooperation in such areas of European integration as education, scientific research, supporting information and communication technologies or cohesion policies had specific consequences for Polish culture and intellectual life. The entry of Poland to the EU coincided with a time of intensified activity at the community level aimed at strengthening the cultural and spiritual dimensions of European integration. Initiatives such as the "Culture" programme implemented in the years 2007–2013 (with a budget of 400 mln EUR), emphasized the significance of European cultural heritage. As part of another initiative in November 2008 a digital library of the European Union was set up – *Euro-peana*, containing manuscripts, books photographs, maps and masterpieces of European painting. The collection contains 2 million works freely available in digital form, part of which comes from the Polish National Library.

Another EU worthwhile initiative is the idea of the European Cultural Capital. Each year a European city is chosen, which for a year presents its cultural life, and that of the region and country. Special concerts, festivals, exhibitions, conferences and other activities advertising the cities and regions are organised to celebrate the occasion. Most importantly, all the events in the European City of Culture are 60% financed by the EU. In 2000, in the pre-accession period, this title was bestowed on Krakow. In 2016 Poland will be able to nominate another city for the title of European Cultural Capital. The potential nominees are: Gdańsk, Łódź, Lublin, Poznań, Szczecin, Toruń and Warsaw.

In terms of policies for regional development music schools, concert halls and recording studios have received financial support. Thanks mainly to EU subsidies it has been possible to restore hundreds of historic, religious and culturally important buildings to their former glory. Historic interiors and facades have been restored across Poland. Among others, in Poznań the old Parish Church the Franciscan Fathers Church and the Raczyński Library have been restored, in Kostrzyn on the Vistula the Baltic fortifications have been revitalized, in Tczew valuable examples of 19th century pre-industrial architecture have been restored.

EU funds have also contributed to promoting the benefits of tourism in individual regions. Sports and hotel infrastructure has been expanded. Here are a few examples:

¹⁶ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 20–21.

Rudnik on the San has been transformed into the Polish wicker capital, thanks to the construction of the Wickerwork Centre built with funds from the Integrated Regional Operational Programme. The Stanislaw Lem Garden of Experience in Krakow has been created, the first educational park in the country. One of the principles of the project, carried out as part of the EQUAL Community Initiative¹⁷, was providing visitors with attractive, interactive installations, helping to reveal the secrets of chemistry, physics and biology. In Beskid Sądecki thanks to structural funds the first, and thus far the only, ski facility taking in two valleys has been created. All these investments would not have been completed as quickly if community funds had not been available.

Poles have started to travel in large numbers, and not only in search of earnings, but also as tourists. The greater mobility of citizens was influenced by Poland's joining the Schengen zone, and also by increased purchasing power. The scale of the change is best illustrated looking at passenger numbers at Polish airports. Warsaw's Fryderyk Chopin terminal at the Okęcie airport completed in 1992 was intended to serve 3.5mln passengers per annum. At that time it was considered that the capacity would be sufficient for many years. Whereas in fact the airport's capacity was exceeded even before accession. One year after Poland's entry to the EU in 2005, 7 million travellers were handled by Okęcie. The construction of a second terminal became essential, increasing the capacity of the airport to 10 mln. Regional airports have also developed dynamically, as demonstrated by the example of Katowice, where in 1995 15,000 passengers were handled, in 2005 – 1 mln¹⁸.

Paraphrasing the words of the British economist Claus Moser, it could be said that educating young people is certainly expensive, but the ignorance of future generations could cost us even more. In 2004 Polish citizens acquired easier access to educational institutions in other EU member countries. In the case of students and school pupils this means identical rights to those enjoyed by the citizens of the receiving country, associated with study fees, grants, medical care or reduced fares on public transport. Although in a legal, formal sense Polish students became equal with other EU citizens; the costs of living and studying abroad often constituted an impassable barrier for Polish citizens. Polish schools, academies and professional training centres took part in community programmes like Socrates, Comenius or Leonardo da Vinci. Academic-research staff had

¹⁷ The EQUAL Community Initiative was a European Union programme aimed at creating a greater number of quality work places and ensuring widespread access to them conducted in the years 2004–2006. Its main role was “testing and supporting new methods of combatting all forms of discrimination and inequality in the labour market, on the basis of sex, racial or ethnic background, faith, convictions, disability or sexual orientation, equally among those employed as well as those seeking employment”. Cf. Fundacja Fundusz Współpracy, *The Equal Community Initiative Programme*, 2009, www.equal.org.pl.

¹⁸ *Cheer up*, “The Economist”, 11 May 2006.

the opportunity to take part in occasional Research, Technological Development and Presentation Programmes.

Polish students learned to function in an international environment. Baccalaureate in Poland, studies in Sweden, traineeship in Germany, employment in Spain – such a hypothetical career has become an open possibility for many young people. At the same time, Poles occasionally remained unaware of the rights and privileges they had acquired due to Poland's membership of the EU. The Polish educational system wasn't always supportive, either substantially, financially or bureaucratically (e.g. in terms of recognition of overseas qualifications). In this area there arose a need for cooperation between central and local government, educational authorities and institutions.

In conclusion, the evolving forms of leisure and personal development brought Polish society closer to the countries of Western Europe¹⁹. This has had an effect on social attitudes. According to Henryk Domański, director of the Institute of Philosophy and Sociology in the Polish Academy of Science, Polish "society, on average, has become more tolerant, liberal in terms of behaviour, is more intellectually flexible. Poles orientation is more individualistic, we have become a less collectivised nation"²⁰. At the same time, the still present differences in income often forced Polish citizens to restrict their plans and ambitions.

A civil society and state administration

In the years 2004–2009 Polish state administration has steadily been modernised. Often, to take advantage of an opportunity brought by membership, bottom-up (initiated by local communities) initiatives were also required. In cases of investments in infrastructure (e.g. building sewage works in a municipality or creating a cooperative of agricultural producers) or spontaneous actions by citizens (the organization of cultural events) individual ability and enterprise are not sufficient, reserves of social capital are also necessary. Many experts have emphasized the asymmetric social development of Poland in recent years, based on the fact that faster improvements in living conditions

¹⁹ This doesn't alter the fact that – in accordance with the theory put forward earlier – Poland remained distinct from Western European societies in many regards.

²⁰ *Szkoda, że wyjeżdżają, ale emigracja to jest także pozytywne zjawisko* (note from a debate "The Wall Street Journal Polska" and TP), "Dziennik", 6 November 2007.

are accompanied by decidedly slower advances in the broadly understood public sphere. As the American politician Hubert Humphrey said, “the impersonal hand of government can never replace the helping hand of a neighbour.”

It is worth backing that statement up with an example: barely 11.5% of those asked in Poland agreed with the statement “most people can be trusted”, which constitutes less than one sixth of the value for the same question when asked in Denmark and Norway. In 2007 more than half the citizens paid little or no attention to building the broadly understood common good (by making contributions in terms of taxes or duties). Poles display a high degree of tolerance towards such antisocial behaviour as joyriding in public transport or non-payment of rent²¹. The lack of sufficiently developed social ties has brought with it lost opportunities in terms of lower productivity (for example, farmers being unwilling to exchange agricultural machinery).

The influence of the EU on the sphere of civil society has limited itself thus far to the systemic and financial support of the non-government sector, which – though noticeable and bringing about real change – has not been able to make up for many generations of neglect.

Travel abroad after 2004 often turned out to bring a broadening of perspectives, a kind of living experiment, an important test of independence and testing oneself in new surroundings and conditions, of taking responsibility for one's decisions. The spatial mobility of Poles undoubtedly contributed to the formation of an open society, remodelling worn-out attitudes in daily contact with people from another culture²². It can reasonably be stated that the increasing familiarity of Polish citizens with the realities of Western Europe contributed to a better understanding of mechanisms of the market economy and democratic processes, acceptance of freedom of speech, free press and so on. The number of people who agreed with the statement that democracy is the best form of government has increased in recent years – from an admittedly low level: in 2003 it was 17% of those tested, in 2005 – 21 %, while in 2007 – 24%²³. Positive change was also visible in relation to other aspects of social life. For example, in recent years the percentage of people claiming to segregate rubbish has grown (from 41.5% of households in 2005 to 51% in 2007)²⁴. Research carried out in March 2008²⁵ showed that 50% of households

²¹ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 29.

²² “If someone comes into contact with the West, works a bit, he'll find out he has to be on time, polite, smiling. It could be a positive experience – learning new habits, customs, cultures, modes of social life” (Ryszard Kapuściński in an interview for “Gazeta Wyborcza”. 24–25 June 2006).

²³ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 31.

²⁴ *Ibidem*, p. 268–269.

²⁵ Research conducted by GfK Polonia for UKIE Department of Analysis, Warsaw, March 2008.

have easy access to segregated rubbish containers, 18% of families have awkward access, whereas 32% has no access at all.

The European Union has provided Polish state bureaucracy with a certain model-generating potential, shown in the form of a variety of modernising impulses, inspiration, examples of good practice applied in Poland. Thanks to the so-called open method of coordination (voluntary collaboration of member countries in implementing reforms at national level) the EU has supported cooperative activity in such spheres as: employment, work entitlement and working conditions, security in society, vocational training, safety at work and industrial illnesses, protecting health at work, the right to associate and enter into collective bargaining agreements. Reforms in the Polish labour market in 2004–2009 were constantly subjected to evaluation by community institutions and other member states. Practice has shown that such casual collaboration has brought concrete results.

The structures of Polish state bureaucracy have also evolved as a result of EU investments. As an example, prior to entry into the Schengen zone it was necessary to improve and strengthen the telecommunications infrastructure in the administration and increase the safeguards associated with document security. As part of the Schengen Financial Instrument (Schengen Fund) Poland had about 314 mln EUR available to it. Investment from these funds was above all intended to improve the condition of the infrastructure at border crossings, and also for improving the equipment levels for all types of operational equipment and for the relevant schooling of the Police and Border Guards. Equipment was bought for border guards, so that the EU's external border was appropriately secured. Airports were built or expanded, as were road and rail border crossings with Russia, Belarus and Ukraine. The living conditions of refugees in Poland improved.

The above considerations clearly show that the modernisation of the Polish state bureaucracy has proceeded relatively efficiently (it is worth at the same time remembering that much was done in this regard prior to accession). The increase in civil activity has been slower, though positive changes in this regard are also beginning to be visible.

Security

Poland's membership of the EU has entailed the introduction of legally sanctioned and universally applicable standards concerning, among other things, employment,

public health, business, and industrial and agricultural production. For Poland, belonging to the Schengen zone or single market has brought with it specific responsibilities and requirements, shared with other member states (as in Horace's maxim: "if your neighbour's wall is on fire, it's also your problem"). For ordinary citizens this has meant raising the level of broadly understood security, covering various aspects of daily life. For example, in December 2008 the "Child-friendly Cafe" campaign was launched, implemented as part of the Europe-wide "Safe Internet" programme. As part of the campaign, Internet cafes could apply for community funds, on condition that special filtering programmes were installed on their computers²⁶. It's worth recalling here in a little more detail the three areas of EU influence on the lives of citizens: employment law, public security and consumer protection legislation.

Minimum standards in the area of employment apply in the EU. Above all, they concern the organisation of health and safety at work, and also restrictions and prohibitions on the use of materials, substances and technologies that are harmful to health, and also the safe execution of one's work. The law defines working conditions in areas of increased risk of loss of health or injury at work, such as building, fishing, mining and the electronics industry. Issues of protection at work in terms of the scope and organisation of time at work have also been introduced into Polish law. This includes the issue of daily and weekly working limits, minimum statutory rest periods at work, annual leave, and also the principles of organising shift-work and restrictions on night-working. It is worth also remembering about the social protection of work (e.g. protection of the employment of minors, flexible forms of employment). On the fringes of social policy lies a group of directives concerning administrative activities in the area of classifying, marking and packing machinery and equipment on account of its safe transportation and use. The directive on the duty of employers to inform about changes in the terms of employment, or its termination, in writing has been classified separately.

An important role is played by the rules formulated by the EU concerning non-discrimination, introducing principles of equal treatment regardless of sex, ethnic or racial background, religious belief or declaration, disability, age or sexual orientation. It is worth remembering the *buses and coaches* directive, which introduced the requirement of providing access on all new buses in urban areas for people with restricted mobility (including wheelchairs). This refers to special vehicles, allocated seating space, space for guide dogs or special markings for those with poor eyesight.

²⁶ EuroPAP, EU programme "Safe Internet" starting in the new year, 11 December 2008.

Quite apart from the letter of community law, recent years have seen changes in the accessibility of public spaces for the disabled. For wheelchair users the kerb has in most towns ceased to be an impassable barrier. The influence of the EU in this area has been mostly limited to raising the awareness of citizens and authorities to this issue. Lowering the kerb at pedestrian crossings is after all a technical matter, which has little discernible impact on building work.

Interestingly, the percentage of people who admit to having been discriminated against in some way (1.9%) was in 2007²⁷ the highest it has been since the phenomenon began to be systematically tested in 1992. If we assume that discrimination in the workplace has not occurred more than to this date (some research indicates this), it may be a symptom of increasing awareness on the matter of what constitutes discrimination and what sanctions await those who allow such things to happen. It seems reasonable to suggest that this is a reward of the EU's activities encompassing both changes in employment law as well as campaigns informing of those changes.

The lifting of the borders with Germany, Lithuania, Slovakia and the Czech Republic in December 2007 brought with it increased police cooperation and stronger external border controls (crossings with Russia, Belarus and Ukraine). According to a report drawn up by the Ministry of Interior and Administration (MSWiA), since Poland joined Schengen, the effectiveness with which the territory of Poland has been protected has risen by 50%²⁸. Only in the first six months of 2008 the Border Guards (SG) detained half as many illegal aliens as in the analogous period the previous year²⁹. The effectiveness of the SG has also improved in terms of fight against smugglers of cigarettes and alcohol. Thus – for example – in the first half of 2007 the value of the alcohol seized by the SG amounted to 1.5 mln PLN, whereas in the first six months of 2008 – 5 mln PLN.

It is significant for the security of citizens that the Polish authorities gained access to the Schengen Information System (SIS) as well as to the Visa Information System (VIS). Poland – being a party to the Europol Convention – also gained access to the databases of this authority. 350 people being sought by a European Arrest Warrant have been detained on the territory of Poland. About 600 people sought by the Polish law enforcement agencies have been detained on the territory of the European Economic Area (EEA). As a poll conducted by TNS OBOP in December 2008 showed, these

²⁷ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 29.

²⁸ Ministry of Interior and Administration (MSWiA), *Polska w strefie Schengen – refleksje w pierwszym roku członkostwa*, Warsaw 2008, cf. also press information – EuroPAP, MSWiA report: after Poland's entry into Schengen – the increase in effectiveness of border security, 14 December 2008.

²⁹ It could also mean that more people tried to illegally cross the Polish border.

benefits have been perceived by citizens. 54% of Poles think that Poland's entry into Schengen was a positive event³⁰. Among the benefits named by interviewees were easier movement around Europe (62%), no border queues (44%) and more effective combating of smuggling (37%). The expansion of the Schengen zone was also a success from the point of view of the "old" member states. "We have gained more freedom and security", Wolfgang Schaeuble, the German Minister of the Interior in December 2008, wrote in the weekly "Bild am Sonntag".

Entry into the Schengen zone meant that Poland had to introduce visa procedures aimed at nationals of some third countries which are standardised at the European level. Visa regulations were introduced for citizens of Belarus and Ukraine. Unfortunately the cost of a visa, taking into account the average level of income, was high for the citizens of these countries (Ukrainians paid – 35 EUR, Belarusians – 60 EUR). From January to August 2008, the number of Ukrainian citizens entering the territory of the EU (including Poland) fell by 37.7%. To prevent a drop in the intensity of cross-border movement, in December 2008 a procedure ratifying agreements between Poland and Ukraine was initiated, covering local border traffic. Thanks to this the resident of border areas will be able to cross the border more easily, without having to apply for a visa.

Polish consumers, at the moment of Poland's accession to the EU, were covered by the minimum level of protection resulting from EU regulations. It is from precisely these community regulations that the principle arises that if a purchased product does not meet the requirements of the contract made with the seller at the moment of purchase, the consumer can demand its repair or replacement with another example of the same product. Interestingly, the highest norms for the safety of products bought by consumers apply in the EU. This concerns many products of daily use, such as toys, cosmetics or electrical equipment. When it comes to talking about food, it is worth emphasizing that the EU system of safety covers the entire "food chain" – from agricultural production, to food product preparation, up to sale and retail. Thanks to community legal stipulations covering product labelling, everyone can get information about what they are eating. Additionally the law demands that contracts made in dishonest circumstances are prohibited. Supermarkets are additionally required to state the unit price of products (e.g. price per kilogram), so that consumers can more easily compare which purchase is better³¹.

³⁰ EuroPAP, *Ponad połowa Polaków uważa wejście do strefy Schengen za korzystne*, 18 December 2008.

³¹ European Commission. General Directive on Health and Consumer Protection, *Consumer protection in the EU – Ten basic principles*, Brussels 2007.

The three spheres of public life discussed above demonstrate the scale of the influence of the EU on the broadly understood security of citizens in Poland. Harmonization in most cases was technical and highly detailed in character, however its influence on the life of citizens is hard to exaggerate. Generally speaking, community legislation contributed to an increase in the scope of the protection provided to citizens on different levels by public institutions. Of course the activities associated with adopting these laws brought with them various costs, both for the private as well as public sector.

Identity and social cohesion

At the moment of accession, Poles, more or less consciously, became a part of the Union, understood as a community of shared values. In the view of Poles joining the EU is – apart from the regaining of independence in 1918 – Poland's greatest success in the last 100 years. 39% of respondents said accession was the most significant event in the last century³². Poles have, to an ever increasing degree, come to place their hopes on EU activity in many areas of social life.

For example, research conducted in 2006 by the Office of the Committee for European Integration (UKIE) showed that Poles are positively inclined towards the introduction of uniform principles in terms of social policy at the community level. This concerns, among other things, the introduction of a European minimum wage and health and safety at work³³. Poles have a relatively clear vision of socio-economic relations. The European Union, together with state governments, has taken on a range of tasks associated with social prosperity. Similar to the citizens of other countries, Poles expect public authorities to function on a basis of social solidarity, entailing civil rights to receive help in situations where a given individual has found themselves in difficulty. Poles placed their hopes in the implementation of social dialogue, guaranteeing the meaningful participation of citizens in the process of making decisions that affect them. The EU is perceived as a guarantor of the basic rights concerning the free movement of labour, together with guaranteeing migrant workers social security, or the equal treatment of men and women.

³² PAP, *Polowa Polaków uważa okres po 1989 r. za najlepszy w XX wieku*, 5 November 2008.

³³ For more on this subject, cf. A. Byrt, J. Wiśniewski, *Perspektywy pogłębienia wymiaru społecznego integracji europejskiej w świetle badań opinii publicznej*, Biuletyn Analiz UKIE no. 17, February 2007.

It seems reasonable to suggest, then, that in the minds of Poles the EU is perceived as a new point of reference, and at the same time an element helping to build one's own identity. Poles have, to an ever greater degree, conceded the possibility of identification on many levels, where national patriotism is backed up by a feeling of "Europeanness". The role of local and regional community has also grown. The resurgence in local patriotism observed presently is connected with the socio-economic development model propagated by the EU, based on the principle of subsidiarity. The decisive factor in this regard has been the EU financial support given to local government. Districts and towns gained access to community funds designated for investment in infrastructure or assisting enterprise and the development of human capital.

What does functioning in a European economic, social and cultural space mean to Poles? Increasing prosperity has come to professional groups above all, for whom Poland's opening to the world and membership of the EU has been most beneficial, such as business people, IT specialists, management, lawyers and economists. Young people, well qualified, living in Poland's largest cities, such as Warsaw or Gdańsk as well as – interestingly – other places in the Pomorskie Region have observed the greatest improvement³⁴. Relatively the least benefit has been felt by the elderly, the worse qualified and especially those living in small towns in eastern Poland. Living conditions in rural areas have improved dynamically, which was influenced most strongly by direct subsidies as part of the common agricultural policy.

It is difficult to speak of the changes in rural Poland without referring to the incomes of farmers, the modernisation of rural infrastructure or the increased efficiency of agricultural production. Thanks to these processes, brought about by membership of the EU the face of rural Poland is changing. Indicators of schooling levels, prosperity, quality of life or social or civil activeness are improving. At the same time, though, membership has had little effect on the living conditions of the socially excluded. This is confirmed by the figures for alcoholism and crime in the countryside.

While Poland has been an emigrating country for many decades, the dramatic growth in earnings migration after 2004 had a strong influence on Polish society. As Włodzimierz Anioł from Warsaw University puts it, "increased migration [...] and the significantly easier contacts with the developed world have become an instrument and a factor in advancing modernisation, general cultural change, civilisational progress". This is particularly true of provincial Poland, the countryside and small towns. For

³⁴ J. Czapiński, T. Panek (ed.), *op.cit.*, p. 29.

example, in the Siemiatycze press the vast majority of articles refer to Belgium as the main destination for the residents of the region.

The figures showing the circulatory, seasonal, fluctuating character of economic migration of Poles suggest a mildly positive interpretation of the phenomenon. In such an understanding we cannot speak of a permanent loss of young, well-educated, dynamic workers and citizens. An analysis of the local press in Poland in the last few years leads to some interesting conclusions concerning the evolution of perceptions of the earnings migration of Poles. The word “emigration” appears almost exclusively in relation to Poles travelling to America, indicating the permanent nature of the stay in that country. Meanwhile, in relation to European countries the terms “movement” or “trip” are more common³⁵.

On a regional and local scale there have been cases where the loss of workers negatively affected the functioning of some institutions or the vitality of local social and cultural life. Here are some headlines from the local press in recent years: “nurses gone, hospital paralysed”, “children’s surgery ward stopped admissions yesterday”, “workers disappeared – repairs to primary school delayed”³⁶.

It should not be forgotten, though, that a life in emigration comes with risk attached and a range of inconveniences. The local and national press have, in recent years, highlighted many cases in which Poles have been mistreated, cheated, forced to do extremely hard labour or otherwise exploited. Ignorance of the language, general incompetence or low qualifications has on more than one occasion condemned some migratory workers to the status of second-class citizens in their target countries.

In recent years a negative phenomenon has appeared, concerning so called ‘euro orphans’, associated with the separation of children from their parents, who are living abroad. A Polish foundation – Prawo Europejskie [European Law] – estimated in April 2008 that as many as 110,000 children are affected by this problem in Poland³⁷. The problem is particularly acute at the level of local government – for example, according to figures from the Łódzkie Region Education Authority there are approximately 6,000 pupils one of whose parent have travelled abroad to work. In 550 cases there was confusion over why they were not attending school and what their place of residence was. The Polish accession to the EU influenced the increased economic migration of Poles, leading to remittances to families and brining about separation from relatives Thus the

³⁵ M. Wieruszewska (ed.), *Tu i tam. Migracje z polskich wsi za granicę*, Instytut Rozwoju Wsi i Rolnictwa PAN, Warsaw 2007, p. 59.

³⁶ *Ibidem*, p. 79.

³⁷ M. Markowski, MEN, *Eurosieroctwo? Taki sam problem mają dzieci marynarzy*, “Gazeta Wyborcza”, 6 November 2008.

influence of membership on indicators of poverty, social cohesion and the model of the family seems irrefutable.

To what extent does the EU exacerbate, and to what degree does it lessen regional differences? Has it been possible to get rid of the shameful division into a dynamically developing Poland “A” and a backward, catching-up Poland “B”? In recent years significant investment funds have flowed into the Polish regions as part of structural funds and the Cohesion Fund. Regional governments have had a degree of freedom in conducting their policies for attracting foreign investment, workers, developing their science and research facilities or promoting tourism. It turns out that Poland's membership of the EU (understood as a particular set of opportunities) has been taken advantage of to highly varying degrees by regional authorities. Wealthy regions have made the most use of membership, those with good transport links to Western Europe, and thus membership has not had an impact on the scale and character of differences in the socio-economic development of the country.

It is another question, whether Poland's membership of the EU has in recent years impacted on the difference in incomes. Expert opinions are divided on this issue. The most reliable figures on this matter are those given in the above-mentioned report “Social diagnosis 2007”, according to which the stratification of society has remained the same in recent years. This also concerns such subjective factors as: satisfaction with one's life and a feeling of happiness, the occurrence of pathologies (alcoholism, drug addiction, crime) or stress. In a purely economic sense, economic stratification has decreased.

Some people emphasize the uneven nature of Polish modernisation. In rural areas access to good schooling or health services was still difficult in the years 2004–2009. In towns and cities social divisions were visible, as symbolised by the developments of secured housing estates. When discussing environmentally-friendly behaviour it is worth emphasizing that their level has been connected with the ability to act to protect the environment. There, where local government hasn't provided containers for segregated waste, it has been difficult to engender the appropriate attitudes.

Overall, Poland's membership of the EU has not been a deciding factor influencing the country's socio-economic cohesion. The EU has, though, become a significant point of reference in the collective consciousness.

Conclusions

After the Polish accession to the EU many trends and processes observed in Poland after 1989 intensified (flow of migration, improvements in the labour market and general prosperity). In such spheres as education and economic migration, mobility, working conditions or consumer protection Polish reality has evolved under the direct influence of community regulations. Generally speaking, the changes in the Polish law contributed to raising the level of protection guaranteed to citizens by public institutions on varying levels. Thanks to EU investment in infrastructure new jobs have been created, while the wave of economic emigration has radically altered the context of Polish labour market reform.

The past five years have brought improvements in many aspects of Polish social life. This is confirmed by the indicators regarding mental states, prevalence of symptoms of depression or feelings of happiness. Popular assessments of prospects for the future have improved in a visible way. While explaining that fact directly by Poland's membership of the EU would be an exaggeration, nevertheless, the socio-economic benefits flowing from accession are definitely reflected in positive social attitudes.

In other areas (e.g. tourism, culture) the connections are more indirect, concerning changes in awareness and improving socio-economic status. For example Poles have begun to perceive disability differently. The ways in which they understand the principles of a free press have changed, or the expectations they had of local authorities. The spatial mobility of Poles undoubtedly contributed to the formation of an open society, testing worn-out theories in daily contact with people from other cultures. The EU has to a considerable degree contributed to these changes in social awareness, though other factors should not be forgotten, such as globalisation, the mcdonaldisation of culture or advances in the creation of a consumer society. Poles have, to an ever greater degree, accepted the possibility of identification on many levels, where national patriotism is supported by a feeling of "Europeanness".

Social development in Poland in recent years has been characterised by a certain asymmetry: the rapid improvement in living conditions has been accompanied by decidedly slower progress in the broadly understood public sphere. Civil society, after the explosion of civic activity in the period immediately after the fall of communism, developed more slowly. Despite spending significant financial transfers in the framework of

the cohesion policy, it has not been possible to reduce the differences in socio-economic development level in the country between eastern regions and central and western Poland. Wealthy regions benefitted most from membership, especially those with good transport connections with Western Europe.

In the twenty years since Poland entered the phase of socio-economic change, Polish society was confronted with two processes, partially overlapping, often occurring one after the other. On the one hand, the change in system demanded the adoption of often painful and demanding sacrifices in all spheres of public life – the economic system changed, the grey framework of communist reality disappeared, leaving the remnants of stability. On the other hand, Poles could feel the effects of the above changes – enjoy the improvement in their living conditions, free enterprise, freedom to travel, to function in a democratic state. The process of Poland's integration with the EU can be understood analogously (being essentially the crowning moment of systemic reform). From the beginning (in the pre-accession period) Polish society had to adjust to a new legal, political, economic and social reality. In many areas they experienced a transformational shock. After accession, in the years 2004–2009, the first positive effects connected with the functioning of Polish society within the European social and economic space could be felt. Looking back in twenty years or so, the years 2004–2009 will most likely appear as the beginnings of the long process of “catching up” with Western Europe in terms of social and civilisational development.

Labour market and migration

Near the time of Polish accession to the European Union (EU) the freedom of taking up employment in the Western European countries was deemed one of the key benefits of the integration with the Communities to be noticeable in daily life. These expectations have largely been met. However, looking back over the last five years it is clear that labour migrations were only one of the elements of the complex post-accession realities and employment-related processes.

Some methodological reservations should be mentioned here. When referring to labour migration from Poland we should bear in mind that the determination of the scale of post-accession emigration from Poland may be only rough. Mobility within the European Economic Area (EEA) is not controlled, so any statistics are very approximate, where the countries sending and receiving workers frequently apply various measures to determine migration flows. In a time of circular or seasonal migrations, terms such as “permanent workplace” or “place of residence” have become increasingly vague and no longer fit in the realities of professional life in the enlarged EU.

The years 2004–2009 have seen a regular growth of the membership effect on the labour market. This mainly applies to financial investments funded from the structural funds. The first two years of the membership were in fact pioneering in many respects. Staff shortages in the Polish administration coincided with the problems with fund absorption (excessively formalised procedures, central planning, red tape). It is not always possible to clearly pinpoint the effect of labour market policy programmes on economy and society, as investments in human capital usually pay off in the longer term. Similarly, it is not easy to demonstrate the relationship between the expansion of the active employment policy and increasing productivity rates.

Macroeconomic trends

In the years 2004–2009, Polish economy was developing rapidly (although, towards the end of the period, a sharp slowdown could be observed), which translated into processes in the labour market. The scale and structure of labour demand depended largely on the economic growth which in turn in the previous years relied primarily on private consumption and investments. For example, in 2006 and 2007 alone, the value of investments grew (year-on-year) by 16.1% and 19.9%, respectively. Greater investment activity resulted from many factors. Firstly, in the accession period many pro-development projects were being delivered (such as adjustment to the EU standards). Secondly, projects funded from the pre-accession funds were initiated then. Last, but not least, there was a broader stream of foreign direct investments flowing to Poland³⁸. As for the latter, most investments involved establishment of new enterprises, rather than acquisitions or restructuring of new ones. This affected employment growth scale in Poland.

At the turn of 2009, trends indicating decline of all the above factors could be observed. As for the situation of enterprises, in the second half of 2008 the global economic crisis had an adverse effect of reduced demand for Polish products abroad and reduced access to investment capital at home. Poland entered a phase of sluggish economic growth and the improvement in the Polish labour market situation slowed down.

Economic cycle was not the only factor affecting the situation in the Polish labour market (in particular the employment rate) in the years 2004–2009. To be precise, there are three key factors conditioning the number of Polish workforce in the recent years: demography (changes in the number of people belonging to the working age cohort), situation of enterprises (changes in labour demand) and labour market participation rate (more precisely, the ratio of the number of those working and the number of inactive persons).

Polish labour market, in the years 2004–2009, has been increasingly affected by the demographic ageing process. As of 2002, each following year there were less and less young people entering the Polish labour market. While in 2001 there were 694,000 people willing to take up a job, in 2007 there were merely 554,000 of them³⁹. An increasing number of people were excluded from the labour market because of their old age – from

³⁸ Center for Social and Economic Analyses, *Polska gospodarka – tendencje, oceny, prognoz* [PG TOP quarterly], Warsaw 2006.

³⁹ Ministry of Labour and Social Policy, *National Action Plan for Employment for 2009–2011*, Warsaw 2008, p. 8.

13% in 1990 to 16% in 2007. This brought about specific challenges for the future. Thus, regardless of the Polish membership in the EU, Polish economy and social insurance system faced mounting demographic challenges.

In the economy affected by adverse effects of demographic ageing, low labour market participation was of particular concern⁴⁰. The labour market participation rate dropped to 53.7% in Q1 2008. A good sign is that the falling trend has been largely stopped. The number of people inactive in the labour market in the years 2004–2009 was approximately at 14.5–15 mln. In 2008, 50.1% of the professionally inactive were people in their working age. Among members of this group, there were particularly many people in pre-retirement age and women. Low rate of labour market participation in Poland was – apart from economic migration following 2004 – one of the factors responsible for labour market shortages (discussed in more detail below).

In the first half of 2007, there were 15m people employed on average, which was 9% more than in 2002. In the years 2004–2008, the employment rate continued to grow steadily. As a result of the global economic crisis, as of 2009 the number of people employed in ceased to grow. In the years 2004–2009, the employment rate for men was on average 10% higher than for women. People with tertiary education found employment much more often than people with primary or vocational education. Employment rate depended largely on age – rates for younger people (entering the job market) and pre-retirement age were much lower than the rates for total working age population. Employment structure has experienced the same fluctuations in the recent years – the role of the services sector grew at the expense of industry and agriculture. Irrespective of positive trends, the share of people employed in agriculture (between 17.4% and 19.2% in the years 2005–2006 depending on the measure used) dramatically differed from the EU-15 average amounting at that time to 4.5%.

The structure of employment evolved in line with the education level. Since 2004, the proportion of people with higher and secondary education among those employed has increased (by 2.6 and 2 percentage points, respectively). In 2007, 23% of the employed had higher education, 37% – secondary education, 30% – basic vocational education, 10% – junior-secondary, primary or incomplete primary education⁴¹. In the years 2000–2006, the number of students at higher education institutions in Poland increased by 40%. There were activities in Poland promoting the “lifelong learning” concept, in-

⁴⁰ Labour market participation rate is the ratio of the total number of the registered unemployed and employed to the total population aged 15–64.

⁴¹ Ministry of Labour and Social Policy, *op.cit.*, p. 15.

volving extensive participation of people aged 25–64 in non-school education schemes. According to the available evaluations of progress, in the years 2005–2008 the EU leaders in this area were Sweden, Denmark and the United Kingdom. Poland was at the bottom of the country ranking, with 5% share of people aged 25–64 participating in education or training. Moreover, in Poland it was not the people with poorest qualifications, young people or people in the pre-retirement age who sought further education, but rather the best educated and qualified ones. The discussion on human capital continues in the following subsections on the employment policy and labour migration of Poles.

According to the estimates of the Ministry of Labour and Social Policy, the highest growth of employment rate in the recent years has been seen in construction, commerce, hotel and catering industry, all being branches significantly affected by the Polish membership in the EU⁴². At the beginning of 2009, however, as an after-effect of the global crisis, one could observe a drop in the employment rate in such sectors as furniture manufacturing, household goods manufacturing and automotive industry⁴³.

In some economy sectors, Polish labour market experienced labour force shortages. Polish enterprises have started to report problems with recruiting and retaining employees since mid-2006. In the end of 2007, this problem affected 15% of companies. In the years 2006–2008, deficiencies in labour supply were continuously mentioned by employers as one of three main barriers for their companies' development. In the construction industry, one-fourth of companies had difficulties with recruiting workers. In the processing, transport and commercial sectors, one-tenth of companies reported personnel problems⁴⁴.

Emigration of health care professionals in the years 2004–2009 was noticeable but not mass-scale. Having in mind that it concerned some specialisations more than others, the outflow of staff was acute in certain fields of medicine (e.g. anaesthesia, dentistry). Emigration of doctors, nurses, dentists and other representatives of medical professions was closely related to the situation in the Polish health care service, in particular with the salaries and working conditions. Not without its importance was extensive recruitment of Polish nationals by receiving countries.

A natural consequence of reduced unemployment rate and labour shortage was the upward salary pressure. In 2007, average gross monthly pay increased by 8.7% compared to the previous year. In the media, terms describing the situation as “the employee's

⁴² *Ibidem*, p. 14.

⁴³ „Dziennik”, *Dwa miliony ludzi bez pracy? Może być gorzej*, [Two million unemployed? Can get worse], 3 February 2009.

⁴⁴ P. Kaczmarczyk, *Wpływ członkostwa Polski w Unii Europejskiej na procesy migracyjne i rynek pracy*, [Effect of the Polish membership in the European Union on the migration processes and the labour market], ekspert analysis ordered by UKIE, December 2008, p. 12.

market” started to appear to emphasise the improving bargaining position of employees in their relations with employers. Plans for further rises in 2008 have been partly modified due to the developments related to the global economic crisis.

Following Polish accession to the EU, the unemployment rate dropped to its record-low since 1989⁴⁵. At the end of 2008, state labour offices had 1,130,000 people registered; a year earlier there were 1,600,000 of them. This reduction can be explained by a few factors. Enterprises were recruiting new employees, using the economy's reserve resources. Moreover, in the years 2005–2008 the number of redundancies continued to decrease by a quarter every year. It is not unimportant that many unemployed and potentially unemployed decided to take up a job abroad. Some of the permanently unemployed stopped searching for a job and were removed from the unemployed register.

Unfortunately, in January 2009 the unemployment rate reached 10%. According to the estimates of the Ministry of Labour and Social Policy, the rate of unemployment registered as at the end of 2009 will be approx. 10–11.5%, depending on how seriously the global crisis will affect Polish economy. It is realistic to predict that the unemployment rate would rise to 15%. In absolute terms, it would mean 200–300 k people more at the end of 2010⁴⁶. As a result, the number of the unemployed may amount to as many as 2 mln people⁴⁷.

Economists in Poland are not in agreement as to the actual scale of the labour migrations' effect on the unemployment rate in Poland. According to Katarzyna Budnik of the National Bank of Poland (NBP), the unemployment rate in Poland – in a variant not providing for the increased labour migrations following 2004 – would be only 0.4 percentage point higher⁴⁸. Opinion polls conducted in 2007 by Paweł Kaczmarczyk of the



fig. TADEUSZ KROTOS

⁴⁵ Currently there are a few measures of the unemployment rate in use, based on different methodological assumptions. The employment services consider unemployed as persons meeting the criteria defined in the Act on Employment and Counteracting Unemployment, such as meeting the registration requirement and the willingness to take up a job. In the BAEL methodology, the individuals in productive age meeting the following conditions: 1. Unemployed for at least 7 days. 2. Actively seeking job in the last four weeks. 3. Declaring willingness to take up a job within the next two weeks.

⁴⁶ „Gazeta Prawna”, Fedak: *Bezrobocie może wzrosnąć o dwa procent*, [Minister Fedak says: Unemployment may rise by 2 per cent], 8 January 2009.

⁴⁷ „Dziennik”, *Dwa miliony ludzi bez pracy? Może być gorzej*, [Two million unemployed? Can get worse], 3 February 2009.

⁴⁸ K. Budnik, *Search Equilibrium with Migration; the Case of Poland*, Working Paper No. 44, National Bank of Poland 2008.

Centre for Migration Studies at the Warsaw University have shown that 47% of people who decided to emigrate had employment at home; 22% were unemployed, and only 5% were professionally inactive⁴⁹. This means that the decision to emigrate in most cases did not result from the lack of employment at home (labour migrations are discussed in more detail in one of the following sections). In 2008, the unemployment rate in Poland could have been affected by returns of Poles from emigration, albeit to a small extent. It should be expected that the growing number of returning migrants in 2009–2010 will contribute to the growth of the unemployment rate.

Measurements of the labour market participation rate in 2004–2009 show a major effect of labour migrations on the balance between job supply and demand. In the age group of 25–44 (usually the most active in the job market) a drop in the labour market participation rate has been recorded. Professionally inactive people rarely decided to emigrate, so a peculiar negative recruitment occurred – individuals willing to quickly take up a job more frequently decided to work abroad, hence the labour market participation rates for this group at home deteriorated⁵⁰.

The issue of persistent, long-term unemployment distinguished Poland from other Member States. In 2008, the unemployed were searching for a job on average for more than 12 months. A certain improvement has been noted here: while in 2003 the share of long-term unemployed in the job-seeker group was at 50.6%, in 2007 it was only 29.5%.

One of the problems of the Polish labour market was the limited special mobility of labour which led to an uneven territorial distribution of the unemployment and employment rates. For instance in May 2008, the rate of unemployment registered in Warsaw was at 2.4%, while in the same province, in Szydłowiec district, it was at 30.8%⁵¹. Considering the increased emigration of Poles it seems a paradox that they would not be willing to relocate and take up jobs in another region of Poland than their region of residence. Surely an important role here was played by the poor quality and availability of public transport services, underdeveloped rail and road infrastructure, as well as the insufficiently developed real property trading market.

To summarise the issue of macroeconomic trends, in 2004–2008 the changes in employment were largely of structural nature and independent of cycle-based fluctuations. In 2009, the situation changed due to a dramatic deterioration of economic situation

⁴⁹ P. Kaczmarczyk (red.), *Współczesne migracje zagraniczne Polaków. Aspekty lokalne i regionalne*, [Contemporary emigration of Poles: Local and regional aspects], Centre of Migration Research, Warsaw 2008.

⁵⁰ Ministry of Labour and Social Policy, *op.cit.*, p. 40.

⁵¹ Ministry of Labour and Social Policy, *Ibidem*, p. 17.

at home as a result of the global crisis. The rates of labour market participation, employment, unemployment (including long-term) and human capital show that – in spite of the immense improvement in the recent years – the structure of the Polish labour market was still relatively unfavourable, also compared to other Member States. In this context, it is worth emphasising in particular that the increase in the pool of potential workforce (in the demographic sense, still more people entered the labour market than left it) was accompanied by a decrease in actual job supply, deteriorating in spite of the growth of the employment rate and salaries. One of the newer phenomena were labour shortages.

Employment policy and migration policy

At the moment of accession to the EU, Polish economy struggled against the inefficiency of the process of balancing the job supply with job demand. State-of-the-art employment agency and vocational advisory services were underdeveloped. There was no comprehensive and coherent lifelong learning system. Active labour market policy received only a fraction of expenditure on employment policy. No actions to prevent unemployment were undertaken. Planning to adjust the employment structure to the economy's development needs was limited in scope. Integration with the Communities brought about some changes in this respect.

When Poland became an EU member, it began to participate in the process of developing and implementing the European Employment Strategy which resulted in the National Action Plan for Employment and the National Reform Plan for 2005–2008. Although the problems of the Polish labour market did not disappear overnight, the Polish authorities managed – perhaps for the first time in the history of the Polish employment policy – to correctly identify many challenges and gather the planned actions into a coherent framework of strategic documents. Many recommendations and guidelines offered by the European Commission were applied in Poland – mainly in the form of the active labour market programmes. Their role also grew because the dropping unemployment rate (less people receiving unemployment benefits) allowed to save up more funds in the Labour Fund budget for job training activities. In 2007, expenditure for active labour market instruments made up a half of total expenditure, while in 2002 it was less than 10%.

Additional funds from the European Social Fund were included in the budget of the active labour market policy. Although the primary income source for the Labour

Fund in the years 2004–2009 were the contributions paid by employers, some 8% of funds came from the ESF⁵².

For Poland, the European Employment Strategy was a useful forum for sharing experience and examples of good practices. At the European Commission's insistence, in the reform of the Polish employment policy the *flexicurity* model was used to make the labour law more flexible and increase the social security of the employees. Unfortunately, not all labour market reforms or mobilisation instruments (co-funded by the EU) proved effective. Such actions as support for running a business, training, internships, vocational preparation at workplace to a varying degree helped in the transition from unemployment to employment. It was worse with participation in intervention and public works and with the professional advice and job agency services – intensification of these assistance forms for the unemployed brought no measurable effects being a reduction in the number of the unemployed. It would frequently turn out that the policy prescriptions voiced at the Community level could not be applied in Poland without a comprehensive restructuring of the labour market institutions.

The EU also influenced the Polish migration policy. On the one hand, we can speak of its “Europeanisation”. This is because EEA nationals were allowed to settle and be employed (except for transitional provisions) in the country. Poland, having become an EU member, has accepted the Community *acquis* in the area of immigration and asylum, as well as any practical aspects of the country's participation in the Schengen zone. Migration policy concerning third countries has been reviewed in the process of adjustment to the EU standards. Moreover, as a result of evolving situation in the job market (partly resulting from the Polish membership in the EU) the approach of authorities to the issue of settlement and employment of third country nationals in Poland was also evolving.

In the face of shortages in the Polish labour market, employment of nationals of Poland's neighbour countries, i.e. Belarus, Russia and Ukraine, has been facilitated. The requirement of working permit has been abolished for people employed for a maximum of 9 months (initially it was 3 months). At the beginning, it only applied to agriculture, while later on the possibilities of employing these third state nationals were extended onto other economy sectors. Another initiative addressed at the citizens of the former Soviet Union was the Polish Charter. It is a document confirming Polish ancestry issued to individuals able to prove their Polish descent and having emotional ties with the home country. The Polish Charter holders gained access to the labour market on the

⁵² J. Bieliński, M. Bober, M. Sarzalska, J. Zawistowski, *Aktywne polityki na elastycznym rynku pracy*, [w:] [Active policies on flexible job market, in:] M. Bukowski (red.), *Zatrudnienie w Polsce 2007. Bezpieczeństwo na elastycznym rynku pracy*, [Employment in Poland 2007. Security on a flexible job market], Warsaw 2007, p. 136.

same terms as Polish citizens. As of end 2008, approx. 3,000 of such documents have been issued; in the early 2009 the interest in the Polish Charter increased.

Another very important aspect of the Polish migration policy was to keep in touch with Polish diasporas abroad, and measures addressed at the returning emigrants. In 2007, the Ministry of Foreign Affairs launched the "Closer to work, closer to Poland" programme aimed at improving the quality and availability of consular protection for Poles. Under this programme, the network of diplomatic agencies has been expanded, the standard of consular services improved for instance by distributing information on the living and working conditions in a specific country. In 2008, a Working Group for Reemigration with the Interministerial Team for Migration was created. The Ministry of Labour and Social Policy as well as the Ministry of Interior and Administration were particular contributors for this group. In November 2008, an information campaign on living conditions in Poland and return-related facts was launched. A web site (www.powroty.gov.pl) and a guide for returning emigrants – "Powrotnik" – were launched as well. Substantial interest of Poles abroad in the campaign early in 2009 indicated that many people were seriously considering returning to their home country.

Generally speaking, EU membership has changed the context in which the Polish administration dealing with labour market processes operated. This concerned both the Community *acquis* as well as "soft" cooperation instruments at the European level such as the European Employment Strategy. Migration and employment policies became more coherent. Many strategic documents defining the framework of action in the following years have been developed.

Structural funds

The impact of structural funds on the Polish labour market was twofold in nature: on the one hand, investments under the cohesion policy were related to general macroeconomic trends that emerged as a result of the membership. On the other, the Community funds co-financed the delivery of projects under the labour market policy. As for the former, the general influence of structural funds on the labour market was moderate. According to the estimates of the Ministry of Regional Development (MRD), noticeable effects can be expected as late as after 2010 which is due, but not exclusively, to the fact that the investments are always launched with some delay. The use of Com-

munity funds in 2004–2007 contributed to the creation of 123–320,000 jobs. This would mean that 15–20% of all new jobs were created thanks to EU funds.

At the end of 2008, structural funds also became one of the government-declared instruments of preventing adverse effects of the economic crisis, in particular in the context of their employment-generating role. Early in December 2008 the government adopted the “Plan for stability and development – strengthening of the Polish economy in the face of the global financial crisis” which assumed that by the end of 2009 Poland would spend at least 16.8 bn PLN from EU funds. It was predicted that in 2009 the pool of funds available for innovative investments of large companies would be increased. As a result, instead of 1.5 bn PLN, the companies in 2009 would be able to receive 2.5 bn PLN for their projects⁵³.

In 2004–2007, the scale of funding obtained from structural funds continued to grow: from 1.8 bn PLN in 2004 to 13.1 bn in 2007 (amounting to 1.1% of GDP). By October 2008, expenditure amounted to 28.4 bn, of which 4.6 bn PLN was allocated for the Sectoral Operational Programme “Human Resources Development”⁵⁴. In 2004–2007 the number of projects delivered partly using the funding from structural funds amounted to 7,400 (totally amounting to 8.7 bn PLN).

The projects concerned education and vocational training, support of the employees’ adaptive potential, stimulating entrepreneurship, as well as combating social exclusion and discrimination. It is worth describing in some detail a few of them: 1.2 bn PLN was spent on equipping school computer rooms; 374 mln PLN was the cost of the equipment that facilitates education of students with special education needs; 11 mln PLN was invested in IT infrastructure of state administration (for the purposes of the Information System of the Public Employment Services)⁵⁵.

Assistance under programmes co-financed by the ESF by the end of 2007 covered 1.1 mln people, both unemployed and employed. The aid concerned job seeking, changing or improving professional qualifications, training, internships and various vocational apprenticeships.

In 2007, a new programming period began, in which the basis for expenditures became the strategic document of the Polish government “National Strategic Reference Framework for 2007–2013” (NSRF). In this period, EU subsidies will amount in total to

⁵³ Polska Agencja Prasowa, *Bieńkowska: na kryzys fundusze*, [Minister Bieńkowska says: in a crisis funds can help], 29 December 2008.

⁵⁴ Ministry of Regional Development, *Wykorzystanie środków z funduszy strukturalnych i Funduszy Spójności w ramach Narodowego Planu Rozwoju 2004–2006 oraz Narodowych Strategicznych Ram Odniesienia 2007–2013* [The use of money from structural funds and Cohesion Fund under the National Development Plan 2004–2006 and National Strategic Framework 2007–2013], Warsaw 2008.

⁵⁵ Ministry of Regional Development, *Ocena postępów Polski w konwergencji z krajami UE oraz wpływ funduszy unijnych na gospodarkę w latach 2004–2007* [Evaluation of Polish progress in convergence with the EU countries and the effect of EU funding on the economy in 2004–2007], Warsaw 2008.

66 bn PLN. For the Human Capital operational programme, the allocation of 10 bn PLN has been provided. The NSRF contains a study (combined with a forecast) evaluating the effects of implementation of programmes concerning infrastructure, natural environment and labour market in 2006–2020, always with the subsidies from structural funds. It turned out that although the funds had an insignificant influence on the unemployment rate in Poland in 2006, at the end of 2009 it will already be noticeable at 0.5 percentage point. In 2013, owing to NSRF implementation, the unemployment rate will shrink twofold (11.6% in the variant without NSRF, and 6% with NSRF). These forecasts may be deemed realistic, however, only if the adverse effects of the global economic crisis in Poland will get less severe.

In the following years, the influence of the structural policy on the unemployment rate will continue to diminish. By 2013, owing to NSRF implementation, nearly 1 million of jobs will be created, of which 250 k is expected to be created by the end of 2009. Also efficiency in the Polish labour market will increase – the effect of structural funding will be noticeable in particular in the years 2010–2013. In 2009 it was noticeable, at 0.5 percentage point⁵⁶. Very importantly, the above-quoted MRD study shows that the inflow of Community funds in the years 2013–2020 will mostly affect the development of regions with relatively most backward economies. It will be an opportunity for reducing the country's uneven distribution.

To conclude the structural funds aspect, it must be noted that in 2004–2009 an extensive investment programme was launched concerning infrastructure, natural environment and employment. A million people were trained, a hundred and a few dozen thousand new jobs were created. The effect of these actions on the primary labour indexes has so far been moderate. More significant effects on employment, unemployment and efficiency should be expected in the following years, assuming that the economic situation in Poland gradually improves.

Migrations abroad

The intensified migration flows from the Central and Eastern European countries was affected by two primary factors: firstly, these countries' nationals gained easier

⁵⁶ It is difficult to clearly determine at the moment whether the targets quoted above have been met. Complete data for 2009 will be available as late as in the following year – in 2010. See: Ministry of Regional Development, *Narodowe Strategiczne Ramy Odniesienia 2007–2013 wspierające wzrost gospodarczy i zatrudnienie*, [National Strategic Framework 2007–2013 supporting economic growth and employment, Warsaw 2007.

access to legal employment in the Western European countries (legal and institutional aspects). Secondly, there were conditions related to job supply in the EU-8 member states and job demand in the EU-15 states which were conducive to migrations (socio-economic aspects). Both these factors are discussed in depth below.

The terms of labour flow between the 'old' Member States (EU-15) and the new Member States which joined the EU in 2004 (EU-10) have been legally established in the accession treaty. In the EU-8 countries (Malta and Cyprus were excluded) transitional regulations were introduced in the 2+3+2 formula (the numbers refer to the periods in which the transitional regulations apply, in years). Under the above model, the EU-15 countries could choose by 1 May 2004 to lift or maintain the barriers in their labour markets. As shown in the table below, in 2004 only Ireland, Sweden and the United Kingdom deemed the transitional period unnecessary, introducing free flow of labour in mutual relations. By way of a digression, it could be added that the United Kingdom and Ireland introduced the obligation of registration and deprived the 'new' Member States' nationals of the entitlement to some elements of their social security systems.

After two years of the transitional period, according to the provisions of the accession treaty, the EU-15 countries which had not opened their labour markets initially, would decide whether to extend the restrictions. Flow of labour between the EU-15 and EU-8 was also discussed by the EU Council for which the European Commission prepared a report on the functioning of the transitional regulations. In April 2006, Finland, Greece, Spain and Portugal (Iceland from among the EEA member states) announced liberalisation of the workforce flows, thus joining the group of countries where Poles were not required to apply for a work permit. In the next months more countries followed, including the Netherlands, Luxembourg, then France and Italy. For some groups of employees also Denmark opened its labour market. Germany, Belgium and Austria have chosen to introduce major facilitating measures which are, however, based on the assumption that, as a rule, the work permit requirement still applies. It is worth noting that the restrictions in the access to labour markets for Bulgarian and Romanian nationals were introduced by most EU-15 countries and a minority of the EU-10 countries.

In November 2008, the Commission published another report evaluating the effects of implementation of free flow of labour on the territory of the enlarged EU. Pursuant to the accession treaty, after five years of accession to the European Union (on 1

May 2009) Poland will be covered by the free flow of labour⁵⁷. In justified cases (major disturbances in the labour market or an inevitable risk thereof), EU-15 Member States will be allowed to extend – having presented studies confirming their concerns – the application of transitional regulations. Probably only Austria and Germany will choose to uphold their reservations, and extend the term of transitional regulations until 2011.

In the 2+3+2 model several additional issues have been agreed on. Firstly, Poland could introduce symmetric solutions for nationals of the countries restricting employment of Polish nationals. Polish government exercised this right in the years 2004–2007. Secondly, a rule of Community priority has been introduced, stipulating that regardless of the transitional regulations concerning Polish citizens, the Member States cannot treat Poles more restrictively than any third country nationals. Thirdly, restrictions of free flow of persons could not be more stringent than those provided by the legislation in force at the date of Polish accession to the EU. In the years 2004–2006, it was important particularly in the context of mutual agreements on exchange of workers with Germany, France, Spain and Belgium, favourable to Poland. Polish citizens and their families legally employed in any Member States were successively obtaining full rights of access to the labour market, in line with their seniority. Finally, the transitional period did not apply, as a rule, to the flow between the ‘new’ Member States.

The years 2004–2007 were the time of unprecedented growth in mobility of Poles – the number of emigrants as estimated by the Central Statistical Office grew in that time from approx. 1 mln to 2.3 mln⁵⁸. It is estimated that 80% of them left the country for income-related purposes (other reasons for emigration were the family reunification and studying abroad). The greatest outflow of employees from Poland occurred in 2005–2006 (when 450,000 and 500,000 people, respectively, left for work). In 2007, the emigration wave began to stabilise at the level of 320,000 people annually. This is confirmed by the data gathered by the Economic Activity Survey (BAEL) and the recording systems in the host countries (such as the British Workers Registration Scheme). For example: while in Q3 2006 there were 45,000 people taking up a job in the UK for the first time, in the same period of the year 2007 approx. 37,000 people registered⁵⁹.

⁵⁷ European Commission, *Effects of the free movement of workers in the context of the EU enlargement. Report on the first stage (1 January 2007 to 30 December 2008) of functioning of transitional provisions stipulated in the Accession Treaty of 2007 and pursuant to the requirements of transitional provisions stipulated in the Accession Treaty of 2003*, Brussels 2008.

⁵⁸ Central Statistical Office, *Informacja o rozmiarach i kierunkach emigracji z Polski w latach 2004–2007* [Information on the sizes and directions of emigration from Poland in 2004–2007], Warsaw 2008.

⁵⁹ A. Fihel, P. Kaczmarczyk, P. Mackiewicz, M. Okólski, *Poland – a country study*, [w:] H. Bruecker (red.), *Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements*, Warsaw 2009.

Table 1. Member States' policy towards employees from the 'new' Member States

	Member State	Employees from EU-8/EU-15	Employees from BG and RO/EU-25
EU-15	Belgium	Restrictions with concessions	Restrictions with concessions
	Denmark	Restrictions with concessions	Restrictions with concessions
	Germany	Restrictions with concessions*	Restrictions with concessions
	Ireland	Free access (after 1 May 2004)	Restrictions
	Greece	Free access (after 1 May 2006)	Restrictions
	Spain	Free access (after 1 May 2006)	Restrictions
	France	Free access (after 1 July 2008)	Restrictions with concessions
	Italy	Free access (after 27 July 2008)	Restrictions with concessions
	Luxembourg	Free access (after 1 November 2007)	Restrictions with concessions
	The Netherlands	Free access (after 1 May 2007)	Restrictions
	Austria	Restrictions with concessions*	Restrictions with concessions
	Portugal	Free access (after 1 May 2006)	Restrictions
	Finland	Free access (after 1 May 2006)	Free access, then registration for monitoring purposes
	Sweden	Free access (after 1 May 2004)	Free access
The United Kingdom	Free access (after 1 May 2004)	Restrictions	
EU-10	The Czech Republic	No restrictions based on mutuality principle	Free access
	Estonia	No restrictions based on mutuality principle	Free access
	Cyprus	-	Free access, then registration for monitoring purposes
	Latvia	No restrictions based on mutuality principle	Free access
	Lithuania	No restrictions based on mutuality principle	Free access
	Hungary	Restrictions based on mutuality principle	Restrictions with concessions
	Malta	-	Restrictions
	Poland	No restrictions based on mutuality principle	Free access
	Slovenia	No restrictions based on mutuality principle	Free access, then registration for monitoring purposes
Slovakia	No restrictions based on mutuality principle	Free access	
EU-2	Bulgaria	-	No restrictions based on mutuality principle
	Romania	-	No restrictions based on mutuality principle

* The restrictions also apply to delegated employees from certain sectors.

Source: European Commission 2008.

In the years 2008–2009 the emigration wave in Poland not only kept diminishing but also a growing number of Poles decided to return to Poland⁶⁰. This applied especially to Ireland and the UK where the global economic crisis was particularly acute. In the first months of 2009, in Lindsey oil refinery in England there was a wave of strikes, supported by solidarity actions and protests in other factories mainly in the energy and petrochemical sectors⁶¹. The protests were against the foreign workforce, including nationals of the European Union Member States.

In the United Kingdom, the drop of the pound sterling exchange rate was also of major importance. Both forecasts by analytical institutions and public opinion polls conducted among Polish communities on the British Isles indicated that half of the immigrants from the EU-8 countries, including Poland, is expected to leave Ireland and the United Kingdom⁶². According to one of Ireland's largest private job agencies, between December 2008 and December 2009 1,000 Poles per week will be leaving Ireland. According to the quoted study, of the 200,000 Poles living in Ireland one-third will leave within 12 months' time. Unfortunately, it is impossible to determine and forecast the scale of this phenomenon precisely due to the lack of regular monitoring of departures from countries receiving employees from Poland. It should be noted that not all Polish migrating workers leaving their current country of employment will go back to Poland – many of our fellow citizens choose to take up jobs in such countries as Norway, France and (the until now keeping its job market barriers) Denmark. It should also be noted that the deteriorating economic situation at home will be stopping the wave of comebacks from abroad.

Following Polish accession to the EU, the main migration wave concerned affected countries which chose to fully open their labour markets as early as in 2004. In the years 2002–2007, the number of people leaving for the United Kingdom increased thirty times, and to Ireland – a hundred times. The rate of emigration to Germany also kept growing, though much more slowly. The growing importance of Spain and the Netherlands as the target emigration countries also requires attention. Emigration for work to Italy remained at a stable level. From non-EU countries, Poles would frequently choose Norway and Iceland as their destinations (until the economic collapse in the latter country in 2008). Polish membership in the EU also reduced the number of people emigrating to non-European countries such as the United States or, to a lesser extent, Canada.

⁶⁰ The Times, *Tides turn as Poles end great migration*, 16 February 2008.

⁶¹ The Times, *Mandelson hits strikers with 'xenophobia' jibe*, 3 February 2009.

⁶² Por. The Irish Independent, *Almost 70, 000 Poles to return home within a year; survey shows*, 8 December 2008, The Times, *Tides turn as Poles end great migration*, 16 February 2008.

Table 2. Polish citizens living temporarily⁶³ abroad – selected EU countries, 2004–2007*

Country/region of destination	2002 (May)	2004	2005	2006	2007
Total	786	1000	1450	1950	2270
EU-27	451	750	1170	1550	1860
Austria	11	15	25	34	39
Belgium	14	13	21	28	31
France	21	30	30	49	55
Germany	294	385	430	450	490
Ireland	2	15	76	120	200
Italy	39	59	70	85	87
The Netherlands	10	23	43	55	98
Spain	14	26	37	44	80
Sweden	6	11	17	25	27
The United Kingdom	24	150	340	580	690

* Unless indicated otherwise, these are year end data.

Source: Central Statistical Office, 2008.

It is difficult to define the sociodemographic profile of individuals taking up employment abroad following 2004. The key characteristics of the typical Polish migrant worker are discussed below. However, one should remember that it is a far-reaching generalisation – in fact, intensified emigration has been recorded for all sociodemographic categories.

In the years 2004–2009, emigrants from Poland were usually young people, sometimes just starting their professional career. Their destination were especially the English-speaking countries – Ireland and the UK (average emigrant's age was 26). Individuals emigrating to Germany were on average 8 years older (34 years). They were relatively more often men, although, over time, the share of women in the Polish emigration increased. In some countries (Italy) it was women who mostly emigrated since the very beginning. While the largest group among Polish emigrating workers were people with vocational education, in the post-accession period the share of people with tertiary education was gradually growing. Among the emigrants to the United Kingdom one-fourth held a higher education degree, and to Germany – only one-tenth⁶⁴.

For the Polish labour market it is important that the emigrants – compared to the total labour force in Poland – had relatively high professional qualifications, desirable

⁶³ Temporary stay in the years 2002–2006 means a stay longer than 2 months, and in 2007 longer than 3 months.

⁶⁴ A. Fihel, P. Kaczmarczyk, P. Mackiewicz, M. Okólski, *Poland – a country study*, [w:] H. Bruecker (ed.) *Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements*, Warsaw 2009.

skills and characteristics (command of a foreign language, entrepreneurial skills). Unfortunately, they would usually find employment much below their qualifications – in construction industry, farming, household services or hotel industry.

Frequently, migration networks would decide of the country of destination for some Polish people. For instance, the residents of the Opole province would usually choose to emigrate for work to Germany. Different regions of Poland had diverse migration potential. Relatively higher intensity of emigration was found in the poorly urbanized regions with a large share of agricultural farms. Relatively large number of people would emigrate from the Podlaskie, Świętokrzyskie and Zachodniopomorskie regions. The share of Mazowieckie and Małopolskie regions would decrease⁶⁵. It can be therefore ascertained that as a result of Polish membership in the EU, mostly the inhabitants of regions so far poorly connected to other countries would emigrate to the Western European countries.

There are also other noteworthy factors, such as a general demand for labour force in a receiving country, or the migrants' command of local language. Restrictions in the access to the labour market (the case of Germany), if effective at all, only delayed the adjustments in the labour market. They might have even adversely affected the scale of illegal employment⁶⁶.

According to the BAEL survey, the time of stay abroad for Polish people was gradually extending in the years 2004–2007. Initially, around the time of the accession, 55–65% of the emigrants were only temporary (stays shorter than 12 months). In 2006–2007, the number of “long-term” emigrants kept growing although one should not draw too far-reaching conclusion from this. The situation of Poles abroad largely depended on the employment opportunities, exchange rates of the currencies in the host countries, personal reasons. All of the above factors could advocate emigration or return home.

Some Polish migrating workers took up jobs without a permit. Most of people in this group worked illegally at their own choice, using informal migration channels developed over the decades. This applied mostly to such countries as Germany and Austria where work immigration traditions are very long, and which are countries close to Poland in cultural and geographical terms. Moreover, some Polish citizens failed to meet the obligations of registration and legalisation of their stay due to lack of knowledge of the language or ignorance of the procedures.

⁶⁵ P. Kaczmarczyk, *op.cit.*, p. 24.

⁶⁶ European Commission, *op.cit.*, p. 10.

Table 3. Contemporary emigration from Poland – opportunities and threats

Opportunities	Threats
In the time when there were many school graduates entering the labour market and many companies were undergoing restructuring, the surplus of labour force was “exported”. The risk of permanent inactivity of considerable number of workers was thus avoided.	Some sectors and companies experienced labour shortages. This affected quality and availability of many services, such as car repair or dentistry. The weaknesses of the Polish education and vocational training system made it difficult to replace the specialists with newly educated employees
Polish labour market has become an employee's market. Employees' rights were more respected. Employers started to compete for employees, through better working conditions and higher salaries.	Before the global economy headed towards recession, a pressure for pay rises occurred in Poland. Pay rises inevitably led to increased labour costs which could result in the reduced level of foreign direct investment and higher inflation. The problem was exacerbated by economic slump.
Many people left for educational purposes. Migrating workers obtained skills and professional qualifications abroad. In one word, Poles were coming back home richer with knowledge and new experience. Functioning in an international environment itself was an immensely positive factor, resulting in more informed worldviews, more tolerant attitudes etc. Thus the migrations contributed to transfer of human capital and its accumulation.	When many Poles decided to settle abroad permanently, there was a serious risk of losing valuable human capital. People educated in Poland translated their experience and diplomas into economic success of their host countries. Moreover, in the case of people working below their competences, one could speak of brain waste, i.e. depreciated qualifications.
For people unaccustomed to the Western European labour markets, their stay abroad was a positive shock. New models of professional careers, hitherto rare in Poland forms of performing work, management and business running methods etc. became more widespread.	Starting work abroad frequently involved many inconveniences having their economic cost. Travel, renting a flat abroad, transport of belongings, getting accustomed to the new environment translated into lower net earnings, at least in the first period of the stay abroad.
Workers migrating abroad would break mental and technical barriers related to the departure. It is likely that the experience gained this way will make the returning emigrants more willing to migrate internally, within the country's territory.	At the regional and local level the scale of imbalance increased. In some municipalities and small towns there were difficulties in finding service providers, which affected the investment level (e.g. construction investments).
Lower pressure on the labour market, partly related to the outflow of workers abroad, meant new possibilities in the employment policy. The role of active instruments of the labour market policy grew considerably.	Mostly young people would leave abroad. In the following years this may adversely affect the demographic situation.
Remittances translated into economic growth by demand stimulation.	Remittances entailed the risk of increasing threat of permanent inactivity. Families receiving money would frequently go into inertia. Educational problems with children left without sufficient parental care (so-called “Euro-orphans”) started to intensify.
Remittances had a positive effect on social cohesion, contributing to a better quality of life in communities that had so far benefited little from the Poland's economic growth in the recent years.	Remittances had an adverse effect of income disparities. Families without any relatives abroad would sometimes have limited possibilities of economic life participation, in particular in communities where income from remittances kept whole local communities afloat.

Source: Own analysis based on Kaczmarczyk, 2008.

There were incidental cases of forced work of the Polish people. Such situations were encouraged by: lack of knowledge of the language, naïve trust in job agents and poor economic standing. In a few notorious cases, the transfers and slave work of Poles in labour camps was arranged by mafia structures. Polish citizens were required to work off the debt, being the alleged cost of recruitment and transfer to the working site.

Influence of migrations on the labour market processes and social cohesion was complex, which is clearly illustrated by the table below. It is extremely difficult to formulate a clear evaluation of the migration processes, balancing such factors as the new professional career models on the one hand and the so-called Euro-orphanhood on the other.

It is worth commenting some of the above socioeconomic consequences of the increased migration flows following 2004. The basis for evaluation of migrations following 2004 will be the returns of Poles from abroad. The advantages will, therefore, be in absolute majority if the relationships of Poles with the home country is maintained, especially if most of the workers decide to return.

When formulating conclusions on contemporary Polish migrations one should also note that the platform for comparisons should not be the idealised picture of the labour market but the hypothetical variant of the processes which would have occurred if Poland had not joined the EU. For instance, the unemployment rate at home would have been higher, with all its consequences for social cohesion, population incomes, professional desactivation process, etc.

Flow of remittances in 2004–2007 increased twofold, from 10 bn to 20 bn PLN. According to the estimates of the National Bank of Poland (NBP), the greater inflow of funds came from individuals staying abroad for more than 12 months. The transfers would be sent mainly from Germany (29%), with a growing share of the UK (12% in 2007) and Ireland (5%). At the same time, in a report published in 2007 by the World Bank, Poland came out relatively low in the ranking of countries to which funds from families would be sent. According to the data of the World Bank, value of the transfer increased from 2.7 bn USD in 2004, through 3.5 bn in the following year, to 4.4 bn USD in 2006. Obviously, the above data should be treated as approximate, not reflecting the actual scale of financial flows. Public opinion polls show that money transferred from abroad would be spent on living (50% of respondents), buying fixed assets such as cars (37%), buying and renovating apartments (25%)⁶⁷. 20% of families saved up the income from

⁶⁷ The percentages must not be summed up, as the study allowed indication of more than one purpose for spending foreign funds. Szerzej na temat badania por. P. Kaczmarczyk, *op.cit.*, p. 24.

family members abroad, also as deposits. What gives some ray of hope is that 30% of the respondents spent these funds on their own education and education of their children.

Generally speaking, the transfers had on the one hand a modernising nature – dwelling and education expenses carry a development potential. On the other hand, they played a social role, improving the financial standing of Poles and – as a result of the multiplier effect – contributed to stimulation of economic activity in local communities.

Summing up, it can be said that two factors were decisive for increased migration flows following 2004: the institutional factor (opportunity to be legally employed in most of the EU-27 countries) and the socioeconomic factor (job supply and demand). Poles would take employment relatively more often in those countries that lifted the requirement of work permit or significantly liberalised the access to their labour markets. In general, the migration wave in the years 2004–2009 can be defined as a gradual “spillover” on the European labour market. At that time, the dynamics of mobility, its nature (e.g. seasonality) as well as the sociodemographic profile of workers and their regions of origin and countries of destination kept changing.

Effect of migrations on the countries of destination

The statistics show that the share – generally speaking – of nationals of countries that joined the EU in 2004 living in EU-15 countries increased from 0.2% in 2003 to 0.5% at the end of 2007. At the same period, the number of Bulgarian and Romanian nationals living in the EU-15 increased from 0.2% to 0.5%. Most of the migrating workers from the new Member States that joined the EU in 2004 (mostly from Poland, Lithuania and Slovakia) settled in Ireland and the United Kingdom, while the key countries of destination for Romanians were Spain and Italy⁶⁸.

In the countries which opened their labour markets for EU-8 nationals, consequences for labour markets resulting from the enlargement were relatively most noticeable. Many analyses show that the 2004 enlargement had a positive, albeit moderate, effect on the economic growth rate in the United Kingdom⁶⁹. The gross domestic product was on average 0.4% higher compared to the variant without the enlargement taking place. In some sectors this index was much higher. No direct correlation was observed,

⁶⁸ *Free movement of workers is good for Europe's economy*, Europa RAPID press release, 18 November 2008.

⁶⁹ K. Barysch, *Enlargement two years on: economic success or political failure?*, Centre for European Reform, April 2006.

however, between the growth in the number of immigrants in the British labour market and the unemployment rate⁷⁰. Worker flow was accompanied by a growing trade exchange. Nevertheless, profits in macroeconomic scale may in some cases mean problems for local communities.

Migrations from EU-8 countries helped to fill vacancies in specific areas⁷¹. New job opportunities were created in construction, household services or hotel industry. New enterprises, set up by the EU-8 nationals, were created in EU-15 countries. No fears about social tourism were confirmed – employment rate of EU-8 nationals in EU-15 countries stayed at the same or higher level as in the case of domestic workers. EU-8 nationals were relatively well educated, held desired qualifications and were well motivated for work. Compared to host country nationals, immigrants were more enterprising and socially mobile.

Considering the mass character of immigration, it is not surprising that some absorption shocks occurred in local job markets. For example in the United Kingdom in the first two years of membership 75% of EU-8 nationals received remuneration at the level of the minimum wage (4.5 – 6 pounds). It had its effect on restraining wage appetites of the native workers who earned less than 6 pounds per hour (around a quarter of workers) In Southampton, construction workers' wages in years 2005–2006 dropped by half⁷². It has particular consequences for the social security system and social exclusion rates.

EU-8 nationals paid in more to the state budget than received from it in the form of benefits and services of social security system. For example: in the United Kingdom around 6 thousand people applied for benefits from the social service and unemployment benefit between May 2004 and June 2006, out of which almost 800 were admitted for the application procedure⁷³. On a regional and local scale, it is hard not to notice that some institutions (e.g. employment agencies and grammar schools) shouldered additional responsibilities such as administrative and technical support for immigrant communities.

Intensified migrations had an effect on employment in host countries, and also in other areas. For example in some Nordic countries, Sweden included, traditional model of employment policy, in which there is no minimum wage in economy, is used. Only autonomous collective labour agreements exist between employees and employers in particular sectors. Along with the influx of workers a question arose

⁷⁰ Department of Work and Pensions, *The impact of free movement of workers from Central and Eastern Europe on the UK labour market*, London 2006.

⁷¹ For instance, the immigrants make up more than half of the 2,000 dentists employed in the British health care in the last year (of which 25% are Polish citizens). See also. The Independent, *They come over here and fix our teeth: foreign workers help to ease dentist crisis*, 24 August 2006.

⁷² The Economist, *Second Thoughts*, 26 August 2006.

⁷³ Department of Work and Pensions, *The impact of free movement of workers from Central and Eastern Europe on the UK labour market*, London 2006.

whether resolutions concerning minimum wage provided for in collective agreements, should they not be stated in national labour law, are obligatory for enterprises which did not sign such agreements. The media commented on a case of workers from Latvia employed in Stockholm in the construction sector. Laval un Partneri company did not agree to sign a collective agreement in the Swedish construction industry, which meant that it did not feel bound by its regulations. In a protest against – as they argued – breaking workers' rights, Swedish trade unions blocked access to the construction site, which made the company bring the case before the court, and eventually the case was referred to the European Court of Justice. The ECJ judged that Laval company had the right not to sign the collective agreement. It means that in the line of ECJ rulings the principle of free flow of labour has been recognized as a foundation of the domestic market. Nordic countries – not without protests – were forced to accept this interpretation of Community law.

When it comes to a place of EU-10 nationals in communities of host countries, it is worth mentioning that immigrants from new Member States were usually younger, which led to an alleviation of the mounting demographic problems. For example, thanks to liberalization of labour flow from UE-8 following 1 May 2004, percentage of population in working age grew in the United Kingdom at its fastest in the last 20 years.

Generally speaking, immigrants from EU-8 countries integrated well in the communities of host countries. There were incidental cases in which Poles working abroad fell victim to crimes and frauds. West European media often exposed the crime of forced labour (also women forced to prostitution) and homelessness of Polish citizens. Considering the scale of migration, however, these were few and far between.

Regardless of economic studies confirming benefits of free flow of labour, the deteriorating economic situation at the turn of 2009 caused that communities that receive workers from EU-8 countries expressed critical comments concerning the migration. The subject was broadly discussed in the press. For example in the "Daily Star" of 13 January 2009 an article entitled "Poles go back but the Brits pay the price"⁷⁴ was published. The authors – untruthfully – wrote that "thousands of Poles" receive special benefits to pay the costs of travelling to Poland. According to "Daily Mail", the costs of the operation were at the level of one million pounds. Despite the recession, in some countries the communities were largely aware of benefits brought with free flow of labour. For example in Switzerland, in February 2009 citizens decided in a referendum (votes "in favour"

⁷⁴ Daily News, *Poles go back but the Brits pay the price*, 13 January 2009.

amounted to almost 60% of all votes) to open the domestic job market for nationals of countries which joined the EU in 2007, i.e. Bulgaria and Romania⁷⁵.

To sum up, it can be said that influx of workers, from Poland and other countries which joined the EU in 2004, to EU-15 countries, was in many respects unprecedented. In the course of only few years, a few million people decided to move to another Member State. The consequences of the increased flows affected economy: growth rate, inflation, unemployment and broadly understood competitiveness. At the level of enterprises and local communities the migration wave translated into filling gaps in the labour market, decreasing salary pressure as well as changed the condition of certain sectors, such as local real property market⁷⁶. As of the second half of 2008, during economic recession in Western Europe, many Poles decided to return to Poland, which led to a reduction of tensions in the labour markets of EU-15 countries.

Conclusions

Five years of Polish membership in the EU were primarily marked by a by systematic improvement of situation in the job market. Economic upswing, partly caused by accession to the EU, led to an increase in employment and decrease in unemployment rates. In 2009, one could observe deteriorating market conditions having an effect on employment. Some changes in the Polish job market in 2004–2009 were related to objective circumstances such as demographic changes or market conditions.

The rates of labour market participation, employment, unemployment (including long-term) and human capital show that – in spite of the immense improvement in the recent years – the structure of the Polish labour market was still relatively unfavourable, also compared to the other Member States.

Polish membership in the EU was not without effect on the employment policy. This concerned both the Community legal order as well as “soft” cooperation instruments at the European level such as the European Employment Strategy. Migration and employment policies became more coherent. Many strategic documents defining the framework of action in the following years have been developed.

⁷⁵ Euractiv, *Populist defeated In a Swiss EU labour poll*, 9 February 2009.

⁷⁶ More than a half of the surveyed British landlords noticed the positive effect of the increased demand from EU-8 nationals. See also Migration Bulletin, Centre of Migration Research of the University of Warsaw, February 2006.

In 2004–2009, an extensive investment programme was launched, concerning infrastructure, natural environment and employment. A million people were trained, a hundred and a few dozen thousand of new jobs were created. The effect of these actions on the primary labour indexes has so far been moderate. More significant effects on employment, unemployment and effectiveness should be expected in the following years.

Despite the popular belief, the influence of migration on the labour market indexes was moderate. At the same time emigration of Poles had significant consequences for the Polish society. These consequences were revealed in such various phenomena as salary pressure, new professional career models or improvement of income situation of Polish families. A comprehensive assessment of the migration process is extremely difficult, also because many consequences of the increased migration flows will be noticed in long-term perspective. Much will depend on the scale of returns from abroad. Assuming the alternative for free flow of labour would have been Poland developing outside the EU, dynamic improvement in the Polish labour market would not have taken place.

Polish accession to the EU also revealed some of the problems in the Polish labour market. Workforce was structurally misaligned with the conditions of contemporary management which is the result of inadequate education policy and vocational trainings in the past. After many Polish citizens had exercised their right to be employed in Western European countries, it turned out that – despite the large number of the unemployed – labour surplus is small and shortages appeared in some sectors of the economy.

In the countries which opened their labour markets to EU-8 nationals, consequences for their markets resulting from the enlargement were relatively most noticeable. Many studies show that the 2004 enlargement had a positive, albeit moderate, effect on the economic growth rate in these countries.

Accession to Schengen and internal security

Fostering of cooperation in the area of internal affairs and justice is perceived as one of major benefits ensuing from Poland's accession to the EU. Enlargement of the Schengen area was certainly the most significant event of five years of membership in this regard, particularly as regards lifting of checks at EU internal borders.

The years 2004–2009 have been a period marked by intensive preparations of Polish administration for effective protection of borders and assurance of high level of citizens' security. Police cooperation has been reinforced, fight against organised crime has been intensified; moreover, legal and institutional foundations for effective fight against terrorism have been established. But first of all checks at EU external borders, between Poland and other member states, have been fully lifted. Citizens of new member states were given actual opportunity to enjoy freedom of movement. However, given the situation of full opening of EU external borders, assurance of high level of security level has remained a challenge for the national authorities. Attainment of this target entailed in particular the necessity to ensure effective protection of the external border of the entire EU.

Accession to the Schengen area should not, however, obscure a relatively important element, namely introduction of a harmonised visa system and pan-European immigration control, which resulted in real legal and financial obstacles for our non-EU eastern neighbours. Therefore attention should be drawn to the fact that Poland has been making ongoing efforts with a view to developing such solutions in common migration and visa policy that will lead to legislative decisions benefiting both Poland's neighbours to the east and the EU itself. These efforts have focused on ensuring measurable benefits not only to Poles but also to citizens of the entire EU as regards security issues.

Movement

Consequences for citizens ensuing from Poland's accession to the Schengen area

Poland's accession to the Schengen area was one of the most visible effects of Poland's membership in the European Union for an average citizen. Changes made in connection with full participation in the Schengen area guaranteed to Polish citizens the possibility to cross internal land borders in virtually any place⁷⁷. This translates into absence of checks on internal borders when they are crossed.

It must be stressed that such state of affairs is not equivalent to lifting of states' administrative borders. Basic administrative formalities were upheld (e.g. the requirement to register a stay for a period exceeding 3 months). Absence of checks at internal borders in traditional sense entailed the necessity to implement so-called compensating measures, aimed at ensuring security to EU citizens. Border services still have to perform their duties, albeit differently. Mobile patrols have been established both in the Customs Services (SC), and in Border Guard (SG), which are authorised to perform checks of persons' identity and legality of stay, across the entire country, and not just in the zone adjacent to the border. Checks began for vehicles and goods they carry. SG staff can be seen in city streets, at railways stations and on trains. Moreover, joint patrols have been also established with representatives of border protection services of neighbouring states. This takes place mostly on Polish-German border, but there are also joint patrols at certain sections of Polish-Czech and Polish-Slovakian borders. In discharge of its duties SG is assisted by so-called Schengenbuses, fulfilling the role of „mobile border crossings”⁷⁸.

Due to membership in the EU, Polish bodies of administration responsible for security of Polish citizens were provided with legal mechanisms as well as telecommunication and information systems, which definitely improved effectiveness of their work. New methods of border checks, Community visa policy, application of modern identity control measures, collection and provision of personal data under the Schengen

⁷⁷ Certain areas of some national parks are excluded, being areas covered with strict nature protection scheme.

⁷⁸ Schengenbuses are vehicles provided with equipment required for performance of checks, i.e. specialist IT hardware, e.g. a computer linked to SIS database, containing information about e.g. wanted persons. They are also provided with devices for checks of fingerprints, and drug-detecting minilaboratories. In 2008 SG planned procurement of 10 vehicles of that type, with 30 vehicles being the target number.

Information System, computer system of Europol or Eurodac system⁷⁹, are instruments necessary in contemporary world to prevent effectively crime, illegal immigration or unlawful employment of third country citizens⁸⁰.

Poland's accession to the Schengen area and acquisition of full-fledged rights and obligations arising thereunder, took place in several stages and entailed the necessity to perform legal, organisational, staffing, and technical adjustments. Upon accession to the EU on 1 May 2004, the first stage of actions relating to border protection and control, mainly of Poland's eastern border, which became EU external border, was completed. Accession to the Schengen area marked completion of the entire preparations process. Effects of those actions proved advantageous for the entire region.

According to data from the Ministry of Interior of Land Brandenburg, in the first ten months of 2008 the regions adjacent to the border on the German side recorded decline in the number of committed crimes by 6%⁸¹. Pre-accession fears of increased crime rate or threats related to inadequate border protection failed to materialise. A survey performed on 13–19 November 2008⁸² revealed that increased crime rate in connection with Schengen area enlargement was feared by only 26% of the recipients; at the same time a much larger percentage of the recipients stated that EU states, including Poland, are capable of ensuring citizens' security (61%)⁸³. Therefore it must be concluded that despite absence of traditional external border checks in the EU, security of Polish citizens rather improved than deteriorated.

Poland's accession to the Schengen area was related not only to the issue of security, but also to economic and social matters, particularly in border zone regions, both to the east and at



fig. TADEUSZ KROTOS

⁷⁹ Eurodac is a European database of fingerprints for identification of asylum-seekers. It was launched on 15 January 2003. All member states except Denmark, plus Norway and Iceland participate in the programme. Fingerprints are taken from all asylum-seekers aged over 14. Then they are digitalised and sent to the central unit at the Commission, where they are automatically compared with other fingerprints already stored in the database. This allows for checking whether applicants have entered the EU without required documents or whether they have already sought asylum in another member state.

⁸⁰ K. Iglicka, *Unijny wymiar bezpieczeństwa z perspektywy migracji międzynarodowych i dylematów wielokulturowości*, Centrum Stosunków Międzynarodowych. Raporty i analizy 2004, No. 7, p. 2.

⁸¹ Frankfurter Allgemeine Zeitung, *Nach Polen hinüberschlendern*, <http://www.faz.net>, downloaded on 05 January 2009.

⁸² The research was performed by the Public Opinion Research Centre (CBOS).

⁸³ Data provided by the Department for Public Security of the Ministry of Interior and Administration.

EU external borders. Positive effects included the fact the movement of persons with our Union partners became easier. After accession to the Schengen area, movement within the Union became as simple as movement across a country. Entrepreneurs were among beneficiaries of this development. Reduction of queues at border crossings translates e.g. into lower costs of transport⁸⁴. There is still much to be done. Ongoing expansion and modernisation of border infrastructure is planned. According to information from the Ministry of Interior and Administration (MSWiA)⁸⁵, measures aimed at expansion of road transport infrastructure will be launched with a view to improving openness of the border. Construction of new border crossings and modernisation of the existing ones is planned. Construction of access roads to the border will constitute the fundamental form of investments in border infrastructure on the external border.

Main social costs of compliance with legal conditions of membership in the Schengen area include the visa-regime obligation for nationals of third countries, including Ukraine, Belarus and Russia, and the resulting necessity to terminate the 1985 agreement on simplified border crossing procedure for citizens residing in border zone regions. These changes caused a dramatic decline in the number of border clearances of third country nationals. At border sections with Russia, Belarus and Ukraine, taking into account land, maritime and air borders, this number dropped from approximately 25.5 mln in 2007 to approximately 13.5 mln in 2008⁸⁶. This resulted in a decline of trade in border zone fairs, decline of volume of currency exchange in exchange offices, drop in sales of border zone POSs and catering outlets, lower traffic in hotels or inns located there⁸⁷.

There has been also a decline, albeit not excessive, in the number of entities operating in trade and repair sector in border zone areas of eastern regions of Poland. This decline varied from 0.79% (podkarpackie voivodship) to 0.96% (lubelskie and podlaskie voivodship). It is also worthwhile stressing that in the discussed voivodships the drop in the number of entities took place only in trade and repair sector. At the same time the number of entities operating in this sector across the entire country rose by over 2%⁸⁸.

Despite limited adverse economic effects in some regions of the country, general social perception of Schengen area enlargement was positive. The research indicates

⁸⁴ It is estimated that each day of sojourn of a large truck at the border translates into additional cost of approximately PLN 1000, source: *Firmy transportowe tracą dziennie 2 mln zł na granicy*, „Gazeta Prawna”, <http://www.gazetaprawna.pl>, downloaded on 15 October 2008.

⁸⁵ See: reply to interpellation from an MP No. 1834, of 29.04.2008, <http://www.sejm.gov.pl>, downloaded on 15 October 2008.

⁸⁶ Data provided by the Department for Public Security of the Ministry of Interior and Administration.

⁸⁷ According to GUS, in the first three quarters of 2008 the collective accommodation facilities were used by 3265 thousand foreigners, i.e. 6.9% less than in a parallel period of 2007. The number of man-nights provided to them declined by 6.3%. The greatest drops were recorded in the number of visitors from behind eastern border. The number of Belarusians taking advantage of night accommodation declined in that period by 72%, Ukrainians – by 67%, and Russians – by 61% (an analysis of the Minister of Economy of 24 December 2008, *Wpływ na polską gospodarkę wejścia do strefy Schengen*).

⁸⁸ Data from an analysis of the Minister of Economy of 24 December 2008, *Wpływ na polską gospodarkę...*, *op.cit.*

that one respondent in five (21%) felt that this event affected their lives, including 19% claiming impact on their personal lives, and 10% – on professional one. Appreciation of the significance of Poland's accession into the group of Schengen states is widespread (approximately 85%). Almost 40% of the respondents consider Poland's accession to the Schengen area as a very important event for our country, and another 45% state that Poland's entry to the Schengen was quite important.

The issue of relations with Poland's neighbours to the east was most questionable – a half of respondents thought that accession to the Schengen area had no impact on relations with eastern neighbours, while 34% agreed with the opinion that this fact isolates Poland from eastern neighbours. As expected, the feeling that Poland was being 'isolated' from eastern neighbours was the strongest in voivodships bordering with them – 45% of residents of lubelskie and podlaskie voivodship chose this response and such opinions prevailed over opinions to the contrary (35%)⁸⁹.

In general it must be pointed out that if there were any adverse effects of Schengen area enlargement, they concerned economic and social aspects of the situation in eastern regions of the country. The scale of adverse outcomes was small; this is evidenced by performed social research.

Protection of external borders

Accession to the EU and the decision to lift permanent checks at external borders after entry to the Schengen area entailed the necessity to protect eastern border, which became an external border of the EU. The first foundations of a modern border protection system were established even prior to accession to the EU. Strengthening of legal framework and establishment of effective institutions became indispensable. Planned changes provided for an increased scope of SG competencies to enable more effective border protection, border traffic control and fight against border crime⁹⁰. It must be also borne in mind that infrastructure was partially maintained on western borders so as to enable temporary restoration of checks if a need arises. Airports and seaports were also

⁸⁹ This is evidenced by results of the aforementioned CBOS survey carried out on 13–19 November 2008.

⁹⁰ In 2007 Poland completed construction of a new, very modern coast protection system, so-called Automated System of Radar Monitoring of Polish Maritime Areas (ZSRN). It constitutes one of key elements of Polish maritime border protection. It is used by rescue, military services and maritime administration. The fundamental task of ZSRN is to develop and distribute a comprehensive picture of surface situation on territorial sea and internal maritime waters of the Republic of Poland. The information collected and processed in the system support the decision-making process and management of maritime activities at various levels of official responsibilities of various institutions. Its establishment enables a permanent, close cooperation of many ministries in discharge of their statutory responsibilities in the area of supervision over maritime areas. Moreover, it improves effectiveness of fulfilment by Poland of the commitments following from conclusion of several international conventions. SG is the system user. Access to information processed in the system is provided to maritime administration and Polish Navy according to their competencies.

adjusted to EU requirements by dividing passengers in line with Schengen standards; i.e. special gates were prepared for Schengen area EU citizens, where travel documents are verified fast. Moreover, equipment was supplemented with passport and identity cards control devices, devices for detection of explosives, drugs etc.

SG statistics clearly point to decline in uncovered goods from smuggling in the years 2004–2008⁹¹. At the same time there was a rise in the value of smuggled excise tax goods, particularly cigarettes and alcohol, uncovered by Polish border services. In the first six months of 2007 the value of detected smuggled alcoholic beverages amounted to PLN 1.5 mln, and to almost PLN 5 mln in the first six months of 2008⁹². There has been a significant growth in the number of uncovered attempts at cigarette smuggling; in the period of 11 months of 2008 this number rose by almost 48%⁹³. There has been also a rise in the number of persons arrested for unlawful crossing of state border. In 2007 SG arrested 3222 persons, and in 2008 this number amounted to 5797 persons⁹⁴. So it seems that efforts put in preparations of Poland's accession to the EU and to Schengen area yielded the expected results. SG and SC are better prepared for discharge of responsibilities entrusted to them. On the other hand, however, it must be pointed out that, as an external EU border, Poland's eastern border became more attractive for illegal trade and unlawful crossing of state border. Increased volume of uncovered smuggled goods results also from a growth in the number of attempts at introducing goods into EU customs area, and a greater number of arrested persons corroborates the fact that Poland has become an attractive country for illegal immigrants.

It is worthwhile stressing that the external land border of 1185 km is one of the longest sections of such kind of border protected by a single EU member state. It is obvious that protection of the external border requires adequate financing, which may prove too big a challenge for a single state. Therefore shared responsibility for protection of external borders is the key element in cooperation of the member states in Schengen area. This responsibility has also a financial dimension.

New tasks ensuing from the obligation to protect the external border justified the need to apply for additional Community funding, which was allocated and is spent on hiring and training of officers, and on specialist equipment and state-of-the-art IT systems.

⁹¹ Value of uncovered smuggled drugs in 2004 amounted to PLN 7,233,000, in 2008: PLN 4,164,569; weapons and munition – in 2004: PLN 82,000, in 2008: PLN 1630, vehicles – in 2004: PLN 39,555,700, in 2008: PLN 23,960,440, source: <http://www.sg.gov.pl>.

⁹² *Po wejściu Polski do Schengen wzrosła skuteczność ochrony granic*, „Rzeczpospolita”, <http://www.rp.pl>, downloaded on 11 grudnia 2008.

⁹³ Data provided by the Department for Public Security of the Ministry of Interior and Administration.

⁹⁴ <http://www.sg.gov.pl>.

Due to accession to the Schengen area, Poland has received assistance from several sources. One of them has been the Schengen Financial Instrument (Schengen Fund). According to provisions of Art. 35 of the Accession Treaty and amendments to treaties underlying the EU, Poland received allocation of over EUR 313 mln⁹⁵ under the Schengen Fund alone. Investments from this funding were allocated to improvement of the condition of border crossings infrastructure, improvement of provision with all kinds of equipment, and to proper training for the police and SG⁹⁶. It is worthwhile stressing that as much as 45% of the funding – the total of over EUR 133 mln, was allocated to construction of the Schengen Information System alone (i.e. computer database of the Schengen area – see more details in subsequent sections).

Another important source of support was the Norwegian Financial Mechanism, established by the Kingdom of Norway for the years 2004–2009, and allocated to strengthening of external borders, construction of the infrastructure of the Schengen Information System (SIS), Visa Information System (VIS), strengthening of cooperation between police and SG, and to research works. Poland also had at its disposal the Financial Mechanism of the European Economic Area – the facility to take advantage of additional sources of non-refundable foreign aid, beside structural funds and the Cohesion Fund. The total amount allocated to Poland under both mechanisms exceeded EUR 533 mln. Those funds were used for ventures implemented under priorities specified for the years 2004–2009.

Moreover Poland used the External Borders Fund, which is one of four major financial instruments of the Community programme „Solidarity and management of migration flows”. This programme manifests solidarity of all member states, allocating financial assistance to those states that apply provisions of Schengen heritage concerning external borders⁹⁷. This Fund aims at ensuring financial assistance to the member states involved in management of external borders of the Union and in implementation of common asylum and immigration policy. Approximately EUR 78 mln was allocated to Poland for the years 2007–2013. Projects supported from the External Borders Fund contributed to attainment of both effective organisation of external borders checks and effective management by the member states of movement of persons at external borders

⁹⁵ The principles for management and monitoring of Schengen Fund resources were set forth in the decision of the European Commission No. C(2004)248 of 5 February 2004, amended by decision C(2006)684 and decision C(2007)494.

⁹⁶ M. Drożdżikowska, *Schengen z perspektywy polskich doświadczeń, Polska w strefie Schengen – refleksje po pierwszym roku członkostwa*, Raport MSWiA, Warsaw 2008, p. 10.

⁹⁷ Decision No. 574/2007/EC of the European Parliament and of the Council of 23 May 2007 establishing the External Borders Fund for the period 2007 to 2013 as part of the General programme 'Solidarity and Management of Migration Flows', O.J. 2007, L 144, p. 22.

with a view to ensuring high level of border protection in accordance with Schengen legal heritage⁹⁸.

Poland's accession to the EU and Schengen area additionally entailed necessity to adjust IT infrastructure and to improve standards relating to security of documents. Therefore it was only logical that lifting of checks on internal borders of the member states was bound to entail strengthening of checks on external borders and improvement of contacts between services responsible for that task from individual member states of Schengen area⁹⁹. To this end a decision was made to improve effectiveness and strengthen IT infrastructure, improve the access to databases and improve documents' security. Polish authorities obtained first of all access to SIS (in version SISone4ALL)¹⁰⁰ and to VIS. By becoming a party to the Europol Convention — Poland also acquired access to IT databases of this office¹⁰¹. It is estimated that SG makes 5 thousand queries per hour on average (with peaks of 11 thousand queries per hour on average), and police makes approximately 13 thousand entries monthly, and up to 110 thousand checks per 24 hours¹⁰². Due to information exchange under Schengen, as many as 100 persons recognised as missing in other countries were arrested in Poland in 2008. On the other hand 250 persons missing in Poland were found abroad¹⁰³.

Years 2004–2009 have been also a period of intensive works on improvement of the security of documents, particularly identity documents and travel documents. Administrative obligations ensuing from accession to the EU and to the Schengen area entailed respective amendments to legislation. Poland began issuing new, better secured against forgery, identity cards and passports containing the basic biometric feature (image of a face stored in passport's microchip). Beside meeting commitments ensuing from membership in the EU, the new model document of high technological standard enhances Poland's prestige on international arena as one of the most modern in the world. Moreover it had a very practical application making travelling across the world easier for citizens of the Republic of Poland¹⁰⁴.

⁹⁸ M. Drożdżikowska, *op.cit.*, p. 11.

⁹⁹ A. Hebda, P. Hofman, *Przygotowanie organów administracji publicznej do współpracy z Systemem Informacyjnym Schengen – budowa Polskiego Komponentu SIS*, [w:] *Polska w strefie Schengen – refleksje po pierwszym roku członkostwa*, Raport MSWiA, Warsaw 2008, p. 24.

¹⁰⁰ This solution consisted in adoption and adaptation by EU new member states of a copy of the system in place in Portugal and its connection to first generation Schengen Information System (SIS 1+). This way waiting for launch of SIS II by the Commission was avoided. Project SISone4ALL is a temporary solution. It will cease to operate when the Commission and individual member states complete new SIS II, which is likely to happen in 2009.

¹⁰¹ A. Grzelak, *Bilans kosztów i korzyści pięciu lat członkostwa Polski w UE – bezpieczeństwo wewnętrzne i przystąpienie do Schengen*, ekspertyza przygotowana dla Urzędu Komitetu Integracji Europejskiej, Warsaw 2008, p. 11.

¹⁰² W.R. Wiewiórowski, *System Informacyjny Schengen i System Informacji Wizowej*, WPIA Uniwersytet Gdański 2007.

¹⁰³ *Po wejściu...*, „Rzeczpospolita”, *op.cit.*

¹⁰⁴ On 1 January 2009 the government of Canada lifted visa regime for Polish citizens owning a biometric passport: *Kanada zniosła nam wizy, ale tylko dla wybranych*, „Dziennik”, <http://www.dziennik.pl>, 5 January 2009.

An important fact of great significance for protection of external borders was location of European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex) in Warsaw. This agency attained operational readiness in October 2005. Poland provided necessary support to Frontex, related to start-up of operations. Location of the agency in Warsaw is a factor strengthening Poland's position in connection with coordination of actions protecting external borders¹⁰⁵.

Effects of implementation of common visa and asylum policy in Poland

As mentioned earlier, the necessity for Poland to carry into effect provisions ensuing from the Implementing Convention to Schengen Agreement resulted in introduction of visas for citizens of third states of Eastern Europe. The Schengen visa mechanism directly contributed to decline in movement of persons on eastern borders. In 2008, 6.6 mln foreigners entering Poland from outside Schengen area were recorded on eastern border (except Lithuania) and in airports and seaports. SG recorded 2.4 million entries of citizens of Ukraine, 1.6 million entries of citizens of Belarus and 0.8 million entries of citizens of Russia, which corresponded to decline by 56.2%, 57.4% and 52.4% respectively compared to 2007¹⁰⁶.

However, it is worthwhile pointing out that Polish government put a lot of effort in recent years to make the introduced system least burdensome to non-EU eastern neighbours of Poland¹⁰⁷. Poland made significant investments and expanded the network of consulates. Presently there are five Polish consulates in Ukraine – in Lviv, Lutsk, Kiev, Odessa and Kharkov, four in Russia – in Moscow, Sankt Petersburg, Irkutsk and Kaliningrad, three in Belarus – in Minsk, Brest and Grodno. Actions were also initiated with a view to opening of new facilities. Opening of a new seat of the General Consulate in Lviv is planned for the second half of 2009. A new seat is also prepared for the General Consulate of the Republic of Poland in Lutsk. Introduction of so-called Charter of a Pole

¹⁰⁵ Examples of operations with participation of Poland: Gordius – 2007 – the issue of illegal migrants from Moldova; participation consisted in assistance in identification of counterfeited identity documents; Poseidon 2006 – June 2006 – an action concerning fight against human trafficking; participation consisted mainly in information exchange; Niris – June 2007 – actions initiated in connection with growth of illegal migration from China and India – interrogations at border crossings, including the Warsaw airport; FIFA 2006 – assistance to German services in connection with organisation of world football championships.

¹⁰⁶ Data from: the Central Statistical Office, *Informacja o sytuacji gospodarczo-społecznej kraju rok 2008*, Warsaw 2009.

¹⁰⁷ In the first quarter of 2008, Polish consular offices in Ukraine received 71,985 visa applications and issued 2174 decisions refusing visas. Hence percentage of refusals amounts to mere 3.3%. The total of 63,295 visas were issued in that period; source: reply to interpellation from an MP No. 2332 of 20 May 2008 on border traffic between Poland and Ukraine after Poland's accession to Schengen area, <http://www.sejm.gov.pl>, 15 January 2009.

for third country nationals of Polish origin was another success of Poland in relieving the outcomes of entry into force of visa regulations related to operations in Schengen area.

Acquisition by Poland of the member state status and the possibility to participate in the decision-making process concerning the shape of legal provisions regulating those issues, enables to Polish authorities influence on EU legislative decisions. Polish government was involved in continuation of efforts within the EU aimed at reduction to EUR 35 of the fee for citizens of Belarus for consideration of applications and issuing of uniform Schengen visas. Success of this initiative in early 2009 was highly likely, because introduction of such solution was supported also by other states of the Visegrad Group, Baltic republics and Scandinavian states. To relieve the effects of the growth in fees for issuing of uniform visas for the entire Schengen area, the Ministry of Foreign Affairs made a decision to lower from 1 November 2008 the fee for consideration of an application for a national visa to EUR 20¹⁰⁸. Moreover, in consultation with Hungary and Slovakia, Poland initiated intensive efforts on EU forum aimed at amending the regulation¹⁰⁹ on local border traffic.

Another issue that representatives of Polish authorities appealed to the EU for was the aim at the swiftest possible completion of negotiations on entering agreements on local border traffic with eastern neighbours and their urgent implementation. It must be borne in mind that successful realisation of this task depended not only on resolve of Polish side, but also on the position of concerned states presented during those negotiations. Specific legal actions were taken with a view to attaining this goal¹¹⁰. Joint actions aimed at such changes in the relevant regulation that would allow for expansion of the border zone and application to foreigners arriving under local border traffic scheme of the requirement to possess insurance policies, as was the case for arrivals under visa regime. Amendment to the regulation required favourable attitude of the European Commission and other EU member states¹¹¹. In early 2009 Poland initiated intensive actions in this regard.

Poland's accession to the EU had impact on the number of proceedings concerning protection granted to third country nationals. Simultaneously the data from the

¹⁰⁸ Data provided by the Department of Consular and Polish Diaspora Affairs in the Ministry of Foreign Affairs.

¹⁰⁹ Regulation (EC) No. 1931/2006 of 20 December 2006 laying down rules on local border traffic at the external land borders of the Member States and amending the provisions of the Schengen (OJ 2006 L 405, p. 3).

¹¹⁰ On 28 March 2008 the Government of the Republic of Poland signed an agreement with Ukraine on rules of local border traffic; due to reservations notified by the Commission, the ratification process was delayed, but on 22 December 2008 in Warsaw the protocol amending the agreement on the rules of local border traffic was signed and both agreements were submitted for ratification. After completion of internal procedures they will enter into force. In the case of Belarus, on 16–17 December 2008 the fourth round of negotiations was performed in Minsk, which helped agree on the shape of draft agreement. Consultations with the European Commission are still required. Negotiations on the rules of local border traffic with the Russian Federation began in Moscow on 21 July 2008. The above data were provided by the Department of Consular and Polish Diaspora Affairs in the Ministry of Foreign Affairs.

¹¹¹ On 24 November 2008 Deputy Prime Minister, Grzegorz Schetyna submitted to Vice President of the European Commission responsible for the area of justice, freedom and security, Jacques Barrot, Poland's position paper on the rationale for modification of Regulation (EC) No. 1931/2006.

Office for Foreigners (UDSC)¹¹² suggests that accession to Schengen area itself had no impact on legal regulations and jurisdiction practice in this regard. On the other hand, it translated into growth in the number of applications submitted in 2007 in Poland for granting of refugee status¹¹³.

Increased number of new forms of unlawful behaviours leading to growth in illegal migration has been observed. As an example, such adverse developments have been recorded as a growth in the number of fictitious marriages contracted by Polish citizens or of declarations made by third country nationals of intention to start education which they actually fail to do. In the period 2007–2008 a growth in abuse of asylum procedure was recorded, as a form allowing for lawful entry into the territory of Poland and temporary legalisation of stay¹¹⁴.

Clear growth trends were recorded in the months preceding accession to the Schengen area¹¹⁵. Those development followed first of all from fears among third country nationals that after Poland's accession to the Schengen area, entry into territory of our country and applying for refugee status will be hindered or even precluded. However the access to status procedure was not restricted in any way. Legal decisions regulating this matter remained binding. Accession to Schengen area did not relieve Poland from commitments ensuing from provisions of the regulation establishing criteria and mechanisms for identification of the member state responsible for consideration of application for asylum lodged in a member states by a third country national (so-called Dublin II)¹¹⁶.

Internal security and justice

Ensuring internal security

Lifting of permanent checks on EU external borders also translated into coverage of Poland with the possibility to cooperate under formula set forth in the Implementing Convention to Schengen Agreement, including strengthening of police cooperation. Polish officers cooperated closely and on ongoing basis with officers from neighbouring

¹¹² Statistical data come from the Office for Foreigners: <http://www.udsc.gov.pl>.

¹¹³ In 2007 applications for granting of refugee status covered 10,048 persons. Compared to 2006 there was a growth in the number of submitted applications by approximately 45% and a growth in the number of asylum – seekers by approximately 41%.

¹¹⁴ Data provided by the Department of Public Security of the Ministry of Interior and Administration.

¹¹⁵ As an example, in September 2007 478 applications covering 1087 persons were submitted, in October – 473 applications for 1023 persons, in November – 572 applications for 1354 persons, and in December – 1028 applications for 2466 persons. Source: the Office for Foreigners.

¹¹⁶ Council Regulation (EC) No. 343/2003 of 18 February 2003 establishing the criteria and mechanisms for determining the Member State responsible for examining an asylum application lodged in one of the Member States by a third-country national (so-called Dublin II; O.J. 2003 L 50, p. 1 as amended.).

states (the Czech Republic, Slovakia, Germany and Lithuania). The Implementing Convention to Schengen Agreement provided Polish services with many instruments in this regard, including cross-border pursuit and surveillance¹¹⁷. Information exchange plays great importance in this area of cooperation. Polish-German Cooperation Centre of Border Services, Police and Customs Services in Świecko was one of several information exchange points operating at Poland's external border. The Cooperation Centre of Border Services, Police and Customs Services played a very important role in information exchange between services of Poland and the Federal Republic of Germany¹¹⁸. Until 31 August 2008, 9837 queries were submitted to the Centre, including 3271 queries from Polish side to German partner, and 6566 queries from German side to Polish side¹¹⁹.

It must be stressed that informal information exchange under Europol began even before entry of the agreement into force, but it gained particular momentum after Poland's accession to the EU. Initiation of cooperation entailed also proper staffing preparations¹²⁰. Moreover Poland took active part in practical dimension of cooperation¹²¹. The report on Europol activities in 2004¹²² pointed out that the total number of applications provided by Polish liaison office increased twofold compared to previous years, and the main area of interest was illegal smuggling of drugs and money counterfeiting. A rise in the volume of information provided by Polish police and SG was also recorded. The liaison office coordinated several bilateral and multilateral operations with participation of Polish police. The report on Europol activities in 2005¹²³ recorded doubling of the number of cases.

The main areas of interest include counterfeiting of money and other payment means¹²⁴. In 2006 the Central Bureau of Investigation (CBŚ) discovered illegal printing facility of counterfeit EUR and USD, and in the same year Polish police carried out

¹¹⁷ There have been no experiences so far with performance of joint cross-border operations, because works are still underway on adjustment of bilateral agreements between Poland and neighbouring countries harmonising the legal provisions to solutions envisaged in the Implementing Convention to Schengen Agreement in the scope of surveillance or cross-border pursuit. Still the first actions of that type are carried out with very encouraging results.

¹¹⁸ The total of 39 German and 24 Polish officers of various services work here: federal policemen, customs officers, policemen from Brandenburg, Saxony and Mecklenburg-Vorpommern. On the Polish side, the staff of the facility covers officers of police, SG and SC.

¹¹⁹ M. Drożdżikowska, *Schengen z perspektywy...*, *op.cit.*, p. 12.

¹²⁰ Those are the following programmes: „Awareness” – 60 officers of Polish law enforcement bodies were trained in the scope of elementary and expert knowledge concerning operations of the organisation; „Enlargement” – training in the scope of critical areas of Europol operations in the context of enlarging the topical catalogue of cooperation by Europol – they concerned e.g. the legal issues, security of transferred and collected information, staff and personnel, broadly understood IT systems and tools and the issue of financing and costs, „Phare 2002” – a twinning agreement was deployed between Poland and the Federal Republic of Germany, aimed at training of Polish officers.

¹²¹ The number of pieces of information exchanged by the Police through Europol channel: 2004 – 253; 2005 – 2302; 2006 – 2659; 2007 – 3659; 2008 – 3721.

¹²² European Police Office (Europol), *Annual Report 2004*, p. 30, <http://www.europol.europa.eu>.

¹²³ European Police Office (Europol), *Annual Report 2005*, p. 35, <http://www.europol.europa.eu>.

¹²⁴ Polish liaison office was involved in coordination of the participation of Polish services in European operation *Icebreaker*, concerning children pornography. The report on Europol activities in 2006 also suggests that Europol and Eurojust supported Italian and Polish actions against human traffickers (operation „Promised land”). The report pointed out a series of arrests carried out simultaneously in Italy and Poland as a result of effective cooperation between Italian and Polish police, particularly in the regions of Bari and Foggia in Italy.

operations against international groups of pedophiles, being a part of operations on pan-European scale coordinated by Europol. As a result of the performed actions, 16 persons suspected of possession of children pornography were arrested, plus 35 computers and over 4000 CDs were secured¹²⁵. In 2007 Polish police participated in „Hydra” operation aimed against dissemination of children pornography on Internet¹²⁶. Effects of those efforts are reflected in statistical data¹²⁷.

Lifting of border controls in the EU improved effectiveness of trade and freedom of citizens movement. In this connection a threat surfaced that organised crime groups may use EU openness for attainment of their targets. Adverse effects of the opening of borders have been largely eradicated. This was one of the main goals of reinforcement of police and judicial cooperation in criminal cases. Fight against organised crime has become more effective due to establishment of proper institutions. Additional structures supporting the bodies responsible for ensuring security were established, some even before accession. Good examples include the National Centre of Criminal Information, General Inspector for Financial Information, and General Inspector for Protection of Personal Data. They were established in connection with the necessity do adjust effectiveness to requirements of European cooperation.

One of the measures aimed at reduction of activities of organised crime groups was the establishment in December 2008 of the Crime Assets Recovery Agency (BOM). The Office was located within the police structure, and the main goal of BOM operations aimed at detection and recovery of the proceeds of crime and other property of criminals. There was a need for this information to be swiftly exchanged between the EU member states, so direct communication between those bodies was enabled. BOM served this purpose in Poland.

When acceding to the EU on 1 May 2004, Poland assumed several commitments, including the necessity to cooperate and participate in pan-European system for combating terrorism. Many changes were made, particularly in the area of law, organisational reforms were carried out, many actions were initiated on international and internal forum¹²⁸. As

¹²⁵ A. Grzelak, *Bilans kosztów...*, op.cit., p. 20.

¹²⁶ Policemen in 13 voivodships searched 32 houses, flats as well as private businesses and public institutions. Those searches resulted in securing 34 CPUs and laptops, 24 interchangeable HDDs, over five thousand CDs/DVDs, 307 floppy discs, 56 VHS cassettes, 3 mp3 players, memory cards, 2 mobile phones and a still camera. 29 persons downloading from Internet or possessing pornographic materials with participation of children were arrested.

¹²⁷ Since the beginning of 2008 over half a million crimes were committed in Poland, i.e. 10% less than a year before – as evidenced by data of the Polish National Police Headquarters. The police managed to detect a decisive majority of perpetrators. Police statistics show that it is more and more safe in Poland. The biggest improvement could be noticed when data concerning car thefts are compared. In the first six months of 2008 8334 cars were stolen. This is one fourth less than in 2007. A visible improvement took place in the case of drug-related crime (decline by 22%) and corruption-related crime (decline by over 20%). Source: *W Schengen nam bezpieczniej*, „Rzeczpospolita”, <http://www.rp.pl>, 5 January 2009.

¹²⁸ M. Narojek, *Polska w UE – korzyści w walce z terroryzmem*, opracowanie dostępne na stronie <http://www.terroryzm.com>, 10 August 2008.

regards legal adjustments, the most important actions took place in 2004, when amendments to statutes were passed with a view to implementing EU legal provisions into Polish legislation, including in particular the framework directive on fight against terrorism or the framework directive on European arrest warrant¹²⁹. On 1 October 2008 a modern Anti-Terrorism Centre (CAT) started operations in Poland, with such responsibilities as coordination and support to decision-making processes in case of a threat of terrorist attack or coordination of actions aimed at verification of information on terrorist threats.

On 1 May 2004 Poland became a part of customs union and was covered with common customs tariff; therefore Polish customs administration became responsible for collection and transmission directly to the EU budget of proceeds from customs and other due charges relating to trade in goods at EU external borders. The role of customs administration after Poland's accession to the EU changed fundamentally. Customs services were charged with new responsibilities pertaining to calculation and collection of excise tax and border VAT. In present conditions SC to a much larger extent facilitates legal business activity and supports competitiveness of the entire Community economy, protecting the market against dishonest and illegal trade and protecting financial interests of the Community and the member states¹³⁰. Moreover SC assists in management of EU external border¹³¹, in cooperation with other services in Poland with a view to combating abuses, organised cross-border crime and terrorism.

Moreover the new legal environment resulted in more active participation in cooperation with partners from the EU. Since 2004, 20 joint customs operations have been carried out, including two organised by Polish side: „Pallas” and „Mateusz”¹³². Polish customs administration participated also in a EU consulting and training mission on the border between Moldova and Ukraine; SC representatives participated also in the European Union Rule of Law Mission (EULEX Kosovo). Moreover permanent cooperation was established with existing partners from non-EU neighbouring states, such as Ukraine, Belarus or Russia.

¹²⁹ The Act of 16 April 2004 (O.J. of 2004, No. 93, item 889), which entered into force upon Poland's accession to the EU, introduced a definition of crime of terrorist nature into the Penal Code (Art. 115 § 20 of the Penal Code).

¹³⁰ Pursuant to current regulation or the Minister of Finance, SC of the Republic of Poland consists of 16 customs chambers, 46 customs offices, 159 branches, including 55 that support border crossings. The level of employment as of the third quarter of 2008 amounts to 15,666. Data provided by the Customs Policy Department in the Ministry of Finance.

¹³¹ In connection with lifting of control at external borders and new tasks, in 2007 it became necessary to allocate customs service resources and efforts on eastern border of Poland and in airports, which allowed for more effective discharge of duties entrusted to customs service. In the period from 30 April 2004 to 1 January 2008 the total staffing in four customs chambers located on Poland's eastern and northern border, i.e. in Biała Podlaska, Białystok, Olsztyn and Przemyśl, rose by 901 posts, including growth by 214 posts in the Customs Chamber in Biała Podlaska. Source: reply to interpellation from an MP No. 350 of 28 January 2008, <http://www.sejm.gov.pl>, 15 January 2009.

¹³² Operation „Pallas” organised in 2006 in cooperation with German and Dutch customs administration and CBŚ KGP with participation of 20 states, including Belarus, Moldova, Norway, Russia and Ukraine. Another operation – „Mateusz” was organised in 2007, also in cooperation with CBŚ KGP and with customs administrations of the United Kingdom and Germany. It aimed at fight against tobacco smuggling. 24 states participated in the operation. Data provided by Customs Policy Department in the Ministry of Finance.

In recapitulation of achievements of authorities in the area of internal security, it must be stressed that due to attainment of the status of a EU member state, particularly in connection with enlargement of Schengen area, Poland managed to introduce effective cooperation mechanisms, particularly with partners from neighbouring states. The Implementing Convention to Schengen Agreement made initiation of cooperation easier, constituted direct legal basis for actions, which were initiated faster and in a less formalised manner. Access to databases, ongoing training, and successful joint operations reinforced effectiveness of the law enforcement bodies in efforts for improvement of Poland's security.

Judicial cooperation in civil and commercial matters

Development of judicial cooperation in civil matters translates for EU citizens into possibility of more effective assertion of their rights before common courts, particularly in the cases with a cross-border element. Consequently, in such cases before Polish courts, Polish citizens being parties to such proceedings can be certain that judgements of Polish courts will be enforced abroad. This helps avoid usually much higher costs of such proceedings before foreign courts. Therefore development of judicial cooperation in civil and commercial matters has been so important for citizens and entrepreneurs.

Rules of judicial cooperation in civil and commercial matters have been based on the rule of equal value and position of the judicial system in individual member states. Covering Poland with legal acts concerning enforcement of judgements in civil and commercial matters was the outcome that citizens felt the soonest¹³³, because it ensured to Polish citizens the possibility to enforce judgements of Polish courts abroad; the same concerns accession to the EC convention on the law applicable to contractual obligations¹³⁴. In recent years the EU adopted several regulations concerning those issues¹³⁵. Polish administration of justice made all possible efforts to prepare national regulations properly for the time when Community legal acts enter into force¹³⁶.

¹³³ Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters, O.J. 2001 L 12, p. 1–23.

¹³⁴ Currently replaced with the Regulation of the European Parliament and of the Council (EC) No. 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I), O.J. 2008 L 177, p. 6–16.

¹³⁵ Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), O.J. 2007 L 199, p. 40–49, and Regulation of the European Parliament and of the Council (EC) No. 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I), O.J. 2008 L 177, p. 6–16.

¹³⁶ Although Community acts of regulation rank do not require implementation into national legislation, it is necessary to adjust national law in connection with execution by Poland of obligations ensuing from adoption of regulations Rome I and Rome II. This is to be carried into effect through adoption of a draft act – Private international law. It stipulates that the entirety of the new act will enter into force on 17 December 2009, i.e. on the day when Rome I regulation begins to apply. The fragment of the act amending Article 31 of the Act of 1965 regulating law applicable to obligations not following from legal actions and intended to repeal colliding provisions placed in comprehensive acts (Air law, Maritime Law) covered with the scope of regulation Rome II entered into force on 11 January 2009, i.e. when Rome II regulation began to apply. Data provided by the Department of International Cooperation and European Law in the Ministry of Justice.

Within the EU itself, works were carried out on further regulations – political agreement was reached as regards draft regulation on national jurisdiction, applicable law and recognition and carrying out judgements in alimony cases as well as cooperation in the area of alimony obligations¹³⁷, which would regulate not only the issues of jurisdiction, but also law applicable in alimony cases. We should also assess positively the fact of adoption of acts on simplified procedure in alimony cases.

One of the aspects of judicial cooperation in civil matters, which is of importance for citizens, was the possibility to take advantage of the right to assistance in civil proceedings in EU member states¹³⁸. The solutions proposed in provisions of European law guaranteed to Polish citizens granting of legal assistance, including exemption from court fees, appointment of a solicitor or legal advisor and coverage of required expenses (e.g. costs of travel, costs of translations)¹³⁹.

Such legal status definitely contributes to improvement of the situations of an individual when proceedings abroad are necessary. Nevertheless, negotiations on issues related in particular to family law clearly show that there were many problems that had to be solved. Those issues were related e.g. to the fact that family law is an area particularly bound with national legal culture or traditions of the member states.

Judicial cooperation in criminal matters

Judicial cooperation in criminal matters aims at improving effectiveness of the judiciary in the area of criminal law with a view to improving broadly understood security of the citizens. EU member states aim at lifting of barriers to prosecution and carrying out court decisions following from culprit's citizenship or place of stay, and location of his property. Additional goals include protection of financial interests of the Communities and member states as well as assurance of proper functioning of democratic procedures. Attainment of the aforementioned targets brings positive impacts both for the society and for national systems of the administration of law. In this context attention should be focused on effects of two specific and most effective manifestations of judicial cooperation in criminal matters, namely in-

¹³⁷ The final text was adopted by the Council on 16 December 2008 – COM (2005) 649 *final*.

¹³⁸ Council Directive 2003/8/EC of 27 January 2003 to improve access to justice in cross-border disputes by establishing minimum common rules relating to legal aid for such disputes, O.J. EC 2003 L 26, p. 41–47 as amended.

¹³⁹ The Ministry of Justice has no statistical data concerning appearances of third country nationals before Polish courts or appearances of Polish citizens before courts of other states in civil cases. Moreover it is impossible to obtain such information from European Union states. It is assumed hypothetically that throughout a year there can be approximately 50 thousand cases of that kind. See: justification for Sejm publication No. 3261 (IV term of the Sejm).

stitutional cooperation under Eurojust and use of the instrument of European arrest warrant.

Poland initiated cooperation with the European Union's Judicial Cooperation Unit, so-called Eurojust¹⁴⁰ even before accession to the EU, but it became a participant of cooperation under this formula in full rights only upon accession to the EU. Eurojust is a new institution, whose responsibilities include strengthening of cooperation and improvement of coordination between competent authorities of the member states in the area of investigation and prosecution, plus facilitation of exercise of international mutual assistance in criminal matters and help in enforcement of extradition requests. Polish cooperation with Eurojust developed slowly, gradually assuming greater and greater practical significance. A good example of actions with Eurojust involvement after 2004 is coordination of cooperation with Italian bodies regarding labour camps in Italy, where Eurojust offered assistance in information exchange and organisation of meetings. The cooperation resulted in combination of preparatory proceedings in the area of notifications of fraud cases, as well as instituting simultaneously in Poland and in Italy of inquiries concerning human trafficking¹⁴¹. Annual reports on Eurojust activities suggest a regular growth in the share of registered Polish cases¹⁴².

The European arrest warrant (EAW) is a lawsuit demand for surrender of a suspect with a view to carrying out criminal proceedings before a national court. Effective use of EAW required amendment to Article 55 paragraph 1 of the Constitution of the Republic of Poland, which prohibited extradition of Polish nationals. Doubts concerning the nature of EAW had to be resolved by the Constitutional Tribunal. Compared to extradition procedure, surrender pursuant to EAW takes much less time¹⁴³, because it relies on judicial cooperation, completely foregoing political authorities. In 2007 Polish courts issued 3479 EAWs, and as many as 2004 in the first six months of 2008. This is over 1000 more than in 2006, when Poland also led Union statistics in terms of issued EAWs (2355)¹⁴⁴. Those provisions constituted e.g. the basis for surrender to the United Kingdom of Jakub T., convicted by a court in Exeter and sent to Poland to serve the sentence.

¹⁴⁰ Eurojust was established pursuant to Council Decision 2002/187/JHA (amended by decision 2003/659/JHA) O.J. 2002 L 63, p. 1–13 and O.J. 2003 L 245, p. 44–46.

¹⁴¹ www.policja.pl/download.php?s=1&id=6890.

¹⁴² Poland registered in Eurojust 12 cases in 2006, and 18 cases in 2007. On the other hand, requests to the Polish representative were made 60 times in 2006 and 100 times in 2007. Poland made 4 requests for coordinating meetings in 2007, and was invited for participation in 8 meetings – Report on Eurojust activities for 2007, http://eurojust.europa.eu/press_releases/annual_reports/2007/Annual_Report_2007_PL.pdf.

¹⁴³ Traditional extradition procedure may take even longer than a year. EAW allows for shortening of this period to 11 days on average, if suspect agrees for surrender, or 5–6 weeks if the concerned person does not consent.

¹⁴⁴ Source: the Department of International Cooperation and European Law in the Ministry of Justice.

Conclusions

This chapter has described experiences of Poland as a EU member state with regard to issues of internal security. The period 2004–2009, i.e. the first five years of membership in the EU, was the time of intensive adjustments to requirements related to assurance of high level of security. The events gained momentum in the four years of membership, when the most important event in this area took place, i.e. Schengen area was enlarged on 21 December 2007. There was full lifting of checks at external land borders of the EU between Poland and other EU member states. In case of border crossings at airports, full opening took place on 31 March 2008.

Lack of checks on internal borders in traditional meaning entailed the necessity to put in place so-called compensating measures guaranteeing security of the entire EU; therefore proper organisational and technical preparation of border services was the key element of effective functioning of border traffic under new rules. Due to membership in the EU, Polish bodies of administration responsible for security of Polish citizens gained access to legal mechanisms and effective telecommunication and information systems, which definitely improved effectiveness of their work. New obligations helped apply for additional financing – Community funds, which were expended on employment and training of officers, as well as specialist equipment and state-of-the-art IT systems. Polish authorities gained access to the Schengen Information System (SIS), to Visa Information System (VIS) and IT databases of Europol. Five years of membership in the EU have been also marked by very active participation of Polish law enforcement bodies in joint police cooperation. The system of protection against terrorism was largely expanded and strengthened. Many improvements have been made, particularly in the area of law, several organisational changes have been carried out, many actions have been initiated on the international and internal forum. All those adjustments brought unquantifiable benefits as regards ensuring security not only to Polish citizens, but also to citizens of the entire EU.

The necessity to implement provisions ensuing from the Implementing Convention to Schengen Agreement resulted in introduction of visa regime for third country nationals. Through the Ministry of Foreign Affairs, Polish government made a lot of efforts in recent years to make the introduced system as little burdensome as possible, particularly for our closest non-EU neighbours to the east. Those actions resulted in ex-

pansion of the network of consulates, preparation of respective international agreements with partners to the East with a view to making cross-border traffic more effective.

Attention should be also attached to development of judicial cooperation in civil and commercial matters. In practical dimension this means that in cases with foreign element before Polish courts, Polish citizens being parties to such proceedings had certainty that judgements of Polish courts would be enforced abroad. On the other hand, cooperation with EU states and regular participation in the decision-making process in criminal matters helped strengthen the effectiveness of actions of law enforcement and internal affairs bodies in the scope of combating crime at internal and international level.

In conclusion it is worthwhile stressing that the effects of the efforts put in the years 2004–2009 in improvement of protection of both Polish citizens and the entire EU are presently assessed positively. The level of general security of citizens was not lowered; on the contrary, it improved a lot. Despite emergence in eastern regions of the country of limited adverse economic effects, overall social perception of accession to the EU and enlargement of Schengen area continues to be very positive. Therefore it must be stressed that pre-accession fears pertaining to growth in crime rate or threats relating to ineffective border protection failed to materialise.

In the nearest perspective, we should expect tightening of cooperation within the EU in the areas concerning internal security. Further enlargements of Schengen area are planned¹⁴⁵. The issue of preventing illegal migration, particularly in the Mediterranean regions, continued to be a big challenge for the entire EU. Particular stress will be put on those issues.

Further intensive participation in joint European undertakings and cooperation as well as persistent realisation of own priorities set forth before, in which Poland specialises and for which it has specific achievements, are indispensable from Poland's perspective. A good example here are certain aspects of the protection of EU external border. We must also permanently support forms of cooperation with non-EU neighbouring states through national and Community legislative methods. Cooperation in this regard is of key significance for our country and should take place in both economic and social context. Actions are launched in this direction, including ones on international arena. Polish initiative of Eastern Partnership, gaining growing support within the EU, if carried into effect may become a perfect mechanism allowing for attainment of the above goals.

¹⁴⁵ Cyprus still in 2009, Bulgaria and Romania in 2011.

Education and sport

Poland's accession to the European Union resulted in a number of social and economic changes, including in the area of education and sport. In both domains, competencies remained mainly at the national level, and impact of the EU membership manifested itself in several aspects, including the access to structural funds. Promotion of mobility connected with liberalisation of the EU market played a key role in this process. In the context of education and sport, free movement of persons made it easier for Polish students, teachers, athletes and other people connected with sports to move within the EU, provided a great opportunity for personal and professional development in other Member States, and facilitated the mixing of cultures and customs, and transfer of standards within the Community.

EYES 2004 (European Year of Education through Sport) was the Community initiative combining sport and education that highlighted their role in the development of young people. It was implemented in all EU Member States, including Poland.

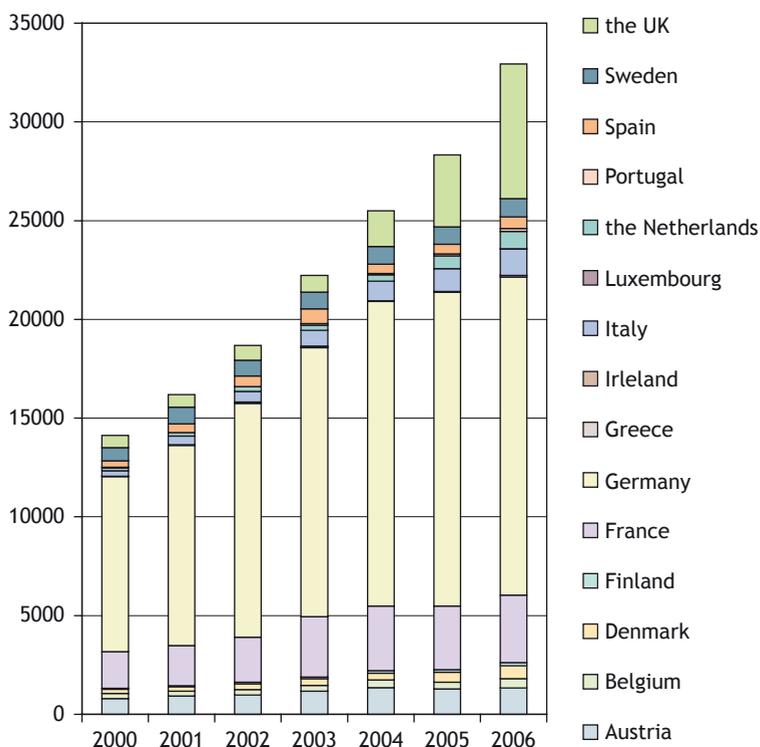
Education

Equal access to education in Member States

One of the most tangible direct results of Poland's membership in the European Union was the access to higher education institutions in Member States for Polish citizens on equal terms with citizens of a given Member State. The same tuitions were introduced for citizens and students from the European Economic Area (EEA) in Member States where education is not free, or free-of-charge access was guaranteed in those Member States where education system is subsidised at no cost to students. As a result, European universities became more available to Polish students. For instance, at the Uni-

versity of Oxford, citizens of EU Member States should pay an annual tuition of £ 3,225 in the academic year 2009/2010, irrespective of the selected course, while students from third countries must pay much higher fees (i.e. £ 13,450 for most courses in Mathematical, Physical and Life Sciences, and £ 11,750 in Humanities and Social Sciences)¹⁴⁶. As a result, Polish students have become more mobile – in 2004, 22,229 enrolled at Member State universities, compared to 32,936 in 2006).

Chart 1. Number of Polish students in EU-15 Member States in 2000–2006



Source: M. Mazińska-Szumaska, J. Wiśniewski, *Bilans kosztów i korzyści pięciu lat członkostwa Polski w Unii Europejskiej – Edukacja*, expert study commissioned by UKIE, 2008.

The highest increase of the number of students taking up education in EU-15 Member States was recorded in 2007 (up by 4609 new students vs. the previous year). However, the main changes resulting from Poland's accession to the EU consisted not in the

¹⁴⁶ University of Oxford, *New Student Tuition Fee Rates 2009/10 – Undergraduate*, http://www.admin.ox.ac.uk/studentfunding/fees/fees_0910/new/0910ug.shtml.

changes in the number of Polish student vs. the pre-accession period, but distribution in the number of students taking up education in EU-15 Member States (Chart 1). By 2004, the highest growth (15%) was recorded for Polish students in Germany. After Poland's accession to the EU, this growth dropped a dozen or so times, to a mere 1% in 2006 vs. 2003 (from 1785 new students in 2003 to 213 new students in 2006). In the same period, the highest growth in the number of Polish students taking up education abroad was recorded in the UK, where still in 2003 it represented 15% vs. 2002, but in 2004 112% vs. 2003¹⁴⁷. The relationship between this declining trend in the number of students taking up education in Germany and increase in their number in other Member States, and in particular in the UK, can be explained by greater accessibility of British universities. Germany had introduced the policy of equal access to its higher education institutions several years before Poland's accession to the EU, making them more accessible for Polish students. On the other hand, given the high tuition fees at British universities, very few Polish students could afford them. After Poland's accession to the EU, when tuition fees for Polish students as EU citizens were reduced, British universities became more accessible, and Polish students moved from German to British education market.

Community programs promoting education

Already in the pre-accession period, Poland participated in EU educational programmes. After Poland became a Member State, budget earmarked by the Community for the implementation of EU educational programmes in Poland doubled (please note that EU membership involves budget contribution; in 2008, Poland's contribution represented 2.65% of the Community budget)¹⁴⁸.

In the first phase of Poland's participation in EU programmes in 1998–2001, Poland participated in the programme Socrates II covering the following programmes: Comenius (pre-school, primary and secondary education), Erasmus (higher education), Grundtvig (adult education), Lingua (foreign language learning), Minerva (open and distance learning), Arion (study visits programme for education specialists and decision-makers), and Eurydice (the information network on education in Europe). In total, nearly 80 thousand Polish citizens visited other Member States in 2000–2006 as part of Community educational programmes (Table 1), of whom nearly 50% were students taking up education under Erasmus.

¹⁴⁷ M. Mazińska-Szumka, J. Wiśniewski, *Bilans kosztów i korzyści pięciu lat członkostwa Polski w Unii Europejskiej – Edukacja*, expert study commissioned by UKiE, 2008, p. 4–6.

¹⁴⁸ European Commission, DG Budget, 15 January 2009, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:071:0009:0018:EN:PDF>.

Table 1. SOCRATES II study visits, 2000–2006¹⁴⁹

Programme/ /action	School/academic year						
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Total
ERASMUS staff	678	800	884	946	1394	1740	6442
ERASMUS students	3691	4322	5419	6278	8388	9974	38072
COMENIUS ACTION 1 teachers	1602	1939	2101	4021	4489	93	14245
COMENIUS ACTION 1 pupils	1364	2116	2062	3907	4309	154	13950
COMENIUS ACTION 2	40	60	67	102	120	119	508
COMENIUS ACTION 2	425	267	189	654	636	619	2790
COMENIUS ACTION 3	141	135	48	398	92	121	935
GRUNDTVIG	157	198	249	530	685		1819
ARION	78	67	84	134	130	135	628

Source: M. Mazińska-Szumaska, J. Wiśniewski, *Bilans kosztów i korzyści pięciu lat członkostwa Polski w Unii Europejskiej – Edukacja*, expert study commissioned by UKIE, 2008.

Following a great interest in EU programmes, a lifelong learning programme was created with the goal of improving the quality of learning and to allow access to education regardless of age. This programme was based on a continuation of Erasmus, Comenius, and Grundtvig, as well as introduction of new programmes: Leonardo da Vinci (vocational education and training) and study visits (visits of education specialists and decision-makers)¹⁵⁰.

In addition to programmes focused on the improvement of the quality of education, Poland also participated in educational Community programmes devoted to the development of civil society, tolerance and democracy Youth (2000–2006), followed by Youth in Action programme (2007–2013). In 2007, 4751 young people from Poland participated in this programme, of which 2586 in youth exchange and 137 in the European Voluntary Service¹⁵¹. This programme focuses particularly on young people who have limited access to social life due to social, geographical or economic constraints.

Direct effects of Poland's membership in the EU are evident when we analyse the increasing mobility of Polish students and teachers on the example of Erasmus. The

¹⁴⁹ ERASMUS data according to Foundation for the Development of the Education System, *10 lat ERASMUSA w Polsce, Wybór danych statystycznych i finansowych*, Warsaw 2008, p. 8–11. Other data according to *National Report on the Impact of the Socrates Programme in Poland, Final Version*, ECORYS Polska, Warsaw, 13 November 2007, p. 35–45.

¹⁵⁰ Foundation for the Development of the Education System, <http://www.frse.org.pl>.

¹⁵¹ Foundation for the Development of the Education System, *Młodzież w działaniu. Raport 2007*, http://mlodziez.org.pl/s/p/artykuly/7/7/MwD_Raport2007.pdf.

number of Polish students going abroad to school in the academic year 2006/2007 (11.2 thousand¹⁵²) doubled vs. 2003/2004. The number of Polish teachers recruited by foreign universities also doubled in the same period (up to 2 thousand in 2006/2007)¹⁵³. It was possible thanks to higher allocation of funds from the EU Erasmus budget earmarked for projects implemented by Polish universities. A nearly four-fold increase was recorded for the Polish budget of Erasmus in the academic year 2006/2007 vs. 2004. Still, if we take a closer look at these figures vs. the total number of students in Poland, the number of students leaving to study abroad with Erasmus in 2006/07 represented just under 0.6%¹⁵⁴ of the total number of Polish students (1941.4 thousand in 2006/2007¹⁵⁵). It means that only a small number of Polish students had and used the opportunity to spend some time studying abroad with Erasmus. Although the accession resulted in greater mobility of Polish students as part of EU educational programmes, such as Erasmus, these programmes had a limited impact on the overall mobility of Polish students.

Structural funds

Poland's accession to the European Union provided an opportunity to implement educational projects using financial assistance from the European Social Fund (ESF) and the European Regional Development Fund (ERDF).

In 2004–2007, 19 NGOs established over 780 pre-school education centres. It was possible with the measure “Increasing access to education” covered by the Sectoral Operational Programme Human Resources Development (SOP HRD) and implemented under ESF. In addition, the partnership of local authorities and NGOs played a key role in this project, resulting in a number of new organisational solutions. Pre-school education centres were created “where there are no nurseries” (name of one of the related projects), which also contributed to the strengthening of social capital of Polish rural areas. Please note that, compared to 2000, in 2007 the number of children in nurseries increased by about 11%¹⁵⁶.

At the level of primary schools, junior and senior secondary schools, as well as higher education centres, a number of projects connected with educational infrastructure and development of children and young people were implemented. For instance,

¹⁵² Foundation for the Development of the Education System, *10 lat Erasmus... op.cit.*, Warsaw 2008, p. 47.

¹⁵³ *Ibidem*, p. 69.

¹⁵⁴ Please note that these calculations are based on Erasmus only. There is a number of other EU programmes promoting mobility and addressed to students, providing an opportunity to study abroad (Tempus, Erasmus Mundus), volunteer (Youth in Action) or take up internship (Leonardo da Vinci).

¹⁵⁵ Central Statistical Office, *Mały rocznik statystyczny Polski*, Warsaw 2008, p. 230.

¹⁵⁶ *Ibidem*, p. 112, 249.

under the Integrated Regional Operational Programme (IROP), 477 thousand of pupils and students were covered by scholarship programmes, the total of 596 thousand square meters of educational or sport facilities were upgraded, and over 3 thousand schools implemented projects involving after school activities, compensatory classes, art classes, and sport activities. Modern-day methods and programmes were also introduced to meet special educational needs of children from special and inclusive schools.

As regards vocational education, structural funds made it possible to solve certain problems connected with the out-of-date equipment used in vocational schools and examination centres. With no access to up-to-date equipment at schools, their graduates had no sufficient experience with equipment and machinery currently in use to pass examinations or enrol in a traineeship. Implementation of equipment upgrade programmes based on structural funds, supplying new equipment to schools and examination centres, made it possible for students to receive proper hands-on training, and for examination centres to test their skills in accordance with European standards.

In order to bridge the gap between urban and rural areas, a “Grants for schools for development projects” programme was implemented. Under this programme, 38 coordinators of the selected projects provided technical and organisational assistance to 3127 schools in rural areas. The establishment of “Distance learning centres in rural areas” was another project of this type. Initially, this project provided for the creation of 250 centres in 2005–2008. In the end, as many as 1114 centres with well-trained staff and equipped with appropriate hardware and software were opened¹⁵⁷.

Educational projects implemented in Poland based on EU funds in 2004–2006 were diversified and involved many different social groups. Therefore, we may conclude that structural funds made it possible to implement important projects that would not have been otherwise implemented. It is worth pointing out that in addition to *ad-hoc* projects (computers at schools, scholarships, etc.), a number of projects had long-term, sustainable effects (e.g. nursery building project)¹⁵⁸.

European dimension of education

In the context of promotion of European education whose main objective is to promote openness to European values and thus build the European identity while ma-

¹⁵⁷ M. Mazińska-Szumka, J. Wiśniewski, *op.cit.*, p. 32.

¹⁵⁸ *Ibidem*.

maintaining separate national identities, European dimension was introduced to primary, secondary, and higher education schools¹⁵⁹. As regards after-school activities, dissemination of knowledge on Europe was managed by e.g. European Clubs, targeted at pupils and students particularly interested in European topics. In addition, the role of foreign language learning gained in importance in educational programmes. Despite the fact that obligatory foreign language classes start in the 4th grade, pupils can learn foreign languages as early as in the 1st grade of primary school¹⁶⁰.

European integration is also an academic subject. EU programmes involving Poland in the 90s resulted in the introduction of European studies to Polish universities. Back then, European dimension was introduced in the form of lectures, special modules within major courses, specialties, or post-graduate studies. European Studies as a separate discipline was launched in accordance with the relevant curriculum standard announced by the Ministry of National Education in 2003. The first year of students of European Studies began their courses in the academic year 2004/2005¹⁶¹.

The introduction of European dimension to schools and universities contributed to the strengthening of the European cultural and social identity, which should lead to greater involvement of young people in European projects or higher turnout during elections to the European Parliament. It must be emphasised that already before Poland's accession to the EU, young people in Poland were the staunchest supporters of its membership in the EU. After the accession, this support was even higher. The survey carried out in 2000 indicated that 40% of Poles aged under 30 expected that Poland's membership of the EU would have a positive effect on their personal life, 16% expected negative outcomes, 28% expected no effects on their lives at all, and 16% expressed no opinion. In 2008, 48% respondents indicated positive effects of EU membership (+8%), and only 5% (-11%) reported that EU membership adversely affected their lives. The group of people who claim that Poland's accession to the EU had no impact on their lives whatsoever increased (from 28% in 2000 to 40% in 2008). This data shows that the attitudes of young people towards the European Union changed from negative to positive¹⁶².

¹⁵⁹ Pursuant to the Regulation of the Minister of National Education and Sport of 26 February 2002 on the core curriculum for general education.

¹⁶⁰ M. Mazińska-Szumaska, J. Wiśniewski, *op.cit.*, p. 26-29.

¹⁶¹ *Ibidem*.

¹⁶² Based on the expert's study prepared for DA/UKIE by Professor B.W. Mach, *Bilans członkostwa w ocenach wybranych grup społecznych*, the Institute of Political Studies of the Polish Academy of Sciences, Warsaw 2008.

Sport

Impact of the implementation of EU regulations on Polish sports

Under Community law, sport is not an area within the EU competencies and is not covered by the process of European integration¹⁶³, but in practice it is a subject of non-binding EU documents. References to sport can be found in a declaration annexed to the Treaty of Amsterdam¹⁶⁴ as well as a declaration adopted by the European Council in Nice in 2000¹⁶⁵. The first of these declarations highlighted the social role of sport, including in particular amateur sport, and called for dialogue between EU institutions and sport associations. The latter referred to the specific characteristics of sport and stressed its social importance.

Any sport activities connected with employment and generating income are regulated at the EU level and are subject to non-discrimination rule as regards employment, remuneration and other conditions of work and employment¹⁶⁶. The history of the relevant judgments of the Court of Justice of the European Communities, and in particular regulations regarding transfers of players connected with the so-called Bosman case of 1995 involving a football player Jean-Marc Bosman, played a key role in the interpretation of this rule¹⁶⁷. After the Bosman ruling, more cases emerged specifying in more detail the rule of free movement of workers in the area of sport¹⁶⁸.

In view of the requirement to align the legal system with *acquis communautaire* already in the pre-accession period, and at the same time considering the requirements defined by the International Federation of Association Football (FIFA) and the Union of European Football Associations (UEFA) and resulting from the pressure on these institutions from the Commission, Poland introduced the required amendments to its legal system. Regulations removing transfer fees and limitations of the number of foreign

¹⁶³ The legal basis for EU activities in the area of sport was introduced in the Treaty of Lisbon of December 2007, currently in the process of ratification in all Member States.

¹⁶⁴ Declaration 29 annexed to the Treaty of Amsterdam of 1997.

¹⁶⁵ Declaration on the specific characteristics of sport and its social function in Europe, of which account should be taken in implementing common policies, annexed to the Presidency Conclusions and adopted by the European Council in Nice in December 2000, http://ec.europa.eu/sport/pdf/doc244_en.pdf.

¹⁶⁶ Art. 39 of the Treaty establishing the European Community.

¹⁶⁷ Before the Bosman case, football players could not move to any football club after their contract has expired unless and until the interested club has paid a transfer fee. After the Bosman ruling, the transfer system was reformed and now, at the end of their contract, football players receive a document based on which they can choose any employer. This ruling was followed by a number of similar cases, and consequently the European Court of Justice removed the obligation imposed on professional football clubs to limit the number of players coming from other EEC countries. An exception to this rule is allowed in certain cases involving non-financial aspects, e.g. matches between national sides in the World Cup.

¹⁶⁸ For example the case of a Finnish basketball player Jyri Lehtonen, who signed a contract with the Belgian basketball club Castros Namur-Braine ASBL. As his transfer to the Belgian club was finalised after the date set for non-Belgian players, but before the date set for Belgian players, he was not legally allowed to play. Ruling of the European Court of Justice in this case focused on the non-discrimination of the player's home country as regards the set dates of transfers and helped eliminate certain barriers to the free movement of workers.

players coming from EEC countries were implemented. As a result of the elimination of transfer fees in most cases, costs of training are compensated to a lesser extent (in general, training compensation concerns players up to 23 years of age), which was to the detriment of poorer clubs for which transfer fees used to be a major source of income.

Regulations implemented in connection with the Bosman ruling improved the compliance with the rule of free movement of persons, eliminating the illegal practice of forcing foreign players to change their citizenship (used by certain clubs). Even back in 2002, a Norwegian speedway rider Rune Holta had to adopt Polish citizenship in order to avoid the limitations in the number of foreign riders in the Polish speedway league. After Poland's accession to the EU, Polish Motor Union eliminated the limits as regards the number of foreigners in the speedway leagues¹⁶⁹. On the other hand, after the accession, Polish citizenship became attractive for players from third countries. And so, a Nigerian-born player Emmanuel Olisadebe was granted Polish citizenship and was able to work in other Member States as an EU citizen. After three years with Polonia Warszawa, he moved to a Greek football club Panathinaikos, where – as a Nigerian player with Polish citizenship – he did not prevent any players from third countries from exceeding the third-country players list limit. What it means for Poland is that Polish clubs are often considered as stepping stones for immigrants, who want the Polish citizenship to gain the right of free movement within Europe and move to better clubs in other Member States.

Also, it will become increasingly more difficult for Polish football clubs to keep the most talented Polish players. Already in the pre-accession period, top Polish players moved to good European clubs. Jerzy Dudek, who played for Feyenoord Rotterdam (1996–2001), Liverpool (2001–2007), and Real Madrid since 2007, is the best example here. After Poland's accession to the EU that guaranteed freedom of movement and employment on equal terms, Polish players started to move abroad much more often. An opportunity to play and train in good European football clubs is a valuable experience that can improve the level of Polish clubs in the future (if these players regularly play for good European clubs). For example, after one season with Real Madrid CF C, and one with Real Madrid Castilla C, Krzysztof Król came back to play for Polish Jagiellonia Białystok. However, we can expect that the best players will remain with foreign clubs. As a result, improvements are expected mainly for Polish national teams. In volleyball, three national players of Poland (Michał Winiarski, Sebastian Świdorski, and Łukasz Żygadło) play in Italy, and 70% of the Polish national handball team play in German clubs.

¹⁶⁹ *W ligach żużlowych sportowcy bez ograniczeń*, <http://www.sport.pl/moto/1,64997,3029504.html>.

In addition to the elimination of the limit on the number of EU players who can play during one match, many federations, including Poland, decided to take it one step further and removed any limitations as to the overall number of foreigners in any team. Implementation of these regulations manifested itself primarily in the composition of sport teams. For instance, the first lineup of Legia in the season 2008/2009 includes 11 foreigners, 7 of whom come from outside the EU (Ukraine, Serbia, Macedonia, Brazil, Nigeria, and Zimbabwe). Foreigners account for almost 50% of the lineup of Lech Poznań in the season 2008/2009 (mainly from the Balkan states and Latin America), including one player with dual citizenship – Ivan Durdević (a Serb with Portuguese citizenship). As regards the elimination of the limit on the number of foreigners, Pogoń Szczecin comes out as the best example. In an attempt to reorganise the team, in 2006 its president Antoni Ptak hired about a dozen players from Brazil. As a result, in a match against GKS Bełchatów (April 2006), not even one Polish player played for Pogoń Szczecin.

The rule of non-discrimination referred also to the employment of other sports professionals, e.g. coaches. This process was made much easier with the system of mutual recognition of professional qualifications gained in UE Member States and EFTA countries¹⁷⁰. This system refers to the category of regulated professions, i.e. coach, instructor of sports, instructor of physical recreation, instructor of physical regeneration, instruction of sport for the disabled, as well as manager of sports and sporting events¹⁷¹. As a result, sport clubs could hire top coaches in the EU labour market without any formal problems. In Poland, these regulations allowed the basketball team Turów Zgorzelec to hire a Slovenian coach Saso Filipowski in 2006.

Impact of EU funds on the development of Polish regions in the area of sport

Poland's membership in the EU made it possible for Poland to implement projects using structural funds. Although the financial perspective 2004–2006 contains no priority related to sport, it was possible to implement projects involving construction, extension or upgrade of sport infrastructure within operational programmes and the Community initiative INTERREG III A. Projects involving organisation of sporting

¹⁷⁰ At the Community level, it is regulated by the Directive on the recognition of professional qualifications; cf. the list of national contacts points in EU Member States, EEC countries and Switzerland within the system of recognition of professional qualifications: http://dms.msport.gov.pl/app/document/file/448/lista_pkt_kontaktowych_IE.pdf?field=file1.

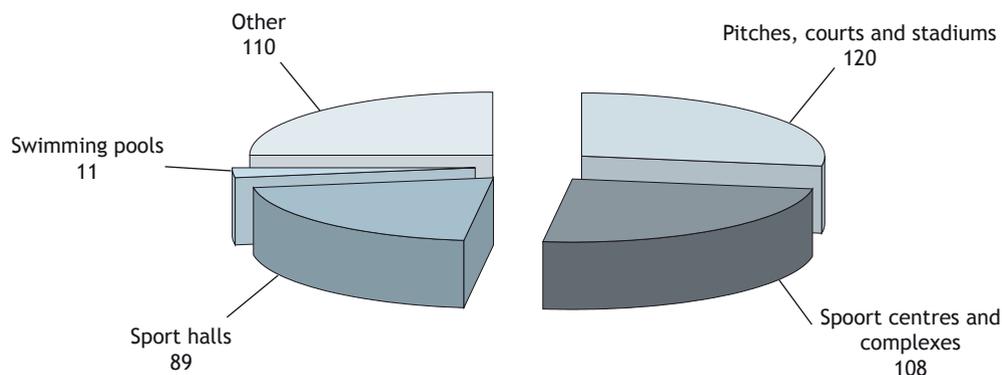
¹⁷¹ Ministry of Sport and Tourism, *Sport w UE*, <http://msport.gov.pl/sport-w-unii-europejskiej/360-Sport-w-strukturach-UE?retpag=/sport-w-unii-europejskiej>.

events under the Community initiatives INTERREG III A and EQUAL¹⁷² could use these funds on a smaller scale.

- The largest number of projects supporting sports infrastructure in Poland (over 300) were implemented within the Sectoral Operational Programme Restructuring and Modernization of the Food Sector and Rural Development (SOP RD). Projects covered by this programme included, among others, the upgrade and provision of equipment in sport facilities in towns and villages of up to 5 thousand residents located in rural areas or in urban and rural municipalities.
- Additional 130 projects were co-financed from the Integrated Regional Operational Programme (IROP). In addition to construction, extension or upgrade of sport infrastructure (e.g. sport halls, pitches and courts, gyms, swimming pools), EU financing also covered projects related to infrastructure promoting active forms of tourism.
- The Community INTERREG III A Initiative provided financing not only for sports infrastructure development projects, but also for organising sporting events. 16 projects received financial assistance, including 7 cross-border sporting events.

In total, 453 sport infrastructure projects were implemented using the financing provided by structural funds, the majority of which were related to pitches and courts as well as stadiums (120), followed by sport centres and complexes (108).

Chart 2. Sport facilities using the financing from EU structural funds for the period 2004–2006



Source: Own study based on data provided by the Ministry of Sport and Tourism, Department of International Cooperation.

¹⁷² INTERREG III A – cross-border cooperation projects; EQUAL – assistance to groups facing discrimination in the labour market. According to the Ministry of Sport and Tourism, Department of International Cooperation.

The highest amount of structural funds financing (about PLN 536 mln) was earmarked for projects implemented by municipalities and involving the construction of sport halls and gyms, the majority of which were located in the vicinity of schools. These projects included e.g. a sport hall at the Junior Secondary School no. 2 in Lębork or a sport hall with the auxiliary facilities at the School of Gymnastics in Baranów. PLN 120 mln earmarked for projects involving pitches, courts and stadiums, made it possible to construct a football stadium at Ściegiennego Street in Kielce, to name but one. A similar amount was earmarked for projects involving the construction of sport halls and complexes, as well as swimming pools. Other projects, related to the development of areas surrounding sport facilities, as well as certain specific projects, e.g. construction of a climbing wall, received nearly PLN 150 mln.

453 projects made sport facilities more available to inhabitants of villages or urban and rural municipalities. As a result, children and young people can enjoy good conditions and equipment during physical education classes at school, as well as after school as an alternative form of pastime or to practice sports professionally. For instance, the European Football Pitch programme “Euroboiska” based on IROP funds included not only the construction of football pitches with artificial turf in the Zachodniopomorskie Region, but also activities in the area of education and health of children and young people, as well as introduction of an up-to-date football coaching system¹⁷³. Please note, however, that in the context of many years of negligence, projects implemented in Poland since the date of accession can serve as an incentive only for further investments in sport infrastructure and development of sport offers.

Poland implemented one of the leading innovative projects addressed directly to athletes who finished their careers for any reason. The objective of the project “Athletes in the labour market”, co-financed from the European Social Fund under the Community Initiative EQUAL, was to create a Vocational Counselling Centre for Athletes, i.e. a model system of assistance for former sports professionals who plan to enter the labour market. The need for such a system resulted from the widespread problem of unemployment faced by former athletes. The project consisted in a series of trainings for athletes focusing on four subject areas: “sports marketing”, “management of sport organisation – sport discipline manager”, “sport instructor/playworker”, and “private entrepreneurship”. Training was organised in Mazowieckie and Śląskie Regions, and was attended by

¹⁷³ Ministry of Regional Development, *Oddziaływanie funduszy strukturalnych i Funduszu Spójności na gospodarkę Polski w okresie 2004 – I połowa 2007*, Warsaw, February 2008, p. 60.

180 athletes, mainly basketball, handball and volleyball players, but also mountaineers, judokas, ice hockey players, skiers, and wrestlers. After the training, project participants could take up internship in a sports marketing agency – Polish Sport Promotion. As a result, the project “Athletes in the labour market” achieved three objectives: training for athletes, an opportunity to apply their newly gained knowledge and skills in practice, and assistance in entering the labour market with the Centre of Vocational Counselling for Athletes¹⁷⁴.

EU assistance for sport projects can be granted also under programmes coordinated by the European Commission. As there is no separate budget for sport activities, their implementation was limited. Sport-related projects could use the financing provided by the following EU programmes: Youth in Action (e.g. the European Voluntary Service), Europe for Citizens (promotion of active European citizenship, development of cultural dialogue), as well as Daphne and Daphne II (fight against violence)¹⁷⁵.

To sum up, in addition to considerable investments in sport infrastructure based on EU funds, in the period of Poland's membership in the EU, a number of initiatives for the general public were implemented, including cross-border sporting events, as well as initiatives targeted at a specific group, e.g. former athletes. These projects had positive effects on certain local communities, especially in areas where the access to sport facilities and cultural events had so far been limited.

Conclusions

Poland's membership in the European Union alone guaranteed equal access to foreign higher education institutions to Polish citizens, which increased the mobility of Polish students. In this period, development of the Polish educational system gained momentum based on the implementation of Community programmes and increased funds earmarked for the modernisation and reforms of the educational system, in line with the Lisbon Strategy. Procedures and standards of good practice developed in the course of these projects strengthened links and cooperation between public authorities, NGOs, and local communities. Development of education in the area of European integration at all levels of the educational system in the period of EU membership must also be highlighted.

¹⁷⁴ European Structural Fund EQUAL, *W jednej drużynie*. Warsaw, October 2007, http://www.equal.org.pl/biuro_prasowe.php?NID=627&lang=pl.

¹⁷⁵ Data provided by Ministry of Sport and Tourism.

In addition, with the mandatory alignment of the Polish law with *acquis communautaire*, Polish athletes and other people involved in sports could take advantage of the freedom of movement and employment in any Member State, which provided an opportunity to train and play for top European clubs. The past 5 years of Poland's membership in the EU has positive outcomes in terms of better access to sports, thanks to the development of regional infrastructure co-financed with EU funds, as well as extension of the available programmes, based on the assistance to projects related to after school sport activities for children and youth.

Effects of EU membership in both areas were recognised and appreciated both by the Polish society as a whole and its specific groups. For the society in general, equal access to higher education institutions in other Member States and the possibility to take up work on equal terms with citizens of other Member States in the area of sport were of key importance. Specific groups took advantage of EU educational programmes of study or internship abroad (e.g. Erasmus, Leonardo da Vinci), as well as projects implemented based on EU funds in the area of education and sports for the construction or upgrade of infrastructure, and support for the development of local communities (e.g. "Athletes in the labour market"). To some extent, implementation of these projects helped to upgrade Poland's educational and sport infrastructure. With better access to sport infrastructure, more people are now able to practice sports in sport clubs or as a pastime. In the period 2004–2006, growth in the number of people practicing sports increased from 8% (2000–2004) to 21%. Football is the most popular sport practiced in clubs – in 2004–2006, the number of football players increased from 197 thousand to 236 thousand. Volleyball was almost as popular as football – from 173 thousand players in 2004 to 228 thousand in 2006¹⁷⁶. Although the declared activity of Poles is similar to the EU-25 average, i.e. 38% for people practicing sports at least once a week¹⁷⁷, it is still relatively low: 7% of Polish adults practice sports regularly, and 33% practice sports once a week¹⁷⁸. Therefore, we may conclude that the effects of Poland's membership in the EU include a gradual reduction of infrastructural irregularities and actions taken to activate local communities in the area of education and sport.

¹⁷⁶ Central Statistical Office, *op.cit.*, p. 277.

¹⁷⁷ Eurobarometr, *Citizens of European Union and sport*. Special Eurobarometer 213, November 2004, p. 3.

¹⁷⁸ World Health Organisation, *The World Health Report 2002. Reducing risk; promoting healthy lifestyle*. Geneva 2002. According to the Ministry of Sport and Tourism, results of the study of physical activity of Poles are expected in 2010.

Culture and tourism

Back in the pre-accession period, Poland participated in the first community initiative in the area of culture – “Architectural heritage conservation programme” of 1984¹⁷⁹. On a larger scale, co-operation between Member States in the area of culture was initiated in 1993 with the entry into force of the Maastricht Treaty – Art. 128 of the EC Treaty¹⁸⁰ formally started joint action in this area. In 2004, European cultural initiatives gained momentum based on two documents. The first of these documents – Communication from the Commission on a European agenda for culture of May 2007 – was also the very first strategic document in the area of culture at the Community level. It defined the key aspects of the joint European cultural agenda. The second of these documents, Resolution of the Council of 2007¹⁸¹, set out the plan of action in the area of culture at the Community level. Its assumptions refer to the functioning of the open method of coordination¹⁸² as regards culture.

In the area of tourism, joint action is implemented at the Community level, including the exchange of information between Member States, protection of tourist rights, harmonisation of statistics and joint research, as well as promotion of good practices relating to the management of tourism. The overall directions of action in the area of tourism, in accordance with the objectives set out in the renewed Lisbon Strategy, were defined in 2006 in the Communication from the Commission “A renewed EU Tourism Policy: Towards a stronger partnership for European Tourism”. This Communication defines two objectives of this policy: to improve the competitiveness of European tourism and promote the sustainable development of tourism¹⁸³.

¹⁷⁹ Poland was covered by this programme in 1990s. Renovation of the Royal Baths Park amphitheatre was one of the projects implemented under this Community initiative.

¹⁸⁰ It highlights the role of cultural diversity and common cultural heritage of Europe.

¹⁸¹ Resolution of the Council of 16 November 2007 on a European Agenda for Culture, Official Journal 2007 C 287/1.

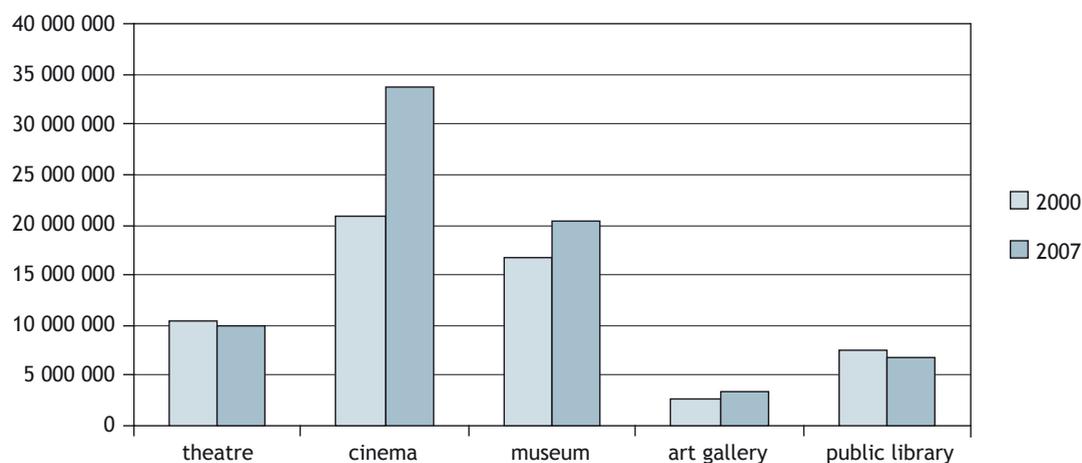
¹⁸² This method consists in a flexible approach to the participation of MS in priority areas for action, which should lead to the common direction of development in this area.

¹⁸³ Communication from the Commission *A renewed EU Tourism Policy: Towards a stronger partnership for European Tourism*, COM(2006) 134, Brussels, 17 March 2006

Culture

The cultural activity of Poles changed in the period of Poland's membership in the EU, which is evident when we compare the attendance recorded by cultural institutions in 2000 and 2007.

Chart 1. Cultural activity of Poles in 2000 and 2007



Source: Own study based on "Mały Rocznik Statystyczny Polski 2008", the Central Statistical Office (<http://www.stat.gov.pl>).

In 2000–2007, the number of movie-goers in Poland increased from about 21 mln to almost 34 mln. The number of museum visitors increased considerably – from 16.5 to nearly 20.5 mln. The number of art gallery visitors was up by almost one million. A slight drop was recorded in the number of theatre-goers and public library users. Technological advances are the reason behind these changes, among others, especially in the case of public libraries and cinemas. Results of the study conducted by the National Library in 2006 indicate that every tenth Polish reader buys books on the Internet (often at lower prices than in bookstores), and every fifth Polish Internet user reads e-books on-line¹⁸⁴. On the other hand, the increasing number of movie-goers may result from

¹⁸⁴ G. Straus, K. Wolff, S. Wierny, *Czytelnictwo, zakup książek i wykorzystanie Internetu w Polsce w 2006 r. – Komunikat z badań*, <http://www.bn.org.pl/doc/konferencje/komunikat20070309>.

better availability of movie theatres. Although the overall number of cinemas dropped from 675 to 496 in 2000–2007, the latter number includes 25 miniplexes and 41 multiplexes, sometimes offering a dozen or so of movie screens each. As a result, the number of movies almost doubled (from 528 thousand in 2000 to 1191 thousand in 2007). Location of multiplexes, some of which are located in shopping malls is an additional factor increasing the availability of cinemas (e.g. Cinema City network – in 6 shopping malls in Warsaw alone).

Implementation of culture-related projects

At the EU level, priorities in the area of culture were implemented on the bases of three programmes. “Kaleidoscope”, focusing on the artistic exchange, was the first of these programmes (launched in 1996), followed by “Ariane” (books and reading) and “Raphael” (protection of common European cultural heritage). Based on the successful implementation of these three programmes, a decision was made to combine their subject areas into a single programme “Culture 2000”, initially scheduled for five years (2000–2004). This programme involved annual, multi-annual, or special programmes (e.g. European Capitals of Culture) in the area of performance and visual arts, cultural heritage, as well as books and reading.

Poland was included in these programmes in 1990s, and EU funds were used to finance the Malta International Theatre Festival in Poznań or to renovate baroque altars in the church of the Franciscan order in Kalwaria Pałacowska. Polish cultural operators joined “Culture 2000” in 2001. In the context of “Culture 2000”, Poland’s accession to the EU had immediate effects: the number of projects involving Polish co-organisers¹⁸⁵ more than doubled (from 13 in 2003 to 27 in 2004). In 2001–2006, about 300 Polish cultural operators¹⁸⁶ participated in “Culture 2000” projects – half of them as leaders¹⁸⁷ or co-organisers of projects, the other half as partners¹⁸⁸. The total of 1078 projects was implemented under “Culture 2000” programme. In terms of the number of projects, Poland ranked second in the group of new Member States after the 2004 enlargement (23

¹⁸⁵ Co-organiser is a cultural operator from one of the countries participating in the Programme with a specific involvement both in the design, implementation and financing of the project. *Program Kultura 2000. Wezwanie do składania propozycji na rok 2004*, http://www.kulturpont.hu/letolt/2004/k2e_2004_lengyel.pdf.

¹⁸⁶ Cultural operator is a legal person ready to start co-operation in the implementation of projects in the area of culture with the involvement of foreign partners. Definition based on information provided by the Cultural Co-operation Focal Points.

¹⁸⁷ Project leader is a cultural operator from a country participating in the programme acting as the legal co-signatory for the EU grant agreement awarded by the European Commission. *Program Kultura 2000...*, *op.cit.*

¹⁸⁸ Partner is a cultural operator participating in project-related activities. *Ibid.*

projects)¹⁸⁹. “The tenth Anniversary of the Shakespeare Festival in Poland”, with Theatrum Gedanense as project leader, was one of these initiatives¹⁹⁰.

The key aspect of “Culture 2000” was the possibility to work with foreign partners, which was a condition precedent for any grant of funds, and at the same time one of the most challenging requirements of this programme. However, the fulfilment of this requirement not only guaranteed the release of EU funds, but also created an opportunity to form a network of contacts with partners from other Member States. Polish cultural operators usually co-operated with partners from Italy, the Czech Republic, Spain, and France.

“Culture 2000” was followed by “Culture 2007–2013”, with the overriding objective to build a civil society by supporting the transnational mobility of people working in the cultural sector, encouraging the transnational circulation of works of art and artistic and cultural products¹⁹¹, and promoting intercultural dialogue. Compared to its predecessor, “Culture 2007–2013” programme has much larger budget and wider range, as it offers co-financing and support for projects in a single area (e.g. theatre) or interdisciplinary projects, as well as the activities of certain organisations at the Community level (ambassadors of culture, European networks of co-operation, festivals). Polish projects launched in 2008 based on EU funds included, among others, a project of Tadeusz Łomnicki New Theatre in Poznań which was a joint initiative of six theatres from different parts of the world focusing on the theatrical interpretation of “Noah’s Ark”.

Audio-visual sector in Poland

Polish legal framework of the audio-visual sector was defined in the Broadcasting Act of 1992, subsequently amended and adjusted to EU standards. Another amendment is planned for mid-2009 and will involve complete transposition of the key legal act regulating the EU audio-visual sector – Television without Frontiers (TVWF) Directive. It has been effective for all Member States since 1989. The main objectives of this directive include regulation of services provided by the new media (the Internet, mobile phone) and consumer protection. Consumer protection refers mainly to the protection of the under-aged viewers against content containing pornography

¹⁸⁹ The Czech Republic came first with 30 implemented projects.

¹⁹⁰ J. Sanetra-Szeliga, *Doświadczenia i udział Polski w Programie „Kultura 2000”*, [w:] *Kultura 2000. Album projektów zrealizowanych z udziałem Polski w latach 2001–2006*, Ministry of Culture and National Heritage, Department of Culture and National Heritage, Cultural Co-operation Focal Point.

¹⁹¹ Not only among museums and art galleries but also among subjects not directly related to the sphere of culture but which obtained the grant for realisation of a project.

or violence, ban on the exclusive rights of private TV stations for the transmission of events addressed to the general public with the participation of the national team (e.g. the Olympic Games), as well as the maximum advertising time imposed on all broadcasters. In addition, TVWF Directive defines the requirement for the transmission of a minimum number of European programmes, which should guarantee a balance in the number of European and American programmes. This provision is of particular importance, considering that about 75% revenues recorded by European movie theatres come from American productions.

Just as in the case of “Culture 2000”, Poland had taken part in “Media Plus” and “Media Training” programmes already before the accession. The goal of these programmes was to support the production and distribution of films, promotional events and actions facilitating market access, as well as pilot projects and training for specialists. For instance, in the period 2001–2006 support was granted to 37 Polish film productions, including 14 movies and 14 documentaries. Co-financing was also granted to annual festivals promoting the European cinematography, such as Warsaw Film Festival and CAMERIMAGE¹⁹², and training grants were assigned to Andrzej Wajda Master School of Film Directing and Independent Film Foundation. In the 2007–2013 financial perspective, Poland participates in the programme “Media 2007”, a continuation of the previous two programmes. In the first round of grants assigned under “Media 2007”, financing was granted to International Young Audience Film Festival “Ale Kino!”, among others.

Structural funds in the area of culture

In the previous financial perspective for 2004–2006, culture was not treated as a separate area, but as part of tourism¹⁹³. In this period, a number of activities in the area of culture were implemented under programmes supporting regional development, improvement of competitiveness, development of human resources, and rural development. With the support from structural funds for 2004–2006, over 300 culture-related projects of the total value of PLN 1.7 bn were implemented¹⁹⁴. In this chapter, a more

¹⁹² International Film Festival of the Art of Cinematography.

¹⁹³ In 2005–2006, Greece and Portugal created their own separate operational programmes supporting their culture and national heritage.

¹⁹⁴ Ministry of Culture and National Heritage, *Możliwość finansowania kultury z funduszy europejskich w latach 2007–2013*, http://www.mkidn.gov.pl/doc/Finansowanie_kultury-2007-13.pdf.

detailed analysis of specific projects implemented as part of the selected programmes and by specific cultural institutions¹⁹⁵ is presented.

- Regional development in the area of culture was supported by the Integrated Regional Operational Programme (IROP) – about PLN 245 mln was earmarked for cultural programmes¹⁹⁶. The majority of these projects focused on national heritage and cultural infrastructure. For instance, structural funds were used to renovate the palace and park “Książ Castle” in Wałbrzych, as well as to construct the Museum of Modern Art in Toruń. A relatively small number of “soft” projects (i.e. cultural events of various kinds) were supported under IROP. These included *Wagner Opera Festival* organised by Wrocław Opera as well as *Ostróda Reggae Festival* promoting the region of Warmia and Mazury.
- Cross-border projects focusing on the co-operation between Poland and its neighbours were supported by Interreg III A programme. Over PLN 14 mln was earmarked for projects such as *Polish – Ukrainian Youth Center of Cultural Initiatives* in Krasnymstawie (Interreg Poland-Belarus-Ukraine), *Folklore Festival Opawskie Mountains – Jeseniki* (Interreg Poland–Czech Republic), *Between the Czarna Hańcza and Neman River – artistic peregrinations on the borderland* (Interreg Poland–Lithuania–Kaliningrad), as well as *Cyberfolklor – the Beskids folklore and the folk art from the Polish-Slovakian borderland in the internet and photographs* (Interreg Poland-Slovakia).
- Creating a new system of social economy in districts of Nowa Huta¹⁹⁷ was the goal of a project implemented under the Equal Community Initiative Programme – The Partnership of Initiatives for Nowa Huta, with the grant exceeding PLN 4 mln¹⁹⁸.
- Projects implemented under the Sectoral Operational Programme “Restructuring and Modernisation of the Food Sector and Rural Development” (SOP RD) were of local character and focused mainly on the provision of equipment for libraries and community centres, as well as the development and upgrade of social infrastructure. For instance, a project for the management of a castle and community centre was implemented in Liw. Co-financing used under this programme exceeded PLN 4 mln¹⁹⁹.

¹⁹⁵ Culture-related projects were implemented also by other entities, such as NGOs. Projects in the area of culture were supported by SOP ICE and SOP HRD, but no data on this financing is available.

¹⁹⁶ Data provided by the Ministry of Culture and National Heritage.

¹⁹⁷ Public Information Bulletin of Cracow, *Partnerstwo Inicjatyw Nowohuckich Nowa Huta – Nowa Szansa, budowa partnerstwa na rzecz rozwoju zainicjowana przez Dom Kultury im. C.K. Norwida w Krakowie – temat D, IW EQUAL*, http://www.bip.krakow.pl/?sub_dok_id=13484.

¹⁹⁸ *Ibid.*

¹⁹⁹ Data provided by the Ministry of Culture and National Heritage.



The Palace in Wilanów, Warsaw. A photo sent as part of a photography competition 'Poland's getting lovely', organised by the Ministry of Regional Development. Conservation and restoration works in the Chinese and Hunter's Rooms of the Wilanów Palace Museum carried out in 2005–2007 as part of a project entitled 'Restoring the interiors of the Wilanów Palace Museum – the very first museum of fine arts in Poland' with a support of financial resources obtained within the ZPORR [IROP]. This project was awarded Grand Prix by the Ministry of Culture in the competition entitled Museum Event of the year 2007

In total, as regards EU funds to be used in the area of culture in the financial perspective 2007–2013, PLN 1.7 bn was earmarked under SOP Infrastructure and Environment, and the additional PLN 2.2 mln under Regional Operational Programmes. In addition, culture-related projects may be co-financed from SOP Innovative Economy and European Territorial Cooperation Programme²⁰⁰. Under the operational

programme Infrastructure and Environment, the Ministry of Culture and National Heritage announced its first-ever competition in 2008; out of 113 applications, 28 projects focusing on environmental protection and cultural infrastructure, as well as art schools, were granted the total of about PLN 690 mln²⁰¹.

Promotion of Polish culture

The European Capital of Culture initiative, formerly known as the European City of Culture, was launched in 1985. Athens was the first city to receive this title. The main objective of this initiative is to promote the cultural richness and diversity of Europe. Considering the many benefits enjoyed by the organiser of this event – prestige, local investments, new jobs, and involvement of the local community – a number of Polish cities, including Warsaw, Łódź, Szczecin, Gdańsk, Lublin, Poznań, and Toruń, applied as candidates for this title in 2016²⁰².

In the context of promotion of Europe's cultural richness and diversity, ministers of culture of EU Member States adopted the European Cultural Month initiative back in

²⁰⁰ *Ibid.*

²⁰¹ Ministry of Culture and National Heritage, *Pieniądze dla kultury*, <http://www.mkidn.gov.pl/dziennikarze/2942.html>.

²⁰² Promotional activities have already been launched – updates are available at: <http://www.torun2016.eu/>, <http://kultura.lublin.eu/>, <http://www.lodz2016.pl>, <http://www.gdansk2016.eu/>, http://www.szczecin2016.pl/esk2016/chapter_89002.asp, <http://www.2016poznan.pl/>, <http://www.um.warszawa.pl/wydarzenia/esk>.

1990, with the goal not only to promote culture in EU Member States, but also in associated states. Every year, this title is granted to two cities – one representing a country that had become a Member State before 2004, and one from a “new” Member State. Kraków was the first city to organise the European Cultural Month. It was a prestigious event for Poland. In June 1992, during the period of economic transformation and profound political changes, organisation of 30 exhibitions, 40 open-air events, and 60 theatre and music performances created a unique opportunity to present the cultural heritage of Kraków to the citizens of Europe.

Promotion of the common cultural heritage and understanding of cultural diversity was the overriding objective of the European Year of Intercultural Dialogue initiative launched in 2008. Projects were implemented both at the European and Member State level. In Poland, the national coordinator of this event – National Centre for Culture – created a strategy presenting Poland's tradition based on many different religions, and at a local level promoting the local multi-cultural contexts based on co-operation with Poland's neighbours (links with the Czech, Jewish, German, Ukrainian, and Belarusian culture). As part of the European Year of Intercultural Dialogue in Poland, 13 projects were implemented (including festivals, debates and conferences, publications), and additional 68 events were organised in Poland under its auspices.

In addition to the prestigious title of the European Capital of Culture or the European Cultural Month, organisation of many events in different areas may have additional effects – increased cultural tourism and development of the culture sector in a given city. It also promotes Poland's good image in Europe, which is of particular importance in the context of labour migration of Poles looking for jobs in other Member States. After the successful campaign launched in 2005 by the Polish Tourist Organisation promoting the image of a Polish plumber and a Polish nurse in France to change the negative perception of the inflow of cheap labour force from EU-8 to EU-15, the Adam Mickiewicz Institute launched a new campaign. Polish Year in the UK – “Polska!Year” is a campaign targeted at the British society and covering cultural events to be organised from May 2009 to May 2010. The goal of this campaign is to present Poland as a modern, dynamically developing country, sharing certain values with the UK, and taking pride in its rich cultural heritage.

To sum up, actions promoting the selected cities and implemented as part of the Community initiatives are implemented at the Community level and result primarily in the promotion of a particular city. On the other hand, campaigns targeted at a specific

Member State, which may be tailored to a given society and promote Poland in general, run a greater chance of changing the image of Poland and Poles in the EU. Changes in the number of tourists coming from France to Poland in 2005, i.e. in the year when the “Polish plumber” campaign was launched in France, confirm this conclusion. In comparison with the previous year, the number of French tourists was up by nearly 13%. It was the highest increase in the number of French tourists recorded in the period 1999–2007²⁰³.

Outgoing tourism

In 1990s, the number of Poles crossing the Polish border when travelling abroad was growing dynamically, reaching the highest level in 2000 – 56.7 mln. However, a considerable drop was recorded in the following years – in 2004, the number of tourists travelling abroad represented only 66% of outgoing tourism recorded in 2000. Poland's accession to the EU reversed this trend – in 2007, 47.6 mln Poles travelled abroad. In 2004–2007, the majority of Poles crossed the southern border of Poland, and many Poles travelled west and east (the highest increase in the number of tourists in this period was recorded in the eastern border – up by 45%)²⁰⁴. It resulted from the increasing number of Polish tourists travelling to certain countries of the Central Europe and the Mediterranean (e.g. France, Croatia, and Hungary)²⁰⁵.

Tourist activity²⁰⁶ of Poles understood as the share in domestic and foreign travel remained at a high level (60%) in the period 1997–2000. Before the accession, it dropped sharply from 62.6 mln in 2002 to 45.9 mln in 2004. This trend remained in effect even one year after the accession (Chart 2).

This variable trend of declining and increasing number of travels was maintained during the period of Poland's membership in the EU, both in the case of domestic and foreign travel, but also short- and long-term travel²⁰⁷. It is worth pointing out that the share of Poles indicating financial matters as a reason for staying home, dropped after the accession²⁰⁸. It means that the period of economic upturn (resulting, among others, in an

²⁰³ Based on data provided by the Institute of Tourism, *Przjazd do Polski w roku 1999–2007*, <http://www.intur.com.pl/bazy/granice/k2.php?rok=1999–2007>.

²⁰⁴ Number of Polish tourists (in millions): western border – 12,917 in 2004, 16,836 in 2007; southern border – 17,947 in 2004, 17,762 in 2007, eastern border – 3,885 in 2004, 7,012 in 2007; the Central Statistical Office based on data provided by the Border Guards, Institute of Tourism, *Wyjazdy z Polski*.

²⁰⁵ Institute of Tourism, *Tabela 3. Zagranicznie wyjazdy polskich turystów według odwiedzanych krajów*, <http://www.intur.com.pl/wyjazdy.htm>.

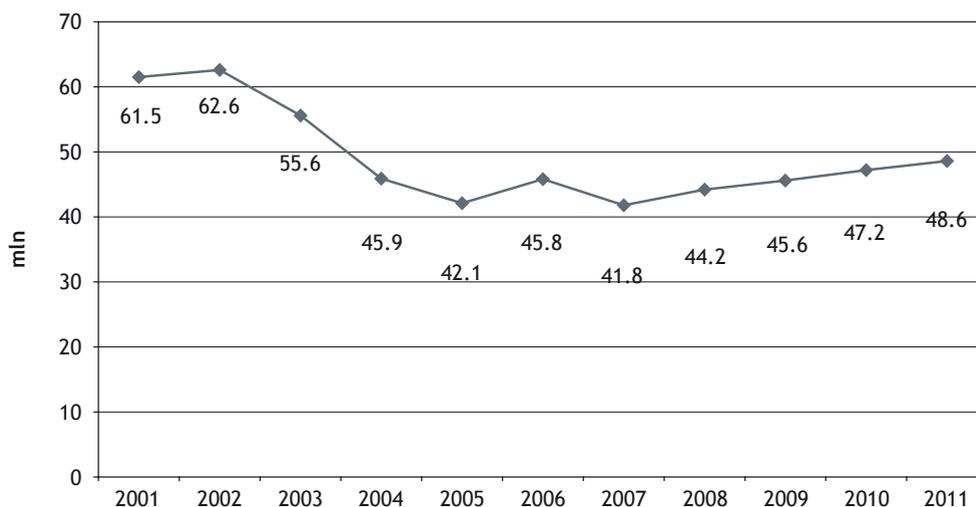
²⁰⁶ Tourists are „visitors using group or individual accommodation facilities in a given country, region or town, for at least one night”, Ministry of Sport and Tourism, Department of Tourism, *Raport o stanie gospodarki turystycznej w latach 2004–2006*, Warsaw, June 2008, p. 108.

²⁰⁷ *Ibid.*

²⁰⁸ Institute of Tourism, *Krajowy Ruch Turystyczny*, <http://www.intur.com.pl/ruch.htm>.

increase in the average monthly remuneration in real terms – up by nearly 21% in 2007 vs. 2000) halted the downward trend in the tourist activity of Poles, but did not result in any significant growth in the number of domestic and foreign travel. One of the reasons behind this trend may be the structure of actual and planned spending of Poles; after the accession, Poles focused more on investments in real estate (up from 32,114 in 2000 to 67,235 residential buildings handed over for use in 2007, with comparable changes in population in these years)²⁰⁹.

Chart 2. Number of foreign and domestic travels of Poles and forecast for 2009–2011



Source: Own study based on data provided by the Institute of Tourism.

The highest number of foreign travels of Poles was recorded in 2006 (Chart 2) – with the increased number of both domestic and foreign tourists (mainly to Germany, the Netherlands, and the UK). It resulted from the highest tourist activity both in the group of Poles with secondary and primary education (whose share in tourism in general is low), as well as city-dwellers and students (who travel abroad more often)²¹⁰. However, it is difficult to determine how many of these travellers were actual tourists, and how many went abroad to take up jobs. According to Public Opinion Research Centre, in the three-year period of Poland's membership in the EU, the number of Poles working abroad reached nearly two million²¹¹.

²⁰⁹ Central Statistical Office, *op.cit.*, p. 112, 172, 357.

²¹⁰ Institute of Tourism, *Krajowy...*, *op.cit.*

²¹¹ Public Opinion Research Centre *Praca Polaków za granicą. Komunikat z badań*, Warsaw, March 2007, p. 2.

In 2004–2006, the purpose of travel declared by Poles changed. In the area of domestic travel, the number of Poles travelling for tourism and leisure purposes increased; in foreign travel, increase was recorded in the number of Poles travelling for other purposes (e.g. religion – or health related travel)²¹². The structure of countries visited by Poles also changed in this period. Although this data does not include labour travel, the highest increase (from 0.15 mln to 0.85 mln) was recorded for the UK, followed by Belgium and Denmark, while the highest drop was recorded for Germany and Austria. These changes resulted primarily from the opening of labour markets for Poles in most Member States after the accession and the resulting inflow of Polish workers at the expense of Germany and Austria, where transitional periods were kept. On the other hand, this increased inflow of workers, for instance to the UK, could stimulate other types of tourism, such as family visits – in 2004–2007, every fourth Pole travelled abroad for this purpose²¹³.

Incoming tourism²¹⁴

In 2008, for the second time ever, Poland was listed in a prestigious Country Brand Index (CBI), ranking fifth in one of 30 categories *Value for money – Offering the most in return for the price you pay*, right after the Czech Republic²¹⁵. A year before, Poland ranked eighth in the category *Rising Star – Seen as on their way to becoming major destinations*, after the Czech Republic and Hungary²¹⁶. “It means that Poland has a chance to become an attractive tourist destination in the nearest future”²¹⁷.

Just as in the case of outgoing tourism – similarly to the ongoing tourism of Poles – the number of foreign tourists coming to Poland dropped in the pre-accession period down to 13.7 mln in 2003. This trend was reversed after the accession and the number of tourists was on the increase until 2006, reaching 15.7 mln (Chart 3). In the following years, the number of foreign tourists dropped again, despite the fact that Poland joined the Schengen zone which should make even more attractive as a destination for foreign tourists²¹⁸.

²¹² Ministry of Sport and Tourism, Department of Tourism, *op.cit.*, p. 60–64.

²¹³ *Ibid.*

²¹⁴ The term «tourism» refers to all activities of visitors, including both «tourists» (i.e. visitors staying for at least one night), as well as «one-day tourists». Incoming tourism refers to persons staying permanently abroad and visiting a given country. Institute of Tourism.

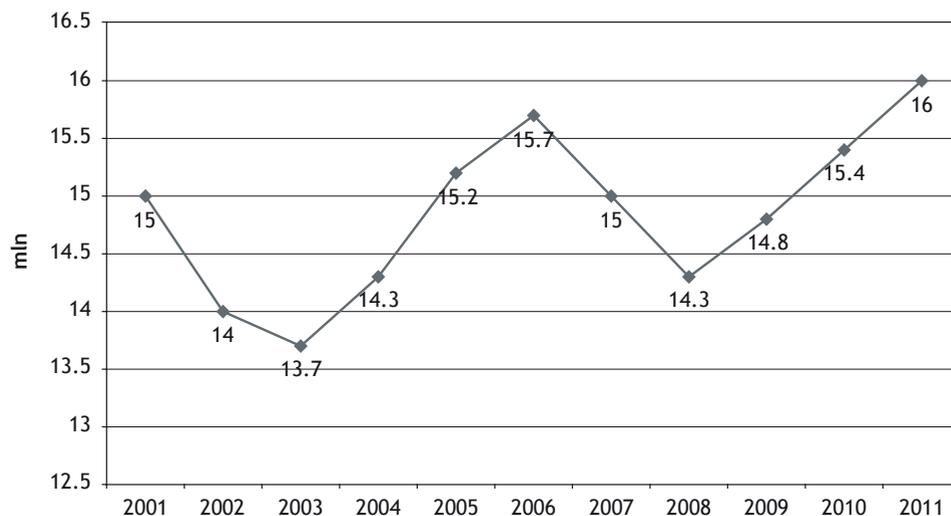
²¹⁵ Future Brand, *Country Brand Index 2008*, p. 55.

²¹⁶ T. Komornicki, *Infrastruktura*, [in:] *4 lata członkostwa Polski w UE. Bilans kosztów i korzyści społeczno-gospodarczych*, Office of the Committee for European Integration, Warsaw 2008, p. 11.

²¹⁷ *Ibid.*

²¹⁸ W. Bartoszewicz, T. Skalska, *Zagraniczna turystyka przyjazdowa do Polski w 2007 roku*, Institute of Tourism, Warsaw 2008, p. 74–89.

Chart 3. Number of tourists coming to Poland in 2001–2008 and the forecast for 2009–2011



Source: Own study based on data provided by the Institute of Tourism.

Germans were the largest group of foreign tourists from EU-15. They visited Poland twice as often as the total number of tourists from other EU-15 Member States. Therefore, to ensure that the assessment of effects of the accession on changes in the directions of tourism from EU-15 is as accurate as possible, data presented below does not include Germany. If we compare 2007 to 2003 in terms of the number of foreign tourists from EU-15 (with the exception of Germany), we can see that Poland's accession stimulated the increase in tourism halted by 2003 – by 2007, it was up again by 56%²¹⁹. Poland's accession to the EU was the reason behind this increase. After the accession, foreign tourists from EU-15 took interest in Poland as an attractive destination and at the same time the largest new Member State in the CEE region. The second major effect of the accession, and also appreciation of PLN, was the increase in trade with EU-15 (cf. chapter on macroeconomic perspective), resulting in the increased volume of business travel. In addition, the past several years saw a dynamic growth of cheap airlines and development regional airports in Poland, making Polish cities more available at lower ticket prices.

In 2004–2006, most tourists visited the province (voivodship) of Mazowieckie, followed by Wielkopolskie, Lubelskie and Dolnośląskie. Significant increase in the number of tourists was recorded in the province of Podkarpackie (319%), Lubuskie (219%),

²¹⁹ Central Statistical Office, *Maty...*, *op.cit.*, p. 271.

and Dolnośląskie (170%)²²⁰. Foreign tourists usually visited Polish cities, including primarily Kraków (mainly for tourist purposes) and Warsaw (mainly for business).

Before the accession, the following five reasons for travelling to Poland were usually given by foreign tourists: tourism (leisure, sightseeing, entertainment, sports, and hobbies), business, visiting family and friends, shopping, and transit. In 2007, business was the main reason for travelling to Poland quoted by foreign tourists, followed by transit (2.8 mln – over a twofold increase since 2003). A similar dynamic upward trend was recorded for tourists who came to Poland to do shopping. After 2004, the number of tourists who came to Poland for typical tourism-related reasons or to visit family or friends has been on the decrease (2.7 and 2.3 mln in 2007, respectively). After Poland's accession to the EU, health-related travel (medical tourism) became one of the reasons for travelling to Poland. The increased interest in the Polish offer of medical and rehabilitation services resulted from the attractive prices combined with high quality of service. This reason was given mainly by tourists from Germany, Russia, Ukraine, the Czech Republic, Italy, and Austria. Given one of the major challenges faced by Europe – the ageing society, it is a long-term trend, and development of the specific segment of tourism related to health services may be considered as an opportunity²²¹.

Economic aspects of tourism in Poland

In 2007, Poland's tourism sector brought inflows of PLN 70.2 bn, i.e. about 3% of global inflows from tourism and 6% of Poland's GDP²²². This dynamic growth was reflected in the increasing amount of foreign currency revenues from tourism in 2004–2007 in nominal terms. 2004 was the key year, as it saw the reversal of an earlier drop in revenues recorded in 2001–2003, both for tourists and one-day visitors. In the subsequent years, this growth in revenues gained momentum. In 2006, revenues were up by 18% vs. 2005, and in 2007 they were up again by 44% vs. 2006. In 2003–2007, an over four-fold increase was recorded for foreign currency revenues from tourism, and nearly a two-fold increase for one-day visitors. In 2007, the highest spending per person was recorded for tourists representing the following Member States: Belgium, Sweden, Finland, France,

²²⁰ W. Bartoszewicz, T. Skalska, *op.cit.*, p. 74–89.

²²¹ *Ibid.*

²²² *Miejsce turystyki w gospodarce narodowej Polski w latach 2004–2007*, http://dms.msport.gov.pl/app/document/file/556/Raport_o_stanie_gospodarki_gospodarka2.pdf?field=file1.

and the Netherlands (from 383 to 402 USD). The lowest spending was recorded for the Czechs (105 USD) and Hungarians (124 USD)²²³. One of the possible explanations of this dynamic growth in revenues is the strengthening of PLN vs. USD and EUR in this period, as well as the rising prices in Poland²²⁴.

Impact of EU funds on the development of Polish regions in the area of tourism

EU funds added to the development of the potential of Poland in the area of tourism, which has been undergoing considerable transformation since the mid-1980s, for instance in terms of the development of the hotel base at the expense of the formerly widespread holiday resorts. In 2004–2006, mainly as part of IROP, but also INNTEREG III A²²⁵, SOP ICE and SOP RD, about 2.8 thousand investment projects were implemented in the area of tourism (including agri-tourism projects), based on co-financing with EU funds (nearly PLN 900 mln in total). In terms of the amount of funding, the leading beneficiaries of EU support included the province of Śląskie (PLN 100.9 mln), Mazowieckie (PLN 85.5 mln), and Warmińsko-Mazurskie (PLN 76.1 mln)²²⁶. The highest number of projects (305) was implemented in the province of Lubelskie, followed by Mazowieckie and Zachodniopomorskie. Local government authorities were the main beneficiaries of EU aid (86%); on a smaller scale, EU funds were also used by cultural institutions, farmers, NGOs, as well as churches and religious associations²²⁷.

Many training courses were organised as part of these projects, including tourist product management, implementation of innovative solutions, as well as courses for tourist guides. For instance, the project “Training and advice for residents of rural areas for the development of agri-tourism in the Narew and Biebrza river basins” was implemented in the province of Podlaskie. These projects were usually connected with tourist infrastructure, e.g. renovation of historical sites and buildings, development of restaurants and the catering business, as well as building of walking paths, bicycle lanes, and ski routes. Project implemented in this area included, among others, “Reconstruction of

²²³ Institute of Tourism, *Charakterystyka przyjazdów do Polski w 2007 roku*, http://www.intur.com.pl/turysci2007_1.htm.

²²⁴ *Ibid.*

²²⁵ INTERREG III A – cross-border co-operation programmes.

²²⁶ Ministry of Regional Development, *Fundusze unijne wspierają rozwój turystyki*, http://www.mrr.gov.pl/Aktualnosci/Fundusze%20unijne%2004-06/Strony/konf_fundusze%20dla%20turystyki.aspx.

²²⁷ *Ibid.*

the trade centre and amber trail from the ancient Roman times in Pruszcz Gdański” and “Modernisation of the spa and health resort part of the village of Złockie”²²⁸.

In 2007–2015, co-financing of projects in the area of tourism will exceed the support granted in 2004–2006 by several times, considering that about PLN 3 bn was earmarked for this purpose as part of Regional Operational Programmes only. Co-financing will be granted to tourism-related projects supporting the social and economic development of regions, promoting tourism-related businesses and activities, as well as cultural tourism, environmental protection, and revival of degraded sites. In addition, as part of SOP Innovative Economy, about PLN 1.6 bn was earmarked for priority “Polish economy on the international market”, supporting projects focused on the promotion of Poland’s tourist attractions and investments in supra-regional tourist products. Under SOP Development of Eastern Poland, about PLN 40 mln was earmarked for the promotion of eastern Poland, about PLN 400 mln for projects related to conference and exhibition infrastructure, and about PLN 200 mln for the planning of cycle routes. In addition, the personnel and entrepreneurs representing the sector of tourism, hotels and restaurants, may participate in projects supporting the development of human resources under SOP Human Capital²²⁹.

Conclusions

Effects of Community initiatives and programmes as well as projects implemented using EU funds in the area of culture can be observed in Poland both in the group of artists and cultural operators. The involvement of Polish artists and cultural operators in international projects popularised Polish culture in EU Member States in areas such as theatre, cinematography, music, painting, sculpture, or literature. On the other hand, alignment of the Polish legal system with the Community *acquis* as regards the audio-visual sector, i.e. implementation of the Television without Frontiers Directive, ensured the necessary protection of TV and Internet users, especially minors. Participation of Polish cities in Community initiatives such as the European Capital of Culture, European Cultural Month, and European Year of Intercultural Dialogue, was an opportunity to promote the rich culture of Poland, and specifically the participating Polish cities, in the European arena.

In the area of tourism, Poland’s accession to the EU did not result in any dynamic and steady growth in tourism (neither outgoing nor incoming). Trends observed in this pe-

²²⁸ *Ibid.*

²²⁹ *Ibid.*

riod were shifting, which in the case of outgoing tourism cannot be explained, considering that it was the period of economic upturn. As regards incoming tourism, these changes can be explained by the growing interest in Poland as a tourist attraction for EU-15 citizens on the one hand, and by stricter limitations imposed on tourists coming from the east after Poland joined the Schengen zone on the other hand. Therefore, if there is any specific effect of membership, it would be the reversal of a sharp decline in both incoming and outgoing tourism. It resulted in a revival of the tourist business, especially in terms of the employment ratio in hotels and travel agencies. The second main effect of membership was the increase in revenues from tourism resulting from the economic upturn and the related appreciation of PLN. In addition, the structure of preferences of tourists visiting Poland also changed. Changes in the purpose of travel declared by foreign tourists were accompanied by an emergence of a brand new segment – medical tourism, which has a great potential for growth given the ever-increasing demand for health services and the attractive Polish offer (high quality at relatively low prices).

There was yet another important effect of membership – an opportunity to apply for and receive grants to co-finance the implementation of projects, e.g. related to infrastructure and training in the area of culture and tourism, which had a particular impact on the economies of smaller towns and villages, extending their cultural and tourist offer and making them more attractive as potential tourist destinations. Making good use of structural funds under the financial perspective 2007–2013 and the programme “Culture 2007–2013”, Polish regions have a chance to use culture and the related culture-oriented tourism as a stepping stone to achieve social and economic development.

In the context of promotion of Polish culture and tourism, the second half of 2011 will be of key importance considering that Poland will take over EU Presidency. If Poland is also selected to host the European Tourism Forum in this period, we will have a unique opportunity of an intensive, six-month promotion of our cultural and tourist attractions, which should stimulate growth in outgoing tourism, and – by extension – business tourism. In 2012, Poland will host the UEFA European Football Championships. It will be yet another opportunity to present Poland as an up-to-date, modern country, and an attractive destination for tourists looking for active forms of pastime. In 2016, one of the Polish cities that will receive the title of a European Capital of Culture will have a chance for a “super promotion” in Europe. These new opportunities to promote Poland on a European scale should be used to change its image and promote it as a modern, hospitable, and safe country, taking pride in its rich cultural heritage and beauty of nature.

Consumer protection and public health

Poland's membership of the European Union (EU) has impacted two important areas: consumer protection and public health. These areas have been covered by European integration almost from its very beginning. On the one hand, effective regulation of health protection issues in terms of cross-border workers was a pre-requisite for a well-functioning internal market. On the other, considering the economic growth and a robust level of trade in goods and services, high level of consumer safety and protection was necessary. Improvement in the quality of life and health of EU consumers was possible also as a result of long-term strategies and various thematic programmes implemented by the EU in these areas.

Situation of Polish consumers in the context of EU membership

Since early 90s, the number and diversity of products available in (previously usually closed) markets in candidate countries have increased on an unprecedented scale. The key effects of these market changes included a steep increase in consumption resulting from liberalisation and increase in trade between Poland and other countries. As a result, consumers were offered more choice than ever and better access to products diversified in terms of quality and price²³⁰. They have also become a target group for advertisements and various types of promotional activities – including unfair and dishonest activities²³¹.

²³⁰ Raport w sprawie korzyści i kosztów integracji RP z UE, Council of Ministers, 26 July 2000, p. 43.

²³¹ B. Kutin, *Consumer protection in an enlarged Europe*, "Consumer Policy Review", 9/10. 2005, Vol. 15, No 5, p. 198.

For many years, the European Union has implemented a number of initiatives to improve the status of its consumers, in accordance with the overriding objective of the EU, i.e. improvement of the quality of life of all citizens²³². The basis for the implementation of consumer policy was defined in the Treaty establishing the European Community (EC Treaty)²³³. On this basis, the EU has adopted a number of directives and regulations over the years, which have had a measurable effect on the improvement of consumer protection – also in Poland. For the sake of clarity it is worth stressing that the relevant consumer protection institutions and legislation have been introduced in most candidate countries, including Poland, as a result of the harmonisation process arising from their membership aspirations, not necessarily as a reaction to the specific need to create consumer policy in that period²³⁴.

In addition, the period of Poland's accession overlapped with the implementation of the EU Consumer Policy Strategy 2002–2006²³⁵ and the EU Consumer Policy Strategy 2007–2013²³⁶. After 2007, the EU provided EUR 156.8 mln under the European consumer programme²³⁷.

Implementation of consumer *acquis communautaire* in Poland

As already mentioned, consumer protection was implemented based on, *inter alia*, the implementation of the European law and institutional reforms. The perspective of Poland's membership of the EU brought about significant changes in terms of the importance and competencies of the President of the Office for Competition and Consumer Protection (OCCP). As a result of the alignment of the Polish law with EU standards, the President of OCCP enjoys a special position, independent of the executive. As part of the implementation of *acquis*²³⁸, additional procedural regulations were also adopted, introducing *i.a.* procedures to be applied in cases of practices violating collective consumer

²³² *Your rights as a consumer – How the European Union protects your interests*, European Commission, DG Communication, February 2007, p. 3.

²³³ Art. 152 of EC Treaty.

²³⁴ B. Kutin, *op.cit.*, p. 199.

²³⁵ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on the EU Consumer Policy strategy 2002–2006, COM(2002) 208.

²³⁶ Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on the EU Consumer Policy strategy 2007–2013, COM(2007) 99.

²³⁷ *Health & Consumers Voice*, "Newsletter on food safety, health and consumer policy from the European Commission's Health and Consumer Protection DG", January 2007.

²³⁸ Directive 98/27/EC, Official Journal 1998 L 166, p. 51.

interests. At the same time, many definitions contained in the Polish law were aligned with the relevant provisions of the EC Treaty²³⁹.

As regards the implementation of consumer *acquis communautaire*, Poland assumed certain obligations in this area already under the Europe Agreement of 16 December 1991. 1998–2002 was the key period of implementation of the European consumer protection law²⁴⁰. Among others, specific regulations²⁴¹ were introduced in areas such as liability for dangerous consumer products, abusive contract clauses, or contracts concluded in extraordinary circumstances. *Time-sharing*²⁴², tourist services, and consumer loans²⁴³ were also regulated. These regulations made it possible to effectively apply and enforce consumer laws in Poland, both by consumer protection authorities and consumer organisations, as well as by consumers themselves. The key aspects of the implementation and application of consumer *acquis* in Poland are described below.

To start with, implementation of Community laws brought with it specific regulations on dangerous product liability in Poland. Relevant provisions were added to the Polish Civil Code, defining dangerous products, specifying detailed rules of product liability, and separating manufacturer and producer liability for any damage resulting from the use of such products. These regulations contributed to the clarification of civil law interpretations, and thus to greater certainty of legal transactions. They also had informative value, providing an explicit basis for liability actions. Being widely known, these regulations may encourage consumers to enforce their rights²⁴⁴.

The so-called abusive clauses were another important area subject to harmonisation at European level. Regulations contained in the Polish Civil Code include *i.a.* a list of sample clauses that may be considered abusive, the scope of assessment of the compliance of contracts clauses with good practices; they also define cases when references to other contract clauses similar to abusive clauses may render these other clauses null and void²⁴⁵. The Court of Competition and Consumer Protection (CCCP) was authorised to conduct abstract (with no reference to a specific case) checks of sample contracts. The impact of regulations arising from the implementation of European laws in this area is invaluable²⁴⁶: Polish entrepreneurs started to pay attention to whether certain contract clauses were

²³⁹ C. Banasiński, *Ewolucja ustawodawstwa antymonopolowego w Polsce*, [in:] *Ochrona konkurencji i konsumentów w Polsce i Unii Europejskiej*, ed. C. Banasiński, UOKiK 2005, p. 17–20.

²⁴⁰ M. Jagielska, *Ochrona Konsumenta w Polsce – 5 lata członkostwa. Analiza stanu prawnego*, expert study for UKiE, p. 5.

²⁴¹ Act of 2 March 2000, Journal of Laws of 2000 No. 22, item 27, as amended

²⁴² Act of 13 June 2000, Journal of Laws of 2000 No. 74, item 855 as amended

²⁴³ Act of 20 June 2001, Journal of Laws of 2001 No. 100, item 1081 as amended

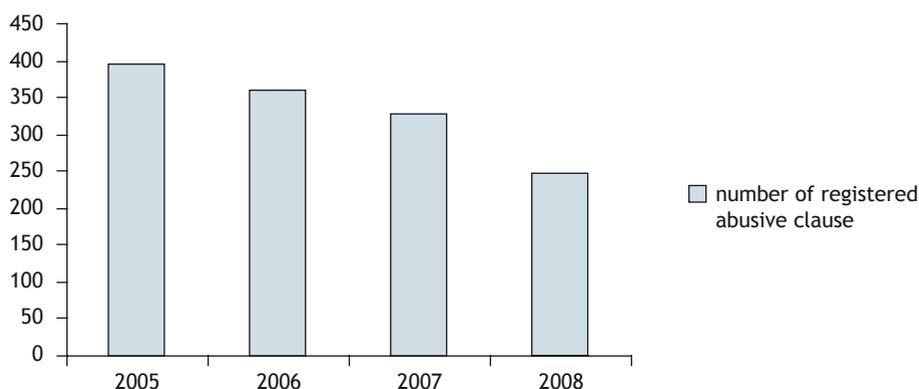
²⁴⁴ M. Jagielska, *op.cit.* p. 4–6.

²⁴⁵ Art. 3851–3854 of the Civil Code.

²⁴⁶ M. Jagielska, *op.cit.*, p. 11.

abusive, what influenced the structure of contracts in key areas of economic activity²⁴⁷. Activities of OCCP and CCCP were also of major importance here. OCCP was authorised to check sample consumer contracts in relation to entrepreneurs operating in the following sectors: education (language schools, private higher education schools), tourism (tour operators), insurance (insurance companies), finance (banks, brokers), or real estate (developers)²⁴⁸. Following court rulings, the CCCP recorded a substantial number of abusive clauses in a dedicated register. Many of these abusive clauses referred to Ponzi schemes and unjustified limitations and disclaimers of liability on the part of tourist agencies, developers, sellers, or providers of banking services.

Chart 1. Number of abusive clauses registered in 2005–2008



Source: OCCP.

Statistics show that the number of abusive clauses recorded in the register declined year on year. It may be a sign that the situation is stabilising and legal transactions in Poland are becoming more “civilised”. However it does not preclude the President of OCCP to decide that provisions of contracts adopted by economic operators are convergent with the already registered abusive clauses (e.g. as part of decisions on the violation of collective consumer rights). The preventive role of this register is particularly important: it makes it possible to eliminate certain abusive clauses at an early stage²⁴⁹. Reports published by OCCP and containing studies and advice regarding the most commonly used abusive clauses in key sectors of the economy also play a key

²⁴⁷ *Ibid.*, p. 11.

²⁴⁸ *Ibid.*, p. 12.

²⁴⁹ *Ibid.*, p. 14.

role in the improvement of standards. OCCP has already published reports on sample contract forms used for example by cable TV operators, alternative telecoms providers, car dealers, insurers, private higher education schools, tourist agencies, providers of construction services, airlines, developers, mobile operators, banks, or organisers of mass events. The 2007 report on sample contract forms used by developers is a good example of such measure and its effects²⁵⁰. In this sector, unequal treatment of the rights and obligations of two parties of the contract was a rule of thumb – for instance, by imposing disproportionate penalties on a defaulting customer in comparison with penalties paid by developers for non-performance of contracts. Publication of this report greatly improved this situation – some developers decided to draft their contracts in such a way as to eliminate clauses considered as abusive, and became more flexible in negotiations with their customers²⁵¹.

Thirdly, implementation of *acquis* brought about certain changes as regards contracts concluded in extraordinary circumstances. For instance, contracts concluded out of premises, distance contracts, and distance financial services were regulated²⁵². For these contracts, a number of different consumer rights were defined, e.g. the right to withdraw from the contract within 10 days (14 days for financial services), the right to claim interest on pre-payments made, the right to claim damages in the case of fraudulent use of the consumer's payment card, or the requirement to obtain a prior consent from the consumer to use automatic calling systems, fax, phone, videophone, or e-mail by the entrepreneur. The above regulations were used in practice, for instance for on-line shopping. Along with a significant increase in the number of customers of on-line stores and Internet auctions, the number of dissatisfied customers is also increasing. The risk of fraud or malpractice when shopping on-line is much higher compared to traditional shopping²⁵³. Polish consumers took advantage of their rights – the right to return the product within 10 days from the date of delivery made consumers more confident and more willing to shop on-line²⁵⁴.

Timesharing and tourist services were two other areas of consumer law impacted by European legislation. *Timesharing* was a novelty in Poland. It is the right to use certain tourist facilities (hotel, resorts, apartment, bungalow, etc.) at a specific time. The consumer must “buy a share” (or “enter the system”) to use the facility. In addition, con-

²⁵⁰ Raport z kontroli wzorców umownych stosowanych w umowach deweloperskich, UOKIK 2007.

²⁵¹ *Negocjacje stają się coraz bardziej elastyczne*, „Rzeczpospolita”, 5 September 2008.

²⁵² These regulations are contained in the Act on the protection of certain consumer rights and its amending Act.

²⁵³ *Liczba Polaków kupujących w sieci przez rok wzrosła o milion*, „Rzeczpospolita”, 14 March 2008.

²⁵⁴ *Ciemna strona internetowego biznesu*, „Rzeczpospolita”, 11 February 2006.

sumers must pay annual “membership fees” to cover the cost of facility management²⁵⁵. Tourist facilities in the Mediterranean are usually rented based on this system. Although this service is still considered a luxury, it has been gaining popularity in Poland²⁵⁶. Implementation of EU regulations in this area made it possible for the consumers to withdraw from the contract within 10 days and imposed information obligations on entrepreneurs, which greatly increased the level of consumer safety. In the area of tourist services, the basic duties of operators in respect of their customers were precisely defined, as were the competencies of the relevant control authorities. Consumers were granted the right to withdraw from the contract and to obtain the refund of any payments made, with no obligation to pay contractual penalties. Unjustified changes in service prices were also forbidden. As a result, the number of common malpractices on the part of tourist service providers related to *last minute* offers or improper performance of contracts, e.g. changing hotels or standard of accommodation, was reduced²⁵⁷.

To sum up, situation of Polish consumers improved considerably following the implementation and application of the aforementioned consumer laws: consumers were granted the right to formulate specific claims (such as the right to withdraw from the contract). At the same time, an obligation was imposed on economic operators to respect basic consumer rights, including the right to withdraw from the contract²⁵⁸.

In addition to the above, improved consumer protection resulted also from more specific and individual actions taken by OCCP. With its new competencies²⁵⁹, OCCP may institute administrative action in cases of violation of collective consumer interest and impose penalties on the entities in breach of it. As a result, by the end of 2007 the President of OCCP issued 52 decisions and imposed penalties for the total amount of over PLN 420 tho-



fig. ZBIGNIEW JUJKA. There came standards from Brussels for pork chop with sauerkraut

²⁵⁵ Based on: *Timesharing – wypoczynek wakacyjny, kluby wakacyjne*, UOKIK 2004.

²⁵⁶ *Rajski wypoczynek pod unijną kontrolą*, “Rzeczpospolita”, 5 January 2008.

²⁵⁷ *Umowy last minute nie ograniczają praw turystów*, “Gazeta Prawna”, 26 May 2008.

²⁵⁸ M. Jagielska, *op.cit.*, p. 19–20.

²⁵⁹ Pursuant to the Act on Competition and Consumer Protection of 16 February 2007 (Journal of Laws of 2007 No. 50, item 331, as amended).

usand. In 2008 (the first year of full application of new regulations), 207 decisions were issued, imposing penalties totalling over PLN 25 mln on entrepreneurs who violated collective consumer interest²⁶⁰. The key decisions in this respect included: misleading advertisements; unfair terms and conditions of consumer loans (whereby consumers were required to return the equivalent of the total loan amount when withdrawing from the contract); publishing price information on price tags or promotional leaflets/brochures regarding products offered at promotional prices, giving the price from before the promotion; or using a specific contract form by developers that made it possible to increase the final price of real estates²⁶¹. The importance of new regulations and the deterring effect of high penalties imposed on companies acting against the interest of Polish consumers are indeed invaluable.

We should also mention the high standards of fuel quality controls adopted in Poland. Under EU law²⁶², the system of quality of liquid fuels introduced to trading was implemented as of 1 May 2004. It became possible to eliminate and prevent the marketing of fuels that do not meet the adopted standards. In addition, relevant regulations were introduced allowing for the imposition of penalties up to PLN 1 mln on companies involved in the transport, storage, and marketing of such fuels. Separate regulations provided for criminal-law liability in such cases. Numerous actions and press releases confirm that this system proved effective and that the level of control of fuel quality was improved.

Consumer mobility: prices of roaming calls and rights of airline customers

Introduction of the so-called Eurotariff for mobile roaming calls introduced in July 2007 had a direct impact on all European consumers²⁶³. The decision to introduce the Eurotariff was a result of excessively high prices of mobile calls paid by consumers when travelling abroad and the specific structure of the roaming market itself²⁶⁴. This price cap proved to be the most reasonable and fastest response to very high prices of calls²⁶⁵. As a result, as of 30 July 2007, prices set by Polish operators for mobile voice calls

²⁶⁰ Source: UOKIK, Department of Consumer Policy 2009.

²⁶¹ *Ibid.*

²⁶² Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels (Official Journal 1998 L 350, p. 58, as amended), amended by directive 2003/17/EC of the European Parliament and of the Council of 3 March 2003.

²⁶³ Regulation No 717/2007/EC of the European Parliament and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community (Official Journal 2007 L 171, p. 32).

²⁶⁴ *European Electronic Communications Regulation and Markets 2005* (11th report) [SEC(2006)193].

²⁶⁵ J. Szczodrowski, *Price Cap on Roaming: paradise found?*, College of Europe (2008), p. 35–36.

made in other Member States could not exceed PLN 2.20 per minute, and prices of calls received could not exceed PLN 1.1 per minute. In 2008, that is a year later, these prices were further reduced: PLN 1.81/min and PLN 0.87/min, respectively, and yet another price cut is expected in August 2009. Beyond any doubt, reduction of roaming call prices was a great success on the part of the EU. In the context of the increasing mobility of Polish consumers – both as tourists (given the phenomenon of low fare airlines) and as temporary workers, this initiative had an impact on the total of mobile phone bills of an average Polish mobile phone user²⁶⁶.

Poland's accession to the EU was also of importance for passengers of airlines and the protection of their rights. In 2006–2008, a significant increase in the number of complaints regarding the rights of airline passengers was recorded²⁶⁷. The relevant EU regulation defines common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights²⁶⁸. Under its provisions, each passenger – EU citizen, whose flight was cancelled or delayed, has the right to *i.a.* meals and beverages (sufficient for the time of waiting), free access to communication facilities, as well as accommodation and transport to and from the hotel. Passengers may also resign from the flight and receive refund for unused tickets. In addition, the President of the Civil Aviation Office (CAO) may impose financial penalties on air carriers in cases of violation of passenger rights in connection with flights occurring after 1 April 2007, for instance for the failure to offer care and assistance, pay compensation, or provide information on consumer rights²⁶⁹. In 2007, 12 administrative penalties were imposed on airlines, compared to as many 107 in 2008²⁷⁰. Passengers have become more aware of their rights and the number of complaints received by CAO's Civil Aviation Office was increasing. In 2008, the Commission received over 1500 complaints from passengers, of which 1107 required the initiation of administrative proceedings, up by over 300 vs. 2007. In 2006, the Commission received 1069 complaints and started 815 administrative proceedings.

Passenger safety also improved thanks to the so-called black list of air carriers developed by the European Commission for the first time in 2006²⁷¹ and updated ever

²⁶⁶ *Mniejsze rachunki z jesiennych wakacji w Europie*, "Gazeta Wyborcza", 30 August 2008.

²⁶⁷ Source: Civil Aviation Office – Commission on Passenger Rights, 2009.

²⁶⁸ Regulation No 261/2004/EC of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights (Official Journal 2004 L 46, p. 1, as amended), and repealing Regulation (EEC) No 295/91.

²⁶⁹ Source: Civil Aviation Office..., *op.cit.*

²⁷⁰ *Ibid.*

²⁷¹ Commission Regulation (EC) No 474/2006 of 22 March 2006 establishing the Community list of air carriers which are subject to an operating ban within the Community referred to in Chapter II of Regulation (EC) No 2111/2005 of the European Parliament and of the Council.

since. This list covers operators that do not meet the basic standards of aviation security. As a result, they have no right to operate in the Single European Sky.

On the other hand, introduction of regulations on stricter airport security measures poses certain problems for passengers, in particular the provisions limiting the type of objects²⁷², that can be taken on board in hand luggage – including limits on the volume of liquids (100 ml). It was necessary for security reasons and as a response to cases of terrorist attacks.

EU's activities in this area significantly improved the situation and safety of Polish consumers. As a result of the implementation of these regulations, Polish passengers are now able to pursue their claims against air carriers, which takes place often given the increasing mobility of Polish consumers. The black list of air carriers undoubtedly improved passenger safety – underperforming carriers were eliminated from the market at an early stage.

On the other hand, certain nuisances resulting from the introduction of stricter airport security controls seem justified by the overriding objective – the prevention of terrorist attacks. We may therefore conclude that in this area the impact of membership was positive and improved the level of protection of Polish consumers.

Awareness of Polish consumers

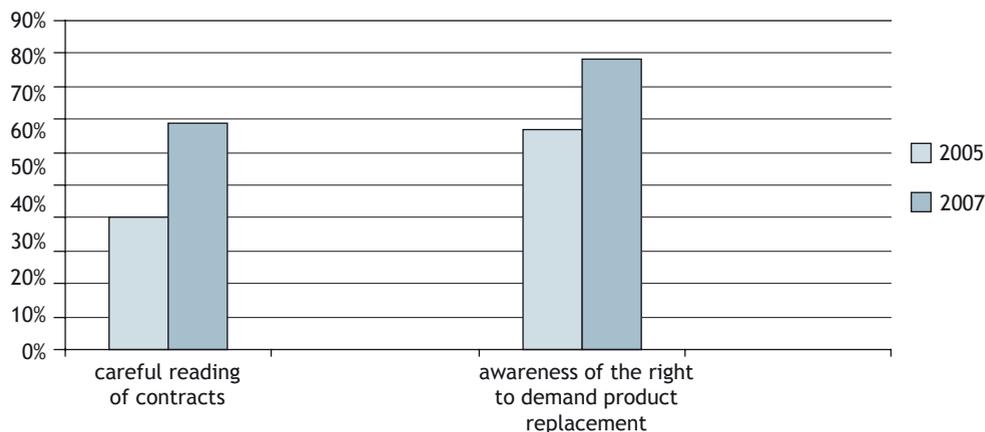
Proper implementation of consumer *acquis communautaire* combined with the activities of the President of OCCP and the Office increased the awareness of Polish consumers. It is worth stressing that in 2005 only 54% Poles were aware of consumer protection institutions²⁷³. In 2007, this share increased considerably and reached 73%²⁷⁴. Social campaigns informing Polish consumers of the existence of the Consumer Ombudsman were of major importance (TV campaign “You can...” targeted at consumers who decide not to pursue their claims in disputes with service providers). Educational campaigns were also carried out – including campaigns targeted at children and teenagers “My consumer ABC” or at 60+ seniors “Be aware as consumer”. These activities were often co-financed from EU funds, and had a major impact by increasing the awareness of Polish customers.

²⁷² Commission Regulation (EC) No 1546/2006 of 4 October 2006 amending Regulation (EC) No 622/2003 laying down measures for the implementation of the common basic standards on aviation security.

²⁷³ I.e. UOKiK and Consumer Ombudsmen.

²⁷⁴ Suevey by GfK Polonia for UOKiK (2007).

Chart 2. Consumer awareness in Poland, 2005–2007



Source: UOKIK (2008).

In addition, surveys have shown that in the period 2003–2005 three quarters of consumers 2005 filed no complains at all, but according to 2007 surveys, complaints had been filed by 17% consumers in the preceding 12 months²⁷⁵. Many social campaigns contributed to the increased awareness of consumer rights. It would not be possible without the involvement of OCCP, its numerous decisions regarding the infringement of collective consumer rights, and the increasing number of court rulings in favour of consumers. The focus of competition and consumer protection in the media had an effect on Polish consumers, who have become more careful and active.

The role of international co-operation: *Consumer Protection Cooperation, RAPEX,* and European Consumer Centre

EU membership encouraged Polish consumer protection institutions to start co-operation with their counterparts from other Member States. Cooperation of this type was based also on participation of the OCCP in *Consumer Protection Cooperation (CPC)*²⁷⁶. In the context of this cooperation, it was possible, for example, to carry through

²⁷⁵ Source: UOKIK, Department of International Relations and Communication (2009).

²⁷⁶ Pursuant to Regulation No 2006/2004/EC of the European Parliament and of the Council on cooperation between national authorities responsible for the enforcement of consumer protection laws.

an inquiry according to the instruction of an administration of a third state, with the objective of collecting data on the infringement of the intra-community law, to inquire about acts of infringement and to take up action against them. Cooperation under CPC also took the form of joint initiatives for the improved enforcement of consumer law based on the analysis of websites of companies offering their products and services to consumers (the so-called *sweep*). As a result of a sweep of airline tickets sales that took place in September 2007, over 50% irregularities were identified and subsequently eliminated. In 2008, a similar sweep covered mobile operators²⁷⁷.

Participation of OCCP in the rapid exchange of information on dangers arising from the use of consumer products (RAPEX) was another, equally important element of consumer safety in Poland²⁷⁸. The core objective of direct effect of this system is to ensure rapid exchange of information among Member States and the European Commission on dangerous products and measures taken in a given Member State to prevent or limit the scope of their introduction to market, as well as their use by consumers. As a participant of RAPEX, OCCP could inform other Member States of products posing a threat to consumers' health or life. In addition, the European Commission notified the Office on an on-going basis of any dangerous products identified in other Member States, which made it possible to trace these products and take the necessary actions²⁷⁹. The Commission's reports indicate that in the period 2004–2008, the total number of notifications regarding dangerous products tripled at the Community level²⁸⁰.

On the other hand, participation in RAPEX brought measurable benefits – recalls of dangerous products from the market. Interventions were usually carried out in the case of dangerous children's toys (47 cases in 2007). In the same year, 50% more dangerous products were removed from the European market vs. the previous year, and their number was still on the increase²⁸¹. Actions taken by manufacturers were also important. When they considered a given product dangerous to consumer safety, they would inform OCCP about it, and OCCP was able to pass this information on to other Member States. Examples of such cases include a market recall of a child cardigan posing a threat to life, or an armchair bed sold by one of the top distributor of furniture that could cause injuries to its users²⁸².

²⁷⁷ Source: UOKIK, Department of International Relations and Communication (2009).

²⁷⁸ The legal basis of this system is directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (Official Journal 2002 L 11, p. 4).

²⁷⁹ Source: UOKIK, *op.cit.*

²⁸⁰ UOKIK: *Informacje o 53 niebezpiecznych produktach w Rapex*, "Puls Biznesu", 8 May 2008.

²⁸¹ *Ibid.*

²⁸² *Firmy rzadko informują o wadach swojego produktu*, "Rzeczpospolita", 7 August 2006.

In addition, the European Consumer Centre (ECC) was established in 2005 under the agreement between OCCP and the European Commission. The main task of this Centre is to disseminate knowledge on the common European market and provide assistance in out-of-court resolution of cross-border disputes between entrepreneurs and consumers. ECC also provided access to information and disseminated consumer-related publications. It combined national projects (information and advice) with Community projects (cross-border issues and advice regarding other Member States)²⁸³. Its website www.konsument.gov.pl was a source of information on the basic rights of consumers. It was also a forum for contacts with experts offering advice in solving cross-border problems. Implementation of all these projects was much easier thanks to the participation of ECC in the European Consumer Centres Network (ECC-Net), facilitating contacts and exchange of information between the relevant institutions in Member States.

Protection of public health

In addition to consumer protection, public health is another area supported and coordinated by the European Union where the latter facilitates actions taken by Member States. Just like consumers, beneficiaries of health protection systems are a “vulnerable” social group that requires special protection. Although provisions of the Treaty make it possible for the EU to take action in this area and form a basis for the implementation of healthcare policy and for more pressures on the policies of Member States, it must be underscored that EU Member States remain fully autonomous in terms of the organisation and delivery of health services and medical care²⁸⁴. Therefore, certain rules were developed to make it possible for EU citizens to use healthcare services within the Community, given the liberty of free movement of persons, without affecting the internal organisation of national systems²⁸⁵.

The impact of Poland's membership in the EU on the Polish healthcare system and patients is various. On the one hand, the internal market made it easier for Polish citizens to move within the Community and gave them a number of additional rights. On the other, structural funds were used to upgrade and modernise healthcare facili-

²⁸³ Source: European Consumer Centre, www.konsument.gov.pl (2009).

²⁸⁴ Art. 152 § 5 of the EC Treaty.

²⁸⁵ The relevant regulations were adopted as early as in the 1970s: regulation of the Council (EEC) No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community, and regulation No 74/72; subsequently amended and consolidated.

ties in Poland. In addition, EU membership influenced many other areas, e.g. leading to an increase in epidemiological safety, improving the situation in the market of pharmaceutical products (parallel trade), as well as working time situation of healthcare personnel.

Since May 2004, Polish citizens travelling within the Community – for business or private purposes – have been covered by the system of coordination of social security systems. Additional entitlements were granted to the insured persons working in another Member State of the European Union/European Economic Area (EEA), who gained access to full-scale medical care. The same applies to frontier workers, i.e. persons crossing the border on their way to work. Special attention must be drawn to healthcare protection systems for the unemployed (and their family members), persons looking for a job in other Member States, as well as retirees and disability pensioners staying temporarily, for a longer term, or permanently in another Member State. Under the above regulations, the coordination system covers also persons staying in another Member State only for a short period of time, e.g. tourists. Although Poland had signed bilateral agreements with certain EU Member States already before the accession, as of May 2004 Polish citizens have been granted the right (under the national health insurance system) to use such basic medical services as may be found necessary during their stay in another Member State (EEA). To confirm their rights and facilitate the operation of this system, the European Health Insurance Card was introduced (formerly Form E111). This single European card made it much easier to identify patients and provide medical services. In Poland, every insured person travelling abroad within the Community could apply for the European Health Insurance Card at the relevant Regional Branch or Office of the National Health Fund (Narodowy Fundusz Zdrowia). The Card was granted to persons travelling to another Member State (EEA) as tourists, to visit family or friends, for business purposes, or to pursue studies. It was also issued to employees delegated by Polish employers to work abroad. Since the accession, 5 mln Poles have used this right (cf. Table 2). It is indeed difficult to overestimate the sense of security and certainty²⁸⁶ resulting from these regulations. The possibility to use the basic medical services during a short stay abroad encouraged Poles to travel and allowed them to reduce their travelling budget. Before Poland's accession to the EU, Polish citizens had to buy additional insurance to make sure that the scope of medical services would be similar to those offered to EU citizens.

²⁸⁶ A. Kozierekiewicz, *Rynek wewnętrzny a ochrona zdrowia*, expert study for UKIE, 2008, p. 6.

Table 2. Number of European Health Insurance Cards/E111 forms issued to Polish citizens

Period of issue	E 111	EHIC	Certificate temporary replacing EHIC	TOTAL
May-December 2004	583 289	0	0	583 289
2005	806 000	75 979	753	882 732
2006	9 074	1 145 866	28 230	1 183 170
2007	804	1 103 882	20 682	1 125 368
2008	390	1 231 108	20 974	1 252 472
TOTAL	1 399 557	3 556 835	70 639	5 027 031

Source: National Health Fund, December 2008.

Yet another category of patients who benefited from Poland's membership in the EU is patients who could not receive treatment in Poland in due time – for instance, if there were no medical care units specialising in the treatment of certain diseases. Those patients were granted the right to apply for an authorisation to receive treatment in another Member State (EEA) at the expense of the Polish insurance institution. This application could not be turned down in cases when a given treatment was not available in Poland in due time considering the patient's condition²⁸⁷. In 2004, only 5 permits were issued for this kind of treatment, but in 2008 as many as 105 patients took advantage of this option, and permits issued by the National Health Fund were related to specialist treatments – mostly trauma and orthopaedic surgery for children²⁸⁸. There were also cases of cancer patients requiring surgery based on specialised knowledge and equipment not available in Poland²⁸⁹.

Despite many concerns²⁹⁰, the financial burden shouldered by the Polish healthcare system proved insignificant on balance. Costs of treatment of Polish citizens in other Member States (EEA) and of EU citizens receiving treatment in Poland turned out to be only a very small portion of the total healthcare expenditure in Poland. In the first case, the share of these costs was between 0.3% and 0.4% of the annual healthcare spending in Poland, and between 0.4% and 0.5% in the latter case²⁹¹. The scale of “medical tourism” was smaller than expected. In cases when medical tourism did occur, foreign

²⁸⁷ *Ibid.*, p. 5.

²⁸⁸ Source: National Health Fund, Department of International Affairs (2009).

²⁸⁹ *Pacjent nie będzie musiał mieć zgody NFZ na zabieg za granicą*, “Gazeta Prawna”, 15 July 2008.

²⁹⁰ *Polki rodzą u Niemców; Niemcy chcą pieniędzy od polskiego NFZ*, “Gazeta Wyborcza”, 9 September 2007.

²⁹¹ Source: *Stosunek środków wydatkowanych w ramach przepisów o koordynacji na leczenie osób ubezpieczonych i uprawnionych do całości środków wydatkowanych przez Narodowy Fundusz Zdrowia według danych zawartych w sprawozdaniach z wykonania planu finansowego*, National Health Fund, Department of International Affairs (2008).

patients paid for treatment received at Polish healthcare institutions – usually dental care and one-day surgery²⁹². It is worth stressing that cross-border medical services were settled without any problems in practice, both in terms of treatments provided to EU citizens in Poland, as well as refunds and transfers for medical services provided to Polish citizens in other Member States – both based on the European Health Insurance Card and E112 form²⁹³.

It might be expected that with the increased mobility and improved legislation regarding the rights of patients, awareness of patients' rights in Poland should increase after the accession. The facts are however different and the awareness level is still low: in 2001, under one fifth of adult Poles declared that they'd heard about patients' rights and were familiar with them. The majority of respondents claimed that they had heard of patients' rights, but not in detail²⁹⁴. In 2008, 50% of Poles were aware of patients' rights, but only 19% of respondents had more specific knowledge on any of these rights²⁹⁵.

The role of EU funds in the modernisation of the Polish healthcare system

As part of the EU convergence policy, Poland as a whole and individual regions received funds to be used to reach standards in healthcare equal to the EU average. UE funds were available to Poland already in the pre-accession period, and after the accession the pool further increased²⁹⁶. In the period 2004–2008, upgrade of the Polish healthcare system was carried out under the following programmes: INTERREG, SOP Human Resource Development, SOP Improvement of the Competitiveness of Enterprises, and Integrated Regional Operational Programme (IROP). The total value of projects financed under these instruments reached nearly EUR 700 mln, of which over EUR 466 mln was co-financed by the EU. We must not forget the additional funds available under the EEA Financial Mechanism and the Norwegian Financial Mechanism, as well as the Swiss-Polish Cooperation Programme. IROP was the largest programme involving the transfer of funds for the upgrade of the Polish healthcare system²⁹⁷.

²⁹² *Turystyka zdrowotna kwitnie*, "Dziennik Polski", 19 June 2007.

²⁹³ *Czy niemieckie kasy chorych próbują naciągnąć NFZ?*, "Dziennik Zachodni", 9 October 2006.

²⁹⁴ *Wiedza o prawach pacjenta. Komunikat z badań centrum badania opinii społecznej*, CBOS, 06.2001.

²⁹⁵ SMG KRC, study for Instytut Praw Pacjenta i Edukacji Zdrowotnej (the Institute for Patients' Rights and Health Education), 02–03.2008.

²⁹⁶ A. Koziarkiewicz, *op.cit.*, p. 10.

²⁹⁷ Source: Ministry of Regional Development, Department of Coordination and Implementation of Regional Programmes (2009).

In 2007–2013, the financing of the development of healthcare in Poland was based primarily on two programmes, i.e. Regional Operational Programmes (ROP) and Operational Programme (OP) Infrastructure and Environment. Under the first of these instruments, the total of over EUR 597 mln was assigned to the support of healthcare infrastructure in different regions of Poland. In addition, nearly EUR 350 mln was earmarked for the improvement of the quality of medical services under OP Infrastructure and Environment²⁹⁸. These amounts were allocated to healthcare purposes in general, and their specific application was usually determined at a local level, i.e. in such a way as to use these funds in the implementation of most urgent and necessary projects in a given region or local community.

Financing of the Polish healthcare under IROP

In 2004–2006, IROP funds were used mainly to strengthen the regional and local healthcare infrastructure in individual regions. Poland was characterised by significant disparities between different regions in terms of healthcare infrastructure development. In regions with underdeveloped healthcare infrastructure, the access to highly specialised checks and treatment was to a considerable extent limited²⁹⁹. The most important actions with the objective of strengthening the regional and local infrastructure in 2004–2008 included, among others, reconstruction and upgrade of healthcare facilities: reconstruction and provision of equipment for operating theatres and treatment rooms, or adaptation of facilities to the needs of patients, especially people with disabilities. EU funds were also used to support the modernisation, purchase of new medical equipment, construction, and furnishing of Emergency Response Centres responsible for taking calls using emergency numbers 999, 998, and 112. Financing the purchase of ambulances and medical equipment, (resuscitation, accidents, neonatal) as well as modernisation of aircraft, including helicopters used by medical rescue services was of key importance for the safety of patients and the response time. Financial assistance was also used in projects for the purchase of diagnostic and therapeutic medical equipment, especially for the diagnosis and treatment of cardiovascular diseases and cancers, including mammography, CT and ultrasound testing equipment, as well as medical rescue equipment³⁰⁰.

²⁹⁸ *Ibid.*

²⁹⁹ A. Koziarkiewicz, *op.cit.*, p. 13.

³⁰⁰ Source: Ministry of Regional Development, *op.cit.*

As a result, 521 healthcare centres received financial assistance under IROP at the local and regional level, and 4637 pieces of medical equipment were purchased. Projects involving the purchase of medical equipment were very popular among beneficiaries, and their number was much higher than initially expected³⁰¹. It is worth stressing that funds granted under IROP were used to implement infrastructural investments which were often absolutely necessary to save human lives. Without the EU support, some of these projects would have never been implemented³⁰².

Regional Operational Programmes and OP Infrastructure and Environment

The vast majority of funds assigned under the financial perspective 2007–2013 to the Polish healthcare sector were distributed through Regional Operational Programmes and OP Infrastructure and Environment. Regional Operational Programmes are managed by regional authorities and were used to transfer funds for local and regional investments where they were needed most. Local programmes provided assistance to healthcare centres other than managed by public universities and the Ministry of Health. In particular, these funds were spent on projects such as healthcare infrastructure or improvement of social security and health protection of local communities. In practice, the 2009 estimates indicated that funds earmarked for 2007–2013 made it possible to purchase 600 ambulances, reconstruct 100 health centres, and train 24 thousands of nurses and midwives³⁰³.

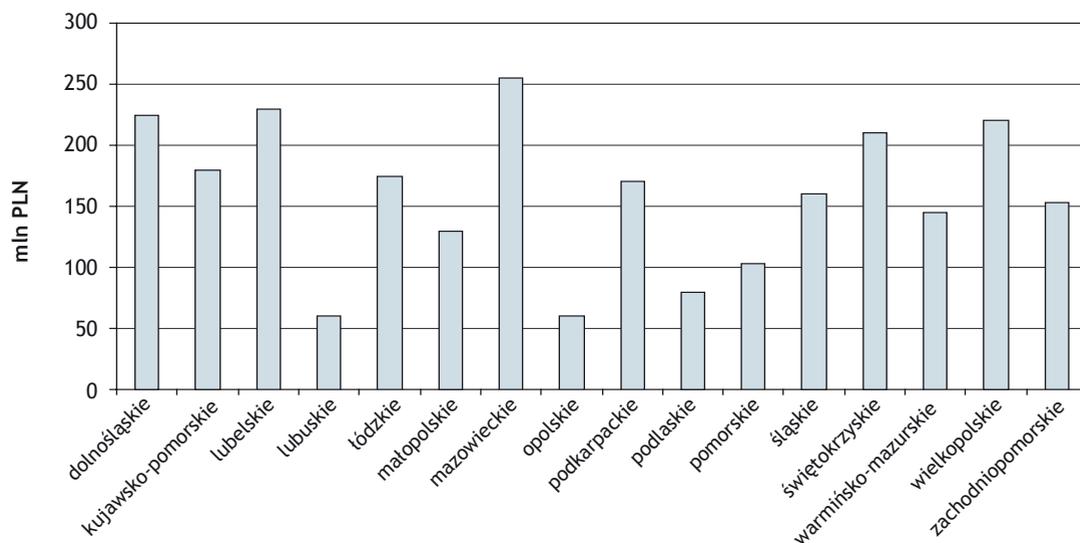
OP Infrastructure and Environment provided financial assistance i.a. to medical rescue projects, as well as purchase and upgrade of specialised medical transport equipment. These funds were also used to construct, refurbish, and buy additional equipment for the Air Rescue Service bases, as well as to purchase and upgrade helicopters, deployed in close vicinity of hospital emergency wards. In addition, funds were spent on projects involving the reconstruction, extension, upgrade, and purchase of additional equipment of certain healthcare centres, such as the existing and planned hospital emergency wards and trauma centres. The purchase of medical products necessary for the diagnosis and treatment of patients in emergency situations was also co-financed under OP IE.

³⁰¹ As at 30 June 2008.

³⁰² *Miliony euro zmieniają Śląsk*, "Gazeta Wyborcza Katowice", 01 May 2007.

³⁰³ Source: "Euro na zdrowie", joint conference of the Ministry of Regional Development and Ministry of Health, January 2009.

Chart 3. Funds assigned under ROPs to support healthcare (in PLN mln, at the exchange rate of 30 December 2008) by Region



Source: Ministry of Regional Development

In addition, OP IE funds were earmarked for the construction and purchase of equipment of Regional Emergency Response Centres so that they can efficiently handle emergency line (112) calls and direct them to the relevant Police unit, fire department, and emergency ambulance services, in line with the requirements defined in the relevant legal regulations. State-of-the-art technologies financed by the EU were used to identify the caller and dispatch the nearest unit of the relevant services³⁰⁴.

Polish hospitals, health resorts and sanatoria, private health centres and outpatient clinics (with up to 10 employees) could apply for the financing of up to 70% of the project value. In the implementation period 2007–2009, these funds undoubtedly contributed to the modernisation of Polish healthcare centres and their upgrade to high technical and sanitary standards³⁰⁵. Impressive quantities of medical devices and equipment purchased in Poland using EU funds, and the fact that the number of co-financed projects was higher than initially assumed, prove that these funds were much needed and played a major role in the process of modernisation of the Polish healthcare sector.

³⁰⁴ *Dzwoni na 112. Znajdą cię*, "Gazeta Wyborcza", 04 June 2008.

³⁰⁵ *Unia wspiera polskie szpitale*, "Gazeta Prawna", 8 April 2008.

Poland's participation in EU's epidemiological surveillance network

Since its accession to the EU, Poland has been covered by the European epidemiological surveillance network established back in 1999³⁰⁶, in practice based on the early warning and response system (EWRS)³⁰⁷. According to the Commission's assumptions, EWRS³⁰⁸ is reserved only for incidents of significance for the Community. The main task of the system and network was to provide on-going monitoring and immediate identification of potential epidemiological threats. The network helped the EU coordinate the launch of rapid response mechanisms. The network consists of public healthcare institutions responsible for the monitoring and emergency response in Member States. In the case of new Member States, including Poland, the system generated several warnings in 2004, of which three were connected with sudden cases of acute diarrhoea, and others were related to isolated cases of Dengue virus, Legionella, Shingella, as well as West Nile virus. Out of 10 warnings recorded in 2005, eight were assigned activation level 1, and two were connected with notification on the planned actions to be taken in response to specific events. Events connected with sudden cases of bird flu, acute diarrhoea, and Salmonella infections were recorded twice, and isolated cases were connected with tick-borne encephalitis, malaria, food poisoning, and cholera. In 2005, after bird flu casus were detected in Europe, the European Commission immediately notified Member States accordingly. As a result of this immediate exchange of information based on messages and telephone conferences, actions were taken to prepare the EU for the potential pandemic. Member States were regularly informed of any national-level activities through EWRS, and a common response was agreed on at the community level³⁰⁹. Whenever any bird flu case was suspected in Poland, samples were sent immediately to the Community reference laboratory for analysis, to determine whether they contained the H5N1 virus which is dangerous for humans³¹⁰. If any such threat is identified, actions coordinated at the European level are taken. Although in the period of the first five years of Poland's

³⁰⁶ Decision No 2119/98/EC of the European Parliament and of the Council of 24 September 1998 setting up a network for the epidemiological surveillance and control of communicable diseases in the Community (Official Journal 1998 L 268, p. 1, as amended).

³⁰⁷ *Ibid.*

³⁰⁸ Decision 2000/57/EC of the European Parliament and of the Council of 22 December 1999 on the early warning and response system for the prevention and control of communicable diseases (Official Journal 2000 L 21, p. 32, as amended).

³⁰⁹ Report from the Commission to the Council and the European Parliament on the operation of the Early Warning and Response Systems (EWRS) of the Community Network for the epidemiological surveillance and control of communicable diseases during years 2004 and 2005 (Decision 2000/57/EC), KOM(2007) 121.

³¹⁰ *Wirus ptasiej grypy już w Polsce*, "Gazeta Wyborcza", 06 March 2006.

membership in the EU no events occurred that would require the full-scale application of all features of the EWRS, preventive measures implemented under this system increased the level of epidemiological safety in Poland and shortened the time of response of relevant services.

Working time and healthcare personnel remuneration

As a result of the implementation of EU working time regulations and judicial decisions of the Court of Justice of the European Communities³¹¹, situation of Polish healthcare personnel changed. The time spent on-call is now considered normal working time and included in the maximum weekly working time defined in the directive³¹². Despite certain concerns, Polish healthcare institutions adjusted their practices to these new regulations and working time became more regulated³¹³, and a higher level of safety was guaranteed to employees – given the minimum daily rest period of 11 consecutive hours per 24-hour period. In addition, the 2004–2006 upward trend in the average level of remuneration of healthcare personnel continued. The period saw a 30% increase³¹⁴, and more significant rises in salaries of doctors are to be expected in the nearest future³¹⁵. After a period of uncertainty as to the regulation of working time of healthcare Staff, the situation has now become more stable. It is difficult to provide an objective assessment of the actual impact of EU legislation on the situation of healthcare personnel in Poland vs. the previous legal framework, but the rise in salaries and additional protection in the form of uninterrupted daily rest (which was not regulated before) indicates that EU membership was to the benefit of healthcare personnel.

Pharmaceuticals market: parallel trade

EU membership influenced also the Polish market of pharmaceutical products. With the parallel trade, resulting from the development of internal market, it is now

³¹¹ Cases C-303/98 Simap and C-151/02 Jaeger.

³¹² Directive No 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time (Official Journal 2003 L 299, p. 9).

³¹³ *W szpitalach niepewność*, "Rzeczpospolita", 27 December 2007.

³¹⁴ A. Ruzik, *Wynagrodzenia w ochronie zdrowia*, "Stan finansów ochrony zdrowia", Zeszyty BRE Bank – CASE 2008, no. 97, p. 15.

³¹⁵ *Lekarze zarabiają nawet 30 tysięcy*, "Dziennik", 12 August 2008.

possible to buy the same medicines at lower prices. Parallel trade is the import of pharmaceutical products from countries where they are priced lower to countries where their prices are higher, without any additional charges or formalities. The registration procedure regulated at the EU level and simplified rules of re-packing were the basis for the development of parallel trade also in Poland. In 2008, pharmaceuticals coming from parallel trade were included in the reimbursed drugs list for the first time ever. In four cases, prices of these products were lower, and in three other cases parallel trade brought some savings to the National Health Fund³¹⁶. In addition to reimbursed drugs, parallel trade contributed to the reduction of prices of generally available products such as aspirin, which was imported from Greece and its price was cut by nearly 50%³¹⁷.

In this context, we should also note the impact of EU membership on the rules of trade in pharmaceuticals: safety and quality of medicinal products improved after the application of EU laws³¹⁸. It is also possible to recall from the market any counterfeit products posing a threat to consumer safety³¹⁹.

Conclusions

In the area of consumer protection, the key role of *acquis communautaire* must be stressed, taking the form of numerous directives implemented in Poland, institutional changes, and activities of Polish consumer protection institutions. The list of rights of Polish consumers grew longer, resulting in the improvement of consumer protection in many areas of the economy. Activities of the President of OCCP and the Office itself were also invaluable. In particular, actions for the protection of the collective interest of Polish consumers, sector-specific reports, monitoring of product quality (including fuels), as well as promotion of customer awareness, were of particular importance. They translated into an increased awareness of Polish consumers and their activities for the protection of their rights.

Cooperation between consumer protection institutions in different Member States was also important. With the RAPEX system it is now possible to identify and eli-

³¹⁶ Więcej medykamentów na liście leków refundowanych, "Polska The Times", 17 June 2008.

³¹⁷ *Ibid.*

³¹⁸ Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use (Official Journal 2001 L 311 p. 67.), Commission Directive 2003/94/EC of 8 October 2003 laying down the principles and guidelines of good manufacturing practice in respect of medicinal products for human use and investigational medicinal products for human use (O 2003 L 262 p. 22).

³¹⁹ Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (Official Journal 2003 L 196 p. 7).

minate products that pose a threat to our life and health in the European market. In addition, given the increased mobility of Polish citizens after the accession, EU activities in the area of protection of passenger rights and reduction of mobile roaming prices had positive effects.

In the area of public health, the first five years of Poland's membership in the EU brought about a number of changes improving the quality and safety of healthcare products and services, extending the scope of rights of Poles as their beneficiaries. At the same time Poland kept most of its competencies and the responsibility for the overall organisation of its healthcare system, e.g. as regards definition of national healthcare priorities³²⁰. First of all, as of the accession date, Poland has participated in the system of coordination of social security systems. As a result, Poles now enjoy health protection coverage on an unprecedented scale – the right to receive free medical services in other Member States under their national health insurance. This right covers both tourists and workers travelling to other Member States. In addition, the right to receive treatment difficult to obtain in Poland was a chance for many Polish citizens to save their life and health. Obviously, coordination of healthcare systems meant additional costs on the part of Poland, but they turned out to be low when compared to the total healthcare spending. Poland's participation in the epidemiological response network (early warning and response system – EWRS) was also important – it ensures immediate identification of epidemiological risks and coordinated action in response to these risks.

In addition to the above direct benefits for Polish patients, injections of EU funds into the Polish healthcare system in the past five years were crucial. These funds were used to upgrade and modernise this system, including purchases of equipment for a number of healthcare facilities, construction of medical rescue centres, or training for healthcare personnel. EU funds did not solve all problems faced by the Polish healthcare system, but definitely reduced their number and scope. Financial assistance from the EU budget made it possible to upgrade and modernise this sector, and purchase the necessary equipment³²¹. Although the overall responsibility for public health still resides with Polish authorities, the impact of EU membership was extensive and positive – in most cases.

In view of the above, we may conclude that the European Union membership had a positive effect on the situation of Polish consumers and Polish healthcare system. As for consumer protection, although the number of applicable regulations increased

³²⁰ A. Kozierkiewicz, *op.cit.*, p. 4.

³²¹ *Ibid.*

considerably, it had an overall positive effect on the level of protection: these regulations were introduced in areas where consumers had not been covered by any protection system before. As a result, activities of consumer protection institutions and courts became more intensive, and consumer awareness improved. It may be expected that practices in this area will become even more “civilised”: when faced with a large number of consumer protection measures, enterprises (in particular large companies) will be less inclined to take fraudulent and abusive actions, and to take advantage of the weaker position of consumers. On the other hand, better informed and more aware consumers are likely to exercise their rights on their own.

In the area of public health, coordination of social security systems was particularly beneficial for Polish patients. Despite certain administrative burdens, this system seemed to work effectively, increasing the scope of healthcare coverage for Polish patients. EU funds brought about an opportunity to invest in Polish healthcare systems. This trend should be maintained and we should expect that the balance of expenditures under the financial perspective 2007–2013 will be as good as in 2004–2006.

Social perception of the Polish membership of the EU

The accession of Poland to the European Union (EU) should be regarded not only as a political and economic, but also as a social event. At that time, over 38 million Polish citizens acquired formal European citizenship and thus a new wider point of reference for their own identity.

Social processes and changes are complex and multi-faceted. To measure them, apart from objective socioeconomic indicators, opinion polls are used, which provide the subjective assessment of a phenomenon (object, its features) and views on specific topics of the surveyed population. It is important to note, however, that the opinions and views expressed by citizens in dozens of surveys are not static, but rather form a continuous process. They reflect the rate of change in moods, evaluations and social expectations, as well as sensitivity to the economic and political environment. The latest results of public opinion research indicate that the global financial crisis has had a significant impact on many of the analysed variables, some of which recorded unprecedented values.

The wide timeframe seems necessary to understand the specific nature of changes, which is why Poles' attitude trends towards the European Union were monitored by many research agencies from as early as the mid 1990s³²². The attempts to combine those results into a meaningful summary were obstructed by methodological discrepancies observed among individual surveys. While some of the surveys have and are being performed regularly, allowing to compare and outline a trend, others were not repeated at regular intervals.

³²² The support for the EU membership is measured e.g. by CBOS, Ipsos, TNS OBOP, PBS DGA, Millward Brown SMG/KRC, GfK Polonia, Pentor, ARC Rynek i Opinia. Some of the surveys were commissioned by the Department of Analyses and Strategies of the Office of the Committee for European Integration as part of an Omnibus (a monthly monitoring of attitudes based on direct interviews) and in-depth qualitative research, others were carried out independently by the said agencies. The results of public opinion polls from 2003 onwards are available at www.ukie.gov.pl.

The studies outlined below seek to assess the social perception of Polish membership of the European Union. Their aim is to pinpoint dominant trends, as well as variables which determine support for or reluctance towards the EU. It is assumed that the distribution of responses in favour of the accession to the EU varied among individual social groups. The analyses were also aimed at capturing the dynamic of benefits and costs resulting from the accession as perceived by respondents.

Support for the EU against the background of other member states

It is widely believed that Poland is one of several EU states where the highest enthusiasm towards the membership can be noted. Undoubtedly, between the years 2005 and 2009, the average share of Poles believing that Polish membership of the EU is “something good” exceeded the average for the entire EU. However, this difference became considerable (10 percentage points) only in the third year of membership, while during the two years following the accession it fluctuated somewhere near or above the EU average and often within the allowed range for statistical error. The aim of this study is not to explain the possible reasons for discrepancies, as this is a topic for a separate discussion. There are possibly as many factors that may influence changes in attitudes towards the European Union as there are EU member states. Some of them are internal and country-specific (related to the situation in the country, e.g. support for the govern-



fig. TADEUSZ KROTOS. What's wrong with you? Everybody wants to be in EU

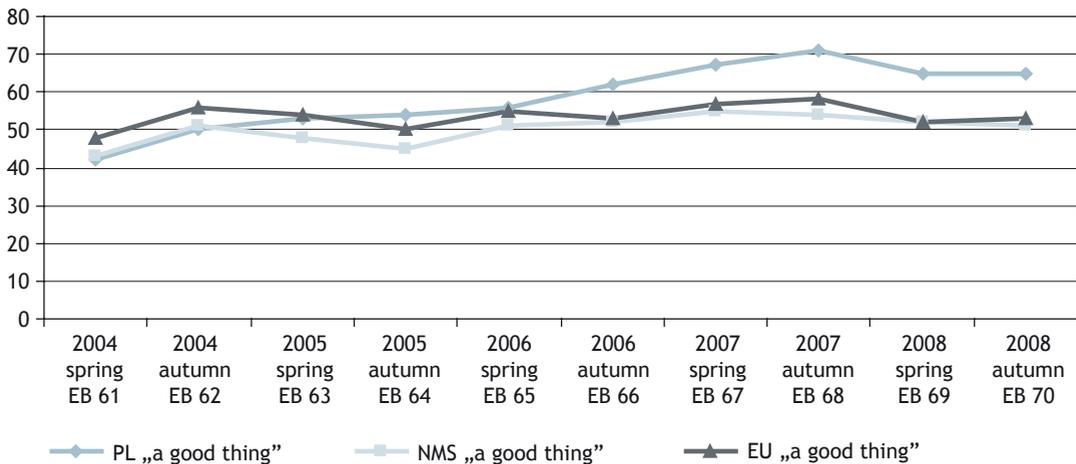
ment, economic development indexes), others result from reasons independent of the country's internal processes (e.g. situation in global markets).

No universal pattern of adapting to the social change, i.e. accession to the EU, has been observed. Surely, there have been some similarities between the member states, however, the notion of “new member states” sho-

uld be regarded rather as a category covering the majority of states of the former Central and Eastern block, which acceded to the EU on 1 May 2004. Each of the analysed states is characterised by different socio-cultural properties which affect its capability to adapt to the changing times as well as the perception of these changes as viewed by its citizens. The assessment of distribution of responses to the regularly asked question regarding the support for the state's membership of the EU confirms that differences exist. Their fluctuations are illustrated by in diagram 1.

Chart 1. Support for the state's membership of the EU among Poles, citizens of the new member states and EU citizens in general

Generally speaking, do you think that your country's membership of the European Union is...?



Source: Standard Eurobarometer 61–70 (spring 2004–autumn 2008)³²³.

The chart above shows that the average for EU-10 countries displays a trend similar to the average recorded by the EU-27 countries, with values only slightly lower (by no more than 6 percentage points). Against this background, the support expressed by the citizens of Poland stands out especially when it is rising while the two other average values are dropping (period between autumn 2004 and autumn 2005).

A more in-depth analysis shows that a high level of support for the EU in Poland resulted rather from its systematic and gradual increase, and which in turn resulted from

³²³ In the Standard Eurobarometer 61, the average for the EU 15, NMS average for 10 candidate countries in the Eurobarometer survey 62-66; average for EU 25; in Eurobarometer 67-70 average for EU 27, NMS 12.

increasing awareness related to the benefits gained. There has been no turning point in Poland which would mark the increase or drop in support, and neither has there been a deviation exceeding 8 percentage points per six months. When compared with countries such as Estonia, Lithuania, Cyprus or Hungary, where the differences between consecutive surveys amounted to 12, 17 or even 21 percentage points, Poland recorded a rather stable (but rising) trend as regards the support for the EU, not affected by serious fluctuations³²⁴. The analysis of the Eurobarometer surveys performed between 2004 and 2008 confirms the above.

A moderate enthusiasm of Poles was visible shortly after the accession. According to opinion polls³²⁵, in 9 out of 10 new member states, an abrupt increase in support for the European Union was recorded, e.g. in Slovakia (by 11 percentage points), Slovenia (by 12 percentage points), Lithuania (by 17 percentage points) and Estonia (by 21 percentage points). Also in Poland, the support for the state's membership of the EU had been growing, although in less spectacular terms (by 8 percentage points). What is important, although the average rate of "yes" response to the statement "membership of the EU is a good thing" as answered by the new member states amounted to 51% , the average for all 25 member states at that time increased by as much as by 8 percentage points, totalling 56%³²⁶. Both these and later results show that the EU enlargement caused the increase in support also in the old member states.

The survey performed a year after the accession revealed that the initial euphoria was on the wane. While in the most of "new" states the support for the EU dropped (by as much as 10 percentage points in Lithuania), the Poles' support was slightly growing (increase by 3 percentage points)³²⁷. Further research confirmed that tendency. The Eurobarometer survey performed in autumn 2005 recorded further drops in support, by 4 percentage points in the entire EU, in EU-12 – by 3 percentage points³²⁸. In the same period, when in 8 out of the 10 "new" EU states the support for membership of the EU was dropping (e.g. by 7 percentage points in Estonia), the percentage of Poles supporting Poland's membership of the EU increased by 1 percentage point³²⁹. This moderate increase was recorded again in the next survey (by 2 percentage points), at a time when the entire EU was carried by a wave of enthusiasm – the average for

³²⁴ The average change amounted to 3.9%, the highest was 8% (own calculations based on the Eurobarometers).

³²⁵ Standard Eurobarometer 62, full report, fieldwork: October–November 2004, publication: May 2005, p. 69.

³²⁶ Standard Eurobarometer 62..., *op.cit.*

³²⁷ Standard Eurobarometer 63, full report, fieldwork: May–June 2005, publication: September 2005, p. 96.

³²⁸ Standard Eurobarometer 64, full report, fieldwork: October–November 2005, publication: June 2006, p. 53.

³²⁹ Standard Eurobarometer 64..., *op.cit.*, p. 53.

EU-25 totalled 55% (increase by 5 percentage points), for EU-10 – 50% (increase by 5 percentage points), and in individual countries, such as Estonia, Hungary and Slovenia even by 10–11 points³³⁰!

A further Eurobarometer survey in autumn of 2006 showed a 2 point increase in support for the EU among the new member states and a two-point drop in support among the citizens of all 25 states³³¹. As a result, the average values were almost the same. From that moment on, the distinct advantage in favour of the number of Poles supporting their state's membership of the EU has been clearly visible. Similar results were also recorded in Lithuania and Slovakia, while Hungary saw a ten-point drop in support³³².

The next Eurobarometer survey was performed in spring 2007, after the enlargement with Bulgaria and Romania. The average percentage rate of supporters of their state's membership of the EU totalled 57% (58% at the next survey), which was the highest value since 1994³³³! As mentioned earlier, this was affected not only by average values among the new member states, but also (or even most of all) among the citizens of Germany, Denmark, the Netherlands, Portugal and the UK. However, a survey carried out a year later (spring 2008) disclosed a major drop in support for the EU – 6 percentage points among all states (similarly as in Poland)³³⁴. The next Eurobarometer survey performed at the turn of November 2008 coincided with the financial crisis and thus showed a deterioration of the social mood. This is also noted in responses to the question whether the state's membership of the European Union is a good or a bad thing. Despite the fact that the average remained at a similar level (or even increased by 1 percentage point), many states, including the new ones (Cyprus, Malta), responded with a drop in support for the European Union by a dozen or so points. In Poland it remained unchanged. In Hungary and Latvia, slight drops were recorded, but due to the systematic decrease in support in those countries, it is alarmingly low at the moment (31% in Hungary and 27% in Latvia) when compared to increasing drop in support (21% and 21% respectively)³³⁵.

All quoted results prove that there have been different responses to the social change which was caused by the accession to the EU. The moderate “strategy” of the Polish society gives a chance for a balanced response also in the time of a global crisis. Reasonable

³³⁰ Standard Eurobarometer 65, full report, fieldwork: March–May 2006, publication: January 2007, p. 76.

³³¹ Standard Eurobarometer 66, full report, fieldwork: September–October 2006, publication: September 2007, p. 119.

³³² Standard Eurobarometer 66..., *op.cit.*, p. 119.

³³³ Standard Eurobarometer 67, full report, fieldwork: April–May 2007, publication: November 2007, p. 95.

³³⁴ Standard Eurobarometer 69, full report, fieldwork: March–May 2008, publication: November 2008, annexes.

³³⁵ Standard Eurobarometer 70, first results, fieldwork: October–November 2008, publication: December 2008, annexes.

and well-established support for Polish membership of the EU is best proven by the fact that since May 2008 the differences between consecutive surveys hovered within the range of the statistical error. Obviously, at the moment it is not possible to predict moods on the fifth anniversary of the accession. Nevertheless, the tendencies observed to-date support the claim that no dramatic changes are to be expected in the support of Poles for the EU.

Divergent support levels for Polish membership of the EU

The arithmetic mean, which has been frequently quoted to date, is one of the most popular statistical units of measure. It shows the average value of a property present in a sample (and population), however it does not tell us how diverse internally (dispersed) the property is. To answer this question, we use a detailed analysis of response distribution. Obviously, in individual social groups, a certain feature or attitude is encountered more or less frequently than the average. Further in this chapter, the some light will be shed on the social diversity of support for Poland's membership of the European Union. There are many categories that may be considered, e.g. age, gender, income, education or professional standing. Due to the limited scope of this discussion, the analysis will cover only certain (extreme, as regards the support) social groups. Nevertheless, the statistical correlations are also present with respect to other variables. The changes in support for the Polish membership of the European Union in individual social groups are presented in chart 2.

These results show key trends regarding the support for Polish membership of the EU as recorded in the Polish opinion polls³³⁶. Just a rough analysis shows considerable discrepancies in the support for the integration with the EU which often reach as high as 40 percentage points. They will be briefly analysed in the next section.

Farmers comprise a group which, in terms of social perception, is one of the main beneficiaries of changes after 1 May 2004³³⁷. A positive opinion on Poland's membership of the EU was expressed much less frequently by farmers themselves than other citizens of Poland (by 12 percentage points on average). Concurrently, only 66% (with the average for all respondents totalling 75%) of them believed that Poland's membership of the EU had a positive effect on the operation of individual farms in Poland³³⁸. After four

³³⁶ For more on support for the membership of individual social groups see *Spoleczny bilans korzyści i kosztów członkostwa [Summary of social benefits and costs of membership]*, Elżbieta Skotnicka-Illasiewicz ed., Warszawa 2003.

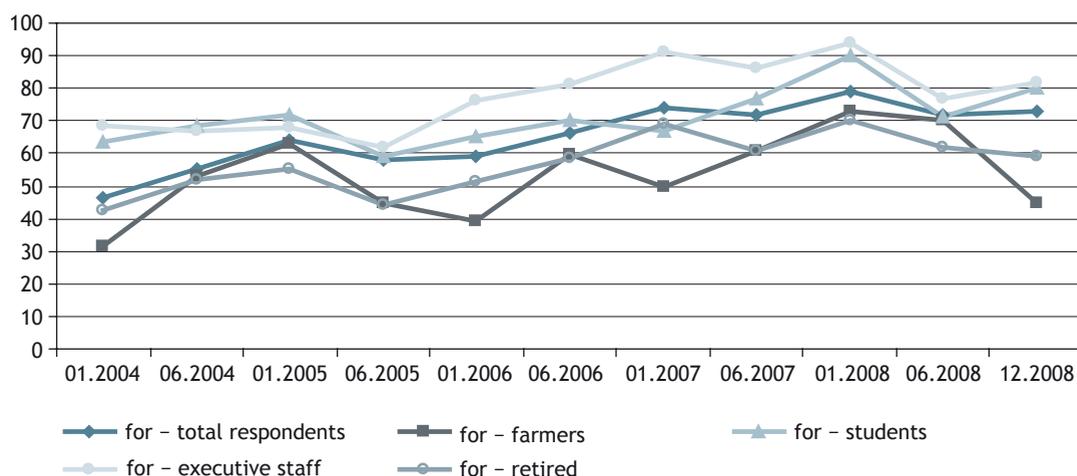
³³⁷ This pertains in particular to owners of larger farms, according to the surveys 71% of respondents believe that they benefited from Polish accession to the EU, GfK Polonia, commissioned by DA UKIE, May 2008.

³³⁸ *Bilans czterech lat członkostwa Polski w Unii Europejskiej [Summary of Poland's five years in the European Union]*, CBOS, BS/66/2008, April 2008, p. 24.

years of membership, the percentage of those convinced that farmers benefited from the membership of the EU went up by 48 percentage points against 2004, reaching 75%³³⁹. Despite the fact that the support for the EU is relatively seen the lowest among farmers, the increase is impressive in comparison to results recorded before the accession. For instance, the results of the survey performed in March 2004 (2 months prior to the accession) showed that if the referendum on membership was to be repeated, 42% of farmers would vote against it (only 13% at the moment)³⁴⁰.

Chart 2. Support for the Polish membership of the EU (2004–2008) in various social groups

If voting (referendum) on Poland's accession to the European Union was to be held once more this Sunday, would you vote for or against Poland's accession to the European Union?



Source: SMG/KRC (2004), Pentor (2005), SMG/KRC (2006), Pentor (2007), GfK Polonia (2008) commissioned by DA UKIE. Results of monitoring using 2 measurements a year (every 6 months).

The next analysed social category, i.e. students, posed certain methodological problems due to a differing classification of the group either as “university students and school youth” or simply as “university students”. Regardless of the accepted typology, this group displayed significant deviation from the arithmetic mean (by 6 percentage points on average). At the same time, similarly as farmers, this group is perceived as chief beneficiaries of the accession. However, young people are aware of their benefits – as many as 79% of

³³⁹ *Ibid*; Bilans dwóch lat członkostwa Polski w Unii Europejskiej [Summary of Poland's five years in the European Union], CBOS, BS/76/2006, April 2006.

³⁴⁰ Monitoring by SMG/KRC commissioned by DA UKIE, March 2004; Monitoring by GfK Polonia commissioned by DIE UKIE, December 2008.

respondents aged 20–29 and 78% of students declared that accession was beneficial for their group³⁴¹. The survey carried out on the eve of the fourth anniversary of the accession showed that the percentage of students “personally supporting the Polish membership of the European Union” totalled 99% (the average was 88%)³⁴². Benefits from the integration were noticed not only in the individual, but also national dimension, as 80% of high school and university students believed that Poland benefited from the accession (average for the entire sample totalled 64%)³⁴³. This and other surveys show that students are a social group marked by one of the highest EU support rates. In December 2008, 80% of them declared that they would vote “yes” if the accession referendum were to be held again³⁴⁴.

Fewer advocates of accession could be found among old age and disability pensioners. Chart 2 shows that (next to farmers) this group supports the Polish membership of the EU less frequently. This does not, however, mean that reluctance and disapproval were the dominating feelings towards integration, considering that the poll results carried out in December 2008 found 59% of pensioners to vote “yes” in a potential referendum and only 14% to vote “no”³⁴⁵. The combination of results regarding the perceived individual benefits (11%) and those indicating benefits for Poland (75%) or for young people (74%) shows that elderly people who are not active professionally did not expect any gains from the accession (54% said that their situation had not changed) for themselves, but were rather driven by the national interest and the well-being of the young generation³⁴⁶. Pensioners, due to their financial status, rarely reap the benefits of the accession, e.g. freedom of movement, or work. However, they often appreciate the improvement of Poland's image in the world (67%) and assurance of security (55%)³⁴⁷.

The last of the surveyed groups, i.e. executive staff, also posed problems related to the methodology. In individual surveys, different categories are used (“specialists, owners and company directors”, “the executive staff and intelligentsia”, “directors and liberal professionals” etc.). Hence the conclusions presented below should be treated with caution. Also, the very category of the “executive staff” is not homogenous³⁴⁸. The attempt to summarise the results presented in chart 2 shows that this group supports Polish membership of the EU more often than the respondents in general. The survey

³⁴¹ Monitoring by GfK Polonia commissioned by DA UKIE, May 2008.

³⁴² Bilans czterech lat członkostwa..., *op.cit.*

³⁴³ *Ibid.*

³⁴⁴ Monitoring by GfK Polonia commissioned by DIE UKIE, December 2008.

³⁴⁵ *Ibid.*

³⁴⁶ Bilans czterech lat członkostwa..., *op.cit.*

³⁴⁷ Monitoring by GfK Polonia commissioned by DA UKIE, *op.cit.*

³⁴⁸ Some surveys differentiate between owners of small production and service companies and larger enterprises (national and international).

performed in December 2008 showed that 82% of “I would vote for the accession to the European Union” – responses were recorded among people who belong to the “specialists, owners, directors” category³⁴⁹. Also the latest Eurobarometer report shows that respondents holding executive positions declared satisfaction from the membership of the EU more often (86%) than respondents in general (65%)³⁵⁰.

The four analysed groups surely do not exhaust the topic of diversity regarding the broad concept of support for the Polish membership of the EU, but rather serve as examples. In practice, individual socio-economic and demographic variables occur in varying intensities and correlate with one another. To sum up the discussion on the differences within the support for integration, the results of surveys concerning the socio-economic profile of supporters of Poland's membership of the European Union are presented. The Eurobarometer survey performed in autumn 2008 is consistent with the results of spring 2008. It was concluded, that the younger (80% of respondents aged 15–24 versus 54% oldest respondents), the better educated the respondent (72% of respondents with higher education versus 45% primary school graduates) and the larger their town (74% city dwellers versus 58% rural residents), the stronger support for the EU they displayed³⁵¹. Positive correlation of the first two variables (age and education) with the support for the EU is rather in line with the common conviction that the young and educated people benefited most from the accession. However, the interdependence between the support for the EU and size of the town seems contradictory to the commonly held belief that the Polish rural areas benefited from the accession. The relatively sceptical attitude of rural residents confirms the previous conclusions concerning farmers. Nevertheless, these categories (farmers and rural residents) are not unambiguous.

Also the very support for the Polish membership of the EU is not equivocal with (although it is to a considerable extent overlapping) perceiving the benefits and costs resulting from the accession. This issue will be discussed in a separate section.

Social views on the consequences of the accession

As was mentioned before, the attitude of Poles towards the European Union over the entire analysed period displayed a steady increase rather than sudden drops or gro-

³⁴⁹ Monitoring by GfK Polonia commissioned by DIE UKIE, *op.cit.*

³⁵⁰ Standard Eurobarometer 70, national report, carried out in: October 2008, publication: January 2009, p. 27.

³⁵¹ Standard Eurobarometer 70, national report..., *op.cit.*, p. 27.

wths. At the same time and proportionally to the support for the EU, the percentage of those who perceived benefits from the accession has been increasing year on year.

The surveys show that the perception of costs and benefits from the membership and support for the Community was influenced by similar variables – educated Poles (80%), inhabitants of larger urban centres (82%) were statistically more frequently convinced of the benefits to be gained from the accession than uneducated respondents from rural areas³⁵². Those with the poorest education (27%), oldest (20%) and inhabiting the north-western part of the country (20%) expressed an opposite opinion, arguing that Poland did not benefit from the accession³⁵³. These results are confirmed by a report on another survey. It says that respondents with university-level education (79%), income per capita in the household exceeding PLN 1,200 (79%) and below 24 years of age (76%) were most frequently convinced of benefits from the accession³⁵⁴. Among social and professional groups, those who perceived benefits most frequently were the executive staff, intelligentsia (79%), junior white collar workers (78%), as well as university and school students from among the non-active in terms of work (80%)³⁵⁵.

The terminology used thus far (“benefits”, “disadvantages”) did not differentiate between the areas of life that the analysed consequences would apply to. Hence, individual aspects of perceived benefits will be focused on in a later part of this study.

The freedom to travel, study and work in any state of the EU are the most often quoted benefits of accession. Open borders constitute one of the most tangible effects of the accession³⁵⁶. Other specified benefits are related to the economic aspects, e.g. the reduction of unemployment, inflow of funds, subsidies (especially for agriculture), development and modernisation. To sum up, in April 2008 as many as 3/4 of respondents believed that the Polish economy benefited from the membership (in 2004, 40% was of that opinion)³⁵⁷, and in October 2008, 61% declared that: they felt “that the country was more economically stable as a member of the European Union”³⁵⁸.

The analysis of responses given in the Polish opinion polls from the previous years shows how the social perception of individual consequences of integration was changing (chart 3).

³⁵² *Ibid.*, p. 29.

³⁵³ *Ibid.*

³⁵⁴ *Bilans czterech lat czlonkostwa..., op.cit.*, p. 3.

³⁵⁵ *Ibid.*

³⁵⁶ At the same time, along with this trend, social fears as to the brain drain (that is outflow of expert staff to other EU states) are arising. These fears, fuelled by numerous media reports, have an impact on the results of surveys. This problem is discussed in a separate chapter, see: Jakub Wiśniewski, *Rynek pracy, kapital ludzki i migracje zarobkowe [Labour market, human capital and income-driven migration]*.

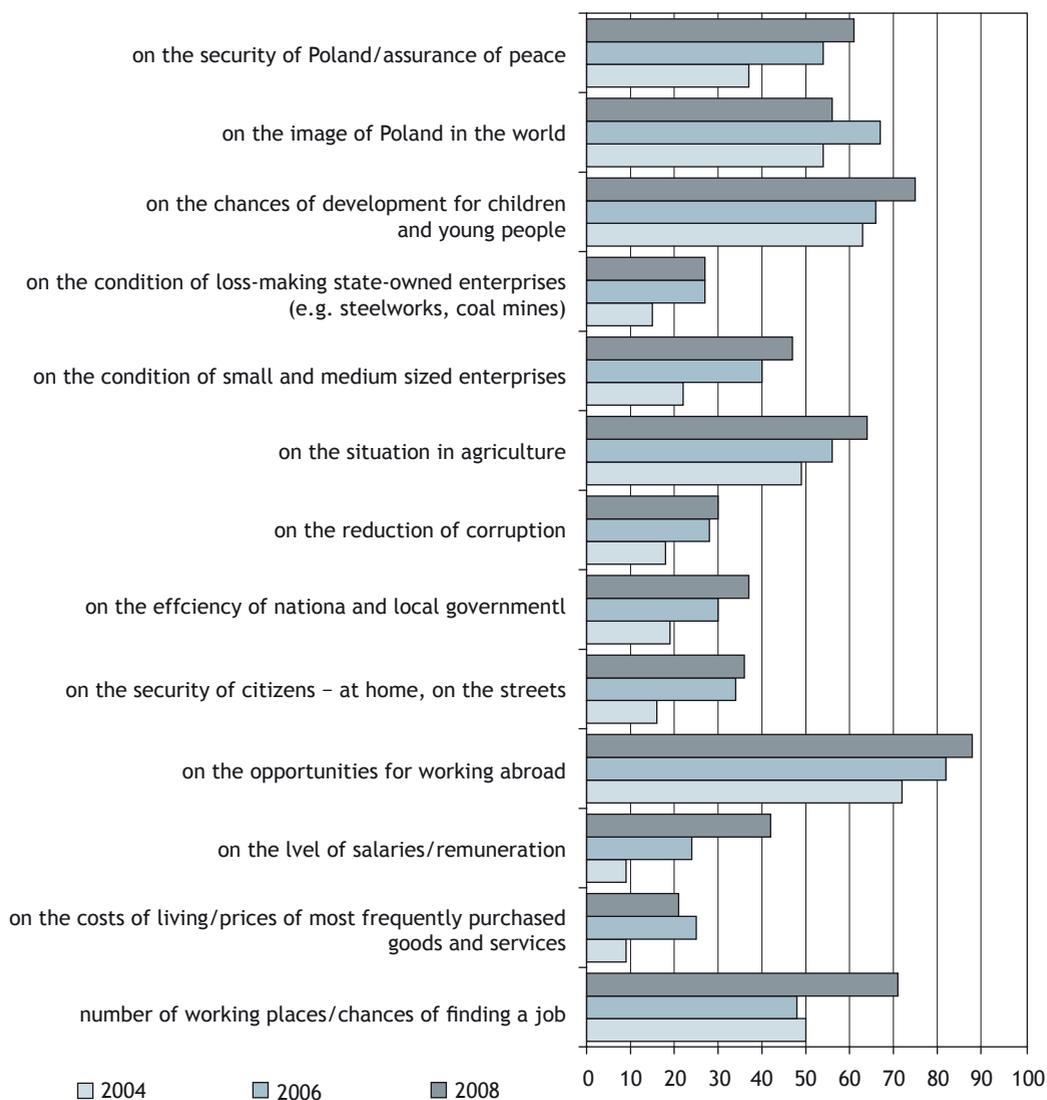
³⁵⁷ *Bilans czterech lat czlonkostwa..., op.cit.*

³⁵⁸ Standard Eurobarometer 70, national report..., *op.cit.*, p. 31.

Chart 3. Fluctuations in perception of benefits from accession to the EU in detail

Do you think that the Polish membership of the European Union had a positive or negative effect on the following areas:

Percentage of "positive" responses



Source: SMG/KRC commissioned by DA UKIE, October 2004, SMG/KRC commissioned by DA UKIE, September 2006, GfK Polonia commissioned by DA UKIE, May 2008.

The chart 3 shows that in all 13 of the analysed dimensions an increase in perceived benefits was recorded as compared to 2004. The differences between the percentage rates of respondents who saw profits from the accession fluctuated – depending on the area – from 2 (the image of Poland in the world) to 31 percentage points (remuneration and salaries of workers). It is worth noting that an increase in 11 out of 13 dimensions remained steady, and in the other two dimensions (the image of Poland in the world and the costs of living and prices) perceived benefits dropped against 2006 values.

In six of the analysed dimensions respondents who perceived benefits exceeded 50%, hence (additionally after the deduction of respondents displaying an ambivalent attitude), the percentage rate of people assessing the impact of the Polish membership as negative constituted a minority. Other areas require some comments on the disadvantageous impact of the EU membership as viewed by the respondents.

Security of the citizens both at home and in the streets improved according to 36% of respondents, while in the opinion of 8% it deteriorated due to the integration. Most of the respondents (51%) concluded that the accession had no impact in this respect. This is similar to another area where the percentage of perceived benefits did not exceed 50% (37%) – efficiency of the state and local government. Less than every tenth respondent (9%) stated that the Polish membership of the EU had a negative impact in this respect, while the other (48%) did not see any consequences – neither positive nor negative. A slightly higher percentage of respondents saw a negative impact of the EU when it comes to fighting corruption (12%) which, considering the 30% of respondents who saw positive consequences and other (52%) who recorded no consequences, is not an alarming result. Another negatively perceived consequence of the Polish accession to the EU relates to the condition of the agriculture (13%); 2/3 of respondents expressed a different opinion (64%) and a relatively low percentage of respondents noticed no impact of the EU (16%). Importantly, negative consequences of the membership for agriculture were most often referred to by farmers (26%).

In the opinion of 15% of respondents, EU also had a negative effect on the condition of small and medium sized enterprises, whereas 47% of respondents presented a different opinion. It is worth noting that an increase by 25 points in statements underscoring the benefits was recorded as compared to 2004. According to every fifth respondent, the impact of the EU on remunerations was negative, whereas 40% presented an opposing view. It is worth stressing that in this area the largest (33 percentage points) increase in positive opinions was recorded in comparison to 2004. The percentage of re-

spondents believing that the loss-making state-owned enterprises (e.g. steelworks, coal mines) did not benefit from the membership of the EU (26%) is almost identical with the opposing opinion (27%).

The last of the analysed areas concerns the cost of living and the prices of products and services purchased most often. The results are not unambiguous and they often depend on the research tools applied as well as the specific questions asked in the surveys.

In a question presenting a set of ready responses, the percentage of respondents who stated that the impact of the EU on those areas is negative was almost three times (62%) as high as the percentage of those respondents who noticed a positive influence (21%)³⁵⁹. The survey performed by another agency came to different conclusions. When they were not presented with a ready list of responses and were allowed to express one's opinions freely, respondents often could not point out any negative consequences of the accession (33%) or could not see its negative results (24%)³⁶⁰. In April 2007, the percentage of respondents who, in their free (uncategorised) answers, reported an increase in prices as a result of the accession reached a mere 5% (in 2005–29%, in 2006–7%)³⁶¹.

In light of the survey's results which reflect the perception of the negative impact of the EU on the prices and costs of living, subjective assessment of material living conditions comes as a surprise. In 2008, the percentage of respondents declaring that the material aspect of living conditions in Poland improved, increased by 40 percentage points as compared to 2005³⁶². It is worth stressing that percentage of respondents (56%) who see the positive influence of the EU in this area is almost identical with the figure recorded in 1994 (57%), when the respondents were asked to anticipate benefits.

Conclusions

Looking back, it can be stated that the membership of the EU has met the considerable expectations from before the accession. It is worth noting that the percentage of respondents saying that the integration resulted in more benefits than losses is four times higher than the percentage of differing opinions.

³⁵⁹ Monitoring by GfK Polonia commissioned by DA UKIE, May 2008.

³⁶⁰ *Ocena skutków przystąpienia Polski do UE po trzech latach członkostwa [Assessment of effects of Poland's accession to the EU three years on]*, CBOS, BS/70/2007, April 2007, p. 10. The percentage values do not add up to 100 as selecting more than one answer was possible. A similar phenomenon is not recorded in the case of benefits.

³⁶¹ *Ocena skutków przystąpienia Polski do UE po trzech latach...*, *op.cit.*, p. 11. This question was not repeated in the following year, hence it is not known what the respondents' answer would be after 4 years of membership of the EU.

³⁶² *Ibid.*

The often quoted claim, that Poland is one of the leaders as far as support for the membership of the EU is concerned, proved true. It was also confirmed that the change did not happen in a radical way (as in the case of some countries accessing the EU together with Poland), but was part of a gradual and balanced process. Despite the fact that changes in attitudes continued over the entire period, it seems that both the support for the EU and benefits from the accession were beginning to emerge in the third year following the accession. The rising awareness of benefits from the membership have been directly translated into the increasing support for Poland within the Community (and the other way round: high support influenced the perception of benefits). It can also be argued to be partly the result of a period of economic boom within the Community at that time.

Nevertheless, not all states acceding to the EU together with Poland have shown similar responses. Without entering the debate on the superiority of any particular country "strategy", the results of the surveys point to different trends as regards the support of citizens for the membership of the EU. The historical and popular divisions become ungrounded and the differences between EU12 and EU15 are starting to disappear. It is worth stressing that the enthusiastic attitude towards the accession in the EU recorded shortly after the event itself was not observed in the new states alone, with the increase in support for membership of the EU also recorded in the EU-15 states. A similar interdependence was noted after the accession of Bulgaria and Romania.

When analysing the results of Polish opinion polls, certain variables were observed to be determining both for the support for the membership of the EU as well as for the perception of the accession consequences. These variables included age, education, the size of locality of residence and income. The examples of a few social groups that were briefly analysed confirmed this correlation. What is worth stressing once again is the fact that despite of a significant divergence of attitudes towards the integration, the percentage of respondents supporting the Polish membership of the European Union exceeds the percentage of critical respondents in all of the analysed socio-demographic groups.

Certain controversies result from the social assessment of the EU's impact on prices and costs of living. Methodological differences sometimes lead to different conclusions. It remains an open question to what extent the current global financial crisis will influence the perception or non-perception of the EU's role in this situation. Thus far, the support for the Euro among Poles has increased, although it is still relatively low.

On the eve of the fifth anniversary of the Polish accession to the EU, it can be argued that Poles have become used to the idea of being citizens of a EU member state. The

post-accession period dispelled fears concerning the loss of identity or the downturn of the Polish economy. In fact, some of those fears are no longer being studied, seeing that each year the number of people expressing an opinion to that effect has been decreasing. On the other hand, the social perception of benefits has increased.

The noted trends seem to be turning into a permanent tendency. Agriculture is still regarded by respondents as the top beneficiary of the EU membership. Also, an increasing number of people bring up the growing significance of Poland in Europe. The free movement of people is in the social perception one of the major benefits of integration. In this context the words of Professor Władysław Bartoszewski come as a self-fulfilling prophecy, to the effect that "(...) the accession to NATO marked the beginning of the integration process and the accession to the EU is the economic and organisational completion of this process (...) This means open door to schools and universities of the world we have dreamt of (...)”³⁶³.

³⁶³ PAP, 7 May 2002.

Chap. 3

The political dimension
of Poland's membership in the EU

15
years of POLAND in the European Union

Political perspective / *Katarzyna Smyk*

Poland and Eastern neighbours / *Ignacy Niemczycki*

Regional cooperation / *Ewa Górnicz*

Poland in the globalised world / *Boutheina Abdalla, Zuzanna Burska*

Managing the Polish European policy / *Marek Tabor, Joanna Skoczek*

Implementation and application of EU law / *Małgorzata Kałużyńska, Arkadiusz Pluciński, Anna Podsiadło, Magdalena Kamejsza, Karolina Rokicka*

Strengthening public administration: from beneficiary to donor of assistance / *Aneta Kędziora, Zuzanna Kierzkowska, Karolina Zelent-Śmigrodzka*

Political perspective

The process of the European Union enlargement represents the most important and clearly the most successful political project in Europe in this decade. Increasing the number of EU members from 15 to 25 and then to 27 was a momentous political event commented on and celebrated across the continent¹. At the same time, the enlargement was a test of how efficient the EU and its institutions were. It was also a test for the acceding countries, preparing themselves to “being in the EU” for many years to come.

Expectations and concerns related to the consequences of the enlargement started building up both in the political and the socio-economic dimensions. They were being voiced both in Poland and in EU member states and institutions. In all, it appears that 5 years of the enlarged EU have confirmed the significance and justified the purpose of the process. The period has brought numerous and unexpected outcomes, also in the political dimension.

It is a difficult task to assess the political consequences of enlargement from the Polish perspective and, more broadly, the entire European Union. In economic and social life, the effects of the enlargement are visible and relatively easy to measure. However, in the political sphere, they are less tangible. As a result, their assessment is often subjective. The very notion of “political dimension” of Poland's membership of the EU is not unequivocal. Also, to approach the issue with such quantifiers as gains vs. losses, or benefits vs. costs seems rather inappropriate². We should rather discuss changes, trends and experience resulting from the enlargement.

¹ On those days, headlines of leading European dailies were as follows: *Benefits for all in a bigger club*, “Financial Times”, 1–2.05.2004, *1er mai 2004, une Europe réunie forte de 450 millions d'habitants*, “Le Monde”, 3.05.2004, *Europe celebrates expansion*, „Financial Times”, 3.05.2004, *Świętowano jak Europa długa i szeroka*, “Rzeczpospolita”, 4.05.2008.

² This approach is well reflected by European Commissioner for Enlargement in 1999–2004 Günter Verheugen quoted as referring to the enlargement as a win-win situation, *Larger EU is win-win (...) Old and New Europe gain*, “International Herald Tribune”, 20.05.2005.

Political assessment of the enlargement

The 2004 enlargement of the European Union brought a symbolic end to the era of divisions that were an aftermath of World War Two. At the same time, it consolidated the potential and international position of the European Union, which has become a stronger player in the international arena. The EU is currently the largest integrated economic area in the world, accounting for more than 30% of the world gross domestic product (GDP) and some 17% of world trade. The integration model based on open markets and the solidarity principle turned out to be the source of soft power for the EU, significantly more powerful than military force (e.g. the US)³. Therefore, it can be argued that the enlargement remains the best answer to the twin challenge of consolidating Europe's global position and stabilizing its neighbourhood⁴.

The acceding countries brought to the EU their own, specific perspective, experience and interests. In many aspects they exerted a fundamental impact on the political and economic agenda and the features of the integration process. The history of transition and readiness for change, enthusiasm and, in many cases, high support for the



fig. TADEUSZ KROTOS

EU provided the new member states with a mandate to be an active participant in European cooperation. It is worth reminding in this context that four of the new member states already are members of the eurozone⁵, while others, including Poland, have already initiated actions to join it. It should also be underscored that the new member states, despite shared experience, are not, and never have been, a solid bloc in the European

Union. They have frequently presented divergent positions, entering into alliances with other states against one another's positions, or independently of one another.

³ P. Serafin, *Unia Europejska w przededniu wielkich debat*, "Biuletyn Analiz UKiE", No 17, February 2007, p. 6.

⁴ P. Świeboda, Q. Niessen, *Unity in diversity – different perspectives, common goals in the enlarged European Union*, report for the conference "From Borders in Space to Borders in the Mind", Stockholm, 15–16 May 2008, p. 9.

⁵ Among the new member states, the following are in the eurozone: Slovenia (since 2007), Malta and Cyprus (since 2008) and Slovakia (since 2009).

Undoubtedly, the enlargement has led to a greater diversity in the EU in terms of economic and social development, living standards, historical experience, culture, language, tradition and mentality. In 2004, the number of EU members grew by 2/3, while the total EU population increased by 19%, to reach over 459 mln and 495 mld in 2007. The “old” member states were joined by 10 new ones, whose GDP per capita lagged far behind the EU average. The number of official EU languages has grown nearly twofold: from 12 to 21 in 2004, and then to 23 as of 2007⁶. As never before in its history, the EU has become greatly diverse, bearing certain traces of a neo-medieval empire⁷. The diversity, especially in terms of social and economic factors, has become a major challenge for the enlarged EU. The successful tackling of the diversity lies in the interest of entire Europe. The consequence of an increasing diversity within the EU was the emergence of tendencies to differentiate the speed of integration, which intensified following the failure of the constitutional treaty ratification in 2005. In practice, however, from the perspective of the five years, this has been used more in rhetoric, not so much reflected by real actions. It cannot be ruled out, however, that this trend will intensify over time, in particular if remarkable differences continue to exist between states in terms of socio-economic development.

The enlargement has launched in the EU adaptive processes which, contrary to expectations, have been occurring in the old members as much as in the new ones. The adaptation to the new conditions of cooperation proved to be a reciprocal process, for which not all member states, and their societies, were ready. Obviously, the accession required from Poland and other new member states to accommodate themselves to the European cooperation logic. Therefore, it can be argued that the enlargement with ten new states has consolidated the image of the EU externally as an organisation with a huge potential for transformation and becoming a testing ground to define the EU response to globalisation processes⁸. The internal perceptions on the process were however different. The EU has been redefined in the social awareness of Western Union citizens: from a shield that protects against the negative consequences of globalisation to a Trojan horse of globalisation, weakening the state in its efforts to ensure welfare, in particular social welfare⁹. Following the accession of new member states, in Western Europe the phenomena of “enlargement fatigue” appeared. The source of this was varying opinions on the

⁶ There are currently 23 official languages in the European Union (including Irish Gaelic).

⁷ J. Zielonka, *Europa jako imperium. Nowe spojrzenie na Unię Europejską*, PISM, Warszawa 2007.

⁸ P. Świeboda, *Polska polityka europejska w latach 2004–2009. Priorytety, interesy, strategiczne wybory i sposób realizacji*, expert study commissioned by UKiE, p. 2.

⁹ P. Serafin, p. 5.

process from the societies, resulting from their different experience and the specificities of individual states¹⁰. The enlargement, being an unquestionable success of the EU from the economic and social perspective, has been questioned in some countries of Western Europe. The divergence in evaluating the 2004 enlargement by individual societies is a prove of that. Slovaks were the nation most favouring the process, as 72% of them reported it actually strengthened the EU. On the other hand, only 33% of Austrians, 35% of Luxembourgian and 36% of French shared the opinion. The differences in evaluating the 2004 accession were therefore very significant¹¹.

Looking over the five years that have passed from the enlargement, there is a certain common denominator for changes in the political and economic agenda of the EU, triggered off by member states from Central and Eastern Europe. The enlargement covered states with a substantially lower economic potential, which translated into a growth in importance of “traditional” EU policies, notably regional policy and common agricultural policy. Not without a reason, these states were members of the group of so-called friends of the cohesion policy. This informal group was established on the initiative of Spain and Poland, in relation to the negotiations on the multiannual EU budget (New Financial Perspective for 2007–2013, NFP), the key stage of which took place in 2005.

When assessing the attitude of the new states during the negotiations, it can be argued that the enlargement resulted in the retention of the validity of political solidarity mechanisms in the EU. In the course of key debates in the EU that covered, next to financial affairs, the 2008 discussion on the energy and climate package, being the response of the EU to the global problem of climate warming, these states referred to that principle. Another good example of the solidarity principle in action was proposals to establish a common energy policy and mechanisms that safeguard the member states against threats related to the limited supply of energy resources. An important, tangible effect of those actions was the European Commission's proposal of January 2009 to allocate in 2009 some EUR 3.5 bn to energy projects under the so-called recovery plan for Europe¹². One of the beneficiaries of the funding was the Nabucco gas pipeline project, the delivery of which is planned to contribute to greater energy security in Central and Eastern Europe and also across Europe.

In a somewhat simplified picture, we could say that the accession of new members has reinforced the group of states that advocate liberal economy and tax competition wi-

¹⁰ More on the social opinion on the EU and perceptions on the enlargement in EU-27 in the chapter *Social perception of the Polish membership of the EU*.

¹¹ Standard Eurobarometr 70, First Results, Publication: December 2008, p. 63.

¹² *Proposal for a regulation of the European Parliament and of the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy* Brussels, COM(2009)35, 28.1.2009.

thin the EU¹³. They have presented themselves on numerous occasions as proponents of a further development of the internal market, or of bringing it to successful completion. The states advocated consistent implementation of the four freedoms, notably the free flow of persons and services. An example of this attitude was the discussion on the services directive, which took place in the EU in the years 2005 and 2006, and the proposal to introduce the country of origin principle, which was to contribute to the improved competitiveness in the internal market. Ultimately, fears of some EU-15 states of full service market liberalisation and threat of social dumping from the EU-10 led to the original version of the directive being significantly truncated¹⁴. A follow-up on the integration-friendly approach was also the position of the new member states on the lifting of barriers to the free flow of persons that were retained towards EU-8 citizens (and still are) by some EU states. A good demonstration of the difference in approaches and visions of, in this case, the “new” and the “old” member state to the European project, are rather inconsistent themes of two consecutive presidencies: in the second half of 2008 and in the first half of 2009. France proposed a theme “Europe that protects” (*Europe qui protège*), while the Czech Republic chose “Europe without barriers” (*Europe sans barrières*).

The enlargement of the European Union created a new geopolitical situation in Europe. The states of the former Eastern bloc have become an integral part of European economic structures, many also of the military ones. At the same time, the shifting of EU borders to the east posed a new challenge to the EU foreign policy, necessitating its adaptation to the requirements of the “renewed Europe” paradigm. It was exactly in foreign policy, – one of the areas where actions of member states Central and Eastern Europe where most intense, – that the impact of the 2004 EU enlargement was most clearly observable. The new states promoted the strategic meaning of the Eastern Europe's position in the European political and security architecture. Doing so, they demonstrated that their policy was creative and that they could aspire to intellectual leadership in Europe.

The centre of gravity in the enlarged EU in terms of foreign policy moved in the north-eastern direction. One can unreservedly agree with the German expert Kai-Olaf Lang, who said that the enlargement moved the EU to the east and “easternised” it¹⁵. The new member states also altered the technocratic approach that had been implemented

¹³ P. Świeboda, *Polska polityka europejska...*, p. 3.

¹⁴ K. Barysch refers to the services directive as the “first victim of enlargement”, in: K. Barysch *Enlargement two years on: Economic success or political failure?* Centre for European Reform, Briefing paper for the Confederation of Danish Industries and the Central Organization of Industrial Employees in Denmark, April 2006, p. 19.

¹⁵ Kai-Olaf Lang, at the conference “The Consequences of the enlargement – European Union five years later”, organised by the Center for International Relations, in cooperation with e.g. the Office of the Committee for European Integration, Warsaw, 4 December 2008.

previously in terms of shaping relations with neighbours to the east, rendering it more political. At the same time, together with the enlargement and the attitude of the new states, a tendency consolidated in the EU to regionalise foreign policy – where, next to the eastern dimension, a concept of Black Sea Synergy or the Union for the Mediterranean emerged.

The new trends that appeared in EU foreign policy after 2004 were not limited to the eastern policy only. In general, EU foreign policy became more active. The new member states contributed to greater meaning being given to the transatlantic dimension of the EU security policy. Unwilling to remain on the fringe of the EU, they attempted to keep the momentum of the enlargement process. This was particularly visible in the context of declaring the European perspective for Western Balkan states. Also, the new states discerned the significance of foreign aspects of EU internal policy, for example in the area of energy. This does not mean, however, that EU foreign policy has become homogenous, as – still in many cases, the "common-ness" existed in the name only. The issue of divergent positions of the member states, also the new member states, regarding the status of Kosovo in 2008, testifies well to these differences¹⁶.

Changes in the decision-making process

An important area where the consequences of the enlargement were evident was the decision-making process in the Council of the European Union – the key decision-making body representing member states. The prospective accession of twelve new member states initially stirred up fears as to potentially negative consequences of the enlargement for the effectiveness of the decision-making process and the consensus culture, dominating the Council of the EU. Difficulties were expected in terms of working out compromise solutions, in particular in the areas to which unanimity principle applied. There is no doubt that the enlargement necessarily entails a broader range of interests and positions from the countries. This can be seen both in the new areas covered by the decision-making process as well as positions presented during the negotiations. This may prolong and complicate the negotiations process. Concerns as to the impact of the enlargement on the decision making add fuel to the conviction already dominating in the EU of the insufficient preparedness of the EU for the enlargement, notably in terms of institutional reform and decision-making procedures.

¹⁶ Kosovo's independence was not recognised by 3 EU-12 countries, that is Cyprus, Romania and Slovakia.

Five years that have passed since the EU enlargement is a period long enough for detailed studies¹⁷ and summaries to be carried out. The analysis of the decision-making process effectiveness, measured by the number of legislative decisions of the Council proves that the enlargement did not bring the decision-making process in the EU to a stalemate. A clear decline in the number of decisions taken by the Council was recorded only in the initial post-accession months. This was also related to the limited legislative activity of EU institutions due to the approaching European Parliament election and changes to the composition of the Commission in 2004. In the second post-enlargement year, the decision-making process accelerated. In general, between May 2004 – and October 2008 the Council adopted 800 legislative decisions in total (resolutions, directives, decisions). This gives an average of some 173 decisions per year (a detailed breakdown is presented in the table). The number of decisions taken in the EU-15 in the last three years preceding the accession was slightly higher (187 in 2001, 194 in 2002 and 193 in 2003)¹⁸. The tendencies resulted from an array of factors, mainly related with the active attitude of the European Commission in bringing forward proposals for legislation. The number of such proposals submitted by the Commission has slightly decreased over the years. This may be attributed, among others, to: attempts not to “overregulate” the law, under the better regulation initiative, the development of European cooperation methods other than regulation, such as open method of co-ordination, or the development of new areas of European integration, that are not covered by the community pillar, such as the police and judicial cooperation in criminal matters.

Table 1. Summary of the number of legislative decisions of the Council adopted by qualified majority and unanimously from 1 May 2004 to October 2008

2004*		2005		2006		2007		2008**	
Qualified majority	Unanimity								
46	41	100	33	147	29	124	39	188	30
87		133		176		165		218	

* From 1 May 2004.

** by end of October 2008.

Source: Own calculation based on monthly summaries of Council Acts, from the period May 2004 – October 2008.

¹⁷ More on the assessment of the activities of the Council of the European Union, considering the consequences of the enlargement in: D. Naurin, H. Wallace (eds.), *Unveiling the Council of the European Union. Games Governments Play in Brussels*, London 2008.

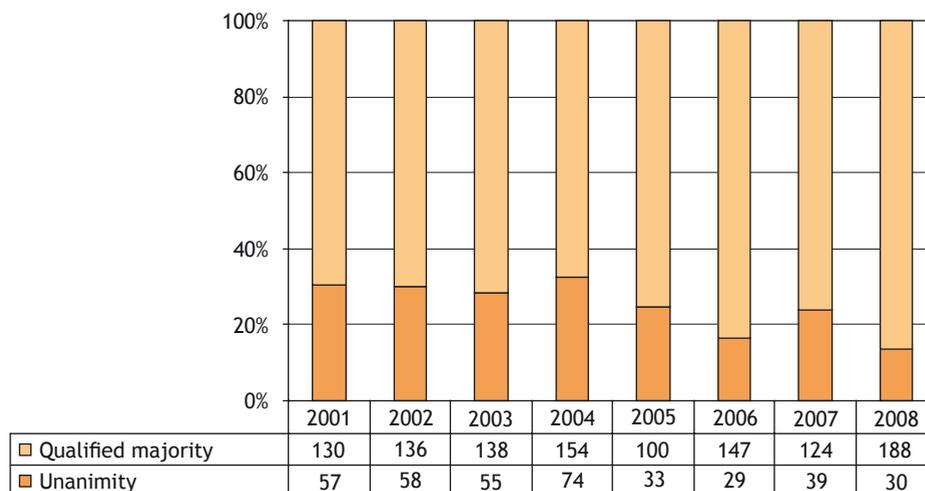
¹⁸ Own calculations based on monthly summaries of Council Acts from the period 2001 – October 2008, available on the Council's website: <http://www.consilium.europa.eu>.

Positive changes, being faster pace of decision making in the legislative process both at the stage of the Council and the European Parliament, have also been noted. The European Parliament is an important partner to the Council and the Commission in lawmaking, and its role depends on the decision-making procedure applicable to a given area (e.g. advisory role in the consultation procedure and “co-deciding” role, comparable to the role of the Council in the co-decision procedure). The available statistics show that the number of legal acts adopted by the Council and the Parliament already in the first reading, under the co-decision procedure, providing for three readings, has clearly risen. The number of readings, however, may be limited if parliamentarians agree on the contents of a given act with the representatives of the Council and the Commission at an early stage, as is usually the case. As a result, the number of legal acts adopted in the first reading grew from 30.7% (data for the period 2001 – April 2004) to 56.8% in the period from May 2004 – to December 2006. At the same time, the share of the second reading dropped from 54.4% to 40% and of the third from 14.8% to a mere 3.2%¹⁹.

The enlargement contributed to a broader application of the qualified majority principle, and a limited use of the unanimity principle. Over the five years from the enlargement, the number of decisions adopted by the Council by qualified majority has grown from 71.5% in 2003% to 81.5% in 2008 (data to October 2008 inclusive). The scope of application of both of these primary voting rules in the Council is primarily related to the areas where they apply. It follows from the above statistics that, following the enlargement, the decision-making activity of the Council, thus of the entire EU, intensified in the areas covered by majority voting, with the simultaneous drop in the number of cases covered by unanimous voting. It should also be pointed out here that the selection of the legal base for a given act of law is with the European Commission –, being the institution with the legislative initiative monopoly (under the first pillar). As a result, it can be assumed that, with a greater number of member states, the Commission is more prone to subject acts of law to the qualified majority principle, as it is more conducive to compromise-finding and also facilitates decision-making, as compared to the unanimity principle.

¹⁹ S. Hagemann, J. De Clerck-Sachsse, *Old Rules, New Game. Decision-Making in the Council of Minister after the 2004 Enlargement*, Centre for European Policy Studies, Special Report, March 2007, p. 25.

Chart 1. Qualified majority and unanimity in the EU Council in the years 2001–2008*



* by end of October 2008.

Source: Own calculation based on monthly summaries of Council Acts, from the period 2001 – October 2008.

Analytical studies indicate that the enlargement of the EU increased the frequency of the member states' expressing their objection in the decision making process in the Council. The share of decision taken by qualified majority with at least one state voting against has fluctuated over the five years of membership, totalling: 26% in 2005, 26.5% in 2006, 37.9% in 2007 and only 9.2% in 2008 (data to October 2008 inclusive). Prior to the enlargement, these figures were at 21.5% in 2001, 20% in 2002 and 34% in 2003. It should however be pointed out that the statistics used to validate this claim pertain to the member state dissenting at the last stage of the qualified majority voting that ended with a positive decision, meaning that the objection did not block the decision. Due to the lack of available data it is not possible to determine how many and which member states effectively blocked the decision-making process.

Also interesting are data on the willingness to block the decision making process in the Council as shown by individual states. The states that obtained the EU member status in 2004 and 2007 are those that express their objection to the decisions taken at the Council by qualified majority most rarely. The top thirteen opposing states to decisions taken in the Council are the "old" member states, the top four being Denmark, Sweden,

Italy and Germany. The new member states usually approved the decisions taken by the Council under this procedure, rarely expressing their objection. However, the past five years have witnessed a trend in growing dissent among the new member states— increasing from 8 dissenting votes in total on the part of the new member states in 2005 to 18 in 2007. Irrespective of the detailed analysis of the cases of dissenting voting, it should be argued that the vast majority of the decisions taken by the Council is adopted after working out a compromise that takes due account needs and fears of all states, even if the criteria required to take the decision has already been met. The enlargement has changed nothing in this respect.

On the other hand, the EU enlargement has triggered off an array of interesting developments, pointed to by numerous qualitative assessments and studies on the ways of working of the institutions after the enlargement. The increase in the number of member states has resulted in the rise in importance of the non-formal component of the negotiations. The coalitions were formed directly among the capitals rather than in the conference rooms, or in the lobby. As a result, bilateral interaction between the states has grown in importance, with the centre of gravity shifting from multilateral to bilateral meetings. Although the enlargement has increased the share of small and medium states in the general number of states, paradoxically enough, it has simultaneously strengthened the position of large states²⁰. This is because the enlargement increased the demand for political leadership, which cannot be ensured by relatively weak European institutions, and leaders of big countries have become natural candidates for the role. The EU has become less coherent politically and more exposed to internal divides, which is a natural consequence of its greater post-enlargement diversity. As a consequence, intergovernmental trends have consolidated in the EU. This line of changes is supported by the provisions of the Treaty of Lisbon on e.g. reduction in the number of European commissioners²¹.

Poland's priorities in the EU

“We are becoming a co-host of Europe, rather than its suppliant” – read a title of one of the articles in a supplement to a high-brow weekly "Polityka", published on 1 May 2004 in relation to Poland's accession to the EU. It accurately pinpointed an important qualitative

²⁰ J. Tallberg, *Bargaining Power in the European Council*, "Journal of Common Market Studies", 2008, Volume 46, Number 3, p. 685–708.

²¹ K. Smyk, E. Górnicz, *Perspektywa redukcji składu Komisji Europejskiej – kontekst prawny, polityczny, tryb i konsekwencje*, "Biuletyn Analiz UKiE", No 20, November 2008, p. 139–151.

change to the status of Poland and other acceding countries that took place on the day of accession. From a country aspiring to the EU and not having a major influence on it, Poland evolved into a fully-fledged member of the organisation, enjoying all rights and opportunities of co-deciding on the contents of the community laws, directions of the EU development and ways of pursuing its policies. This was undoubtedly a huge political benefit and a proof of the rising role of Poland in the international arena as a result of the accession.

Poland joined the EU being a "high-speed train", moving on the rails of mechanisms and specific rules of the game worked out over many years of integration. Therefore, the initial period of the membership was "learning the lesson" and familiarising itself with the logic of European cooperation. Poland's priorities in the EU to a large extent resulted from its specific situation as a new member state at the stage of transition and catching up with the European leaders in terms of socio-economic development. Therefore, the main priority of Poland's European policy in 2004–2009 was to take advantage of opportunities and reduce EU membership costs and to learn, in a smooth manner, how to operate as a member state.

Next to attempts seeking for upsides of the membership to prevail over downsides, Poland concentrated its efforts on consolidating its strong position of an influential member state, with ambitions commensurate with its size and socio-economic potential. An opportunity for Poland to position itself within the EU became three major debates that have taken place over the five years of membership:

- financial debate in the years 2004–2005,
- debate on legal framework and EU institutional reform in the years 2004–2007, and
- energy and climate debate in 2008.

The significance of these three debates in the European Union has proven that one of the key benefits of the accession to the EU was the opportunity to influence the European Union reform and its adaptation to meet the challenges of the realities that Europe faces.

The first of the debates concerned the negotiations on the New Financial Perspective for a seven-year period (2007–2013). It was of vital importance for Poland as it exerted enormous influence on the assessment of the EU membership from the financial perspective. Negotiations on NFP commenced in February 2004²². The final stage of

²² Negotiations started with the publication by the European Commission of the communication *Building our common Future – Policy challenges and Budgetary means of the Enlarged Union 2007–2013*, COM(2004)101, adopted by the European Commission, 10 February 2004.

work coincided with the British presidency in the second half of 2005. During the work, the UK proposed a significant reduction in funds for the new member states, in particular the allocation to Poland. Poland could not agree to funds that contribute to the economic growth in the new member states (i.e. cohesion policy funds) being limited to a significantly larger extent than the funds allocated to the funding of the policies in the EU-15. During intense negotiations among EU member states and institutions, Poland declared itself in favour of the European solidarity principle. Poland argued that the EU budget, – notably after the enlargement – should support the levelling of development differences among the member states. The solutions finally adopted for the EU budget for 2007–2013 were agreed upon at the December European Council in 2005 and were very advantageous to Poland. The agreement enabled Poland to use the maximum pool of up to EUR 91 bn from the EU budget for the years 2007–2013, which rendered the country the biggest net beneficiary in the EU. Under the agreement on the budget, Poland would pay some EUR 21 bn to the budget over the period of the financial perspective. This means that Poland has the opportunity to remain a clear net beneficiary of EU funding, much more, in absolute terms, than any other member. Over the entire period of the financial perspective, Poland will pay to the EU budget four times less than it will receive from it. Also, Poland obtained concessions regarding the access to the cohesion policy funding. The completion of the negotiations on the EU budget for the years 2007–2013 turned out to be a substantial success for Poland. The success was possible also owing to a more effective alliance between Poland and other states of the region and EU-15 states interested in the development of the cohesion policy, notably Spain. This was also the first key debate in the EU involving the new member states, the experience of which will pay off in the further course of cooperation in the EU. At the same time, financial support from the EU, looking over the five years, may be for Poland an important tool to deal with the ramifications of the economic crisis of late 2008, that no-one expected.

The debate on the EU legal framework reform commenced already before Poland's accession to the EU and was held under the motto of preparing the EU to the challenges related e.g. to a greater number of members. Under the Laeken Declaration of December 2001, candidate countries became fully involved in the effort of the European Convention working on the draft of a new treaty. The reservation was, however, that the states did not have the right to block the consensus that could emerge among the member states. In the course of the treaty debate, Poland attached a lot of importance to formal aspects conditioning the position of the state in the decision-making process.

This stemmed from a relative inexperience and lack of familiarity with informal ways of working as well as smaller presence in the EU institutions compared to other member states. Therefore, one of Poland's proposals for the work on the draft "Treaty Establishing a Constitution for Europe", signed on 29 October 2004, was to retain the so-called Nice voting system, that guaranteed a privileged starting position for Poland in the decision-making process. The failure of the constitutional treaty ratification led to a re-initiation of work on a new document in 2007. In the course of the work on the Treaty of Lisbon, Poland submitted a proposal for the new voting system to be based on the degressive proportionality principle (so-called equal representation system). As argued by Poland, this system better and more "justly" reflected the importance of states in the decision making process. Ultimately, Poland withdrew from this proposal. The content of the treaty was agreed on by the intergovernmental conference, with its final stage being the meeting of heads of states and governments in October 2007. Poland did achieve its objectives as defined by the negotiators, including those on the voting system in the EU Council and incorporation into the primary law of the provision on the change of the so-called Ioannina mechanism, being more of a symbolic nature. Poland joined the Protocol on the application of the Charter of Fundamental Rights to the United Kingdom. It also added to the treaty a unilateral declaration that underscored the importance of social and economic rights referred to in the Charter. Offering its positive evaluation of the Treaty of Lisbon, the Lower House of the Parliament in Poland (Sejm) authorised the President, in its resolution of 1 April 2008, to ratify the document. Following the negative result of the referendum in Ireland in June 2008, the majority of member states decided to proceed with the ratification process. This rendered bringing the ratification procedure to a halt by Poland incomprehensible to EU representatives²³ and independent observers²⁴. The lack of understanding also resulted from the fact that the positive completion of the treaty reform is perceived across the EU as a precondition for effective solution of issues of fundamental importance to Europeans, such as climate change, demographic changes, energy security, or globalisation challenges²⁵.

One of the key EU projects in the last five years, and a crucial one for Poland, has been the so-called energy and climate package. The essential part of the package proposed in February 2008 by the European Commission was a detailed distribution of obli-

²³ Poland was called on to complete the ratification procedure also by French president Nicolas Sarkozy, presiding over the EU in the second half of 2008 in his addresses at the European Parliament on 14 July, 21 October and 16 December 2008. Summaries of EP sessions are available at: www.europarl.europa.eu.

²⁴ J. Wyles, *Why Lisbon laggards lose influence in the EU they love*, *European Voice*, 24.07.2008.

²⁵ K. Smyk, *Traktat z Lizbony lub status quo – konsekwencje i scenariusze*, "Biuletyn Analiz UKIE" No 20, November 2008, p. 10.

gations among the member states as regards the reduction in greenhouse gas emissions. Horizontal reduction targets across the EU were determined by the European Council in March 2007. The proposal put forward by the Commission was clearly disadvantageous for Poland, as it failed to consider the specificity of Polish economy, predominantly based on energy produced from coal. As a result, the implementation of the package in its initial form threatened Poland with numerous ramifications, including a sharp rise of energy prices and losing the competitive edge by the industry. A breakthrough in the negotiations occurred during the meeting of the European Council in October 2008. The Poland-brokered coalition of 9 states from Central and Eastern Europe (Poland, Hungary, Czech Republic, Slovakia, Lithuania, Latvia, Estonia, Bulgaria, Romania) managed to secure a provision that final decisions on the package would be taken by the European Council based on the unanimity principle. As a result, at the European Council in December 2008, Poland was able to effectively defend its key proposals that substantially modified the structure of the climate package. Poland managed to obtain e.g. flexibility as regards the rate of drop in the percentage of free emission quota for power generation in the years 2013–2020 (in 2013, free quotas will be able to cover up to 70% of the power industry emissions, while all quotas will be chargeable in 2020). The concession to introduce derogation in the energy sector will enable Poland to substantially limit the electric energy price growth. The compromise also provides for the introduction of the so-called revision clause, enabling a modification and potential prolonged operation of the derogation in 2018. Also, as result of the compromise, Poland will receive more CO₂ emission allowances than the quantities forecasted for the Polish industry, including power industry. The surplus of the allowance will go to the solidarity fund, totalling some PLN 60 bn for Poland in the years 2013–2020²⁶. Final arrangements on the energy and climate package helped to protect Poland's interests against potentially negative consequences in the medium term. Poland's actions confirmed its important role in the EU, and further strengthened Poland's position as the leader of the region.

Next to the three debates discussed above, Poland actively participated in the EU work on the individual policies. Particularly high on the list of Polish priorities has been EU policy on eastern neighbours, including the development of relations between the EU and Ukraine²⁷. The actions to that end were initiated already in the initial post-accession months, in connection with the developments in Ukraine in late 2004. At that time,

²⁶ Estimate based on the price of emission allowances at 39 euros/ton of CO₂ in the years 2013–2020.

²⁷ More on Poland's position on the EU's Eastern Policy and impact of the enlargement on the EU policy on eastern neighbours in the chapter *Poland and her Eastern neighbours*.

Poland successfully sought greater involvement of the EU in the process of peaceful transition being part of the Orange Revolution, involvement of the EU in the mediation, as well as taking by the EU and clear and positive position that would support the reform and fair election in Ukraine. The crowning of the Polish effort in the last five years to anchor Ukraine and other neighbour states in the European structures was the concept of the Eastern Partnership – providing for developing bilateral and multilateral cooperation between the European Union on the one hand and Ukraine, Moldova, Georgia, Belarus, Armenia and Azerbaijan on the other (provided that the initiative would be open to Russia as well). The Eastern Partnership Initiative, submitted in 2008 together with Sweden, and supported by the Czech presidency (first half of 2009) can be considered as the main political success of Poland over the first five years of its EU membership²⁸.

The concept of the Eastern Partnership, endorsed in June 2008 by the European Council, was subject to the European Commission work and, in December 2008, the Commission submitted to the European Council the relevant communication²⁹. The communication provides for the establishment of “deep and comprehensive” free trade areas with each partner state³⁰, abolition of the visa requirement or an initiative for greater energy security of the EU and its neighbour states. The Eastern Partnership is the first Polish initiative of such a grand political scale, initiating a change in the EU operation, to be accepted by the remaining member states³¹. It has also been broadly interpreted as Poland's success translating into its rise in importance in the EU and improved image, as testified to by numerous positive comments on it³².

In relation to sectoral policies, the priority for Poland has been matters connected with the internal market and its fundamental freedoms, in particular the free flow of services and persons. Poland was an active participant of the work on the so-called services directive, advocating the lifting of barriers on services flow. The final contents of the directive, adopted in December 2006, were substantially modified. This resulted from Western Europe states' fears of service providers from the new member states, embodied symbolically, to a large extent as a result of media depiction, by a Polish plumber. Poland continuously and consistently declared itself in favour of the free

²⁸ *Polityka zagraniczna i bezpieczeństwa Polski w świetle pięciu lat członkostwa w UE*, expert study commissioned by UKIE from the Polish Institute of International Affairs, p. 12.

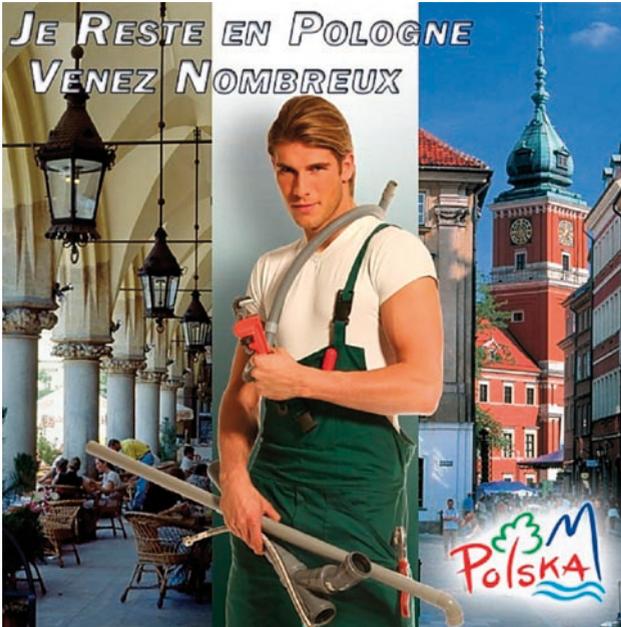
²⁹ Communication from the Commission to the European Parliament and the Council – *Eastern Partnership* COM(2008)823, adopted by the European Commission on 3 December 2008.

³⁰ *Ibidem*, p. 5.

³¹ *Polityka zagraniczna i bezpieczeństwa Polski...*, p. 12.

³² “Warsaw proved that it can push through an important initiative, that Poland learn the EU and are increasingly more comfortable in it”, Nicu Popescu, expert at the European Council on Foreign Relations, in the article artykuł “Szybko się uczycie”, “Newsweek Polska”, 4 January 2009.

flow of persons and admitting Polish citizens to labour markets in the EU. Poland also actively participated in the work on the mid-term review of the Lisbon strategy in 2005, internal market review in 2007 and work on the draft directive on working time, started in 2008 and still pending.



'I will stay in Poland, come in large'
A promotional campaign of Polish Tourist Organisation, 2005.
Copyright: PIOTR ADAMSKI

Undeniably, a very important topic for Poland since day one of the membership has been energy policy, notably energy security considerations. Poland attempted to bring to the fore the solidarity principle and have it reflected by the EU agenda. This purpose was served by the so-called three musketeers' proposal, submitted by Poland in February 2006. It was based on the principle of solidarity and mutual assistance of the contracting parties in the event of a interrupted supply of oil, gas and power. The proposal did not manage to win the approval of other member states. This resulted from

the lack of air for a robust effort to build the EU energy policy at the time. Some argued that Poland failed to consult the proposal to a satisfactory degree with its partners within the EU. The experience was, however, used by Poland later, as it attempted to focus more on consulting and convincing other states and EU institutions to support its proposals.

Also, Poland advocated solutions strengthening the third pillar of the European energy policy, such as the energy supply security, under the Strategic Energy Review, published in November 2008. Poland welcomed the proposal of the European Commission of January 2009 concerning the EU budget allocation to the recovery plan for Europe³³. In general, the continuation and development of cooperation in the

³³ Most of the funds (EUR 3.5 bn of 5 bn) was assigned to energy projects, including the co-funding for crucial investments for Poland, seeking to diversify the energy supply routes (e.g. Skanled gas pipeline, the construction of which is prerequisite of the system of natural gas transport from North Sea to Poland), independence from external energy sources (wind power plants in the Baltic Sea) and fight against climate change (Bełchatów power plant – CO₂ emission reduction). In total, approx. EUR 780 mln will be assigned to investment projects of which Poland will be a direct beneficiary. By member states, Poland is second to Germany.

area of energy policy will undoubtedly remain one of the Polish priorities in the EU forum in the future.

Over time, our country's effort to have a stake in the modelling of the EU foreign and security policy have also grown in importance, not only regarding the Eastern dimension referred to above. On account of its experience, Poland has consistently advocated the continuation of the EU enlargement process, to cover states that declare their willingness to accede and meet all EU requirements in this respect. As argued by Poland, the European perspective should remain open to all European states that meet the EU membership criteria, and non-uniform preparedness levels should not translate into discrimination against those lagging further behind. In terms of relations with Russia, Poland (and Central and Eastern Europe states) has managed to introduce a greater level of sensitivity as regards the evolution of the political, economic and social situation in the country. Russia is increasingly more often treated as a challenge faced by the European foreign policy³⁴. In terms of Euroatlantic affairs, Poland has contributed to the continued presence of the United States in Europe, although the American military intervention in Iraq, and the involvement there of some other states, including Poland, has been seen as a source of divides. The objectives and concept of Polish involvement in the European security and defence policy has been evolving. Poland has primarily supported the proposals to equip the EU with effective emergency response mechanisms of both civilian and military nature. The ESDP as agreed on largely reflects Polish proposals. Certain doubts notwithstanding, Poland has become involved in the development of the EU military capabilities³⁵.

A demonstration of the effort to bring Poland's position to the level enjoyed by the remaining member states was the successful completion of the attempts to have the seat of the European Agency for the Management of Operational Cooperation at the External Borders (so-called FRONTEX) located in Poland, which was the decision of the Justice and Home Affairs Council in April 2005. The agency started its work on 1 May 2005 and was the first, out of several EU agencies, with its seat in a new member state.

Poland has been traditionally sceptical about the concept of flexible integration, which meant deeper integration within a group of member states outside the institutional framework of the EU³⁶. This position resulted from fears of second-class membership, disintegration and enfeeblement of the EU, that such cooperation could result in. The discussion on the scenario usually surfaced in emergency situations, e.g. in the context

³⁴ P. Świeboda, *Polska polityka europejska...*, p. 12.

³⁵ *Polityka zagraniczna i bezpieczeństwa Polski...*, p. 3.

³⁶ P. Świeboda, *Polska polityka europejska...*, p. 8.

of problems with the EU treaty ratification. Stronger Polish position in the EU will be contributed to by the accession to the eurozone, being the symbol of Poland's inclusion in further stages of integration. Poland has already initiated actions in this respect, drafting, in October 2008, a "road map" for adopting the EUR by Poland, which tentatively provides for the accession of Poland to the eurozone on 1 January 2012.

Polish European policy – operational dimension

When summing up five years of Polish presence in the EU, it is also worth looking at the membership in the operational dimension. To what extent has Poland familiarised itself with the rules of the "European game"? How has it strengthened and utilised its potential? Has it managed to establish alliances and conduct negotiations effectively? What is the resultant Polish position in the EU?

When analysing answers to these questions, we should remember that the five years has been a time of learning the complex decision-making process, both the formalities and informalities. This initial period of Poland's membership, similarly to other EU acceding countries, has been devoted to the consolidation of the state's presence in the EU structures and mechanisms. With the passage of time and with the experience accumulating, we can speak of Poland's "emancipation" in the EU. The process, already present, should continue, and an important "maturity" test will be Poland's presidency in the EU falling on the second half of 2011³⁷.

As compared to the pre-accession process, marked by the focus on priorities and strategic thinking, the post-accession European policy was more pragmatic and flexible. A drawback of the initial period of the participation of Poland and other acceding countries in the EU work was their involvement in the legislative process at a late stage only³⁸. At the initial stage, Poland's attitude was often responding than taking the initiative, however as the learning process progressed, the state grew more active and forward-thinking. The concept of the Eastern Partnership, put forward by Poland, or Poland's input to the work on the EU strategy for the Baltic Sea in 2008 go on to show that there have been positive changes in this respect and that Poland's attitude has increasingly more often been proactive and innovative.

³⁷ More on Poland's preparations for the presidency in the chapter Managing the process of Polish membership of the EU.

³⁸ P. Swieboda, *Polska polityka europejska*....., p. 25.

An important component of effective operation in the EU is the skill to win supporters for the state's initiatives and to build coalitions. Over the five years of membership, Poland has been a member of numerous coalitions, which are usually of dynamic nature in the EU, depending on the characteristics of an issue they are built around. Poland was a member of the "friends of the cohesion policy" group, formed during the budget negotiations in 2005. It also attended informal meetings of the "friends of the community method" group that took place in the first half of 2007, in relation to the preparations for the entry into effect of the Treaty of Lisbon (suspended following the failure of the referendum in Ireland in June 2007).

A prime example of an effective coalition that Poland brokered was a group of nine states from Central and Eastern Europe, formed in relation to the work on the energy and climate package in 2008. The meeting, organised in December 2008 in Gdańsk –with Prime Ministers of Hungary, Czech Republic, Slovakia, Lithuania, Latvia, Estonia, Bulgaria, Romania, Poland and President Nicolas Sarkozy (France held the EU rotating presidency in that time) confirmed Poland's role as an active participant in the negotiations and the group's leader. The growing experience is accompanied by an improvement in effectiveness of coalitions of new member states, also under the Visegrad Group³⁹. A factor that potentially enhances cooperation under the group is the prospect of the presidency of three out of four of its members (Czech Republic: first half of 2009, Hungary: first half of 2011, Poland: second half of 2011).

The enlargement brought with it significant qualitative change in decision making process, to which Poland had to adjust. The shift of the centre of gravity from a multilateral format to a bilateral one coincided with a qualitative improvement in Poland's relations with many partners in the European Union. As discussed before, European cooperation provided a new stimulus invigorating the work under the Visegrad Group, somewhat sluggish at the beginning of this century. Similarly, it intensified contacts with such key partners as France, Germany, the UK, although it appears that there is a significant potential for developing cooperation with those countries, notably with our neighbour to the west.

An important dimension of Poland's presence in the EU was the work of Polish deputies to the European Parliament. Their effort has been very robust, and they have gradually evolved from specialising in Eastern policy affairs into focusing on other, most important strategically issues of EU policy, such as energy, climate, science and research. The impact of Polish deputies to the European Parliament on European policy has therefore been notice-

³⁹ More on cooperation in the Visegrad Group in the chapter *Regional cooperation*.

able. Nevertheless, it should be underscored that Polish MPs focused on non-legislative areas⁴⁰. The growing role of the European Parliament and its increasing competency in terms of lawmaking is the potential that is worth exploring. By and large, there is significant room for better cooperation between Poland and its representatives in the European Parliament. A permanent flow of information on Poland's positions on individual matters, lobbying actions among Polish deputies, as well as deputies from other states represents an important challenge and task for the subsequent years of Polish presence in the EU.

Another factor that affected the quality of Polish membership was the presence of Polish citizens in the EU institutions, notably the European Commission. The change of employment status of Polish citizens in the EU institutions was a subject of continuous monitoring and assessment. The European Committee of the Council of Ministers has been adopting half-year reports on the employment status, formulating conclusions based on current data and tendencies as they unfolded. According to the state as at January 2009, there were 1180 Polish citizens employed at the European Commission in total (including 788 officers, 222 fixed-term employees, and 170 contract staff). Thus, 75.1% of the total quota of 1341 positions allocated to Poland was met by 2010⁴¹. The rate, however, (given the period allowed for the fulfilment of the quota) must be regarded only as moderately satisfactory. Reservations relate primarily to the filling of independent and higher positions, such as the positions of directors or chief advisors. The degree to which the available positions allocated under this category were filled totalled 56.5% (9 out of 16). The results of recruitment for medium-level managerial positions are clearly unsatisfactory, as only 36.5% of head of unit positions were filled (27 out of 74). Increased presence of Poles in the EU institutions will pose an important challenge for the next two years, in particular that the deadline for filling the Polish pool of positions expires on 2010.

Other challenges that Poland will face in the next years to come is the determination of what its interest are at the earliest possible stage of work on draft legal acts (possible at the European Commission stage), communicating the Polish position to its partners and gaining support for its viewpoint. The perceptions on Poland by the partners and Poland's image in the media have not always reflected the reality. In general, it appears that the importance of Poland's image abroad has been underestimated by our country.

⁴⁰ Discussion with J. Protasiewicz, P. Nowina-Konopka, K. Bachmann and J. Techau at the conference "Consequences of the enlargement – European Union five years later", organised by the Center for International Relations, in cooperation with e.g. the Office of the Committee for European Integration, Warsaw, 4 December 2008.

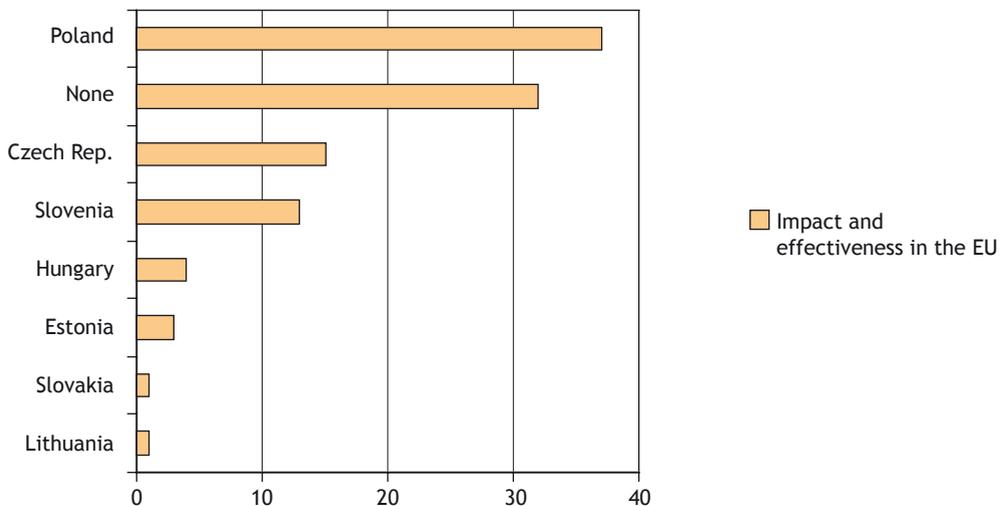
⁴¹ Only the European Commission, in the Communication from Vice-President Kinnock of 14 February 2003 (COM(2003)436) specified the pool of workers from individual member states that it planned to employ. Over 7 years (i.e. by 2010), the European Commission should employ 1341 Polish citizens of the total number of 3441 employees from the new member states.

It is not easy to define and assess Poland's position in the EU as there are no clear-cut criteria and indexes that may unequivocally measure the impact and position of a state. Therefore, the assessment is often relative and subjective. Also, a state's position is not permanent and unalterable. Positions that states adopt and their actions modify the European rankings as they occur.

Attempting at an assessment of Poland in the EU after five years of its membership, it is worth referring to a study commissioned by APCO Insight Polska in 2008. According to the study, Poland comes as the most effective and influential member state from among 12 new members that acceded to the EU in 2004 and 2007. Poland ranked sixth when all EU-27 states were taken into consideration, coming behind Germany, France, UK, Spain and Italy, and ahead of the Netherlands⁴². Poland's support for Eastern Europe states has met with positive comments, similarly to the level of competence of Poland's representatives in the EU. On the other hand, among areas for improvement – as viewed by the respondents, – there were constructive attitude and communication of the state's positions.

Chart 2. Assessment of EU-12 states' effectiveness

Question: Which of the twelve states that acceded to the EU over the last five years is the most effective in your opinion?



Source: APCO Insight survey, results available at www.apcoworldwide.com.

⁴² APCO Insight, available at www.apcoworldwide.com; Survey conducted among influential persons in the European Union (e.g. politicians, officials and journalists) at the turn of July 2008 and published on 16 September 2008.

In turn, Poles were much less enthusiastic about the position of their country in the EU. The results of the surveys conducted by GfK Polonia commissioned by UKIE in November 2008 show that 64% of the respondents regarded Poland as being in the group of states with an average position and average influence on the EU. 27% were of the opinion that Poland had the least influence, with a mere 3% evaluating Poland as a country with the strongest position and greatest influence in the EU⁴³.

Conclusions

In the symbolic terms, the EU enlargement marked the unification of the continent and brought an end to the era of divisions. However, this is not the only aspect to be taken into account. In the global context, it consolidated the potential and international position of the European Union, rendering it a stronger player in the international arena. From the geopolitical viewpoint, a new situation emerged in Europe as a result of the enlargement. In terms of foreign policy, the centre of gravity in the enlarged EU clearly moved in the north-eastern direction. At the same time, the EU enhanced its transformation potential. Adaptation processes triggered off by the enlargement have also changed the new member states as well as resulted in substantial changes in the EU itself. The new members brought with them to the EU their specific interests and experience, affecting the internal dynamics of the integration process. Mechanisms of political solidarity emerged high on the agenda. The enlargement expanded the EU in terms of territory, but its internal diversity also increased, in particular in terms of social and economic potential. It should be underscored that the accession of new member states and the status of European cooperation over the five years has proven that the enlargement policy was and still remains the policy with the greatest impact and power to make things happen. Thus, the policy should continue to be pursued.

The enlargement did not bring the decision making process in the EU institutions to a standstill, nor did it shake the culture of compromise and consensus. Institutions, mechanisms and member states adapted themselves to the new conditions and a greater number of participants in negotiations. The qualified majority voting principle gained ground at the expense of markedly reduced application of the unanimity principle. Also, the importance of the non-formal component has grown in negotiations and bilateral re-

⁴³ Monitoring GfK Polonia, survey commissioned by DA UKIE, November 2008.

lations between the states. Although the enlargement increased the number of small and medium states in the general number of states, it also increased the demand for political leadership, with the biggest member states emerging as the natural, potential leaders. The tendencies in favour of intergovernmental cooperation have also intensified.

The main priority of Poland's European policy in 2004–2009 has been to maximise the opportunities resulting from the EU membership costs and to adapt in a smooth manner, to the realities of being a member state. Also, Poland concentrated its efforts on achieving a strong position of an influential member state, with ambitions commensurate with its size and socio-economic potential. Poland has attempted to participate actively in the EU work, including the crucial debates: the financial, treaty, climate and energy debates, as well as those pertaining to the individual policies. This proves that one of the key benefits of the accession to the EU has been the opportunity to influence the EU reform process and to accommodate it to the challenges of the reality that Europe faces.

The first five years of Poland's membership of the EU have brought a sizeable list of opportunities used by Poland⁴⁴. Poland ranks among the biggest and most influential member states. In certain periods of 2004–2009, Poland has had a disproportionately greater influence than its economic development level would indicate. It appears, however, that playing the role of a big member state and at the same time lagging relatively far behind in terms of development, as compared to other EU-5 states, will be a formidable challenge for Poland. Poland will have to answer the question whether it wants to be, first and foremost, a big, or a poor state. The answer to this question will determine the qualities of Polish presence in the EU in the next years to come. Also, Poland is facing other challenges and opportunities to improve the quality of its membership. The examples of actions that should be taken is quicker determination of its interests at the earliest possible stage of work, better communication of Polish position to its partners, building alliances with states with similar views, improved cooperation with MPs in the European Parliament.

The accession to the EU cannot be treated as a remedy to all problems. Nevertheless, both the general public and political elites positively evaluate the enlargement and Polish presence in the EU. The free ride ticket on account of inexperience in the EU has expired, though, and Poland is facing other important tasks, including the priority, that is the presidency in the EU in 2011. The presidency is the key tool to exert influence on the EU that Poland will have in the next years to come.

⁴⁴ P. Świeboda, *Polska polityka europejska*..... p. 28.

Summing up the initial years of EU membership, it is worth planning the actions for the coming years and selecting the strategic priorities. The starting point will be to analyse the development of the future political agenda of the EU and indicate areas where the integration process is likely to be intensified. Undeniably, the external, or global dimension of individual policies and processes should be taken into account to a broader extent, as these are aspects that increasingly more affect the agenda of the EU work. The success of the EU and Poland in it goes on to show that the only reasonable strategy is to enhance and develop European integration. It simply offers enormous and tangible benefits to everybody.

Poland and Eastern neighbours

The enlargement of the European Union in 2004 to include eight countries of Central and Eastern Europe (EU-8) brought hope of defining the EU's Eastern policy anew. For Poland, membership was on one hand meant to provide a chance to more effectively pursue its interests and on the other to become a new foreign policy instrument. In the course of the following five years Poland's open approach towards the deeper integration of Eastern European countries⁴⁵ with European structures was confronted with a more cautious attitude of EU-15 states. This process developed rapidly and still has to find its conclusion, however it is possible to draw preliminary conclusions.

From the moment of enlargement, EU's cooperation policy with bordering countries was based above all on the European Neighbourhood Policy (ENP). However, this policy covers not only the EU's Eastern partners, but also the countries of South Caucasus and the Mediterranean. As reflected in the contents of this chapter, it is mostly the Eastern dimension of the ENP that is of priority to Poland.

In the context of EU's external relations an important and extraordinary case is Russia. This country decided not to participate in the ENP, arguing that relations between Russia and the EU have a decidedly different character than with the remaining neighbouring countries. Therefore, EU-Russia relations are based on the so-called four areas of cooperation and are described as a strategic partnership. Inasmuch as the ENP is the frame of reference for this chapter, the main emphasis will be placed on the analysis of the development of the relations with countries involved in the ENP. This does not mean, though, ignoring the influence of Russia on the nature of these relations. It is obvious that Russia, as a direct neighbour, engages itself in the process of defining the shape of the relations of these countries with the EU.

⁴⁵ The notion of the countries of Eastern Europe is variously defined. Here, the Eastern European countries are Belarus, Ukraine, Moldova and to an extent Russia, according to a classification on cultural criteria (in this case, the sphere of Byzantine-Orthodox culture).



fig. TADEUSZ KROTOS

From the Polish perspective, cooperation with the countries of Eastern Europe is often perceived as a policy of further enlargement of the EU to the east. It needs to be emphasized that none of the eastern EU neighbours is formally covered by the enlargement policy. In this context, it is important to underline that this chapter above all concerns the development of the neigh-

bourhood policy. This approach is in accordance with the priorities of Polish foreign policy. Poland, despite aiming at inclusion of Ukraine in European structures, abandoned the unconditional offering of the EU membership perspective to Ukraine and increased its efforts towards cooperation in specific areas.

The influence of enlargement on the EU's Eastern policy

Up to 2004, the EU's Eastern policy was shaped, above all, by the process of enlargement to include the countries of Central and Eastern Europe. The strategic partnership between the EU and Russia was also of importance. The shift of the EU borders to the east meant that the EU was faced with the necessity of redefining its relationship with the countries of the Commonwealth of Independent States. Initially, two conflicting objectives were pursued. The EU aimed at actively shaping the situation in the Eastern European countries – essential on account of their geographical proximity and political importance in the new reality of a 25-state Union. At the same time maintaining a limited level of engagement – above all on account of the geopolitical significance of this area for Russia – was also a priority. The EU-15 were not keen to maintain the pace of the enlargement process, justifying this also by the limited capabilities of the EU itself⁴⁶.

⁴⁶ See K. Pelczyńska-Nałęcz, M. Kaczmarek, *Polityka wschodnia UE i rola Polski w jej kształtowaniu po rozszerzeniu w 2004 r.* [The EU's Eastern policy and Poland's role in shaping it after the 2004 enlargement], Centre for Eastern Studies, Warszawa 2009, p. 2.

In May 2004⁴⁷ the European Commission, aware that expanding the borders of the EU must not lead to another lasting division on the continent, and taking into account the above-mentioned objectives, put forward the concept of the European Neighbourhood Policy. It was the Commission's intention that the ENP made it possible to tighten relationships between the EU and individual countries without putting forward a clear membership perspective. It should at the same time be emphasized that the Eastern dimension in terms of the ENP was not given a high priority. The ENP also covered countries of the Mediterranean, which, unlike the nations of the CIS, also took part in the Barcelona Process⁴⁸ enabling closer cooperation. In 2004, the Eastern dimension of the EU's foreign policy (relations with Russia had a separate dynamic) was thus clearly weaker than the Southern aspect.

Regardless of the criticism from the "new" EU members, the ENP became the main instrument of the EU's Eastern policy. Gradually, EU institutions perceived the necessity of modifying the main foundations of the ENP, partly in accordance with Poland's proposals. Nevertheless, the ENP still constituted the main framework for cooperation with the nations of Eastern Europe.

The ENP currently covers 16 states⁴⁹ of the Mediterranean, South Caucasus and Eastern Europe. Countries on the path to EU membership, above all the Balkan states, are not included in the ENP. The ENP's main goals are strengthening the stability, security and prosperity of the EU and its neighbours. The ENP was based on extant bilateral agreements between the EU and individual countries⁵⁰ and, initially, the creation of new institutions and international agreements was not foreseen. A central instrument of the ENP is the Action Plan drawn up by the EU and each individual state. Action Plans contain an agenda for political and economic change which a particular country should introduce in order to tighten its relations with the EU. In 2004 such a definition of aims and methods of cooperation with the countries of Eastern Europe seemed sufficient. From the Polish perspective, though, it entailed a clear division of neighbouring countries into those with membership perspective (the Balkan states), and those not consi-

⁴⁷ See *European Neighbourhood Policy – Strategy Paper*, European Commission COM(2004)373, Brussels 2004 (http://ec.europa.eu/world/enp/pdf/strategy/strategy_paper_en.pdf).

⁴⁸ The Barcelona Process, established in 1995 covers 27 EU member states and 12 Mediterranean countries. It is based on multilateral and regional actions and its primary objective is the political stability of the region. In 2008, the Barcelona Process was strengthened by the Union for the Mediterranean Communication, envisaging further development of cooperation.

⁴⁹ The European Neighbourhood Policy covers: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia, Ukraine.

⁵⁰ In the case of Mediterranean countries these are mostly Association Agreements, in the case of Eastern European countries they are Partnership and Cooperation Agreements. The requirement of a bilateral agreement means that, among others, Belarus is not a member of the ENP as it doesn't have a bilateral agreement with the EU.

dered as potential EU members in the immediate future. Poland regarded discussions on the ENP as an attempt to push back Ukraine's prospects of membership. In exchange, as early as in 2003 the broader concept of the so-called Eastern Dimension was put forward. However, Poland's efforts – still then an inexperienced EU member state – were not welcome by the EU-15 and went beyond the bounds of the discussion.

In following years, the political situation in the region developed dynamically enough to force the EU to respond to the growing challenge in the area of Eastern policy. The changing geopolitical situation in the region and the growing assertiveness of Russia's foreign policy influenced the EU's position. Under the presidency of Vladimir Putin, Russia became an ever less predictable partner for the EU. Incomprehensible actions, also connected with Russia's reluctance towards extending the existing Partnership and Cooperation Agreement to the "new" EU countries, or its deviations from democratic standards⁵¹ influenced the significant changes in relations along the EU-Russia line. In this context, the events in Ukraine in 2004 and Georgia in 2003 (the so-called "colour revolutions") should be seen as further indicators for a revision of the Eastern dimension of the EU's foreign policy. Processes of a radically different nature, i.e. the ongoing authoritarianism in Belarus, also strengthened the feelings among a part of the European elite that the EU's Eastern policy needs to be more active. It also became obvious that the security of EU member states depends to a large extent on the situation in third countries, as demonstrated by e.g. the first gas crisis in Ukraine following the "orange revolution" at the turn of 2006.

The ever-increasing experience of the "new" member states in the area of EU cooperation also influenced the development of the ENP. Poland, together with the Baltic countries, presented their arguments more effectively in EU forums. Despite certain exceptions, such as the building of the *Nord Stream* gas pipeline, the postulates of the "new" member states were reflected in the evolution of the EU's foreign policy. The countries of Eastern Europe gained significance in the eyes of the European elite as separate addressees of EU foreign policy.

As a consequence of the increasingly difficult partnership with Russia, the voice of the "new" member states, together with the changing geopolitical situation, the EU slowly began to abandon the "*Russia first*" policy i.e. perceiving cooperation with CIS countries from the perspective of potential irritation in Moscow, thus enabling a si-

⁵¹ These tendencies are confirmed by reports from independent non-governmental organisations, including *Freedom In the World 2006, National Report: Russia*, Freedom House 2006, www.freedomhouse.org.

gnificant increase in the engagement of EU diplomacy in these countries and gradual evolution of the ENP. In this context, EU enlargement provided an impulse towards crafting a new Eastern policy. It should be emphasized, though, that the changes in the region's geopolitical situation were of fundamental importance. Despite Poland's success in rendering the EU's policy towards Russia sounder, one should not overestimate the actual role of Poland and enlargement on initiating the process of revision of the ENP. Simultaneously, Poland had a measurable influence on defining the new goals of the EU's Eastern policy.

On a political level, the EU appreciated the geopolitical role of the region of Eastern Europe, which brought with it a change in position on the crucial issues. The EU engaged directly in the democratisation of Eastern European states and in the resolution of regional conflicts. The EU's objective became the expansion of the area of common European values eastwards and creating durable relations with countries in this area. For the countries of Eastern Europe, this was intended to be a chance for deeper integration with EU structures. Such a list of objectives demanded a clear revision of EU policies.

In 2006, the European Commission started work on a new formula for the ENP⁵², arguing that the hitherto solutions pose significant challenges to cooperating countries without generating the relevant encouragement. The effectiveness of the ENP was limited, as third countries incurred costs in implementing programmes while the prospect of gains associated with closer cooperation with the EU receded. In the face of these difficulties, in 2007 the European Commission put forward a range of proposals for development of the ENP⁵³:

- further economic integration through the creation of extended free trade areas;
- intensified interpersonal contacts, including simplified visa procedures;
- actions to solve regional conflicts (Transnistria, Nagorno-Karabakh, South Ossetia or Abkhazia);
- cooperation in sectors, including energy;
- participation of ENP countries in Community programmes and agencies;
- increased range of financing, including the establishment of the Neighbourhood Investment Facility⁵⁴.

⁵² See *On Strengthening The European Neighbourhood Policy*, European Commission COM(2006)726, Brussels 2006 (http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf).

⁵³ See *A Strong European Neighbourhood Policy*, European Commission COM(2007)774, Brussels 2007 (http://ec.europa.eu/world/enp/pdf/com07_774_en.pdf).

⁵⁴ The ability to finance investment in selected sectors (above all energy) was approved at a political level during the session of the European Council on 26 January 2009. Also the proposal of the European Commission presented as part of the Second Strategic Energy Review envisaged greater engagement of funds from the *Trans-European Networks* programme for financing investments in third countries. See, among other things, the press release from the EU press service, entitled *Member States reinforce European Commission efforts to fund infrastructure projects in the EU neighbourhood* (<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/128>).

The European Commission also proposed deeper cooperation on a basis of increased differentiation, resulting from the varying aspirations of cooperating countries. The ENP became a more flexible instrument, enabling relatively far-reaching cooperation with the most ambitious partner countries. The need to work out formulas for multilateral cooperation, based on the experience of cooperation with Balkan countries, was also perceived as pressing. The experience of these countries showed that multilateral regional cooperation formed an excellent addition to bilateral agreements between the EU and a partner country and resulted in the increased effectiveness of the EU's foreign policy⁵⁵.

The inclusion in the ENP of a more flexible approach to selected partners, as well as opening the path to broader regional cooperation can be considered as a Polish success. This approach by the European Commission formed the foundation for the EU's proposals for the Mediterranean and the Eastern Partnership – a new initiative, strengthening the Eastern dimension of the EU's foreign policy.

An analysis of the ENP's financial aspect reveals the wider engagement of the EU in an active Eastern policy and confirms the political will to give a new dynamic to relations with the countries of Eastern Europe and South Caucasus. As part of the European Neighbourhood and Partnership Instrument – ENPI⁵⁶, operating since 2007, the funds allocated have increased⁵⁷ for six Eastern ENP countries, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine and also Russia⁵⁸. Furthermore, the disproportion decreased in the amount allocated for Europe's Southern neighbours and that allotted for assistance programmes in Eastern countries. At the same time it was agreed that in the years 2007–2010 for every EUR spent on Eastern European countries more than three EUR would be spent on Southern countries, which seemed the maximum that Poland could achieve. Despite reducing the disproportion in the allocation of funds, the above proportions realistically reflected the role of the Eastern policy within the EU's entire foreign policy.

In the course of the five years since the enlargement, the EU's Eastern policy – at least on the level of declarations – has undergone a significant evolution, an expression

⁵⁵ See J. Muś, *Doświadczenia współpracy regionalnej na Bałkanach Zachodnich, a nowy obraz wymiaru wschodniego EPS* [The experience of regional cooperation in the West Balkans, and the new face for the eastern dimension of the ENP], „Biuletyn Analiz Urzędu Komitetu Integracji Europejskiej” 2008, No 21, p. 156.

⁵⁶ The ENPI was a new financial instrument which met criteria set by the ENP itself, including, conditionality, flexibility, comprehensiveness.

⁵⁷ As part of the *Technical Assistance for Commonwealth of Independent States* (TACIS) programme, which until 2007 constituted the basis of assistance programmes, also for Eastern European countries, the entire CIS and Mongolia, EUR 3.1 bn EUR was allocated in 2000–2006. The ENPI envisaged 4 bn EUR in 2007–2013 for only six named countries and Russia. Source: K. Pełczyńska-Nałęcz, M. Kaczmarek, *op.cit.*, p. 11.

⁵⁸ Russia, despite not participating in the ENP, received funds under the ENPI. Despite the significant growth in funds allocated to assistance programmes for other countries, Russia received significantly lower funds in comparison to previous years, which could be seen as an effect of the improving economic situation in Russia as well as a shift in emphasis in the EU's foreign policy.

of which are the new cooperation instruments contained within the ENP. To a large extent, the EU's Eastern policy has become consistent with the proposals of the "new" Community countries, which allowed Poland to more effectively make use of membership in the EU to achieve its own interests in the partner countries of Eastern Europe and South Caucasus. It should be emphasized, though, that in the period 2004–2009 the full translation of political declarations into concrete actions by the EU in terms of its Eastern policy has not yet happened.

Poland's activities in the EU forum

The activities of Poland in the EU forum were consistent with the objectives of Polish foreign policy. In their Eastern dimension, they have remained almost unchanged over recent years. In terms of ideas, Poland sought to expand the sphere of values, such as freedom of choice, free press or free competition to the neighbouring countries of Eastern Europe, above all to Ukraine and Belarus, states of fundamental importance to Polish foreign policy. Democratisation in the region became an issue of utmost importance. It was assumed that to this end it was essential to present these countries with a European alternative, which in terms of the EU entailed creating institutional frameworks enabling deeper cooperation and the active support of European aspirations through gradual integration with EU structures. The proposal to reduce the dependence of the EU on the supply of resources from Russia can be seen as an offshoot of these efforts, as well as of the policy of counteracting the influence of Russia in the area of the CIS. In this context, Polish strategy towards the countries of South Caucasus evolved as they are potential transit countries (Georgia) and supplier countries (Azerbaijan) of energy resources from the Caspian Sea basin. In the wider view, achieving these objectives demanded that the EU gave higher priority to the eastern dimension of EU foreign policy.

The first attempts at influencing the EU's Eastern policy were made by Poland even before joining European structures in 2003, when the idea of the so-called Eastern Dimension was put forward. The Polish proposal, though, did not find the approval of EU partners and other countries in the region. The EU's Eastern policy did not initially reflect the Polish point of view, but in time however evolved in the direction desired by Poland. Apart from the development of the geopolitical situation, the stubborn efforts of Warsaw also exerted an influence. Poland consistently presented its position in the EU

forum, and the Polish arguments fell on ever more receptive ground. A lot of credit in this was due to the increasing European experience of the “new” member states.

A further comprehensive initiative, though somewhat more modest in its assumptions, presented in the EU forum following the Eastern Dimension, was the Eastern Partnership. In 2008, Poland and Sweden came out with a proposal⁵⁹ which was to complement and further develop the ENP and bring about a balance between the Southern and Eastern dimensions of the EU's foreign policy. The partnership, formally including all EU member states, assumed the existence of bilateral, multilateral and also regional forms of cooperation with six countries of the region: Armenia, Azerbaijan, Belarus⁶⁰, Georgia, Moldova and Ukraine. Poland, not resigning from its postulate of offering Ukraine the membership perspective, proposed the development of cooperation on a working level. At the same time, the concept put forward was entirely based on the priorities set out by the ENP and remained open towards cooperation with Russia. After accepting the general framework of the proposal by the European Council, the European Commission presented the main assumptions of the Eastern Partnership programme in December 2008⁶¹.

The Commission's proposal, in line with the ENP, went however beyond the framework of this policy and created an opportunity for giving the Eastern dimension of EU foreign policy particular significance. The Eastern Partnership became a programme which opens up opportunities to redefine relations with the EU's eastern neighbours and give them a new dynamic. The clear political signal that the EU sent to its partners was important: “[...] The Union has a vital interest in promoting better governance and economic development through a determined engagement in its neighbourhood [...]”⁶², and “The Union's policy towards them [participants in the Eastern Partnership] must be proactive and unequivocal: the EU will give strong support to these partners in their efforts to come closer to the EU and will give all necessary assistance [...]”⁶³. Despite the fact that the European Commission assumed the parallel operation of the Eastern Partnership and the strategic partnership with Russia, the region of Eastern Europe became a separate addressee of EU policy. Also, on a working level, the Partnership, in the form proposed by the Commission was meant to give relations with Eastern partner countries a new dynamic. Cooperation was meant to be carried out in crucial areas: institutions

⁵⁹ See *Propozycja Polsko Szwedzka – Partnerstwo Wschodnie* [A Polish-Swedish Proposal – the Eastern Partnership], http://www.ms.gov.pl/Propozycja_Polsko_Szwedzka,19890.html.

⁶⁰ Depending on the development of the situation in Belarus, above all in the area of respecting human rights and democratisation of the regime.

⁶¹ See *The Eastern Partnership*, European Commission COM(2008)823, Brussels 2008 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0823:FIN:PL:PDF>).

⁶² *Ibid.*, p. 17.

⁶³ *Ibid.*, p. 2.

and democracy building, establishment of free trade areas, increasing energy security and improving relations between people. The Partnership, being at the same time a comprehensive programme for the EU's Eastern policy, was meant to lead to a strengthening of cooperation in the region. In the best case, the Eastern Partnership gave a chance of creating a new political space whose axis would be cooperation with the European Union. From the point of view of CIS countries, it would represent a fundamental shift in the emphasis of foreign policy.

Poland owed the positive reception of the Eastern Partnership to the overall political context and the appropriate formulation of the proposal. Firstly, Russian foreign policy became more assertive, which along with the simultaneous limited interest in the region from the USA (at least as far as Ukraine and Belarus are concerned) and the ever greater destabilisation of the political situation of countries in the region, forced the EU to intensify its activities. The Georgia-Russia conflict was of particular significance, demonstrating again that the EU's security depends on the stability of neighbouring countries. Secondly, Poland abandoned its criticism of the strategic importance of the southern dimension of European neighbourhood, which was negatively viewed by some of the "old" member states. Fearing that the development of relations with Mediterranean countries would slow the process of developing cooperation with the East, Poland above all wanted the EU to recognise the strategic importance of Eastern Europe region. A more balanced approach to this matter, including a positive attitude towards the Union for the Mediterranean, paradoxically resulted in a greater openness of EU partners to accept Polish priorities⁶⁴. In addition, Poland put forward an offer better suited to the realities of the EU. The Eastern Partnership followed the priorities set out by the ENP, placed emphasis on cooperation in the medium term, without taking enlargement for granted and without providing for the establishment of new EU institutions. It seems that the pragmatic stance of this initiative contributed to its success. The experience of the Swedish as partners in presenting the Eastern Partnership in the EU forum should not be ignored. From the perspective of five years of membership, the Eastern Partnership was undoubtedly Poland's greatest success in terms of EU foreign policy.

The Eastern Partnership, creates an opportunity for increased engagement dependent on mutual ambitions and actions taken. This concerns both neighbouring and EU

⁶⁴ In this context the Eastern Partnership should not therefore be treated as an alternative and a response to the Union for the Mediterranean initiative, where the efforts of the French President N. Sarkozy regarding countries of the Mediterranean were then used in the Polish initiative.

countries which, for obvious reasons, are marked by divergent strategic activities in terms of European neighbourhood. Polish foreign policy placed particular importance on Ukraine. Following the “orange revolution”, Polish efforts towards closer integration of Ukraine with EU structures intensified. The engagement of the EU, pressed by the European Commission during the events of the “orange revolution”, gave hope for a new opening. This optimism was also confirmed by the resolution of the European Parliament passed in January 2005⁶⁵ calling for presenting Ukraine with a clear European perspective. Despite support on the side of the European Parliament, in the succeeding years the EU leaders – under the clear pressure of some EU-15 countries – were unable to reach consensus in terms of recognising Ukraine as a future member of the EU. Poland's efforts have not led thus far to a breakthrough in the general thinking about Ukraine's membership.

At the same time, Poland's accession to the EU brought a significant advance in EU-Ukrainian relations in terms of assistance programmes, administrative support or sectoral cooperation. Poland on one hand influenced the remaining countries of the EU in taking such decisions as facilitating visa traffic; on the other, as a member of the EU, it developed programmes of direct cooperation with the Ukrainian administration for it to meet the requirements of the EU⁶⁶. In the face of a lack of political will to begin the long-term process of integration, taking concrete actions in terms of EU-Ukraine cooperation seemed more effective. In this context, the expansion of relations with Ukraine outside the framework of the European Neighbourhood Policy was significant, as encompassed by the Eastern Partnership proposal. Also in the case of Moldova, a leader in twinning cooperation with Poland⁶⁷, the new offer of the Eastern Partnership had a measurable impact.

In relation to Ukraine, though, it should be noted that this country's route to the European Union will be neither easy nor quick, and will certainly be different from that of Poland. In this respect, a fundamental change resulting from the new EU-Ukraine association agreement is not to be expected. The example of the Balkan countries shows that referring to a potential membership in such agreements is more of an exception rather than the rule⁶⁸. Simultaneously, it should be noted that the new agreement recalls in its structure the Europe Agreement, signed also by Poland in 1991⁶⁹. The prospects of

⁶⁵ Item 14, European Parliament Resolution on the results of the Ukraine elections, 13 January 2005.

⁶⁶ E.g. collaboration in building administrative structures for European integration in Ukraine – letter of intent from March 2008.

⁶⁷ More on this in the chapter *Improving public administration*.

⁶⁸ Decidedly more important in terms of accepting a country as a candidate are the decisions made in the European Council than basing an association agreement on a specific article of an EU treaty. See S. Rodin [in:] *The European Union and its Neighbours*, ed. S. Blockmans, A. Łazowski, Cambridge University Press, Cambridge 2006, p. 368.

⁶⁹ See A. Mayhew, *Ukraina a Unia Europejska: Finansowanie przyspieszenia integracji* [Ukraine and the European Union: Financing accelerated integration], Warszawa 2008, p. 99.

EU membership for Ukraine also rest – aside from the obvious geopolitical issues — on the EU's absorption capacity. At the same time, it is difficult to define the final shape of the ties between Ukraine and the EU in the future.

An equally important priority for Polish foreign policy in recent years were attempts towards democratising Belarus, which were in the long-term to contribute to strengthening that country's ties with the European Union. Poland's activities in this area were limited in scope in view of persistent violation of human rights by Minsk. Membership of the EU did give Poland and other interested "new" member countries a chance to put forward the Belarus cause in European forums. A symbolic reflection of this was the creation in 2004 of a separate Belarus delegation in the European Parliament. In 2006, the European Commission submitted to the Belarusian side a so-called *non paper* entitled "What the European Union could bring to Belarus?"⁷⁰ which went unanswered by the Belarusian authorities. This offer was to be repeated though in the coming months and to present the measurable economic advantages in return for progress in introducing democratic reform. Such interest from the Commission would not be possible but for the pressure from the 'new' member states. The enlarged Union on the one hand gained expert knowledge from, among others, Poland, on the situation in Belarus, and on the other, as a direct neighbour with a massive market, could put forward a realistic offer of help in economic development. Action on this scale would not have been possible before enlargement. A 27-nation Union took a more active approach to the situation in Belarus and reacted better to the difficult challenges there. The frequent presence of the leaders of the democratic opposition in Brussels is a good illustration of the appreciation of the role of Belarus in the EU's foreign policy⁷¹. In terms of support for the civil society, the EU allocated funds for the establishment of an independent radio news service, or for grants for repressed students. The Eastern Partnership – despite excluding the full participation of Belarus without carrying out democratic reforms – allowed the possibility of cooperation at a technical and expert level. More importantly, in the geopolitical dimension the EU became for Belarus a counterbalance for Russian influences based on other values. Poland's accession to the EU had, however, certain adverse consequences for Polish-Belarusian social relations. The Schengen visa regime made contact between people more difficult, and the EU didn't include Belarus in its liberalised visa system – unlike

⁷⁰ See http://ec.europa.eu/external_relations/belarus/intro/non_paper_1106.pdf.

⁷¹ In 2006, Aleksandar Milinkevich, an ex-candidate in the presidential elections and one of the leaders of the Belarusian democratic opposition, connected with the movement "For Freedom", was awarded the prestigious Andrei Sakharov award by the European Parliament, commemorating the leader of the Soviet dissidents and laureate of the Nobel Peace Prize.

Ukraine or Russia. For the citizens of partner countries the ease with which borders can be crossed has a special, symbolic significance⁷².

Together with the growth in the importance of energy security policy, the Polish attitude to the countries of South Caucasus underwent a change (Georgia, Armenia, and Azerbaijan). Of key significance in this area were the crises in gas supplies from the East at the turn of 2006 and 2009. The enlarged EU quite severely felt the effects of disruptions in the supplies of gas, where the majority of the “new” member states are practically 100% dependent on supplies from a single source. The hegemony of Russian suppliers in Central and Eastern European nations thus became a challenge for the entire European Union. Each member state in reality bears responsibility for its own security of supplies, but the solutions and actions on the level of individual countries turned out to be frequently insufficient or even leading to a threat to the security of other EU members. In terms of the EU's foreign policy it led, at least in terms of declarations, to the development of a common energy policy. The action plan of the Second Strategic Energy Review⁷³ strengthened the policy of seeking resources from the countries of the Caspian Sea region and proposed the expansion of the Energy Community to include Ukraine, Moldova and Turkey. The Eastern Partnership provided for an intensification of relations with Eastern European and South Caucasus partners in terms of energy security. It anticipated the creation of a platform for energy security – a new forum for bilateral and multilateral collaboration, and also the inclusion of clauses in new agreements regarding energy interdependence.

It should be emphasized that the solutions put forward by the Commission were not entirely satisfactory from the Polish point of view, but they nevertheless represented a significant step forward. Unfortunately, from the enlargement perspective, the lack of the effective “Europeanization” of energy security policy has to be viewed as a negative development – EU countries still don't speak with a single voice. Bilateral agreements between countries, as in the case of the Nord Stream or South Stream Pipeline, could lead to damaging of the efforts of the Commission and certain member countries towards diversifying the sources of supplies of energy resources. In this sense, the expectations that expansion of the EU would strengthen Poland's position in talks with the Russian side were overestimated. However, the chance of better cooperation between member countries in the future is not to be ruled out. Undoubtedly, the arguments of the “new”

⁷² See the chapter *Bezpieczeństwo wewnętrzne i przystąpienie do strefy Schengen*.

⁷³ See the Communication on the Second Strategic Energy Review – an EU energy security and solidarity action plan, European Commission COM(2008)0781, Brussels 2008, UE <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:PL:PDF>.

member states are understood increasingly better, and the implementation of any undertaking in the area of energy is complex and time-consuming.

Conclusions

Prior to 2004, the EU's Eastern policy was above all defined by the then ongoing process of enlargement to include the countries of Central and Eastern Europe. The shift in the EU's border to the east led to a natural growth of interest in Eastern European countries and forced a thorough evolution of the EU's neighbourhood policy. In this sense, EU enlargement became an impulse towards the drawing up of new policies towards Eastern neighbouring countries. Despite the initial limitations of this policy, in successive years its importance gradually increased. The greater number of areas of cooperation, though, did not, in a political sense, bring the countries of Eastern Europe closer to the membership perspective. The neighbourhood policy remained an instrument for developing cooperation while delaying the discussion on enlargement. At the same time, even within the limited framework of the ENP, any political declarations were not actually reflected in the actions of the EU. From the Polish point of view it seems justified to introduce – at least on a general level – the differentiation between those Mediterranean neighbour countries that do not aspire to integration with the EU, and the nations of Eastern Europe where such aspirations are present. The discussion over the potential expansion is, however, currently a separate subject for European consideration, which Poland should be able to make use of to intensify cooperation in specific areas. The current instruments, despite certain imperfections, provide a range of possibilities for the integration of partner countries. Poland must take a lead in promoting such cooperation – not based on slogans, but genuine actions. A good example seems to be the question of facilitating contacts between people. The EU, under Poland's clear leadership, should find solutions for difficulties in crossing the border by the citizens of neighbouring countries and aim at establishing a visa-free regime in the region.

Although within a limited setting, the countries of Eastern Europe did however become separate addressees of EU policy. Moreover, the issue is present in European political discourse. Parallel to this is the continued dialogue with Russia, which does not, however, preclude the need for action by the EU and member countries in developing bilateral relations with the countries of the Eastern dimension of the neighbourhood

policy. Efforts to abandon the principle of “*Russia first*” have brought measurable effects. A factor initiating the changes in the European Neighbourhood Policy was Russia's redefinition of its foreign policy and the political changes in neighbouring countries. However, without the participation of the Central European states, particularly in the framework established by the Eastern Partnership, the Eastern dimension of the ENP would be significantly weaker. It should be emphasized that the Eastern Partnership not only gives a chance to create a new reality for cooperation with the countries of Eastern Europe and South Caucasus, but it also confirms Poland's growing role in the process of formulating European foreign policy. Poland is becoming a more experienced player in the EU and is more effectively looking after its strategic interests.

The good reception of the Polish-Swedish initiative confirms that Poland should focus its activities on the development of specific cooperation programmes, and not get involved in an idle discussion on EU enlargement. The key moment for discussion on EU's potential expansion to the East is yet to come, and the existing deep relations will be a strong argument in favour of Poland's position and for a continuation of the policy of enlargement. Also on account of the support for the accession in partner countries, Poland should attach more importance to questions such as visa policy, or closer economic cooperation.

Regional cooperation

The enlargement of the European Union in 2004 was not without influence on cooperation in terms of the regional groups functioning in Central and Eastern Europe and South-Eastern Europe: the Visegrad Group (VG) and the Central European Initiative as well as in the Baltic Sea region – the Council of the Baltic Sea States. The accession of states belonging to these organisations to the EU led to certain changes being introduced to their agendas. In some cases, it also affected their rates of activity and stimulated the emergence of a new dimension of their operations, distinct from the other organisations. The most fundamental changes have taken place in the Visegrad Group – as a result of accession to the EU by all the members of the group, it took on the nature of an internal EU grouping. The remaining groups retained a mixed character, gathering EU member states as well as states not belonging to the Union.

The decisive factor in cooperation as part of a regional group is the sense of the presence of regional ties. It is not only the political elite that is steered by them, but as opinion polls have shown, it is also important in terms of public perceptions. This constitutes an additional argument in favour of analysing regional cooperation. According to public opinion polls, 25% of Poles feel a sense of solidarity with countries in the region of the Baltic Sea, 24% claim ties between Poland and Central and Eastern Europe, and 18% think that Poland is closely connected to the Visegrad Group⁷⁴. Also, it is worth stressing that for 40% of Poles the strongest link exists between Poland and the EU. Simultaneously, it is an interesting fact that the respondents noticed the other links of a regional or organisational nature, which justifies actions in the region.

⁷⁴ For further discussion on this subject, see M. Pilecka, *Współpraca w regionie Morza Bałtyckiego w świetle badań opinii publicznej [Cooperation in the area of the Baltic Sea in the light of public opinion research]*, Biuletyn Analiz UKiE, No 19, Warsaw 2008.

Table 1. Composition of the Visegrad Group, Central European Initiative, Council of the Baltic Sea States

Grouping	VISEGRAD GROUP	CENTRAL EUROPEAN INITIATIVE	COUNCIL OF THE BALTIC SEA STATES
EU members	Czech Republic, Poland, Slovakia, Hungary	Austria, Bulgaria, Czech Republic, Poland, Romania, Slovakia, Slovenia, Hungary, Italy	Denmark, Estonia, Finland, Lithuania, Latvia, Germany, Poland, Sweden, European Commission
Non-EU member states		Albania, Belarus, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, Ukraine	Iceland, Norway, Russia
States with observer status			France, Netherlands, Slovakia, USA, Ukraine, UK, Italy

Source: Author's own based on: www.ceinet.org; www.cbss.st; www.visegradgroup.eu.

Changes in regional groupings following EU enlargement

The accession on 1 May 2004 of eight Central and Eastern European countries to the EU fundamentally changed the geopolitical situation of the region. The new conditions influenced the redefinition of roles, aims and tasks of the groupings operating in the region. However, modifications did not take place to the same extent in all these organisations. Among the three groupings analysed, undoubtedly the most interesting changes took place in the Visegrad Group. The accession to the EU of all this grouping's member states unarguably affected this.

A characteristic feature of the VG is that prior to the enlargement it went through several crisis situations⁷⁵. In spite of this, after accession to the EU, its member states expressed their will to continue cooperation regardless of the list of hitherto strategic

⁷⁵ E.g. in 2002 further cooperation under the grouping was under question. The crisis was caused by the severe conflict stirred by the Beneš decrees. In February 2002, the Czech Republic and Slovakia failed to attend a VG meeting in Budapest in protest against the "remarks of Victor Urban, Hungarian Prime Minister, suggesting that the Beneš decrees were incompliant with EU membership". The EU accession negotiations also revealed a lack of concerted action. The VG states negotiated individually, pursuing their individual interests. In the period preceding accession to the EU, activities related to obtaining the member status were not coordinated. The Visegrad Group also failed to work out a coherent position on the EU's future. In addition, the VG experienced a crisis in connection with the lack of its shared position on the concept of a so-called hard core of the EU, promoted at the time by France, and participation in operations in Iraq. See M. Dangerfield, *The Visegrad Group in the Expanded European Union: From Preaccession to Postaccession Cooperation*, "East European Politics and Societies", vol. 22, No 3, p. 647–648; J. Gajewski, *Polityka Polski wobec regionu środkowoeuropejskiego [Polish Policy on Central Europe]*, "Rocznik Polskiej Polityki Zagranicznej 2005", Diplomatic Academy MFA, Warsaw 2005, p. 158.

aims of the group, which was integration into Western structures: with the European Union and NATO⁷⁶, having been exhausted. The accession of all the VG countries to these organisations, however, turned out to be a factor inspiring them to further cooperation. The political approval for the operation of the group is testified to by the increase in 2005 of the budget for the International Visegrad Fund to EUR 3 mln, which entailed a tripling of the Fund's resources in comparison with its initial budget allocated in the first year after its establishment (in 2000)⁷⁷.

Certain constituents of the post-accession policy of the Visegrad Group can be pinpointed which reflect the fact of the accession of all its members to the EU. These include:

- 1) emphasizing the necessity of strengthening the identity of Central Europe within the EU,
- 2) europeanising the agenda,
- 3) supporting the transformation process in Ukraine, Moldova and Western Balkan states, seeking to aid their accession to the EU.

The above constituents were present in the action programme of the grouping since the moment of EU enlargement. On 12 May 2004, the Visegrad Group, under the presidency of the Czech Republic, passed a new declaration on cooperation among the four states following their accession to the EU. The declaration above all emphasized the desire to continue cooperation and the necessity of strengthening the identity of Central Europe within the EU, as well as beyond its borders (expressed as "VG+")⁷⁸. Central European identity was an aspect emphasized from the grouping's inception, but following 1 May 2004 it took on a new dimension. The region's states began functioning on EU levels, in which actions undertaken oftentimes depend on support for a given initiative by a group of states sharing a position on a given issue. States from the same region often struggle with the same or similar problems, which increases the chances of building an effective coalition. Hence, in the last five years, all the presidencies of the Visegrad Group aimed at strengthening the cooperation of member states within the EU.

In addition, the declaration reiterated the purpose of the VG's actions which remained unchanged until 2009, namely the active support for the processes of the EU enlargement to the south and east⁷⁹. After the Czech Republic, the presidency

⁷⁶ Cf. P. Bukalska, *Nowa Grupa Wyszehradzka w nowej Unii Europejskiej – szanse i możliwości rozwoju [New Visegrad Group in a new European Union – chances and opportunities for development]*, "Punkt widzenia", May 2003, Eastern Studies Centre, <http://osw.waw.pl>.

⁷⁷ M. Dangerfield, *The Visegrad Group in the Expanded European Union...*, *op.cit.*, p. 646.

⁷⁸ The proposal about strengthening the VG's identity was also put forward by the Hungarian presidency of the VG (2005–2006).

⁷⁹ J. Gajewski, *Polityka Polski wobec regionu środkowoeuropejskiego...*, *op.cit.*, p. 158.

was assumed by Poland, which faced the challenge of defining the goals for VG activities in the years 2004–2005 in the new conditions. Poland set the European tone of the Visegrad agenda, emphasizing the necessity of the VG functioning as a forum for regional dialogue on European matters. The proposal was accepted that the methods and mechanisms of political cooperation should be based on their effectiveness and complementariness with the EU system, relying on tactical alliances to achieve specific goals. The priorities of the Polish presidency covered two broad subjects. First, the focus was on consultations on the future financial perspective, cooperation on areas covered by the Schengen accord, participation in shaping and implementing the new EU neighbourhood policy. The second area of priorities comprised activities aimed at strengthening the grouping internally, by its members' engagement in sectoral and regional cooperation as well as implementation of the programmes of the International Visegrad Fund⁸⁰. As a result, in the new, post-accession period of Visegrad Group cooperation, the first presidencies – Czech and Polish – stressed the pro-European focus of the group's activities. This trend has remained throughout the five year period under discussion.

The question of europeanising the agenda raised no doubts, for obvious reasons. It should be noted, though, that there have been no substantial changes in this matter compared with the pre-accession period. Because all the VG member states aspired to EU membership and were conducting membership negotiations, debates on the EU were taking place already in the pre-accession period. After accession, however, the interest of VG states in mutual consultation and cooperation as regards the European agenda gradually grew⁸¹. This caused an increased frequency of official and working meetings held by members of the VG, parallel to meetings organised by the EU. In connection with their growing number, improving the efficiency and transparency of the mechanisms of mutual cooperation was accepted as one of the main priorities of the Czech presidency of the VG (2007–2008)⁸².

A further consequence of the process of enlargement was the natural tendency of VG member states – being at the same time EU members – to share their experiences in terms of transition and adaptation to the requirements of EU membership with those states expressing a desire to join the organisation. In connection with this, the Visegrad

⁸⁰ *Programme for the Polish presidency of the Visegrad Group 2004/2005*, <http://www.visegradgroup.eu>.

⁸¹ See *Programme for the Hungarian presidency of the Visegrad Group 2005/2006*, <http://www.visegradgroup.eu>. Similarly, *Czech Presidency of the Visegrad Group (June 2007 – June 2008)*, <http://www.visegradgroup.eu>.

⁸² *Czech Presidency of the Visegrad Group...*, *op.cit.*

Group placed particular emphasis on encouraging the transition actions in Ukraine, Moldova and Western Balkan states, as well as supporting these states' EU aspirations⁸³.

In the Central European Initiative (CEI), no fundamental changes took place after 1 May 2004. Just as in the pre-accession period, it pursued the grouping's primary objective. Those, in a broader perspective include the overcoming of the bipolar division of Europe, supporting democratic change and economic development in the region, and, more specifically, preparing the states remaining outside of these structures for the EU and NATO membership. At the moment of enlargement in 2004, seven CEI countries belonged to the EU. In 2007, this figure was increased by Bulgaria and Romania. This means that half the countries belonging to the CEI also belong to the European Union. The remaining countries, with the exception of Belarus, have expressed an interest – albeit in the distant future – in joining the EU.

The pro-EU stance of states in the CEI has clearly influenced the organisation's agenda and objectives pursued and permeated the actions taken by the organisation. In the 2004–2008 period, the main objective was still to support states whose objective was to join the EU and NATO. The support was to come from those states that already held member status in these structures⁸⁴.

In 2007, after the accession to the EU of Bulgaria and Romania, actions were taken to reform the grouping. At the summit of member states held in Sofia in November 2007, the principal objective of the CEI was proclaimed as: “developing regional cohesion and cooperation of member states (independently of their progress in European integration), supporting interested states in their effort for EU membership, establishing institutional cooperation with the EU (European Commission) in implementing its programmes and promoting a civil society as a catalyst of democratic change”⁸⁵.

Thus, the enlargement of the EU became a factor encouraging the CEI to more effective and speedy preparation of those states still outside EU structures for membership. This process of preparation ran along two tracks, on one there was an intensifica-

⁸³ See Meeting of the Heads of Government of the Member States of the Central European Initiative, *The Central European Initiative: Facing the Challenges and Opportunities of the Enlarged Europe*. Declaration adopted by the Heads of Government at their Meeting on 26 November 2004, Portorož, *Joint Statement of the Ministers of Foreign Affairs of the Visegrad Group Countries*, 23 April 2008; *Joint Statement of the Ministers of Foreign Affairs of the Visegrad Group Countries, Sweden and Ukraine*, 23 April 2008; *Joint Statement of the Ministers of Foreign Affairs of the Visegrad Group Countries and Moldova*, 25 October 2007; *The Programme of Slovakia's presidency 2006/2007; Programme for the Hungarian presidency of the Visegrad Group 2005/2006*, <http://www.visegradgroup.eu>.

⁸⁴ See Meeting of the Ministers of Foreign Affairs of the Member States of the Central European Initiative, *Final document*, Portorož, 25 May 2004; Meeting of the Ministers of Foreign Affairs of the Member States of the Central European Initiative, *Final document*, Tatrská Lomnica, 27 May 2005; Meeting of the Heads of Government of the Member States of the Central European Initiative, *Final document*, Tirana, 24 November 2006; Meeting of the Ministers of Foreign Affairs of the Member States of the Central European Initiative, *Chairman's Summary*, Sofia, 18 May 2007, <http://www.ceinet.org>.

⁸⁵ Cf. *Polityka zagraniczna i bezpieczeństwa Polski w świetle pięciu lat członkostwa w Unii Europejskiej-wymiar globalny i regionalny [Foreign policy and Polish security in the light of five year's membership of the European Union – the global and regional dimension]*, Expert report prepared by the Polish Institute of International Affairs commissioned by UKIE, Warsaw 2008, p. 61.

tion of mutual cooperation and exchange of experiences on an inter-state level, whereas on the other – there was a further development of cooperation with the European Commission.

The primary objective of the activities of the Council of the Baltic Sea States (CBSS), created in 1992, was to ensure the security and stability of the region through the promotion of democracy, market economy and a civil society, as well as to support projects bridging the developmental gap between countries. This was to be achieved by cooperation in such areas as environmental protection and sustainable development, energy, education and culture, economic growth and civil security. Following the 2004 enlargement, there was no significant modification to these objectives, the role of the organisation in the new political conditions was debated over⁸⁶, yet the scope of the organisation's agenda underwent no fundamental change. In June 2008, the CBSS passed a declaration on the reform of the organisation. The declaration defined the long-term priorities for its activities, which included environmental protection (including climate change), economic development, energy, education and culture and also civil security and the human dimension. These priorities were, however, not a novelty, as they were already present at earlier stages of the organisation's operation⁸⁷.

In the past five years, however, differences arose in expectations regarding the priorities of further cooperation: the Scandinavian countries wanted to concentrate on environmental protection, while the new member states preferred to play catch-up in terms of socio-economic development, seeing the CBSS as a chance for developing innovation, the economy and infrastructure. In addition, some of the Scandinavian countries were more interested in shifting the attention of the CBSS towards the Northern Dimension, encompassing cooperation between the EU and Russia⁸⁸. Promotion of the Northern Dimension contributed to the elimination of certain components of Baltic cooperation, e.g. health issues or transport, to avoid duplicating tasks. As a result, certain changes did take place in the CBSS, however, they were not so much a direct result of the enlargement, but rather an effect of the pursuit of specific forms of cooperation in the region, coordinated by the EU.

⁸⁶ Cf. *Polityka zagraniczna i bezpieczeństwa Polski...*, *op.cit.*, p. 37–39.

⁸⁷ *Declaration on the reform of the Council of the Baltic Sea States*, CBSS Ministers' Deputies Meeting, Riga, 3 June 2008, <http://www.cbss.st>.

⁸⁸ The Northern Dimension is a joint project of the European Union, Iceland, Norway and the Russian Federation concerned with Northern Europe.

Poland in regional groupings after EU accession

The Visegrad Group

Poland, following its accession to the EU, declared itself in favour of continuing the Visegrad cooperation, despite opinions that after accession it should pay greater attention to developing bilateral relations, making them a part – in the EU dimension – of the strategy of building a variable geometry coalition. The Polish leadership of the VG in 2004–2005 was to bring “a renewed sense of shared action, above all in terms of the European Union”⁸⁹. To what extent have these goals been transferred into reality? Has participation in the group increased the likelihood of Poland achieving its interests?

The priorities of the Polish leadership of the VG overlapped with the main challenges faced by Polish policy on the region in the following years. They were at the same time issues on the EU agenda. The situation was similar when Poland took over the leadership of the VG once again in 2008–2009. Among the priorities, there were matters convergent with the direction of Poland's European policy. In 2004, Poland considered a priority e.g. deeper cooperation with countries covered by the European Neighbourhood Policy, increased engagement of the VG to speed up work on a new agreement between the EU and Ukraine, promoting the pre-accession preparations of the Western Balkan countries, promoting the free flow of persons and implementing the idea of a “Green Visegrad”.

The pursuit of Polish interests through Visegrad cooperation was encouraged by the fact that mutual collaboration within the EU was valued by all partners. The crucial thing was to identify the areas of common interest.

The first such area was the negotiation of the New Financial Perspective for the years 2007–2013. During negotiations Poland relied on Visegrad cooperation, but it didn't limit itself entirely to it. The fundamental coalition in these negotiations was formed by a wider group, the so-called group of “friends of cohesion policy”, composed of the ten new member states, Greece, Spain and Portugal⁹⁰. Nevertheless, the VG states collaborated closely at a working level throughout the period of the negotiations, which resulted in the adoption of joint declarations presented in various EU forums.

⁸⁹ *Informacja rządu na temat polskiej polityki zagranicznej w 2005 roku przedstawiona przez ministra spraw zagranicznych Adama Daniela Rotfelda na posiedzeniu Sejmu w dniu 21 stycznia 2005 [Government report on Polish foreign policy in 2005 delivered by Minister of Foreign Affairs Adam Daniel Rotfeld at a session of the Sejm on 21 January 2005]*, “Rocznik Polskiej Polityki Zagranicznej 2006”, Polish Institute of International Affairs (PISM), Warsaw 2006, p. 12.

⁹⁰ Belgium, Finland, Ireland and Italy held observer status.

The VG states also cooperated in implementing Schengen-related community law. At the summit in October 2006 Poland mobilised its VG partners to exert united pressure on keeping 2007 as the deadline for the area's enlargement to cover all the VG countries. During high-level meetings, a shared position on this matter was presented. The cooperation of all the VG states contributed to the launch of the temporary system SISone4ALL, breaking Austria's resistance, which proposed retaining border controls still beyond 1 January 2008, and overcoming German reluctance connected with the costs of building a temporary system⁹¹.

It is interesting to look at the ability to pursue Poland's interests in relation to its Eastern policy and the area of the Western Balkans. In the period under discussion, Poland strongly supported the development of a pro-Western attitude in the countries to the east and south of the VG, perceiving this as a factor guaranteeing security and stability on the continent. It attached particular importance to supporting Ukraine's aspirations to join the EU⁹², declaring at the same time its support for the European aspirations of the Western Balkan states⁹³. The position adopted by the VG states was convergent with Poland's policy. The VG states declared that they would support those states still not in the EU, but aspiring to membership⁹⁴. The programming documents of the Group on Ukraine are particularly interesting, as the country was treated as a priority by all the presidencies⁹⁵.

The Visegrad Group also supported the Poland – Sweden Eastern Partnership project, accepted by the European Council in 2008. The Prime Ministers of the VG states declared their support for the initiative both at the Prague summit in June 2008, as well as in Warsaw in November 2008. They then expressed their hope of ensuring the necessary funds from the EU, essential for the effective implementation of the project⁹⁶.

Negotiations on the energy and climate package are another example of building a wider coalition. This coalition took in both states from the Visegrad Group as well as

⁹¹ Cf. *Polityka zagraniczna i bezpieczeństwa Polski...*, *op.cit.*, p. 46–47.

⁹² *Informacja rządu na temat polskiej polityki zagranicznej w 2004 rok...*, *op.cit.*, p. 14; *Informacja rządu na temat polskiej polityki zagranicznej w 2005 roku...*, *op.cit.*, p. 10. More on the subject of Poland's policy towards Ukraine I. Niemczycki, *Polska i jej wschodni sąsiedzi [Poland and her Eastern neighbours]*, Report "Five years of Poland in the European Union", Office of the Committee for European Integration (UKIE), Warsaw 2009.

⁹³ For more on this subject see M. Banat, U. Pałasz, *Polska w Unii Europejskiej [Poland in the European Union]*, "Rocznik Polskiej Polityki Zagranicznej 2006", PISM, Warsaw 2006; M. Banat-Adamiuk, *Aktywność Polski w Unii Europejskiej [Polish activity in the European Union]*, "Rocznik Polskiej Polityki Zagranicznej 2007", PISM, Warsaw 2007; Answer from the secretary of state at the Ministry of Foreign Affairs authorised by the Prime Minister, to question No 1258 on sending a Polish political mission to Serbia, Warsaw, 16 April 2008, <http://orka2.sejm.gov.pl>.

⁹⁴ See the declaration accepted by VG state Prime Ministers in Kromierzyż 12 May 2004, <http://www.visegradgroup.eu>.

⁹⁵ See the programmes of each presidency and Visegrad Group activities at <http://www.visegradgroup.eu>.

⁹⁶ See Press Release: *Official Summit of the Prime Ministers of Visegrad Group Countries*, Prague, June 15–16, 2008; *Press Release of the Polish V4 presidency after the Official Summit of the Prime Ministers of the Visegrad Group Countries and Baltic States*, Warsaw, 5 November 2008; <http://www.visegradgroup.eu>.

the Baltic States (Lithuania, Latvia, Estonia), Bulgaria and Romania. On account of the objections of the coalition, and also Germany and Italy, expressed during the October meeting of the European Council in 2008, the decision was taken at the December summit that voting on the package would be not by a qualified majority, but by unanimity. This meant the package had to be more balanced and take the specific situation of the Central and Eastern European states more into account⁹⁷.

The above examples demonstrate Poland's flexible approach to cooperation with its VG partners in its pursuit of Polish interests. On the EU level, Poland hasn't treated the Visegrad group as an exclusive coalition partner, but rather, in difficult moments during negotiations, when broader support was required, sought to build coalitions including other EU member states, both "old" and "new". In their Eastern policy, particularly on Ukraine, the VG states often spoke with one voice.

Central European Initiative

Poland perceived the Central European Initiative as a tool for preventing divides following EU enlargement, notably in the light of the EU concept of a Wider Europe⁹⁸. The question of maintaining close ties with those countries remaining outside Western structures was considered important, similarly to maintaining their integration perspective⁹⁹. On this account, Poland regarded the CEI objectives adopted in 2007 as most important, referring to the support for the process of integrating Eastern and South-Eastern states into Euro-Atlantic structures. Great significance was also attached to the cooperation of Polish entities with Eastern European partners (Moldova, Ukraine and, to the extent possible, Belarus) based on projects co-financed by the CEI. From the Polish point of view, an important objective was also supporting regional collaboration with the participation of CEI member states, also by passing on Polish experiences and *know-how* under CEI cooperation mechanisms. The fact of Belarus's membership of the CEI is not without a meaning for Poland, as this is the only European regional structure of which Belarus is a member. The CEI, even through cooperation of a non-political nature, promotes the values and mechanisms that form the foundations on which all democratic nations operate. In the same way, it constitutes a valuable instrument for influencing Be-

⁹⁷ The Prime Ministers of Poland, Hungary, Czech Republic, Slovakia, Lithuania, Latvia, Estonia, Bulgaria and Romania, in their joint declaration adopted in October 2008, called on the EU to "desist from solutions not taking into account the differences in economic potential of member states".

⁹⁸ Wider Europe – a concept devised by the European Commission; this concerns the EU's policy towards the Russian Federation, Ukraine, Belarus, Moldova, countries of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia) and the Palestinian Authority.

⁹⁹ *Informacja rządu na temat polskiej polityki zagranicznej w 2004 roku...*, *op.cit.*, p. 19.

larus. From the Polish point of view, it was also important for the CEI to support deeper democratic change in Ukraine and Moldova¹⁰⁰.

In the last five years, cooperation in this grouping reflected the objectives of Polish European and Eastern policy. Additionally, through collaboration under the CEI, it was possible for Poland not only to support changes in the political and economic systems and gradual arrival at EU membership of the interested states, but also to create a positive image in Europe.

Council of the Baltic Sea States

Polish diplomatic effort here concentrated on reducing the economic and social differences between the countries of the north-western and south-eastern coasts, and also on supporting socio-economic change along the EU border with Ukraine, Belarus and the Kaliningrad Oblast¹⁰¹. The CBSS was perceived by Poland above all as a tool of economic and social integration with the Nordic and Baltic States, as well as an instrument for intensifying cooperation with Russia and the Kaliningrad enclave¹⁰². At the same time, it should be noted that the CBSS is not an organisation marked by vigorous action, which equally for Poland, as for the other member states, entails the reduced likelihood of achieving any objectives set¹⁰³.

In June 2004, Poland took the presidency of the CBSS for a year, during which it proposed deeper cooperation between the CBSS and the European Commission (particularly in terms of implementing the action plan for the Northern Dimension of the EU in 2004–2006, the implementation of the European Neighbourhood Policy and EU–Russia dialogue). It also set itself the objective of including Ukraine and Belarus in the CBSS and broadening the collaboration of the Council with other Baltic and Scandinavian regional groupings. Among the most important areas of activity were regional and cross-border cooperation, environmental protection, development of economic cooperation, social integration and civil security¹⁰⁴. Consequently, those areas on which the security and stability of the region depended were also considered priorities.

¹⁰⁰ Cf. *Polityka zagraniczna i bezpieczeństwa Polski...*, *op. cit.*, p. 61–63.

¹⁰¹ *Ibidem*, p. 42–43.

¹⁰² *Informacja rządu na temat polskiej polityki zagranicznej w 2004 roku...*, *op. cit.*, p. 9.

¹⁰³ In 2008, the organisation came under criticism from *The Economist*. The magazine stressed e.g. that the CBSS would occupy a key position in a ranking of international organisations requiring change. *The Economist* accused it of illogical membership principles, as it includes Norway and far-off Iceland (on account of it being a Nordic state), and doesn't include nearby Belarus. The objective of the organisation is described as vague, and the organisation itself as of little interest. It was also stated that, for critics of the organisation, its activities were a waste of tax-payers' money. See *The ideal international summit is a dinner party with a waiting list*, *The Economist*, 5 June 2008, <http://www.economist.com>.

¹⁰⁴ *Priorities of Polish Chairmanship in the Council of the Baltic Sea States, 2004–2005*, <http://www.cbss.eu>.

Poland's participation in the CBSS was considered one of the factors helping to consolidate the country's position in the region and in the European Union and to build the image of an active state, engaged in the resolution of material problems, not only from the point of view of Poland's interests, but of the entire EU. Poland's activities in the CBSS were perceived both as supporting and adding to cooperation in Central and Eastern Europe. Polish programming documents emphasized the importance of strengthening Poland's position on the North-South axis. The Minister of Foreign Affairs in 2006, Stefan Meller, expressly referred to this aspect in the government report on Polish foreign policy. He emphasized Polish aspirations to play the role of a broker for cooperation in the Central European and Baltic regions. The collaboration of Baltic and Scandinavian states was to serve the increased effectiveness of cooperation in Central and Eastern Europe. Increased activity in this area was perceived as an instrument serving the purpose of achieving the objectives in the EU forum, as well as of pursuing policies towards Eastern Europe¹⁰⁵.

For Poland, aspiring to the role of a state actively formulating EU policy on Eastern Europe, it was important to engage representatives from these countries in the work of the CBSS. This objective was being put into practice during its leadership of the CBSS, as Poland invited representatives of Ukraine and Belarus to the various forums.

Poland's ability to achieve its objectives in the CBSS was influenced by the lack of consensus as to the direction of future collaboration in the grouping. The Scandinavian countries were of the opinion that a part of the area of cooperation remained within the remit of the EU, hence their preference to concentrate cooperative work on Russia under the Northern Dimension. Reducing regional Baltic cooperation to the EU-Russia level only left Poland with reservations, as the country regarded the development of good relations with Russia as important, but was equally interested in including Ukraine and Belarus in Baltic cooperation¹⁰⁶.

Additionally, it should be emphasized that after 2008 Poland has displayed interest in cooperating under EU auspices in the preparation of the EU strategy for the Baltic Sea Region. Due to the EU's greater instrumental and financial means, the strategy may render the fuller achievement of Polish objectives in the region more feasible than the Council of the Baltic Sea States¹⁰⁷.

¹⁰⁵ Cf. *Polityka zagraniczna i bezpieczeństwa Polski ...*, *op.cit.*, p. 43.

¹⁰⁶ *Ibidem*, p. 57–58.

¹⁰⁷ On the subject of strategy, see M. Kałużynska, *Jakiej strategii potrzebuje region Morza Bałtyckiego? [What strategy does the Baltic Sea region require?]*, Biuletyn Analiz UKiE, No 19, Warsaw 2008, and also: <http://www.strategia-baltyk.ukie.gov.pl>.

Conclusions

EU enlargement in 2004 had differing influences on cooperation in the region. In the Visegrad Group, on account of all the members joining EU structures, there occurred a strengthening of consultation mechanisms regarding matters already present on the EU agenda, and a shift of attention from aspiring to EU membership to supporting the aspirations of those countries still outside it. In the Central European Initiative, similarly to the pre 1 May period, the group's activity focussed on supporting democratic transition and economic development in the region, as well as on the preparations of non-member countries for joining the EU and NATO. In the Council of the Baltic Sea States, the enlargement revealed a lack of internal cohesion in the grouping.

Poland's policy of multilateral regional cooperation was subordinated to our membership of the European Union and became a consequence of Poland's policy within European structures. The analysis reveals that the Visegrad Group is a grouping that significantly facilitates the pursuit of Poland's regional interests inside the EU, as well as the implementation of its foreign policy priorities. Poland did not simply restrict itself in its activities to a permanent coalition with the Visegrad Group but, in difficult moments, it built wider coalitions, engaging both "new" and "old" member states. Cooperation also took in other states advocating similar positions. The activity of the CEI has been part and parcel of a wider context of Polish policy of supporting the Euro-Atlantic aspirations of countries not belonging to the European Union and NATO. The convergence of the objectives of the grouping with Poland's foreign policy priorities fostered the realisation of Polish interests. In the CBSS, the pursuit of Polish interests was hampered by the lack of internal political cohesion of the grouping.

Cooperation under the Visegrad Group, the Central European Initiative and the CBSS was treated by Poland as a factor contributing to strengthening the identity of Central Europe and ensuring stability in the entire region¹⁰⁸. Polish membership of regional groupings undoubtedly represented an additional asset and strengthened our position in the European Union. This was also encouraged by the potential and tangible opportunity of finding supporters among states in the region struggling with similar problems.

Despite the existence of certain restrictions on multilateral cooperation, it should nevertheless continue. This cooperation forms an important instrument in strengthe-

¹⁰⁸ Cf. *Informacja rządu na temat polskiej polityki zagranicznej w 2005 roku...*, op.cit., p. 15.

ning Poland's position within the EU, on condition that it is treated flexibly. In the following years, an intensification of cooperation should be expected on account of the EU presidency being held by three countries from the region of Central and Eastern Europe, i.e. the Czech Republic (the first half of 2009) and Hungary and Poland (2011).

The functioning within the EU of numerous members of regional groupings creates the potential for powerful lobbies to force through particular concepts beneficial for that region. In the past five years this has been seen e.g. in the promotion of the process of EU enlargement and support for the aspirations to accession of non-member states, as well as an influence being exerted on the shape of the Eastern dimension of European neighbourhood. The lessons learnt from membership in regional groupings can also contribute to new EU initiatives being conceptually better, an example of which is the EU strategy for the Baltic Sea region.

Poland in the globalised world

In recent decades, a significant acceleration of the globalisation processes has been observed. It can be explained by the scientific and technological progress, the development of communications and transport, liberalisation of world trade, and many other factors. As a result of these processes, the political agenda of the European Union (EU) is being increasingly shaped by global factors. Thus, increasing importance is being attributed to the external aspects of many EU policies. This trend helps illustrate the scale of the impact that the globalisation processes have had on the direction of the works of European institutions. At the same time, the 2004 enlargement has changed the perceptions of globalisation and of the role of the European Union in this process. In fact, the definition of the EU has changed in the social awareness of some Western European citizens – initially believed to be a shield protecting against adverse consequences of globalisation, the EU has become the Trojan horse of globalisation, weakening the states in their efforts to ensure security and social security in particular¹⁰⁹. As a result, perceptions of globalisation in present-day EU are highly diversified¹¹⁰.

The Political and Security Dimension

Poland and the CFSP/ESDP¹¹¹

In the pre-accession period, the Common Foreign and Security Policy (henceforth the CFSP, the so-called II pillar of the EU) caused little controversy in Poland. It was assumed that by acceding to the EU, Poland would gain additional instruments

¹⁰⁹ P. Serafin, *Unia Europejska w przededniu wielkich debat*, „Biuletyn Analiz UKIE”, No. 17, February 2007, p. 5.

¹¹⁰ Examples of significant diversification in the assessments of globalisation are provided by the most recent Eurobarometer: 73% of Danish residents and only 35% of French citizens (and 54% of Poles) agree with the statement that EU helps benefit more effectively from positive aspects of globalisation. Quoted after: *Standard Eurobarometer 70*, first results, fieldwork: October–November 2008, December 2008, p. 54.

¹¹¹ Materials provided by the Ministry of Foreign Affairs are used in this chapter.

which would allow her to attain major foreign policy objectives such as the strengthening her position on the international forum, ensuring security and participating in the shaping of the international community's rules governing operations. This was to be guaranteed by the international nature of the cooperation, decision-making mechanisms based on the rule of consensus, and the relative convergence of CFSP targets with the Polish foreign policy.

Thus, with her accession to the EU, Poland fully supported the strategic goals of the EU Common Foreign and Security Policy – that is the strengthening of the European Union's security and of national security, the support for international cooperation, as well as the advancement and reinforcement of the rule of law and democracy. Poland was aware of the specific character of this policy at the time of her accession to the EU, however. While the CFSP is still in the making, the Union policy in this area is frequently considered a sum of the member states' national interests which suggests that it is not always effective¹¹². Regardless of these shortcomings, Poland actively joined EU works in the area of the CFSP, perceiving many opportunities in the participation in this policy.

Accession to the EU brought about a fundamental change in Poland's foreign policy, both by widening the scope of interest, and by enabling to participate in the decision-making concerning the CFSP. Participation in the CFSP lent a global perspective to Poland's foreign policy. Considering her experience, knowledge, skills and interests, Poland was guided by well-defined priorities during the years 2004–2009, including the European Security and Defence Policy (ESDP), Transatlantic relations, Eastern Policy and the Neighbourhood Policy, as well as full participation in the cooperation between the EU and other world regions. At the same time, Poland participated in defining of the EU policy vis-à-vis regions and countries towards which the Polish foreign policy had not been particularly active so far due to limited resources and instruments of influence.

Poland's membership in the EU- and particularly the participation in the mechanisms of the Common Foreign and Security Policy – has provided her with a new, valuable instrument for the coordination of European interests in the external dimension and for the realisation of her own external interests. As she gained experience in the working mechanisms of the CFSP, Poland was increasingly able to capitalise on her significant political potential resulting inter alia from the fact of being one of six largest states of the European Union. There are reasons to believe that after five years of membership,

¹¹² A. Harasimowicz, P. Żurawski vel Grajewski, *Korzyści i koszty przystąpienia Polski do UE na odcinku Wspólnej Polityki Zagranicznej i Bezpieczeństwa oraz Europejskiej Polityki Bezpieczeństwa i Obrony*, [in:] *Korzyści i koszty członkostwa Polski w Unii Europejskiej*, Centrum Europejskie Natolin, Warsaw 2003, p. 207.

Poland already disposes of the so-called institutional memory, that is the knowledge of procedures and institutional and financial implications of the decisions being made. A good example is the „Eastern Partnership” initiative, which may be considered Poland's greatest success and the proof that Poland is capable of utilising the CFSP instruments effectively for the realisation of the priorities of her foreign policy¹¹³.

During the first five years of her presence in the EU, Poland has created a public image of a state constructively involved in the advancement of the conceptual and operational dimensions of the CFSP (including active participation in the review of the European Security Strategy). More importantly, Poland has not been perceived as a single-issue country despite her traditional commitment to the realization of an EU eastern policy. This may be explained by Poland's participation in discussions on such topics as the Western Balkans (including issues relating to the Kosovo status, observance of the principle of conditionality in EU negotiations with Serbia, Bosnia and Herzegovina), Afghanistan (including the reinforcement of EU involvement in this country, practical development of EU–NATO field cooperation), Africa (including issues regarding the involvement in EU operations on the territory of the Democratic Republic of Congo, Chad and in the security sector reform), non-proliferation (including export control, embargo on sale of weapons to China, Iranian nuclear programme), as well as horizontal issues (including those relating to the status of EU special envoys, the status of the International Criminal Court).

Poland actively participated in the discussion on the continuation of the EU enlargement policy, and consequently on the necessity to open accession negotiations with Turkey and Croatia. With the commencement of the negotiations, Poland provided continuing support that helped maintain the pace and quality of accession negotiations on all levels of EU cooperation (formal and informal). On many occasions she sided with candidate states when the accession negotiations were threatened by a slowdown or deadlock (e.g. during European Council meeting in December 2006 – the debate on failure on the part of Turkey to meet the commitment concerning the ratification of the Additional Protocol to the Ankara Agreement; and in 2008, during many discussions relating to the blockage of the Croatia–EU negotiations by Slovenia). Because of her assertiveness, Poland's membership contributed to her positive image as an advocate of further enlargements and of strengthening of EU bonds with its neighbours, thus reasserting her support for increased security and cooperation in Europe.

¹¹³ For more details on Poland's involvement in the realization of EU eastern policy, see: *'Poland and her Eastern Neighbours' in this report.*

The EU enlargement of 2004 did not create a new division into „old” and „new” member states in the CFSP area. New members joined the informal interest groups already present within the EU Council. Poland thus found herself in a group of states supporting closer EU cooperation with NATO (together with the United Kingdom, the Netherlands and Denmark), those promoting a more assertive EU position towards Russia (along with the United Kingdom, Sweden, Lithuania, Latvia, Estonia and the Czech Republic), and finally those opting for strict observance of the conditionality principle in relations with the Balkan states (along with the United Kingdom, the Netherlands, Sweden).

The past five years of Poland's membership were also marked by co-participation in policy-making in the context of EU-USA relations. Poland's efforts proved significant for keeping the issue of American support to states in transition located in Eastern Europe on the agenda of the Transatlantic talks, while the European Commission monitored the steps towards the liberalisation of the American visa regime for citizens of an enlarged Union. In the years 2008–2009, Poland actively participated in EU works targeted at the reinforcement of the dialogue with the United States. The strategic discussion on the future of the Brussels-Washington cooperation initiated in Avignon in 2008 contributed to a political agenda of cooperation with the new US administration that is broader in scope and more concrete in its essence (the document on Transatlantic Partnership).

The added value of Poland's participation in the CFSP is also exemplified by the growing partnership with countries of the broad Middle East. Poland has been supporting EU actions in this area, particularly the efforts of the member states – permanent members of the UN Security Council, aimed at the resolution of the issue regarding Iran's nuclear programme. Poland has furthermore contributed to maintaining the interest of the EU and the European Commission in the problem of reconstruction of Iraq, and on the need for increasing the EU budget allocated to this purpose.

Moreover, the EU membership brought to Poland's attention significant opportunities for the advancement of EU relations with Asian countries, particularly with the Union's strategic partners, that is China, Japan and India as well as South Korea. Moreover, guided by the principle of solidarity, Poland has been increasingly involved in actions aimed at reinforcing the EU's presence in Africa. The most important areas of cooperation with African states included stabilisation, development and humanitarian aid, promotion of human rights, democracy, rule of law and good governance. Poland also actively supported EU efforts for the benefit of peaceful resolution of conflicts in Africa. As a EU member state, Poland gained the possibility to influence the making and

implementation of the EU Strategy towards Africa. Since 2008 Poland has participated in the 10th edition of the European Development Fund, which is the main financial instrument of the EU development assistance towards third countries. Poland also sought to influence the fund's measures so that they be complementary to the priorities of Poland's increasingly significant development aid.

One should also point out Poland's prioritization of the observance of human rights and the rule of law. Poland has been particularly active in efforts benefiting Belarus, e.g. by supporting the launch of a Polish radio station and the preparation of observers for the presidential elections in Belarus in 2006. Poland intensified efforts for the benefit of adoption of an individual strategy towards Belarus by the EU, arguing that the latter treats this country as a potentially free democratic state and a partner in Europe. However, Poland's interest in the progress in of the fields of human rights and rule of law was not limited to her eastern neighbours; jointly with other EU member states within the framework of the CFSP, Poland underlined the importance of supporting democratic processes also when it comes to Asian or African states (e.g. in Uzbekistan or Zimbabwe).

To recapitulate, during five years of membership Poland actively participated in the CFSP, strengthening its image of a state willing to support policy that goes beyond national interests (e.g. support for further EU enlargement despite the possibility of potential reduction of assistance funds for Poland for the benefit of future new members). It quickly gained the reputation of an advocate of states lying outside Union borders supporting their European ambitions; this in turn, has helped neighbouring states become perceived to a greater extent as important political partners. By becoming involved in global issues and participating in the shaping of EU policy towards the world, Poland has improved the chances to realise her long-term interests and confirmed her effectiveness as a new EU member state.

European Security and Defence Policy

The security aspect was another priority for Poland in the EU. With the accession, the foundations of Poland's security policy have been based not only on the strategic partnership with the United States and the membership in the NATO, but also on the cooperation under the European Security and Defence Policy (ESDP) within the framework of the CFSP¹¹⁴.

¹¹⁴ M. Ziółkowski, *Polityka bezpieczeństwa Polski*, „Rocznik Polskiej Polityki Zagranicznej” PISM, 2007, p. 71.

During the five years of membership in the EU, Poland has become actively and constructively involved in the development of the conceptual and operational dimensions of ESDP. Feeling that an accelerated and tightened EU integration in the area of security would be a potential threat to NATO's position in Europe, Poland initially regarded the development of the ESDP towards a defence alliance mechanism with scepticism. Despite initial reservations, Poland's position towards the development of the ESDP has gradually changed. The ESDP framework developed so far „largely reflects Polish postulates, and has therefore won Poland's approval”¹¹⁵. Although NATO is still considered as the main instrument of the Polish security policy, Poland's membership in the EU is understood today as an „evident guarantee” of Poland's security¹¹⁶, and the building of defence (military) capacities is no longer regarded as a competition for the NATO. On the contrary, significant involvement of Poland in the ESDP is considered as being consistent with the idea of complementarity and non-contradiction of military cooperation in the EU with activity in the NATO¹¹⁷. Moreover, Poland stresses the need of continued strengthening of cooperation and coordination between the NATO and the European Union¹¹⁸.

Despite the aforementioned doubts, Poland has been involved in development of the Community's military capacities ever since her accession to the Union. The EU Battle Group declared in 2004 by Germany, Slovakia, Lithuania and Poland is to attain readiness in the first half of 2010. Poland will play a particular role in this group as a „framework state”, i.e. a coordinator of the preparation process and possible operational use of this unit. Similarly in 2006 Poland made a declaration jointly with Germany and France on the establishment of the „Weimar Group” by 2013, and in 2007 Poland, the Czech Republic, Slovakia and Hungary announced the establishment of a similar „Vysegrad Group” by 2015¹¹⁹.

By supporting an active security policy within the EU, Poland has been increasing its involvement in ESDP operations during the past five years. „The main form of Poland's activity in the European Union in the area of security, serving the purpose of developing the Union's military capacities and its potential for international influence, was the participation in missions abroad”¹²⁰, including EU military and civil operations.

¹¹⁵ *Polityka zagraniczna i bezpieczeństwa Polski w świetle pięciu lat członkostwa w Unii Europejskiej – wymiar globalny i regionalny*, ekspertyza przygotowana na zlecenie UKiE, PISM, Warsaw 2008, p. 8.

¹¹⁶ M. Madej, *Polityka bezpieczeństwa Polski (wymiar polityczno-wojskowy)*, „Rocznik Polskiej Polityki Zagranicznej” PISM, 2008, p. 57.

¹¹⁷ *Polityka zagraniczna i bezpieczeństwa...*, *op.cit.*, p. 8.

¹¹⁸ M. Madej, *op.cit.*, p. 56.

¹¹⁹ *Polityka zagraniczna i bezpieczeństwa...*, *op.cit.*, p. 8.

¹²⁰ M. Madej, *op.cit.*, p. 57.

Poland has actively supported the priority areas of EU's operational involvement, which include the Balkans, the eastern neighbourhood of the EU and the Middle East. The first important mission undertaken by Poland under the ESDP was EUJUST LEX during 2005–2007. Its objective was the organisation of training for the Iraqis as part of the judiciary reform. Poland also showed high engagement in the EU military operation in Bosnia and Herzegovina (BandH) EUFOR ALTHEA in 2006, with the participation of approximately 4.5 thousand soldiers, including 190 from Poland. Continuing its involvement in the region, Poland supported the EUPM police mission in BandH with qualified staff which, jointly with local security forces, played an important role in the fight against organised crime. Furthermore, Polish experts constituted the most numerous representation in EUBAM observation and advisory EU mission EUBAM on the Ukraine–Moldova border and which was initiated in December 2005. The mission is of advisory nature, and its activity striving for the improvement of border controls with regard to smuggling and criminal structures is perceived as an important step towards resolution of the conflict in Transnistria¹²¹.

Poland's Policy Towards Selected Non-European Regions

After Poland's accession to the EU, relations with third states were redefined, allowing Poland to open up to new substantive discussions and contributing to more effective development of bilateral relations. Thus, it is beyond any doubt that Poland's accession to EU strengthened its position on the international arena. This impact is particularly visible in the context of relations with the USA.

Although in retrospect Poland's contribution directed Union works towards the intensification of the dialogue with the United States, Polish-American relations met with negative reaction of leading member states in the beginning¹²². This stance was mainly a reaction to the intensity of Poland's cooperation with the USA at the time of her accession to the EU, which was „dictated by the participation in the stability mission in Iraq (which came to an end in October 2008), involvement in Afghanistan, support for «global war on terrorism» and such undertakings as the Cracow *Proliferation Security Initiative*, or participation in highly specialised cooperation mechanisms, e.g. *Defense Transformation Initiative*”¹²³. However, Poland's intensified efforts with the objective to

¹²¹ M. Ziółkowski, *op.cit.*, p. 76–77.

¹²² *Polityka zagraniczna i bezpieczeństwa...*, *op.cit.*, p. 20.

¹²³ *Ibid.*, p. 19.

develop the Polish-American cooperation while at the same time intensifying her involvement in the functioning of those areas of the EU policy, soon lent a new quality to the EU-USA relations. This, in turn, resulted in a „particular complementarity of two directions of Poland's security policy – Atlantic and European directions”¹²⁴.

A significant upswing could be noted in Poland's bilateral relations with the states of South Caucasus and Central Asia. Polish diplomacy displayed particular activity in such areas as the promotion of democracy and the rule of law, development of economic relations, and the construction of new energy connections. Poland also availed herself of structures of subregional organisations (GUAM) and her cooperation with Union partners within EU institutions to attain her objectives. Georgia, declaring her will to build sustainable democratic institutions, rule of law and to accede to Euro-Atlantic and European structures, enjoyed particular attention in the Polish foreign policy.

An undisputed success of the Polish diplomacy was the gradual improvement of Poland's image in the eyes of the EU as a credible partner who is willing and is able to lead an open and pragmatic dialogue with Russia on various topic but who, at the same time, seeks to secure her own interests. Poland's opinions on Russia are not only heard by union partners, but have also increasing influence on key decisions made by EU institutions towards the Russian Federation.

The added value of Poland's participation in the context of EU foreign policy is also exemplified by the growing partnership with Arab countries. The most important trend in Poland's cooperation with the states of Middle East and North Africa following her accession to the EU was a greater involvement in actions benefiting the advancement of democracy, promotion of human rights, and the intensification of actions aimed at the peaceful resolution of regional conflicts. This may be attributed mainly to the realisation of fundamental priorities of the EU foreign policy, that is the promotion of global security and stability, support of democratisation processes, involvement in development cooperation, and also the support of sustainable economic growth and sustainable development.

Poland's relations with the states of Middle East and North Africa in the EU context are shaped first and foremost by the European Neighbourhood Policy and by the Barcelona Process (called the *Barcelona Process: Union for the Mediterranean* – BPUM since 13 July 2008). The Barcelona Process is a multilateral formula for EU cooperation with the states located in the Mediterranean area serving as a basis for economic regional

¹²⁴ *Ibid.*, p. 20.

integration and peace, stability and security in the Euro-Mediterranean region. Through active participation at the BPUM forum since 2004, Poland has been co-shaping the Union's policy towards the region that has been a source of challenges to all EU member states – particularly in regard to the dialogue between civilisations, unresolved conflicts in the region, climate change, energy security, problems concerning migration, and the fight against terrorism. Poland thus corroborated her interest in the further development also of the European Neighbourhood Policy's southern dimension .

Poland's involvement in the efforts made by the EU to regulate the Middle Eastern conflict in a comprehensive manner, including the EU involvement on the forum of the Middle East Quartet (UN, EU, USA, Russia) and other manifestations of EU activity in the region¹²⁵, has contributed to Poland's growing role in the region as well as within the Union itself. The Palestinian Autonomy was one of the priority states in the context of the Polish assistance programme. Aside from support of humanitarian character, Poland offered training programmes for the administration (police, diplomats), improvement of infrastructure (potable water supply) etc. This priority is consistent with the policy of the EU, which is the biggest donor of humanitarian aid for Palestinians.

Poland's accession to the EU was also beneficial in the relations with the countries of the Gulf Cooperation Council (GCC). It significantly improved Poland's image as a reliable partner who plays an increasingly important role in Europe and in the world. Poland is thus perceived by authorities of the Gulf states in many regards as an exemplary country for our region and a kind of regional bridge-head in the activation plans of their foreign policy. However, despite Poland's accession to the institutionalised dialogue between the EU and GCC, Poland's position in GCC states has been based on bilateral relations, with Poland's participation in the EU solely constituting a supporting element.

Revisiting these past five years, it is beyond any doubt that the EU accession has contributed to the change of Poland's image. Being considered a state belonging to a group of developed countries of the North contributed to a growth of interest in Poland among the states of the Middle East. However, Poland's involvement in this region remains moderate as compared to the potential that might follow from an intensification of cooperation with the Arab world.

The EU membership also gave Poland the possibility to further expand her relations with Asian countries, particularly with strategic partners of the Union: China,

¹²⁵ Such as participation in Union humanitarian aid for victims of the conflict in the region, cooperation of consular services of the member states, involvement in a reinforced UNIFIL mission – approximately 7 thousand soldiers from the EU, including 500 from Poland.

Japan, India, South Korea. Polish diplomacy gained a new instrumentarium for political dialogue and bilateral contacts at various levels. Moreover, Poland's accession resulted in a clear enlivening of the political dialogue with the states of Asia and the Pacific, which was manifested in a growth in the number of mutual visits at the highest political level compared to the pre-2004 period. Poland's participation in ASEM process remains a convenient platform for the intensification of bilateral relations with selected states of the region and of the dialogue with Asia as a whole.

Poland has furthermore been engaged in activities of political and development nature in the South-West Asia region, including Afghanistan. Since the beginning of the war in 2001, Poland has become involved in the process of stabilisation, reconstruction and democratisation of this state. Aside from substantial military efforts as part of the NATO mission in Afghanistan, Poland has indicated interest in continuing the support for reconstruction of the country by participating in the international conference in London in 2006 which resulted in the allocation of a total of approximately EUR 2 bn jointly by EU member states as support for the *Afghanistan Compact* in the years 2007–2013. The Compact defined a comprehensive reform plan in Afghanistan in the areas of security, state governance, rule of law, human rights, social and economic development as a strategy for fight against drugs. Another important factor was the EUPOL mission (*European Union Police Mission*) in Afghanistan under the European Security and Defence Policy, the objective of which was to support the development of the Afghan police force and rule of law.

Poland has also advocated the intensification of political dialogue and cooperation with Latin America since her accession to the EU. Relations between Poland and states of the region are shaped mainly within the framework of the Cotonou Agreement¹²⁶, the dialogue between the EU and countries of Latin America and the Caribbean, and EU-MERCOSUR meetings. She took active part in meetings of the heads of states and governments as well as foreign affairs ministers of the EU and Latin America and the Caribbean, which are a form of institutionalisation of interregional dialogue. She also participated in the discussion as well as the development of the format for meetings at the level of EU foreign affairs ministers – the Rio Group, held every second year regardless of the meetings at the summit of the leaders of EU–LAC. Particular attention is deserved by Poland's contribution to development of EU position towards pursuance of double-track policy towards Cuba. Moreover, Poland attaches significant attention to the development of the strategic EU–

¹²⁶ The preferential treatment instrument is the Cotonou agreement concluded in 2000 with countries of Africa, the Caribbean and Pacific (ACP), which entered into force on 1 April 2003.

Brazil partnership concluded in July 2007 as well as the strategic EU-Mexico partnership initiated in 2008 and which hopes to lend more dynamic to the cooperation in all areas.

At the same time, Poland developed bilateral cooperation with the states of Latin America and the Caribbean. She made efforts to promote political dialogue at high level. Here again Poland's membership in the EU was conducive to this purpose. Beginning with 2007, one of the elements of the Polish strategy towards Latin America and the Caribbean has been the development assistance implemented through the so-called small grants fund (amounting to PLN 491 thousand in 2007, and PLN 530 thousand in 2008).

Nevertheless, it is difficult to assess the accession's impact on the changes taking place in Latin America in the political context, since the implications of the accession are difficult to assess and require a longer time perspective. At the same time it must be stressed that due to limited political and economic interests, Poland's activities have been restricted so far especially in Latin America region. And while interest in the cooperation with Poland has grown significantly in this region after 2004, it failed to bring about a fundamental change. In 2009, political, economic and social processes in the region are not expected to have any direct impact on Poland's fundamental interests.

Poland at the Forum of Selected International Organisations

Poland's membership in the EU has contributed to the effective realisation of Polish interests at the forum of international organisations as well. This has been reflected first of all in EU cooperation with the North Atlantic Treaty Organisation (NATO). Despite Poland's limited possibilities in removing obstacles to the "development of institutional NATO-EU cooperation" (following inter alia from Turkey's bias against participation of Cyprus in joint works), "the permanent and relatively balanced growth of Poland's involvement in activities of the EU and NATO"¹²⁷ strengthened its position in both said organisations. The growing significance of Poland has been manifested in the ability „to influence the directions of development of ESDP and NATO and their cooperation, and the resulting growth of Poland's importance in the region"¹²⁸. Basing on the idea of complementarity and non-contradiction of cooperation between the EU and the NATO, Poland intensified her activity as a member of NATO, the best example of which is the ISAF mission in Afghanistan, while increasing her military activity in the context of the

¹²⁷ *Polityka zagraniczna i bezpieczeństwa...*, op.cit., p. 28.

¹²⁸ *Ibid.*, p. 28.

EU during the past two years (2006–2008). At the same time, it opposed the creation of command structures and institutional structures independent of NATO. Therefore, the EU membership and cooperation under ESDP have not weakened Poland's position in the NATO – on the contrary, they contributed to the improvement of Poland's image and the increase of military resources and capacities.

Poland's new role is also reflected in the form and principles of Poland's actions at the UN forum. Since her accession to the EU, Poland has been active at the UN forum not only in the context of individually initiated multilateral relations, but also in the framework of EU works as one of the most reckoned with and influential groups of states functioning at the UN forum¹²⁹. While by giving up representation and common voice to the EU presidency Poland was deprived of the possibility to participate directly in UN negotiations on various matters, it is beyond doubt that after her accession, Poland's involvement grew in global key issues at the UN forum¹³⁰. At the same time, by engaging in joint EU works at the UN forum, Poland gained significant benefits such as the representation of its interests through one of the most influential actors at the UN forum, i.e. the EU. Moreover, it gained direct access to key information, including regular comprehensive reports from the progress of UN works. Because of her position at the UN forum, the EU has much easier access to such information than individual states. Finally, Poland gained the possibility to exchange remarks and opinions with partners from other EU member states during coordination meetings¹³¹.

Similar trends may be also noted in the case of involvement in the framework of the Organisation for Security and Co-operation in Europe (OSCE). The EU membership allowed Poland to win support for its visions and targets, such as the issue of democratisation, rule of law, human rights and prevention of conflicts, which was made possible by the practice of intra-Union consultations and the possibility for the Union members to develop a joint position on matters addressed at the OSCE forum. Nevertheless, „due to broader possibilities to develop a joint position within the EU (and thus also to win support for Polish proposals), greater and more diversified Union resources, better effectiveness of its actions, and interest of Poland in progress of European integration, including development of CFSP, there has been an increasing preference for cooperation on the basis of Union structures other than OSCE (e.g. in the case of Kosovo status)”¹³². Although it is considered as a supplementing structure, the EU membership has not fundamentally changed Poland's position towards the OSCE.

¹²⁹ K. Kukier, *Polska w ONZ – trendy i zmiany w kontekście pięciu lat członkostwa w UE*, an expert opinion commissioned by UKIE, Warsaw 2008, p. 5–7.

¹³⁰ *Ibid.*, p. 34.

¹³¹ *Ibid.*, p. 8–9.

¹³² *Ibid.*, p. 28.

Poland's accession to the EU broadened her spectrum of interests and influence in the context of foreign policy. As a result, the EU membership has brought about a more open approach towards the world and active participation on the part of Poland in „developing the EU position towards most central thematic and geographic areas”¹³³. At the same time, Poland's accession took place at an important period of the shaping of the CFSP/ESDP. Taking advantage of this political situation, Poland made successful efforts to redirect other Community members' interests towards her own priority issues. Without any doubt, the first years of Poland's membership in the EU have been a beneficial experience for our country.

The Socio-Economic Dimension

Poland in the Context of the World Economic Market

As the transformation process advanced, Poland has been gradually increasing her role in the world economy – ranking 20th worldwide in terms of GDP size (USD 601.8 bn) in 2008¹³⁴. Poland's share in the world GDP calculated according to the Purchasing Power Parity (PPP) rose from 0.934% in 2003 to the estimated value of 0.969% in 2008. At the same time Poland ranked 26th worldwide in terms of trade turnover¹³⁵, whose total value amounted to USD 301.5 bn (1.07% share in world trade). In 2007, Poland's share in world imports amounted to 1%, and in world exports to 1.1%¹³⁶.

It is important to note that in the case of Poland, the geographic location (the main European transport and trade routes run through Poland – from north to south and from west to east) and her powerful position among new member states in the CEE region play a central role in the globalisation process. The EU membership provided Poland with necessary instruments which have positively influenced the growth of the dynamics of economic relations with third countries (in terms of both investments and trade). Considering the above, Poland has been increasingly benefiting from globalisation. Nevertheless, Poland needs to continue taking action to meet the criteria and requirements necessary for active participation in the global economy.

¹³³ P. Świeboda, *Polska polityka europejska w latach 2004–2009. Priorytety, interesy, strategiczne wybory i sposób realizacji*, expert opinion commissioned by UKIE, Warsaw 2008, p. 9.

¹³⁴ Source: information from the Trade Policy Department, the Ministry of Economy, 29 January 2009.

¹³⁵ *Ibid.*

¹³⁶ http://www.wto.org/english/news_e/pres08_e/pr520_e.htm#appendix_table1.

One of the gauges of the degree of an economy's globalisation is the value of Foreign Direct Investments (FDIs) flowing into the country. Statistics show a significant growth in the total value of FDI influx into Poland during the five years of EU membership, increasing from EUR 32.21 bn in the years 1999–2003 to EUR 50.72 bn in the years 2004–2007¹³⁷. The increased FDI influx came both from EU member states and from third states. In the years 1999–2003, the FDI influx from non-EU countries amounted to 10.48% of the total FDI influx, rising to 14.46% of the total FDI influx into Poland in the period 2004–2007¹³⁸. Nevertheless, this value departed significantly from the Union average; for the sake of an example, the share of the FDI influx from third countries to EU-27 in the years 2004–2006 amounted to 24%¹³⁹. The main investors from third countries during the mentioned period included the United States, and Japan, South Korea, Canada, China, Singapore, Australia, India and countries of Latin America (see: Table 1). It is estimated that the share of FDIs coming from third countries might have been greater than allowed for by statistics due to the indirect share of affiliated companies registered in other EU states.

Table 1. Influx from selected third states into Poland in the years 2003–2007

Influx of FDIs from third states into Poland (in EUR mln)						
Country/year	2003	2004	2005	2006	2007	% share in total FDI influx from third states in the years 2004–2007
USA	486.1	114.3	643.5	394.8	834.6	27%
Japan	147.9	150.0	239.3	253.7	191.6	11%
South Korea	290.9	167.7	-38.7	415.9	25.6	8%
Canada	1.5	4.1	7.0	60.9	386.4	6%
China	10.7	2.1	36.6	20.0	62.0	2%
Singapore	28.0	7.4	2.1	92.0	-43.1	1%
Australia	10.6	-7.1	6.5	-3.6	65.9	1%
Others	864.6	657.9	1 535.4	1 919.1	3 222.7	44%

Source: Own elaboration on the basis of: *FDIs in Poland in 2004.*, published by NBP, Warsaw, December 2005; *FDIs in Poland in 2007.*, published by NBP, Warsaw, January 2009.

¹³⁷ For more details on FDI influx into Poland see the chapter: Perspektywa makroekonomiczna.

¹³⁸ In the period 1999–2003 third states are defined as non-EU-15 countries, and in the period 2004–2007 as non-EU-25 countries. In the period 1999–2003 FDI influx from the 9 EU member states that acceded to the EU jointly with Poland on 1 May 2004 amounted to EUR 0.22 bn. source: NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2004 r.*, Warszawa, grudzień 2005 r.; NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2007 r.*, Warsaw, October 2008.

¹³⁹ Quoted after: *European Union foreign direct investment yearbook 2008*, Eurostat, 2008, p. 12.

During the pre-accession period, Poland proved competitive in the acquisition of investments from both third countries and from other EU member states in many cases and still remains one of the most attractive countries of the region for foreign investors. The reasons for this include manufacturing costs below the West European level, an inexpensive but relatively well educated labour force, the growing level of society's prosperity, a large domestic market, and finally an advantageous geographic location allowing for significant reduction of transportation costs. Moreover, good development prospects due to aid from the EU, as well as the introduction of Community regulations concerning FDI, which are considered as more transparent than those applied in Poland before, have also been of significance. Poland's strong placement is also corroborated by results of a ranking developed by the consulting agency COFACE¹⁴⁰, which suggests e.g. that in 2007 Poland – as one of three countries (in contrast to seventeen others that went down in rankings) – was promoted to category A3¹⁴¹. Authors of the analysis quoted the following as decisive factors- integration with the European Union and the resulting modernisation, diversification of exports, as well as the intensified FDI influx into Poland. The privatisation and restructuring of the economy aiming to adapt the latter to the needs of a globalised world should also be listed at this point.

The issue of investment attractiveness of Poland in the years 2004–2009 has been also reflected in the rankings, although not all of them indicate the same trends. For the sake of an example, Poland attracted FDIs most effectively among the new EU member states¹⁴² according to a UNCTAD report¹⁴³. These findings were corroborated amongst others by an Ernst & Young report, placing Poland 7th among European states¹⁴⁴. In 2007, the Federation of European Employers (FedEE) ranked Poland first in terms of employees' potential (aside from Denmark, Slovenia, Switzerland and the United Kingdom)¹⁴⁵. On the other hand, reports of *Business Competitiveness Index* suggest that a decline in competitiveness can be noticed in the case of Poland's economy – from 45th position in

¹⁴⁰ COFACE Group pursues activity in international markets in the area of protection, financing and management of receivables; <http://www.trading-safely.com/>, <http://www.coface.com>.

¹⁴¹ The ranking is presented on the scale from A1 (exemplary, very stable economic and political situation), A2, A3, A4, B, C, do D (very unstable economic and political situation, a "high-risk" country for enterprise). A3 – concerns countries of relatively stable economic and political situation. Periodical disturbances may occasionally adversely affect economic environment, but have no long-term impact on advantageous conditions for investment and enterprise development. Por. <http://www.trading-safely.com>.

¹⁴² *World Investment Report, UNCTAD*; quoted after: *Globalizacja gospodarki – wybrane cechy procesu*, AN unpublished paper of the Ministry of Economy (the Department of Analysis and Forecasts), Warsaw, November 2007, p. 19.

¹⁴³ United Nations Conference on Trade and Development (UNCTAD), see: <http://www.unctad.org>.

¹⁴⁴ *Atrakcyjność inwestycyjna Europy 2007*, Ernst & Young, July 2007, p. 5.

¹⁴⁵ *Federation of European Employers*, <http://www.fedee.com/countryratings.shtml>.

2003 to 56th in the ranking in 2007¹⁴⁶. As a result, a thesis has been ventured which suggests a process of gradual decline of Poland's attractiveness in terms of attracting FDIs.

Looking back at the past five years from a global perspective, it should be noted that as she makes economic progress and bridges the development gap, Poland is becoming increasingly threatened by competition from such countries as China, India, Vietnam, and also the United States. It may be understood as a result of the lower manufacturing costs in the developing countries, and – in case of the USA – from a greater availability of modern technologies. At the same time, Poland's accession to the EU has entailed a growth in society's affluence and a rise in employees' expectations as to the increase in their pay to the Union average, but no significant growth in outlays on education has been recorded (in contrast to such countries as India, China and Malaysia, which placed in the top three in the ranking of attractiveness for FDI in 2007¹⁴⁷). This is even more alarming considering that the degree of innovation is one of the major criteria testifying to the competitiveness of an economy.

According to the KOF ranking¹⁴⁸, Poland ranked in the top twenty of the most globalised states worldwide last year (the report of 2008 identified Belgium as the most globalised country, with Canada ranking 15th, Poland ranking 19th)¹⁴⁹. However, a ranking in early 2009 recorded a decline of Poland's position to 30th (e.g. behind Lebanon and Croatia, and ahead of Latvia)¹⁵⁰. Thus, despite the increasing integration of Poland with the global structures and her increasing involvement in globalisation processes a lot remains to be done in this area.

Trends in Economic Relations with Third Partners

With the accession to the EU, Poland joined the group of states constituting jointly one of the biggest global economies. Poland's membership in the EU gave Poland's economic relations with the world a new dimension, resulting in the growing role of the economic aspects in the Polish foreign policy. Since the accession, the nature of Poland's trade relations with third states has changed. Entering into a structure of such an innovative nature of relations and degree of global integration as the EU entailed the necessity to adjust the country's economic policy to Union rules. Consequences included

¹⁴⁶ *The Global Competitiveness Report 2007–2008*, World Economic Forum, quoted after: <http://gcr07.weforum.org>.

¹⁴⁷ A.T. Kearney, *Global Services Location Index 2007*; quoted after: *Globalizacja gospodarki – wybrane cechy...*, *op.cit.*, p. 25.

¹⁴⁸ *Konjunkturforschungsstelle*, Swiss Economic Institute, <http://globalization.kof.ethz.ch/query/showData>.

¹⁴⁹ *Ibidem*, see also reports of *Globalization Index*, <http://www.atkearney.com>.

¹⁵⁰ 2009 KOF Index of Globalization, http://globalization.kof.ethz.ch/static/pdf/rankings_2009.pdf.

a common customs tariff for Poland, which in practice meant that upon Poland's accession to the EU, the issues of bilateral trade regulations were replaced with common trade policy realised by EU institutions and member states at the Community level. Therefore, with the accession, Poland automatically terminated trade agreements concluded with third countries – which in many cases were replaced with new agreements on economic cooperation (e.g. with the People's Republic of China); its status at the forum of *World Trade Organization* (WTO) also changed. At the same time, Poland gained influence in shaping the directions of the EU trade policy. Furthermore, owing to the use of the network of free trade agreements binding the EU with non-European countries, the access of Polish exporters to markets of third states has expanded¹⁵¹.

The Polish economic policy towards third countries in the years 2004–2009 has been largely determined by several agreements and legal acts, such as e.g. the *Strategy of the Republic of Poland with regard to non-European developing countries*¹⁵² or the *Mid-term strategy for development of economic cooperation with selected developing countries in the years 2008–2010 and which have set the main premises for the shaping of bilateral relations*. On this basis and in line with the so-called economic diplomacy, Poland has been developing the economic aspect of relations with individual countries during the past five years.

A significant boom in trade has been noted upon the accession, albeit mainly with other EU member states. Nevertheless, owing to her newly acquired access to EU instruments Poland gained a broader access to markets of third states, and also the means to defend her interests more effectively. The issue of economic promotion remained in the competence of Poland; however, given the fierce competition between individual EU states on the markets of third countries, means in practice inter alia that the support by governmental institutions for the private sector dealing in export is of greater importance. It is even more important considering the fact that the accession brought about an increased presence of transnational corporations on the Polish market¹⁵³. This in turn has translated into strong competition and also frequently into the necessity to modify the business profile, particularly when it comes to SMEs.

In case of third countries in the years 2004–2009 there has been insignificant export growth, as well as small-scale but beneficial changes in its structure (e.g. the gro-

¹⁵¹ Quoted after: *Pięć lat członkostwa w Unii Europejskiej. Polityka zagraniczna i bezpieczeństwa*, developed by the Department of Strategy and Foreign Policy Planning of the Ministry of Foreign Affairs, 11 February 2009.

¹⁵² Adopted by the Council of Ministers in November 2004.

¹⁵³ See: K. Marzęda, *Proces globalizacji korporacyjnej*, Oficyna Wydawnicza Branta, Bydgoszcz 2006.

wing share of highly processed goods, particularly in the trade with Malaysia, Indonesia and the Philippines). It must be underlined, however, that although the volume of trade has been gradually growing (e.g. with China, India, Russia and Ukraine, and with states of the Middle East), there has been a sustaining negative trade balance with most third states, with significant non-tariff barriers restricting further export growth.

Table 2. Value of negative balance in Poland's trade with selected partners¹⁵⁴

Value of negative balance (in EUR mln)				
Country/year	2005	2006	2007	2008 (11 months)
People's Republic of China	-3 939.3	-5 562.2	-7 878.0	-9 559.9
Russia	-4 044.8	-5 978.4	-5 792.3	-7 249.6
Japan	-1 445.2	-1 513.3	-2 107.9	-2 397.9
USA	-457.1	-540.4	-1 028.9	-1 244.1
Total of the aforementioned negative balance	-9 886.6	-13 594.3	-16 807.1	-20 451.5
Total value of Poland's negative trade balance	-9 746.0	-12 858.2	-18 626.0	-22 339.1

Source: *Synthetic information on Poland's exports and imports for 11 months of 2008 in EUR mln*, the Ministry of Economy, the Department of Analysis and Forecasts, Warsaw, January 2009; Foreign trade January–December 2005, the Main Statistical Office, Warsaw 2006.

As regards the Asia and Pacific region in pre-accession period, a significant strengthening of Poland's position can be noted, which in the economic dimension was manifested for example in an increased interest in Polish trade offer and growth in turnover dynamics (imports: 274%, exports: 225%¹⁵⁵). At the same time, there has been an increase in negative balance value by 283%¹⁵⁶ – Asian countries (including mainly China) attain the position of the second trade partner of Poland (EUR 20.2 bn in 2007, i.e. 16.75% of the total value) following the EU. On the other hand, membership in the EU also helped improve Poland's image both within the political and business communities of Asian countries – in the case of the latter it was reflected in the growth of Poland's investment attractiveness in the assessment of Asian partners (e.g. Japan). Aside from China, the greatest growth of negative balance was recorded in the trade with the Republic of Korea (by approximately EUR 470 mln in 2007) and Turkey (by EUR 250 mln)¹⁵⁷.

¹⁵⁴ *Ibid.*

¹⁵⁵ Data for 2004–2008, quoted after elaboration of the Department of Asia and Pacific Region of the Ministry of Foreign Affairs.

¹⁵⁶ USD 24 bn (figures for 10 months of 2008). Quoted after: information from the Department of Asia and Pacific Region of the Ministry of Foreign Affairs.

¹⁵⁷ *Polska 2008. Raport o stanie handlu zagranicznego*, Ministry of Economy, Warsaw 2008, p. 31.

Bearing in mind the growing significance of states known as the BRIC group¹⁵⁸, the years 2004–2009 saw Poland attempting to deepen relations with the said countries, both at the political and the economic level. This became even more important as the trade deficit with Russia and People's Republic of China was responsible for 89.7 % (EUR 11.5 bn) of the total deficit by 2006¹⁵⁹. In the following years the value of negative balance continued to grow. It can be inferred that reasons responsible varied from case to case. In the case of Russia, focus turned to the prevalence of imports, particularly of energy and mineral raw materials, the prices of which rose regularly on the world markets in the discussed period. In the case of China an increased inflow into Polish market of goods can be noted – presently not only of textiles, but to a large extent of electronics or telecommunication devices for example. The main barriers to growth of the Polish exports can be seen as the scarce trade offer of Polish entrepreneurs, the high costs of promotion, strong competition from entrepreneurs coming from other states of the European Union, as well as poor competitiveness of Polish exporters, following from the lack of experience in the markets of third countries, the lack of knowledge of their specifics, and poor command of foreign languages inter alia.

In case of the states of Latin America, Poland gave top priority to relations with, first of all, Brazil, but also with Argentina and Mexico, and considered relations with Chile, Columbia and Venezuela as important ones. Development of those relations has been largely supported by the mechanism of political and economic consultations at the level of senior officials of the Ministry of Foreign Affairs, visits of Polish economic mission and the enlivening of the *think-thanks*' activities. Those initiatives, as well as a rise in activity in the scope of economic promotion, resulted amongst others in the growth in trade dynamics (162% for imports, 199% for exports; total: 172%¹⁶⁰). However, similarly to the Asian countries, negative trade balance with countries of Latin America has grown regularly¹⁶¹.

The enlivening of economic relations has also been recorded in the relations with the states of Africa and the Middle East in the years 2004–2009. As an example, the value of trade with countries of North Africa rose from EUR 344.6 mln in 2004 to EUR 675.6 mln in 2007, of Sub-Saharan Africa – from EUR 613.6 mln in 2004 to EUR

¹⁵⁸ BRIC – Brasil, Russia, India, China.

¹⁵⁹ „Such significant deficit in trade with those markets consumed the entire improvement that took place in Poland's trade with 26 EU countries, where deficit of EUR 3.3 bn in 2003 was transformed into surplus of EUR 4.4 bn in 2006.”, quoted after: *Informacja dotycząca działań Departamentu Polityki Handlowej z zakresu unijnej polityki handlowej oraz istotnych dla Polski decyzji podejmowanych w tym zakresie na forum UE, po akcesji do UE*, unpublished paper of the Ministry of Economy (DPH), 8 January 2009, p. 2.

¹⁶⁰ Data for the years 2003–2007, quoted after a paper of the Department of America of the Ministry of Foreign Affairs.

¹⁶¹ From USD 531 mln in 2003 to USD 1.7 bn in 2007, information from the Department of America of the Ministry of Foreign Affairs.

1.2 bn in 2007.¹⁶², and with countries of the Middle East – from EUR 266.9 mln in 2004 to EUR 489,8 mln in 2007¹⁶³. The value of trade with Persian Gulf countries amounted in 2004 to EUR 380.1 mln, and in 2007 – already to as much as EUR 851 mln¹⁶⁴.

Outcomes of accession included gaining access to the Union trade policy instruments and the possibility of more effective protection of Polish interests in her relations with third countries. During the years 2004–2009 Poland used those instruments amongst others by actively participating in the shaping of the Union system of protective measures¹⁶⁵, negotiations concerning the conclusion of an *Agreement on Cooperation and Partnership* with China and Russia, *Agreements on economic partnership* with ACP countries, the *Association Agreement* with states of the Andean Community and Mercosur (a potential market for Polish exports), as well as the *Framework Agreement* with Libya. Moreover, Poland gained the means to protect her trade interests through participation in the Doha Round negotiations within the framework of the WTO (particularly as regards the issue of balancing their results between concession granted in agriculture and the scope of access to markets of third countries in *Non-Agriculture Market Access* NAMA and services), involvement in talks on the access to Brazilian agricultural, industrial goods and services market, as well as through the establishment of free trade zones with South Korea (and as regards the issue of agricultural products market and balancing of deficit in car exports), the ASEAN, the Persian Gulf countries and in the South Caucasus region¹⁶⁶. In the post-accession period, the ability to use the said mechanisms has become an important instrument in shaping of Poland's economic relations with third countries.

Poland and the Global Social Challenges

The social aspect of globalisation deserves our attention as well. In the case of Poland, it is manifested first of all in the change of the scale and character of share in worldwide population movements – Poland was not only the home country of leaving migrants (mainly to the EU-15 states)¹⁶⁷; she has also slowly but progressively become a destination country for migrations, mainly from third countries. Moreover, there has

¹⁶² Major economic partners in Africa include: Liberia (a large number of Polish vessels fly the flag of this country), Nigeria and the Ivory Coast.

¹⁶³ Quoted after: information from the Department of Africa and the Middle East of the Ministry of Foreign Affairs.

¹⁶⁴ Adoption of the *acquis communautaire* contributed to growth of credibility of Poland as a potential market for capital and investments.

¹⁶⁵ Including actions launched through activity at the forum of the Anti-Dumping Committee and the Trade Working Group within the EU Council, which resulted e.g. in levying of anti-dumping custom duties on such goods as: frozen strawberries, footwear, sweet maize, ammonium nitrate, bicycle saddles or ironing boards.

¹⁶⁶ *Five years of an enlarged EU. Economic achievements and challenges. European economy 1/2009 (provisional version)*, European Commission, Directorate-General for Economic and Financial Affairs, January 2009, p. 44–47, http://ec.europa.eu/enlargement/5years/impact_studies/index_en.htm.

¹⁶⁷ For more details see the chapter: *Rynek pracy i migracje*.

been a significant increase in tourist traffic during the five-year period of membership in the EU *inter alia* due to the development of transport services market in Poland (especially in consideration of the conclusion of new air agreements, expansion of the offer of carriers and the drop in ticket prices), as well as the growth in society's affluence and interest in travels, including to exotic countries. Accession to the EU has definitely contributed in a positive manner to all the mentioned developments.

On the other hand, participation in the globalisation processes (supported by the EU membership) has also increased the feeling of responsibility in the area of global social issues. Good examples include such challenges as the fight against poverty, HIV/AIDS, aid for victims of conflicts and natural disasters, prevention of climate change and many other areas in which Poland's activity has increased in recent years to various extent. Upon accession to the EU, Poland not only gained a new range of instruments enabling the expansion of activities in all said areas, but in many cases also many new responsibilities. The issues of development and humanitarian assistance can serve as good examples.

Development and Humanitarian Assistance

One of the consequences of Poland's membership in the EU has been a change in Poland's status regarding the development aid – from aid recipient to aid provider. As a result, Poland undertook to increase the volume of official development aid regularly. This value has almost tripled since 2004. In 2007, Poland allocated PLN 1.01 bn (USD 362.83 mln, an increase by 9% on previous year) to development aid¹⁶⁸, and to humanitarian aid – PLN 4 mln (mainly for victims of natural disasters). It must be pointed out, however, that the list of Polish Official Development Assistance's (ODA) main recipients has not always been in line with the list of priority states¹⁶⁹.

Traditionally, African countries have been a significant recipient of Polish development and humanitarian aid. However, during the last five years, the Palestinian Autonomy has also been one of priority states, which became the recipient of Poland's training programmes for administration and projects for the improvement of the infrastructure. Moreover, because of her membership in the EU, Poland has gained a strong position in the area of development assistance provision to the Balkan states (Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Serbia), particularly in regard to sys-

¹⁶⁸ <http://www.polskapomoc.gov.pl>.

¹⁶⁹ As an example, in 2007 among three main ODA recipients, only Belarus was one of priority countries. Quoted after: *2007. Polska pomoc zagraniczna*, report from monitoring carried out by Polish NGOs, Warsaw–Szczecin 2008.

temic modernisation, transformation and issues relating to the European integration. For five years, Poland has been also deploying projects financed from the so-called Small Grants Fund (for the total amount of PLN 12 mln in 2007). Beneficiaries of the programme so far include Afghanistan, Angola, the Palestinian Autonomy, Burundi, Ethiopia, Georgia, Malawi, Mali, Cambodia, Kenya, Congo, Rwanda, Senegal, Sierra Leone, Tanzania, Zambia, and in Europe – Belarus, Moldova, Serbia and Ukraine. Since 2007, the Small Grants Fund has also become one of the important elements of the Polish strategy towards Latin America and the Caribbean (value of development aid deployed in the region through this fund amounted to PLN 530 thousand in 2008)¹⁷⁰.

Other achievements in the area of development and humanitarian assistance included Poland's promotion to the group of 25 largest donors of CERF (*Central Emergency Response Fund*)¹⁷¹, established in 2005 pursuant to a decision of a UN summit, where Poland gained the position of the largest provider of CERF assistance in the CEE region. In the context of her activities, Poland paid particular attention to the issue of the fight against world poverty (in consideration of the Declaration of Millennium Development Goals¹⁷² and of the commitment to realise these objectives by 2015) while trying at the same time to ensure that the committed funding would bring about the expected development impulse. Despite these efforts, Poland's activities as assistance provider in accordance with standards envisaged for developed countries still need to be further expanded¹⁷³.

Poland in the Face of Global Migration Movements

Change in the potential of human capital and dynamics of population flows is another aspect of globalisation and at the same time, as in case of Poland, a consequence of transformations that have taken place during the past five years of Poland's membership in the EU. This development can be described with regard to several aspects. Migrations of Poles to other EU states have been so far most frequently discussed¹⁷⁴. An equally important issue is the migration of third country nationals to Poland (including such issues as employment, educational migrations, as well as protection of borders and

¹⁷⁰ Quoted after: *Pięć lat członkostwa w Unii Europejskiej. Polityka zagraniczna i bezpieczeństwa*, paper from the Department of Strategy and Foreign Policy Planning of the Ministry of Foreign Affairs, 11 February 2009.

¹⁷¹ *Central Emergency Response Fund*.

¹⁷² As well as the Paris Declaration on Aid Effectiveness and Accra Agenda for Action (AAA).

¹⁷³ Pursuant to assumptions of the *European Consensus on Development* of December 2005, Poland should increase the amount allocated to EU aid budget from 0.09% GDP in 2007 to 0.33% GDP in 2015.

¹⁷⁴ The issues of migrations of Poles to the EU and of illegal immigrants were deliberately left out from the above chapter, as ones described in earlier papers (e.g. in the chapter: *Rynek pracy i migracje*).

prevention of illegal migration¹⁷⁵). Finally, tourist traffic also needs to be addressed as a separate subject (considering the flow in both directions – from Poland to third states and from third states to Poland).

Before the accession to the EU, Poland had been mainly a transit, and not destination, country for migrants from third countries. This situation started to change due to such factors as the improvement of the economic conditions owing to the reform and modernisation processes, as well as the growth in attractiveness of Poland after her accession to the EU. In the post-accession period there has been a significant growth in dynamics of migration flow, which is evidenced by the growing number of applications for the right to permanent stay¹⁷⁶ or for a work permit visa¹⁷⁷ (which is closely related to the fact that there has been a clear outflow of Polish labour force into markets on other EU states during membership period). As a result, a niche has emerged in the Polish labour market, which has been gradually filled by non-Union employees (mainly from countries neighbouring with Poland, particularly Ukraine, and presently also from non-European states, such as China, Vietnam, Pakistan or India). Owing to the Schengen procedures, the number of illegal immigrants has not increased¹⁷⁸. In the coming years a growth in the inflow of labour force from Asian states can be expected which to a large degree will be employed in the realisation of projects relating to the preparations of the European Football Championships Euro 2012.

A separate issue is the growing number of students from third countries enrolling at Polish universities during the past few years. Data from the International Relations Office of the University of Warsaw (BWZ UW) shows that in 2003 the University of Warsaw (UW) accepted 1602 foreigners, in 2006 – 3028 (growth by 39% – the largest percentage growth since 2000), and in 2007 – 3843 persons (growth by 26.9%)¹⁷⁹. Among third states, the largest number of visitors came from Ukraine (537 in 2006) and Belarus (239 in 2006). Moreover, the UW has held negotiations concerning the initiation and tightening of cooperation with universities from the area of Commonwealth of Independent States, Australia, Asia, South America and Africa. There has been particularly significant development of contacts with academic communities from countries of Asia and Latin America¹⁸⁰.

¹⁷⁵ For more details see the chapter: *Accession to Schengen and internal security*.

¹⁷⁶ Statistics of the Office for Foreigners, <http://www.udsc.gov.pl>.

¹⁷⁷ *Ibid.*

¹⁷⁸ For more details see the chapter: *Accession to Schengen and internal security*.

¹⁷⁹ *Sprawozdanie roczne Rektora Uniwersytetu Warszawskiego za rok 2006*, Warsaw 2007, UW; *Sprawozdanie roczne Rektora Uniwersytetu Warszawskiego za rok 2007*, Warsaw 2008, UW.

¹⁸⁰ *Ibidem*.

The enlivening of academic contacts with third countries confirmed by statistics may be attributed to, among others, the growing attraction of university-level schools, ensuing from EU membership and the adoption of Union standards – a result of their implementation of the Bologna process, and low costs of education as compared to other EU states¹⁸¹. The consequences of this process may be twofold: direct – financial injection following from significant tuition fees from numerous foreign students, and in a longer time perspective – a direct one, e.g. a possible change of intellectual capital potential (through provision of education to the growing number of foreigners, with many deciding to stay in Poland¹⁸²), which will definitely be visible in multi-annual perspective (particularly bearing in mind the outflow of Polish experts to other EU states, which was clearly visible in post-accession years).

Significant enlivening of the tourist traffic dynamics, both from and to Poland, has been another consequence of the accession to the EU. In the case of third states, this trend has been mainly attributed to the development of transport services market in Poland (and to a drop in air ticket prices), the implementation of EU rules concerning tourism¹⁸³, and to the growth of interest in Poland following from many promotion actions advertising Poland as a destination country for tourist traffic. It is worth noting that the number of tourists from China more than tripled during that period, increasing from 4976 in the pre-accession period (2002) to 15,072 in 2006. At the same time, the number of Poles travelling to China rose from 23,341 in 2002 to 52,698 in 2006. An almost four-fold growth was also recorded for Hong Kong- the number of Poles visiting it rose from 6310 in 2003 to 22,852 in 2007¹⁸⁴.

Poland's Fight Against Global Climate Challenges

From the perspective of five years of Poland's membership in the EU and her active participation in the globalisation processes, the issue of environment protection, and especially that of the prevention of climate warming, gained particular significance.

As an EU member, Poland has implemented various projects in the area of environment protection in recent years. The activity in the area of fight against global war-

¹⁸¹ Basing on the data from the BWZ UW it can be estimated that in the years 2003–2007 five thousand foreigners took advantage of various forms of education at UW. See.: <http://www.bwz.uw.edu.pl/Dane%20liczbowe%20BWZ-cudzoziemcy%20za%204%20lata.xls>.

¹⁸² Which can be testified e.g. by growing number of applications for permits for permanent stay. See the statistics: <http://www.udsc.gov.pl>.

¹⁸³ See the documents of the European Commission, e.g. A renewed tourism EU policy: towards a stronger partnership for European Tourism (2006), Agenda for a sustainable and competitive European Tourism (2007).

¹⁸⁴ <http://www.e-unwto.org>.

ming, for the sake of an example, has ensued from the membership in the so-called Troika Climate Change¹⁸⁵. It reached its zenith during the 14th session of the Conference of Parties to the UN Convention on Climate Change and the 4th Meeting of Parties to the Kyoto Protocol held on 1–12th December 2008 in Poznań. As a result of the negotiations, a decision was reached on the adoption of the Poznań Technology Transfer Strategy regulating the process of technology transfer to developing countries. It also formed the basis for the initiation of works on a detailed elaboration of the Adaptation Fund's operating rules, of the purpose of which was to support initiatives of developing countries in the area of the fight against global warming¹⁸⁶.

During the meetings, participants also addressed the interests of states whose economies are based on coal. Poland was one of the EU countries that actively participated in the negotiations on the so-called energy and climate package¹⁸⁷. Poland supported Union commitments on the reduction of CO₂ emissions by 2020, while raising many reservations concerning the proposed method of their attainment. In the context of these negotiations, Poland underlined the necessity to develop solutions that, while maintaining ambitious reduction targets, would not harm the development of economies, particularly in the case of the countries that have not entered the post-industrial stage yet¹⁸⁸.

Poland has undertaken actions for the benefit of initiation of international cooperation in this regard, particularly as concerns FDIs or technology transfer. One example of such activity is the signing of the Polish-Japanese declaration on climate cooperation¹⁸⁹. Another activity includes Poland's participation in the realisation of various projects, including those relating to the implementation of so-called mechanism of joint implementation (including cooperation with Canada and Japan), constituting an instrument of effective reduction of the emission of greenhouse gases into atmosphere. The advancement of cooperation with third states in this respect also constitutes an important element of the strategy for strengthening the image of Poland as an environment-friendly country – both in the context of the EU and the international forum.

¹⁸⁵ It included the states hosting three subsequent sessions of the Conference, i.e. Indonesia, Poland and Denmark (Bali – 2007, Poznań – 2008, Copenhagen – 2009).

¹⁸⁶ Other results of the summit include: making decision on financing *Carbon Capture and Storage* projects under funding from *Clean Development Mechanism*, adoption of a declaration of third states on greenhouse gases emission reduction (e.g.: USA – by 80% until 2050, Japan – by 50% until 2050, as well as Australia, Norway and others), as well as a review of the Kyoto Protocol, its verification and identification of new challenges, as well as adoption of the *Action plan for 2009*.

¹⁸⁷ For more details see the chapter: *Polityka europejska Polski*.

¹⁸⁸ Poland stressed the necessity to balance the package, proving e.g. that less affluent countries are encumbered with disproportionate costs, although in many cases they had already made significant CO₂ reductions since 1990.

¹⁸⁹ Polish-Japanese Declaration on climate cooperation, signed on 14 October 2008, in the frames of the United Nations Convention on climate change and the Kyoto Protocol.

Conclusions

Globalisation is a permanent and unavoidable process, bringing along many challenges. Poland, recognized as one of the so-called rising economic already in mid-1990s, has presently become an active participant of the globalisation process due to the accession to the EU. While the accession to NATO in 1999 was regarded by the international community as a factor stabilising Poland within Euro-Atlantic structures, the accession to the EU has additionally strengthened her position as a country that sought to observe Union rules in the area of economy and trade.

The enlargement of 2004 brought significant changes both in Poland's foreign policy and in the external actions of the entire EU. It has certainly contributed to the strengthening of Poland's position in the world, to the building of good relations with neighbours, as well as to the support of democratisation processes, the participation in regional cooperation, and activities at the forum of the UN and other international organisations. At the same time, Poland's membership in the EU has become an impulse for reevaluation of Poland's foreign policy, its priorities and targets and directions of involvement. By acceding to the Union, Poland gained the possibility of active participation in the making of the Union policy towards the world. Thus, the possibilities to realise Poland's priorities in this area have expanded. The EU membership has become a new, extremely important and potentially very effective instrument for the realisation of foreign policy. Poland was included in the process of defining EU policy vis-à-vis regions and countries, towards which it had not been particularly active before due to limited resources and instruments of influence. This in turn has allowed the Polish foreign policy to diversify the directions of interest.

Poland's accession resulted in significant changes also in her relations with the EU member states. An intensification of bilateral relations can be noted, and meetings at the highest level during bilateral and international summits have become more frequent. Political dialogue with those states began to focus to an even greater extent on the European agenda, the future of the integration processes and their international implications. An important element of this dialogue was the identification of shared interests and the search for compromise solutions whenever positions diverged. While the increase in the number of member states has not made this task any easier, the enlargement did increase the ambitions and reinforce the need to improve dynamics of the EU foreign policy. As

a result, the post-2004 period has been an important period in the reinforcement of the Union's identity as a key actor on the international arena and in a global dimension.

The years 2004–2009 strengthened the positive image of Poland as an active state in the process of the making of the EU foreign policy. The continuation of such involvement is especially important, should provisions of the Lisbon Treaty enter into force, so that the coming years may become a period of dynamic development of the common foreign policy. It is important that the voice of Poland and other new member states be present during the process of its making.

The enlargement had also had important implications for Poland's position in the world in the social and economic dimension. The EU membership has provided the necessary instruments to positively influence growth in the dynamics of economic relations with third countries. As a result, there was enlivening of economic relations with third states both in the area of investments and trade in the post-accession period. Whether this trend continues will largely depend on the global economic outlook as well as on the strategy of the Polish economic policy. The economic slowdown recorded since 2008 – as a consequence of global financial crisis- has translated into darker prospects for further development of economic cooperation with third states. However, this period should be seen as an opportunity for reducing the adverse effects of the crisis for Poland, in order to help improve the global business outlook in the future.

Moreover, the image of Poland has visibly improved in economic and political circles of non-European countries. There has been a growth in interest in economic cooperation with Poland as a partner offering products and services of high (Union) quality at relatively low prices. It is up to Poland to use this opportunity to her advantage. Particularly striking in this context is the lower level of outlays on R&D in Poland as compared to the most dynamically developing economies; this may result in decline of the competitiveness of Polish economy in medium and long-term.

Upon her accession to the EU and as Poland's economic situation improved, there has been a gradual but visible growth in migration pressures from third countries to Poland, which is increasingly being chosen as the destination country for migrants. This development will intensify in the coming years and may become a significant challenge in the future.

It should be underlined that – in contrast to the foreign and security policy – despite her potential, Poland has not brought about any significant contribution to the socio-economic policy of EU relations with third countries. Traditionally, Poland has

maintained promising contacts with the majority of non-European states, which may be of in the intra-Union context. Nevertheless, a significant room for improvements remains in the area of economic relations between Poland and third countries.

Summing up, in the few recent years as a member of the EU, Poland has become a beneficiary of globalisation processes. In order to keep reaping those benefits it is important for Poland to maintain a strong position both within the EU in globally. Relations with third countries may very well play a very important role in the future, and in the times of a continuously globalising world, their shape will largely determine Poland's position on the international arena.

Managing the Polish European policy

One of the big challenges that Poland faced in connection with accession to the EU, was devising its own system for coordinating European matters. To a large extent, the effectiveness of that system determines the quality of our country's participation in the EU decision-making process and thus its influence on the direction of EU policy in various areas.

The process of shaping the system for coordinating Poland's European policy actually began long before accession and was based on earlier experience of coordination of cooperation with the then European Community and the European Union during the association period or the accession negotiations. On the date of accession a qualitative change took place. Poland began to participate in policy making, as well as was shaping EU laws. In the five years of Poland's presence in EU structures the system for coordinating European policy has developed, reflecting the process of learning the rules and principles applying in Community institutions.

Taking over and exercising the leadership of the EU Council will represent a complement of Poland's hitherto experience as an EU member state. For this time, it won't involve merely managing our own membership, but steering the work of individual EU Council configurations, committees and working groups.

The system for coordinating European policy

Every EU member state has developed its own system for coordinating European matters. These systems differ from one another in the degree of centralisation, the extent of decision-making rights for individual ministries and offices participating in the work of EU institutions, the level of decision-making and settling disputes.

It's only natural that the solutions adopted by member states should be analysed from the point of view of their efficiency and also – to a degree – with the aim of ultimately transferring the most effective instruments and procedures into national solutions. However, it should be clearly stressed that there is no one system which could be regarded as universal. Each country defines its own methods of coordinating European policy, taking into consideration such aspects as: administrative traditions and culture, the political system, experience from earlier stages of cooperation with the European Communities or European Union – e.g. from the association period, the adjustment process or accession negotiations.

The foundations for the Polish system for coordinating European affairs have been laid in 1991, with the nomination of the Government Plenipotentiary for European Integration and Foreign Assistance and creation of the Office of the Government Plenipotentiary within the then Office of the Council of Ministers. The coordinating instruments and mechanisms then initiated gradually evolved, expanding and deepening and were, above all, adapted to the ever closer and ever more dynamic relations between Poland and the European Communities, and then with the European Union. An important stage in this process was gaining the status of a member state in 2004. Further evolution of the coordinating system cannot be excluded¹⁹⁰.

Institutional aspects

The system for coordinating Polish European policy in place since 1 May 2004 was devised in 2003 and was implemented from March 2003 to May 2004. In this period, Poland's representatives (as well as the other candidate countries) began participating in meetings of EU institutions and could present (without the right to take part in formal decision-making) positions on draft legal acts and documents in preparation.

The principles and mechanisms for the functioning of the system were defined in the document adopted by the Council of Ministers on 4 March 2003 "System for coordinating European policy in the period preceding Poland's membership of the EU". In connection with accession, by a decision of the European Committee of the Council of

¹⁹⁰ On 23 December 2008, the Council of Ministers adopted the Law on government system for coordinating matters connected with the membership of the Republic of Poland in the European Union, which, on 20 January 2009, was submitted to the Lower House (Sejm).

Ministers of 27 April 2004, the functioning of the principles laid down in this document has been extended beyond 1 May 2004.

The system for coordinating Polish European policy is a result of the experience gathered by the Polish government since 1991, when the Government Plenipotentiary for European Integration and Foreign Assistance was appointed and also a result of the gradual evolution and fine-tuning of the instruments and mechanisms used while implementing the association agreement between Poland and the EC (the Europe Agreement), during accession negotiations and during the adjustment period.

In 1996, on the basis of the Law of 8 August 1996 on the Committee for European Integration¹⁹¹ – the Committee for European Integration (KIE) and the Office of the Committee for European Integration (UKIE), supporting KIE, have been established. The KIE, as a supreme body of state administration, is chaired by the Prime Minister¹⁹² and is responsible for planning and coordinating Poland's EU integration policy. It comprises ministers – members of the Council of Ministers responsible for: public finance, economy, labour and social policy, agriculture and rural development, the Treasury, home affairs, foreign affairs, environment, transport, health, and justice.

By the Law scope of responsibility of the KIE includes in particular:

- coordinating Poland's adaptation and integration processes as well as initiating, organising and coordinating actions shaping those processes, especially in the economic and social spheres,
- initiating and coordinating adjustment work in the area of legal institutions and evaluating draft legal acts as to their compliance with EU law,
- cooperation with the European Commission in terms of implementing the individualised set of integration requirements,
- assessing the course of adjustment processes,
- coordinating acquisition and utilisation of foreign assistance funds,
- taking actions regarding the informational, conceptual and staff preparation for integration processes.

The Committee played a very important role in coordinating the work of the ministries and central agencies in the area of preparing the Republic of Poland for EU membership and working towards the objectives of Polish European integration policy in the pre-accession period. After Poland's accession to the EU, the KIE meetings' frequency

¹⁹¹ Dz.U. No 106, item. 494 as amended.

¹⁹² Under the Law, the Chairperson of the KIE is the Prime Minister or a member of the KIE nominated by the PM. The PM appoints the Secretary of KIE.

diminished. In the period from 1 May 2004 to 2008, four meetings of the KIE took place. They were dedicated above all to the negotiations on the New Financial Perspective and implementation of the so-called Lisbon Strategy¹⁹³.

Taking into account the growing number of issues requiring attention, often of relatively lesser importance, not always requiring decisions at cabinet level, in November 2001 the KIE Preparatory Team (ZP KIE) was created to work at deputy ministerial level in between meetings of the KIE. Between 7 November 2001, when the first meeting of the Team took place, and April 2004, 162 meetings of the Team were held. The ZP KIE turned out to be an efficient body, allowing for effective reactions to ongoing developments in Poland-EU relations.

The European Committee of the Council of Ministers

The positive assessment of the Team's effectiveness resulted in a decision to strengthen its position and reconstitute it as a standing committee of the Council of Ministers. Regulation No 30 of the Prime Minister on 23 March 2004¹⁹⁴ called created the European Committee of the Council of Ministers (KERM), as one of three standing cabinet committees. The KERM became a central element of the process of coordinating Polish European policy from the moment of its creation.

The composition of the Committee – apart from its chairman and deputy chairman – also includes representatives at the level of secretary or undersecretary of state (deputy ministers), whose duties include matters of European policy¹⁹⁵. Additionally, representatives of other central public administration institutions have standing invitations to attend meetings or attend as invited guests, should their competencies be of particular relevance from the point of view of shaping European policy. Representatives of the Chancellery of the President of the Republic of Poland, the Chancellery of the Prime Minister, the Public Procurement Office, the Office of Competition and Consumer Protection, the National Bank of Poland and also the Government Legislation Centre are invited to all meetings of the Committee. In addition – depending on the scope of the documents under discussion – representatives of other institutions and central agencies

¹⁹³ More on this subject in the chapter titled *Political perspective*.

¹⁹⁴ M.P. No 57, item 646 as amended.

¹⁹⁵ In each Ministry and central agency a vice-minister was appointed (or vice-president in the case of agencies) responsible for the coordination of European policy in the area of responsibility of the Ministry (or agency).

are also invited on an *ad hoc* basis (e.g. Central Statistical Office, Office of Electronic Communications or Polish Committee for Standardisation). It is worth emphasizing that the participation of institutions from outside the government administration in the work of the KERM is a continuation of the practice from the period of association, when a full participant in all coordinating meetings and co-author of all programming documents on adaptation activities was, for example, the National Bank of Poland.

The KERM was empowered with the right to take decisions in cases where power had not already earlier been reserved for the exclusive competence of the Council of Ministers. Thus, the Committee fulfils the role of an operational decision-making body, within which decisions are agreed, and the majority of issues resulting from Poland's European policy are resolved. The Committee guarantees the necessary flexibility in the process of arriving at an agreement and the ability to react rapidly, where necessary, to newly arising situations connected with working with EU institutions. Furthermore, it resolves conflicts, if necessary, between ministries, arising during drafting of positions later to be presented by government representatives during the work of the European Council (Council) and the Committee of Permanent Representatives (COREPER), and sometimes also in connection with the work of Council working groups. The Committee submits to the Council of Ministers draft documents and solutions in matters where it has been unable to reach a final decision or matters reserved for the Council of Ministers. The draft laws looked at by the KERM are agreed on from the point of view of their compliance with EU law and then passed on for approval by the Committee of the Council of Ministers or directly to the Council of Ministers.

The range of matters and documents considered by the KERM is very wide. The KERM in particular examines:

- reports from the Council of Ministers on Poland's participation in EU work;
- schedules for legislative work connected with implementing EU legislation in Polish law and reports on the progress on these schedules;
- draft laws implementing EU legislation into Polish law;
- reports from the Council of Ministers on the course of procedures of EU lawmaking, and draft positions to be taken by representatives of the Council of Ministers;
- draft decisions concerning allocating funds coming from the EU and foreign assistance;
- positions for EU Council and COREPER meetings;
- positions on EU reforms;

- positions on draft EU legislation;
- positions concerning EU documents subject to consultation with member states and assessments of these documents as formulated by the appropriate institutions or other EU bodies;
- positions concerning the EU Council's work plan, annual legislative programmes of the European Commission and assessing the annual legislative plans drawn up by the European Parliament (EP) and the Council;
- positions concerning draft international agreements to which the European Union, European Communities or their member states are to be a party;
- positions concerning draft EU documents not having legal force, in particular proposals for guidelines adopted in the areas of economic and monetary union, and also employment;
- decisions in the area of matters connected with proceedings before the European Court of Justice;
- documents concerning the human resources development at ministries and central agencies;
- plans for public information campaigns on the consequences of Poland's membership in EU and reports on the implementation of these programmes;
- reports on the progress of work associated with the translation of community law.

In practice, in the five years of Poland's membership of the EU, in carrying out tasks associated with coordinating Poland's representation in the work of EU institutions, the KERM examined and accepted:

- over 440 instructions for meetings of the Committee of Permanent Representatives (COREPER I, COREPER II), and reports from them,
- over 300 instructions for meetings of the EU Council as well as about 180 instructions for informal meetings of EU ministers, and reports from them,
- drafts of about 850 government positions in relation to non-legislative EU documents.

An important role of the Committee is also the coordination of the harmonisation of Polish law with EU law. As part of this, since mid-2004 the Committee adopted about 250 draft acts implementing EU law and about 100 draft Council of Ministers regulations, which then – in accordance with procedure – were passed to the permanent Committee of the Council of Ministers or the Council of Ministers.

On 11 March 2004, the Law on cooperation of the Council of Ministers with the Sejm and the Senate in matters concerning membership in European Union was adopted¹⁹⁶, becoming an important element of the mechanism of coordinating European policy, ensuring tighter parliamentary control over the activities of the government in European matters¹⁹⁷.

The Law requires the government to pass to the Sejm and Senate of the Republic of Poland, immediately on receipt, EU documents which are subject to consultation with member states, in particular the White and Green Papers, communications from the Commission and their assessments formulated by EU bodies, plans of Council work, annual legislative programmes of the European Commission and their assessments carried out by the European Parliament and Council, draft EU legal acts, draft international agreements, draft decisions of representatives of member states, draft acts not having legal force, draft acts having significance for the interpretation and application of EU law as well as agendas and reports from meetings of the EU Council. The government has been required to submit information to the Parliament on Poland's participation in EU work no less than once in every six months as well as information on the course of procedures instituting EU law as well as government positions taken during these procedures.

Before a draft EU law is considered by the EU Council, a government is required to acquire the opinion of the Sejm and Senate by way of presenting written information on the position (together with justification and impact assessment) that the government intends to take at the meeting of the Council. These positions are discussed at meetings of the Sejm's and the Senate's EU Affairs Committees.

In connection with implementing EU law, the government was required by the Law to submit, no later than three months before the passing of the deadline resulting from EU law, a draft law implementing the EU legislation. If that deadline is longer than six months, then it should be done five months before the expiry of the deadline.

Under the law, the Parliament reserved the right to issue opinion on Polish candidates for members of the European Commission, the Court of Auditors, judges of the Court of Justice and Court of First Instance as well as the Advocate General of the Court

¹⁹⁶ Dz.U. No 52, item 515 as amended.

¹⁹⁷ In accordance with the protocol on the role of EU member state parliaments, annexed to the Treaty of Amsterdam, between the presentation of a draft act by the EC to the EP and Council and the date of its entry into the Council's agenda (either to take a decision or to pass an act or accept a common position) a period of at least six weeks should pass, but this deadline isn't always respected. The above period should be, in accordance with this protocol, used by the government of member states to carry out internal procedures involving government and parliament cooperation (it is at the same time a period in which parliamentary reservations can be raised at meetings of working groups).

of Justice, and also the Representatives of the Republic of Poland in the Committee of Permanent Representatives, Committee of the Regions, Economic and Social Committee, and director in the European Investment Bank.

Carrying out the duties imposed on the government, the KERM agreed in total over 2300 government information and positions in relation to EU draft legal acts passed to Poland. In accordance with the procedure, the information and positions adopted by KERM were passed to the Sejm and Senate of the Republic of Poland.

The KERM also receives, at the same time recommending their scrutiny by the Council of Ministers, the half-yearly reports on the participation of Poland in the EU works, prepared by the Office of KIE as part of its duties under art. 3 para. 1 of the Act. These documents, prepared after each Presidency, upon approval by the Council of Ministers, are passed to the Parliament.

The number of matters requiring the involvement and decisions of the KERM led to the necessity of organising two meetings per week – the meetings take place at fixed times: on Tuesdays at 4 pm and Fridays at 9.30. They are preceded by coordination conferences, at which all items on the agenda are discussed and agreed. These meetings are called on the level of directors of departments responsible for coordinating European policy issues in the ministries and agencies participating in the work of the KERM. During discussions, all the documents submitted for consideration by the Committee are discussed. All comments, formal reservations (already submitted or planned) are assessed. Participants of the conferences agree the comments and potential amendments to documents arising from the comments announced. The results of the meetings are referred to the Committee by the Chair of the meeting, together with proposals, if any, for new amendments or corrections agreed at directorial level. Once these agreements reached at director's level are confirmed by KERM, the documents are accepted by the Committee. The European Committee of the Council of Ministers, albeit possessing the right to conduct formal votes, works on the basis of consensus and only in very limited circumstances is the instrument of voting used. For this reason documents on which, following the conference of directors and discussion in the KERM forum, differences of opinion remain, are directed for further consultation whenever possible or practical (this does not concern documents with deadlines, such as, e.g. draft instructions). Based on the working method of EU institutions, items on the agenda agreed at the level of directors are marked on the agenda as, so-called, point A, while documents requiring detailed discussion or resolution of potential differences are marked with the letter "D".

In the course of five years of Poland's membership of the EU, there have been over 440 meetings of KERM.

Procedural aspects

Support for the work of the European Committee of the Council of Ministers (and also the Committee for European Integration) is provided by Office of the Committee for European Integration (UKIE), successor and “inheritor” of the Office of the Government Plenipotentiary for European Integration and Foreign Assistance.

The fundamental task of the UKIE is to guarantee the smooth flow of the process of national agreement on European matters – from the stage of forward-looking long-term analyses, through to the stage of programming and practical implementation – above all in the Council and its auxiliary bodies – to ensuring the smooth implementation of the laws and political decision of the EU. Carrying out these tasks, the UKIE initiates the process of drawing up government positions on draft EU legal acts as well as non-legislative documents.

The UKIE receives all the documents passed to it by the Council's General Secretariat to the Member States. These documents are delivered in an electronic format only, via the U32 Mail/Extranet system¹⁹⁸ and are further distributed in electronic form by the UKIE to the appropriate institutions¹⁹⁹. Sending the documents, the UKIE at the same time designates the institutions that are to participate in drawing up the position as well as the deadline on which the position is to be ready. These deadlines result from the Act on cooperation of the Council of Ministers with the Sejm and Senate in matters associated with membership of the EU (regarding draft legislation) or the pace of work of EU institutions (non-legislative documents).

Draft government positions are subject to coordination and agreement procedure. The position on legislative documents after acceptance by the KERM is sent to the relevant Sejm and Senate committees. The Sejm and Senate EU Affairs Committees have the right to express an opinion on a draft EU legal act within 21 days of receiving the draft position from the government. A government position to an EU document which has received a positive opinion by the Sejm and the Senate constitutes the basis for the

¹⁹⁸ With the exception of particularly large documents (large electronic files) and classified documents, which are delivered by other means.

¹⁹⁹ Annually, the Council Secretariat passes on about 30,000 different kinds of documents.

preparation and presentation of the detailed position of Poland in relation to specific questions discussed at the Council working groups, COREPER and the Council itself²⁰⁰.

The process of drawing up instructions is coordinated by the UKIE, which ensures the cohesion and completeness of the positions, and on the other hand oversees that all the necessary parties are included in the consultation procedure and that the deadlines for work resulting from the calendar of meetings of individual working groups are met. Arrangements referring to the work of Council working groups are carried out on a working level, primarily with the use of electronic communication. In select cases, where particularly justified, questions concerning the work of Council working groups are raised at KERM level – this occurs in cases where differences cannot be settled at working level. They are, however, infrequent. All instructions (in working groups, COREPER or the Council) are drawn up on a uniform template and contain information about Poland's representative, the detailed position to be presented during discussions (indicating the negotiating margins, where necessary), and also elements which might be used at discretion of the Polish participant depending on the course of the discussion. The instruction also contains a detailed justification of Poland's position which is intended only for the delegate.

In the Council working groups Poland is represented by experts (ranging up to department directors level inclusively) employed in the civil service. The decision regarding the institutional responsibility for individual groups are taken by the KERM on the proposal from UKIE. The list of experts in individual working groups is managed by the UKIE (in the electronic form of an on-line data base).

After finishing the work on the document at working group stage, the matter is passed on for further processing by the Committee of Permanent Representatives COREPER I or COREPER II. Instructions the Polish Representative in COREPER I are prepared by the UKIE and cover issues within the competency of the following Councils: Competitiveness, Environment, Transport, Telecommunications and Energy, Education, Youth and Culture, Employment, Social Policy, Health and Consumer Affairs as well as select issues from the area of Agriculture and Fisheries. Instructions for the Polish Representative in COREPER II are drawn up by the Ministry of Foreign Affairs and include matters which at successive stages in the decision-making process are looked at by the Economic and Financial Affairs Council, Justice and Home Affairs Council and the external relations part of the General Affairs and

²⁰⁰ In the case of Parliamentary remarks, which the governments shares and wishes to feel they should be incorporated into the Government's position, the leading institution immediately prepares a report on the Government's modified position, which, after confirmation by the KERM is passed on once again to the Parliament and the Senate. In the case of Parliamentary remarks which do not need to be heeded, the leading institution presents at the first coming meeting of KERM information on the cause of the difference of opinion. After acceptance by the KERM and Council of Ministers, the information is passed on to the Parliamentary Committee for European Union Affairs.

External Relations Council agenda. Draft instructions for COREPER I and COREPER II are submitted for approval by the KERM and then sent to the Republic of Poland's Permanent Representation to the EU by the UKIE (COREPER I) and MFA (COREPER II) respectively.

The next stage after COREPER in the EU decision-making process is the examination or acceptance of the document by the EU Council. Polish representatives participating in meetings of individual Council formations are supplied with instructions which are subject to inter-ministerial agreement. After completion of the agreement procedure the draft instructions are passed to the UKIE in order to be submitted to the KERM. It is worth noting that the requirement of drawing up instructions and having them agreed and approved by KERM concerns also the so-called informal meetings of the EU Council.

For each configuration of the EU Council, the institutional responsibility for preparing instructions has been established. This division is presented in the table below.

Table 1. Preparation of instructions for individual Council configurations – division of tasks in the Polish administration

Council Configuration	Responsible institution
General Affairs and External Relations	Ministry of Foreign Affairs and UKIE
Economics and Financial Affairs	Ministry of Finance
Agriculture and Fisheries	Ministry of Agriculture and Rural Development
Justice and Home Affairs	Ministry of Interior and Administration in cooperation with the Ministry of Justice
Transport, Telecommunications and Energy	Ministry of Infrastructure, in cooperation with the Ministry of the Economy and the Ministry of Interior and Administration
Competitiveness	Ministry of the Economy in cooperation with the Ministry of Science and Higher Education
Environment	Ministry of the Environment
Employment, Social Policy, Health and Consumer Affairs	Ministry of Labour and Social Policy in cooperation with Ministry of Health and also the Office of Competition and Consumer Protection
Education, Youth and Culture	Ministry of National Education in cooperation with the Ministry of Culture and National Heritage

Source: Author's own.

Just as in the case with instructions for working groups, so, in the case of drawing up instructions for Council meetings, UKIE experts actively participate in this work,

supporting the relevant institutions with their expert knowledge and monitoring procedural aspects.

The UKIE constantly monitors the agendas for the Committee of Permanent Representatives COREPER I and COREPER II as well as configurations of the EU Council. In cases where a draft legal act is included in an agenda, in relation to which Sejm or the Senate have not expressed their opinion, and less than six weeks have passed since the draft was sent by the Council Secretariat General (a period resulting from the protocol to the Treaty of Amsterdam on the role of Member States' Parliaments in the EU), the UKIE passes on the information regarding the necessity of tabling parliamentary reservations in regard to the given document. Attached to the instruction submitted to the KERM is the report on the position that the government intends to take during each successive meeting of the Council in relation to the EU legal acts present in the agenda for a given meeting. This report – after adoption by the KERM – is passed to the Sejm and the Senate in order to meet the legal requirement to seek opinion of Parliament on directly prior to the draft legal act being considered in the Council.

Reports are drawn up from all meetings of working groups, committees and the EU Council, containing a description of the course of the discussion and the conclusions resulting from them for Poland. Reports from the COREPERs and Councils are passed to the UKIE in order to be submitted to the European Committee of the Council of Ministers for approval.

Polish positions for meetings of EU heads of state and governments, i.e. in the European Council, is part of the inter-ministerial coordination procedure. Work on the document is carried out together by the UKIE and the MFA, in close collaboration with the Chancellery of the Prime Minister. Other ministries are also frequently involved in the work, depending on the particular subject proposed for discussion by the presidency. This document doesn't contain proposals to be officially announced or used depending on the course of the discussion. It does contain, however, information on the political position of Poland on the issues proposed by the presidency. KERM adopts information concerning Poland's position in the European Council recommending it to the Council of Ministers which in turn looks at the position itself. After the summit, a report is drawn up on the course and results of the European Council together with conclusions. This document is received by the KERM and then recommended to the Council of Ministers.

Conclusions

The preparations for membership, and particularly membership in the EU, introduced significant changes in the functioning of the Polish central administration. Among the most important was the fact that matters connected with European policy – initially associated with meeting the requirements of the association agreement, later with accession negotiations, ceased to be a matter external to the national policy. This meant that it became essential to actively engage in programming, coordinating and then implementing European policy not only units responsible for the internal coordination of European matters in individual ministries and central agencies, but also in practically every single organisational unit, including those that normally were not part of activities connected with EU cooperation, such as offices of Director Generals or administrative and financial offices. This process also included every level of the administrative hierarchy – from experts participating in working groups to members of the Council of Ministers participating in Council sessions.

This process was accompanied by another phenomenon — triggered by the sheer volume of documents discussed and the pace of the discussions in the EU institutions — which involved lowering the level on which agreements were reached in many matters. These agreements started being reached in informal procedures. Even though initially this met with a certain amount of resistance, with time decisions reached in electronic form, during working meetings or via telephone conversations, especially with regard to the working group level, became standard procedure. Decisions reached in this way are made mainly by experts, rarely at the level of department directors and only in specific cases are confirmed by way of exchange of official correspondence.

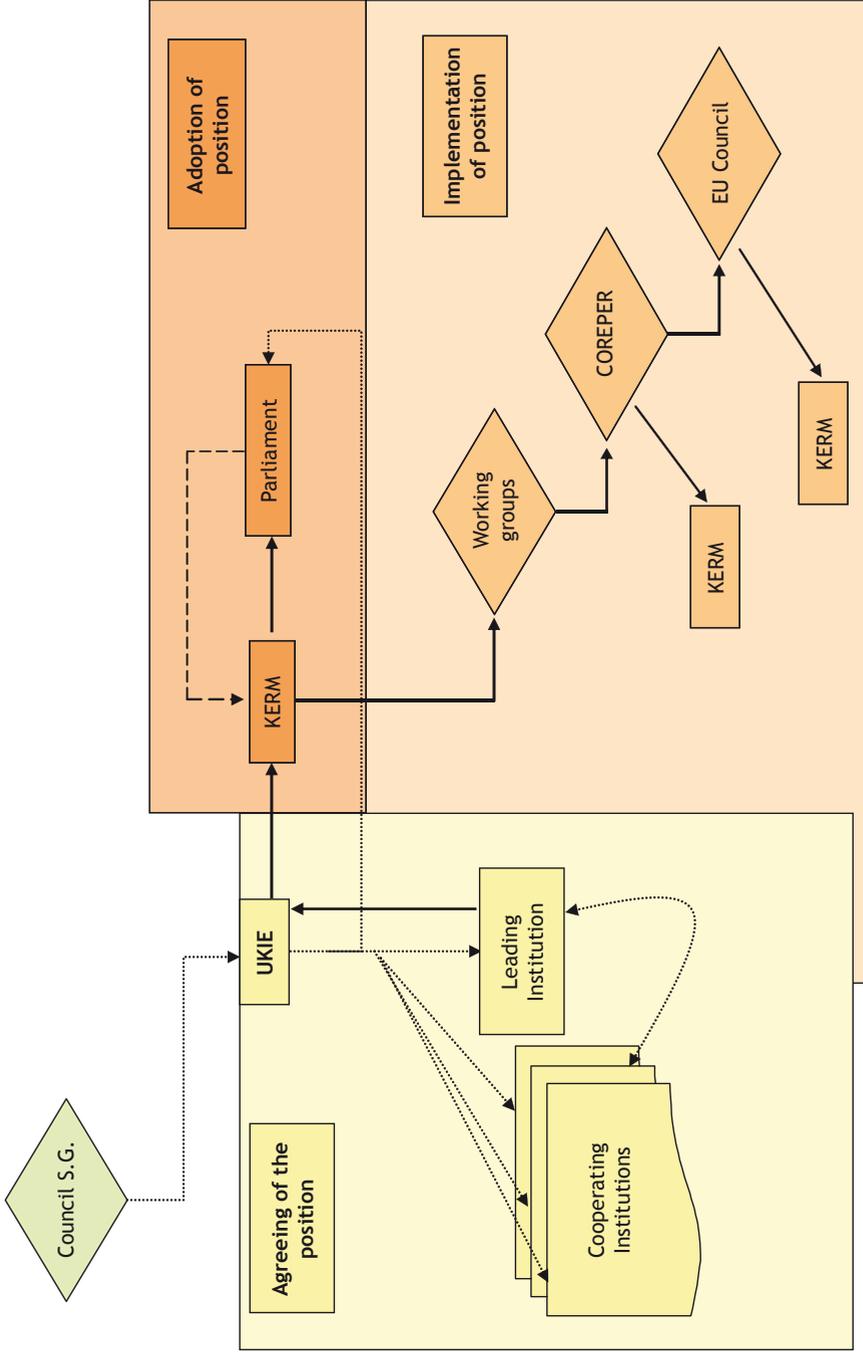
Another innovation was the work on documents whose subject area was often within domains of more than one ministry or central agencies while appreciating the fact that the positions presented by the Polish representatives in working groups, committees or the Council are treated as the Polish position and not that of individual ministries.

The above are only but an example of the most important factors which indicated the necessity of ensuring an effective system for coordinating European matters. Alongside them, there have been new experiences such as frequently working outside the mother institute, which makes contact with experts more difficult, or

daily work in foreign languages. These experiences were shared by all the countries acceding to the EU.

The system for coordinating European policy enabled active participation in EU institutions from the first day of Poland's membership of the EU, and even earlier, when under the active observer status Poland was perceived as a country well-prepared for active participation in the work of the European Union – i.a. because Poland's representatives, participating in the working groups and Council sessions were equipped with clear, coherent and internally (in Poland) agreed instructions. These assessments were confirmed by the actual participation of Polish experts and high representatives in working groups, the COREPER and the EU Council. It is clear that in all Member States situations occur where agreeing a position and presenting it coherently is difficult on account of internal factors, such as technical or organisational problems or political discussions. Similarly, in the case of Poland, issues could be pointed out on which the position left room for some further coordination. It should be clearly stressed, though, that these problems were connected with questions of relatively minor political significance, not affecting the economic development of Poland or its political position in the EU. Thanks to the solutions adopted in the Polish system of coordinating European policy, Poland presented from 1 May 2004 a coherent position on all levels of political discussion and in the EU decision-making process, and in many important areas, the policy constituted a catalyst for change in the approach of the EU – e.g. in relation to the vision of the future of the Common Agricultural Policy or external EU relations.

Scheme of the procedures for coordinating Polish European policy in the EU Council



Source: Author's own.

Poland's preparations for assuming presidency of the EU Council in 2011

On 1 July 2011, Poland for the first time assumes the presidency of the Council of the European Union, beginning its six month leadership of the European Union as the fourth country – after Slovenia, the Czech Republic and Hungary – of the so-called new members to do so. Poland's leadership of the EU will have crucial significance for the realisation of Poland's strategic interests in the EU as well as for shaping Poland's image in Europe.

EU presidency entails:

- leading the ongoing work of the European Council, the Council of the EU and its preparatory bodies,
- representing the Council of the EU in its relations with other community institutions,
- representing the Council of the EU and the Union itself in relations with third countries and international organisations.

The first presidency requires particularly careful preparations, as depending on its success or failure the ability of our country to meet its responsibilities as an EU member state will be assessed. About 1,500 people will be engaged in this work till 2011, both in institutions in Warsaw as well as among the Permanent Representatives of the Republic of Poland in the EU and in diplomatic posts around the world.

The experience of other countries

Beginning in Spring 2007, intensive consultations with member states that have already held the presidency or are preparing to do so have been and still are being conducted (Netherlands, Austria, Finland, Germany, Slovenia, France, the Czech Republic, Sweden, Spain, Belgium, Hungary). Within this framework, from the beginning of 2008 training for Polish officials with the participation of staff from EU institutions and the administrations of member states are being organised covering all aspects of organising the presidency. Particular attention is attached to questions of organisation, staff training and coordinating preparations.

An enormous number of factors influence the way the presidency will be assessed. A part of them, such as command of foreign languages among officials, familiarity with negotiating techniques, efficient transport, well-prepared documents, are largely reliant on the country preparing for presidency. However, others, such as the prioritisation of issues, achieving compromise in the Council or ultimately the atmosphere during the informal meetings, are not under the control of the state, though they affect the evaluation of its achievements. Those with experience of the presidency warn, "it doesn't matter what was in the final report, it's important the wine was good and the transport punctual". Therefore, efforts should be made to ensure all the elements under the control of the organiser are prepared as thoroughly as possible.

For obvious practical reasons, the best point of reference are the more recent presidencies. In the case of Poland this is, among others, Finland, Germany, or Sweden, which is preparing to take the presidency for the second time. A separate group is composed of those countries that acceded to the EU in 2004 and have already experienced the difficulties of presidency, that is Slovenia, the Czech Republic and Hungary, who are preparing almost in parallel to Poland. A closer analysis reveals that there are considerable differences in the starting points, but the problems that the countries from this group have to deal with are similar. Their roots lie in the relatively short period of membership, ineffective procedures, excessive bureaucracy and financial restrictions.

Many of the proposed activities have no precedence, which can equally simplify work as significantly slow it down. It does, however, enable in each case the proposal of modern, economical solutions, serving the modernisation of Polish administration and development of its human resources. The preparations are also aided by the ongoing participation in the EU decision-making process, forcing a focus on the work of the presidency, helping to identify its aims and tactics as well as encouraging contacts to be made. From the point of view of EU countries, the statement can be heard that the feeling of full membership was only achieved after the first presidency.

Practical use of the experiences of other countries has been possible, among other reasons, because of the conference organised in November 2008 by the UKIE "Efficient and effective organisation of the presidency – the experience of member states" involving experts from Finland, Slovenia and the Polish Embassy in Germany. They presented their experience in the area of organising the presidency with particular emphasis on the elements of logistics and planning. Almost one hundred people attended the conference representing almost all the ministries and agencies engaged in the preparations for the Polish presidency.

In November and December 2008, the UKIE, in collaboration with the European Institute of Public Administration (EIPA – Polish division) organised two training sessions with the involvement of experts from other countries for those taking part in the Council of the EU's working groups. The seminars were given to 50 government administration staff – Polish representatives in working groups. The training taught the participants about matters associated with the tasks of the presidency, as well as the so called “soft skills” – conducting negotiations in the European environment.

The structure of preparations

For the most efficient and professional preparations of the presidency, the Council of Ministers adopted, on 15 July 2008, the resolution appointing the Government Plenipotentiary for the Preparation of Governmental Administrative Bodies and the Republic of Poland's Presidency of the Council of the European Union²⁰¹. This function is exercised by the Secretary of State of the Office of the Committee for European Integration, and its support staff is provided by the UKIE. The resolution bestows on the Plenipotentiary a range of tasks outlined in its § 2, among the most important of which are:

- coordinating the actions of government bodies in terms of preparing for leadership of the Council of the European Union;
- coordinating work connected with the preparation of the programme and timetable for leadership of the Council of the European Union, including the most important goals of the Republic of Poland which are to be achieved in this period, and also coordinating work connected with the choice of sector priorities of the Republic of Poland and the priorities of the presidency;
- coordinating work aimed at assessing the amount of funds necessary for expenses connected with the preparations and exercise of the presidency of the Council of the European Union;
- maintaining contacts and sharing experiences with the administration bodies of member states who have carried out or are currently carrying out preparations for leadership of the Council of the European Union;

²⁰¹ Dz.U. No 133, item 843.

- coordinating cooperation between institutions responsible for the preparations for presidency of the Council of the European Union of countries exercising joint presidency together with the Republic of Poland.

The Plenipotentiary is required to produce periodic (quarterly or more frequently if he or she deems it necessary) reports on their activities and inform the KERM, the Council of Ministers and the Prime Minister of any problems and threats to the implementation of the preparation process.

The main inter-ministerial forum for agreeing and taking decisions remains – as in other European matters – the European Committee of the Council of Ministers, as a permanent cabinet committee, composed of the Secretaries and Under-secretaries of State responsible in their ministries for European matters. The committee has been regularly informed by the Plenipotentiary on the course of the preparations, been familiarised with reports as well as discussed and approved the course of actions. Depending on the political importance of the dossier under discussion, the KERM can recommend that the Council of Ministers take a look at it.

The Plenipotentiary is aided by four assessment and advisory groups, created on the basis of § 5 of the above regulation, which are composed of officials from the ministries and institutions most interested in or responsible for the subject area of that group's work. They function currently in the following areas: managing human resources, budget, logistics and promotion and culture.

Alongside the central level, coordinating the work, intensive preparations have taken place in ministries and central agencies, and also in the Parliament. The ministries were responsible for preparing an initial sector programme, a draft meeting organisation project and also the choice and development of staff.

Employees of ministries and offices involved in the preparations for presidency create the Presidency Service, and are divided into the following categories depending on the functions and tasks they will carry out during the presidency: working group leaders and their deputies, national delegates, subject matter coordinators and organisational coordinators.

The Plenipotentiary also began a dialogue with political circles and social groupings, with the aim of passing on the report on the course of preparations. Three times, in June, July and October 2008 in the Parliamentary Committee for European Affairs of the Republic of Poland, the Senate Committee for European Affairs of the Republic of Poland and at a plenary sitting of the Parliament of the Republic of Poland respectively, the report on the current state of preparations was presented.

Human resources development

In May 2008, the Office of the Committee for European Integration drew up and sent to ministries and central agencies a questionnaire aimed at assessing the status of preparations of individual units of public administration for taking over the presidency of the Council of the European Union in the second half of 2011. The results received were used in presenting proposals for essential organisational and training activities. On this basis, as well as based on an assessment of the engagement of individual ministries in the decision-making process, a training plan was prepared which constituted an important element of the organisational and staff preparations.

The first training sessions associated with the presidency have already taken place. From January to April 2008, using TAIEX funds, one hundred people from different ministries were trained on the practical aspects of preparing member states for taking the presidency of the Council of the European Union. In the UKIE, a pilot programme is in progress teaching office employees French – “French for the presidency”. Additionally, an analysis of the training market in terms of hard and soft skills connected with exercising the presidency has been carried out.

In November 2008, the project “Strengthening the motivational system in the Polish civil service” began to be implemented. One of the components of the project provides for expert support for the Polish administration in terms of creating a cohesive system for identifying and delegating national experts to work in EU institution, and also participation of members of the civil service in serving Poland's presidency of the EU.

The effective execution of tasks associated with presidency of the Council of the European Union will to a large extent depend on the ability to appoint the right staff, therefore it is important for the presidency service to include people with the relevant subject matter knowledge, interpersonal skills and good command of foreign languages. These people will be covered by a system of training on the subject of the EU (law, institutions, policy), soft skills (negotiating, mediating, group and time management, information) and languages: English and French. An incentive is also provided for under the programme, in the form of bonuses.

The maintenance of a stable staff list is of particular importance to the completion of the tasks associated with the presidency, that is until 2012. Meanwhile, in the Polish circumstances, public administration is not the most attractive employer, though

recruitment procedures demonstrate that a great deal of interest exists in the subject of the presidency among job candidates. Paradoxically, the economic cycle, financial crisis and growing unemployment may aid the public sector in finding employees looking more for stability than high earnings.

Logistics

Coordinating the logistical aspects of the preparations has been taken on by the Government Plenipotentiary. At the same time, it needs to be pointed out that the preparation of each meeting planned during the Polish presidency requires close collaboration between the ministry responsible for the subject matter-related content of a given meeting with the office supporting the Plenipotentiary.

The presidency entails, among other things, the organisation of about 120 meetings, including more than a dozen at ministerial level in the country presiding over the Council of the European Union, as well as holding in Brussels, potentially in Luxembourg and in third countries, of about 3000 meetings of almost 250 working groups and EU Council committees and its nine configurations at ministerial level, and also preparing and organising two sessions of the European Council (one of the meetings can have an informal character and take place in the country of the presidency) as well as summits with third countries (e.g. EU – USA, EU – Russia, EU – ASEAN). The calendar of summits shows that during the Polish presidency there could be about seven of them, however, they traditionally take place alternately in the country of presidency and in a third country, and thus Poland will not organise all of them on its own territory.

The representatives of the country exercising the presidency also maintain daily contact with the European Commission and the European Parliament, and also with the remaining institutions in order to coordinate the work of the entire European Union.

From the point of view of organisation, the biggest challenge is the informal meetings, held in the country of presidency. Practice reveals two models: a centralised one, with a single centre for meetings and a decentralised one, with a number of meeting places. An example of the first approach is Slovenia (presiding over the EU in the first half of 2008), who, to minimise the risk and costs, built a conference centre between the airport and the centre of Ljubljana. A majority of countries, though, tends towards spreading the

map of meetings, since, despite the higher organising costs, it makes it possible to show the assets of different regions and cities. Poland also leans towards such a solution.

In the Polish instance, a set of criteria that a potential meeting place had to meet was already worked out in 2009, differing depending on the category of the meeting. All the regions submitted their proposals which, from the beginning of 2009, have been analysed by a specially appointed committee. Representatives of the services responsible for state security, diplomatic protocol and the overall coordination of preparations are now working on it. The government's intention is to organise outside Warsaw approximately half the meetings at ministerial level, as well as a range of expert meetings, seminars and conferences. This will require good collaboration with the regions, but their high level of enthusiasm and engagement can already be seen, which bodes well for the future.

Information and publicity

An important element of the preparations are the information activities, directed both internally, to national recipients: citizens, politicians, the media, social partners, as well as externally, to citizens of other countries, or the decision-makers in Brussels.

At the end of 2008, a strategic report was prepared that analysed, on the basis of opinion polls and interviews, the needs of different groups of recipients. The starting point was the creation of key messages around which different informational activities should be organised, such as:

- The success of the presidency is the best promotion of Poland and the best means to change the stereotypes and the occasionally negative image of Poles around the world;
- Thanks to the presidency Poland will become better recognised in the international arena;
- Thanks to a successful presidency, confidence in Poland as a responsible partner will grow;
- Poland is a responsible partner fully rooted in European Union structures;
- Poland is able to balance its own interests and the interests of the remaining EU member states, while exercising the presidency of the Council of the European Union it will be guided by the common good of the EU;
- Poland can be an effective and creative leader.

Under the strategy, numerous actions are proposed for disseminating knowledge of the presidency and informing about what it involves. It is planned to include the subject of the presidency into actions already up and running (e.g. My school in the European Union, the Schumann parade), and also into many other new ones in large part using the Internet. Aware of the fact that it has become a significant channel for information and debate, it will be used intensively both in the preparation period, as well as during the actual presidency. To this end, the Internet portal for the Polish preparations has been set up: www.prezydencjaue.gov.pl.

Over the next few months, the plan is e.g. to organise a competition for the presidency's logo, which will then be placed on all printed materials, on the official website and everywhere where events associated with the Polish presidency are to take place.

An additional element of the publicity campaign is the cultural events at home and abroad organised either specifically on the occasion of the presidency, or independently of it, which will be allowed to use the presidency's logo. In the Ministry of Culture and National Heritage, an initial calendar of periodic events has been drawn up, while the Adam Mickiewicz Institute presented the underlying aims of the cultural programme during the Polish presidency.

Strategic documents and monitoring the preparation process

The basis for the preparations is established, and their range is described in detail, by *The Programme of Preparations by the Republic of Poland to Take Over and Exercise Presidency of the Council of the European Union* accepted by the Council of Ministers on 13 January 2009. The *Programme of Preparations* focuses on questions of drawing up the priorities of the Polish presidency, the logistics aspects of exercising the presidency, managing human resources and information and publicity.

Work on the programme has been going on practically from the moment the Government Plenipotentiary at the UKIE was appointed, along with inter-ministerial teams. The KERM passed the programme on 28 October 2008, recommending the necessary additions resulting from the remarks of the ministries be made, as well as presenting for the decision of the Council of Ministers several questions of crucial importance, such as: a model for the presidency, the principles of the motivational system for employees and

an analysis of desirable changes to legal regulations whose current shape might render the effective implementation of the preparations more difficult. Included in the list of issues on which the government must reach a decision is the problem of choosing the locations for about 120 informal meetings which are to take place in Poland during its presidency.

The *Programme of Preparations* accepted by the government represents a starting point for drawing up the budget for the presidency. First, an analysis was carried out as to how the matter of finance has been resolved by other member states. It should be pointed out here that the methodology for creating the budget as well as the amount of funds allocated is the type of information that other countries are not too keen to share. The information gathered shows, however, that it is almost impossible to collect complete data, especially when talking about the decentralised presidencies, in which the bulk of the responsibilities, and along with it the expenditure, fell on the ministries.

Also in the case of centralised presidencies, it can be seen that the costs of presidency are normally found not only in separate lines of the budget, but also in ongoing expenses on equipment and investments, while the costs of the work of officials and fixed costs are practically never separated out, and are probably not included in the total calculation. Publicly available figures therefore are burdened by a lack of completeness and precision.

Budgets for the presidency, bearing in mind the reservations mentioned above, range in recent years from EUR 70 mln to 190 mln. After the settlement, the presidencies usually inform as to what savings they made (the French presidency mentioned EUR 30 mln), but they rarely admit to the necessity of increasing the initial budget. The Czech presidency, still during the preparation period, amended its plans from EUR 118 to 130 mln.

The Polish budget for the presidency covers the years 2009–2012. In 2009, a specific budget allowance was established for preparing for the presidency, totalling PLN 8.1 mln. This sum should cover part of the expenses on training, internships and study visits as well as certain promotional activities, and also expert opinions, reports and essential translation work.

The budget for the years 2010–2012 is being prepared in the form of a multiyear budget. Since autumn last year, work has been underway both in the ministries as well as centrally to optimise the budget so as to enable, with regard for the difficult external conditions, the presidency in line with the ambitions and potential of Poland. For as long as the programme is not accepted by the Council of Ministers, it is difficult to be certain of the final amounts planned. They should be on a par with the European average in the last few years.

Programming preparations

Presidency of the Council of the European Union is linked with the necessity of identifying the most important areas for the potential activity of the EU during the period of the presidency, with detailed action plans for the individual forums within the Council, which Poland will lead, as well as establishing the priorities for the presidency in these terms.

External factors complicating the current stage of work on the programme have been indicated, nevertheless the work is progressing. The starting point was an analysis of variants of the European agenda, that is reflections on the subject areas Poland would like to see on the Council's agenda in the second half of 2011. Accepting that the average duration of work in the Council on a given dossier (using the co-decision procedure) is approximately two years, it can be assumed that draft legal acts sent by the European Commission today to the EU Council will be the subject of debate in working groups and committees during the time remaining for the Polish presidency.

2009 is the last opportunity to add "your own" subjects to the calendar on which Poland would like to work during its presidency. It should be recalled here that impartiality is demanded of the presidency (the "*honest broker*" principle, and not being directed by national interest), and thus the influence on the shape of future decisions must be exerted appropriately early. There is no point in hiding, though, that each presidency aims as fully as possible to reflect its interests in the work of the EU, it is important, however, that it occurs with respect for the rules, both those laid out in treaties, as well as the unwritten rules of cooperation of EU member states.

Alongside subjects resulting from the ongoing work schedule are those which must be taken at a specific moment. These include, say, the negotiations for the new financial perspective (as per the Treaty of Lisbon: "a multiyear financial framework"), which will fall to Poland in 2011, or potentially, which is however ever more likely, Iceland's accession negotiations.

From the point of view of work on the programme, the most important thing is, however, the third category of topics, namely those that the future presidency places among its priorities. They have to take into account the programme of the whole trio, as well as the preceding trio and particularly of its last member, in our case Hungary. The presidency lasts barely six months and no serious initiative can be implemented in such a short time.

The difference between the programme and the priorities of the presidency should also be remembered. The priorities are to be the most important points of the programme and don't describe everything the presidency intends to do. Many presidencies also try to initiate discussion on an important, current topic, in the full knowledge that the final debate will fall to somebody else. Considering the example of climate change (a subject initiated by the German presidency), it is clearly visible that in some cases it is better to open the debate than to have to bring it to a spectacular, albeit shared, success.

Excellent knowledge of the interests, specificity and sensitivities of member states is essential for the efficient conduct of work. This needs to be learned well in advance, so as not to be surprised during the course of the presidency by a sudden and apparently incomprehensible difference of opinion, regardless of whether it concerns an argument over an apparently unimportant matter, or an opposing approach of two countries to crucial, strategic issues. Looking on the one side at the EU's agenda, and on the other, at Poland's interests, it can be assumed that the leading parts of the programme will be occupied by such matters as e.g. the new financial perspective, Eastern Partnership, energy policy or strengthening the common market.

Work on the programme is carried out in the ministries, in accordance with the principle of competent ministries, while coordinated by the Government Plenipotentiary. In early spring, the first programming debate between the trios is planned, with the participation of external partners, such as civil society organisations and national as well as Brussels-based think-tanks dealing with European issues.

Cooperating as a trio

From the beginning of 2007, the countries holding the presidency have been grouped into threes, or trios²⁰². The structure of the trio comes from negotiations for the Constitution Treaty, which, in terms of the presidency, set itself the goal of improving cooperation among countries holding the post successively and also, on account of EU enlargement, shortening the time interval between successive presidencies of a given country. In the course of the work, the idea of a group presidency was abandoned, which was to have been composed of three countries leading the EU's work together for a year,

²⁰² This concept shouldn't be confused with the so-called troika, which designates the group of three countries successively exercising presidency. It was established then that the actual presidency cooperates above all with its predecessor and successor.

extending that period to a year and a half without precisely outlining the method of cooperation. This proposition was carried over to the Treaty of Lisbon and was reflected in the interpretation of the Council's decision from the beginning of 2007, in accordance with which the trios began to operate from the German presidency. This doesn't in any way mean abandoning cooperation between successive countries from different trios, more so, their role, as the outermost of the group, increases.

In accordance with the decision of the Council nr 1/2007, the sequence of presidencies until 2020 has been established.

Table 1. Schedule of presidencies 2007–2020

YEAR	I HALF	II HALF
2007 2008	Germany Slovenia	Portugal
2008 2009	Czech Republic	France Sweden
2010 2011	Spain Hungary	Belgium
2011 2012	Denmark	Poland Cyprus
2013 2014	Ireland Greece	Lithuania
2014 2015	Latvia	Italy Luxemburg
2016 2017	Netherlands Malta	Slovakia
2017 2018	Estonia	Great Britain Bulgaria
2019 2020	Austria Finland	Romania

Source: Own work based on the attachment to the Council decision of 1 January 2007 (O J UE L 1, p. 12).

The choice of countries for trios was guided by the idea, in accordance with which they were to represent highly different groups, and thus small and large countries, "old" and "new", north and south. As the first, the presidency in successive trios is taken by a large country, being a natural leader.

Poland's partners in the trio are Denmark and Cyprus, who will hold the leadership in the Council of the European Union respectively in the first and second half of

2012. Poland, as can be seen from the above, is in this trio the first, and the largest, on whom special responsibilities rest. The government is trying its best to meet them, initiating many action groups, e.g. programming consultation, exchange of information on planned training, or publicity activities.

Conclusions

The preparations for the Polish presidency are being carried out in a difficult moment, both from the point of view of internal as well as European policy, including the timetable of events in the European Union. The national difficulties experienced as a result of the financial crisis as well as the predicted economic slowdown may affect the scale of the preparations in terms of meetings organised, investment, the accompanying programme or the motivational system for employees involved in the preparations.

The ambitious aims must come face to face with reality in such a way as makes possible the efficient and professional conduct of the preparations, and then to hold the presidency with simultaneously thorough and thrifty management of public funds. The point of reference for Poland should be not the French presidency, conducted in grand style during a period of prosperity, but rather the modest, but also successful presidencies of the Scandinavian countries, such as Finland or Denmark.

The most important thing for the course of the preparations, though, will be what Europe has to deal with in 2009. The solution to the fate of the Treaty of Lisbon is not yet known, whose introduction will influence both the preparations and exercising of the presidency, changing the range of responsibilities and competencies of those holding it.

Finalising the process of ratifying the Treaty of Lisbon and its enactment will begin the process of implementing its provisions and the creation of new institutions which will significantly modify the range of tasks and division of responsibilities between them and the rotational presidency. Acceptance of the treaty will begin the process of establishing new institutions: a permanent chair of the European Council as well as a High Representative for the Common Foreign and Security Policy as well as building their support structures. There is no way to predict whether that process will finish by the middle of 2011, or at which stage it will be then. It can be assumed with a high degree of probability though that, for example, the External Action Service of the European Union will not yet be fully formed and despite the operation of the Treaty of Lisbon

the rotational presidency will retain, at least temporarily, some of the tasks associated with external representation and presence in third countries.

Bearing in mind the circumstances described above, the Polish government is preparing for a full-blown presidency based on the current basis of treaties, taking into account the scenario with the potential adoption of the Treaty of Lisbon. It should at the same time be noted that both models have their pros and cons. The current model makes it easier to emphasize the existence of the rotational presidency, and together with that – to influence the fate of the European Union and act in its name in the international arena, whereas the Lisbon model carries less of a burden for the country of presidency as well as introduces a range of important change to the political system, beneficial from the point of view of the cohesion and continuity of EU actions.

Regardless of the final political shape of the presidency in the second half of 2011 the above remarks illustrate the scale of the challenge that is facing Poland. This concerns not only public administration officials, but also academic circles, non-governmental organisations, local governments, artists and the civil society. It is a challenge without precedent, the meeting of which will help to build Poland's position as a responsible and strong member of the European Union, and give Poles a sense of pride in their country and its presence in the EU.

Implementation and application of EU law

In line with expectations expressed in pre-accession period²⁰³, Poland's accession to the European Union brought significant consequences for law-making activities. Since accession, beside national legal order, Poland has been bound also by the EU legal system based on founding treaties and on secondary law made by EU institutions. As a consequence, some Community legal acts (regulations, decisions of the Commission addressed to member states) became directly applicable in Poland. Others (directives) required timely transposition by Poland. Moreover, Poland was covered with Community judiciary system. A matter of equal importance was the fact that upon accession Poland gained the possibility to influence the shape of individual legal provisions in the EU legislative process and their interpretation by Community courts. At the same time initiatives promoted at the EU level provided Poland with an opportunity for improvement of the quality of Polish law, both binding and being made.

Implementation of *Better Regulation* initiative

Lawyers, civil servants and politicians participate in law-making on daily basis. The idea behind *Better Regulation* (alternately called regulatory reform) is to improve the way how new legislation is made and to improve the quality of the existing legislation. *Better Regulation* focuses on impact of law instead of focusing on the content of legal provisions. It is impossible to infer this impact with the use of intuition; it necessitates employment of a relevant process. This process consists, inter alia, in problem identification, identification of the position of the public opinion, assessment of economic, social

²⁰³ See e.g.: M. Szpunar, *Polski system prawny w perspektywie członkostwa w UE – straty i korzyści*, [w:] *Korzyści i koszty członkostwa Polski w Unii Europejskiej. Raport z badań*, Centrum Europejskie Natolin, Warsaw 2003, p. 96–104.

and environmental impacts of the planned provisions in several options, and finally, in selection of the most advantageous one. The process is named regulatory impact assessment (RIA) or impact assessment (IA) and is performed with a view to enacting new legal acts. The binding legal acts are also covered with quality assessment regime. One of RIA methods is to carry out regular reviews from the viewpoint of burdens to economic activity, level of adjustment costs, excessive formalities and complexity of procedures present in binding law. Measures aimed at simplification of legislation are performed on this basis. Another element of *Better Regulation* is to strengthen communication with all regulators between Community level and national level as well as social opinion.

The European Council obliged the European Commission to prepare actions in the area of better law-making in 2000²⁰⁴. Publication of the first report establishing the main principles of better regulation in the European Union (EU) in 2001 set out the framework of the *Better Regulation* initiative and determined the character of subsequent programme works thereon²⁰⁵. This intensification of the discussions and actions at EU level fell at the period of 2004 enlargement, thus significantly influencing the range of the discussion both in the old and the new member states. The 2005 mid-term review of the Lisbon Strategy, the economic agenda of the European Union, stressed that building of competitive and sustainable EU economy should be supported by high quality of regulatory environment.

This chapter aims at presenting and evaluating *Better Regulation* initiative in Poland from pre-accession period to December 2008. Conditions of Poland's accession to the EU followed from initiatives undertaken within non-EU international structures prior to accession. A role in this respects was played by the Organisation for Economic Cooperation and Development (OECD). This chapter also assesses Poland's influence on the shape of *Better Regulation* initiative within the European Union. The OECD played a role again after Poland's accession to the EU. A review of application of good law-making principles under auspices of the European Commission was performed by the OECD in "new" member states in 2006.

Membership conditions in the years 2004–2009 have been determined by preparation of regulatory impact assessments used for estimation of the costs of the *acquis communautaire* implementation in the pre-accession period. The necessity to represent

²⁰⁴ The United States were the first state to implement an impact assessment system. In 1970ties Presidents Henry Ford and Jimmy Carter introduced an obligation to draw up an analysis of costs and benefits for regulatory drafts. The government of Margaret Thatcher introduced in mid-1980ties the obligation to assess adjustment costs to be borne by entrepreneurs as a result of state's regulatory measures. Since 1990ties the European Commission has carried out partial economic analyses of draft Community law.

²⁰⁵ *Mandelkern Group on Better Regulation*, Final Report, 13 November 2001.

national interests at the EU level during accession negotiations and after the accession, during works on a draft legal act in the Council of the European Union (where greater attention is paid to substantive arguments than in the legislative process at national level) mobilised Poland for building negotiation strategies based on regulatory impact assessment. Results of such assessments were used for formulation of Polish position papers and for negotiations of transitional periods, temporarily excluding Polish undertakings from binding force of the *acquis communautaire*.

Use of *Better Regulation* principles in presentation of national interests in the EU before and after accession

As an OECD member state, Poland committed itself to initiate better regulation measures, including in particular introduction of regulatory impact assessment. This followed from a conviction the initiated legal solutions were important for operation of the economy. This conviction became reinforced in 1990ties, when many new solutions were introduced into Polish legislation as a result of adjustments of law to the requirements of membership in the EU²⁰⁶.

It turned out during accession negotiations that it was the use of instruments – RIA – in practice and not determination of the principles that mattered (i.e. the principle of law quality improvement did not matter). Drafting of RIA contributed to improvement of the competitiveness of Polish undertakings compared to EU businesses. Impact assessments performed during accession negotiations constituted a pilot stage of the methodology in Poland.

The main targets from the viewpoint of costs were: implementation of the *acquis communautaire* in a manner that is optimal for national economy and the society; and minimization of the costs thereof (financial costs for the state budget and adjustment costs for undertakings). The assessment aimed at supporting the development of position papers and identifying the areas where it was necessary to apply for transitional periods (identification of appropriate duration of transitional periods on the basis of IA). RIA was closely related to the element of social consultations. Moreover it aimed at supporting entrepreneurs and other groups in the process of preparations for Poland's membership in the EU.

²⁰⁶ W.M. Orłowski, *Propozycja metodologii oceny skutków regulacji z 2001 r.*, [w:] *Ocena skutków regulacji – poradnik OSR, doświadczenia, perspektywy*, W. Springer, W. Rogowski (red.), Warsaw 2007, p. 19.

There was awareness of the necessity to perform assessment of economic, financial, legal and social costs of EU policies and of the adopted acts of the *acquis communautaire*, as well as of the fact that various methods of policy implementation may bring about different effects. Without such knowledge the government would be unable to carry out effective accession negotiations or to present exhaustive information to individual social groups helping them prepare for accession²⁰⁷.

On the threshold of the accession negotiations process, the lack of capacity to carry out impact assessment was one of the most common weaknesses, not just in Poland but also in other accession countries, and constituted a serious threat to the adoption of the *acquis*. There was too great preoccupation with the drafting of the legal text transposing the *acquis*, rather than with its substance or economic and social impacts. Insufficient attention was paid to practical issues and to the question of how a law, once enacted, was to be implemented.

This approach was manifested in the structures programmed for accession negotiations. The main role was assigned to the Government Centre for Strategic Studies (GCSS), which was entrusted with the task of assessing the commitments assumed in negotiation papers from the viewpoint of socio-economic effects. The Ministry of Finance was obliged to coordinate assessments of the budgetary effects of the commitments adopted in position papers. However, the structure appointed for assessment of socio-economic impact disappointed hopes set on it. Such situation followed, inter alia, from the fact that the mechanism for performance of IA formally did not exist at that time (the first RIA was performed for directives concerning work health and safety in 2000, whereas the obligation to conduct RIA was formally introduced into Polish legislation in the second half of 2001²⁰⁸, and the first pilot training in RIA was carried out in November 2001). The ministries were not properly prepared for performance of an analysis of various possible implications of the chosen line of actions. The task of a thorough assessment of socio-economic effects seemed to be mission impossible considering the fact that accession entailed necessity to implement over 1500 directives²⁰⁹.

²⁰⁷ S. Tokarski, A. Mayhew, *Impact Assessment and European Integration Policy*, Sussex European Institute, Warsaw 2000, p. 3.

²⁰⁸ A formal requirement to perform RIA in the process of drafting legal acts was introduced into Polish legislation in September 2001 through resolution No. 125 of the Council of Ministers amending the resolution the Rules of works of the Council of Ministers (Monitor of Laws of 2001, No. 33, item 547), which introduced the term „regulatory impact assessment” and the requirement to „perform assessment of the envisaged socio-economic effects (costs and benefits) of regulation before drafting a normative act” and to present the results of the performed social consultations __ on the Rules of the Council of Ministers binding at that time. Methodology for performance of such assessment was specified as late as in 2003.

²⁰⁹ Data after the database of the Notification of National Implementing Measures kept by the European Commission.

As a result, the first impact assessment projects were carried as *ad hoc* ventures of officials directly attending to the Chief Negotiator²¹⁰. The need for them was driven by European Commission's invitations for Poland to review its request for transitional periods or to provide more data to better justify them.

Impact assessment projects carried out during accession negotiations focused mainly on social and environmental legislation. A part of legislation in this area can be extremely costly to implement, another part can be extremely complicated. Most legislation in those areas is desirable in medium- and long-term but in the short run it can adversely affect financial stability of enterprises or impose heavy burdens on public finance. Most costs surfaced fast and were real, while most benefits were expected in long-term perspective and with uncertain effects, determined by many other factors.

A characteristic feature of impact assessments studies carried out in the area of environment protection²¹¹ was the fact that costs – and more specifically compliance costs – were to a larger extent taken into consideration than potential benefits. This was because discussions on the impact of the European integration in the field of environment protection were completely dominated by the issues of the related costs. Both the Polish government and the European Commission (which ensured financing for RIA projects in this area) were interested solely in costs. For the Polish government this was an important bargaining argument in favour for granting transitional periods (although in case of very thorough studies some requests proved unnecessary and were withdrawn). For the European Commission this was an argument in favour of attracting the largest possible public financing from pre-accession funds to the environment protection sector, mainly at the cost of transport one.

Even before accession it was noticed that RIA can support presentation of national interests in the legislative process within the European Union. Many member states use RIA for assessment of draft *acquis*. According to experts, due to limited influence of the member states on legislative process in the European Commission, drafting of RIA for draft Community acts helps national administrations in identification of proper

²¹⁰ A special document was developed for the benefit of accession negotiations, defining relationships between impact assessment and European integration policy (S. Tokarski, A. Mayhew, *Impact Assessment and European Integration Policy*). The methods for performance of such assessment was defined as late as in 2003: „Methodological basis for regulatory impact assessment”.

²¹¹ Impact assessment studies conducted in the environment field: Council Directive 97/43/Euratom of 30 June 1997 on health protection of individuals against the dangers of ionizing radiation in relation to medical exposure, and repealing Directive 84/466/Euratom, Council Directive 1999/13/EC of 11 March 1999 on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain activities and installations, Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 on fuel quality and amending Council Directive 93/12/EEC, Regulation (EC) 2037/2000 of the European Parliament and of the Council on substances depleting the ozone layer, Council Directive 88/609/EEC of 24 November 1988 on the limitation of emissions of certain pollutants into the air from large combustion plants, Directive 2001/80/EC of the European Parliament and of the Council of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants.

negotiation priorities and in entering coalitions with other member states. Reliable analytical data allow for a polemic based on merits of the case with results of assessments performed by the Commission²¹².

The best example of how RIA can represent national interest after accession were negotiations on climate and energy package in 2008, when significant differences surfaced between estimates of the European Commission and assessments of experts and the member states as regards adoption of proposed solutions. Possession of substantive evidence might help challenge the figures of the European Commission and change the tone of the discussion. A macroeconomic model for calculation of distribution of permits among the member states under the European Emission Trading System (ETS) was designed in Poland to assist in negotiations on climate and energy package, but at the same time many analyses were drawn up to estimate impacts of the package for Poland under several different scenarios. This required analytical thinking because in many cases never-ending consideration of various scenarios was inadequate. Moreover it was necessary to identify their pecuniary impacts. Moreover a horizontal outlook of the Union agenda and combination of the issue of the package with e.g. energy security was also necessary. The analyses influenced the shape of Polish position paper; this was the fundamental use of RIA in negotiations. The Assessments provided additional knowledge about emission reduction system and at the same time offered information on emission permits trading options (*cap-and-trade*), alternative methods of emission reduction (e.g. *benchmarks*), forecast emission permit prices, emission permits *floors and ceilings* and identification of socio-economic impacts of the entry of the package into force. Besides, the analyses helped present or justify Poland's negotiation strategy. One of them served solely the purpose of recapitulating the results presented so far and allowed for substantive polemic with European Commission calculations. Another one served, on the one hand, as a concise recapitulation of expert knowledge, and on the other as an analysis of potential solutions that may be adopted at the European Council meeting and targeted main decision-makers (the prime minister, ministers). Its main objective was to identify priorities and lines of negotiations.

Another example of representing national interests in the legislative process within the European Union is the possibility (being in place since 2009 due to Polish initiative) to adjust Union legal solutions to regional and national conditions. During

²¹² R. Zubek, *Analiza polskiej praktyki oceny skutków regulacji w latach 2001–2005*, [w:] *Ocena skutków regulacji – poradnik OSR, doświadczenia, perspektywy*, ed. by W. Springer, W. Rogowski, Warsaw 2007, p. 35–36.

amendment of European Commission impact assessment guidelines, Poland postulated introduction of the convergence criterion into impact assessment. Poland argued that significant economic development gaps still present in the EU are a serious hindrance for EU capacity to identify goals jointly and undertake joint actions. According to Poland, compared to other treaty objectives and treaty-defined basic areas of European Union activities (Art. 2 and Art. 3 of the Treaty establishing the European Community – TEC) and those accounted for in the European Commission impact assessment guidelines, the convergence criterion (assessment of the impact of new EU regulatory initiatives on catching up process – bridging of the gaps in socio-economic development) is not given top priority. The European Commission incorporated the convergence criterion into problem analysis, identification of policy targets and the policy implementation capacities when amending its guidelines in 2008. Moreover the European Commission introduced a new criterion – assessment of impacts on regions, a group of the member states and individual states in a situation when the proposed solutions may in those cases have disproportionate effects compared to the entire EU. Such assessment should account for convergence criterion.

Unfortunately, it must be noted that no extensive analysis accompanies any negotiation position or legal act. Before accession, 25% of RIA contained an analysis of a regulatory target, 83.5% of the assessments included a part devoted to consultations and only one RIA in five identified the possibility of emergence of costs for business entities, and only one in ten expressed those costs in numbers²¹³. After 2004, 85.8% of RIA correctly presented the target of law amendment, 84.71% of RIA included information about performed social consultations and more and more frequently included information about the impacts on competitiveness of the economy and undertakings and the impact on labour market²¹⁴.

Impact assessment guidelines may serve as a model solution for the European Commission and a source of inspiration for Poland and other states in designing their own rules for performance of such assessments. Research proves that European Commission guidelines serve only to a limited extent as a model for the member states. Impact assessment guidelines in the member states are less ambitious compared to European Commission guidelines. They do not concern directly the sustainable deve-

²¹³ R. Zubek, *Ocena skutków regulacji jako instrument poprawy jakości prawa. Analiza polskich doświadczeń na tle najlepszych praktyk międzynarodowych*, Warsaw 2004, p. 17–19. The analysis performed on a sample of 104 RIAs contained in rationale for 125 government drafts of bills with significant impacts on economy of the years 2002–2003.

²¹⁴ Domański, Zakrzewski, Palinka, *Raport z badań nad funkcjonowaniem polskiego systemu oceny skutków regulacji analizowanego pod względem spełniania kryteriów prawidłowej Impact Assessment wypracowanych Unii Europejskiej*, Warsaw 2009, p. 99–100.

lopment targets, cover late stages of decision-making, envisage a narrower scope of the consultation process and do not contain the obligation of regular publishing of reports from performed impact assessment²¹⁵. The situation in Poland was different. Guidelines introduced in 2006 were modelled on solutions applied by the European Commission. They contained a new element – assessment of environmental impacts and a method for identification and measurement of administrative burdens. They also used a list of standard questions from European Commission guidelines, which must be asked when drafting RIA.

Political initiatives and competitive pressure between the member states in the scope of *Better Regulation* initiative before and after accession

As aforementioned, Poland's accession to OECD was the factor affecting introduction of better regulation principles in Poland. Along with membership came the necessity to carry into effect OECD recommendations in this respect²¹⁶. OECD gave Poland first systemic solutions and exerted pressure on introduction of RIA instruments. Increased interest of the European Commission and the member states in better regulation was another factor stimulating initiation of actions in Poland.

Since mid-1990ties, attempts have been made in the Netherlands to reduce costs imposed by regulations. In 2003 an innovative project for elimination of administrative burdens was introduced²¹⁷. In the years 2003–2007 the concept of administrative burdens reduction was presented by the Dutch administration to the EU member states. The instrument was shortly adopted, first by individual states, and then became a part of the Union initiative of *Better Regulation*. Poland was one of the first member states to begin works on administrative burdens. Poland started them in 2004, when it carried out a pilot study on the scale of administrative burdens in the area of road transport²¹⁸ and in the act on goods and services tax (VAT)²¹⁹.

²¹⁵ Evaluating Integrated Impact Assessment, *Improving the Practice of Impact Assessment*, 6th Framework Programme, Project No. 028889, February 2008, p. 2–3.

²¹⁶ C (95) 21 of OECD Council of 9 March 1995 on improving the quality of government regulation.

²¹⁷ Administrative burdens are the costs borne by entrepreneurs in connection with compliance with information obligations stipulated by law. The Standard Cost Model (SCM) is used for identification, measurement and reduction. In 2003 reduction of administrative burdens was an innovative approach to elimination of the costs of legislation.

²¹⁸ The research project of 2004 described in the publication of the Office of the Committee for European Integration, *Standard Cost Model and administrative burdens in the sector of road transport*, Warsaw 2006.

²¹⁹ Research project of 2005 coordinated by the Ministry of Finance. In the years 2004–2005 the National Bank of Poland undertook an initiative to identify and measure administrative burdens in banking law.

In 2005 this initiative was linked to Better Regulation during mid-term review of the Lisbon Strategy²²⁰. The Commission proposed that, when implementing the Strategy at the national level, the member states should undertake actions in the scope of better regulation and develop national regulatory strategies in this respect. The Commission additionally demanded development of simplification programmes adjusted to specifics of individual states, as well as exchange of best practices and introduction of *peer reviews*. The strategies were supposed to take due account of the RIA encompassing an analysis of impacts on competitiveness and competition in accordance with the Lisbon Strategy. The annual strategic reviews of the initiatives performed by the European Commission additionally identified new priority areas for the member states²²¹. The “new” member states were the first to be covered with peer reviews between the member states announced by the European Commission in 2005. The European Commission decided to use the OECD experience and instruments and initiated a review of regulatory capacities in those states. However, this just repeated the „soft” nature of OECD recommendations at the end of the process. OECD proposals for remedial actions were only guidelines for the states. Application of OECD recommendations was not monitored by the organisation itself or by the European Commission. The pressure of peer reviews was supposed to be an adequate driving force for the undertaken actions.

Poland's accession to the European Union contributed to systemisation of actions in the scope of regulatory reforms – with the year 2006 being a breakthrough. It was then that for the first time a programme document was developed with sole purpose of applying elements of *Better Regulation* initiatives for improvement of regulatory environment – the Regulatory Reform Programme and Guidelines for Regulatory Impact Assessment, prepared in the Ministry of Economy, and later adopted by the Council of Ministers.

Those actions met with positive recognition at the OECD forum and from the European Commission in the years 2006 and 2007. The Commission deemed the better regulation measures undertaken in the frames of the comprehensive Regulatory Reform Programme to be among the most promising reforms launched in Poland as a part of Lisbon Strategy implementation. Moreover it stressed that this was an ambitious programme, whose implementation would involve great inter-institutional involvement and cooperation.

²²⁰ The European Commission, *Communication from the Commission to the Council and the European Parliament. Better Regulation for Growth and Jobs in the European Union*, COM (2005) 97.

²²¹ In its first strategic review of *Better Regulation* the European Commission identified the following priorities for the member states: development and enforcement of consultation mechanism, more systematic assessment of economic, social and environmental impacts through adequate guidelines and resources, and more transparency on the results and development of simplification programmes.

According to OECD opinion of 2007, a good team for implementation of regulatory reform was in place within the Ministry of Economy. Poland was applauded for a good programme and very good preparedness for reform implementation and was named as the country that developed an impressive and comprehensive law-making reform programme.

Table 1. Comparison of occurrence of the main elements of Better Regulation initiative in Poland before and after accession

	Regulatory Reform Programme	RIA obligation	Alternatives (self-regulation, co-regulation)	RIA guidelines	Consultations as a part of RIA	Simplification of the binding law	Administrative burdens	RIA supervision	Consultation guidelines	Total number of elements in place
Before 1 May 2004	NO	YES	NO	YES	YES	NO	NO	YES	NO	4
After 1 May 2004	YES	YES	NO	YES	YES	YES	YES	YES	NO	7

Source: Own elaboration.

As evidenced by the table above, the number of *Better Regulation* initiatives covered with Regulatory Reform Programme increased significantly after 1 May 2004.

According to literature concerning so-called policy diffusion, the key role in this process is played by supranational relation networks. International organisations, think tanks but also national officials may facilitate diffusion and transnational experience exchange, acting as „diffusion channels”. In the case of *Better Regulation* initiative there were – or emerged after 1 May 2004 – several formal and informal information diffusion networks: *Better Regulation Directors* (DBR), *High Level Group of National Experts on Better Regulation* acting by the European Commission, an informal group of states applying the Standard Cost Model – *Standard Cost Model Network* (SCM network)²²². *SCM network* is an international, informal group of officials sharing experiences in the scope of administrative burdens reduction. They aim at popularisation of this method as a tool for improvement of regulatory environment of business. In 2007 they promoted a contest awarding the best ideas for reduction of administrative burdens (*Best Red Tape Reduction Award*), whose aim was to award and promote new methods helping reduce administrative burdens. The first award in the contest was handed in Warsaw at the meeting of

²²² K. Wegrich, *The Administrative Burden Reduction Policy Boom In Europe. Accelerated policy learning, blind copying or bureaucratic politics?*, p. 4.

network officials in 2007. In 2008 the patronage over the awards was taken over by the European Commission and the high level group of independent experts for administrative burdens reduction operating by the Commission.

From November 2001 to 2006, training concerning drawing up of RIA was organised by three offices: the Ministry of Economy²²³, Government Legislation Centre (RCL) and the Government Centre for Strategic Studies²²⁴. In the years 2003–2004, the Ministry of Economy and Labour carried out a series of central training in the scope of RIA methodology. In 2003 those trainings were attended by 368 persons, and in 2004 by approximately 120 persons from a dozen ministries and central government offices. The trainings concerned practical and methodological aspects of RIA management; they were facilitated by academic stuff of the Main School of Economics in Warsaw. Moreover in 2004 the Government Legislation Centre organised regular trainings for civil servants from ministries involved in drafting of RIA, which aimed at diffusion of knowledge and experiences of employees of the team for RIA in RCL, and were intended as a forum for exchange of experiences between the coordinating team and employees of ministries. In 2004 a series of 5 trainings was held; it was attended by the total of 70 persons from respective ministry departments (the Ministry of Economy and Labour, the Ministry of Finance, the Ministry of Agriculture, the Ministry of Environment, the Ministry of Infrastructure).

In 2007 Polish administration received intensive training in performance of RIA. The total of over 550 employees of individual ministries were trained. Opinions about training are also analysed on ongoing basis. A survey was performed on a sample of 195 persons. Participants of 2007 training evaluated them as very good (26%) or rather good (51%). In general there were no negative evaluations. Over half of the participants (55%) disagreed with a statement that training is redundant since nobody applies RIA at work anyway (fewer than 10% make statements to the contrary). At the same time, however, 47% of the respondents claimed that training helped them in ongoing work (but almost 20% are of opposite opinion). One participant in three claimed that they applied RIA in their work, whereas simultaneously 37% claim that they did not apply it all²²⁵.

Securing financing from the European Social Fund was an additional advantage improving the possibilities of effective implementation of regulatory reform in the scope

²²³ The Ministry of Economy, Labour and Social Policy and the Ministry of Economy and Labour.

²²⁴ In October 2004 the Government Centre of Strategic Studies carried out the training on „Ministerial guidelines for regulatory impact assessment. Experiences of GCSS”. Approximately 30 persons, representatives of individual ministries, attended the training.

²²⁵ K. Staszyńska, *Zadowolenie uczestników szkoleń na temat oceny skutków regulacji organizowanych przez Departament Regulacji Gospodarczych Ministerstwa Gospodarki*, The Ministry of Economy, Warsaw 2007, p. 14.

of RIA performance and administrative burdens reduction. The Ministry of Economy developed a systemic project, whose implementation was scheduled from 1 July 2008 to 31 December 2011; the amount of approximately PLN 10 million was allocated for its implementation. The programme implementation so far has proceeded in compliance with the adopted schedule – the first effects will be visible in 2009. Detailed didactic side of RIA training will be developed and the project for identification of information obligations stipulated by law will be completed.

Application of *Better Regulation* initiative in Poland is not only a reactive adjustment to international pressure, or national response to external impulses originating first from OECD, then from the EU (accession negotiations, Lisbon Strategy and Commission agenda in the area of *Better Regulation*). Beside external impulses there were also national mechanisms, since Polish organisations of entrepreneurs supported changes in law. In 2004 for the first time the Polish Confederation of Private Employers Lewiatan (PKPP Lewiatan) presented a list of regulations hampering pursuance of economic activity, the so-called „black list of barriers”. Presently PKPP Lewiatan continues publication of this list. Other documents postulating and supporting better regulation included: „Green Paper: Entrepreneur-friendly State” by the Confederation of Polish Employers, or „Decalogue of legal changes expected by entrepreneurs in 2007” of the Polish Chamber of Commerce.

It must be also noted that effects of law simplification in Poland and other member states can be felt quite differently. 75% of Polish businesses from SME sector do not take advantage of assistance of lawyers. Polish entrepreneurs are reluctant to finance legal services and allocate to this purpose an average of PLN 5 thousand annually, which corresponds to mere 0.5% of their total spending. 8% of businesses allocate to legal services more than 1% of their budgets²²⁶. In the United Kingdom each year over a half of entrepreneurs take advantage of external assistance (e.g. of lawyers, accountants and government agencies) with a view to solving legal issues in all areas with impact on pursuance of economic activity. Enterprises spend annually at least GBP 1.4 bn on consulting in the area of adjustments to binding law. In the United Kingdom reduction of those costs even by 5% results in savings for companies amounting to over 72 mln pounds²²⁷.

Other impulses for law simplification in Poland included e.g. barriers preventing launch of infrastructural investments and the necessity to accelerate absorption of Union funds. The best example is the simplification of the system implementing

²²⁶ Survey of *Gazeta Prawna*, Wolters Kluwer and PBS DGA, *Aż 75% polskich firm nie korzysta z prawników*, „*Gazeta Prawna*”, 25 March 2008.

²²⁷ Department for Business, Enterprise and Regulatory Reform, *Regulation and Business Advice*, p. 5.

programmes co-financed from structural funds under the financial perspective for the years 2004–2006 prepared by the team for simplification of implementation of European Union funds „Simple funds”. The simplifications included the following measures: the existing quarterly reporting cycle under the projects and programmes was replaced with half-yearly cycle, application for payment was combined with regular reporting, a part of appendices required of a beneficiary was renounced. The Main Statistical Office introduced significant simplifications related to public statistics in Poland, but first of all they followed from simplification programme at the Community level and were enforced by actions of EUROSTAT.

In 2008 the Council of Ministers made a decision to reduce administrative burdens by 25% until 31 December 2010. After adoption of the reduction target and date, the decision was not given an operating character, and reduction has not been introduced on the basis of the results of first measurements of administrative burdens. Law simplification is undertaken, but only as individual initiatives of ministries, institutions or the media (e.g. a campaign of „Gazeta Wyborcza” and radio RMF FM consisting in search for faulty legal provisions, which hinder operations of undertakings). There is no single comprehensive law simplification programme implemented simultaneously by the entire administration, and coordinated by a single ministry.

Due to its long-term nature and lack of possibility to inform swiftly about its results, the regulatory reform programme did not enjoy particular interest of the media. The media paid much greater attention to annual ranking of the World Bank *Doing Business*, which is easier to present. This is one of the most recognisable rankings in Poland and worldwide²²⁸, perceived as an assessment of actual state of regulatory environment in individual states of the world. Each year the report becomes a media event, and the prepared rankings of countries are the basis of less or more substantive assessments of actions of governments presented in the mass media.

As an example, facilitations in pursuance of economic activity are assessed on the basis of a position in this ranking. Simplification of statistical reporting, procedures for entrepreneurs to apply for Union funds, reduction of administrative burdens (actions consistent with requirements of the European Commission) are not accounted for in reports of the World Bank. Therefore results of those simplifications are not reflected in the ranking. Moreover, the ranking of the World Bank fails to show actual business environment in Poland, because it does not address such aspects as political, macroeco-

²²⁸ Since the first report *Doing Business* in 2004 the report was quoted the total of over 10 thousand times in the printed and electronic media.

conomic stability or membership in international organisations. The report may influence evaluations and decisions of those investors who do not know the market yet²²⁹.

When analysing anti-crisis actions proposed by the government, Polish entrepreneurs began to pay attention to additional issues: the necessity to eliminate unnecessary burdens – the extensive reporting in the area of tax law and labour law²³⁰. The Ministry of Economy identified over 150 administrative burdens in fourteen examined legal acts in the area of labour law. Due to a large number of enterprises covered with them, some obligations generate significant costs on the scale of entire economy. The obligation to issue a work certificate is relatively inexpensive for a single business but it generates costs of approximately PLN 250 mln annually for all enterprises in Poland; the obligation to inform an employee about work conditions ensuing from the labour code generates the total costs of approximately PLN 200 mln annually. Pressure from enterprises may be another impulse for performance of law simplification in Poland in the area of administrative burdens reduction. It must be borne in mind that identification, measurement followed by reduction of administrative burdens encompasses only a small portion of the costs of adjustments to legal provisions. Actions in the scope of law simplification should be comprehensive and cover various categories of burdens, barriers and costs imposed by law. In this context the report *Doing Business* indicates and estimates on a few examples certain irregularities in establishment and pursuance of economic activity.

A proper information campaign is a way to draw greater attention to the issue of better regulation. For example when the United Kingdom introduced administrative burdens reduction policy in 2005, a proposal was made to cover it with a slogan „Less is more”; this slogan was promoting reduction of formalities is a reference to minimalist movement in architecture. The Netherlands, which was the first state to complete the task of 25% reduction of administrative burdens in 2007, was confronted with the opinion of entrepreneurs that this reduction failed to have impact of the research activities they pursued. The Netherlands turned for evaluation of its actions to OECD and the World Bank, including communication strategy for reduction. The assessment indicated that turning to ministers as the main spokespersons of a successful regulatory reform is an ineffective communication strategy. Such campaign was carried out by the Netherlands, basing it on speeches of ministers, reports to the Parliament and websites. The assessment pointed out that regardless of how much respected ministers may be, they do

²²⁹ J. Anusz, *Bank Światowy ocenia gospodarkę*, „Rzeczpospolita”, 11 September 2008.

²³⁰ K. Bartman, *Trzy pytania do Andrzeja Bliklego. Z małych firm rząd musi zdjąć rozbudowaną sprawozdawczość*, „Gazeta Prawna”, 3 February 2009.

not have understanding of the business world on par with entrepreneurs. OECD and the World Bank deemed that if the business community is the main beneficiary, a few entrepreneurs should be selected for participation in the information campaign. This may be combined with new data from business research so as to present a personal view of the reform. Messages like “You benefit from reforms” are more effective if a beneficiary is a spokesperson. According to the assessment this is exactly why shampoo commercials show people with long hair, not the CEO of shampoo company²³¹.

Complex and extensive regulations are not specific only for Poland; a similar situation is in place in other countries. Since July 2003 Belgium has had in place the Kafka project aimed at simplification of law for entrepreneurs and citizens. In December 2005 Belgium launched website www.kafka.be, through which citizens may submit examples of legal absurdities. 4750 such submissions were made in the first year of the website's operation. One of the absurdities concerned the issue of working from home. The entire home was treated as a work-site and was covered with work health and safety regulations. As a results of the campaign, this regulation was modified and now sanitary and work health and safety standards apply only to the premises where work is performed. It took two years for full effects of the entire project to materialise. The Belgian project was very popular mainly due to how it was communicated. A very simple and comprehensible method for breakdown and communication of legal absurdities was applied – into those causing headaches, applying elbow grease and those that force one to „rune one leg off”. The advertising campaign accompanying simplification of regulations put stress on full liberation from bureaucracy. As an example one of the advertising slogans was: „You do not have to use your head any more” (*Vous ne devez plus vous servir de votre tete*).

In January 2009 *Better Regulation* initiative was declared a success on European scale and an important element of European Union's response to economic and financial crisis²³².

This chapter describes implementation of *Better Regulation* initiative in Poland. The topic of better regulation in Poland surfaced on the agenda of national policy before Poland's accession to the European Union, but the fact of future membership motivated

²³¹ World Bank Group Review of the Dutch Administrative Burden Reduction Program, World Bank, OECD, November 2006.

²³² *Better Regulation – a European success story*, Press Release, Brussels, 28 January 2009.

for use of specific instruments of the initiative. Pressure of accession negotiations coerced application of RIA process, which was innovative back in 2000 in Poland, and had a great positive impact on accession conditions in several key areas. Five years after the accession it is still not fully rooted in regulatory reform administrative structures. Despite many positive elements, such as development of a comprehensive government programme in this area, the first institutional structures, the possibilities of accessing information exchange network, there are still many problems. Poor quality of performed assessments, absence of effects of law simplification and of reduction of administrative burdens is very common.

Due to accession, Poland gained full participation in the debate on the *Better Regulation* initiative and the possibility to shape it in accordance with our needs and specific conditions. It is hard to tell whether accession to the OECD, or accession to the EU had greater impact on implementation of Better Regulation rules. The structures created for the benefit of membership in OECD were used for implementation of Better Regulation initiative after Poland's accession to the EU. Due to accession to the Union, Poland could take better advantage of access to knowledge and information exchange. Apart from participation in the works of OECD on regulation management and reform, Poland entered the experience exchange structures with the member states and the European Commission. Poland's image as a state unambiguously supporting Better Regulation initiative, a state to build alliances on the Community forum with, became strengthened. Poland had influence on the shape of one of the initiative's elements – impact assessment drawn up by the European Commission, thus generating the capital to build formulation of Union policies upon in the future.

Attention devoted to Better Regulation initiative, including simplification of binding law and reduction of administrative burdens in Poland, was frequently political driven and was not fully embedded into bureaucratic structures. Focusing attention on the issues of regulatory reform appeared to be a temporary and artificial interest. It is caused by particularly important political teasers, such as accession negotiations, negotiations of new legal acts in the EU, or improvement of the country's image by maintaining proper position in the World Bank ranking *Doing business*. Approach to *Better Regulation* initiative and its individual elements varies as political attention shifts from one topic (e.g. use of RIA) onto another (e.g. simplification of binding law).

It is necessary to maintain large interest of decision-makers and political involvement in *Better Regulation*, which shall enable in the long term real implementation of systemic changes and instruments into practical actions (work) of administration, including necessary change in officials' mentality.

Transposition of the *acquis communautaire* into national legal order

The fifth anniversary of Poland's accession to the EU is an excellent opportunity to recapitulate the process of *acquis* implementation in Poland. The pre-accession period entailed high intensity of legislative works. They had a single target – harmonisation of Polish legislation with the *acquis communautaire*, which was a criterion for Poland's accession to the EU. Attainment of the harmonisation level required by EU law necessitated adoption by the Sejm of 255 legal acts²³³, which transposed 1589 directives²³⁴. Poland applied institutional solutions enabling the adjustment process, which worked very well. Even today *acquis* experts share their experiences with other countries applying for EU membership and point to Polish model as an example to be followed in the pre-accession period.

Effectiveness of Polish solutions in pre-accession period followed from such factors as e.g. centralised coordination of harmonisation works within a single place in the government, with a leading role of the Prime Minister and good cooperation with the Parliament, with significant role of the Parliamentary European Committee responsible for harmonising works and determining fast pace of the adoption of bills in the Sejm. Moreover there was a definitely most important factor, namely agreement among all leading political parties that Poland's accession to the EU was a top priority issue.

The process of harmonisation of Polish legislation with the *acquis* did not end on 1 May 2004. It went on very dynamically; even more so because since that time any legislative shortcomings or defaults have been notified almost immediately to Polish side under infringement proceedings pursuant to art. 226 of the Treaty establishing the European Community (TEC)²³⁵.

When recapitulating the process of *acquis* implementation in Poland, it is worthwhile making reference to results attained against the background of other member states, with particular stress on so-called new member states.

Such major references include, firstly, the bi-monthly *Report on progress made by the member states in notification of national measures implementing directives*²³⁶ from the Secretariat General of the European Commission, and secondly the *Internal Market*

²³³ Information developed on the basis of data presented at the website: www.sejm.gov.pl.

²³⁴ Data quoted after the database of the Notification of National Implementing Measures kept by the European Commission.

²³⁵ More details on this issue can be found further on in the chapter.

²³⁶ The reports are available at the website: http://ec.europa.eu/community_law/directives/directives_communication_en.htm.

Scoreboard prepared twice a year also by the European Commission, on the basis of information provided by the member states²³⁷.

Table 1. Situation concerning directives notification per country (January 2009)

Ranking	Member states	Directives whose deadline for implementation has passed by the reference date	Directives for which measures of implementation have been notified	Percentages of notifications
1	Slovakia	3035	3023	99.60%
2	Latvia	3034	3022	99.60%
3	Germany	2980	2968	99.60%
4	Lithuania	3038	3023	99.51%
5	Denmark	2979	2961	99.40%
6	Bulgaria	3139	3120	99.39%
7	Slovenia	3032	3012	99.34%
8	France	2982	2962	99.33%
9	Romania	3139	3117	99.30%
10	Sweden	2965	2944	99.29%
11	Malta	3026	3004	99.27%
12	The Netherlands	2980	2956	99.19%
13	Hungary	3028	3003	99.17%
14	Finland	2977	2952	99.16%
15	Czech Republic	3036	3010	99.14%
16	Estonia	3020	2994	99.14%
17	Spain	2999	2970	99.03%
18	Ireland	2993	2964	99.03%
19	Belgium	3034	3003	98.98%
20	Austria	2985	2953	98.93%
21	The United Kingdom	2975	2943	98.92%
22	Poland	3035	2999	98.81%
23	Cyprus	3025	2985	98.68%
24	Italy	2990	2950	98.66%
25	Portugal	3020	2974	98.48%
26	Luxembourg	2985	2937	98.39%
27	Greece	2984	2934	98.32%
	EU average	3015	2988	99.10%

Source: *Report on progress made by the member states in notification of national measures implementing directives of 5 January 2009* (http://ec.europa.eu/community LAW/directives/directives_communication_en.htm).

²³⁷ The member states are obliged to update regularly the information contained in *Internal Market Scoreboard* database as regards the state of undertaken transposing measures in relation to the specified number of directives to be transposed at the latest on the deadline each time indicated by the Commission.

According to the most recent report on Progress in notification of national measures implementing all adopted directives of 5 January 2009²³⁸ Poland ranked 22nd with the result of 98.81%, which translates to 36 directives not transposed on time. Poland is ahead of only Cyprus (98.68%), Italy (98.66%), Portugal (98.48%), Luxembourg (98.39%) and Greece (98.32%). Slovakia ranks first, followed by Latvia, and Germany (99.60% each).

In the years 2004–2007 Poland ranked much higher in reports from the Secretariat General (on average it ranked 4th–9th, and in 2005 it took the second place in the Commission report). Among 10 states that acceded to the EU in 2004, only Lithuania and Hungary ranked higher. Other EU-10 states ranked lower. It was only the report of May 2007 that saw deterioration of Poland's position in the ranking to 21st. In the period 2008–2009 the declining trend did not change – Poland ranked 17th–23rd in the report. Among the states that acceded to the EU jointly with Poland, only Cyprus and, according to some reports, the Czech Republic ranked lower.

Lithuania, Latvia and Slovakia rank very high. Those states keep leading the rankings. Other EU-10 countries are in the middle of the rankings. After accession in 2007 of Bulgaria and Romania, initial reports indicated that Poland was ahead of those states in notification statistics, but a decline has been recorded since October 2007 – presently those new member states lead the rankings, with Poland lagging much behind. According to the other quoted Commission source informing about the state of legal transposition, i.e the Internal Market Scoreboard of 9 August 2008²³⁹, Poland's transposition deficit amounts to 1.8%.

Table 2. Transposition deficit in individual member states (as of August 2008)

Ranking	1	2	2	2	5	6	7	7	9	9	11	12	12	12	12	16	17	17	17	20	20	22	23	23	25	26	27	
State	BG	SK	RO	DE	LV	LT	DK	SI	ES	NL	SE	EE	FR	MT	FI	UK	HU	IE	AT	IT	BE	EL	CY	LU	PL	PT	CZ	EU
Number of directives not transposed	0	6	7	9	10	10	11	11	14	14	14	15	15	15	15	15	16	17	20	21	23	24	29	31	31	32	42	
Missing notifications to reach 1.5% objective																							3	5	5	6	16	

Source: *Internet Market Scoreboard of 9 August 2008* (http://ec.europa.eu/internal_market/score/index_en.htm).

²³⁸ The reports are available at the website: http://ec.europa.eu/community_law/directives/directives_communication_en.htm.

²³⁹ The reports are available at the website: (http://ec.europa.eu/internal_market/score/index_en.htm).

This means that Poland exceeded the admissible ceiling set by the EU Council in March 2007 by 0.8 percentage point. Poland ranked 25th among member states, coming ahead only of Portugal (1.9%) and the Czech Republic (2.5%). Bulgaria comes first with zero deficit, which can be explained by the fact that it acceded relatively recently to the EU. Further positions are occupied by Slovenia, Romania and Denmark, which recorded transposition deficit at the level of 0.4 and 0.5%, respectively. Latvia and Lithuania also ranked high.

In this ranking Poland had also a relatively large deficit compared to other member states as regards transposition of the directives whose deadline for implementation passed 2 years ago.

Within last six months since publication of the report, 18 member states recorded reduction of the transposition deficit, while deficit increased a lot in 6 states, including Poland.

It must be pointed out that initial results of Poland, immediately after accession to the European Union, were much better. In 2005 Poland ranked 14, only slightly exceeding the admissible deficit. In 2006 our position improved a lot (positions 4–9 among 25 member states). Since the report of July 2007 Poland has recorded huge decline, ranking 19 and 23 in subsequent reports. The decline trend was stressed by the aforementioned Commission report of August 2008. Among the states that acceded to the European Union jointly with Poland, Lithuania, Latvia and Slovakia fare best and lead the rankings.

Difficulties encountered during implementation process

Legislative measures related to *acquis* implementation after accession originated either from new law or followed from non-compliance or incorrect application of directives. The volume of legislative works to be done in Poland in the last five years followed directly from the number of legal acts adopted and published in that period in the Official Journal of the European Union. 8539 regulations, 3255 decisions and 462 directives were published from 1 May 2004 to the end of December 2008. It is true that only some regulations and very few decisions required legislative measures to be launched by national law-makers. On the other hand all directives had to be transposed. The Sejm adopted 178 acts by the end of 2008 with a view to executing the *acquis*²⁴⁰. This figure corresponds to 17% of all acts adopted in that period by the Parliament²⁴¹. Legislative

²⁴⁰ Information elaborated on the basis of data presented at the website: www.sejm.gov.pl.

²⁴¹ According to information available at the website: www.sejm.gov.pl, as of 31 December 2008 the Sejm adopted 1053 acts.

obligations ensuing from Poland's membership in the EU constituted a significant part of the tasks contained in government's legislative work programmes and correspond to almost half of them (e.g. in the government's work schedule for the first half of 2008: out of 123 draft acts, 62 aimed at implementation of the *acquis*; in the schedule of works of the Council of Ministers for the first half of 2009: out of 144 draft acts there are 43 draft acts implementing the *acquis*).

It must be stressed that after accession Poland had the required institutional solutions in place for timely and correct implementation of the *acquis communautaire*, which proved to work well in pre-accession period. The act on the Committee for European Integration (KIE) headed by the Prime Minister was in force²⁴². The Committee's responsibilities included issuing opinions on conformity of a draft legal act with the *acquis* at each stage of legislative works. Each year the KIE Secretary issued approximately 3500 of such opinions to draft legal acts, both those implementing the *acquis* and those pertaining solely to domestic issues. As a result of those opinions, number of drafts were modified with a view to putting them in line with the *acquis*.

Moreover, in June 2004 the European Committee of the Council of Ministers (KERM) was appointed as a collegial body composed of representatives of individual ministries, making decisions that are binding for the government e.g. in the scope of *acquis* implementation. The European Committee adopted all required procedures aimed at coordination of works within the government (including procedures for transposition of EU legal acts, the procedure coordinating Poland's participation in proceedings before Community courts).

Additionally, current plans for legislative works of the Council of Ministers have been designed pursuant to an analysis of current legislative commitments ensuing from EU secondary law and as a result of the ongoing proceedings concerning infringements of the *acquis*.

Moreover, the Rules of the Sejm²⁴³ provide for the possibility of fast consideration of draft acts in the Sejm and the Senate and restrict the possibility to make amendments to draft acts executing the *acquis* (art. 95d of the Rules). Additionally, each parliamentary report should contain an opinion on conformity with the *acquis*. At the same time, the government successfully applied in that period a solution adopted in other member states, which consists in parallel amendment of many normative acts in a single act;

²⁴² O.J. No. 106, item 494 as amended.

²⁴³ Monitor of Laws of 2002 No. 23, item 398, chapter 5a.

this was supposed to contribute to faster adoption of acts requiring urgent changes²⁴⁴. Adoption of such solution was effective in case of eliminating any potential delays in the implementation of the European Union legal acts or necessity to perform minor amendments. The main target of such acts was to ensure correct and effective implementation of the *acquis* into national legal order. Attainment of this target was possible e.g. because amendments to acts put together in so-called horizontal acts were exclusively of “European” nature. Hence they did not cover matters remaining outside the scope of the *acquis*, which might give rise to controversies and as a consequence lead to lengthening of legislative works.

One of the priorities of the European Commission was assurance by the EU member states of correct and full transposition of the *acquis* provisions into national legislations. An analysis of postulates contained in the Commission Recommendation of 12 July 2004 on the transposition into national law of Directives affecting the internal market²⁴⁵, as well as of the communication introducing a new approach in the area of Commission cooperation with member states with a view to ensuring correct transposition of the Community law²⁴⁶ was reflected in the *Procedure for transposition of the acquis*²⁴⁷ adopted by KERM and binding upon Polish administration. Compared to existing practice of harmonisation works, major changes introduced by the *Procedure* include: the obligation to prepare at the onset of works on legal acts of a correlation table showing how individual provisions of a EU legal act are transposed into national legal order, separation of legislative measures following from the necessity to implement an EU legal act from legislation of purely national nature, and the ensuing maintenance of a separate legislative track for acts of national law implementing EU law – so called “draft European acts and regulations”.

However, when results attained by Poland are compared with results of other member states (see: section 1), effects of *acquis* transposition have deteriorated with each years of our membership. There are many reasons underlying such state of affairs.

Firstly, political environment has changed. Once the target of accession to the EU was attained, legal harmonisation began to lose priority. Before accession most legislative commitments had been met on deadlines set in the roadmap, because failure to

²⁴⁴ This led to adoption of three acts: the act of 20 April 2004 amending and repealing some acts in connection with Poland's accession to the European Union (O.J. No. 96, item 959), the act of 23 June 2006 amending some acts in connection with the membership of the Republic of Poland in the European Union (O.J. No. 133, item 935), the act of 24 August 2007 amending some acts in connection with the membership of the Republic of Poland in the European Union (O.J. No. 176, item 1238).

²⁴⁵ SEC(2004) 918.

²⁴⁶ Commission Communication “A Europe of results: Applying Community law”, COM (2007) 502, 5.09.2007.

²⁴⁷ See: www.ukie.gov.pl.

meet them would delay our accession to the EU. After accession such threat disappeared and first delays began to emerge. First of all government's legislative plans ceased to be carried into effect as a whole as regards timely adoption of draft acts executing the EU law. Despite the fact that provisions of so-called cooperation act²⁴⁸ and obligation for the government to provide draft acts executing the EU law at the latest 3 months prior to implementation date, this obligation failed to be regularly enforced and delays were transferred from year to year.

Secondly, in "unpopular" matters, including sensitive ones and those requiring resolved actions concerning change of legal state inconsistent with the *acquis*, there were no swift decisions made at political level and resolution of problems was delayed in time. Good examples include the draft act on GMOs, the draft act amending the act – Telecommunication law, or the draft act on implementation of some provisions of the European Union as regards equal treatment. Despite multi-annual delays in transposition of directives, which should be implemented through aforementioned acts and several proceedings on infringements of the *acquis*, none of those acts have been adopted.

Thirdly, it must be pointed out that the Sejm ceased to play an active role it used to exercise in works on *acquis* implementation before accession. In pre-accession period, the parliamentary European Committee supervised works on "European" acts in the Parliament. Due to the so-called legislative fast track²⁴⁹, the harmonisation process was given priority. After accession the parliamentary Committee for the European Union, which replaced the parliamentary European Committee, ceased to deal with legal harmonisation, focusing completely on Poland's participation in the EU decision-making process. In this connection all acts implementing the *acquis* were transferred to "sectoral" committees and the process became decentralised.

Fourthly, the capacity of Polish state administration responsible for development of draft legal acts has not increased perceptibly within the last five years, whereas the number of new tasks and required competences grew significantly. If we add on top of it the high rotation among civil servants and frequent posting of tasks relating to development of draft acts from ministries to offices and units subordinated to them, this was bound to have impact on timeliness and quality of adopted law.

It must be also borne in mind that compared to systems of many other member states (e.g. implementing acts in France, the United Kingdom, Spain or Germany) as

²⁴⁸ The Act of 11 March 2004 on cooperation of the Council of Ministers with the Sejm and Senate in matters ensuing from Poland's membership in the EU (O.J. No. 52, item 515 as amended).

²⁴⁹ Monitor of Laws of 2002 No. 23, item 398, chapter 5a.

a rule Polish law system does not allow for directive transposition without amending a respective act. Exceptions include situations where an act contains statutory delegation to issue a regulation. This translates into necessity to initiate a legislative process, which may take many months, and in some cases even years, for each directive. Additionally, shortening of the Parliament's term in the office in 2008 slowed down the pace of legislative works.

Bearing the aforementioned reasons in mind and comparing Poland's results against other member states, the forthcoming years will show whether the delays currently taking place in *acquis* implementation will continue to grow or whether we have reached a level which, once exceeded, will result in lack of approval for such situation and will enforce resolved remedial actions.

Direct application of the *acquis*

In the first years of Poland's membership in the EU, there was a clear brave trend in Polish administrative courts to apply EU law directly. This did not substitute correct and timely transposition of the *acquis* but showed that in case of legislative defaults, Polish courts do not hesitate to apply the EU law directly, foregoing national law.

This trend was particularly visible in (but not only) taxation matters. Examples of cases decided by administrative courts pursuant to *acquis* provisions when a respective national provision proved incompatible with the *acquis* illustrate this development. The Court of Justice of the European Communities confirmed those interpretation of Community law made by the national courts.

A good example is the act on tax on goods and services²⁵⁰, whose art. 88 paragraph 1 item 3 in connection with art. 86 paragraphs 3 and 5 deprived a taxpayer of the possibility to deduct input VAT on purchased fuel. Applying the *acquis* directly, in April 2007 the regional administrative court in Wrocław decided that this provision was incompatible with art. 17 paragraph 6 of the 6th directive²⁵¹. A similar judgement was issued by the regional administrative court in Warsaw on 20 June 2007. Similarly to the court in Wrocław, in its sentence the Warsaw court quoted arguments concerning incompatibility of the introduced regulations with EU law. As a result of those judgements, the taxpayers who owned vehicles with homologation other than for passenger cars and with carrying

²⁵⁰ O.J. No. 54, item 535 as amended.

²⁵¹ SIXTH COUNCIL DIRECTIVE 77/388/EEC of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment (O.J. 1977 L 145, p. 1).

capacity over 500 kg (so-called vehicles with the grid), could demand refund of input VAT, which they were not allowed to deduct after 1 May 2004. Validity of this interpretation of national courts was confirmed by a judgement passed on 22 December 2008 by the Court of Justice of the European Communities in case C-414/07 *Magoora*.

A similar situation concerned the rules relating to excise duty on vehicles not registered in Poland before their first registration in the territory of the country. In sentence of 25 May 2005, the regional administrative court in Lublin stated that Polish regulations on excise duty imposed on second-hand cars imported from EU member states are incompatible with the *acquis* as measures restricting freedom of intra-Community trade. Taxation of car vehicles has not been harmonised within the EU, so according to the *acquis* member states may freely regulate their taxation with excise duty, provided that those regulations do not breach fundamental freedoms of the internal market. Therefore an importer (exporter) may refuse to pay a charge established in violation with the *acquis*. An administrative court refused to apply national law and stated that decisions of customs bodies were issued in default of the EU law.

On the other hand, the regional administrative court in Warsaw, deciding on the matter of refusal to refund excise duty paid on purchase of a passenger car, called in question the excise duty regulations in art. 28 TEC prohibiting quantitative restrictions on imports and all measures having equivalent effect between Member States. As a result the regional administrative court in Warsaw applied for verdict to be awarded in preliminary ruling procedure (C-313/05 *Brzeziński*) to the Court of Justice of the European Communities. Validity of the earlier judgement of the Lublin court and later judgements of other administrative courts was confirmed by the verdict of the European Court of Justice of 18 January 2007.

Other examples of practical application of the principles of precedence and direct effect of the *acquis* include judgements of regional administrative courts passed on the basis of the seed act of 26 June 2003²⁵². The act of 27 April 2006 amending this act introduced prohibition on sale and registration of seeds of GMO variety, incompatible with directives 2001/18/EC²⁵³ and 2002/53/EC²⁵⁴. As a consequence of this statutory regulation, bodies of administration passed decisions refusing registration of such varieties. Later on those decisions there were appeals against to administrative courts.

²⁵² O.J. No. 41, item 271 as amended.

²⁵³ Directive of the European Parliament and of the Council 2001/18/EC of 12 March 2001 on the deliberate release into the environment of genetically modified organisms and repealing Council Directive 90/220/EEC (O.J. 2001 L 106, p. 1).

²⁵⁴ Council Directive 2002/53/EC of 13 June 2002 on the common catalogue of varieties of agricultural plant species (O. J. 2002 L 193, p. 1).

It must be pointed out that regional administrative courts adopted a uniform line of jurisdiction and reversed the aforementioned decisions, pleading e.g. the principle of direct effect of Community directives. As an example, in its judgement of 23 January 2007 the regional administrative court in Warsaw stated: „According to the content of art. 249 of the Treaty establishing the European Community, a directive is one of the sources of Community law. A directive is a related source of the *acquis*. The effects of promulgation of a directive by a competent Community body were defined in jurisdiction of the Court of Justice of the European Communities. This jurisdiction suggests that if a directive is not transposed or is incorrectly transposed into national legal order, it may have direct effect. (...) Directives 2001/18/EC and 2002/53/EC may be applied directly by bodies of administration. Therefore there are no obstacles for the Research Centre for Cultivar Testing to institute the procedure for entering a variety into the national register (...)”.

An analysis of the process of *acquis* implementation before and after 2004 indicates that the dynamics of this process has declined significantly since accession to the EU. Initially Poland was a country which managed to adopt the entire EU law in very short time, and this all took place at the time when Poland was unable to influence its shape. Presently we are in a group of those states that have delays in *acquis* implementation. Those delays translate into the number of proceedings for infringements of the EU law instituted by the European Commission and the number of grievances filed with the European Court of Justice, comparable presently to other EU-15 states. This follows from natural slowdown of the *acquis* implementation dynamics for the benefit of a greater involvement of the administration in the process of *acquis* adoption by Union institutions. However, decisions of Polish courts, which are more and more eager to apply the *acquis* directly, and of judicial bodies of the European Union, must not remain the sole remedy to the present situation. The EU law to a lesser or greater degree translates into almost half of all draft acts planned to be adopted by the government, and therefore a greater interest in the process would definitely improve its effectiveness.

Remedial measures that might improve results of Poland against other member states should be targeted first of all at:

1. Improving the state of implementation of annual legislative work plans of the Council of Ministers and observance of the binding procedures.
Draft acts executing the EU law should be entered into those plans with maintenance of deadlines following from transposition of Community legal acts. Individual ministries and central administration bodies should be accountable for the state of performance of work plans.
2. Increasing participation of experts taking part in the works on a Community legal act.
Presently it is very frequent that officials involved in works on an EU legal act at the stage of its creation are different than those involved in the works on a Polish act transposing it.
3. Preparing a very detailed legal analysis at the stage of works in the EU Council of the impact of the drafted EU legal act on Polish law with due account of possible transposition methods.
Presently such impact assessment is frequently made as late as at the onset of transposition process, when it is already impossible to change the concerned EU legal act because it has been already adopted and published.
4. Making current legislative techniques more flexible.
Presently government law-makers frequently make transposition through many different methods and standardisation of this practice wherever possible may improve effectiveness of works on adoption of a legal act. Simultaneously if a report to be presented by the Legislative Council in 2009 suggests that it is advisable to propose a change in the system of the source of law in Poland with a view to improving the *acquis* implementation, then necessary amendments to the Constitution of the Republic of Poland should be considered.
5. Increasing the role of the Parliament in *acquis* implementation.
Similarly to the European Parliament and other national parliaments, Polish Parliament should be more interested in the state and level of *acquis* implementation in Poland. This would certainly improve interest on the part of the public opinion and decision-makers.

Administrative proceedings instituted by the European Commission against Poland

Pursuant to art. 226 TEC, the European Commission institutes proceedings against the member states when there is suspicion of infringement of the EU law due to incorrect transposition or lack of transposition of Community provisions into national legal order or due to lack of notification of a legal act. 3 stages of proceedings conducted under the procedure of art. 226 TEC can be identified: a) informal phase, b) formal phase, when the Commission issues a letter of formal notice against a member state, and then – if the reply to formal notice fails to convince the Commission to close the proceedings – a reasoned opinion, and c) judicial phase, when the Commission lodges with the Court of Justice a complaint against member states. The number of infringements of the EU law (infringement of the Treaty commitments) is variable because the European Commission:

- institutes new proceedings,
- remits proceedings in a case,
- makes decisions on lodging a case to the Court of Justice of the European Communities,
- withdraws complaints from the Court of Justice of the European Communities.

Proceedings on infringements by a member state of the Treaty commitments play a very important role in the process of ensuring correct application of the EU law. As a “new” member state, Poland has only just gained experiences and developed methods of actions in proceedings under art. 226 TEC.

General information

Analysing data contained in comparative listings of formal proceedings in the years 2004–2008²⁵⁵, it must be stated that the overall number of cases concerning infringements of the EU law against Poland has grown regularly on year to year basis. However, the growth was small, by approximately 5 proceedings annually (2006 – 79, 2007 – 84, 2008 – 88), which yields a stable number of proceedings across recent years.

²⁵⁵ As of 31 December 2008. Data prepared on the basis of a comparison of formal proceedings conducted by the Office of the Committee for European Integration (UKIE) 2005–2008.

Presently Poland has almost twice as many cases as it had in the first year of membership. Comparing the number of proceedings between year 2007 (84) and 2008 (88), one can state that an average number of proceedings amounts approximately to 86 for Poland. As concerns decisions on remitting the proceedings – they concern 40 proceedings annually on average, which corresponds to half or a majority of proceedings in a given year. It must be stressed that decisions of remitting the proceedings in a given calendar year may also concern proceedings instituted in previous years.

Table 1. Comparison of the total number of proceedings against Poland and remitted proceedings against the total number of proceedings instituted by the Commission

Year ²⁵⁶	2004	2005	2006	2007	2008 ²⁵⁷
Number of proceedings instituted by the Commission against all member states	2369	2303	2273	2214	–
Number of proceedings instituted by the Commission against Poland ²⁵⁸	46	55	79	84	88
Proceedings against Poland remitted in a given year ²⁵⁹	1	70	38	50	44

Source: Own elaboration on the basis of data possessed by UKIE and on the basis of annual Commission reports on monitoring of EU law application.

Infringements concerning non-communication and non-compliance with the EU law

Proceedings instituted by the Commission pursuant to art. 226 TEC may concern the charges of:

- non-communication, i.e. lack of notification to the Commission of national measures transposing provisions of a specific directive;
- infringement of the EU law, i.e. non-conformity/incorrect application of Community regulations.

The very large number of proceedings instituted by the European Commission concerning non-communication charges is alarming. Those proceedings follow not from a substantive dispute over conformity of Polish law with the EU law, but from legislative arrears of several years, a dozen or even only a few months. It is particularly alarming

²⁵⁶ Years 2004–2006 refer to EU-25, year 2007 refers to EU-27. Data are provided as of the end of a given calendar year.

²⁵⁷ No data for 2008, because the Commission report for 2008 has not been published yet.

²⁵⁸ The comparison encompasses both the cases for which proceedings were instituted by the European Commission in a given year and the proceedings initiated earlier which have not been completed yet.

²⁵⁹ Remitted proceedings concern decisions of the college of commissioners made in a given year and refer to all instituted proceedings.

that those arrears concern both laws, whose legislative process goes in many stages and takes a lot of time, and regulations.

It is worthwhile pointing out that in September 2007 the European Commission adopted a communication “A Europe of Results – Applying Community Law”²⁶⁰ introducing a new approach regarding cooperation of the Commission with the member states with a view to ensuring correct transposition of the EU law. The communication set forth Commission’s priorities as regards consideration of complaints and cases of infringements of obligations of the member states. This means that some cases will be considered faster and more intensely than others. This concerns in particular those infringements of the EU law that have significant impact on citizens, e.g. infringements concerning application of fundamental Treaty principles or major elements of regulations and framework directives. Basing on the communication, the Commission has already carried into effect greater frequency of decision-making process concerning non-transposition of directives. Presently decisions on those matters are made once a month, replacing the previous frequency of once in two months.

Table 2. Comparative listing of proceedings against Poland and against all member states, concerning non-communication and non-compliance with the *EU law*

Year	2004	2005	2006	2007	2008 ²⁶¹
Proceedings for non-communication against Poland	45	37	28	27	29
Proceedings for non-communication against all member states	1789	1582	1272	1409	–
Proceedings for EU law infringement against Poland	1	18	51	57	59
Proceedings for EU law infringement against all member states	580	721	1001	805	–

Source: Own elaboration on the basis of data possessed by UKIE and on the basis of annual Commission reports on monitoring of EU law application.

Reasoned opinions and letters of formal notice

Administrative proceeding consists of two stages: a Letter of Formal Notice and a Reasoned Opinion. It is important to remove defaults at one of the administrative stages of proceedings and not allow for a charge to be filed with the Court of Justice of the

²⁶⁰ COM (2007) 502 of 5 September 2007.

²⁶¹ No data for 2008, because the Commission report for 2008 has not been published yet.

European Communities. In case of Poland, one third of all cases are escalated to a later stage, i.e. the reasoned opinion; in other cases responses from Polish side convinced the Commission, which accepted clarifications and arguments.

Table 3. Comparison of the number of letters of formal notice and reasoned opinions against Poland and against all member states

Year	2004	2005	2006	2007	2008 ²⁶²
Letters of formal notice against Poland	45	41	60	54	53
Letters of formal notice against all member states	1946	1623	1536	1760	–
Reasoned opinions against Poland	1	14	19	30	35
Reasoned opinions against all member states	423	680	737	454	–

Source: Own elaboration on the basis of data possessed by UKIE and on the basis of annual Commission reports on monitoring of EU law application.

Comparison of the number of proceedings instituted in the years 2004–2007 against individual member states points particular attention to evolution of Poland's situation against the background of other new EU member states. A relatively well “done homework” in preparations for accession to the Union helped Poland become initially one of the leaders in the implementation of the EU law among “new” member states. Only 49 proceedings instituted against Poland in 2004 put us at third place behind Lithuania (15) and Hungary (32), far ahead of such states as Malta, Latvia or Slovakia, which recorded 100 proceedings each, not to mention the Czech Republic and Romania, against which the European Commission instituted 145 and 195 proceedings, respectively, in the first year of membership. But while in those states there was a gradual drop in the number of instituted cases, most probably resulting from completion of the implementation of the *acquis communautaire* in force upon accession, the number of such cases went up for Poland.

In 2006 and 2007 the largest number of proceedings among all states that acceded to the Union in 2004 (except Malta) was instituted against Poland. Five years after accession to the Union Poland ranks „in the upper band of the average level” in terms of the number of proceedings compared to all member states, which is evidenced both by statistics of the number of proceedings instituted in individual years, and a comparison of proceedings under way (available in the quoted report from the European Commission).

²⁶² No data for 2008, because the Commission report for 2008 has not been published yet.

a. Letters of formal notice

Commission annual report 2007 on monitoring the application of Community law²⁶³ shows Poland's position against all member states. In the years 2004 and 2005 Poland received relatively few letters of formal notice, 49 in 2004 and 58 in 2005. In following years the situation deteriorated. Poland ranked in the group of ten member states with the largest number of letters of formal notice. In 2006 we ranked 9th, in terms of the largest number of letters of formal notice received by a member state, and 8th in 2007. As concerns "new" member states, we are a country with the largest number of letters of formal notice, with only Malta equalling us. It is also alarming that despite a general decline in the number of proceedings concerning "new" member states, their number not only rose for Poland but even equalled the number of proceedings against "old" member states as soon as four years after accession.

Table 4. Comparison of letters of formal notice issued by the Commission to all member states

Member state	2004	2005	2006	2007
AUSTRIA	60	59	60	60
BELGIUM	79	68	67	50
BULGARIA	-	-	-	80
CYPRUS	71	83	54	52
THE CZECH REPUBLIC	145	72	64	61
DENMARK	60	37	36	34
ESTONIA	76	59	47	49
FINLAND	82	59	47	67
FRANCE	84	77	84	76
GREECE	109	104	92	75
SPAIN	69	73	69	61
THE NETHERLANDS	54	57	49	43
IRELAND	67	54	45	49
LITHUANIA	15	26	33	35
LUXEMBURG	73	75	64	52
LATVIA	108	57	50	51
MALTA	107	55	77	69

²⁶³ COM (2008) 777 of 18 November 2008.

GERMANY	91	63	55	56
POLAND	49 ²⁶⁴	58 ²⁶⁵	75 ²⁶⁶	68 ²⁶⁷
PORTUGAL	90	85	89	80
ROMANIA	-	-	-	195
SLOVAKIA	107	51	37	47
SLOVENIA	54	55	47	58
SWEDEN	73	48	50	58
HUNGARY	32	52	54	60
ITALY	123	136	126	101
THE UNITED KINGDOM	68	60	65	73

Source: Own elaboration on the basis of data possessed by UKIE and on the basis of annual Commission reports on the checks of EU law application.

b. Reasoned opinions

According to the aforementioned Commission report, similarly to letters of formal notice, the number of reasoned opinions rose at an alarming rate. In 2005 and 2006 they translated into almost 30% of all infringements, in 2007 – to almost a half, and in 2008 – to over a half. It should be presumed that responses to letter of formal notice fail to convince the European Commission and as a consequence notices are escalated to the phase of reasoned opinions. If the present trend is maintained, it is highly likely that there will more complaints against Poland filed by the European Commission to the Court of Justice of the European Communities. In 2004 Poland was the only “new” member state to which a reasoned opinion was addressed, in 2007 it ranked third in terms of the largest number of reasoned opinions received by a member state. Throughout three years Poland got into the leadership of the countries to which the Commission addresses reasoned opinions.

²⁶⁴ 9th position in 2007, in terms of the largest number of letters of formal notice.

²⁶⁵ 6th position in 2006, in terms of the largest number of letters of formal notice.

²⁶⁶ 13th position in 2005, in terms of the smallest number of letters of formal notice.

²⁶⁷ 3rd position in 2004, in terms of the smallest number of letters of formal notice.

Table 5. Comparison of reasoned opinions addressed by the Commission to all member states

Member state	2004	2005	2006	2007
AUSTRIA	23	22	25	20
BELGIUM	28	33	37	13
BULGARIA	–	–	–	2
CYPRUS	0	14	20	10
THE CZECH REPUBLIC	0	40	18	17
DENMARK	12	6	10	5
ESTONIA	0	18	12	12
FINLAND	21	19	24	9
FRANCE	46	70	63	29
GREECE	46	70	63	29
SPAIN	17	35	44	28
THE NETHERLANDS	27	20	17	11
IRELAND	18	28	18	13
LITHUANIA	0	1	10	5
LUXEMBURG	35	49	40	24
LATVIA	0	18	12	8
MALTA	0	19	18	25
GERMANY	46	70	63	29
POLAND	1 ²⁶⁸	18 ²⁶⁹	21 ²⁷⁰	28 ²⁷¹
PORTUGAL	32	65	54	34
ROMANIA	–	–	–	5
SLOVAKIA	0	21	17	6
SLOVENIA	0	17	14	6
SWEDEN	18	18	20	15
HUNGARY	0	10	18	9
ITALY	74	93	65	34
THE UNITED KINGDOM	22	28	27	17

Source: Own elaboration on the basis of data possessed by UKIE and on the basis of annual Commission reports on monitoring of acquis application.

²⁶⁸ The only "new" member state to receive a reasoned opinion.

²⁶⁹ 15th position, in terms of the largest number of reasoned opinions.

²⁷⁰ 12th position, in terms of the largest number of reasoned opinions.

²⁷¹ 3rd position, in terms of the largest number of reasoned opinions.

Proceedings falling under competencies of individual ministries

The largest number of proceedings instituted against Poland concerned the area of competence of the Ministry of Finance, Infrastructure, Environment and Health. This development reflects quite accurately the main areas regulated by the EU law. An exception is the common agricultural policy – a very extensive area of the EU law, however one governed mainly by regulations, which apply directly. Thus there are very few proceedings in the scope of competence of the Ministry of Agriculture and Rural Development, because this area consists more in EU law application than implementation.

The Ministry of Health is another particular case. Areas covered with the scope of competence of this Ministry are not heavily regulated at the Union level. A large number of proceedings instituted each year against Poland may indicate a structural problem within this Ministry in EU law implementation in place since pre-accession period (an absolute record of the number of cases instituted in 2004).

Ministries against which no charges have been raised so far include: the Ministry of National Education, the Ministry of National Defence and the Ministry of Regional Development.

The most frequent causes of delays include:

- lack of legislative initiative immediately after adoption of a legal act by Community institutions (without even mentioning undertaking of works during an advanced discussion in working groups), too late undertaking of such initiative,
- legislative specifics – the necessity to amend many inter-related statutory acts; this lengthens the legislative process,
- the prolonging legislative process requiring many, frequently repeatable, agreements,
- failure to meet the deadlines the ministries imposed upon themselves, e.g. under „Procedure for Transposition of Legal Acts of the European Union”, following from the „cooperation” act and other programmes of the Council of Ministers.

Those problems may be related to difficulties encountered by the member states in connection with correct law interpretation and application, or perhaps first of all to delays in works on carrying into effect the national implementing measures and their notification to the Commission. Moreover EU law provisions require of the member states particular diligence in carrying into effect and application of interpretation of law.

Therefore it is necessary to strengthen the mechanism allowing for efficient removal of regulations incompatible with Community legal order, as well as improvement of the effectiveness of how replies are prepared in proceedings going on. In this case of particular importance is timely meeting of commitments related to *acquis* implementation, which Polish side notifies to the Commission in response to letters of formal notice and reasoned opinions.

Table 6. Number of proceedings against Poland in a given calendar year, falling under area of competence of individual ministries

MINISTRY	2004 ²⁷²	2005 ²⁷³	2006 ²⁷⁴	2007 ²⁷⁵	2008 ²⁷⁶
Ministry of Infrastructure	2	15	10	14	12
Ministry of Environment	4	8	8	12	15
Ministry of Health	13	7	11	12	11
Ministry of Agriculture and Rural Development	2	7	6	7	6
Ministry of Finance	7	6	19	19	24
Office for Competition and Consumers Protection	3	3	3	0	1
Ministry of Economy	6	3	9	3	7
Polish Financial Supervision Authority	2	2	0	0	0
Ministry of Justice	0	1	2	1	2
Ministry of Labour and Social Policy	0	1	2	6	6
Ministry of Culture and National Heritage	4	1	1	1	1
Ministry of Science and Higher Education	0	0	0	1	0
Public Procurement Office	0	1	4	3	0
Ministry of Interior and Administration	0	0	3	4	2
Ministry of the Treasury	0	0	1	1	1
Central Office of Measures	1	0	0	0	0
TOTAL	44	55	79	84	88

Source: Own elaboration based on data possessed by UKIE.

²⁷² As of 16 December 2004.

²⁷³ As of 14 December 2005.

²⁷⁴ As of 12 December 2006.

²⁷⁵ As of 19 December 2007.

²⁷⁶ As of 10 December 2008.

As of 27 February 2009 the European Commission conducted 92 proceedings in connection with suspicion of EU law infringement by Poland:

- 60 proceedings concern EU law infringement:
 - 22 proceedings at the stage of a reasoned opinion, where the Commissions formulated charges of non-compliance with the EU law,
 - 38 proceedings at the stage of a letter of formal notice, where the Commission formulated charges of non-compliance with the EU law;
- 32 proceedings concern non-communication:
 - 11 proceedings at the stage of a reasoned opinion,
 - 21 proceedings at the stage of a letter of formal notice.

In recapitulation, 33 proceedings are at the stage of a reasoned opinion, and 59 proceedings are at the stage of a letter of formal notice. This proves that five years after accession to the Union, Poland is in a group of states against which the Commission is conducting the largest number of proceedings pursuant to art. 226 TEC, although it is still much behind „leaders” of this negative ranking. We can only hope that Poland will improve the efficiency of the mechanism allowing for timely implementation of EU law provisions, thus contributing to a drop in the number of proceedings concerning failure to fulfil Treaty obligations.

Poland before Community courts

Benefits from participation in the Community judicial proceedings

Benefits ensuing from Poland's participation in the Community judicial proceedings include influence on the legal situation through participation in Community judicial proceedings. This category includes:

Protection of the interests of Poland by instituting proceedings against Community institutions

In the Community system of law, participation in litigious proceedings, particularly in the role of a plaintiff, is one of major tools for a member state to influence its legal situation in the Community. The Community system of legal protection guarantees to the member states the possibility to call in question solutions that are inappropriate from their viewpoint through recourse to law. Resolution of a dispute by the Court of Justice of the European Communities may lead to pronouncement by the Court of invalidity of the legal act called in question by a member state and thus to annulment of a measure disadvantageous for a given state.

Poland began using the eligible possibilities already in the first days of membership. The first actions against Community institutions were filed with the Court of Justice and the Court of First Instance two months after Poland's accession to the European Union. Poland called in question the rules of extending the phasing-in mechanism for direct payments in agriculture onto new types of payments²⁷⁷ and regulations concerning excessive reserves of agricultural products²⁷⁸. Moreover in December 2005 Poland called in question Community regulations concerning recognition of professional qualifications of nurses, which were disadvantageous for Poland²⁷⁹.

Two of the aforementioned matters have been already examined²⁸⁰ by the Court of Justice of the European Communities. However neither the complaint concerning professional qualifications of nurses, nor the complaint concerning direct payments have been deemed justified by the Court. This does not mean that arguments of Polish side were not justified from political viewpoint. It must be borne in mind, however, that the Court of Justice of the European Communities adjudicates on the basis of legal, not political arguments. To convince the Court of Justice that its arguments are valid, a member state trying to call in question a Community legal measure must have convincing legal arguments.

It must be considered that on many occasions lodging of complaints by Poland was motivated mainly politically. Pertinence of such practice must be called in question because it leads to institution of disputes that are bound to fail due to lack of legal arguments that might justify annulment of Community measures called by Poland in question.

²⁷⁷ Case C-273/04 Poland vs. Council.

²⁷⁸ Cases T-257/04 and T-258/04 Poland vs. Commission.

²⁷⁹ Case C-460/05 Poland vs. Parliament and Council.

²⁸⁰ All information is presented according to data available on 15 March 2009.

Sometimes Poland, trying to defend itself against unfavourable Court decisions, withdrew complaints lodged for political reasons, which were not supported with adequate legal arguments. In June 2008 Poland withdrew from the Court of First Instance a complaint lodged nine months before, demanding annulment of the Community Regulation establishing a prohibition of fishing for cod in the Baltic Sea by vessels flying the flag of Poland²⁸¹. In March 2008, right before the judgement was passed, Poland withdrew the complaint lodged in February 2006 against Commission decision on the merger between Unicredito Italiano and HVB²⁸².

Apart from the six aforementioned cases, Poland called Community measures in question four more times. In January 2006 it lodged a complaint concerning production charges in sugar sector²⁸³. In May 2007 Poland applied for annulment of the Commission decision concerning national plan for distribution of greenhouse gases emission permits; in July 2007 it instituted a proceeding aimed at annulment of the Commission decision concerning surplus reserves of agricultural products²⁸⁴.

The last complaint lodged by Poland aimed at annulment of the Commission decision concerning Polish regulations on GMOs²⁸⁵. None of the four cases has been concluded yet.

Experiences so far concerning cases addressed by Poland to Community judicial bodies indicate that Poland has actively enforced its rights to direct calling in question by recourse to law of the decisions it considered disadvantageous.

Exercising Poland's interests in disputes before Community courts instituted by other entities

Moreover, Poland takes advantage of solutions providing influence on interpretation of provisions it is directly interested in and on its legal situation indirectly, participating as an intervener in litigious cases between other entities. Intervening in a case, Poland gained the possibility of making reference to legal situation of other member states in cases similar to Polish ones, and thus a possibility of influencing its own situation indirectly. Poland was guided by the principle of intervening in cases concerning matters parallel to those for which Poland itself conducts disputes before Community courts.

²⁸¹ Case T-379/07 Poland vs. Commission.

²⁸² Case T-41/06 Poland vs. Commission.

²⁸³ Case T-4/06 Poland vs. Commission.

²⁸⁴ Case T-243/07 Poland vs. Commission.

²⁸⁵ Case T-69/08 Poland vs. Commission.

In this connection, in October 2007 Poland intervened in cases lodged by Slovakia and Lithuania concerning excessive reserves²⁸⁶ and in proceedings instituted against Luxembourg, Austria and Germany concerning performance of the profession of a notary²⁸⁷. By intervening in those cases, Poland realised policy of protecting its interests by presenting its arguments in a judicial procedure.

Sometimes protection of Poland's interests required presentation of a position also in disputes conducted between private law entities and Community institutions. Guided by such necessity, Poland intervened in cases concerning state aid instituted against the Commission by Polish Automotive Manufacturing Plant (Fabryka Samochodów Osobowych)²⁸⁸ and by Polish companies Huta Buczek and Buczek Automotive²⁸⁹.

Moreover, by presenting its position as an intervener in a litigious proceeding between other entities, Poland gained the possibility to exert influence on the provisions it is directly interested in. Apart from eight aforementioned cases, Poland joined nineteen other litigious proceedings as an intervener. A part of the cases in which Poland intervened has already been concluded. They were connected with interpretation of provisions concerning: non-execution by member states of a judgement of the Court of Justice of the European Communities, internal market for electricity, reinforcement of penal regulations with a view to enforcing provisions concerning prevention of water contamination from ships, and pronouncement of invalidity of the regulation establishing a European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union.

In March 2009 Poland was intervening in seventeen pending cases before Community courts, which related to: assessment of impacts of some public and private undertakings on natural environment, of company law, public procurement, parallel imports of pharmaceuticals, reduction of car production, excessive reserves of agricultural products, obligation to publish acts of the EU law, return of state aid, recognition of university diplomas, profession of a notary, posting of workers, therapeutic products and admissible levels of pesticide residues in food.

²⁸⁶ Cases T-247/07 Slovakia vs. Commission, T-248/07 Czech Republic vs. Commission i T-262/07 Lithuania vs. Commission.

²⁸⁷ Cases C-51/08 Commission vs. Luxembourg, C-53/08 Commission vs. Austria, C-54/08 Commission vs. Germany.

²⁸⁸ Case T-88/07 FSO vs. Commission.

²⁸⁹ Cases T-440/07 Huta Buczek vs. Commission and T-1/08 Buczek Automotive vs. Commission.

Influence on legal situation by exercise of right to defence

Serious consequences for a member state are brought by matters constituting an inseparable element of membership, when it is summoned before the Court of Justice of the European Communities in connection with a charge of failure to comply with Treaty commitments. Impact of judgements passed by the Court of Justice in such cases on the situation of a member state is undeniable. In litigious cases concerning charges of no transposition or incorrect transposition of Community law into national legal system, the Court may ascertain such infringements and at a later stage of the proceeding impose a pecuniary penalty on such a state or, on the contrary, dismiss Commission charges and pronounce absence of infringement.

Exercising its rights in this respect, during 5 years of membership in the European Union, Poland has used the right to defence in twenty one cases conducted before the Court of Justice of the European Communities brought by the Commission under the procedure of art. 226 of the Treaty establishing the European Community (TEC). A part of those cases have been already concluded. In June 2008 a judgement was passed in case C-170/07 concerning requirement for imported second-hand vehicles to undergo a roadworthiness test prior to their registration in Poland. In November and December 2008 the Court of Justice of the European Communities passed judgements in cases C-227/07 and C-492/07 relating to incorrect transposition of directives in the area of electronic communication services. Only in case C-227/07 a part of the arguments of Polish side were deemed valid and for that part the Commission complaint was dismissed. In the remaining scope, and in relation to two other cases, the European Court of Justice pronounced that Poland failed to comply with the Treaty obligations.

Active participation in litigious proceedings before the Court of Justice of the European Communities against Poland let it present its arguments before the Community court. Although lawsuits against member states should be treated as an inseparable element of participation in Community legal system – apart from active exercise of the right to defence in judicial proceedings – it is necessary to initiate actions aimed at removal of the EU law infringements concerned by charges in a case. Practice shows that if the European Commission deems that its charges concerning non-compliance by Poland with the Treaty obligations cannot be upheld due to actions of Poland, it is willing to withdraw the complaint it brought before.

The number of cases withdrawn by the Commission does not change the statistics in litigious cases. Although withdrawal of a complaint deprives Poland of the possibility to win the case before the Court, but the intended effect is nevertheless attained, because charges of non-compliance with the EU law are withdrawn. So far the Commission withdrew from the Court of justice six complaints against Poland²⁹⁰.

In March 2009 thirteen proceedings were conducted against Poland before the Court of Justice of the European Communities concerning: infringement of the *acquis* during construction of Augustów ring-road (through Rospuda Valley) and Wasilkowo ring-road, failure to apply taxation system for electricity, protection of wild birds, safety of airships of a third state using Community airports, pursuance of activity by investment enterprises, GMOs, electronic communication services, generic pharmaceuticals, ships movement, independence of the President of the Office for Electronic Communication, access to Internet, reassurance and tax issues.

Realisation of Poland's interests through participation in preliminary ruling procedure

Exercise of the right to defence should not be perceived solely from the perspective of those cases where a member state is summoned before the Court of Justice for non-compliance with Treaty obligations. The member state may effectively defend their legal solutions by participating in preliminary ruling procedure, particularly when a question for a preliminary ruling is asked by a court of this state. A national court bringing a question concerning EU law interpretation aims at determination whether the EU law may be interpreted in a manner allowing for maintenance of the national regulation in a given shape.

Therefore compliance of Polish law with the Community legal order is usually indirectly called in question in preliminary ruling procedure. If the question referred for a preliminary ruling comes from a Polish court, taking a position in preliminary ruling procedure helps Poland defend the regulations concerned by the question.

Questions asked so far by Polish courts concerned mainly taxation issues. Eight out of fifteen cases where Polish courts asked a question for a preliminary ruling have been already solved by the Court of Justice of the European Communities.

²⁹⁰ As a consequence in June and October 2007 cases C-422/06 Commission vs. Poland i C-149/07 Commission vs. Poland were removed from the register, in February 2008 the same happened for case C-423/06 Commission vs. Poland, in June 2008 case C-416/06 Commission vs. Poland, and in January 2009 case C-142/08 Commission vs. Poland; the removal procedure in case C-435/08 Commission vs. Poland is pending.

Participation in resolution of important problems at the forum of Community courts

Poland presented its position in preliminary ruling procedure not only due to the necessity to defend regulations challenged by Polish courts. Participation in preliminary ruling procedure enabled to Poland presentation of own interpretation of the EU law and exerting influence on the lines of jurisdiction of Community courts in the most important matters, particularly in cases concerning the problems of significance from the viewpoint of Poland, or fundamental matters of the EU law.

Importance of this possibility must be perceived through significance of judgements of the Court of Justice of the European Communities passed in preliminary ruling procedure. Many breakthrough judgements of the Court were passed through such procedure. Breakthrough judgements were passed through preliminary ruling procedure e.g. as regards such issues as principle of supremacy or direct effect of the EU law. The possibility to appear in preliminary ruling procedure where question for a preliminary ruling concerns significant Community matters is frequently used by Poland. Reference in preliminary ruling procedure to such issues is an instrument complementing policy pursued by the state. Therefore we should appreciate value of presenting Poland's position on important issues and the possibility to influence the lines of jurisdiction of Community courts on major matters.

From the perspective of five years of membership, Poland's activity in this area must be assessed positively. It participates in preliminary ruling proceedings more and more frequently. Since 1 May 2004 Poland has submitted remarks in writing in 124 preliminary ruling procedure conducted before the Court of Justice of the European Communities on initiative of courts other than Polish courts. Additionally it is worthwhile stressing that Poland exercised the possibility to join proceedings before EFTA Court three times: on the issue of admissibility of prohibition against alcohol advertisement, in the case concerning compliance of Norwegian regulations relating to concession for electricity generation with provisions of the EEA Agreement and in the case concerning costs of treatment abroad. All three cases have been already concluded.

Moreover Poland joined one, already concluded, proceeding (Opinion 1/03) before the Court of Justice of the European Communities under the procedure of art. 300 paragraph 6 TEC. Request for opinion concerned the issue of exclusive or shared com-

petence of the Community to conclude a new Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgements in Civil and Commercial Matters (the opinion was issued in 2005). The possibility to present Poland's position on division of competence between the Community and member states was used also in the ongoing case Opinion 1/08 concerning conclusion with affected WTO members of agreements modifying the rules and conditions under which the Community grants access to its market for services and service providers from other WTO members.

Specific features of Polish cases

In proceedings before the Court of Justice so far, Poland has displayed the greatest activity in such areas as: broadly understood taxation issues – this area was concerned by as many as 25²⁹¹ preliminary ruling cases with participation of Poland²⁹²; justice; pharmaceutical law. Moreover, Poland showed particular interest in the area of freedom to provide services/freedom of establishment and public procurement. Poland's activity was also high in matters of agriculture. A separate category of cases where Poland identified an important interest of a member state and decided to speak in a proceeding is constituted by so-called horizontal issues, concerning fundamental principles of the EU law (in institutional meaning)²⁹³.

Therefore the aforementioned areas may be considered as ones of greatest significance for Poland (at least in the frames of judicial activity), since legal actions of state authorities before Community courts focused mainly on cases covered with them. In those areas Poland identified important cases conducted before the Court of Justice and presented its position under judiciary procedure. Lawsuit activity of Poland was manifested in those areas in all kinds of proceedings before the Court of Justice: from preliminary ruling cases, through cases where Poland intervenes, to cases where Poland is the plaintiff.

Decisions on joining a case are made on the basis of a dual analysis of the case: in ministries and offices competent for a given areas, and – regardless of the results of this analysis – also in the Office of the Committee for European Integration. Such practice for

²⁹¹ For the sake of this part of recapitulation, the provided figures do not take into account cases conducted against Poland, because one can hardly speak here of lawsuit activity emerging solely from own will of a member state.

²⁹² As many as 9 cases are Polish prejudicial cases – therefore it must be borne in mind that activity of a member state whose court asks a question is in a way natural.

²⁹³ Including: C-161/06 *Skoma-Lux*, which concerned enforceability and application of Community legislation not published in languages of "new" member states before the date of their accession to the European Union; C-445/06 *Danske Slagterier*, which concerned a member state liability for infringements of the acquis; C-345/06 *Heinrich*, which concerned public access to Community documents; C-304/02 *Commission vs. France*, which concerned interpretation of the manner of imposition of penalty payments and lump-sums on a member states in connection with failure to comply with a judgement of the Court of Justice; Opinion 1/08 concerning share of competencies between the member states and the Community.

identification of important cases helped Poland participate in proceedings of fundamental significance for the state and jurisdiction²⁹⁴.

It is worthwhile stressing, however, that in some member states lawsuit activity in a specified area follows from earlier directional decisions. For example Belgium as a rule gets involved in cases concerning discrimination by nationality. On the other hand, Austria looks with particular attention into cases concerning GMOs. In other words, member states present their positions in each case concerning the aforementioned issues. Clarity regarding the areas of government's special interest is an advantage of such approach. This helps act in a coherent and transparent manner and present own positions in a given area in a consistent way.

It seems characteristic of Poland to base decisions to lodge a complaint on political reasons – as much as one third of complaints brought by Poland were lodged for such reasons, despite conclusions from an analysis of legal arguments to the contrary. Such behaviour can be understood; nevertheless maintaining the complaint until the very end against obvious legal arguments must raise doubts.

Analysing the cases from still another perspective brings another conclusion to the fore: a gross majority of litigious cases (initiated by Poland or ones where Poland intervened) are those relating to results of accession negotiations²⁹⁵. Through participation in such cases, Poland aimed at confirmation/maintenance of negotiated solutions. Participation in cases of such kind is characteristic for the first years of membership and naturally expires after the first years. A large number of cases of that kind proves that Poland effectively exercised its legal possibilities, virtually since the first days of membership; Poland was aware of its rights and had the possibility to assert them.

Poland against the background of other member states²⁹⁶

In its presence before Community courts, Poland stands out in many aspects against other EU-12 states.

²⁹⁴ E.g. C-161/06 *Skoma-Lux*, C-345/06 *Heinrich*, C-304/02 *Commission vs. France*, C-341/05 *Laval*, C-438/05 *Viking Lines* or cases concerning access to the profession of a notary. This does not mean that Poland participated in all cases which eventually proved important; at least when conclusion is made on the basis of the number of states that presented their positions during the proceedings. A good example of a case that recently provoked a lively reaction of the member states in which Poland did not take part was the case C-127/08 *Metock* concerning freedom of movement and stay on the territory of the member states for Union citizens and members of their families. It is also worthwhile stressing that Poland did not display significant activity in all areas. This may follow from inadequate staffing resources in individual ministries or from underestimation of the importance of this instrument for influencing the shape of Community jurisdiction by a member state in accordance with its national interest.

²⁹⁵ E.g. cases concerning recognition of professional qualifications of nurses, extension of the phasing-in mechanism for direct payments onto new types of payment in connection with accession to the EU, transitional arrangements in sugar sector established in connection with accession to the EU.

²⁹⁶ Data for 2009 are incomplete – they are successively supplemented on Court's website. Cases are assigned to a given year on the basis of a number given to them in the register of Court's cases. Each case is counted separately, notwithstanding a decision on merging several cases into a single one.

Table 1. Questions for a preliminary ruling²⁹⁷ asked by courts of individual “new” member states

MEMBER STATE	2004	2005	2006	2007	2008	2009	TOTAL
Bulgaria	–	–	–	1	0	0	1
Cyprus	0	0	0	0	0	0	0
Czech Republic	0	1	3	2	1	0	7
Estonia	0	0	0	2	1	0	3
Lithuania	0	0	1	1	3	0	5
Latvia	0	0	0	0	3	0	3
Malta	0	0	0	0	0	0	0
Poland	0	1	2	7	4	1	15
Romania	–	–	–	1	0	0	1
Slovakia	0	0	1	1	0	0	2
Slovenia	0	0	0	0	0	0	0
Hungary	2	3	4	2	6	0	17

Source: Own elaboration on the basis of data from the Court of Justice of the European Communities.

Virtually since the very accession to the EU, Polish courts have used the instrument of asking questions for a preliminary ruling. Poland is one of three countries (next to Hungary and the Czech Republic), whose courts regularly ask questions for a preliminary ruling since the accession. In terms of the number of questions for a preliminary ruling asked, Poland ranks second (after Hungary). Compared to some “new” member states whose courts asked no or only a few questions for a preliminary ruling in the first years of membership, it can be said that Polish courts are much more aware of the rights they are eligible for. For the sake of clarity let us add that among EU-15 states there are virtually no such situations in place, where national courts of a given state asked no questions for a preliminary ruling at all. Therefore we may only hope that Polish courts will submit to the Court a larger number of questions for a preliminary ruling regarding the issues that raise significant doubts on the basis of the *acquis*.

Approximately 265 questions for a preliminary ruling are asked annually to the Court. The largest number of questions is asked by German courts (as many as 77 in 2006), followed by Italian ones (48 in 2004) and Dutch ones (36 in 2005). Eventually Polish courts do not ask as many questions as courts in some EU-15 states. There are many

²⁹⁷ For the sake of this comparison, the preliminary questions cover questions asked pursuant to the TEC and TEU as well as those considered through the urgent preliminary ruling procedure (so-called PPU).

indications that sometimes Polish judges (at least in the courts whose verdicts may be appealed against), instead of submitting a question to the Court of Justice and suspending the proceeding for approximately 19 months, solve the issue on their own on the basis of the *acquis*. Moreover, the parties to the national proceeding are not always aware of the rights ensuing from the EU law. By not adducing the EU law, the parties thus indirectly restrict the number of cases where a questions for a preliminary ruling might be submitted to the Court. Notwithstanding the above, we can expect the number of questions brought to the Court to grow in the forthcoming years.

Table 2. Participation of member states in preliminary ruling cases²⁹⁸

MEMBER STATE	2005	2006	2007	TOTAL
Bulgaria	–	–	1	1
Cyprus	10	8	7	25
Czech Republic	14	20	12	46
Estonia	0	2	3	5
Lithuania	0	10	8	5
Latvia	3	3	2	8
Malta	0	0	1	0
Poland	22	26	34	82
Romania	–	–	1	1
Slovakia	5	9	6	20
Slovenia ²⁹⁹				
Hungary	5	10	7	22

Source: Own elaboration on the basis of data from the Member States Agents.

Since 1 May 2004 Poland has submitted written observations in 136 preliminary ruling cases before the Court of Justice of the European Communities (19 in 2004, 22 in 2005, 26 in 2006, 34 in 2007, 35 cases in 2008). Among new member states Poland is a state that becomes involved in the greatest number of preliminary ruling procedures (the Czech Republic ranks second with half of the number of submitted remarks compared to Poland). This allows Poland to join the group of 10 most active member states (in the years 2004–2006 Poland ranked 8th³⁰⁰; in the period 2005–2007 – 9th). The greatest

²⁹⁸ No data available for 2004 and 2008.

²⁹⁹ No data available.

³⁰⁰ No data available for the following years.

number of written observations in preliminary ruling cases is submitted by the Netherlands, Italy and Germany (each of them submits annually approximately twice as many observations as Poland). It must be borne in mind, however, that courts of exactly the same three member states ask the largest number of questions for a preliminary ruling to the Court, and their general rule is to present a position in the cases brought before the Court in connection with a questions from a court of own state.

Table 3. Number of complaint lodged by “new” member states against Community institutions³⁰¹

MEMBER STATE	2004	2005	2006	2007	2008	2009	TOTAL
Bulgaria	-	-	-	2	0	0	2
Cyprus	0	2	0	0	8	0	10
Czech Republic	0	0	0	2	1	0	3
Estonia	0	1	0	1	0	0	2
Lithuania	0	0	0	2	0	0	2
Latvia	0	0	0	1	0	0	1
Malta	0	0	0	0	0	0	0
Poland	3	1	2	3	1	0	10
Romania	-	-	-	2	0	0	2
Slovakia	0	0	0	2	0	0	2
Slovenia	0	0	0	0	0	0	0
Hungary	0	0	1	1	0	0	2

Source: Own elaboration on the basis of data from the Court of Justice of the European Communities.

Notification by Poland of written observations in so many preliminary ruling cases proves that, firstly, there is a high awareness among government administration officials of the significance and possibilities offered by participation in such proceedings. Secondly, that administration was well prepared to fulfil this task, i.e. that an effective system of representation in proceedings before the Court of Justice was build. Moreover it seems that high level of Poland's activity in preliminary ruling procedures was contributed to by provision by the Court (regularly since 2006) of translations of applications for a preliminary ruling (or their summaries) into Polish, accompanying the application itself. This constitutes significant facilitation for Polish administration in an analysis of the problem underlying the preliminary ruling case and in development of a position,

³⁰¹ The comparative listing takes into account jointly the complaints submitted to the Court of Justice and the Court of First Instance.

which is, by the way, presented also in Polish. Anyway it can be stated that language is not a barrier in making a decision on joining preliminary ruling cases conducted under regular procedure (as regards preliminary ruling cases under urgent procedure, low activity of Poland is likely to follow from the fact that documents are provided in the original language of a proceeding accompanied by a working translation into French).

During 5 years of membership in the EU, Poland has lodged the largest number of complaints to the Court beside Cyprus. It was the only state to bring as many as 3 complaints in the first year of membership (in all those complaints Poland called in question the actions of Community institutions undertaken after accession to the EU and, in its opinion, incompatible with the results of accession negotiations). Submission of such a large number of complaints testifies to high awareness of legal instruments in the possession of a member state and awareness of its rights that should be defended.

Among "new" member states, Cyprus also lodged 10 complaints, but it withdrew as many as 8 of them within 3 months (those cases concerned statements of invalidity of 8 invitations for offer). Among EU-15 states, the largest number of complaints (within the same period) was lodged by Italy (38), Germany and Spain (11 each) as well as the Netherlands and Greece (8 each).

Table 4. Number of new cases brought by the Commission against individual "new" member states (infringements of Treaty obligations)

STATE	2004	2005	2006	2007	2008	2009	TOTAL
Bulgaria	-	-	-	0	0	0	0
Cyprus	0	0	0	1	2	0	3
Czech Republic	0	0	4	6	5	1	16
Estonia	0	1	2	0	2	1	6
Lithuania	0	0	0	1	1	0	2
Latvia	0	0	0	0	0	0	0
Malta	0	0	2	3	5	0	10
Poland	0	0	3	7	10	1	21
Romania	-	-	-	0	0	0	0
Slovakia	0	0	2	1	0	0	3
Slovenia	0	0	0	1	1	0	2
Hungary	0	0	0	2	3	0	5

Source: Own elaboration on the basis of data from the Court of Justice of the European Communities.

So far the Commission has lodged a greater number of complaints against Poland than against any other “new” member state. A comparable number of cases was brought before the Court (although still one fourth less) only against the Czech Republic, and Malta ranked third with half of the number of cases compared to Poland. Significant rise in the number of complaints in the last two years is alarming. Unfortunately there are no reasons to believe that this trend has been put to a halt. As shown by statistics concerning EU-15, in a single year even as many as 36 cases can be instituted against one member state, e.g. against Italy (28 against Spain in 2003 and against Luxembourg in 2006). Comparing Poland to other large member states³⁰², we can expect a further growth in the number of cases lodged to the Court. Annually the Commission submits the following number of cases: against France – between 23 and 9 cases, against Spain – between 21 and 6 cases, against Germany – between 15 and 11 cases, against Italy – between 36 and 23 cases, and against the United Kingdom – between 12 and 2 cases. At the same time examples relating to the EU-15 states referenced above, show clearly that disputes concerning infringements of Treaty obligations are an indispensable element of membership in the European Union.

In 2008 as much as half of cases lodged against Poland concerned non-communication to the Commission of national measures implementing specific acts of the EU law (and not incorrect transposition). This corroborates the trend within the Commission to give priority in submission to the Court to cases concerning non-communication. In such cases it is more difficult to exercise the eligible law to defence, because it is difficult to defy facts (non-communication to the Commission about measures adopted with a view to transposing specific legal acts). Only in cases concerning non-compliance or incorrect application of the *acquis*, one can build real legal argumentation for defence of an adopted legal solution.

In recapitulation of the matters discussed herein, the number of cases and the broad scope of topics in cases Poland intervened in, testifies to its active participation in proceedings before the Court of Justice and the Court of First Instance and thus to real exercise of a valid right it has as a member state to promote its own vision of legal regulations.

³⁰² Years 2004–2007 are taken into account.

It is worthwhile expressing hope for further activity of Poland in proceedings before the Court. This concerns first of all participation in preliminary ruling procedure, which shall allow for strengthening of the role of Poland in giving shape to Community jurisdiction through influence on interpretation of the EU law.

This concerns also litigious cases, both the ones where Poland is the intervener and those where it is the plaintiff. In the future practice of initiation of proceedings before the Court of Justice of the European Communities, we should recommend not only careful consideration of political arguments speaking in favour of the necessity to call individual solutions in question, but also an assessment of the legal argument in a given case. Of course we cannot deny to a member state the possibility to be guided by political motivation, but only existence of legal arguments may lead to intended by Poland change of its situation as a result of abolishment by the Court of Justice or the Court of First Instance of a measure detrimental for Poland. But if an exclusively political complaint is lodged, whose negative result is very likely, it is worthwhile considering withdrawal of such complaint at a later stage – this shall allow, on the one hand, for attainment of a political goal (i.e. submission of a complaint in defence of specific vital interests of the state), and on the other – for avoidance of a verdict detrimental for the state.

Now as concerns the cases where Poland is the defendant, we can express hope that each year there will be fewer cases where the Commission submits complaints to the Court concerning infringement of Treaty obligations by Poland. But if it decides to proceed with the case by recourse to law, we can only hope that they will concern real legal disputes (i.e. different interpretation of regulations), and not issues that as a rule cannot be disputed, i.e. non-communication of national measures implementing the EU law. In such cases Poland will be really able to exercise its right to defence effectively.

Strengthening public administration: from beneficiary to donor of assistance

Poland's becoming one of the EU Member States was possible also owing to support received by the Polish public administration in the form of EU funds under Institution Building programmes. The Transition Facility³⁰³ was a continuation of assistance to alignment processes financed by the European Union in the pre-accession period under the Phare programme³⁰⁴, albeit much more modest in terms of its value. Implementation of projects under this programme was an important mobilising factor for the Polish public administration to take actions under a pre-defined strategy within a set timeframe³⁰⁵.

In 2004–2009, Polish administration used the EU financial support under three allocations of Transition Facility 2004, 2005 and 2006, implementing projects seeking to align Polish systemic solutions and structures with the Community standards and *acquis communautaire*. The funding used in the implementation of Institution Building projects made it possible for the Polish public administration not only to gain valuable experience in terms of structural alignments necessary to function properly in the EU, but also to train experts ready to share their knowledge in many areas. During the process of implementation of projects by Poland as a beneficiary of financial support in liaison with public administration institutions of EU Member States, valuable contacts were established. These contacts subsequently formed the foundation based on which experience, now common, is shared with other countries.

³⁰³ Transition Facility – funds allocated to the so-called new Member States.

³⁰⁴ Phare (Poland and Hungary Assistance for Restructuring their Economies) – formerly PHARE, in 1990 the official name was changed to Phare as the list of beneficiary states was extended. Twinning projects have been implemented since 1998, mainly in candidate countries as beneficiaries.

³⁰⁵ L. Prokopowicz, *Od biorecy pomocy rzeczowej do dawcy pomocy przedakcesyjnej*, ed. T. Kołodziej, B. Mrówka, *Phare w Polsce 1990–2007*, UKIE, Warsaw 2007, p. 6.

Transition Facility

In the first five years of Poland's membership in the European Union, Poland continued with its effort focused on the building of the effective public administration and justice system (administrative and judicial capacity) by: strengthening of human resources (public administration officers, judges, and justice administration personnel), further implementation of the *acquis communautaire* and strengthening of legal and legislative capacities, as well as investments in the technical base to ensure practical implementation of the Community standards and requirements.

To support these key actions, the EU decided to grant additional funds to Poland known as the Transition Facility. Other EU-10 countries also received this support. Both the programme's "mission statement" as well as the adopted priorities and mechanisms of the Transition Facility were essentially identical with the Institution Building Phare programme. As such, the Transition Facility is an extension and continuation of the Institution Building Phare programme based on the assumptions and implemented within the structures established in the pre-accession period. The Structural Funds or the Cohesion Fund, which became available to Poland at the same time, are completely different from the Transition Facility not only in terms of the scale of the funding available, but also in the methods of implementing and managing the EU funds.

The Transitional Facility funds were granted to Poland pursuant to Art. 34 of the Accession Treaty. In the three following years, i.e. from 2004 to 2006 Transition Facility funds were used to provide further assistance to public administration bodies in Poland for the implementation of the Community *acquis*, both in the form of training and expert assistance, as well as partial financing of specialist equipment for the selected public services. As in the case of Phare, the amount of funds received by Poland was the highest of all beneficiary countries, although much lower than under Phare Institution Building. Under subsequent allocations, Poland was granted about EUR 49.9 mln in 2004 r., EUR 42.9 mln in 2005, and about EUR 22 mln in 2006³⁰⁶.

³⁰⁶ Transition Facility for 2004–2005 allocation was granted to Poland pursuant to the following documents: Commission Decision of 29 November 2004 on the financial contribution of the Transition Facility for strengthening institutional capacity in the Republic of Poland; Commission Decision of 2 August 2005 on the financial contribution of the Transition Facility for strengthening institutional capacity in the Republic of Poland; Commission Decision of 27 July 2006 on the financial contribution of the Transition Facility for strengthening institutional capacity in the Republic of Poland.

Just as in the case of Phare, beneficiaries had two years to sign contracts and an additional year to complete the implementation of projects under each allocation of the Transition Facility (in total, by the end of 2009).

Programming and implementation

Work on the development of projects to be financed under the Transition Facility programme was based on the Commission's Monitoring Report³⁰⁷ published in November 2003. Future beneficiaries of these projects were involved in the programming of the subsequent allocations of the Transition Facility by submitting project proposals to UKIE for assessment of their compliance with the Commission's requirements. Projects agreed in Poland (project fiches) were submitted to the European Commission for verification and approval. Following negotiations with the Commission, final project proposals for 2004–2006 were approved based on the European Commission Financing Decisions. The process of the Transition Facility programming³⁰⁸ was closed in 2006, after the final decision was made and the exchange of letters was completed.

Based on the *Memorandum of Understanding on the Implementation of the Transition Facility* signed between Poland and the European Commission, the rules of implementation of projects financed under the Transition Facility were defined. They were essentially similar to those adopted in Phare Institution Building programme³⁰⁹.

As the requirement to obtain the Commission's approval for main actions taken during the implementation of projects was removed for the last allocations of Phare programme, the Transition Facility was implemented from the very beginning in the EDIS, i.e. Extended Decentralised Implementation System. In practice, it meant that key decisions related to project implementation (e.g. contracting, modification of contract scope, remedies in case of problems, as well as project financing and settlement) were taken by the designated public administration institution, or required its approval³¹⁰.

On-going monitoring was an important element of the process of implementation of the Transition Facility projects³¹¹. Information on the progress of implementation

³⁰⁷ Monitoring reports and regular reports were documents developed by the European Commission for the Council and Parliament in the pre-accession period. They contained analyses of Poland's obligations of its future membership in the EU, i.e. *acquis communautaire* set out in the treaties, secondary law, and the EU policy.

³⁰⁸ The Transition Facility programming was conducted by the National Aid Coordinator Department of the Office of the Committee for European Integration (UKIE), cooperating directly with the future project beneficiaries.

³⁰⁹ The work under the Transition Facility programme was supervised by the Office of the Committee for European Integration, supported by the "Cooperation Fund" Foundation acting as the Central Finance and Contracting Unit (like in the case of Phare Institution Building).

³¹⁰ In this case, Department for Institution Building Programmes of UKIE.

³¹¹ The monitoring was ensured by the National Aid Coordinator Department and Department for Institution Building Programmes of UKIE.

was presented in half-year reports prepared by beneficiaries, and selected projects were subjected to additional monitoring on the beneficiary's premises during the so-called monitoring visits. The process of monitoring was accompanied by the exchange of information, and project implementation updates were submitted to the Commission in the form of reports.

Evaluation (i.e. project assessment at various stages of implementation) was also key to the proper assessment of the effects of implemented projects³¹². It can take the form of *ex-ante* evaluation (project evaluation at the programming level), interim evaluation (in the course of the project), and *ex-post* evaluation (comprehensive evaluation after the project has been implemented). As the Transition Facility programming was completed in 2006, *ex-ante* evaluation is currently not used. Since August 2003, Poland has been responsible for coordination of interim evaluation of Institution Building programmes, and the European Commission remains in charge of *ex-post* evaluation. The purpose of interim evaluation scheme is twofold: (1) to provide an independent analysis of the effectiveness of on-going programmes in terms of achieving their objectives, and (2) to disseminate the lessons of experience with a view to improving the implementation of current programmes.

Areas covered by the *Transition Facility*

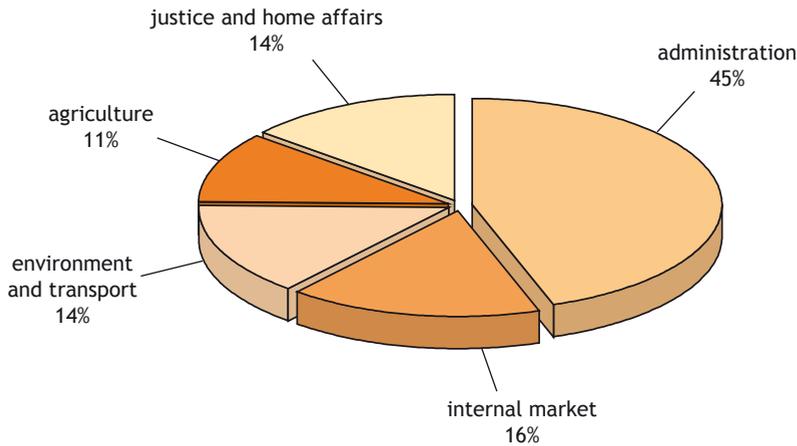
Just as in the case of Phare Institution Building, the main areas receiving assistance under the Transition Facility included:

- justice and home affairs (strengthening of the judicial system, including further improvement of judicial proceedings, and strengthening of law enforcement capacities)
- public finance, including financial control, tax administration; Local Government Budget Management (LGBM) System;
- financial supervision; assistance was used by the Polish Financial Supervision Commission, launching twinning cooperation with its partner institutions;
- agriculture and rural development as well as phytosanitary and veterinary services (the latter have been using substantial amounts of aid funds, improving qualifications of veterinarians and financing research activities focused on e.g. BSE);
- administrative food safety control;

³¹² The evaluation was the task of the National Aid Coordinator Department of UKIE.

- competition and consumer protection (e.g. Office for Competition and Consumer Protection used the financing for expert opinions on consumer protection and product testing conducted by the Trade Inspection);
- environmental protection.

Chart 1. Share of the Transition Facility assistance by sectors



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

In addition, NGOs received the Transition Facility assistance for the total amount of over EUR 12.5 mln (the Transition Facility allocation 2004 and 2005). These projects were focused on strengthening the process of building civil society based on the implementation of initiatives submitted by beneficiaries. Although, the Transition Facility funds allocated to this area cannot be compared to the financing received by NGOs from Phare in the pre-accession period, launching the grant programme was an important development³¹³.

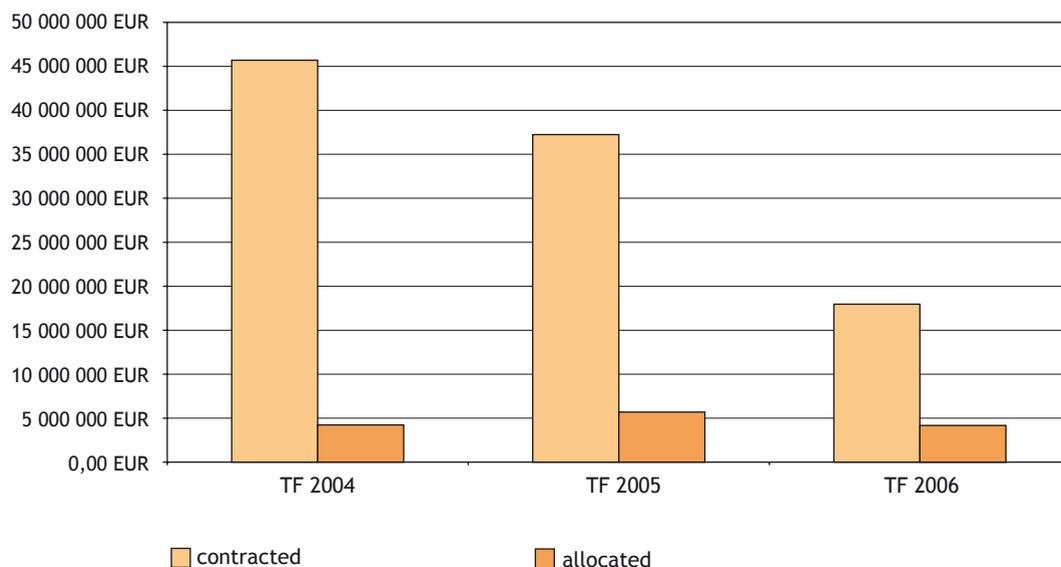
The Transition Facility also covered a grant project for the dissemination of evaluation culture, which is necessary in the proper process of implementation of not only Institution Building projects, but any projects in general, in particular including those financed with EU funds.

³¹³ In these projects, UKIE was not only responsible for project supervision, but also for project initiation and development.

The *Transition Facility* implementation instruments

Under subsequent allocations of the Transition Facility 2004–2006, depending on the project objectives, the implemented contracts included Technical Assistance (IT and electronic systems management), “small-scale” purchases of equipment for the implementation of the *acquis*, twinning, and grant contracts. The first two instruments were implemented through public procurement contracts and were based on support from the private sector. In this period, 170 public procurement procedures were conducted for technical assistance and equipment purchase, the vast majority of which concluded with the signing of 163 public procurement contracts³¹⁴.

Chart 2. Amount of the Transition Facility 2004–2006 allocation and contracted funds



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

342 contracts were signed for grants to NGOs under two implemented projects. In parallel, work on initiating and launching twinning cooperation between Polish public administration institutions and their counterparts in other Member States was car-

³¹⁴ According to UKIE's Department for Institution Building Programmes.

ried out. Twinning, an initiative of the European Commission launched over ten year ago as the main instrument for the implementation of Institution Building projects, was one of the key mechanisms for the implementation of projects co-financed under the Transition Facility.

Twinning concept

Twinning was launched in 1998 by the European Commission. The main objective of twinning is to support public administration institutions and assist in the development of modern and efficient administrations in beneficiary countries covered by programmes financed by the Commission, such as Phare, Transition Facility, CARDS, TACIS MEDA, ENPI, IPA³¹⁵. Twinning is based on partnership cooperation and exchange of experience between Member State administration and beneficiary country administration³¹⁶. Twinning projects are supposed to provide specialist training conducted in beneficiary countries and studies in the specific areas of co-operation, based on which reports or recommendations are developed. In addition, study visits to beneficiary countries may be organised in order for their participants to see how local solutions work in practice.

During the 5 years of its EU membership, Poland participated in twinning programmes as a beneficiary – drawing on the experience of UE-15 administrations, and as a donor – passing on the newly gained skills and knowledge to other beneficiaries. Polish public administration institutions developed effective methods of implementation of the EU solutions as regards the alignment of the Polish law with the *acquis communautaire*. Using the Community's financial support, Poland strengthened its public administration structures, adjusting and preparing them to their new role as a donor instead of a beneficiary. Contacts with the EU public administration institutions helped to continue the partnership co-operation and to offer support to other countries covered by the Commission's financing programmes.

³¹⁵ CARDS (*Community Assistance for Reconstruction, Development and Stabilisation*) – Assistance Programme to Western Balkans, with the exception of Croatia; Twinning projects implemented since 2002;

TACIS (*Technical Aid to the Commonwealth of Independent States*) – the programme currently covers 12 countries of Eastern Europe and Central Asia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan; Twinning projects have been implemented since 2003;

MEDA (*Mediterranean Development Assistance*) – programme for the Mediterranean and Middle East countries: Algeria, Lebanon, Syria, Tunisia, Morocco, the Palestinian Authority, Jordan, Egypt, and Israel; Twinning projects have been implemented since 2004. In 2007, TACIS and MEDA were replaced by ENPI, while Phare and CARDS were replaced by IPA;

ENPI (*European Neighbourhood and Partnership Instrument*);

IPA (*Instrument for Pre-Accession Assistance*).

³¹⁶ Twinning projects may involve public administration bodies and the so-called Mandated Bodies, later referred to jointly as public administration institutions.

Poland as a beneficiary of EU financial assistance

The implemented contracts can be broken down into two types of projects: twinning and twinning light projects³¹⁷. The selected type of projects was closely related to the nature of the implemented measures and expected outcomes. Long-term objectives required a longer implementation timeframe and higher budget, and were implemented in the form of standard twinning contracts. Twinning light projects were short-term undertakings, usually focused on training.

In the Transition Facility 2004 allocation, 18 twinning contracts of the total value of EUR 28.7 mln were implemented, as well as 10 twinning light projects of the total value in excess of EUR 2 mln. In the Transition Facility 2005 allocation, 13 twinning contracts and 12 twinning light contracts of the total value of EUR 10.8 mln and EUR 2.4 mln, respectively were implemented. Projects implemented under the Transition Facility 2006 allocation included 10 twinning contracts and 13 twinning light contracts of the total value of EUR 7.6 mln and EUR 2.3 mln, respectively³¹⁸. These funds were additionally accompanied by funds contributed by the Polish beneficiaries³¹⁹. The average rate of Polish co-financing totalled about 10% of contract value³²⁰.

Over the past five years, the majority of twinning contracts were implemented in sectors such as: agriculture, finance, public health, justice and home affairs, environmental protection, as well as: economic policy, employment and social policy, transport and energy, and regional development.

The majority of projects under Transition Facility 2004–2006 allocations were implemented by Polish public administration institutions in co-operation with German and Italian partners. As regards German counterparts, joint projects involved mainly justice and home affairs as well as finance. Italian partners were involved in twinning projects in the area of agriculture, public health and environmental protection. French and British administrations were also involved in the twinning co-operation with their Polish counterparts in this period, mainly in the area of finance, economy and agriculture.

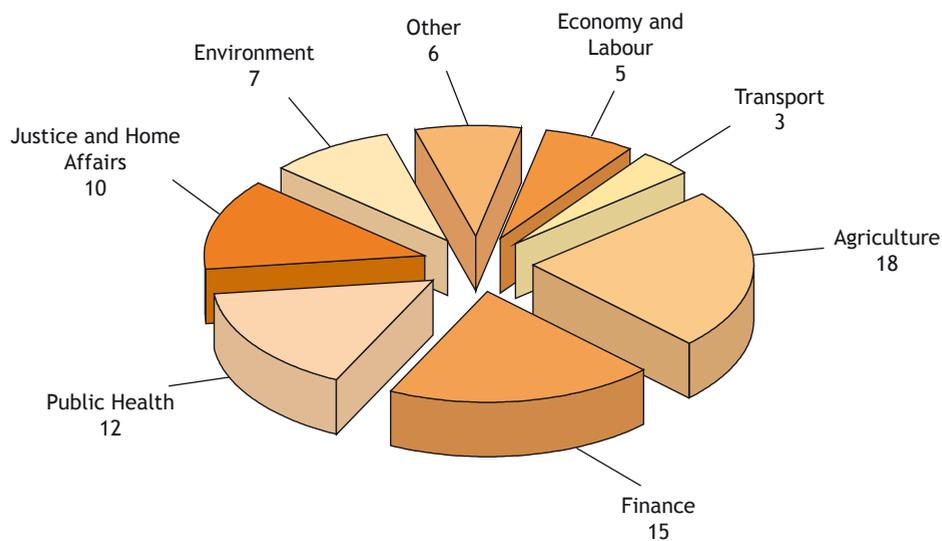
³¹⁷ Twinning project: budget over EUR 250,000; project duration at least 12 months; co-ordinated by Resident Twinning Advisor (RTA). Twinning light project: budget up to EUR 250,000; project duration up to 6 months, 8 months in special cases; no RTA.

³¹⁸ According to UKIE's Department for Institution Building Programmes.

³¹⁹ In the case of twinning light contracts, project co-financing is not mandatory.

³²⁰ According to UKIE's Department for Institution Building Programmes.

Chart 3. Twinning projects implemented under the Transition Facility 2004–2006 allocations broken down into sectors



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

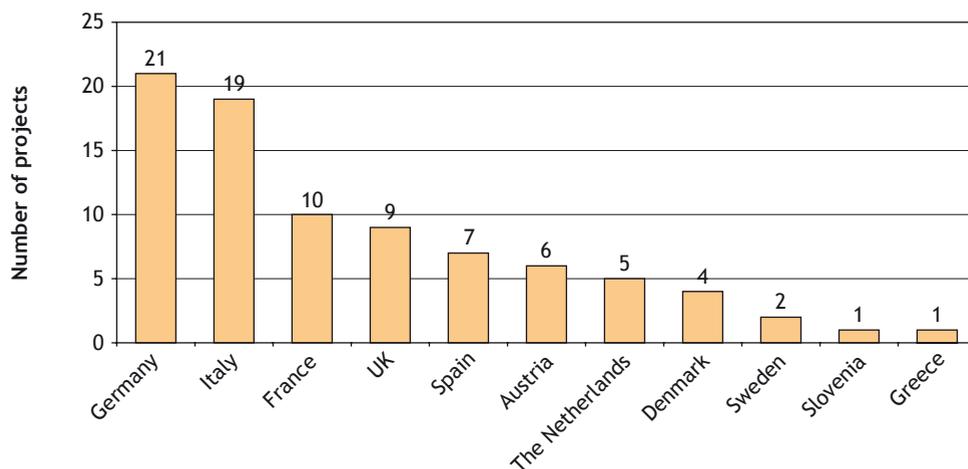
Three twinning contracts focusing on counteracting the threat of corruption in Poland, implemented with German partners under each allocation of the Transition Facility 2004–2006, are a good example of twinning co-operation in the area of justice and home affairs. Apart from the services of the Ministry of the Interior and Administration, beneficiaries of these projects also included the Ministry of Finance, Ministry of Sport, and the Central Anticorruption Bureau. Implementation of these projects resulted in the strengthening of the institutional capacity of the Polish public administration in terms of anti-corruption activities, alignment of anti-corruption methods and systems with the EU standards, improvement of knowledge, and increased sensitivity to the threat of corruption in high-risk groups.

Another successful example of twinning is the active participation of Italian public administration in several projects in the area of agriculture, public health and environmental protection, which contributed to *i.a.* the modernisation of the Polish agriculture, improvement of food safety, strengthening of veterinary administration, as well as improvement of the state supervision in areas such as health protection, water quality control,

plant and agricultural produce protection, and environmental health. One of the most successful projects in agriculture was implemented under the Transition Facility 2005 allocation by the Ministry of Agriculture and Rural Development as well as Agricultural and Food Quality Inspection (IJHARS) and local certification bodies, seeking to strengthen public administration in terms of control and certification of organic farming.

It is worth pointing out that twinning co-operation with public administration institutions from Germany, Italy, France, and the UK is reflected in many projects implemented jointly by Polish public administration institutions and their counterparts from these Member States as donors.

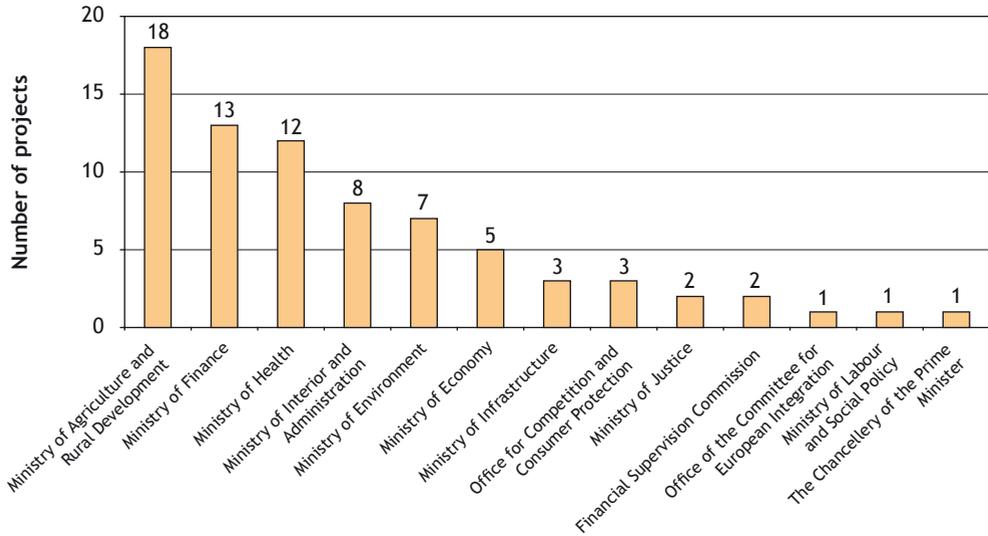
Chart 4. EU Member States as donors of the twinning assistance for Poland under the Transition Facility 2004–2006 allocations



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

Polish public administration institutions benefited from this financial assistance to a varying extent. Under the Transition Facility 2004–2006 allocation, the majority of the projects were implemented by the Ministry of Agriculture and Rural Development and its agencies, as well as the Ministry of Finance, including the customs services. In addition, the Ministry of Health as well as the Ministry of the Interior and Administration were also active beneficiaries of twinning projects, including in particular the Police and the Border Guard.

Chart 5. Number of twinning projects implemented under the Transition Facility 2004–2006 allocations broken down into beneficiary institutions³²¹



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

In order to ensure the efficiency of information exchange and coordination of actions connected with the use of twinning assistance by public administration institutions, the European Commission requires that a responsible institution³²², the so-called Administrative Office³²³ be established in each Member State. The Administrative Office carried out its tasks in close co-operation with the European Commission, Polish public administration institutions involved in the implementation of projects, as well as with National Contact Points for twinning activities³²⁴, in Member States and other countries covered by twinning programmes. In Poland, the Administrative Office replied to queries regarding any procedural matters related to twinning and assisted beneficiary institutions in the implementation of projects. Contacts established with National Contact Points in other Member States became a corner stone of good co-operation when the

³²¹ If a number of institutions are/were beneficiaries under a single twinning project, only the leading institution was considered; individual Ministries include beneficiary institutions supervised by a given Ministry.

³²² Pursuant to the Twinning Manual.

³²³ In Poland, twinning projects are co-ordinated by UKIE's Department for Institution Building Programmes. Tasks of Administrative Office are described in the Twinning Manual, Section 2.7.

³²⁴ Tasks of National Contact Points in the beneficiary country are described in the Twinning Manual, Section 2.4.

role of Poland's public administration institutions changed from beneficiaries to donors. Joint implementation of projects by Polish institutions and EU-15 administrations made it possible to establish permanent relations and continue this partnership in a new role in various sectors of the Polish public administration.

Poland as a donor of twinning assistance

As of the date of accession of Poland to the European Union, Polish public administration institutions have been able to participate in twinning projects under all programmes financed by the European Commission, i.e. Phare, Transition Facility, CARDS, TACIS MEDA, ENPI, and IPA³²⁵.

Thanks to their participation in the above-mentioned twinning projects, Polish public administration institutions were able to present offers of co-operation to public administration institutions from countries – beneficiaries of the Commission's financial assistance. Pursuant to the rules of twinning, an institution may either develop an offer to be implemented individually or in a consortium with public administration institutions from other Member States, or send experts representing a given Ministry or public administration office.

To a large extent, the specific form of co-operation was determined by the enlargement from EU-15 to EU-25 and subsequently to EU-27, as the enlargement changed the ratio of beneficiaries vs. donors of assistance, to the benefit of the former. With the increasing competition among prospective donors from Member States, close co-operation between institutions became necessary. This in turn increased the number of joint offers (consortium offers). This trend obtained the Commission's approval for several reasons. Firstly, consortium offers developed by two or three Member States highlighted the idea of close co-operation among Member States. In addition, the possibility of transferring complementary experiences from different countries was of key importance for the quality of assistance.

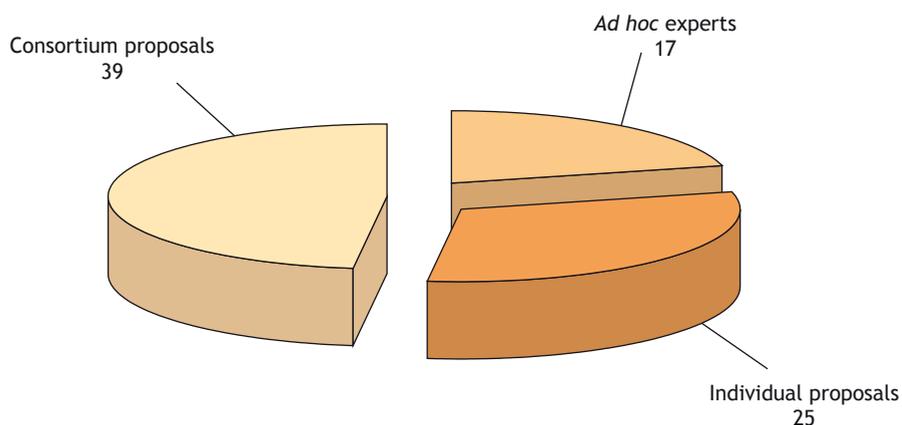
With the enlargement of the European Union by new Member States that became donors of assistance, just like Poland, as well as the aforementioned trend to present joint offers, a new trend in twinning developed to the benefit of "new" Member States, namely co-operation between EU-15 and EU-12. Consortium offers presented jointly by "new" and "old" Member States ensured their beneficiaries' many years of hands-on

³²⁵ Since mid-2003, Poland has been able to participate in projects financed under CARDS, MEDA and TACIS as a donor.

experience in and knowledge of the Community *acquis* on the one hand, and unique experience of a beneficiary on the other. It was a very successful form of co-operation from the point of view of public administration from new Member States, as they could draw on the experience of EU-15 Member States in the first years of their membership in terms of provision of assistance and develop their own internal procedures and principles of implementation of twinning.

If we take Poland as an example, offers of co-operation developed by Polish public administration institutions are mainly based on consortia. The shares of other forms of co-operation (single proposals or *ad-hoc* provision of expert services) are comparable to each other.

Chart 6. Types of twinning proposals placed by Polish public administration institutions



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

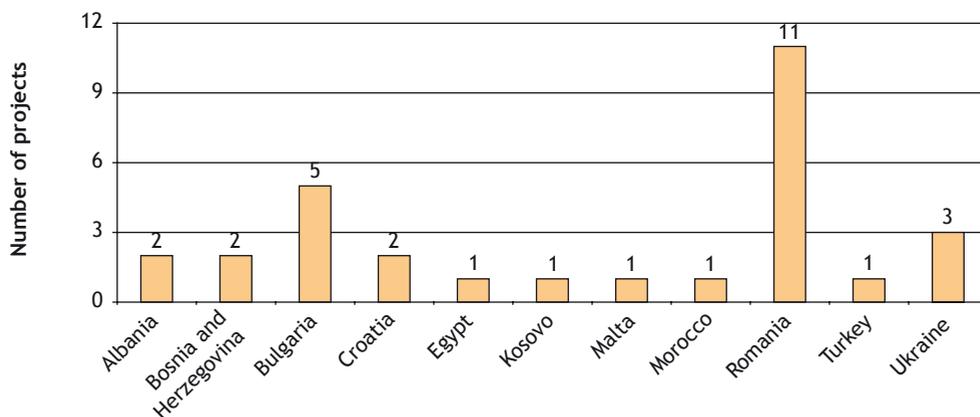
By the end of January 2009, Polish public administration institutions declared their readiness to participate in 81 projects in total and were or are involved in the implementation of 30 such projects under Phare, Transition Facility, CARDS, TACIS MEDA, ENPI, and IPA. Polish institutions developed 39 offers of co-operation, 13 of which were selected and are now being implemented³²⁶. Of these, 9 offers were developed together with Italian public administration institutions. Other countries often co-operating with

³²⁶ According to UKIE's Department for Institution Building Programmes, as at 31 January 2009.

Poland in this area included France, the UK, and Germany. Polish institutions also co-operated with administrations representing Austria, the Netherlands, Spain, Denmark, Finland, Portugal, as well as Slovenia and Hungary³²⁷.

If we analyse the directions of assistance provided by Polish public administration institutions broken down into beneficiary countries, it is obvious that the majority of proposals were selected by public administration institutions representing Romania, Bulgaria, and Ukraine. Polish administration was also active in the Western Balkans. The above directions partially overlap with priority foreign polity directions adopted by Poland. Therefore, it comes as no surprise that countries of Northern Africa are not of particular interest to Polish public administration institutions. It also results from the language barrier and no history of co-operation between those countries.

Chart 7. Countries where twinning projects were/are implemented by Polish public administration institutions



Source: Own study based on materials provided by UKIE's Department for Institution Building Programmes.

The most active institutions acting as donors in the period 2004–2009 were the Ministry of Finance, the Ministry of Agriculture and Rural Development and its agencies, the Ministry of Interior and Administration, including the Police and Border Guard, as well as Public Procurement Office. Public administration institutions that were most active in the implementation of projects as beneficiaries remained leaders as donors

³²⁷ According to UKIE's Department for Institution Building Programmes.

as well. The experiences and contacts gained in the process, as well as new language and organisational skills helped them develop and present their own offers of co-operation.

The participation of Polish public administration institutions as donors in the implementation of twinning projects involved a number of benefits, both financial and non-financial. Donors in twinning projects received funds to cover any types of expenses directly connected with the implementation of twinning contracts. These funds could be earmarked for the strengthening of human resources of donors based on training and improvement of working conditions or compensation to experts, mainly to prevent the unwanted turnover of highly qualified personnel.

Considering that in 2004–2009 Polish institutions were still gaining experience as donors of Community assistance, actions were taken to increase the involvement of Polish administration in twinning. These actions consisted *i.a.* in the organisation of training for public administration personnel. In 2004–2007, training participants included mainly the employees of the Ministry of Agriculture and Rural Development as well as the Ministry of Interior and Administration (the Police). With the ever-increasing interest of Ministries and public administration institutions in the role of donors, in 2008 two training sessions were organised, attended by over 150 employees of about 30 public administration institutions. The goal of these trainings was to present the idea behind twinning and principles of participation of public administration institutions as donors in twinning projects.

To provide better access to information on the feasible projects, a twinning website was launched³²⁸. In addition, “Twinning Manual for Donors” was developed as a collection of practical guidelines on organisational, financial, and procedural aspects of twinning for Polish public administration institutions planning the implementation of twinning projects.

In summary, twinning proved to be very beneficial for Polish public administration institutions. The key benefits of twinning included the establishment of new contacts and a chance for Polish public administration institutions to exchange experiences with their counterparts in Member States and third countries. The experience thus gained or extended was used not only to promote Polish institutions in beneficiary countries, but also internationally. As for experts involved in the implementation of projects, they gained new experience, improved their qualifications, and established new professional contacts. At the same time, the implementation of twinning contracts

³²⁸ www.twinning.gov.pl.

contributed to the strengthening of Poland's political and economic relations with beneficiary countries considered to be Poland's strategic foreign policy partners, such as Ukraine or other Eastern Partnership countries.

Bilateral assistance: supporting third countries on the road to the EU

From the beginning of the transition process, Poland was a beneficiary of foreign assistance both from EU Member States and from countries such as the USA, Canada, or Japan. As the tables have turned, Poland is now becoming a donor of assistance directed mainly to countries undergoing a similar political, economic and social transition. In addition to projects financed by the EU and implemented under the EU instruments (e.g. twinning or TAIEX³²⁹), for the past several years Poland has been an active supporter of certain countries using its own budget funds. This support can take the form of technical assistance, i.e. the sharing of knowledge and experience through the organisation of seminars, study visits, or workshops in Poland or in beneficiary countries³³⁰.

Support activities were directed to two groups of countries: the first group included candidate countries and potential candidates to the EU from Western Balkans³³¹, the other – countries covered by the European Neighbourhood Policy (ENP)³³², and in particular the future beneficiaries of the Eastern Partnership (Ukraine, Belarus, Georgia and Moldova). As their membership is a matter of a rather distant future, at this stage the ENP countries focus mainly on the alignment with the EU standards, both in terms of the overall standards of work of public administration institutions, as well as in many specific areas such as food safety or civil aviation.

Actions aimed at providing assistance to the Western Balkan administrations were initiated at the Budapest meeting of Ministers of Foreign Affairs of members of the Regional Partnership initiative³³³ as well as the Western Balkan countries (Albania,

³²⁹ Technical Assistance and Information Exchange Office is the advisory and information unit of Directorate-General Enlargement of the European Commission, providing short-term technical assistance in the field of approximation of a country's legislation to the *acquis*. TAIEX organises workshops and study visits in beneficiary countries and covers all costs of these activities.

³³⁰ Since 2006, these activities are managed by UKIE, within the scope of its responsibilities covering the coordination of all aspects of preparation to the EU membership and alignment with the EU standards.

³³¹ The Western Balkan candidate countries are Croatia and Macedonia; potential candidates include Albania, Bosnia and Herzegovina, Montenegro and Serbia.

³³² The European Neighbourhood Policy was launched in 2004 in connection with another EU enlargement. It applies to the EU's immediate neighbours by land or sea (with the exception of Russia, covered by the so-called Strategic Partnership) and offers them a privileged relationship with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours.

³³³ Members of this forum of political dialogue for Central European states include Austria, the Czech Republic, Hungary, Poland, Slovakia and Slovenia.

Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro) held in October 2005. At this meeting, Hungary proposed the co-ordination of actions supporting the integration efforts of the Balkan states and the division of labour among members of the Regional Partnership, with each member specialising in the co-ordination of assistance in the area it is most experienced in. Being the top beneficiary of EU financial assistance of all “new” Member States in terms of incoming transfers, Poland assumed the responsibility for the priority “use of assistance from the EU budget”³³⁴.

From 2006 until the end of 2008, three projects for Western Balkans were implemented³³⁵, financed both from UKIE's own budget and funds managed by the Ministry of Foreign Affairs and earmarked for development co-operation. The key objective of these projects was the exchange of experience in the area of programming, implementation, monitoring and evaluation of EU assistance in Poland. However, this scope of activities was often extended at the request of partner countries; and the additional subject areas included social communication and information policy related to the European integration, harmonization of law, pre-accession negotiations, or the EU policy co-ordination system. During these three years, dozens of workshops, study visits, and internship were organised for some 130 representatives of the Balkan states. In addition, several visits of Polish experts to the involved beneficiary country institutions were carried out.

At the annual seminars summarising project-related activities, representatives of the Western Balkan countries highlighted the importance of support offered by Poland. In particular, attention was drawn to the possibility of discussing certain practical problems and difficulties, as Poland's experience in tackling problems emerging in the period of preparation to accession proved to be very valuable for the Balkan states at the starting point to their road to full integration with the EU. Meetings between representatives of public administrations were an opportunity to exchange information on the pros and cons of the solutions adopted in Poland, as well as mistakes made during their implementation and lessons learned, which may help partner countries avoid these problems in the future. EU-15 Member States cannot share their hands-on experience in this area. The importance of Poland's support for the integration efforts of the Balkan countries was also stressed on many occasions³³⁶.

³³⁴ In accordance with the proposal put forward by the Polish Ministry of Foreign Affairs, UKIE became responsible for the co-ordination of the Polish administration activities in this priority area, given its experience in the programming, implementation, monitoring and evaluation of both pre-accession instruments (Phare) and post-accession programmes (Transition Facility). Support to the Western Balkan states was based on the experience of UKIE's personnel, who have the necessary theoretical knowledge and hands-on experience from the period of Poland's preparations to EU membership, as well as on the know-how from other institutions and persons working in Polish public administration institutions and involved in the utilisation of the EU financial assistance in various areas.

³³⁵ UKIE's National Aid Coordinator Department is responsible for the co-ordination of activities to the benefit of the Western Balkan states.

³³⁶ More information on UKIE's activities for the Western Balkan states is available at www.ukie.gov.pl/partnership.

While actions targeted at the candidates and potential candidates to the EU from the Western Balkans are focused on the exchange of practical experience and concrete, technical areas of co-operation due to the relatively probable accession of these countries to the EU in the near future, the projects for Ukraine, Georgia, Moldova or Belarus are focusing mainly on the strengthening of institutional capacities of their public administrations in areas of co-operation with the EU. Projects covering these countries were financed by the Ministry of Foreign Affairs with development co-operation funds.

Ukraine is currently Poland's key strategic partner to the east. In order to support Ukraine's sectoral reforms, Poland took actions to help align the Ukrainian legal and institutional system as well as structural solutions to the EU standards. Projects were focused mainly on the exchange of knowledge during study visits, internships and conferences organised in Poland, Ukraine, and Brussels³³⁷, as well as visits of Polish experts to Ukraine. As a result, not only did Poland share its experience with Ukraine, but also gained insight into the needs and expectations of the partner country and information necessary to carry on this project in the years to come. 66 representatives of the Ukrainian public administration were involved in project activities in Poland, and 30 representatives of the Ukrainian local government participated in a seminar organised in Ukraine. In total, 200 persons from all across Europe took part in project-related conferences³³⁸.

In 2008, pilot projects for Belarus, Moldova and Georgia were also implemented³³⁹, focusing on the strengthening of institutional capacities of their public administrations in areas of co-operation with the EU. Each of these projects involved an analysis of the needs of the partner country based on visits of Polish public officers, contacts with persons responsible for project implementation on the beneficiary's side, or reports prepared by third-party experts. Data thus collected helped organise study visits, training sessions and seminars in Poland, during which representatives of beneficiary countries could gain insight into the structure of the Polish public administration and its offer of assistance. As a result of these visits and trainings, the specific areas of interest of partner countries were pinpointed, which will be used as a basis for the organisation of similar activities in the years to come, this time on a larger scale.

³³⁷ The conference *Europe – a chance for Ukraine. The future of the Eastern Partnership* for over 200 participants with the goal to present the background of Ukraine's integration with the EU and promote the Eastern Partnership, as well as to highlight Poland's role in assisting the Partnership countries in their efforts to integrate with the EU.

³³⁸ According to the Office for Technical Assistance for Ukraine at UKIE.

³³⁹ Project activities were managed by UKIE's Department for Institution Building Programmes (Moldova, Belarus) and National Aid Coordinator Department (Georgia). Pilot projects were participated by 27 representatives of Belarus, 10 public officers from Moldova, and 5 representatives of Georgia.

Conclusions

This chapter discussed a crucial change in the role played by the Polish public administration in the five years of Poland's membership in the European Union – from a beneficiary to a donor of financial assistance. To describe this shift, experiences of the Polish public administration institutions were analysed.

The analysis involved Poland's achievements in the absorption of funds under three allocations of Transition Facility 2004–2006, with specification of sectors that received the highest amount of financing, the most active beneficiaries of financial assistance, as well as the specific implementation instruments. Based on the example of twinning, considered to be a very effective tool used for the strengthening of administrative capacities in the implementation of the *acquis communautaire*, certain specific tendencies in co-operation among EU Member States were highlighted.

It turned out that those public administration institutions in Poland that received the highest financing under the Transition Facility programme later became the most active donors. In addition, co-operation between Polish public administration and institutions from other EU Member States in certain sectors usually continued by developing joint twinning offers, this time with Poland acting as a donor.

Transition Facility financial assistance received by Poland contributed to the creation of an institutional system ready to function within the Community policies, including in particular the structural policy, the Common Agricultural Policy, and the Common Market. The active participation of Polish public administration institutions in the use of assistance in these areas translated not only into Poland's acting in these sectors as a donor, but extended beyond programmes financed with EU funds and included also projects financed with development co-operation funds.

With the extension of assistance and the active role of Poland as a donor, representatives of partner countries assisted by Poland (based on visits in Poland, meetings, and consultations with persons involved in preparations to the membership in the EU) had a chance to gain insight into the benefits of accession to the European Union. It must be stressed that for countries undergoing a similar process of political and economic transition, the chance to use Poland's experience is of key importance in the context of the sustainability of their own reforms.



Would it be easier to endure through the crisis outside the EU?

Witold M. Orłowski¹

May 2004 – a symbolic end of transition

The accession to the European Union in May 2004 became an important landmark in the history of Poland's development. It came after 15 years of transition that had started with the turn of 1990 reform which were abrupt and painful for the society and changed the economic system. Even a cursory look at the state of the Polish economy a dozen or so years back helps to realise the success achieved by Polish society. In 1989, Poland was virtually bankrupt, unable to pay off interest on debts incurred by communist authorities, production dwindled, shelves in shops were empty, prices skyrocketed by several dozen per cent monthly. Western observers were asking themselves a question whether the Polish economy actually stood a chance of survival and reform, or whether it was doomed to economic catastrophe that the country would not recover from in another several dozen years.

The road to the market economy proved to be more painstaking and protracted than initially believed. Immediately after the reform was introduced, production and real income dropped sharply, while a relatively high inflation rate persisted. Later on, however, and sooner than in any other transition country, economic growth came back, relatively high but also very unstable. The most important reforms during the transition process proved to be hard and painful. Privatisation and restructuring of enterprises were accompanied by a marked growth in unemployment. It took many years to stifle inflation and restore confidence in money. Liberalisation and opening to the world brought about a marked trade deficit growth, accompanied in the early years of

¹ Independent Center for Economic Studies NOBE, WUT Business School

transition by a relatively slow inflow of foreign capital, clearly less robust than in other Central European countries. The establishment of institutions required for the smooth operation of the modern market progressed with difficulty, and the results were often less impressive than expected. Finally, meeting the requirements of the European Union membership turned out to be costly and complicated, and the negotiations themselves long-drawn-out and arduous.

Nevertheless, Poland finally acceded to the EU in May 2004, bringing a symbolic end to the over-50-years-old divide of the continent into a “better” Europe, developing faster and offering a high living standard to its citizens, and “worse” Europe, east of the iron curtain. Accession to the EU was also the coping stone of the transition process. Following several years’ reforms, we now have a smoothly operating market economy in Poland, capable of developing and facing global competition. After decades of sluggish development in the communist reality, and then a painful transition, the gap between both parts of Europe was still there. Living standards, income level and labour productivity of Poles still represent a fraction of what countries of Western Europe have managed to achieve. The success of the transition and integration with the EU created mechanisms that put us on a track of bridging the development gap between our country and the leaders on the continent.

Economic changes in the first five years of membership

The crucial importance of Poland’s accession to the EU for the entire process of reform and establishment of foundations for sustaining growth was soon confirmed by the changes that were taking place during the first five years of membership. The key change was a steep rise in the economic growth rate, accompanied by a clear reinforcement of the foundations of the country’s development (cf. statistics in Table 1). The average GDP growth in the years 2004–2008 totalled 5.3% annually. As a result Polish GDP grew by nearly 30% after the five years of membership in the EU. A more robust economic growth, as compared against Western Europe, led to the GDP per capita growth from 43% of the rate recorded in the countries of the “old” EU in 2003 to nearly 51% in 2008.

Would it be easier to endure through the crisis outside the EU?

Table 1. Rate and features of Poland's economic growth, 2003–2008

	2003	2008*	Change in percentage terms
GDP per capita (UE-15 = 100)**	43.0	50.7	7.7
Volume change, fixed prices, 2003 level equals 100			
GDP	100.0	129.6	29.6
Individual consumption	100.0	124.2	24.2
Investments	100.0	165.2	65.2
Export***	100.0	179.4	79.4
import***	100.0	179.1	79.1
Relation to GDP in per cent			
Public finance result	-6.3	-2.9	3.4
Current account balance	-2.1	-5.7	-3.6
Investments	18.2	21.9	3.6
exports	33.2	40.2	7.0
imports	35.9	43.3	7.4

* Estimation

** Based on purchasing power parity of currencies

*** Based on national accounts

Source: CSO, Eurostat, NOBE, own calculations.

A rapid GDP growth was accompanied by a significant structural change that rendered the development process sustainable. First, the EU membership significantly improved Poland's image as an attractive investment location. According to EBRD data, incoming streams of foreign capital in annual terms grew from an average of EUR 6 bn in the years 1999–2003 to over EUR 10bn in the years 2004–2008. The stream of foreign investments was accompanied by improving Poland's financial reliability score and its promotion to the group of world leaders in terms of the most promising investment locations as indicated by international groups. The volume of investments made by domestic companies also increased, and the rate of co-financing from the EU budget for infrastructural projects was also gradually growing. In total, the investment outlays in the years 2004–2008 increased by 65% (markedly more than GDP), thanks to which the investment to GDP ratio grew from 18% in 2003 to 22% in 2008, and modernisation of the country also accelerating substantially.

Second, the development was accompanied by a growth in competitiveness of Polish economy and in the level of its integration into the global, and in particular the European market. Both exports and imports grew by nearly 80% in 2004–2008, and the relation of both to GDP increased by over 7 percentage points. This rapid growth of foreign investments and exports largely resulted from the relocation of some production facilities, notably industrial production (e.g. automotive) from Western Europe to Central and Eastern Europe. As a result of the EU membership, the region started to be perceived as an completely safe location, and one that offers a huge competitive advantage over Western Europe due to relatively inexpensive labour. It should also be noted that although a marked growth in current account deficit (primarily resulting from the growing trade deficit) accompanied a more robust inflow of capital and GDP growth in the whole region, in Poland it did not reach a level that would be dangerous, especially due to improved financial reliability of our country. This sets the Poland of 2004–2008 apart from the Poland of late 90s as well as puts Poland at a clear advantage over the majority of new EU member states, where the growth in current account deficit exceeded the safety threshold (especially in the Baltic States, Romania and Bulgaria).

Third, the growth was accompanied by significant changes in the labour market. Most importantly, unemployment, the major social ill and cost of Polish economic transition, began to drop sharply. The drop in the unemployment rate resulted from several factors, two of which are of key importance. Firstly, accelerating Polish economy generated over a million new jobs in five years. Secondly, the gradual opening of Western Europe's labour markets also opened up opportunities for Poles to work abroad. Although unemployment did not vanish completely, its sharp drop meant that, in a short period of time, the effects of Poland's membership in the EU were experienced by nearly all residents of our country (cf. data in Table 2).

Moreover, dwindling unemployment figures soon translated into rising living standards. Average salaries in the years 2004–2008 rose by 34% which, with a moderate inflation rate, gave an increase in real terms of over 17%. Mortgage and consumer loans became cheaper, encouraging millions of Poles, feeling increasingly more comfortable in the reality, to take a short cut to affluence. The number of registered passenger vehicles increased by over 4 million and hundreds of thousands families purchased their own flats.

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Table 2. Changes in Polish labour market, 2003-2008

	2003	2008*	Change in percentage points
Employment (thousands)	9 236	10 540	14.1
Unemployment rate (% of labour supply)	20.0	9.5	-10.5
Nominal salary (PLN)	2 201	2 944	33.8
Index. 2003 level equals 100			
Consumer price index	100.0	114.0	14.0
Salary in real terms	100.0	119.1	17.3
Labour productivity (GDP per employee)	100.0	113.5	13.5
Unit labour cost	100.0	104.9	4.9

* Estimation

Source: CSO. Eurostat. own calculations.

The growth in labour productivity (by 13.5%) did not manage to catch up with the salary growth. As a result labour costs clearly increased in Poland. This, however, did not have any negative consequences for the competitiveness of Polish exports, since labour productivity growth in export-oriented sectors of the economy (in particular processing industry) was more robust than the average for the entire economy. Polish currency quickly responded to the growing labour productivity. Between 2003 and 2008 the zloty appreciated significantly. Still in early 2004, one euro cost nearly 5 zlotys, while in summer 2008 the exchange rate dropped to the record low of 3.20 zlotys per euro. Systematic appreciation of the zloty was backed not only by the growing labour productivity and the stream of billions of Euros in investments and EU transfers, but also the improving condition of public finance, offering genuine hopes of speedy adoption of the euro in Poland.

In short, the prevailing sentiment in the years 2004–2008 was that Polish economy finally got out of the woods. The primary transition period problems were solved, and high investment attractiveness combined with unrestricted access to a big European market, ensured by the EU membership, brought a swift and stable growth. Also, access to generous EU funds enabled a significant acceleration of the infrastructure modernisation process, while the steadily appreciating currency facilitated investment-making from the growing savings of Poles.

Global crisis and its impact on Polish economy

Regrettably, the economic success of the country and growing satisfaction of Poles with the effects of EU membership, was put to a serious test over the last year. The cause is the global financial crisis that exploded in September 2008 in the US, soon spilling over also to Western Europe. In a short period of time, it partially paralysed the global financial system, capital markets plummeted and a global recession, the severest in decades, began to hold sway, its full thrust yet unknown. To combat the crisis, governments of the most affluent countries in the world were forced to employ radical methods, including nationalisation of financial institutions and employment of massive funds, also out of taxpayers' pockets, with the dominant opinion in the discussion on the reasons and consequences of the crisis being that it demonstrates the need for fundamental changes in economy and regulatory policy on a global scale. The present financial crisis also puts a lot of question marks over the direction in which the globalising economy has been heading in recent years. This applies not only to risky financial operations of banks, but also the expansion of multinational corporations, foreign investments, and relocation of production to countries where labour costs are lower. Inevitably, the crisis also challenged the readiness of European nations to continue integration processes under Union, including the prevalence of the common European interest over national interests.

Thus far, the crisis has hit Poland via four routes. First, we are dealing with the sudden drop in exports reported by numerous enterprises that are strongly dependent on Western European markets. It is hardly surprising as, since Q4 2008, the majority of EU countries have been in deep recession, while the rate of GDP drop reaches 1–3% in Western Europe, and as much as 10% in Latvia.

The second aspect through which the global crisis impacts Poland is investments, especially those by multinational corporations. When recession rules world markets, big corporations are much less eager to invest. During the previous recession of 2001–2002, the stream of foreign investments to Poland dropped by 50%. Consequently, fears are justified that the inflow of foreign investment may considerably shrink for a year or two.

The third source of impact of the financial crisis on Poland is unstable exchange rates. Regrettably, we did not take advantage of the economic boom of 2004–2008 to introduce the euro. The global crisis reached us with the zloty still being our currency, marked by vulnerability to strong fluctuations, the exchange rate of which large-

ly depends on changing moods of global investors. The zloty depreciated when other currencies of the region did, but down to an even lower level than the Czech crown or Hungarian forint. Irrespective of objective reasons being economic slowdown in all “emerging markets” (notably Central Europe, previously considered as a safe haven, and now seen as a region vulnerable to financial shocks), and more difficult access to capital, speculation also came into play. Along with a strong depreciation of the zloty (loss of nearly 30% of its value against the euro versus the peak of our currency’s appreciation in summer 2008), the debt of households, companies and state budget, incurred in foreign currencies, markedly increased compared to their income (denominated in zlotys). This put borrowers and banks alike in a difficult position, contributing to a further decline in the country’s economy.

The fourth impact of the crisis on Polish economy has not yet revealed itself fully, but is nevertheless imminent. This is the unemployment growth, and the consequent drop in Polish families’ purchasing power.

The effects of the global crisis may seriously undermine the already widely accepted opinion that Poland’s membership of the EU is an undisputable success. Over a few months, the exchange rate of the zloty plunged to the level from before the accession. It is certain that, over the next months, unemployment rate will steeply grow, and the production growth rate will shrink to zero. Paradoxically enough, the phenomena named by experts as key benefits of the membership may today turn against Poland. For instance, the relocation to Central and Eastern Europe of a major part of automotive production leads to a serious reduction in the region’s economic activity, while the growth in the export to GDP ratio, observed over the last five years, renders it more dependent on changes in the economic situation in Western Europe than before. Also, the success in attracting foreign capital renders countries of the region more exposed to dwindling investor confidence, their cutting down on new investments and withdrawal of capital.

Will Poland manage the crisis better due to its EU membership?

Is it the case that, as a result of EU membership, Poland will suffer more from that crisis than it would have if it were not an EU member, or perhaps it will endure through the crisis better on account of that?

In order to answer the question, we need to look at the current economic situation of Poland and risks that are very likely to emerge in the next few years. First of all, however, we need to answer the question where Poland is now, what has been achieved in the past and what weaknesses are still there, that may lead to problems.

First, we are a member of the EU and, against other countries of the continent, we are a very attractive location for investments. The main reason for this state of the affairs is a combination of high level of investment safety (above that offered by the majority of developing countries) and low production costs (which cannot be offered by most developed countries). This remains a constant irrespective of the current crisis. International corporations know that it makes more sense to build new European factories in Poland and other Central and Eastern European countries than in Western Europe. This does not help at present, however, as companies put on hold any investment decisions under the circumstances of the present, massive recession. However, the crisis is bound to end at some point, and the investments will flow in again. It may be assumed that the process of transfer to the new member states of some business operations from the countries of the “old” Union will not only resume, but also accelerate in comparison with the pre-crisis period, offering to Poland at least a decade of speedy development.

Second, membership of the EU is an important shield for Poland, to a certain extent protecting us against shocks in the world economy. This role is performed by development funds – a massive amount of EUR 70 bn, assigned to our country under the EU budget for the years 2007–2013 for investment in Polish infrastructure and human resources development. The most optimistic forecasts for 2009 show the Polish GDP growth rate at 1–2%. On the other hand, it may be estimated that EU transfers and infrastructural projects they co-fund, increasing versus the previous year, account for at least 1 to 1.5 per cent of GDP growth. Symbolic importance may be attached to the fact that, according to the present estimates, it is the EU funds that may retain the positive growth rate in Poland. Public investments co-funded by the EU budget also translate into thousands of new jobs for people otherwise threatened with unemployment. First and foremost, however, better infrastructure is a chance for the improvement of long-term development opportunities for Poland.

Third, EU membership gives greater financial stability to our country. The shockwaves through the global market are massive, and many countries are facing a real threat of bankruptcy. The EU Countries are in a much better position than other states, as they may count on emergency loans if under threat, not only from the International

Monetary Fund, but also European financial institutions, as well as united support from the entire EU (if necessary, the EU collects in the market the capital necessary for states in a crisis). This assistance was thus far used only by Hungary and Latvia. In the case of our country, it has not been necessary so far to employ such extreme measures and there are reasons to believe that they will not be necessary at all. However, the confidence that Poland, if in need, may count on financial support of the EU, is an additional “insurance policy” for us. Even if we do not need to use it, it is nevertheless good that the opportunity exists.

Fourth, the EU membership allows a greater level of coordination of economic policy and cooperation on fighting the negative consequences of the crisis. An example of such actions is facilitated access to European funds, designed to increase the number of investments co-funded by the EU, and plans of increased lending by the European Investment Bank. Depending on the course of the crisis, it may turn out that there are many more similar areas of cooperation.

Fifth, membership of the EU protects against the most serious threat related to the global crisis, that is protectionist measures used by our main trade partners. Protectionism, usually reviving in times of crisis, leads to a peculiar competition in limiting access to each other’s internal market (of goods, labour, capital). If all players are erecting barriers and restricting access to their market, the country that tries to continue to pursue a policy of openness and unrestricted exchange loses even more. It is therefore a suicidal policy leading to a lose-lose situation, but at the same time one that subsequent countries are dragged into by the behaviour of others. Luckily, it is more difficult to play this game in the EU than anywhere else. Over fifty years of integration customs barriers have been lifted and the single market emerged, where it is not possible to block imports from other EU states, or offer aid to one’s own producers to give them the competitive edge. The common market of capital has also been established under which member states are not allowed to persecute investors from other countries, or to support those from their own state. Finally, we are part of the common labour market (all restrictions in the last countries to lift them will disappear in 2 years) and it is not possible to hinder employment of citizens from other EU states. Certain threat posed by protectionist tendencies still exists, because it is always possible to attempt to evade the law. As an EU member, however, we are to a large degree protected against this risk.

We can obviously ask ourselves a question whether we fully took advantage of the EU membership to cope with today’s crisis better. By all means, many things could

have been done better. An example may be the euro, that could already replace the national currency (as is the case in Slovakia) and cross out the exchange rate instability from the list of potential problems. Poland could also have been prepared better to absorb EU funds, and public finance could be more resistant to economic fluctuations, had deeper-reaching reforms been implemented during the period of fast development. All the above notwithstanding, it should be argued that the years 2004–2008 reinforced the foundations of Poland's economic development, owing to which we are now able manage the crisis better.

Summary

All these give valid reasons to believe that Poland will survive the crisis better being in the EU than it would if it was outside. The present crisis is definitely a tribulation for all countries, and strong economic and financial links between Poland and the global and European economy render serious problems inevitable. Even if outside the Union, we would have to face the same economic slowdown (although weights of individual factors responsible for the decline would be different, as we would suffer less from the decrease in exports and the inflow of foreign investments and be more struck by the drop in domestic consumption and investments). Clearly, the unemployment rate would be higher, similarly to the risk that financial turbulence sends the currency into a tailspin and threat of bankruptcy emerges for the entire banking system (as is the case in Ukraine). In the case of serious problems, we could not count on potential assistance from the EU, representing an extra "insurance policy" protecting us against the risk of financial and economic collapse. Equally important is that we would have a good reason to fear that the economic situation could aggravate even more due to protectionist activities stifling our exports.

Economists and institutions that make forecasts on economic development share a conviction that only 3 to 4 states stand a chance of averting the drop in GDP in 2009. Poland is always mentioned as a country in the group. Against other European states, our economic growth compares favourable although, obviously, the rate of growth in the period is decreasing. Despite strong financial links with other countries, Polish economy appears to be relatively well-prepared to manage the crisis, also thanks to a rather low level of internal and external imbalance: both our current account deficit and budget

deficit are among the lowest in the new EU states, and the present depreciation of the currency can be ascribed more to market panic and speculation than weakness of macro-economic foundations of the country.

First and foremost, however, it should be remembered that the present crisis is short-lived, while the key advantages of EU membership are realised in the longer run. After the crisis, acute as it certainly will be, Poland will again enjoy high economic growth. Strong economic links with Western European markets may, in the short term, lead to the growth being even more sluggish. Yet in the longer perspective of 3 to 5 years, they contribute to accelerated development of the country and growth in its residents' income.



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List of acronyms

APA	– Agricultural Property Agency
BAEL	– Economic Activity Survey
BAT	– Best Available Technique
BOM	– Crime Assets Recovery Agency
CAP	– Common Agricultural Policy
CAT	– Anti-Terrorism Centre
CBOS	– Public Opinion Research Centre
CBSS	– Council of the Baltic Sea States
CBS	– Central Bureau of Investigation
CCT	– Common Customs Tariff
CEI	– Central European Initiative
CF	– Cohesion Fund
SG	– Border Guard
CoR	– Committee of the Regions
CPC	– Consumer Protection Cooperation
CPI	– Consumer Price Index
SC	– Customs Service
CTP	– Common Trade Policy
DEP OP	– Operational Programme Development of Eastern Poland
DNO	– Distribution Network Operator
EAEC	– European Atomic Energy Community
EAGGF	– European Agricultural Guidance and Guarantee Fund
EAW	– European Arrest Warrant
EC	– European Commission
EC	– European Community
ECA	– European Court of Auditors
ECB	– European Central Bank
ECC	– European Consumer Centre

ECJ	– The Court of Justice of the European Communities
ECOFIN	– Economic and Financial Affairs Council
ECSC	– European Coal and Steel Community
EDF	– European Development Fund
EDIS	– Extended Decentralised Implementation System
EEA	– European Economic Area
EEAFM	– European Economic Area Financial Mechanism
EEC	– European Economic Community
EESC	– European Economic and Social Committee
EFC	– Economic and Financial Committee
EFTA	– European Free Trade Association
EIB	– European Investment Bank
EP	– European Parliament
ERA	– The Energy Regulatory Office
ERDF	– European Regional Development Fund
ESF	– European Social Fund
ETS	– Emission Trading Scheme
EU	– European Union
EU-10	– Cyprus, the Czech Republic, Estonia, Lithuania, Latvia, Malta, Poland, Slovakia, Slovenia, Hungary
EU-12	– Bulgaria, Cyprus, the Czech Republic, Estonia, Lithuania, Latvia, Malta, Poland, Romania, Slovakia, Slovenia, Hungary
EU-15	– Austria, Belgium, Denmark, Finland, France, Greece, Spain, the Netherlands, Ireland, Germany, Luxembourg, Portugal, Sweden, the United Kingdom, Italy
EU-2	– Bulgaria, Romania
EU-27	– the entire European Union
EU-8	– the Czech Republic, Estonia, Lithuania, Latvia, Poland, Slovakia, Slovenia, Hungary
EUR	– Euro
FDI	– Foreign Direct Investments
FIFG	– Financial Instrument for Fisheries Guidance
GCSS	– Government Centre of Strategic Studies
GDDKiA	– General Directorate for National Roads and Motorways
GDP	– Gross Domestic Product
GNI	– Gross National Income
GUS	– Central Statistical Office
HC OP	– Operational Programme Human Capital

List of acronyms

IA	– Impact Assessment
IEA	– International Energy Agency
I&E OP	– Operational Programme Infrastructure and Environment
IE OP	– Operational Programme Innovative Economy
IROP	– Integrated Regional Operational Programme
ISPA	– Instrument for Structural Policies for Pre-Accession
KERM	– European Committee of the Council of Ministers
KPRM	– Chancellery of the Prime Minister
LRA	– Local and Regional Authorities
MARD	– Ministry of Agriculture and Rural Development
MCNH	– Ministry of Culture and National Heritage
ME	– Ministry of Economy
ME	– Ministry of the Environment
MF	– Ministry of Finance
MFA	– Ministry of Foreign Affairs
NFP	– New Financial Perspectives
MH	– Ministry of Health
MI	– Ministry of Infrastructure
MIA	– Ministry of Interior and Administration
MJ	– Ministry of Justice
MLSP	– Ministry of Labour and Social Policy
MND	– Ministry of National Defence
MNE	– Ministry of National Education
MRD	– Ministry of Regional Development
MSHE	– Ministry of Science and Higher Education
MT	– Ministry of Treasury
NATO	– North Atlantic Treaty Organisation
NBP	– National Bank of Poland
NDP	– National Development Plan
NFM	– Norwegian Financial Mechanism
NGO	– Non-Governmental Organisation
NPMWWT	– National Programme for Municipal Waste Water Treatment
NRP	– National Reform Plan
NSRF	– National Strategic Reference Framework
OECD	– Organisation for Economic Co-operation and Development
PARP	– Polish Agency for Enterprise Development
PFSA	– Polish Financial Supervision Authority

PKPP Lewiatan	– Polish Confederation of Private Employers Lewiatan
PLL	– Polish Airlines
PLN	– Polish zloty
PPL	– State Enterprise Polish Airports “Porty Lotnicze”
PPU	– Urgent Preliminary Ruling Procedure
RCL	– Government Legislation Centre
RDC	– Research and Development Centre
RDP	– Rural Development Plan
RES	– Renewable Energy Sources
RFCS	– Research Fund for Coal and Steel
RIA	– Regulatory Impact Assessment
SAPARD	– Special Accession Programme for Agriculture and Rural Development
SC	– Swiss Contribution
SEZ	– Special Economic Zone
SII	– Summary Innovation Index
SIS	– Schengen Information System
SME	– Small and Medium Enterprises
SOP	– Sectoral Operational Programme
SOP ICE	– Sectoral Operational Programme Improvement of the Competitiveness of Enterprises
SOP T	– Sectoral Operational Programme Transport
TEC	– Treaty Establishing the European Community
TEN-T	– Trans-European Transport Network
TEU	– Treaty on European Union
TPA	– Third Party Access
The Council	– Council of the European Union
TOR	– Traditional Own Resources
UDSC	– Office for Foreigners
UKE	– Office of Electronic Communications
UKIE	– The Office of the Committee for European Integration
UOKiK/ OCCP	– Office for Competition and Consumer Protection
USD	– US dollar
UZP	– Public Procurement Office
VAT	– Value-Added Tax
VG	– Visegrad Group
VIS	– Visa Information System
WSE	– Warsaw Stock Exchange

List of acronyms

WTO	– World Trade Organisation
ZSNR	– Automated System of Radar Monitoring of Polish Maritime Areas
AT	– Republic of Austria
BE	– Kingdom of Belgium
BG	– Republic of Bulgaria
CY	– Republic of Cyprus
CZ	– Czech Republic
DE	– Federal Republic of Germany
DK	– Kingdom of Denmark
EE	– Republic of Estonia
EL	– Hellenic Republic
ES	– Kingdom of Spain
FI	– Republic of Finland
FR	– French Republic
HU	– Republic of Hungary
IE	– Ireland
IT	– Italian Republic
LT	– Republic of Lithuania
LU	– Grand Duchy of Luxembourg
LV	– Republic of Latvia
MT	– Republic of Malta
NL	– Kingdom of the Netherlands
PL	– Republic of Poland
PT	– Portuguese Republic
RO	– Romania
SE	– Kingdom of Sweden
SI	– Republic of Slovenia
SK	– Slovak Republic
UK	– United Kingdom of Great Britain and Northern Ireland

