

Karol KOCISZEWSKI

Wrocław University of Economics (Poland)

## THE PERSPECTIVES OF EU FINANCIAL SUPPORT FOR ENVIRONMENTAL PROTECTION IN POLAND IN THE YEARS 2007–2013

### 1. Introduction

The period of Poland's EU membership 2007–2013 brings many more opportunities of financial support than the years 2004–2006 brought. It could be a great chance to strengthen environmental policy in Poland and also an important factor stimulating sustainable development – the funds should contribute to economic growth, environmental protection and improving the social situation. The goal of this paper is the critical presentation of opportunities for co-financing environmental measures within the system of EU transfer payments in the years 2007–2013 against the background of the absorption process in the first period of membership. It focuses on the most important program – the Operational Program for Infrastructure and the Environment.

### 2. The system for absorbing EU funds in the years 2004–2006

The total amount of EU funding for Poland included in the National Development Plan (NDP) (the main document regarding the allocation of EU funds) was 11.36 billion EUR in the period 2004–2006. This includes both the Cohesion Fund (CF) and structural funds (mainly the European Regional Development Fund – ERDF). The executive documents of the NDP are the Integrated Operational Program for Regional Development (IOPRD), which refers to the ERDF and the Sectoral Operational Program for Increasing the Competitiveness of Enterprises (SOPICE). The data are presented in Table 1.

It was planned that 50% of CF, 12.5% of SOPICE (among other funds for the adaptation of Polish enterprises adapting to EU regulations) and 14% of

IOPRD (support for municipal authorities and administration) should be spent on environmental protection. The largest share of the funds were aimed at water management and protection and the rest was aimed at waste management and air protection. On one hand, these priorities should be perceived as appropriate in the context of the high cost of adapting to EU ecological regulations – the majority of these costs are connected with water management and protection [*Polska Narodowy Plan...*, 2003, 179]. According to estimates for the cost of such adaptation, Cohesion Fund and Structural funds would cover 23% of the necessary investments (9.7 billion EUR over a period of 12 years). The cost of adapting water protection and management would be the highest – 14 billion EUR. The costs of adapting waste management would be 12 billion EUR. The total cost would be 36 billion EUR. On the other hand, the environmental assessment of the NDP states that too few financial resources were planned to support other ecological measures.

**Table 1.** Financial support for environmental protection within the National Development Plan for the years 2004–2006 (in million EUR)

Operational program	EU financial commitments	Public domestic sources of finance	Private domestic sources of financing	Total
SOP ECG Measure 2.4 <sup>a</sup>	155.3	52.0	303.8	516.1
IOPRD Measure 1.2 <sup>b</sup>	308.0	102.3	4	414.3
IOPRD Measure 3.3 <sup>c</sup>	99.5	33.2	–	132.7
Cohesion Fund	1866.6	330.8	–	2197.4
Overall	2429.4	517.5	307.8	3260.5

Notes:

<sup>a</sup> Measure 2.4 "Support for investments in the area of adapting enterprises to environmental requirements".

<sup>b</sup> Measure 1.3 "Environmental protection infrastructure".

<sup>c</sup> Measure 3.3 "Degraded urban, post-industrial and post-military areas".

Source: based on: Narodowy Plan Rozwoju 2004–2006 [2003]; *Sektorowy Program Operacyjny „Wzrost konkurencyjności...*, [2004, 123]; *Zintegrowany Program Operacyjny...*, [2004, 129].

The crucial problem of the NDP 2004–2006 program was the cancellation of the *Sectoral Operational Program – Environmental Protection and Water Management* and inclusion of its priorities in other programs (IOPRD, SOP ECG). This meant that the Ministry of Environment lost a major part of its competencies related to coordinating the absorption of EU funds to the Ministry of Industry. Undoubtedly, this situation has not led to an efficient process of absorbing the funds [Kociszewski, 2002, 4]. According to the NPR project, including the EU program for implementation, the level of EU support would be 184.3 mln EUR higher (it was 2616.5 mln EUR). Efficiency should

be improved, which entails the need to strengthen institutions. This requires avoiding mistakes, which had previously been made in relation to the National Strategic Reference Framework – the cohesion program for the years 2007–2013. Other defects were pointed out by the environmental assessment of the NPD 2004–2006 and individual operational programs. This assessment stated the following: a lack of cohesion and a lack of mutual strengthening of planned activities, which are not complementary to each other. The proposals were unconnected programs. Moreover, they would contribute neither to improving resource management nor to changing models of consumption and production. The funds available for air and soil protection were too low. Expenditure on ensuring water quality dominated and this was the only sphere in which the allocation was sufficient. Besides, the assessment highlighted partial inconsistencies with the principle of sustainable development (environmental protection was treated as an essential cost incurred in the process of economic growth, not as a factor stimulating its acceleration).

Furthermore, there is a need to intensify practical action connected with the implementation of measures defined in the programs. In order to do this, the presently functioning system of ecological funds – both national and regional – should be maintained. Due to the fact that the ecological funds are well adapted to the absorption process and experienced personnel are employed, the level of target funds should definitely be maintained – cuts have been suggested within the plans for public finance reform. Otherwise, there might be serious problems in absorbing EU financial support for environmental protection. This would require arranging a new system.

Another disadvantage is the low quality of the projects – they are not adapted to EU procedures. Besides, Polish domestic regulations in these matters are more restrictive than EU regulations. They should be simplified. The Ministry of Regional Development is working on changes in the law, which would accelerate the realization of investment projects. One reason for the lowering of financial support is the underestimation of the costs of projects, which often occurs during the planning process. This results in a lack of funds when the initiatives are implemented. One of the most important problems related to the absorption of EU funds is the lack of domestic sources of finance. To minimize these difficulties, the Polish government established the EU Guarantee Fund – an institution that should guarantee loans from potential beneficiaries and offer advisory services. The allocation of funds will be efficient on condition that the efficiency of government institutions and administration increases.

Regarding the allocation of ISPA funds, the total funds available to the environmental section of the Cohesion Fund will be much higher – 2.8 billion EUR [*Fundusz Spójności...*, 2007, 1]. This sum is allotted to the realization of 90 projects. At the end of 2006 the total value of payments made to project contractors was 525 million EUR and the total value of signed contracts was

1.8 billion EUR. These funds are much lower than those allocated to the transport sector, where the respective values were 1.2 billion EUR and 2.3 billion EUR (it was assumed that the Cohesion Fund should be divided equally between environmental protection and transport). In spite of the fact that the whole allocation has already been distributed, funds will be obtained from the EU after finishing each investment (by 2010). By the end of 2006 Poland had received 1.3 billion EUR from the total amount available from the Cohesion Fund, which is 5.6 billion EUR. This means that in the years 2007–2010 the average annual level of payments should be approximately 1 billion EUR. This requires increasing the rate of realizing projects – especially in the field of environmental protection where the absorption of funds is inefficient.

Data referring to the absorption of SOPICE Measure 2.4 indicate that there are problems. Measure 2.4 is being implemented by the National Fund for Environmental Protection and Water Management, which has currently spent only 4.7% of EU financial support presented in Table 1 (only 7 million EUR) [*Informacja o stanie...*, 2007, 2]. Responsibility for this also rests with the Ministry of the Environment, which is the institution in charge of the promotion of activities aimed at adapting to the needs of environmental protection. This low level of absorption should not be used as a justification of plans to limit or even liquidate ecological funds. As mentioned above, such cutbacks could slow down the process. Besides, there is a need to change ministry policies. The ministry should influence the decisions taken by enterprises. It should be underlined that in the previous version of SOPICE from 2003, Measure 2.4 funds included 87 million EUR financed from private sources. According to the present plan, they must allot 303.8 million EUR. This could be a discouraging factor that might reduce opportunities for the realization of projects.

The institution responsible for IOPRD Measure 1.2 is the Ministry of Regional Development, which has made use of the funds much more efficiently. The value of contracts signed with beneficiaries is equal to 98% of the total funds available for the years 2004–2006 and the value of executed payments is equal to 54% of this sum. In relation to Measure 3.3, the respective quotas are equal to 99% and 45% of the total allocation. The value of executed payments from all IOPRD measures is equal to 45% of the total sum, so the level of absorption of Measure 2.4 funds may be described as highly disappointing.

### **3. The absorption of European Union funds and environmental protection in Poland in the years 2007–2013**

The general document on the process of absorbing EU funds in the years 2007–2013 is the National Strategic Reference Framework (NSRF) 2013

[*Narodowe Strategiczne...*, 2006, 3]. The NSRF is connected with the National Cohesion Strategy – NCS and will be implemented through five Operational Programs (OP) managed by the Ministry of Regional Development and through 16 Regional Operational Programs (ROPs) managed by each of Poland's 16 regional governments. Financial data for these programs are presented in Table 2.

**Table 2.** Financial data for the National Strategic Reference Framework 2007–2013 – Community resources EUR billion (allocations)

Operational programs 2007–2013	Total	Source of finance – fund	Percentage share of NSRF
Regional Operational Programs	15.9	ERDF	24.0%
OP Development of Eastern Poland	2.3	ERDF and additional sources granted by the European Council	3.4%
OP Infrastructure and Environment	28.5	ERDF, CF	42.8%
OP Human Capital	9.7	ESF	14.6%
OP Competitive Economy	8.3	ERDF	12.4%
OP Technical Assistance	0.5	ERDF	0.8%
NSRF in total	67.3		100.0%

Source: *Narodowe Strategiczne...*, 2006, 125.

The *Operational Program for Infrastructure and Environment* is the most important OP within the context of this paper. The funds available for regional development in Poland come both from EU support – 67.3 billion EUR – and national sources – 11.9 EUR billion. The primary objectives of the ROPs are to increase the competitiveness of particular regions and promote sustainable development. These objectives are to be achieved by an integrated program to create the conditions for growth in investment at regional and local levels and increase employment. Measures aimed at the accomplishment of the objectives specified in the ROPs are coordinated with the measures taken under the OP.

The general goal of NSRF is: *creating the conditions to raise the competitiveness of a knowledge-based economy ensuring an increase in employment and spatial, economic and social cohesion*. This goal does not refer – in a direct way – to sustainable development. It may be noticed that only economic, spatial and social dimensions are mentioned. There is no reference to ecological goals. Apart from these strategic goals, the document contains six parallel, detailed goals, which are to contribute to achieving the strategic goals. No one goal is directly connected with environmental protection. It was stated that “...implementing the strategic and parallel goals will simultaneously contribute to the principles of sustainable development...”. Parallel Goal 3 – *Building and*

*modernizing the technical and social infrastructure of fundamental importance to increasing Poland's competitiveness* refers to environmental protection. This goal is connected with the development of infrastructure in the field of environmental protection, which is necessary due to EU guidelines and directives, as well as the need to preserve natural heritage, which has an important meaning for the Polish economy and the welfare of its inhabitants. The measures aimed at achieving this goal should ensure the proper functioning of the Nature 2000 system and should be coordinated with such elements as state ecological policy and the Convention on the Protection of Bio-diversity. Another measure aimed at achieving Goal 3 is the policy of *diversifying energy supplies and reducing the negative impact of the energy sector on the environment*. This is going to be achieved through the introduction of new techniques, increasing energy efficiency and changing the structure of energy supply (according to the Lisbon Strategy – increasing the percentage share of renewable energy sources and decreasing the use of traditional sources, especially of hard and brown coal).

The largest amount of funding for environmental protection is contained in the Operational Program – Infrastructure and the Environment. It consists of seventeen priority axes. Seven of them concern environmental protection [*Program operacyjny...*, 2006, 79]:

– **Axis 1. Water and sewage management.** This axis is aimed at ensuring that towns of over 15 000 inhabitants have adequate sewage systems and sewage treatment plants by the end of 2015 (this is the main objective of Axis 1). This is necessary for adaptation to the requirements of EU water protection and water management directives, as well as for realizing the National Program of Municipal Sewage Treatment, which is presently being implemented by the Polish government. Support will be provided for large investments included in a descriptive list. The beneficiaries will be local governments and enterprises which local governments have assigned to carry out its duties in the field of water and sewage services. Furthermore, in accordance with the objectives of the National Program of Municipal Sewage Treatment, Poland should build and modernize sewage treatment plants and sanitary networks in smaller towns and villages, but these initiatives will be realized by implementing individual projects within the 16 Regional Operational Programs.

– **Axis 2. Waste management and soil protection.** The main objective is to increase economic benefits by reducing the amount of municipal waste, redeveloping degraded areas and protecting the coast. The specific priority axis objectives focus on increasing the level of recycling and neutralizing of municipal waste and eliminating the risks resulting from storage. Support will be given to large investments (servicing a minimum of 150 000 inhabitants with a minimum value of 5 million EUR), which satisfy given criteria. Technologies to be supported include thermal waste processing, as well as the recycling and neutralization of waste material rather than just disposing of it.

This priority axis will contribute to implementing five EU directives on waste management. The beneficiaries will be local government and the enterprises they commission, together with the army, regional governors, the National Forest Enterprise and marine offices.

– **Axis 3. Resource management and counteracting environmental risks.** The main objective of this axis is related to the Polish Act on Water Law and focuses on providing an amount of water resources that satisfies the needs of the population and national economy, as well as minimizing the negative effects of natural disasters by ensuring the good condition of coastal waters. The specific priority axis objectives are connected with improving flood control, increasing natural water retention, as well as protecting against the negative effects of natural hazards, strengthening environmental management in general, increasing the efficiency of environmental monitoring and ensuring better access to information. Funds will be allocated for the reconstruction and modernization of hydro-technical facilities, building multi-functional water tanks, as well as projects related to re-naturalization, increasing natural water retention and flood protection. Moreover, within this axis there will be funds available for projects aimed at constructing and modernizing stations for analyzing and predicting natural hazards (provision of professional equipment necessary for rescue actions and eliminating the effects of hazards, technical support for fire fighting systems). The beneficiaries will be Regional Water Management Boards, Regional Drainage and Water Boards, marine offices, the Marine Search and Rescue Service, the Institute of Meteorology and Water Management, regional stations of the National Fire Brigade, as well as inspectorates of environmental protection.

– **Axis 4. Initiatives aimed at enterprises adapting to the requirements of environmental protection.** The main objective of this axis is to reduce the negative effects of enterprises on the environment and promote their adaptation to the requirements of EU environmental law. There is a great need for investment in this field, due to the necessity of adaptations related to the transitional period of the Accession Treaty – especially in relation to directive 96/61/EEC on integrated control systems and prevention of pollution (IPPC). Adapting to this directive requires high-level BAT technology, which is very expensive. Consequently, this is a very serious problem for large Polish enterprises. This axis is related to promoting environmental management systems, management of non-municipal waste, adapting existing installations to the requirements of BAT technology and investments leading to a reduction in the level of pollution discharged into water, soil and air. Support will be granted to projects of large industrial enterprises, which reduce the amount of pollution emitted (co-financing such investments), preparing the audits necessary to obtain ecological certificates, applications for the eco-labeling of products, as well as investment in BAT technologies.

– **Axis 5. Environmental protection and promotion of environmentally-friendly behavior.** The main objective of this axis is to counteract the following: degradation of the natural environment, losses of its resources and of biodiversity. This is connected with restoring natural habitats to their previous state, preserving endangered species and biodiversity, restoring ecological corridors and increasing awareness concerning the need for nature and landscape conservation. This axis refers to the *Natural Strategy for the Protection and Moderate Use of Biodiversity*. It is also aimed at enabling the proper functioning of the Nature 2000 network in accordance with “bird” and “habitat” directives. Support will be allotted to the process of drafting conservation plans for protected areas (including Nature 2000) and initiatives concerning the reconstruction of natural habitats, restoration of aqueous habitats, the water balance, the construction and modernization of small-scale infrastructure required to organize and control tourist activities in protected areas, as well as building passages for animals under and above railway lines and roads. EU funds will be given to initiatives for organizing nation-wide and regional education programs for particular social and professional groups. These funds will be designated to such beneficiaries as: national parks, landscape parks, forest inspectorates, non-governmental organizations, organizations managing protected areas and research institutes.

– **Axis 7. Environmentally-friendly transport** is aimed at increasing the percentage of environmentally-friendly vehicles in total passenger and cargo transport. This axis contains only two specific objectives connected to environmental protection: to increase the amount of environmentally-friendly public transport in metropolitan areas and to increase the share of multi-modal transport in total cargo transport. This mainly refers to increasing competitiveness and modernizing the transport system and environmental protection is not the most important aspect of this goal. The axis title could be interpreted as an exaggeration – especially taking into account the lack of plans related to investments in roads that avoid protected areas. The most spectacular example of this is the Rospuda conflict, which followed from the plans for the *via Baltica* motorway ignoring EU regulations on the environment. The support of multi-modal transport seems only to be a declaration. No concrete solutions have been proposed within this axis. Organizations responsible for the management of railway lines will be beneficiaries of EU funds within this axis. However, in Poland these institutions are not developing such forms of transport. One of the predicted effects of this priority axis is a decrease in the level of negative effects of transport on the environment, but there are no major measures contributing to achieving this goal.

– **Axis 10. Environmentally-friendly structure of energy production.** The main objective of this axis is to increase the country's energy security regarding the impact of the energy sector on the environment. The specific



objectives refer to increasing the efficiency of energy production, increasing the amount of energy produced from renewable sources, including biofuels (investments in the construction of energy stations fueled by biomass, biogas, wind or water energy, as well as producing heat with the use of geothermal and solar energy). This is connected with the economic mobilization of regions rich in renewable sources of energy.

These measures should be combined with decreasing the energy requirements of the public sector (financial support for the thermo-modernization of public premises). Support will also be given to investments in combined heat and power production (CHP) and reducing losses during transmission and distribution (the modernization, exchange and construction of new networks for distributing electrical energy). It is also planned that some support will be available from the Cohesion Fund for investments by enterprises producing equipment used to make use of renewable sources of energy. Thanks to these axis initiatives, the emission of CO<sub>2</sub> and greenhouse gases will be reduced. The beneficiaries of funds from this axis will be: enterprises, local and regional government units, government administration, universities, other public institutions and non-government organizations. Financial data referring to the axes of the program connected with environmental protection are presented in Table 3.

**Table 3.** Financial data for the Operational Program – Infrastructure and the Environment (axes connected with environmental protection) – million EUR

Priority Axis	EU financial commitments	Public domestic sources of finance	Private domestic sources of finance	Total
Axis 1	2725	480		3205
Axis 2	1190	210		1400
Axis 3	545	96		641
Axis 4	200	67	400	667
Axis 5	89	15		105
Axis 7	7513	3039	200	10752
Total	12994	3993	1155	18143

Source: *Program Operacyjny Infrastruktura i Środowisko*, 2006.

Support will also be provided to prepare the documentation necessary for submitting applications. Projects submitted under the Cohesion Fund in the period 2004–2006 which were not considered due to all the available funds having been allocated will also be considered. Only some of the funds available under Axis 7 and Axis 10 are designated for environmental protection. These funds are mainly aimed at the development of the transport and energy sectors

and are coordinated by the Ministry of Industry and the Ministry of Transport. Consequently, the total sum given in Table 3 is an overestimate of the the funds available for environmental protection. Axes 1–5 are directly aimed at the goals of environmental protection and are coordinated by the Ministry of Environment. Hence, the total allocation from these axes equals 6018 million EUR, including 4749 million EUR of EU funds. This is less than a quarter of the total funding allocated to this Operational Program and approximately 10% of the total NSRF allocation. Even though the funds available for environmental protection might be four times higher than in the first period of membership, as a percentage share of total EU support for Poland they have declined. This could mean that the importance of environmental policy as a tool of Polish government administration will decrease. One example of this is the inadequate consideration of the requirements of nature conservation in investment projects. On one hand, this could cause irreversible damage to the environment. On the other hand, it could be a cause for losing EU funding – the Commission can withhold funding as a punishment for not respecting EU regulations and directives. Assuming that 10% of the funding for the 16 Regional Operational Programs will be allocated to environmental measures, total EU financial support over the two periods of membership would be equal to 8.8 billion EUR.

#### 4. Conclusion

The efficient use of EU funds for environmental protection will contribute not only to limiting the impact of industry on the environment, it should also stimulate economic and social development. One important factor is the effectiveness of authorities and institutions in implementing suitable instruments. This is especially vital in the context of preparing for the efficient absorption of funds in the years 2007–2013 – the level of funding is much higher than in the first period of membership. In order to achieve maximum benefits from the cohesion policy in the long run, Poland (within the framework of the EU) should treat the implementation of EU policy as one of the Community's pillars and a factor enabling the lesser developed member states to catch up with the more developed states.

One of the arguments for EU funding for environmental protection is the need to finance very expensive investments aimed at eliminating arrears in the field of environmental protection. Without EU support it would be very difficult to implement such projects and consequently Polish and European natural heritage would incur damage. Regardless of the form of EU cohesion policy, it is necessary to improve the efficiency of the planning process within administration and institutions connected with environmental policy – by

strengthening the role of actors at both regional and municipal level. There is also a need for the better integration of regional and environmental policies and for serious consideration of EU procedures and requirements – especially on environmental protection. Otherwise, the efficiency of the absorption process would be low and this would result in damage to the environment. Apart from this, the present system of financing should be maintained – it is prepared for the absorption process.

## Literature

- „Efektywność wykorzystania środków przedakcesyjnych a możliwości absorpcji funduszy wspólnotowych w ochronie środowiska”, in: Famielec, J. (ed.), *Finansowanie ochrony środowiska w Polsce w warunkach osłabienia finansów publicznych*. Kraków: Akademia Ekonomiczna w Krakowie, 2005.
- Fundusz Spójności – realizacja projektów w latach 2000–2006 oraz kierunki działań do 2010 r.* Warszawa: Ministerstwo Rozwoju Regionalnego, kwiecień 2007.
- Informacja o stanie programów operacyjnych współfinansowanych z funduszy strukturalnych Unii Europejskiej za okres od 01. do 28 lutego 2007.* Warszawa: Ministerstwo Rozwoju Regionalnego, luty 2007.
- Kociszewski, K., „Dotychczasowe wykorzystanie środków pomocowych UE, a możliwości absorpcji funduszy strukturalnych po akcesji (w aspekcie realizacji zasad ekorozwoju)”, in: *Wskaźniki ekorozwoju a pomoc przedakcesyjna Unii Europejskiej*. Wrocław: Wydawnictwo AE im. Oskara Langego, 2002.
- Narodowe Strategiczne Ramy Odniesienia 2007–2013 wspierające wzrost gospodarczy i zatrudnienie.* Warszawa: Ministerstwo Rozwoju Regionalnego, listopad 2006.
- Polska Narodowy Plan Rozwoju 2004–2006.* Warszawa: Ministerstwo Gospodarki, Pracy i Polityki Społecznej, dokument przyjęty w dniu 14 stycznia 2003 roku.
- Program Operacyjny Infrastruktura i Środowisko.* Warszawa: Ministerstwo Rozwoju Regionalnego, listopad 2006.
- Sektorowy Program Operacyjny „Wzrost konkurencyjności przedsiębiorstw, lata 2004–2006”.* Dokument przyjęty przez Radę Ministrów w dniu 16 marca 2004 roku. Podstawy wsparcia.
- Strategia wykorzystania Funduszu Spójności na lata 2004–2006.* Warszawa: Ministerstwo Gospodarki, Pracy i Polityki Społecznej, marzec 2004.