

## **ASSESSMENT OF THE LEVEL OF ABSORPTION OF STRUCTURAL FUNDS IN WARMIA AND MAZURY PROVINCE WITHIN THE INTEGRATED REGIONAL OPERATIONAL PROGRAM (IROP)**

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**Key words:** regional policy, regional and local development, structural funds, operational programs.

### **Abstract**

The paper presents the level of absorption of the Integrated Regional Operational Program (IROP) in Warmia and Mazury province. The data covers the period from Poland's accession to the European Union until the end of 2005.

During the covered period the value of contracts signed did not exceed 50% of available funds. The disbursements ratio was at a much lower level. Until the end of 2005 only 7% of the contracted funds were disbursed. Measures in the area of road infrastructure and measures targeted at microenterprises enjoyed the highest levels of interest. The lowest absorption of contracted funds was recorded in case of measures covered by Priority 2 financed from the European Social Fund funds.

## **OCENA STOPNIA WYKORZYSTANIA FUNDUSZY STRUKTURALNYCH W WOJEWÓDZTWIE WARMIŃSKO-MAZURSKIM W RAMACH ZPORR**

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**Słowa kluczowe:** polityka regionalna, regionalny i lokalny rozwój, fundusze strukturalne, programy operacyjne.

### **Abstrakt**

W artykule przedstawiono stopień wykorzystania Zintegrowanego Programu Operacyjnego Rozwoju Regionalnego (ZPORR) w woj. warmińsko-mazurskim. Dane dotyczą okresu od przystąpienia Polski do Unii Europejskiej do końca 2005 r.

W badanym okresie wartość podpisanych umów przekroczyła 50% dostępnych środków. Na znacznie niższym poziomie kształtował się wskaźnik płatności. Do końca 2005 r. wypłacono jedynie 7% zakontraktowanych środków. Największym zainteresowaniem cieszyły się działania z zakresu infrastruktury drogowej oraz działania skierowane do mikroprzedsiębiorstw. Najniższym poziomem wykorzystania zakontraktowanych środków cechowały się działania objęte Priorytetem 2, finansowane ze środków Europejskiego Funduszu Społecznego.

## Introduction

On accession to the European Union entire Poland was covered by Objective 1 of the regional policy. As a consequence, it was given the possibility of benefiting from all four structural funds (the European Regional Development Fund, European Social Fund, European Agricultural Guidance and Guarantee Fund and Financial Instrument for Fisheries Guidance). Additionally, the GDP of Poland is below 90% of the EU average and as a consequence Poland has also become a beneficiary of the Cohesion Fund. During the years 2004 – 2006, Poland received over • 12 billion within the frameworks of regional policy. To be able to absorb those funds we were required to complete numerous adjustment works. Some of those works covered development of operational programs. They represent strategies of EU funds allocation considering the areas needing support the most. Among seven operational programs there is one of regional nature, i.e. the Integrated Regional Operational Program. The strategic goal of IROP is to create conditions for increase in competitiveness of regions and preventing marginalization of certain areas in a way supportive for long-term economic development of the country, its economic, social and territorial cohesion as well as integration with the European Union (PATRZALEK 2005, p. 151).

That Program is funded simultaneously from two structural funds: the European Regional Development Fund that aims at closing the development level gaps between regions belonging to the European Union UE (GROSSE 2003, p. 104) and the European Social Fund responsible for supporting activities focused on preventing and combating unemployment (GŁABICKA, GREWIŃSKI 2003, p. 107).

According to the allocation in the IROP<sup>1</sup> Warmia and Mazury province can use • 181,9 million representing ca. 6,6% of the total Community funds

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<sup>1</sup> Poland in its entire area satisfies the criteria qualifying it as the area covered by Objective 1 of European Union structural funds. That justifies the dominating role of population criterion in regional allocation of support funds. 80% of those funds were allocated proportionally to the number of residents in the individual provinces. As a consequence of per capita GDP differences between provinces, 10% of the funds will be divided proportionally to the number of residents in provinces where the average per capita GDP during the years 1997–1999 was lower than 80% of the national average. That applies to Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmia and Mazury provinces. As a consequence of the high unemployment rate and threat of permanent marginalization of significant

contracted within the frameworks of that program during the years 2004–2006 (ZPORR 2004, p. 130). The applied allocation criterion caused that the value of offered aid funds per capita in the region positioned Warmia and Mazury province in the first position in the ranking of provinces.

It should also be noticed that the total amount of capital expenditures from the budgets of municipalities in Warmia and Mazury province was ca PLN 221,8 million in 2000, the majority of which represented investments necessary for performance of basic functions of territorial governments. It is clearly visible then how big an amount is represented by funds contracted in IROP and, which is linked to that, how big a problem can it be to find additional funds allowing absorption of that aid (CZESZEJKO-SOCHACKA, WOJARSKA 2005, p. 143).

The paper aims at presenting the assessment of the level of absorption of structural funds in Warmia and Mazury province from the Integrated Regional Operational Program during the period from May 2004 until the end of 2005. The information originates from materials obtained from the Structural Funds Implementation Department of Warmia and Mazury province Marshal's Office. The studies were carried out within the research subject *Use of economic, social and institutional potential of the region* implemented at the Chair of Economic and Regional Policy of the Faculty of Economic Sciences at the University of Warmia and Mazury.

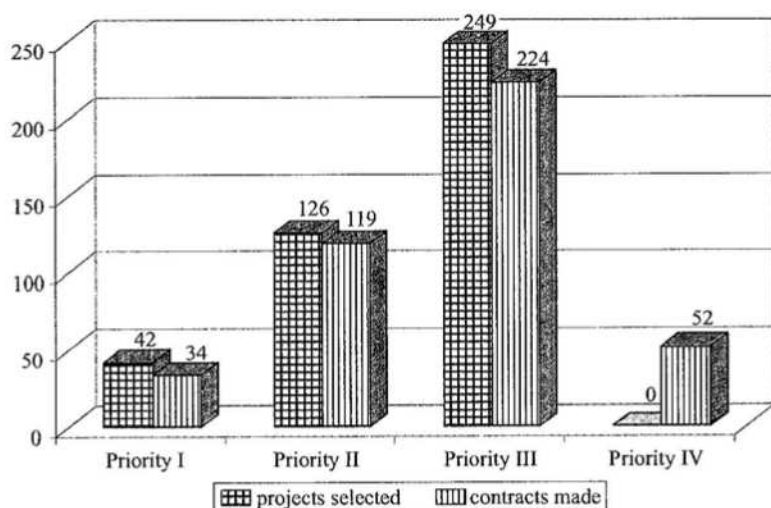
## **IROP implementation in Warmia and Mazury province**

At the end of 2005 the IROP funds commitment resulting from projects selected by Warmia and Mazury Province Management Board and Implementing Institutions amounted PLN 513,749,938.66 representing 74% of the total Program funds (excluding Priority 4). The total amount of liabilities resulting from contracts made (ERDF and ESF funds) amounted PLN 401,465,404.11 representing 57.51% of total funds. Since the beginning of Program, implementation refunds have been made from the EU funds amounting in total PLN 51,802,182.79, the equivalent of • 13,502,458.70.

Since the beginning of the Program 42 projects have been selected by the Province Management Board within Priority 1 (fig. 1) representing the total subsidy amount of PLN 293,925,401.30 representing 78% of the allocation for the years 2004–2006. The Governor has made 34 contracts representing the total subsidy amount of PLN 218,431,137.14 and 58.10% of the allocation awarded for the years 2004–2006.

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community groups in some counties, 10% of support funds will be allocated to those counties where the unemployment rate during the years 1999–2001 exceeded 150% of the national average. There are 72 such counties populated by 5,327,400 people.



**Fig. 1.** Number of applications selected by the Province Management Board and Implementing Institution and contracts made within IROP in Warmia and Mazury province – status as at the end of 2005

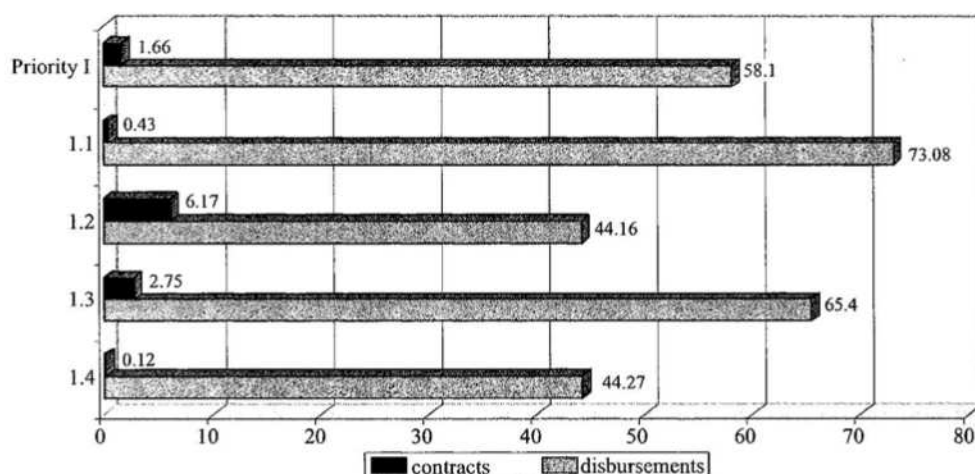
Source: Own work based on studies.

The division within individual measures is as follows:

- measure 1.1 *Modernization and development of the regional transport system* – 11 contracts representing the value of PLN 141,234,779.37 corresponding to 73.08% of funds allocation for the years 2004–2006;
- measure 1.2 *Environment protection infrastructure* – 8 contracts representing the subsidy value of PLN 31,218,649.37 corresponding to 44.16% of funds allocation for the years 2004–2006;
- measure 1.3 *Regional social infrastructure* – 11 contracts representing the value of PLN 23,745,979.20 corresponding to 65.40% of funds allocation for the years 2004–2006;
- measure 1.4 *Development of tourism and culture* – 4 contracts representing the subsidy value of PLN 22,231,729.20 corresponding to 44.27% of funds allocation for the years 2004–2006 (fig. 2).

The disbursements made from the Program account since the beginning of Program implementation have been as follows:

- measure 1.1 – PLN 827,094.72 representing 0.43% of funds allocation for the years 2004–2006;
- measure 1.2 – PLN 4,360,237.72 representing 6.17% of funds allocation for the years 2004–2006;
- measure 1.3 – PLN 999,824.09 representing 2.75% of funds allocation for the years 2004–2006;
- measure 1.4 – PLN 62,625 representing 0.12% of funds allocation for the years 2004–2006 (fig. 2).



**Fig. 2.** Level of IROP absorption in Warmia and Mazury province based on the contracts and disbursements made (Priority I) – % of funds allocation for the years 2004–2006 – status as at the end of 2005

Source: Own work based on studies.

Since the beginning of Program implementation, within this Priority, implementation of 9 projects has been completed, i.e. the final reports and applications for final disbursement have been filed.

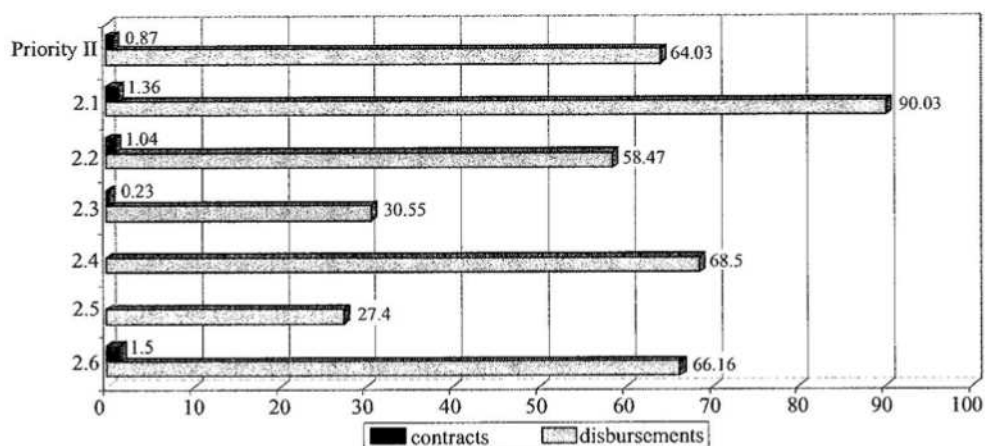
Territorial government bodies represented the majority of beneficiaries of so far made contracts (19 projects). The other beneficiaries were health care institutions (7 projects), tertiary schools (4 projects), institutions of culture (1 project by Stefan Jaracz Theater in Olsztyn) and other entities (3 projects).

The characteristics of contracts as concerns the value of subsidy from the European Funds were as follows: 2 projects valued at below PLN 0.5 million, 4 projects valued at PLN 0.5–1 million, 20 projects ranging from PLN 1 to 5 million, 6 projects between PLN 5 and 10 million, 1 project within the range from PLN 20 to 50 million and 1 project exceeding PLN 50 million. The average project value (structural funds subsidy value) amounted PLN 6,424,445 representing 44.27% of funds from the allocation for the years 2004–2006.

Within the frameworks of Priority 2, until the end of December 2005, 126 applications were selected for implementation; 119 contracts were made (fig 1) representing the total subsidy value of PLN 69,786,142.59, which corresponds to 64.03% of funds of the allocation for the years 2004–2006, including:

- measure 2.1 *Development of skills related to the needs of the regional labor market and possibilities of continuous education in the region*
- 29 contracts representing the total subsidy value of PLN 19,544,500.27,

- which corresponds to 90.03% commitment of funds of the allocation for the years 2004-2006;
- measure 2.2 *Equalizing the educational opportunities through scholarship programs* – 51 contracts representing the total subsidy value of PLN 25,077,831.42, which corresponds to 58.47% commitment of funds of the allocation for the years 2004-2006;
  - measure 2.3. *Vocational reorientation of people leaving agriculture* – 7 contracts representing the total subsidy value of PLN 3,840,331.15, which corresponds to 30.55% commitment of funds of the allocation for the years 2004-2006;
  - measure 2.4 *Vocational reorientation of people threatened by restructuring processes* – 3 contracts representing the total subsidy value of PLN 5,511,805.65, which corresponds to 68.5% commitment of funds of the allocation for the years 2004 – 2006;
  - measure 2.5 *Promotion of enterprise* – 18 contracts representing the total subsidy value of PLN 8,327,753.84, which corresponds to 66.81% commitment of funds of the allocation for the years 2004 – 2006;
  - measure 2.6 *Regional Innovation Strategies and knowledge transfer* – 11 contracts representing the total subsidy value of PLN 7,483,920.26, which corresponds to 66.16% commitment of funds of the allocation for the years 2004-2006 (fig. 3).



**Fig. 3.** Level of IROP absorption in Warmia and Mazury province based on the contracts and disbursements made (Priority II) – % of funds allocation for the years 2004-2006 – status as at the end of 2005

Source: Own work based on studies.



The average value of projects implemented within Priority 2 amounts PLN 586,438.17 (from ESF funds).

Within the frameworks of Priority 2, since the beginning of Program implementations disbursements have been made from the Program account for measures 2.1, 2.2, 2.3, 2.6 amounting PLN 945,548.58, which corresponds to 0.87% of funds of the allocation for the years 2004-2006 (fig. 3), including:

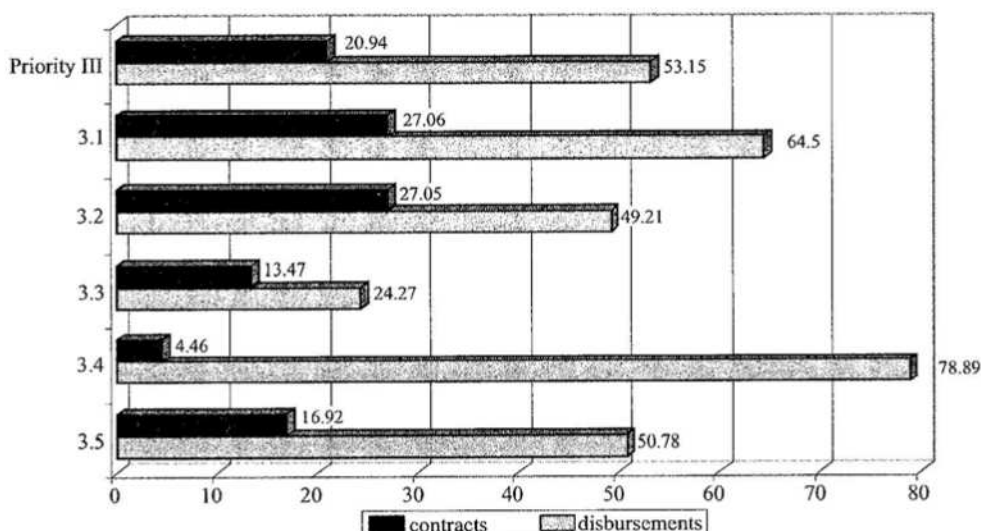
- measure 2.1 *Development of skills related to the needs of the regional labor market and possibilities of continuous education in the region* – PLN 294,691.87, which corresponds to 1.36% of the allocation for the years 2004-2006;
- measure 2.2 *Equalizing the educational opportunities through scholarship programs* – PLN 447,424.05, which corresponds to 1.04% of the allocation for the years 2004-2006;
- measure 2.3 *Vocational reorientation of people leaving agriculture* – PLN 34,265.95, which corresponds to 0.23% of the allocation for the years 2004-2006;
- measure 2.6 *Regional Innovation Strategies and knowledge transfer* – PLN 169,166.71, which corresponds to 1.50% of the allocation for the years 2004-2006.

According to the decision by the IROP Monitoring Committee of December 15, 2005 (resolution No 16/2005) funds amounting PLN 10,240,120.31 (according to the effective exchange rate) were reallocated from measure 2.4 *Vocational reorientation of people threatened by restructuring processes* to measure 2.2 *Equalizing the educational opportunities through scholarship programs* (Type II).

Within the frameworks of Priority 3 249 projects were selected for implementation by the Management Board of the province representing the total subsidy value of PLN 146,797,017.89, which corresponds to 69% of funds of the allocation for the years 2004-2006 of which 224 contracts were made (including 157 within measure 3.4) representing the total subsidy value of PLN 113,248,124.38, which corresponds to 53.15% of funds of the allocation for the years 2004-2006.

The situation presented by individual measures (fig. 4) is as follows:

- measure 3.1 *Rural areas* – 52 contracts representing the total subsidy value of PLN 68,120,722.41, which corresponds to 64.50% of funds of the allocation for the years 2004-2006,
- measure 3.2 *Areas that are subject to restructuring* – 5 contracts representing the total subsidy value of PLN 7,155,475.00, which corresponds to 4.92% of funds of the allocation for the years 2004-2006,
- measure 3.3 *Degraded urban, industrial and post-military areas* – 3 contracts representing the total subsidy value of PLN 12,346,482.08, which corresponds to 24.27% of funds of the allocation for the years 2004-2006,
- measure 3.5 *Local social infrastructure* – 7 contracts representing the total subsidy value of PLN 13,627,452.85, which corresponds to 50.78% of funds of the allocation for the years 2004-2006.



**Fig. 4.** Level of IROP absorption in Warmia and Mazury province based on the contracts and disbursements made (Priority III) – % of funds allocation for the years 2004–2006 – status as at the end of 2005

Source: Own work based on studies.

Within that Priority (excluding measure 3.4) implementation of 43 projects has been completed, i.e. the final reports and applications for final disbursement have been filed.

17 annexes to contracts were made. Additionally, out of 67 completed projects (excluding measure 3.4), 15 projects were finally accounted for after conducted audit in the place of implementation. The beneficiaries received the total subsidy from the structural funds amounting PLN 9,462,702.63, including: measure 3.1 – 11 projects representing the amount of PLN 7,946,753.54, measure 3.2 – 2 projects representing the amount of PLN 925,790.48 and measure 3.5 – 2 projects representing the amount of PLN 499,476.33.

Payments made from the Program account since the beginning of the Program were as follows (fig. 4):

- measure 3.1 – PLN 28 572 195,14, which corresponds to 27.06% of funds of the allocation for the years 2004-2006,
- measure 3.2 – PLN 3,933,236.64, which corresponds to 27.05% of funds of the allocation for the years 2004-2006,
- measure 3.3 – PLN 6,851,051.99, which corresponds to 13.47% of funds of the allocation for the years 2004-2006,
- measure 3.5 – PLN 4,541,644.11, which corresponds to 16.92% of funds of the allocation for the years 2004-2006.

The characteristics of contracts as concerns the value of subsidy from the European Funds were as follows: 11 projects valued at below



PLN 0.5 million, 17 projects valued at PLN 0.5-1 million, 34 projects ranging from PLN 1 to 5 million and 5 projects between PLN 5 and 10 million. The average project value (structural funds subsidy value) amounted PLN 1,511,196.01.

## Summary and conclusions

During the period covered the implementation of Priority 3 *Local development* was the most advanced as despite the lower level of contracts made than the allocation for the years 2004–2006 and at the same time higher number of contracts than in priorities 1 and 2, almost 21% of expenditures incurred by the beneficiaries were reimbursed. That means that in case of that priority the value of expenditures refunded to the beneficiaries will probably exceed the allocation for 2004. In priority 1 the level of funds committed according to contracts is high – over 58% of the available allocation for the entire programming period. It should be remembered, nevertheless, that within that priority large infrastructural projects the value of which, after conducting the tenders can sometimes decrease even by 25–30% are implemented. The value of disbursements lower than in priority 3 indicates delays related to conducting tenders and signing contracts with contractors. Implementation of priority 2 measures where only PLN 945,548.58 representing 0.87% of commitments for the years 2004–2006 have been reimbursed from the program accounts progresses much worse. That low level of disbursements resulted from, among others, delays in SIMIK system implementation and continuous errors and amendments in Applications Generator, changing procedures, guidelines for Beneficiaries and lack of the detailed checklist.

Recapitulating, until the end of 2005 the Marshal's Office of Warmia and Mazury province received over 1000 applications representing the amount almost twice larger than the available funds. During the period discussed the value of contracts made exceeded 50% of funds available. The disbursements rate was at a much lower level. Until the end of 2005 only 7% of the contracted funds have been disbursed.

Almost two years of IROP implementation in Warmia and Mazury province were characterized by unexpectedly high number of projects presented, which, against concerns concerning preparation of the major program beneficiaries – units of territorial government – should be considered a success. The interest in the program exceeded expectations. During the covered period the activities of institutions involved in program implementation focused on creating the pipeline of applications and their formal assessment. That process resulted in developing a comprehensive system of administration in Warmia and Mazury province encompassing program bases, skilled staff and specialized task units.

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