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Summary

In consequence of the European Union enlargement we have been observing in Poland a process of transformation of public institutions and establishment of new institutions appointed specifically for the purpose of delivering EU policies. There is arguably no other policy area where the EU enlargement has impacted the governance process in Poland that evokes more interest than the Common Agricultural Policy and the ability of Polish public administration to effectively manage EU direct farm subsidies and structural agricultural programs. Dispersed agriculture, its substantial contribution to Polish economy combined with low productivity, huge rural electorate and significant modernization challenges – all this has contributed to the great deal of interest paid by politicians, the media and, finally, farming communities - beneficiaries of that assistance - to the activities of the Agency for Restructuring and Modernisation of Agriculture (ARMA), which implements EU agricultural assistance programmes in Poland

The study conducted by the Institute of Public Affairs (IPA) aimed at analysing different processes of Europeanization of Polish administration, that is changes that are introduced in the functioning and organization of public institutions as a result of the execution of EU policies and implementation of EU laws. Moreover, we were interested in learning whether Europeanization processes were introducing new modes of governance into the practical conduct of Polish administration. Consequently, one of the main questions asked in this study is how the processes of Europeanization of an implementing agency connect with domestic factors that shape the way that public administration functions. The issue is associated primarily with the influence of local and political culture, including tradition stemming from the socialist period. How does this tradition modify the impact of Europeanization?

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I. Introduction

In consequence of the European Union enlargement we have been observing in Poland a process of transformation of public institutions and establishment of new institutions appointed specifically for the purpose of delivering EU policies. There is arguably no other policy area where the EU enlargement has impacted the governance process in Poland that evokes more interest than the Common Agricultural Policy and the ability of Polish public administration to effectively manage EU direct farm subsidies and structural agricultural programs. Dispersed agriculture, its substantial contribution to Polish economy combined with low productivity, huge rural electorate and significant modernization challenges – all this has contributed to the great deal of interest paid by politicians, the media and, finally, farming communities - beneficiaries of that assistance - to the activities of the **Agency for Restructuring and Modernisation of Agriculture** (ARMA), which implements EU agricultural assistance programmes in Poland¹. It was that specific policy area that began to be viewed as key to Poland's success or failure in the European Union during the initial period of membership.

The study conducted by the Institute of Public Affairs (IPA) aimed at analysing different processes of Europeanization of Polish administration, that is changes that are introduced in the functioning and organization of public institutions as a result of the execution of EU policies and implementation of EU laws. Moreover, we were interested in learning whether Europeanization processes were introducing new modes of governance into the practical conduct of Polish administration. How are they implemented and how deep is that implementation? Or is it that public administration continues to function in the administrative tradition of the former socialist state and Europeanization processes only reinforce it? Consequently, one of the main questions asked in this study is how the processes of Europeanization of an implementing agency connect with domestic factors that shape the way that public administration functions. The issue is associated primarily with the influence of local and political culture, including tradition stemming from the socialist period. How does this tradition modify the impact of Europeanization?

The selection of the agricultural and the rural development policies for the IPA study, and particularly the decision to analyze the functioning of the **Agency for Restructuring and Modernization of Agriculture** – which is the leading agency that implements these policies – was not accidental. Firstly, the agricultural and the rural development policies are in comparison to other political areas subjected to a very strong European Union influence. This is linked to the richness of EU regulations governing these areas and considerable EU financial resources allocated to the execution of these policies. One would suspect, therefore, that the extent of Europeanization of domestic implementing institutions would be very extensive considering that it is strongly backed by both regulatory and financial instruments. Secondly, a study of the agency that implements these policies is particularly challenging for an analyst of new modes of governance. Indeed, most often topical literature focuses on regulatory rather than implementing agencies. Meanwhile, as mentioned earlier, Europeanization of implementing agencies in EU member states is executed not only under the influence of European rules but also in association with disbursement of EU financial resources. Consequently, the impact of the European Commission on member-state public institutions should be greater

¹ The scale of challenges faced by the Agency for Restructuring and Modernisation of Agriculture and the role ascribed thereto are well illustrated by the fact that, in 2005, there were 1,685,105 farms in Poland registered under IACS and that their great majority – more than 1,300,000 – was classified as "very small". B. Fedyszak-Radziejowska, *Proces demarginalizacji polskiej wsi*, IPA, Warsaw 2005, p. 8.

and there should be a greater deal of experience sharing between corresponding member-state administrative structures. After all, both serve not only the cause of increasing the rate of Europeanization of domestic administrations but may also universalize new modes of governing EU policies.

The specific objective of our study was to analyze the following aspects of new modes of governance in the routine of the **Agency for Restructuring and Modernization of Agriculture**:

(1) **Non-hierarchical mode of governance**: does Europeanization of the implementing agency increase its autonomy from government institutions and, consequently, introduce less hierarchical modes of managing European policies?

(2) **Social partnership**: does Europeanization contribute to opening the implementing agency on participation by social partners in the execution of public tasks?

(3) **European agency system (network)**: does Europeanization of the implementing agency lead to the development of network cooperation between agencies that implement the same EU policies in different member states?

Our report is based on a study conducted between April and August 2006². The study consisted in scanning literature on ARMA and interviewing key informers from the agency (functionaries of various levels), Ministry of Agriculture and Rural Development, Lower House of Parliament, political parties, agricultural organizations, mass media. We conducted twelve interviews in total. In addition, we analyzed documents received from ARMA, Supreme Chamber of Control (SCC), Agriculture Ministry, and Chancellery of the Lower House of Parliament. We also used articles about ARMA published in two leading national daily newspapers – *Gazeta Wyborcza* and *Rzeczpospolita*.

II. Europeanization of executive agencies in new EU member states

We have analyzed the functioning of the **Agency for Restructuring and Modernisation of Agriculture** from the point of view of the activities of an agency influenced by both the European Union and the Polish government. By EU influence we understand the Europeanization process³. In this context we asked whether Europeanization of executive agencies contributed to the shaping of "new modes of governance" – forms of non-hierarchical governance that involve social partners and proceed within European political networks. In particular: Do these processes build up the institutional strength of executive agencies vis-à-vis the government and, consequently, impact the reinforcement of their formal or informal autonomy in respect of relevant ministries? Do they introduce the principle of social partnership in their public policies? Finally, are these agencies included in European political networks?

The manner and scope of Europeanization of member state administrations and domestic policies depend first and foremost on the formula of the European law. Does it have the na-

² In addition to the authors, Olga Napiontek was also participating in the study. The report was created within the framework of the project "Democratization, Capture of the State, and New Forms of Governance in CEE countries" conducted by the Institute of Public Affairs in Warsaw under the leadership of Prof. Lena Kolarska-Bobińska. The project is a part of the research consortium "New Modes of Governance" managed by the European University Institute in Florence and financed by the European Commission (Sixth Framework Programme of the European Union).

³ See various definitions of Europeanization in: Olsen J.P. (2002): *The many faces of Europeanization*, Journal of Common Market Studies, no. 40 (5).

ture of an unconditional and comprehensive transposition of applicable provisions into the national law, is it implemented with some interpretative freedom left to member states, or does it only have the character of directional recommendations? The extent of Europeanization depends on the peculiarity of the given European policy and on whether it is dominated by "hard" or "soft" EU law and governance modes⁴.

In addition to EU influence, an important role is played by internal (domestic) factors: the quality of the local administrative system, the nature of long-term policies of the given country, its legal system and capitalism model. The level of support given to the implementation of specific solutions will depend on the extent of the conformity of national systems and policies to European legal regulations and policies. A significant role is also played by the country's administrative tradition and political culture that affects the method of implementing European models. In new member states one must consider the socialist legacy, which makes their experience very different from that of West European countries⁵. Also important here is the attitude to European integration. When Euroscepticism is popular among administrators, citizens or political elites, one may expect obstacles or delays in the process of Europeanizing the administration.

Europeanization of national agencies is a process that also includes incorporating them in European agency systems (European agency networks). These systems are created by EU and national agencies that operate in the same areas of public affairs⁶. In such systems, EU agencies usually play the role of a unifier and coordinator of the entire network⁷. This happens most often in cases of collaboration between regulatory agencies, where Europeanization is meant to serve an effective implementation of EU laws (*acquis communautaire*) in the given area of public policy⁸. But it can also involve executive agencies, which often use EU financial resources to implement EU laws. Europeanization of implementation agencies is associated with the transposition of EU governance standards, including detailed rules of EU fund management, audit, control, etc. European institutions also use national agencies to exert influence on the national public-policy program.

The consequence of Europeanization of implementing policies may lie in centralization of governance and direct transfer of organizational standards and guidelines from the European Commission. That reduces the possibility of a flexible introduction of local needs into public policies and their grassroots correction. However, it does not mean that agencies implementing European programs become invulnerable to local interest groups – i.e. beneficiaries of EU funds. Additionally, in countries with a strong tradition of politicized administration such as Poland, agencies can be expected to be subject to political party interference. This does not need to be necessarily associated with a strong control of an agency by the relevant ministry.

⁴ For more on "hard" and "soft" EU policy methods see D.M. Trubek, P. Cottrell and M. Nance (2005): "*Soft Law,*" "*Hard Law,*" and *European Integration: Toward a Theory of Hybridity*, Jean Monnet Working Paper 02/05, NYU School of Law, New York.

⁵ T.G. Grosse (2006): *New Modes of Governance in New European Union Member States. A report on social dialogue in selected European Union countries*, NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D08.

⁶ T.G. Grosse (2006): *Agencies and Agency Systems. Background paper to Phase Two of the IPA study*, NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D10.

⁷ G. Majone (2000): *The Credibility Crisis of Community Regulation*, Journal of Common Market Studies, vol. 38, no. 2.

⁸ Comp. Ch. Koutalakis (2004): "*Smoothing*" *Eastern Enlargement through New Modes of Governance? Conceptualising the Role of Independent Regulatory Agencies and Non-Hierarchical Steering in Pre-accession Negotiations*, Project no. CIT1-CT-2004-506392, ref. no. 14/D01.

On the contrary, studies conducted in Poland indicate a relatively low level of ministerial control over agencies. This combined with agencies' strong politicization creates good conditions for agency appropriation by political parties for their own purposes⁹.

It can be assumed that the activities of agencies implementing EU redistribution policies will be different from the activities of regulatory agencies associated with the European agency system. Latter agencies will be probably easier absorbed by European agency systems and achieve greater autonomy from national governments. The situation of executive agencies may be different. They remain in strong relations of hierarchical dependence on member state ministries. National governments constitute the centre of management of EU policies within the national territory and act as intermediaries between EU institutions and national administration structures (in other words, play the role of *gatekeepers*)¹⁰. In this case, the tendency toward centralization and sectorality of European policy management may strengthen the hierarchical dependence between relevant ministries and subordinate executive agencies.

Such hierarchical relations may be additionally reinforced by the constraints of the administrative system that have their source in the socialist past. Europeanization of executive agencies may not only fail to change the organizational culture of Polish administration but even contribute to the reinforcement of its traditional features transposed from the preceding period. This refers in particular to the strong centralization of administration and hierarchical submission of agencies to ministries, as well as politicization of personnel and the agency itself. It may also reinforce administrative pathologies associated with operations during the period of systemic transformations. Among them the most important one is *agency capture* – a consistent and dominant influence on agency operations by interest groups aimed at using these operations to maximize own benefits at the detriment of other social interests or public policies pursued by these agencies¹¹.

While contemplating Europeanization of executive agencies, let us look into its impact on the shaping of the state model in Poland: will it contribute to a gradual transformation of the structures and governance modes from the administrative state model towards a network state model¹²? The former model is characterized by a significant role played by state administration in relations to social partners and an evident preference for hierarchical governance modes. State capacity and effectiveness of public policies depends primarily on the efficiency of state administration rather than on its ability to cooperate with social partners or other institutions. Moreover, the efficiency of policy execution within that state model also depends on

⁹ Comp. *Informacja o wynikach kontroli wykorzystania środków finansowych Państwowego Funduszu Rehabilitacji Osób Niepełnosprawnych na realizację programów dotyczących rehabilitacji zawodowej i społecznej osób niepełnosprawnych*, Supreme Chamber of Control (SCC), Warsaw 2005; *Informacja o wynikach kontroli działalności Agencji Rozwoju Przemysłu SA na rzecz wspierania wybranych podmiotów gospodarczych*, SCC, Warsaw 2005, *Informacja o wynikach kontroli wykonywania zadań ustawowych przez Wojskową Agencję Mieszkaniową w latach 2001-2004*, SCC, Warsaw 2005.

¹⁰ See S. Bulmer, Ch. Lequesne (2005): *Introduction, Conclusion*, in S. Bulmer, Ch. Lequesne (eds.): *The Member States of the European Union*, Oxford University Press; S. Bulmer, Ch. Lequesne (2002): *New Perspectives on EU-Member State Relationships*, Centre d'études et de recherches internationales, Research in Question, no. 4, January. An example of the discussed member state role is found in the redistribution of EU resources under the cohesion policy: I. Bache (1999): *The extended gatekeeper: central government and the implementation of EC regional policy in the UK*, Journal of European Public Policy 6, 1.

¹¹ Comp. T.G. Grosse (2006): *Agencies and Agency Systems. Background paper to Phase Two of the IPA study*, NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D10.

¹² See the differentiation between administrative and network state models in: T.G. Grosse (2006): *New Modes of Governance... ibid.*

the quality of agency controlling mechanisms and not on the zone of discretion these agencies have and their ability to flexibly include social partners in their activities. As a result, efficient implementation of public policies becomes more important than effective adaptation of these policies to local needs.

On one hand, adding national agencies to the European agency system can benefit the cause of building the network state model in new member states. Europeanization of agencies may reinforce their position vis-à-vis supervising ministries and lead to creating less hierarchical and unilateral dependence structures. Such situation can take place particularly in reference to regulatory agencies. On the other hand, when it comes to executive agencies, we may be faced with totally opposite processes. Agency Europeanization by way of a greater sectorality and governance centralization may strengthen the hierarchical dependence between relevant ministries and subordinate executive agencies. In such situation, Europeanization of executive agencies will undergo the process of functional adaptation to the local administrative culture. This means that, in fact, it will be reinforcing the current manner of administration's performance along the lines of the administrative state model. This would confirm the conclusions of IPA studies of the social and civic dialogue, which demonstrated the persistent presence of the socialist state model and tradition in new member states of the European Union¹³.

II.1 Executive agencies and “new modes of governance”

When studying the case of Poland, the difficulty in differentiating between “new” and “old” modes of governance is particularly perceivable. That division, not totally clear and questioned by some NEWGOV researchers¹⁴, is also quite foggy when it comes to executive agencies in new EU member states. In our region, “new” modes are not new in the sense that they are associated only with European integration and execution of European policies. Such agencies have existed earlier, also in the socialist system. They served the purpose of delegating tasks down to the territorial level and delivering public policies within the framework of individual sectors. Strongly subordinate to relevant ministries, they reinforced governance centralization and government policy sectorality. Under socialism, delegating tasks to executive agencies was a form of hierarchical governance that restricted participation by social partners in the execution of public policies. This system did not employ “soft” governance modes based on volunteerism, persuasion, negotiation, self-regulation, etc. It acted along the line of the administrative state model.

Delegation of public tasks to agencies was also widely employed during the period of systemic transformations. In Poland after 1989, the main objective of introducing this mode to the administrative practice was to separate public funds from the state budget and, consequently, restrict politicians' influence on the shaping of public finances and on the size of the public debt¹⁵. At the same time, the relatively high level of financial autonomy of the agencies was used for the purpose of a partial commercialization of public services. It was a time when next to executive agencies, i.e. agencies responsible for a decentralized implementation

¹³ See M. Falkowski (2005): *Tripartite Commission, Effectiveness, Legitimacy and Pathologies of Weak State, Case Study Report Poland*; T.G. Grosse (2006): *New Methods of Governance in New European Union Member States. A report on social dialogue in selected European Union countries*; O. Napiontek, M. Falkowski (2005): *Civic Dialogue in Poland. Consultations of the Draft of the National Development Plan 2007–2013*.

¹⁴ O. Treib, H. Bähr, G. Falkner (2005): *Modes of Governance: A Note Towards Conceptual Clarification*, European Governance Papers, Eurogov, no. N-05-02.

¹⁵ O. Napiontek (2006): *Agency System in Poland after 1989; Background Paper to Phase Two of the IPA study*, NewGov Project no. CIT1-CT-2004-506392, ref. no. 17/D11

of public policies, there also appeared regulatory agencies. Their level of autonomy from ministries was higher - some were even appointed as institutions completely independent from government influence.

Can an executive agency (e.g. ARMA) be viewed as a new governance mode? According to the definition adopted by the NEWGOV consortium, such modes must meet two basic criteria. Firstly, they must serve the purpose of steering public tasks in a non-hierarchical manner¹⁶. Actors participating in the delivery of public policies do not act within a framework of a hierarchical power structure, have a formal or informal right of veto within the specific range of public policies, are autonomous within a specified extent of competencies and, consequently, can participate in public policies on voluntary terms and according to their own preferences. Secondly, new governance modes assume a consistent participation by private actors, including those operating for profit, as well as social partners and non-governmental organizations¹⁷. It seems that the aforesaid formula can be also broadened to include administration institutions, however provided that they do not enter into relations of dependence or hierarchical subordination. This covers agency-type administrative institutions, territorial self-government administrations (of different levels), state administrations from various countries, supranational administrations, etc.¹⁸ Specialized literature also associates new governance modes with the principle of subsidiarity and delegation of power to specialized agencies¹⁹. Ultimately, it can be said that agencies must meet three criteria to be counted among new governance modes. Firstly, they must enjoy a relatively high level of autonomy that would guard them from a potential hierarchical dependence on a superior administrative institution. Secondly, they must include social partners in the delivery of public policies. Thirdly, they must be part of political networks, particularly the European agency system.

Bearing these criteria in mind, one observes that executive agencies, including the Polish **Agency for Restructuring and Modernisation of Agriculture**, are not very independent from government institutions, particularly ministries. Agencies that are less autonomous are more tied to “old” hierarchical governance modes. They operate in a strongly centralized and sectoral administrative tradition dating back to the socialist period and within the framework of the administrative state model. NEWGOV consortium studies show that even an European agency that specializes in disseminating information meets the requirement of social participation that characterizes new governance modes only to a limited degree²⁰. Therefore, one can expect that the level of social participation in a Polish agency that disburses Common Agricultural Policy direct subsidies and delivers rural development programs will be comparably

¹⁶ T.A. Börzel, S. Guttenbrunner, S. Seper (2005): *Conceptualizing New Modes of Governance in EU Enlargement*, NewGov project no. CIT1-CT-2004-506392, ref. no. 12/D1, Berlin; T. Risse (2004): *Global Governance and Communicative Action*, Government and Opposition, 39 (2); A. Héritier (2002): *New Modes of Governance in Europe: Policy-Making without Legislating?* in: A. Héritier (ed.): *Common Goods: Reinventing European and International Governance*, Lanham: Rowman and Littlefield.

¹⁷ T.A. Börzel et al, *ibid.*

¹⁸ The involvement of many types of actors from various management levels in the European Union is the main assumption of the multi-level governance concept. Comp. G. Marks, L. Hooghe, K. Blank (1996): *European Integration from the 1980s: State-Centric vs. Multi-level Governance*, Journal of Common Market Studies, Vol. 34, No. 3.

¹⁹ Comp. Ch. Koutalakis (2004): *ibid.*; G. Majone, M. Everson (2001): *ibid.*; M. Thatcher, A. Stone Sweet (2002): *ibid.*

²⁰ Example: *Agency for Safety and Health at Work*, comp.: S. Smismans (2006): *New Modes of Governance and the Participatory Myth*, European Governance Papers, Eurogov, No. N-06-01.

low at best. The study of the **Agency for Restructuring and Modernisation of Agriculture** begins below.

II.2 ARMA – Objectives, Structure and Organizational Change

The **Agency for Restructuring and Modernisation of Agriculture** was established in 1994 as a replacement for the Agriculture Restructuring and Debt Discharge Fund. The Fund was established in 1992 to assist farmers who had contracted bank loans before 14th November 1991 and became insolvent as a result of the unexpected escalation of inflation and interest rates. Several irregularities were disclosed within less than two years of Fund operations. Firstly, it had been established in a manner that circumvented binding legislation and violated the state budget law. Secondly, reports by the Supreme Chamber of Control and Lower House Agriculture Committee, as well as the outcome of a public prosecutor's investigation, showed that the money meant to help farmers modernize or develop their operations was often appropriated by banks or handed to businesses not involved in agriculture²¹. As a result, it was decided to close the Fund and replace it with an independent agency. The then agriculture minister, Jacek Janiszewski, was explaining that ARMA, in contrast to the Fund, "would have a legal personality. As a result, it would be able to guarantee the reimbursement of credits drawn by farmers in banks. It would also be able to distribute subsidies to farmers and help them pay loan interest and take advantage of foreign assistance"²². Its main objective was to expand the possibilities of helping indebted farmers. In this manner, the **Agency for Restructuring and Modernisation of Agriculture** was established on 19th January 1994.

Until the end of the 1990s, the main tool of assistance that ARMA provided came in the form of subsidies of interest on investment and turnover credit (this is still being done); preferential loans to create jobs, assistance to market infrastructure development initiatives, and others²³. As of the initiation of SAPARD in July 2002, the range of ARMA's support instruments expanded to include European Union pre-accession assistance²⁴.

The current mission of the **Agency for Restructuring and Modernisation of Agriculture** is to support measures serving the development of agriculture and rural areas²⁵. ARMA implements instruments co-financed by the European Union and provides domestically-financed assistance. In practice, ARMA transfers financial resources for most activities executed under the Common Agricultural Policy, sectoral programs that introduce the rural development policy in Poland and the Common Fisheries Policy. Within the framework of the Common Agricultural Policy, ARMA functions as a paying agency, i.e. an institution responsible for distribution of financial resources in accordance with EU regulations. Its main tasks are approving, disbursing and recording payments²⁶. The agency handles direct payments (commonly referred to as subsidies), certain measures to assist fruit and vegetable producers (e.g. payment of compensation for not selling produce) and some activities conducted under the Rural Area Development Plan (e.g. structural pensions, support of low-output farms). ARMA services two programs: *Restructuring and Modernisation of the Food Sector and Rural Development*

²¹ *Gazeta Wyborcza* 18.03.1993: "Niegospodarny Fundusz"; comp. Supreme Chamber of Control (1993): *Informacja o wynikach funkcjonowania Funduszu Restrukturyzacji i Oddłużenia Rolnictwa*, Warsaw.

²² *Gazeta Wyborcza* 12.08.1993: "Agencja lepsza od Funduszu".

²³ Comp. Pomajda W. (ed.) (2004): *Agencja Restrukturyzacji i Modernizacji Rolnictwa. Dokonania i Zamierzenia*, Warsaw.

²⁴ *Ibid.* p. 9

²⁵ www.arimr.gov.pl

²⁶ Pomada W. (ed.) (2004): *op.cit.*, p. 91.

2004-2006 and *Fisheries and Fish Processing 2004-2006* (our report deals only with the former program)²⁷. In respect of most measures carried out under the program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006* ARMA functions as the executive agency, for all – as the end beneficiary. Functioning as the executive agency means receiving and processing applications for project subsidies and receiving payment applications from beneficiaries, issuing payment orders, monitoring and reporting. The function of end beneficiary covers approving payment orders, disbursing and recording payments, and preparing financial reports²⁸.

This division of ARMA's responsibilities stems partly from the logic of financing agricultural policies by the European Union and partly from the way the Polish government divides competencies. The main role is played here by the European Agricultural Guidance and Guarantee Fund (EAGGF), which finances European policies associated with agriculture. EAGGF is divided into two sections: Guidance and Guarantee. The Guarantee Section covers Common Agricultural Policy measures. Under this section, financial resources can be paid out only by accredited paying agencies. In turn, the Guidance Section covers the program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006*. The Polish government has decided that in the process of managing the program ARMA will be functioning as the executive agency and end beneficiary. Consequently, the Polish government, particularly the Ministry of Agriculture and Rural Development, is the leading institution that plans and manages agricultural policies, whereas ARMA is its subordinate executive "contractor".

New tasks associated with Poland's membership in the European Union caused in the past few years a total transformation of ARMA's organizational structure. From an institution that one observer remembered as a "small provincial office like many others"²⁹, ARMA became an organization that operates across the country, employs several thousand people and deals with more than PLN 10 billion every year³⁰.

Presently ARMA comprises the central office, 16 regional branches and 314 district offices³¹. Until 2000, ARMA had only an office in Warsaw (then called the Agency Bureau) and eight teams working therein. Today, the central office is made up of the presidential cabinet, five divisions headed by deputy presidents and four departments. In 2000, regional branches were created (one in every province) in anticipation of having to handle SAPARD. A regional branch is made up of a few independent positions subordinate to the director (e.g. internal control position) and three bureaus (e.g. application processing bureau). The decision to establish district offices to handle direct payments was made in 1992³². A district office has four independent positions and is headed by a director³³.

²⁷ This report does not deal with the Common Fisheries Policy or with issues related to the Sectoral Operational Program "Fisheries and Fish Processing 2004-2006". Therefore, when we will speak henceforth of Sectoral Operational Programs we will only mean the program "Restructuring and Modernization of the Food Sector and Rural Development 2004-2006".

²⁸ <http://www.arimr.gov.pl/index.php?id=6&id1=0&id2=0>

²⁹ Interview with a journalist from a national daily newspaper who specializes in agriculture.

³⁰ *Rzeczpospolita*: "Kosztowna informatyka dla rolników", Nr 235 [07.10.2005](http://www.rzeczpospolita.pl/2005/10/07). PLN 10 billion equals approximately EURO 2.25 billion.

³¹ Pomajda W. (ed.) (2005): *ARiMR – rok po akcesji*, Warsaw, p. 11.

³² Prime Minister's ordinance of 8th March 2002 (Journal of Laws no. 23, pos. 224).

³³ Pomada, W. (2005): op. cit.

ARMA's structure evolved along with the agency assuming more control tasks. Today ARMA is obligated to maintain internal audit, internal control and technical services, operate on the basis of written execution, finance & accounting and control procedures, use a dedicated IT system and comply with other operating requirements. People who have worked at the agency for many years and its early presidents from the SAPARD times speak of these structural aspects as elements that have made the agency stand out from other administration units in Poland: "Until then, such institutions operated on the basis of work regulations and standing orders"³⁴. The development of control functions stems directly from European Commission recommendations and belongs, therefore, to the field of institutional transfer which we will discuss in detail in the next chapter³⁵.

Employment at ARMA is growing in proportion to the creation of new field units. In 1994, ARMA employed 93 people, in 2005 – already more than 7500. Most hirings occurred in 2002 following the establishment of district offices (by more than 2500 people – from 609 to 3129). During the payment application acceptance season, district offices hire additional temporary personnel (approximately 1500 people)³⁶. In the 2006 season, the agency employed some 8000 people. As one of former agency presidents explains, "even that is 1000 less than the number recommended by the EU on the basis of the experience of the "old" member states, where there is one employee per one thousand hectares"³⁷. In Poland there are about 9.0 to 9.5 million arable hectares so, in accordance with EU recommendations, ARMA should count about 9000 employees.

There are those who consider such significant expansion of ARMA's full-time personnel as disproportional to the task of handling applications and payments, and who believe that it is dictated by the desire to expand the organization itself so as to secure more support for local structures of the political party which at the given time is dominating the agency³⁸. Jerzy Miller, who during his brief stint as the agency president wanted to adapt the number of field offices in each region to the number of farms and expected applications, and advocated relying more on seasonal personnel during peak periods, met with criticism by members of the Democratic Left Alliance backroom functionaries³⁹. Critics argued that a large number of field offices was necessary to process all received applications, particularly considering the unreliability of ARMA's IT system. Indeed, constant problems with the IT system compel field office personnel to perform a growing number of tasks manually. However, our study also showed that some regions have less work than others but a comparable number of district offices. It happens that regions which during peak seasons have more work transfer the surplus to offices in provinces where there are fewer farms⁴⁰.

³⁴ Interview with a former ARMA president.

³⁵ It stems, for example, from accreditation criteria set forth in the European Commission Regulation 1663/95 and European Commission Regulation 1258/1999 on financing the Common Agricultural Policy.

³⁶ W. Pomajda (ed.) (2005): op.cit., p. 14

³⁷ Interview with a former ARMA president.

³⁸ Interview with a former ARMA president.

³⁹ The Democratic Left Alliance is a left-wing post-communist party which was in power at the time Poland joined the European Union.

⁴⁰ Interview with the director of an ARMA regional branch.

II.3 Europeanization of the Agency for Restructuring and Modernisation of Agriculture – Institutional Transfer

The institutional transfer between ARMA and EU takes place at two levels. Firstly, at the formal level, where the agency applies European procedures and directives (or procedures and directives inscribed in Polish law but stemming directly from European legislation). Secondly, at the informal level, where agency personnel interact with EU auditors and employees of other European institutions, absorb European practices, and apply them at the agency. The key issue here is the scope of the institutional transfer.

The fundamental role in the transfer of formal institutional practices is played by European Commission regulations and recommendations, even though the transfer itself is executed via the Polish government. European provisions on financing the Common Agricultural Policy and sectoral operational programs determine benchmarks which must be complied with by implementing institutions⁴¹. The same benchmarks are set for the entire European Union. Based on these benchmarks, member states distribute appropriate resources between national administrative bodies, itemize European regulations and adapt them to specific requirements of the given country (e.g. constitutional).

European Commission regulations and recommendations under the Common Agricultural Policy essentially relate to three European agricultural program areas: (1) institutional administrative performance, (2) programming and (3) resource distribution. In our study, we focus on the first area. The main European Commission requirement is to ensure that the Common Agricultural Policy is “managed by the appropriate institution – most often the agriculture ministry or the payment agency”⁴². In Poland, there are two such institutions – the Agriculture Ministry, which answers for programming, substantive and formal control, etc., and the Finance Ministry, which is responsible for financial supervision and agency accreditation⁴³. The institutional relationship between the given ministry and the paying agency is decided by the member state – at least in theory. In Finland, for example, the paying agency is a part of the ministry. In other member states, the paying agency is separate from the relevant ministry.

The European Commission imposes certain criteria which paying agencies must meet to be accredited. The Commission formulates general accreditation guidelines⁴⁴ whereas detailed country-specific criteria are set by the appropriate ministry (in Poland by the Finance Ministry)⁴⁵. European Commission guidelines define main functions of the agency (approving, disbursing and recording payments), specify that the agency must maintain a technical and an internal audit service, and decide which types of agency activities must be pursued based on written procedures (record-keeping, receiving, recording and processing applications, dividing functions, etc.). In practice, it turns out that European Commission criteria in this area, although called “general”, do not leave much room for member state interference. In the opin-

⁴¹ For example, European Commission Regulations 1663/95, 1258/1999, 1257/1999, 1260/1999 and 1268/1999.

⁴² European Commission (2003): *Guidelines for the switch from SAPARD to post accession rural development instruments* (2004–2006), Brussels.

⁴³ A detailed discussion of the powers of each ministry in relation to ARMA is provided in the chapter “Between socialist legacy and Europeanization: government/ARMA relations and internal agency structure”.

⁴⁴ Commission Regulation (EC) 1663/95 of 7th July 1995 establishing the terms of application of the Council Regulation (EEC) 792/70 to the account settlement procedure used by the EAGGF Guarantee Section, Official Journal of the European Union.

⁴⁵ Comp. the finance minister’s ordinance of 28th October 2003 on the criteria of paying agency accreditation, Journal of Laws no. 190.

ion of ARMA officials, European accreditation criteria applicable to the agency are so specific that they reduce the role of Polish legislation only to adapting them to national conditions⁴⁶.

When discussing accreditation criteria we must also mention that many people involved with the agency we have interviewed referred to sprawling bureaucracy and omnipresent audit. The European Commission requires the Finance Ministry to condition granting the status of paying agency on a satisfactory outcome of a prior audit. Therefore, paying agencies must operate in accordance with established procedures and must document their activities in a manner permitting their formal confirmation⁴⁷.

Former and current ARMA officials indicate that the large number of areas which must be audited was a bit of a surprise to them and forced them to change their work habits. They see the requirement to work according to detailed procedures as an example of European bureaucracy. A former ARMA president puts it thus: “Until then, such institutions operated on the basis of work regulations and standing orders. Here, bureaucracy was omnipresent. Of course, we copied European procedures. Not only did these procedures sprawl over hundreds of pages but we also had to adapt them to our needs. Only then we felt that we were ready – to some extent – to start implementing the program”⁴⁸. Respondents often note that auditing requirements applicable to the agency slow down its work. For example, to supply the agency with cars “it was necessary to draw up a memorandum of a dozen or so pages laying down the car acquisition procedure”⁴⁹. ARMA had very little time available for many of its activities, so the additional need to draw up procedures for making decisions in a majority of areas became a serious problem. When the agency was implementing SAPARD prior to accession, it was given only 18 months to conduct a livestock inventory which in other countries took several years.

Agency officials also often mention the omnipresence of internal audit. It is one of the tools required by the European Commission. In their opinion, it is more extensive at ARMA than probably anywhere else in Polish administration. The purpose of internal audit is primarily preventive. It signals procedural transgressions. Irregularities can occur in many areas: from incorrect application approvals to infringements in tendering or subcontracting procedures. ARMA presidents believe that internal audit is indispensable because the agency “must ensure that its entrusted tasks are standardized, cohesive and executed according to law”⁵⁰.

Internal audit may also signal problems of a strategic, often political, significance, e.g. delays in the implementation of an important program which may be cause down the road for not being granted EU accreditation. For example, the ARMA Audit and Inspection Department stated in its report of 5th July 2005 that “ARMA does not meet any accreditation criteria and

⁴⁶ Interview with an official from ARMA’s Administration and Inspection Division.

⁴⁷ Comp. European Commission Regulations 1663/95 and 1258/1999.

⁴⁸ Interview with a former ARMA president.

⁴⁹ Interview with a former ARMA president. However, it must be noted that these strenuous procedures did not spare the agency from being the object of fraud, as in the case of the embezzlement of the agency’s several hundred computer units. Moreover, having a great number of procedures does not guarantee the honesty of employees expected to comply therewith. There is a suspicion in the agency that its IT system was the product of a fraudulent deal. Thus, tendering procedures failed to guarantee a full transparency of the tendering process. In March 2002, the Supreme Chamber of Control issued a report on the creation of ARMA’s IT system, but the suspicion of corruption lingers on. Comp. *Rzeczpospolita*: “Kosztowna informatyka dla rolników”, Nr 235 [07.10.2005](http://www.rp.pl/artykuly/07.10.2005).

⁵⁰ Interview with a former ARMA president.

there exists a serious risk that it will not be able to set in motion the 2007-2013 Rural Development Program by 1st January.”⁵¹ The report was submitted to the agency president and the agriculture minister.

Here we should open a parenthesis and briefly return to the discussion of the audit issue. There exist situations which show that internal audit is not always sufficiently effective and does not catch all shortcomings or cases of ARMA circumventing established procedures. These faults come to light only in reports prepared by EU auditors or special missions by the European Court of Auditors. ECA has come to Poland before to examine the distribution of resources under the Less-Favoured Areas Program (the first agricultural program) and found out that on several occasions payments had been made to farmers who did not meet assistance criteria. The outcome of that first large-scale EU inspection in Poland may signal the existence of a wider phenomenon: a tendency of public administration to turn a blind eye to applicants not meeting certain criteria and grant them assistance nonetheless, with a view to ensure that a maximum of available EU assistance funds is allocated and that farmers are not put off European integration. According to EU regulations, a farmer who violates good practices must reimburse the granted subsidy. Meanwhile, as EU auditors stated in their report, ARMA inspectors limited themselves to issuing warnings whereas ARMA inspections were superficial. ARMA President Mirosław Dygas reached for the political argument when he commented on this issue: “We must not penalize farmers whom we have had such a hard time convincing in favour of integration”⁵². High-ranking ARMA officials not only reach for political arguments (“we must not put farmers off integration”) but also admit that Europeanization of Polish laws and procedures in this area has not been entirely successful. ARMA Vice President Marek Janiec notes that “the agency conducted inspections in accordance with Polish rules which differ from EU regulations. Now we must clarify all matters in Brussels”⁵³.

However, all actors and outside observers agree that the process of accreditation, audits and constant scrutiny of agency operations - not only by the EU but also by the Supreme Chamber of Control - contribute to greater transparency and better management. “The news of an inspection coming creates a huge stress. Everybody gets mobilized, does his or her best”⁵⁴. Much has improved in terms of transparency and high operating standards: “I have no doubt about it, what with all these supervisory and inspecting bodies at every level...”⁵⁵.

We have already discussed cases where European Commission requirements leave little manoeuvring room for ARMA employees and functionaries. On the other hand, there exists considerable evidence that Polish functionaries, when they can, create more restrictive and complicated regulations than those set forth by European requirements. This is well illustrated by the example of an application form for subsidy under the pre-accession SAPARD regime which ARMA received from the Agriculture Ministry believing that it had been produced in Brussels. Polish beneficiaries had a great deal of difficulty processing applications submitted on that form and, therefore, the ARMA president asked visiting EU auditors why the application form was so complicated. As it turned out, it had not been developed by EU functionaries but by Polish Agriculture Ministry personnel based on a few minimal EU requirements. Fi-

⁵¹ *Gazeta Wyborcza* 21.07.2006: “Euro dla wsi z poślizgiem?”.

⁵² *Gazeta Wyborcza* 27.07.06: “Unia się zezłościła”.

⁵³ *Rzeczpospolita* 28.07.2006: “Sankcje za pobłażliwość i hojność”.

⁵⁴ Interview with a journalist from a national daily newspaper who specializes in agriculture.

⁵⁵ Interview with a Polish MP.

nally, the original of the application form and all procedures that accompanied it were found. Yet it took a lot of time and introduced chaos in ARMA's activities.

ARMA had similar reservations in respect of applications for direct subsidies. One of ARMA's former presidents spoke in this context of "a divergence between agency and ministry interests"⁵⁶. A former high-ranking state official wanted to oppose in this manner ARMA's pragmatism and the ministry personnel's desire to protect itself. The opinion that Polish government functionaries complicate procedures and the wording of applications is shared by both ARMA officials and outside observers. An MP from the Lower House Agriculture Committee is of the opinion that "many formal requirements were aptly invented by our own civil servants"⁵⁷, and a high-ranking ARMA official seconds this opinion: "It was not Brussels that imposed such formalization and the need for all these documents in support of applications, but our own functionaries in the Agriculture Ministry"⁵⁸.

Statements made by people directly engaged in ARMA's work suggest that the thread of Europeanization and its extent is additionally intertwined with the thread of time pressure. From the perspective of ARMA employees, they have been given too little time to process projects that were both complicated and extensive. They had to implement a system and develop procedures that had no blueprint in old member states of the European Union. Prior to implementation, these procedures had to be again approved by the EU, hence periodic visits by EU audit teams. As time was of the essence, "we would start initial work on the project right away so as not to waste it, but, on the other hand, we had to wait with application of the finishing touches until executive orders were approved by the European Commission"⁵⁹. Consequently, one can speak of the process of "Europeanization under time pressure" in circumstances where even EU experts were not aware of what was going on in new member states.

The actors (ARMA and Agriculture Ministry functionaries) would realize often too late that the solutions they had selected were too complicated and needed revision. But the pace of changes and the process of adapting Polish administration to EU requirements were so quick that there was no time left for going back and renegotiating with EU functionaries procedures that had been already approved with EU functionaries. This is how the issue is described by a high-ranking Polish government official responsible for negotiating agricultural matters with the EU: "Today we are already chased by successive issues which we have to report to and file with the EU. And when find time to go ahead and report [the issue of an overly complicated procedure], they postpone it for the next six months (...), we must take successive stages to the next consultation level and at the same time we must be already closing previous issues irrespective of their complexity (...), because if we open them up for corrections then we go back to the starting point. And that's the dilemma."⁶⁰ So the problem was not only in the extent of the transfer of formal institutional practices but also in the pressure of insufficient time reserved for their adoption.

The other channel of institutional transfer (Europeanization) proceeds through direct contacts between ARMA personnel and employees of EU and other member state institutions, and in ARMA's participation in European agency networks. ARMA's contacts at the supranational

⁵⁶ Interview with a former ARMA president.

⁵⁷ Interview with a Polish MP.

⁵⁸ Interview with a former ARMA president.

⁵⁹ Interview with a former ARMA president.

⁶⁰ A high-ranking state official responsible for agricultural negotiations with the EU quoted by an MP from the Lower House Agriculture Committee. Interview with an MP from the Lower House Agriculture Committee.

level take place through the agency's cooperation with twinned partners (paying agencies in other member states), ARMA personnel's participation in conferences held in Brussels, visits by EU auditors and meetings with officials from executive agencies in other countries. It must be noted that experience sharing meetings with officials from other member states and EU institutions are attended only by personnel of ARMA's central office in Warsaw (the president and department directors). The absence of training at the European level for personnel of ARMA's regional branches and district offices was commented by a high-ranking ARMA field worker thus: "our role is to do the dirty work"⁶¹.

The assessment of the usefulness of informal Europeanization channels by ARMA officials and agency observers is ambiguous. Former ARMA presidents say directly that, when it came to essential issues associated with ARMA's development (particularly during the construction of its IT system), they could not expect much help from EU partners and had to proceed "according to [our own] models, the Polish way"⁶². As we have noted, in many cases the agency could not directly borrow solutions implemented elsewhere in the EU owing to the uniqueness of the Polish situation: exceptionally high number of farmers, small farms and a direct subsidy program different from those in other EU member states (in Poland, direct subsidies are based on acreage). The assistance received by ARMA personnel from EU consultants was often very fragmentary. At times it was ARMA personnel that had to explain the particularities of their work to consultants.

Thus, on one hand, we are dealing with irritation and criticism when it comes to describing direct contacts with EU institution officials. However, one may hypothesize that irritation and disappointment stem from overly high expectations as to the assistance that EU advisers may realistically provide and instructions that EU audit teams may leave behind. Indeed, it is evident from our interviews that assistance provided via direct contacts was fundamental and made it possible to prevent many mistakes. A former ARMA president expressed it best: "This assistance is invaluable; yes, we had our concepts, strategies and ideas, but breaking down an open door made no sense at all. This is why we tried to incorporate elements that were already functioning elsewhere and that fit our needs"⁶³.

The next plane of our analysis of informal Europeanization contacts is ARMA's participation in the European agency system. That participation is important because it brings ARMA closer to new governance modes. It is the European Union that invites paying agencies into the network. Every EU presidency organizes conferences of paying agency heads from across the Union. As a rule, they last about three days and are a forum for discussions of the implementation of specific Common Agricultural Policy programs, binding procedures and regulations, operating the IT system that controls the process of direct subsidies, etc.⁶⁴ In addition to serving as an experience sharing forum for paying agency heads, these conferences provide an opportunity for discussing issues with European Commission officials (particularly with officials from the Directorate-General for Agriculture). In theory, agency heads can use these conferences to argue in favour of changes in the agricultural policy. A study of a few such successive conferences shows that the main objective of paying agency heads' participation

⁶¹ Interview with an ARMA regional branch director.

⁶² Interview with a former ARMA president.

⁶³ Interview with a former ARMA president.

⁶⁴ Agenda of this year's conference: "20th Conference of Directors of EU Paying Agencies 5-7 July 2006" (http://www.mmm.fi/attachments/5gxafIrrX/5gxakUBXt/Files/CurrentFile/agenda_payingagencies.pdf).

therein is to sway decision-makers in favour of simplifying control systems and restricting bureaucracy in the execution of the Common Agricultural Policy.⁶⁵

The **Agency for Restructuring and Modernisation of Agriculture** began to participate in European-level paying agency conferences only after the system of direct subsidies was already in place. The only report on participation in such conference is available from a former ARMA president, because between the time of the appointment of the current president and the interview he gave for this study no such conference has yet taken place. The former president describes that conference as a “very useful forum for boasting about what has been done in each country, about work progress, but also for sharing expertise and reporting common problems to the European Commission”.⁶⁶ One could therefore assume that conferences of agency heads create conditions propitious to an informal transfer of EU institutions to Poland. One could even assume that European-level conferences, where the Polish agency president can speak freely in the absence of the agriculture or finance minister, would favour the development of a certain space of agency autonomy from government supervision and control. However, the reality is that the lonely presence of the ARMA president at conferences of all paying agency heads in the EU has no impact either way on ARMA’s autonomy from the government. Furthermore, it is doubtful that such conferences can serve the purpose of institutional transfer.

Although the former ARMA president spoke with enthusiasm about conferences of paying agency heads, he failed to provide any concrete example of the post-conference impact. ARMA presidents and central office directors speak with caution about benefits and knowledge earned from European-level training and meetings. Interviews conducted with them were decidedly dominated by the conviction that the nature of Polish agriculture - different from that in most other member states - and the innovative system of direct subsidies, which will be implemented in old EU countries only in 2007, are at the core of difficulties in communication with other member states. In other words, they say that too many things make the Polish system of direct subsidies different to be able to compare it and share its experience with officials (directors, presidents) of other paying agencies in the EU.

This conviction is particularly perceptible among interviewees who have been engaged in ARMA matters from the start of SAPARD implementation. An explanation for this can be found in looking at problems that are characteristic of almost any institution that operates on a comparably large scale: a great deal of tasks and little time to properly prepare for their execution. Perhaps hence the irritation with the need to travel to conferences and receive visiting auditors. The more so since “officials that came to ARMA from Brussels had an extraordinarily narrow focus [...] we could get their advice only in the domains (very restricted, by the way) that made them come to Poland in the first place.”⁶⁷

To sum up, the **Agency for Restructuring and Modernisation of Agriculture** participates in the European agency network. The attitude of high-ranking ARMA officials to the possibility of benefiting from this participation (finding solutions to Polish problems) is mildly enthu-

⁶⁵ The paying agency conference agenda is posted on the website of member state agriculture ministries which organizes it, e.g. <http://www.capo.gov.cy/Capo/CAPO.nsf/All/7B65454DC93E1C3FC225717A002B2E91?OpenDocument> <http://presidency.finland.fi/netcomm/eventcal/eventInfo143.html>

http://www9.minlnv.nl/servlet/page?_pageid=108&_dad=portal30&_schema=PORTAL30&p_item_id=92553.

⁶⁶ Interview with a former ARMA president.

⁶⁷ Interview with a former ARMA president.

siastic. There is no doubt, however, that the agency does benefit directly from many foreign solutions and procedures, and is an equal player at EU paying agency head conferences.

Let us add that ARMA was the initiator of a conference of paying agency officials in new EU member states. In December 2004, ARMA organized a seminar entitled “Paying Agencies in New Member States of the European Union”. Its objective was to compare different models of paying agencies and discuss their future. The then ARMA president explains that he wanted Poland to lead such coalition as it is the largest new EU member state. The meeting did not assume any formal shape but, reportedly, several meetings of agency presidents in the ten new member states have already taken place since then. However, the key issue is not whether the idea of such seminars has been formalized but that ARMA is not only a passive member of the European agency network.

II.4 Between *Socialist Legacy* and Europeanization: Government/ARMA Relations and ARMA’s Internal Structure

A study of the functioning of the Agriculture Restructuring and Modernization Agency and its relations with the government makes it possible to demonstrate and must contain both elements of the new – participation in the European agency network - and elements of the old – remnants of the socialist culture. Experience-sharing meetings of ARMA department directors with their counterparts from Lithuania or Slovakia must be mentioned side by side with “housekeeping visits” to ARMA field units by Deputy Premier and Agriculture Minister Andrzej Lepper.

In step with the hypothesis that executive agencies are in a closer relationship with national administration’s hierarchical governance modes than regulatory agencies, we can observe both close relations with the Agriculture Ministry and hierarchical governance modes in the **Agency for Restructuring and Modernisation of Agriculture**. Therefore, an analysis of government/ARMA relations must pay attention to the issue of autonomy and, in particular, must search for an answer to the essential question: does the execution of EU programs increase or reduce the agency’s autonomy from the Ministry?

The first plane of the analysis of government/ARMA relations, in the context of the tension between *socialist legacy* and Europeanization, relates to formal terms of the ministry’s control or hierarchical superiority over the agency. “Supervision of the agency is exercised by the minister responsible for rural development and, in the fields of financial and resource management, by the minister responsible for public finances”⁶⁸. Decisions concerning ARMA are also made by the Council of Ministers. The Council has a particular impact on the nature of the agency’s substantive activities.

The Council of Ministers determines the detailed scope and directions of ARMA’s activities as well as methods of executing ARMA’s tasks in respect of both the national and Community agricultural policy⁶⁹. In the first case, the Council specifies what activities need to be undertaken and how they must be carried out “account taken of the priorities of state policy in respect of agriculture, rural development and agricultural markets, as well as effective allocation of financial resources”⁷⁰. In the second case, associated with European agricultural poli-

⁶⁸ Journal of Laws 1994, no. 1, pos. 2 – Act of 29th December 1993 on the Establishment of the Agency for Restructuring and Modernisation of Agriculture, Art. 2.

⁶⁹ Journal of Laws 1994, no. 1, pos. 2 – Act of 29th December 1993 on the Establishment of the Agency for Restructuring and Modernisation of Agriculture, Art. 3, pos. 5, and Art. 3a, pos. 5.

⁷⁰ *Ibid.* Art. 3, pos. 5.

cies, the Council “takes into account the terms binding in the European Union or provisions of relevant international agreements”⁷¹. The Council determines the directions of ARMA’s activities and methods of their execution by way of ordinances, and, therefore, ARMA not only has no autonomy in the area of task selection but none in the area of their execution methods either.

It must be stressed that all documents which specify ARMA’s tasks (and usually also methods of their execution) in the field of European agricultural policies, i.e. the Rural Area Development Plan and the planning provisions of the Common Agricultural Policy and Sectoral Operational Programs, are developed outside the agency. Each of these programs is created as a result of an agreement between the European Commission and the Polish government. Consequently, the extent to which ARMA as the agency implementing these programs will be able to influence decisions made by the government (i.e. Ministries of Agriculture and Finance, and the entire Council of Ministers) remains in the realm of non-formalized contacts between ARMA and decision-makers in the government. However, it is doubtful that an implementing and paying agency, therefore one that performs specialized executive functions, would indeed be able (and willing) to solicit changes in the direction of substantive activities. Perhaps it would solicit changes in their execution procedures; considering that benchmarks for these procedures are set by the European Commission, the agency would be negotiating with the Polish Agriculture Ministry and then with the Council of Ministers. Here, however, we are returning to the starting point as the agency has no formal way of impacting Agriculture Ministry or Council of Ministers decisions.

Supervision by the minister responsible for public finances and the minister responsible for rural development refers to the agency’s substantive and organizational/financial spheres. ARMA follows an autonomic financial management policy but its planning is done under the supervision of Finance and Agriculture Ministers. These two ministers “shall define the detailed terms of ARMA’s financial management policy on the basis of principles set forth in public finance regulations”⁷². The annual financial plan is developed by the agency president in consultation with the ministers. In addition, the draft of the plan is subject to consultation with the minister responsible for regional development. The terms of ARMA personnel’s remuneration are set forth in the “remuneration schedule established by the agency president upon ministers’ approval [...]”⁷³, and the rate of the agency president’s remuneration is set by the Prime Minister. Also upon ministers’ consent, “the agency can assume shares in joint-stock and limited-liability companies”⁷⁴ that participate in the agricultural wholesale market and agricultural auction enterprise program.

The Finance Minister single-handedly inspects the status of ARMA’s preparations for handling and managing EU and domestic fund resources, inspects the agency’s compliance with detailed terms of managing these resources, and checks and monitors the agency’s financial plans in respect of their management.

The Agriculture Minister single-handedly supervises the substantive and procedural aspect of ARMA’s activities. It is he who “by way of an ordinance grants a statute to the agency specifying its organization, including the seats of its regional branches and district offices”⁷⁵. He

⁷¹ *Ibid.* Art. 3a, pos. 5.

⁷² *Ibid.*, Art. 7, sec. 7.

⁷³ *Ibid.*, Art. 7, sec. 5.

⁷⁴ *Ibid.*, Art. 10a, sec. 1.

⁷⁵ Art. 4, sec. 2.

defines detailed terms and procedure of granting subsidies to farmers (direct subsidies, subsidies to low-output farms, etc.), can establish criteria of selecting farms for inspections and the manner of their conduct, and specifies organizational, technical and personnel requirements that must be met by organizational units to which inspection duties can be entrusted⁷⁶.

Therefore, ARMA's autonomy in the light of formal relations with Agriculture and Finance Ministries seems to be rather weak. That autonomy is further reduced by ARMA's engagement in the execution of EU programs. Finance and Agricultural Ministries, albeit in step with EU regulations⁷⁷, are required to oversee the paying agency. However, in addition to playing the overseeing role, they also decide the agency's structure and the manner it manages its finances and executes its tasks. As we wrote in the introduction to this paper, agriculture is a field of politics that in the initial period of Poland's membership in the EU was seen as key to the country's success or failure in the European Union. Therefore, the agency's considerable dependence on the government may be motivated by the sense of mission and the awareness that - if success in agricultural policy is to be the showcase of the Polish government - all areas of the execution of the agricultural policy must be strictly controlled. On the other hand, it must be kept in mind that a strict government control of the agency is associated with the desire to control the agency's transfer of huge amounts of money. In this context, a strict control of the agency may be motivated by the desire to pursue particular political aspirations by building the image of a party that controls agriculture (as at one time was the case of the Polish People's Alliance⁷⁸ and now is the case of the Self-Defence Party of Poland) and ensures that financial resources fall directly into the hands of its electorate.

Informal relations and mutual influence along the government/ARMA line is another wide plane of our analysis. It turns out that, in practice, the primary impact on ARMA is exerted by the Ministry of Agriculture and Rural Development. Neither ARMA presidents nor MPs or other observers of agricultural politics have referred in interviews to the role played by the Finance Ministry, which in formal terms is very important. Formal relations between the Finance Ministry and ARMA exemplify the hierarchical character of relations between ARMA and the government. Informal relations between ARMA and the Agricultural Ministry testify to the important role played in these relations by the *socialist legacy*.

This is how journalists described a visit paid by Deputy Premier and Agriculture Minister Lepper in Siedlce: "The visit was announced at the last minute. ARMA officials in Siedlce panicked. For two years, farmers have been submitting applications in two tiny rooms set aside in the local administration building. The day before Lepper's arrival, ARMA moved its offices to a spacious conference room in the building next door."⁷⁹ This proves that many elements in the management and implementation of the EU agricultural policy bear the features of the Potemkin village. The Agriculture Minister played the role of the benevolent monarch, the good uncle – just like in tsarist Russia. This is precisely the way that Deputy Premier Andrzej Lepper behaved when he instructed ARMA personnel during a housekeeping visit in Zielona Góra to accelerate the appraisal of losses suffered by local farmers. "Minimum bureaucracy, gentlemen" – he said menacingly waving his finger⁸⁰. Such exam-

⁷⁶ Art. 3i, sec. 10.

⁷⁷ Comp. the preamble to the European Commission Regulation 1258/1999.

⁷⁸ The Polish People's Alliance is a moderate peasant party which was in coalition with the left-wing post-communist Democratic Left Alliance Party between 2001 and 2005, hence at the time Poland was joining the European Union.

⁷⁹ *Gazeta Wyborcza* 12.05.06: "Wicepremier Lepper ruszył w teren".

⁸⁰ *Gazeta Wyborcza* (Zielona Góra) 31.07.06: "Lepper obiecuje kredyty".

ples, although often humorous and possibly exaggerated considering Deputy Premier Lepper's style, nevertheless illustrate well how deeply rooted is the hierarchical tradition in Polish administration.

High-ranking ARMA officials stress that good relations with the agriculture minister are key to successful agency management. All ARMA bosses were close collaborators of respective agriculture ministers. In turn, an MP from the Lower House Agriculture Committee criticizes these relations as too personal and not formal enough to ensure a proper supervision of the agency⁸¹. Observers also point to the group associated with a former agriculture minister - Senator Artur Balazs - which for many years has maintained a strong influence in the agency.

ARMA/Agriculture Ministry relations are thus described by a former ARMA president: "the agency is *de facto* a division of the Agricultural Ministry". He goes as far as wondering if it would not make sense to award the ARMA presidency automatically to a deputy agriculture minister⁸². On the other hand, another former ARMA president suggests that certain precisely defined functions which today are within the agency's competencies should be outsourced, commercialized, as political and strategic decisions are made in the Agriculture Ministry anyway and the agency only manages the system⁸³. The MP from the Lower House Agriculture Committee assesses that, in the future, with a well operating IT system and better developed agriculture consultancy services, the agency will be able to reduce its network of field units and embark on redefining its role and relations with other institutions.

Equally important is the issue of recruitment at the agency, which must be analyzed as an area where the government, particularly the Agriculture Ministry, exerts a great deal of informal influence. Indeed, there is no doubt that most ARMA leadership appointments are political and that directorship positions in regional branches and district offices are handed out according to political party formula. However, this subject is so vast that it warrants a separate analysis in the chapter devoted to *agency capture*.

The third plane of ARMA analysis in the context of tension between *socialist legacy* and Europeanization is the network character of ARMA's organization, i.e. the problem of horizontal relations within the agency. We have already established that ARMA has a three-level hierarchical structure (district offices are subordinate to regional branches, which in turn are subordinate to the president). Such structure is justified by the executive role played by the agency. In executive agencies that operate under a territorial system (such as ARMA), field units are most often hierarchically subordinate to the central office⁸⁴. However, one would expect ARMA to create horizontal forms of cooperation between field units – and that is not the case. One can advance the hypothesis that the absence of this type of cooperation is associated with the Polish administrative tradition, i.e. influence of *socialist legacy*.

The manner of making decisions, the absence of cooperation between employees, departments and divisions – all this bears the features of a hierarchical system. District offices (the lowest level in the three-level hierarchy) do not cooperate with each other at all. Some office directors know one another, but their relations are more personal than professional. There has never been an assembly of all district office directors, there are no meetings of directors working in the same province, their training sessions are focused on procedures and provide no op-

⁸¹ Interview with a Polish MP.

⁸² Interview with a former ARMA president.

⁸³ Interview with a former ARMA president.

⁸⁴ T.G. Grosse (2006): *Agencies and Agency Systems. Background paper to Phase Two of the IPA study*, NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D10.

portunity for cooperation at the district level. Cooperation between district offices at peak periods (e.g. when the application submission deadline is approaching), consisting in one district office transferring its work surplus to a less busy one, proceeds through the auspices and under supervision of the regional branch director.

There is no horizontal cooperation at the regional branch level either. When branches do cooperate (for example when coordinating data entry into the IT system), such cooperation is done in an *ad hoc* manner and is steered from above by the central office. Employees in field units (regional branches and district offices) do not create any network forms of cooperation and are largely dependant on the central office. In this sense, ARMA bears the features of “old” governance modes, i.e. modes characteristic to the administrative state model.

II.5 Social Partnership

On one hand, the character of a paying and executive agency such as ARMA does not essentially provide for social partnership. Relations between the agency and the beneficiary (most often the farmer) are restricted to the former accepting the application, checking if it has been properly filled out, deciding whether assistance should be granted or not, and disbursing the payment. On the other hand, the paying agency should establish permanent cooperation with farmers’ organizations, so that they can help it in its promotion campaigns and in dissemination of information about EU programs directed to farmers. That was the case in Slovenia, where “the implementation of direct payments was carried out in close cooperation between the AAMRAD paying agency and the NGO that grouped most Slovenian farmers (Agriculture and Forestry Chamber)”⁸⁵.

The **Agency for Restructuring and Modernisation of Agriculture** cooperates to a limited extent with the Catholic Church, Agricultural Consultancy Centres (ACC), Agricultural Chambers, commune administrations, etc. That cooperation played a key role when EU agriculture assistance programs began to be introduced in Poland. Faced with a particularly weak agricultural consultancy sector (ACCs for a long time could not find a place for themselves in the new EU environment and private agricultural consultancy was only starting), ARMA put in motion information campaigns and searched for partner institutions that would help it inform farmers about available programs (particularly direct payments) as quickly as possible and assist farmers in filling out application forms.

ARMA’s relations with social partners are not formalized. Therefore, they are based on semi-private contacts and, at times, one-time favours. Even though this is not a real partnership, such contacts and tentative joint activities are important. Especially in the context of *socialist legacy*, which, as we have seen, strongly affects ARMA’s organization and its contacts with superiors. Is ARMA more prone to exercising “old” governance modes influenced by the traditional administrative state because of its approach to social partnerships?

As we have said earlier, in general, ARMA’s contacts with social partners are sporadic and instrumental. Sporadic contacts occur during informal training sessions or ARMA’s information and promotion campaigns. ARMA’s cooperation with the Church is a good example of this.

ARMA employees said that the Catholic Church is the agency’s closest partner. Some district offices hang up the subsidy application deadline notice in the local parish church and ask its priest to remind parishioners about the deadline after mass. Almost all interviewed ARMA

⁸⁵ From ARMA’s external memo after the seminar “Paying Agencies in New Member States – from Accreditation to Implementation”, which ARMA organized in December 2004.

presidents spoke about the benefit of getting bishops to support application filing campaigns: “The Church had a strong impact on the number of received applications”⁸⁶. One ARMA president even said that he personally telephoned a few bishops to solicit their opinion and support of promoting programs for farmers in diocese churches⁸⁷.

The agency also collaborates with local self-government umbrella organizations, Agricultural Consultancy Centres (ACC), Agricultural Chambers, communes (Union of Rural Communes) and the organization representing commune and village administrators. It happens that ARMA regional branch directors sign agreements with ACCs. This cooperation is important as agricultural consultants can show farmers which programs are worth applying for and, particularly, assist them in filling out application forms. Still, the number of ACCs is low and so the agency must look for partners in the wider circle of local self-government and agriculture-connected institutions. At the beginning, the agency organized training for local administrators and commune and district administration personnel. It disseminated knowledge about EU financing possibilities and skills needed to fill out questionnaires and application forms.

ARMA also cooperates with agricultural organizations such as farmers’ circles and trade unions. In view of the absence of formal ways of social partnership, the influence of social partners depends on their strength, and farmers’ circles are exceptionally well prepared to play the role of a partner. They collaborate with Polish experts, act at the European level (have an office in Brussels), and, therefore, get information about the Common Agricultural Policy and sectoral operational programs not only from the Polish government but also from collaborating deputies in the European Parliament and Commission. In this context, farmers’ circles, as a national organization grouping a great number of farmers, is treated seriously by both the ARMA president and the agriculture minister. And yet, it turns out that both ARMA and the government are open to consultations with farmers’ circles only in words. The government consults legal acts with the association of farmers’ circles, but commonly transmits those acts to the association too late for it to assume a professional and responsible attitude.

Farmers’ trade unions could be ARMA’s another potential partner but, unfortunately, they are either too weak or too politically entangled. The head of farmers’ Solidarity trade union is a senator representing the Law and Justice Party; the head of the Self-Defence Party holds the post of deputy premier and agriculture minister. Consequently, trade unions self-restrict their activities, for example in control issues. Additionally, farmers’ trade unions are supported by the Agriculture Ministry, which further limits their independence. In the case of trade unions, their partnership with ARMA does not work – because of ARMA’s formal limitations and because trade unions are too weak. For example, trade unions are not capable of imposing a meeting of ARMA’s Consultative Council, which has been idle for a long time.

Does the absence of outside advisers weaken ARMA? On one hand, yes. The need to accomplish substantive statutory tasks and conduct additional consulting and information campaigns causes crippling dispersion and chaos. On the other hand, the need to maintain the leadership position is transforming ARMA into the strongest rural institution that is beginning to fulfill a social mission.

The “missionary” and social aspect of ARMA’s role manifests itself mainly at the district level. ARMA district-level employees say that farmers often solicit their assistance in filling out application forms, which they usually consent to do even though formally they should not. They provide drastic examples of district offices visited by farmers with missing fingers or

⁸⁶ Interview with a former ARMA president.

⁸⁷ Interview with a former ARMA president.

maimed or broken arms, who ask office personnel to help them as they themselves are not able to write. But even in ordinary situations ARMA's rank-and-file personnel often help applicants to fill out forms and advise them. This is not common enough to be called a regulatory violation, but it is noteworthy that farmers take their subsidy problems to the agency rather than to the local authorities.

To sum up, the **Agency for Restructuring and Modernisation of Agriculture** solicits cooperation of "social partners" when meeting program deadlines and, consequently, fully absorbing EU funds, is at stake. This is largely a result of the institutional frailty of rural consultancy centres, which do not support agency measures in any systematic manner. At the same time, the absence of institutionalized cooperation with local self-governments, the Church, etc. brings to mind the influence of *socialist legacy*. The absence of partnership solutions fits the image of the agency as an institution largely dependent on the government and not engaged in horizontal relations at the district or regional level – in other words, an institution dominated by "old" governance modes.

ARMA's deficient social partnership role does not mean that there is no cooperation with social partners in the area of EU agriculture and rural development policies in Poland. That cooperation is carried out by the Ministry of Agriculture and Rural Development. The operational program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006* requires consultations and certain forms of social partnership. Steering committees participate in the program's implementation and that is monitored by monitoring committees. These committees include officials representing national administration (including ARMA), provincial self-governments, social and economic partners, occupational organizations and self-governments, public agricultural advisory services and relevant scientific institutions⁸⁸. Committees are appointed by the Minister of Agriculture and Rural Development. The requirement to appoint them comes from the European Commission⁸⁹ and is reflected in Polish legislation⁹⁰. hence, this type of social partnership has a legal basis.

The nature of the partnership is illustrated by the example of the steering committee. Its task is to participate in the project assessment procedure within the framework of particular program activities and recommend institutions for managing projects executable within the framework of particular activities. In addition to the main Steering Committee, there are 16 regional committees appointed by provincial boards. They prepare recommendations for those program activities which require detailed knowledge of local conditions (e.g. "land integration" or "agricultural water resource management"). Both types of committees (steering and monitoring) meet more or less regularly and conclude those meetings with a resolution. Meeting minutes and adopted resolutions are posted on the website of the Agriculture Ministry.

⁸⁸ Comp. the annex to the ordinance of the Minister of Agriculture and Rural Development of 3.09.2004: "Sectoral operational program *Restructuring and Modernization of the Food Sector and Rural Development 2004-2006*", Chapter 6 – *Implementation System*.

⁸⁹ Comp. the European Commission Regulation 1260/1999 on the management and control systems for assistance granted under the Structural Funds.

⁹⁰ Comp. the annex to the ordinance of the Minister of Agriculture and Rural Development of 3.09.2004: "Sectoral operational program *Restructuring and Modernization of the Food Sector and Rural Development 2004-2006*", Chapter 6 – *Implementation System*". Comp. the Act of 20th April 2004 on the National Development Plan, Chapter 7 – *Monitoring the Execution of the Plan*.

II.6 The World of Party Politics and ARMA – Agency Capture?

Politicians strive for influence over the **Agency for Restructuring and Modernisation of Agriculture** because they not only see it as an instrument of modernization but also as a source of jobs and money, primarily for their electorate and cronies, and as a trump card in political negotiations with other parties. The more money (and power) ARMA has after Poland's accession to the European Union, the clearer is its importance to politicians. "ARMA is a strategic agency because it distributes EU funds. It is obvious that we will want our man to be its boss" – says a politician. "Yes, jobs in ARMA are distributed according to our party's formula" – says another politician frankly⁹¹. Such logic leads to a situation where political wrangling for power in the agency disturbs its proper functioning and causes delays in program deliveries. Agricultural economists call this "a negative impact of politics on agriculture"⁹². Europeanization - the process of introducing EU procedures - proved helpless against the local political culture which, we must add, is characteristic to the entire Polish political scene. The same logic in the attitude toward the agency can be observed in left-wing and right-wing parties, those more populist and those more moderate, those typically rural and those trying to appeal to a wider electorate. A limited explanation of this phenomenon can be found in the fact that, to date, the EU has been more interested in monitoring the standards of veterinary inspections, checking hygienic conditions and structure of pigsties and dairies, and supervising the application processing procedure itself than in ARMA's personnel issues, job competitions or methods of filling vacancies.

The main method used by politicians to control ARMA is to man it with people "who can be trusted" and who will also be in contact with local structures of the given party. "Our people must be kept satisfied – and that means both party activists and farmers somehow connected to our party. When there are delays in the transfer of funds or, for example, when there is not enough money to pay structural pensions to all applicants, the basic principle followed by politicians in power who control the agency is to ensure that "our people get it first".

When Wojciech Olejniczak from the Democratic Left Alliance (SLD)⁹³ was the agriculture minister, farmers in the province from which he had been elected to the Lower House were first to get subsidies⁹⁴. SLD provincial leaders were often directors of regional ARMA branches, for example Wiesław Kowalski, director of ARMA's Olsztyn branch, SLD member of the provincial parliament and regional SLD leader.

When the Law and Justice Party (PiS) came to power⁹⁵, the post of agriculture minister went to Krzysztof Jurgiel and he appointed Elżbieta Kauffman-Suszko, head of his political staff, as the acting ARMA president. The woman had no experience in agriculture assistance programs or in ARMA, but she was the minister's trusted collaborator. In late January 2006, Kauffman-Suszko invited all ARMA regional branch directors to Warsaw, apparently to discuss ARMA's future tasks and improved delivery of EU resources. At the meeting, she handed dismissal notices effective immediately to all directors (who were most often con-

⁹¹ *Gazeta Wyborcza* 5.05.2006: "Lepper robi raport otwarcia resortu rolnictwa".

⁹² *Gazeta Wyborcza* 2-3.05.06: "Polska wieś w Unii czeka na lepsze czasy".

⁹³ A left-wing post-communist party that won parliamentary elections in 2001. It held power until 2005, hence during the period when Poland joined the European Union. It governed in coalition with a moderate peasant party – the Polish People's Alliance.

⁹⁴ Interview with a journalist from a national daily newspaper who specializes in agriculture.

⁹⁵ Law and Justice is a conservative party which won parliamentary elections in 2005. It established a coalition with the Self-Defence Party of Poland, a populist peasant party, and the League of Polish Families, a radical right-wing party.

nected to SLD or the Polish People's Alliance (PSL)⁹⁶, and temporarily transferred their responsibilities to their deputies. At that time, Madam President did not yet know who would take their place (new directors were appointed only in March) but, nevertheless, fired all directors associated with SLD or PSL, hence with the parties that were in opposition to PiS. Obviously, this slowed down ARMA operations and caused delays. Yet the politicians holding power in the agency were interested neither in its smooth functioning nor in farmers' well-being, but in control - in making sure that those directors from other parties did not give privileged treatment to "their own people". Consequently, ARMA in politicians' hands is a political instrument. Let us trace back the course of events at the regional level in Olsztyn where Wiesław Kowalski, an important local SLD politician, was the director of the ARMA regional office. In March 2006, he was replaced by Zbigniew Żurawski, a PiS politician, who kept that job only until July 2006, when PiS entered into a coalition with the Self-Defence Party and Żurawski quit to make room for that party's candidate. He said: "I expected this at any moment. That decision was an outcome of the coalition agreement between PiS and Self-Defence".

Initially, it was the Law and Justice Party that wanted to fill positions in agricultural agencies arguing that it had won elections in rural areas. Ultimately, however, when it entered into coalition with the Self-Defence Party, it gave in to demands of that party's leader, Andrzej Lepper, who argued that as the agriculture minister he must be in control of filling positions in agricultural agencies (i.e. in ARMA, Agricultural Market Agency and Agricultural Property Agency)⁹⁷.

Under these circumstances, ARMA regional branch director positions began to be filled by people from Self-Defence, who replaced directors originating from Law and Justice after only a few months in office. In some cases, directors from Self-Defence had a very short party past. For example, Włodzimierz Głowczyński, regional ARMA director in Lower Silesia, had signed in with Self-Defence only a few days prior to his appointment⁹⁸.

This is how Lower House Deputy Kuropatwiński, the Self-Defence boss in Kujawsko-Pomorskie Province, comments on the appointment of a Self-Defence activist to the post of regional director: "Positions in ARMA are distributed in accordance with our party's formula because Deputy Premier Lepper is responsible for the agriculture ministry. I see nothing odd about this. (...) We have many competent activists who are prepared to assume leadership positions, also in the Agricultural Social Insurance Fund, Agricultural Market Agency and Agricultural Consultancy Centres. These people satisfy our requirements and will well serve the society"⁹⁹.

However, people backed by Self-Defence will not be serving the society for long as the PiS/Self-Defence coalition is getting shaky. In October 2006, the situation shifted radically as a result of political turmoil and changes in the governing coalition. Beata Nawrocka from Self-Defence stopped serving as the director of ARMA's regional branch in Kujawsko-Pomorskie Province and the position was offered to a PSL activist Stanisław Barłóg. This was done because Law and Justice needed that party's votes in the Lower House to guarantee a

⁹⁶ The Polish People's Alliance is a moderate peasant party that was in the governing coalition with the Democratic Left Alliance between 2001 and 2005.

⁹⁷ *Gazeta Wyborcza* 9.5.2006: "Śpięcie PIS-Samoobrona przy obsadzie stanowisk".

⁹⁸ *Gazeta Wyborcza* 10-11.6.2006: "Blitzkrieg Samoobrony w agencjach rolnych".

⁹⁹ *Gazeta Wyborcza* 13.6.2006: "Samoobrona bierze Agencję. KRUS is the Agricultural Social Insurance Fund".

government majority. By the way, the fact that a Self-Defence candidate had to give up her post as ARMA's regional branch director in Kujawsko-Pomorskie Province was totally natural to the regional Self-Defence boss: "*The regional branch director position at ARMA is a political appointment [our emphasis] so Ms. Nawrocka had to lose it when we left the coalition. That is normal. Giving the post to PSL was a goodwill gesture that Law and Justice extended to that party – <<you have a free hand, go ahead and hire your own people>>*"¹⁰⁰. Obviously, these repeated directorship changes deeply affect ARMA's work. But the ARMA spokesman comes up with the traditional, often repeated, explanation: "We only wanted to improve the performance of the regional branch"¹⁰¹. And then, after a few weeks of negotiations, Self-Defence returned to the government. Perhaps, under these circumstances, somebody else is about to become the new director of the ARMA regional branch in Toruń. If that is the case, then the decision to change the regional director will not be made as much by the ARMA president as by the Agriculture Minister. The decision-making mechanism that is triggered when it comes to these issues and, at the same time, the deciding voice of government politicians, is illustrated by a statement of a Self-Defence MP concerning the position of ARMA regional branch director in Gdańsk: "Mr. Zarucki [a PiS activist who had been previously appointed to that position] lost his job by fault of his party superiors - Deputies Cymański and Szczypińska. I wanted to talk with them about positions in the agency but they refused saying that Self-Defence was not in a position to be making demands. I reported that to Deputy Premier Lepper and he made the decision"¹⁰². The last sentence in the statement by the Self Defence MP seems to correctly sum up the issue of politicians' influence and hierarchical governance in the agency.

III. Conclusions

III.1 Europeanization of the Agency for Restructuring and Modernisation of Agriculture

Europeanization of public administration in new member states is associated with the impact of the European Union membership on changes in administration's structure and operating methods. The primary objective of this report was to analyze the consequences of Europeanization of the **Agency for Restructuring and Modernisation of Agriculture** associated with its Common Agricultural Policy activities and implementation of rural development policies. The process of ARMA's Europeanization was connected first and foremost with SAPARD, pursued prior to the accession and, after Poland joined the EU, with the execution of the sectoral operational program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006*¹⁰³.

The impact of the European Union on the agency's organization and operating methods was pursued at a formal level (under transferred European regulations) and at an informal level (through working contacts between Polish functionaries and EU administration personnel). As concerns imported regulations, particularly visible was their impact on the shaping of the financial management system and the associated financial control system. Our study shows that EU regulations are constructed in such way as to prevent financial irregularities in the dis-

¹⁰⁰ *Gazeta Wyborcza* (Toruń) 5.10.2006: "PSL wchodzi za Samoobronę".

¹⁰¹ *Ibid.*

¹⁰² *Gazeta Wyborcza* (Trójmiasto) 24-25.06.2006: "Partia Leppera bierze agencje".

¹⁰³ The agency also implements the sectoral operational program *Fisheries and Fish Processing 2004-2006*, but this report does not cover the activities of the Common Fisheries Policy.

posal of European taxpayers' money but, at the same time, pay much less attention to other administrative issues or irregularities, such as those associated with potential political corruption, *agency capture*, politicization of administration, etc. Furthermore, EU regulations do not determine the ultimate shape of the organizational system, including the official dependency between individual units of public administration responsible for management of European resources. They indicate the tasks of particular institutions (managing, implementing, benefiting, etc.), but do not determine how these tasks will be divided among particular public institutions. Detailed decisions in these matters are left to appropriate national administration organs. In the case of Poland, that decision was made by the agricultural minister in consultation with other members of the government. Therefore, the ultimate decision how to divide EU fund management competencies within Polish administration was left to Polish civil servants. They were the ones who determined that the functions of an agency managing the program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006* would be handed to the Agriculture Ministry and that the role of the leading program implementing institution and disbursing agency would be played by the **Agency for Restructuring and Modernisation of Agriculture**. Still, the scope of formal liability of the implementing institution and disbursing agency was shaped in minute detail by EU regulations, which also shaped official dependencies between the managing institution and executive agencies.

Next to the formal level, much impact on the determination of ARMA's organizational structure and operating methods was exerted by European Commission officials, who supervised the day-to-day shaping of the organizational system responsible for the management of EU funds and its implementation in the Agriculture Ministry and ARMA. It seems that their informal insistence made a mark on several particular organizational solutions which exceeded the formal commitments under European law. Another type of informal pressure was exerted by Agriculture Ministry officials. As their trust in ARMA employees was limited and their concern for preventing financial irregularities was considerable, they tightened organizational criteria - which also involved complicating procedures and necessary documentation. These actions increased the scope of hierarchical supervision of ARMA by the Agriculture Ministry.

Europeanization of ARMA initiated contacts between ARMA officials and similar institutions in other EU member states. However, operating within the network of agencies that implemented the Common Agricultural Policy and rural development policies contributed only slightly to the transfer of organizational solutions to Polish administration. Consequently, ARMA Europeanization was pursued mainly along the lines of coercive isomorphism, i.e. according to a hierarchical transfer of formal and informal rules from the European Commission to Polish administration, and not by way of a voluntary and horizontal experience-sharing initiatives between related executive agencies.

Two types of application procedure could be distinguished in an analysis of Europeanization of the **Agency for Restructuring and Modernisation of Agriculture**. At the formal level, many new and detailed organizational solutions were introduced, particularly in reference to the management of financial resources. However, in the day-to-day practice, the analysis revealed several informal norms which contributed to non-compliance with legal regulations or their temporary suspension. In our study, many interviewees pointed to the need to “turn a blind eye” to detailed legal solutions and listed a few reasons behind it. First of all, the rushed introduction of organizational changes and the desire to maximize absorption of European resources. An application of formal regulations could contribute to a slowdown in the absorption of public funds and, in addition, could give rise to discontent among potential beneficiaries as to their participation in European programs. Thus, our study identified two informal norms which restricted the application of legal regulations. Firstly, there was political pres-

sure to maximally accelerate the absorption of EU resources. Secondly, there was the need to use delivered programs as propaganda tools serving the improvement of the image of the European Union and European integration among the rural community, which in Poland is largely Euro-sceptical. This also revealed an important characteristic of the Polish administrative and political culture, which often gives precedence to informal norms, particularly those stemming from political calculations, than to formal ones.

III.2 Hierarchical Management and the Agency Capture Phenomenon

Before the introduction of European rural development and agriculture assistance programs, there existed strong relations of hierarchical dependence between the Agriculture Ministry and the **Agency for Restructuring and Modernisation of Agriculture**. Formally, that hierarchical dependence is set forth in ARMA's statute imposed on the Agency by the Agriculture Ministry. It seems that Europeanization of the discussed segment of Polish administration reinforced this type of relations and increased formal and informal supervision over ARMA activities by the Agriculture Ministry (as well as the Finance Ministry). From the formal perspective, it is associated with the Agriculture Ministry's competencies as an institution that manages the program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006*. The Finance Ministry plays an important role in exercising financial control over the execution of this program and approves ARMA's activities as the paying agency. Organization of the delivery of the EU agricultural policies in Poland became strongly concentrated in the hands of the government, particularly the Agriculture Ministry. It plays the role of the gate-keeper for EU funds, which is expressed by it performing important functions of a managing institution. The ministry was entrusted with leading competencies in the area of programming (preparing programming and operating documents), pursuing local partnerships with relevant local self-government, civic and industrial branch institutions, making principal management decisions concerning the sectoral program, monitoring and supervising the manner of its implementation, etc.

Informal issues directly associated with the absorption of European funds are an important reason for the Agricultural Ministry having reinforced its supervision of ARMA's activities. The study showed increased working contacts between the ministry and the Agency, *quasi* daily meetings between agency management and the agriculture minister, strong ministerial influence on manning management positions in the agency, also in its field offices. This is associated with the minister's political responsibility for the effectiveness of spending European resources. Indeed, a peculiar feature of the Polish political culture is politicians' conviction that European resources can be spent effectively only under their centralized administration. This is also connected to the desire to propagandize the injection of European resources for the purpose of universalizing a positive attitude to Poland's membership in the European Union. Also very important is political control over EU resources which can be used as an instrument in current electoral rivalry or to advance other party interests. It must also be noted that the introduction of informal terms of direct control by the Agriculture Ministry increases the level of ARMA's politicization and use for party interests, while weakening substantive supervision of its activities. Indeed, ARMA politicization is associated with the introduction of personal relations between its management and the Agriculture Ministry management, and the use of these relations to pursue common political and party interests.

Thus the influx of substantial EU resources allocated to agriculture and rural development programs in Poland has led to an increased informal influence of the Agriculture Ministry on ARMA's operations and contributed to the appearance of several administrative irregularities. The most significant among them is the use of European money and personal clout in the

agency as an important resource of governing political parties. Firstly, this money is used to raise the popularity of the particular party among the rural electorate. This phenomenon approximates political corruption, particularly when public funds are handed out first or on privileged terms to sympathizers of given political parties or to voters in selected electoral districts¹⁰⁴. Secondly, European money and jobs in the agency are used to strengthen and expand party field structures. The takeover of control of Agency operations to further the objectives of particular party interests can be qualified as *agency capture*¹⁰⁵. The study also showed that party interests are at times more important than administrative pragmatism and effective execution of substantive tasks by the agency. The presence of this occurrence is illustrated in frequent personnel changes, which delay and hinder the appropriation of European resources. Even though government politicians care about an effective use of European resources, more important is the takeover of political control of these resources by people they can trust and use of these resources to advance the objectives of their political party.

The appearance of European money in rural policies has increased centralization and sectoral character of that administration segment, and perpetuated “old”, hierarchical, governance modes. It also indirectly contributed to perpetuation of pathologies associated with that sector’s politicization, political corruption and *agency capture*. Thus European assistance funds were espoused by Polish administration in accordance with the management tradition as well as administrative and political culture dating back to the socialist period.

III.3 Social Partnership

From the formal perspective, responsibility for ensuring social partnership in the delivery of the program *Restructuring and Modernisation of the Food Sector and Rural Development 2004-2006* rests on the shoulders of the managing institution, which is also responsible for planning program operations. In this manner, centralizing its management in the hands of the Agriculture Ministry weakened the possibilities of pursuing local partnerships by the **Agency for Restructuring and Modernisation of Agriculture**, particularly at the level of planning consultations. In this situation, the practical aspect of ARMA’s collaboration with social partners is reduced to informal assistance in particular information and promotion activities associated with launching an operational program. As a result, the scope of social partnership is limited to conducting periodic activities in support of the Agency’s current tasks. Thus the collaboration of the Agency with social partners affects changes in the manner of its functioning only to a slight degree and has practically no effect on the planning of EU policies in Poland. This manner of executing the principle of partnership by the agency is superficial and subservient primarily to the organizational objectives of the agency itself (rather than social partners).

At the same time, the study showed that, as in the case of social partnership in the Tripartite Commission, social partnership in the execution of agricultural and rural development policies in Poland is strongly politicized. This trend is expressed in politicization of trade unions and agricultural organizations (e.g. agricultural consultancy centres). This is associated with

¹⁰⁴ For more about the definition and examples of political corruption associated with the allocation of European resources in Poland see T.G. Grosse (2006): *Corruption threats in the management system of the Integrated Regional Operational Programme (IROP)* in: *SAVE PUBLIC ASSETS, Monitoring Corruption Threats in the Distribution of Structural Funds, The Case of Poland*, Institute of Public Affairs, Warsaw, <http://www.providus.lv/public/26833.html>.

¹⁰⁵ Comp. T.G. Grosse (2006): *Agencies and Agency Systems. Background paper to Phase Two of the IPA study*. NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D10.

the overall organizational weakness of social partners, who in addition are often financed by the State.

III.4 European Executive Agency Networks

Europeanization of the **Agency for Restructuring and Modernisation of Agriculture** created opportunities for that institution to participate in European networks of agencies that implement EU agricultural and rural development policies. However, ARMA's participation in these networks is very weak for several reasons. Firstly, because meetings and conferences within that framework are sporadic and open only to a narrow circle of people from agencies' central offices. Secondly, they provide little opportunity for sharing practical experience between the interested institutions. In the opinion of our interviewees, the main advantage of such meetings was that they provided an opportunity for boasting about Polish achievements (which, however, had nothing to do with other countries' expertise) and pressuring European Commission officials to relax bureaucratic rigours associated with the execution of particular tasks. Thirdly, participation in a European network of executive agencies in no way weakens hierarchical relations between the Agriculture Ministry and ARMA. An interesting example of a grassroots initiative associated with these networks is provided by meetings between agencies in new EU member states. They serve the purpose of jointly expressing problems and addressing recommendations to the European Commission. In this manner, instead of increasing the autonomy of agencies vis-à-vis national governments, the network serves the cause of reinforcing the position of national administrations vis-à-vis the European Commission. This results from the hierarchical transfer of regulations from the European level to the level of national administration, which is of fundamental importance to the day-to-day performance of executive agencies.

Centralization of management of EU policies also reinforces hierarchical dependences within ARMA itself. This is expressed by the absence of horizontal cooperation between ARMA's field units, even though it could contribute to the improvement of their performance.

III.5 Which State Model?

The introduction of European funds into Poland and Europeanization of the **Agency for Restructuring and Modernisation of Agriculture** do not build any foundation for the development of administration along the lines of the *network state model*. This is associated with a weak presence of social partnership in ARMA's activities and insignificant outcome of participation in European agency networks. At the same time, European funds increase ARMA's hierarchical dependence on government administration and contribute to its politicization and capture for political party ends. This conforms to the administrative tradition stemming from the period when Poland was a socialist state. It is also conformant with the administrative state paradigm. Consequently, the process of Europeanization of the **Agency for Restructuring and Modernisation of Agriculture** was functionally adapted to the conditions of the local administrative culture. This means that Europeanization reinforces in fact the existing manner of the functioning of administrative structures along the lines of the *administrative state model*. That, in turn, confirms the conclusions of an earlier Institute of Public Affairs study of the social and civic dialogue, which showed the persistent existence of the socialist state model and tradition in new EU member states¹⁰⁶.

¹⁰⁶ See T.G. Grosse (2006): *New Modes of Governance in New European Union Member States. A report on social dialogue in selected European Union countries*; M. Fałkowski (2005): *Tripartite Commission: Effectiveness, Legitimacy and Pathologies of a Weak State, Case Study Report Poland*; O. Napiontek, M.

The study revealed three levels of influence on the functioning of the **Agency for Restructuring and Modernisation of Agriculture**. The first is associated with formal and informal rules of conduct transferred hierarchically from the European Union down to national administration. They were adopted into ARMA's practical functioning via the Agriculture Ministry. Therefore, the first level of influence is associated with Europeanization of Polish administration, particularly the **Agency for Restructuring and Modernisation of Agriculture**. Secondly, an important factor of the influence exerted on ARMA is the informal involvement by government politicians associated with their desire to increase the rate of absorption of EU resources and raise the popularity of European integration in rural areas. This type of involvement has led to suspension of certain formal norms (stemming from Europeanization of agency activities), i.e. to "turning a blind eye" on regulatory solutions. It is an example of an important standard existing in the Polish administrative culture, in which formal rules are suspended owing to informal political pressure. Finally, the third type of influencing ARMA's practical functioning rests in an informal interference by politicians who use their control of EU resources and their clout in ARMA to pursue political party objectives. It seems that in the conditions of Polish political and administrative culture this type of influence dominates, and not only the formal rules stemming from Europeanization but also the informal political influence associated with the desire to effectively utilize EU resources.

The study also showed that Europeanization, which introduces several new governance modes into practices of new EU member states, does not modify to any significant degree the functioning of the agency that implements the Common Agricultural Policy and the rural development policy. The method of delegating tasks associated with these policies to a specialized executive agency falls far short from the new governance mode criteria established by the NEWGOV consortium¹⁰⁷. In particular, it does not serve the cause of increasing the autonomy of executive agencies from government ministries, does little to develop the social partnership model in their operations and has very little to show for as concerns agency participation in European agency networks.

Consequently, the weakness of new governance modes in an Europeanized executive agency is rooted in three principal factors: (1) a strong tradition of hierarchical dependence in Polish administration conformant to the *administrative state model*, (2) political and administrative culture rooted in the socialist period, and (3) specificity of managing European redistribution policies in the area of agriculture and rural development which transform member state governments into *gatekeepers* for European resources.

Falkowski (2005): *Civic Dialogue in Poland. Consultations of the Draft of the National Development Plan 2007–2013*.

¹⁰⁷ Comp. T.G. Grosse (2006): *Agencies and Agency Systems. Background paper to Phase Two of the IPA study*, NewGov, Project no. CIT1-CT-2004-506392, ref. no. 17/D10.