
ENVIRONMENTAL COMPLIANCE ISSUES DURING THE PRIVATISATION PROCESS IN POLAND

SYRYCZYNSKI, PIOTR

Coordinator, Permanent Interministerial Unit for Environmental Issues in Capital Privatisation, Ministry of Privatisation & Chief Inspectorate for Environmental Protection, ul. Krucza 36/Wspolna 6, 00522 Warszawa, Poland

SUMMARY

The article shows the way in which Poland tries to solve environmental problems during the sale of shares in state-owned companies. The foundations of the activities of the Permanent Interministerial Unit for Environmental Issues in Capital Privatisation are described. The Unit, which started its work in February 1993, has taken part in preparing almost 40 sale deals and has checked the environmental situation of approximately 120 companies. The various results of the Unit's activity are shown, emphasising stimulating Polish managers' awareness of environmental problems. The example of a published prospectus for the public sale of shares has been included to show how environmental issues in such documents are treated.

1 ENVIRONMENTAL ISSUES IN OWNERSHIP CHANGES IN POLAND

1.1 Administrative framework

Poland is a Central European country with 312,700 km² and 38,480,000 people. From 1949 to 1989 Poland was ruled by the so-called Communist Party, which developed mostly state-owned industries. The huge steel, coal, and heavy chemistry state-owned industries still dominate the southern and southwestern areas of Poland. The inflation rate is approximately 35% per year. The currency—the "zloty"—is fully exchangeable with hard currencies and the exchange rate is adjusted every day. At the beginning of 1993 the exchange rate was 15.500 zlotys to the U.S. dollar. At the beginning of 1994 this rate was 21.300 zlotys to the U.S. dollar.

Democratic and economic reforms started in the beginning of 1989. Until now almost 2000 little and medium-size enterprises were privatised through leasing, worker or management buy-out, the sale of assets after liquidation, and other paths. Almost 100 big enterprises were privatised through transformation into joint-stock companies and the sale of shares to foreign and Polish private investors. Since 1989 Poland has developed extensive trade links both with the European Economic Community (EEC) and former Soviet Union republics. The Polish Stock Exchange is the biggest in the former communist countries, with the capitalization over 2,000,000,000 USD (2 bln USD). Three of the 12 biggest Polish banks are private.

The privatisation process, which started in spring 1990, was supported by financial and technical aid from World Bank, EEC countries, and other international and private institutions. This money was the major source of income for hundreds of foreign consultants, among them at least several environmental auditing firms. The Polish ecological firms developed, too. The biggest private one, active mostly in the area of water management (waste water treatment plants projects), had a turnover 10 mln USD in 1993.

By the end of 1992 only a small part of deals were preceded by the full environmental audit of an enterprise. The contracts for the share sale signed in 1991 and 1992, rarely defined in detail a range of the responsibility being taken for past pollution. The situation resulted from the lack of precise definitions in this aspect in Polish law. In such circumstances, at the end of 1992 it was observed that:

- In some contracts, investors stated that true costs, which they would have to bear because of environmental protection, were much higher than they anticipated.
- A certain group of enterprises did not find any buyers who, at the beginning, called in a large number but then started to give up due to the problem of environmental protection.
- Investors started to require more detailed and clearer data about the ecological situation of the region in which they intended to invest. In order to achieve that they started making their decisions based on the results of environmental audits. This coincided with the attempt made by the Central Statistic Office to conceal some information about the emissions of the enterprises and their impact on the environment.
- The representatives of the Seller (the State Treasury) realized that without an environmental valuation of the enterprises the privatisation process would drag on too long and the considerable initial costs born would not be returned because the sale deal would not be signed. This coincided with the defining in the Budgetary Act of some important revenues resulting from the privatisation process, which were in danger of being not achieved unless the problems of environmental protection were solved.
- Foreign ecological consulting firms were gradually replaced by syndicates, each including a Polish and a foreign firm (or individual specialists). Such pairs of firms are able to operate much better due to the fact that a Polish firm knows the local law and knows how to obtain and verify the scattered ecological information and is aware of the local system which sometimes blocks reasonable solutions. The foreign firms contribute world experience and knowledge of modern technologies. The system of Polish environmental law is complicated, and a firm located 1500 km away from Poland without a permanent representative or a cooperating Polish company does not know many important regulations and therefore its results are often not very reliable.
- The problems of environmental protection have started playing a much more significant financial part in the deals, and some deals have been recently signed in which those problems have accounted for 40% of their total value.

1.2 Sizing up the problem

Polish privatisation process in 1993 gave the income for the State Treasury of approximately 380 mln USD (7 bln zloty). The costs of this process were around 5% and the costs for environmental assessments ordered by the Seller (the State Treasury) were less than 0,3% (no more than 1 mln USD). The environmental audits were paid for by investors and by the companies themselves. So the real expenditures were around 2 mln—2,5 mln USD. The information collected during this process sometimes had a real impact on the decisions taken by the Seller and the Buyers (investors).

In order to be more precise one should add that in fact every year in Poland much more money is spent on preparing the documents connected with environmental protection. Every year approximately 200 environmental impact assessments, 500 documents for the purpose of air permitting, and more than 1000 documents for the purpose of water permitting are drafted. The expenditures for this area are on the level of 4 mln USD.

Privatisation goes with varying speed in different areas of industry. Privatisation of the telecommunication industry took all six factories. Three cement plants out of twelve were sold, three pulp and paper factories out of eight, and almost 70% of furniture factories were sold etc. No chemicals factory was sold and only this year two medium-size pharmaceutical factories will be sent to the stock market.

In Poland several dozen institutions deal with the privatisation process. Apart from the Ministry of Privatisation (MOP), there are the Ministry of Finance (privatisation of banks), the Ministry of Economic Cooperation with Foreign Countries (privatisation of trade enterprises), and vojevodas ("governors") (privatisation of small industrial plants). However, the industrial enterprises that due to their size and pattern of production may have the greatest environmental impact are mainly subordinate to the Department of Capital Privatisation in the Ministry of Privatisation. Environmental enforcement is carried out by the State Inspectorate of Environmental Protection and the activities are coordinated by the Supervision Department of the Chief Inspectorate.

In 1992 during the negotiations preceding the signing of several contracts, numerous working and rather informal contacts between both the institutions took place. The situation resulted from the fact, among others, that the ecological situation of some enterprises should have been examined. Both institutions exchanged information and opinions on the subject of the environmental compliance of the companies, paid (or unpaid!) fees and fines, existing bans etc. Both sides learned from their mistakes, too.

On the initiative of the State Inspectorate for Environmental Protection, after some months of heavy negotiations, in February 1993 an agreement was signed. It established the Permanent Interministerial Unit for Ecological Issues in Capital Privatisation. Establishing such a group was a formal step which meant approving permanent practise of cooperation between the environmental protection agencies and privatisation agencies. The group, including four persons (two from the Ministry of Privatisation, one from the Ministry of Environmental Protection, and one from the Chief Inspectorate), started working and soon its task appeared to be serious.

1.3 Principles of the Interministerial Unit's activities

The basic principles of the operation of the Unit can be shown by presenting the most important wording of the signed agreement which precisely defined the range of duties imposed:

- Cooperation and coordination of assistance from Polish, bilateral and multilateral organisations active in the area of donor assistance necessary to secure the financial assistance for the execution of environmental audits, research and preparation of reports addressing the resolution of environmental problems encountered in the process of capital privatisation.
- Preparation and inspection of completed environmental questionnaires that have been sent to state-owned enterprises in the process of privatisation.
- Definition of the scope and methodology of environmental audits of enterprises for the purpose of capital privatisation within existing financial limitations of the Ministry of Privatisation.
- Preparation of the tenders for the selection of firms to execute environmental audits if the legal and financial audits do not address environmental issues.
- Supervision of the selection of consulting firms executing environmental audits for the Department of Capital Privatisation.
- Review of environmental audit reports and other materials received from environmental consultants, particularly with respect to the comprehensiveness of the information prepared, inclusion of important contingent liabilities and other issues that can hinder the capital privatisation process.
- Cooperation with the relevant environmental protection authorities necessary to facilitate the privatisation of enterprises selected for capital privatisation.
- Supervision, in close cooperation with project managers in the Department of Capital Privatisation, the execution of environmental audits and the incorporation of this information into the provisions of sale contracts for the shares of companies.

- Development of contractual provisions for sale contracts which incorporate environmental issues into the transaction.
- Participation, if needed, in negotiations with potential investors on the subject of investment obligations concerning the improvement of the environmental situation of the privatised companies.
- Preparation of responses to potential investors, other governmental and non-governmental agencies concerning the Unit's activities.
- Assistance, upon request, to all departments and offices of the Ministry of Privatisation in resolving environmental issues which arise in the privatisation process.
- Participation in ensuring the implementation of purchasers' environmental protection obligations as defined in sale contracts of shares to investors.
- Participation, if needed, in conferences and other meetings connected within the scope of the Unit's activities.
- Evaluation and initiation of legislation and regulations affecting both environmental protection and privatisation, particularly resolving some of the uncertainties which investors face in Poland.
- Preparation of tri-monthly written report on the Unit's activities.
- Execution of other tasks commissioned by the persons supervising the Unit.

It is worth emphasizing that no duty imposed on the Unit interferes with the duties of other agencies responsible for decisions concerning both problems of environmental protection and privatisation. In truth, the main task of the Unit consists of permanent intermediation between the persons responsible for decisions in both ministries and local authorities. While solving each problem, the Unit identifies who on each side is a person entitled to make a decision acceptable by both sides. Sometimes the Unit is busier with the negotiations between the privatisation agencies and environmental protection agencies than the negotiations with the investors.

One should notice, however, that the Unit in some part of its activity completes the work of the State Inspectorate for Environmental Protection (SIEP). SIEP does not control all the industrial plants. Sending questionnaires, their analysis, requiring additional information, and/or ordering environmental audits stimulate ecological awareness of the hundreds people in the management boards of state-owned companies. In truth the Unit is like a little environmental enforcement agency inside the privatisation agency.

The main activity of the Unit, as is evident from the above tasks, concentrates on the deals made by capital path. These are, as a rule, the largest deals, involving many consulting law and business firms. The press, supervising organs, the opposition parties, and the trade unions are especially interested in the deals. On both sides (on the side of the Seller, ie, the State Treasury, and on the side of the Buyer, ie, an investor) are very experienced firms (and individual specialists). Moreover, they include Polish companies, sometimes with almost ten years of experience in ecology. Their managers are previous directors or deputy ministries from environmental protection agencies who know the ins and outs of Polish law very well. One of these firms has achieved great success by helping a big Polish enterprise in proceedings before the Highest Administrative Court against the decision of SIEP.

While operating, the Unit's activity is aimed at:

- Supplying the managers of privatisation projects with the most objective information about the ecological situation of the firms.
- Doing the rudimentary financial estimation of possible "contingent ecological liabilities" on the basis of the obtained data.
- Ensuring that the contracts signed clearly define the range of responsibility for the environmental problems for new investors.

- Ensuring that the investment obligations which are a part of many contracts include the most relevant investments necessary to quickly improve the environmental situations of the firms being privatised. One should notice that, according to the rule imposed at the end of 1992, the contracts include serious conventional penalties, to be paid by an investor who does not fulfil his investment obligations.
- Ensuring that potential risk of the State Treasury in regard to the guarantees and statements offered is the smallest.
- Ensuring that in case of difficult contracts in which many environmental protection problems arise, equal terms for potential offerers are created in such a way that the obtained offers are comparable.

Sticking to all the above mentioned principles is sometimes difficult; it requires involving not only time but also capital expenditure. However, after one year of practise, a practical system has been implemented. This system, acting as a vehicle assembly line, is described in the next section.

1.4 The technical principles of introducing environmental enforcement rules during capital privatisation

After one year of the Unit's activity, the appropriate method of implementation of environmental issues has been established. Its scope depends on the real need and amount of money that can be spent.

- At the beginning (usually at the time of the selection of the lead advisor) a questionnaire is sent to the company selected for privatisation. This questionnaire is similar to the U.S. EPA one, but it is based mostly on Polish environmental law. The answers are sometimes far from the truth, but it is still the expected situation in Poland.
- The terms of reference for the lead advisor state that the environmental audit is optional and eventually the MOP will inform the lead advisor about the method of selection of environmental consultants. Sometimes there is a separate tender for environmental auditors. The Unit prefers this path for the privatisation of companies with potential environmental problems.
- The environmental auditor or the members of the Unit (if the full audit is not needed) contact the regional environmental protection authorities. The authorities are asked to give their opinion on the environmental situation of the company and the scope of the investment commitments that can be implemented in this case. The cooperation of various authorities is different, but they try to be helpful in this matter.
- After receiving the first bulk of information (from questionnaires, environmental audits, regional authorities, and the Chief Inspectorate) the Unit prepares a "summary" which addresses:
 - the violations of environmental law;
 - other environmentally related issues that will have an impact on the privatisation process;
 - the list of needed investment commitments; and
 - other important legal issues (eg, future validity of existing decisions).
- Sometimes an environmental audit (first stage) is not sufficient to explain in detail the existing ecological problems. In such a situation the Unit makes a decision to carry out the second stage of environmental audits (drilling and soil analysis), and sometimes call for an additional expert's report, eg, geological or mining. Recently there was a need to obtain an expert's report on the situation at a mine located

under an enterprise being privatised. An assessment of the recultivation costs was done, too.

- A very relevant and necessary element of the process, in case of complicated pollution and an existing danger to the environment, is obtaining official approval of prepared hydrogeological documentation. Only the approved documentation can be the basis of the real estimation of the danger and the basis of other final decisions.
- Sometimes members of the Unit are obligated to participate personally during the negotiation of various contracts. But such a situation rarely occurs due to the fact that it is necessary only in such circumstances when on the previous stages some items have not been analyzed, estimated, or calculated. It is not a permanent element of the Unit's job.

After some initial problems, the Unit managed to obtain funds for making environmental audits. At present they can be financed from four sources:

- Backing funds PHARE.
- Funds of the enterprises being privatised.
- Budgetary funds.
- Funds of the Polish ecological funds.
- Eventually some funds from escrow accounts (after signing the contract), may become available.

Nowadays the privatisation process in Poland generates so much interest that in some cases over 20 offers are received from all over the world. At the same time, the Unit tries not to unnecessarily stop the decision-making process. With early finding, problems often can be solved and estimated much earlier. In this way the decisions can be taken with proper knowledge of the involved risks.

1.5 Achievements in solving environmental compliance issues in the capital privatisation process

Since February 1993, the Unit has made about 120 analyses of answers to questionnaires sent to the companies. Now if the company wants to be privatised by the capital privatisation path, it must answer very detailed questions, which are checked by the Unit. At the same time, in the case of 80 enterprises the competent local authorities have been consulted. In the case of 35 enterprises environmental audits have been ordered (first stage). In the case of 10 enterprises it was necessary to order additional experts' reports. Some cases needed the long negotiations on the subject of unpaid or suspended fines and penalties. Usually the financial problems were much more time consuming than others.

The obtained results have been included in the contracts signed in the form of:

- The disclosure letters which state the facts of breaking the environmental protection law.
- The proposed investments which ought to be implemented in order to attain accordance with the rules.
- Defining the division of responsibility for the various problems.
- Principles according to which the Seller may be responsible for some of the obligations (ie, multistage conditional clauses limiting possible payments on the Seller's part).
- Defining what amount of funds originated from the contract is required to eliminate past liabilities and defining what other tests and analysis should be made.

One should add that there are some problems which are by-products of the Unit's activity but which may have significant influence on the problems of environmental protection. Among others, these are:

- That the sale process for companies which are known to have had ecological problems from the beginning should take that fact into consideration. Both informational memoranda and precontract drafts sent to potential investors should clearly refer to the problem. Otherwise some potential investors will not understand the suggested way of solving those problems. In some cases, offers are proposed which are inconsistent with existing Polish law (say they propose in their investment to import waste from EEC). Another case, for example, is where an enterprises may not have permission to dispose sewage due to the fact that it has not built a sewage-treatment facility and the potential offerer has forgotten this in his investment plan.
- Consulting advisory firms which deal in the privatisation process have to understand the policy of the Seller. The pay for such firms is often dependent on the success of a deal and its value, which sometimes contradicts the benefits of solving the ecological problems.
- As a rule, during the initial part of the privatisation process the management of such firms are very nervous about the fact that the Unit has found and analyzed existing environmental problems. Sometimes some time must pass by (1-2 months) before the management understands that it is impossible to end the process as long as these problems are unsolved.
- Sometimes a very tense situation occurs when considerable profits on a deal have been anticipated and suddenly it has turned out that the costs of environmental clean-up and pro-ecological investments decrease the Seller's earnings. The Unit has faced a situation where a company counterfeited documents submitted to the vojevoda (governor) for the purpose of not paying 700.000 USD a year of charges and penalties for breaking the permits.
- Any settlement of the above mentioned problems sometimes has to be done quickly due to the very tight schedule of other privatisation activities. This situation increases significantly a danger of making an error.

The seriousness of handling such affairs is expressed by the fact that the privatisation process is permanently supervised by both Parliament and the Supreme Chamber of Inspection. In two cases, on the basis of the charges formulated by both bodies, legal proceedings have been taken. Making a mistake—for example, doing the wrong evaluation of the possible responsibility, or making an error concerning a word or clause in the contract—can produce a bad result. It is especially significant due to the situation that according to the Budgetary Act the income from privatisation should amount to 500 mln USD in 1994.

Despite a complicated situation during the past year, the Unit has produced results with a real impact for the environment:

- The sale contract of a very old cement plant which was in a very bad technical situation has been finally concluded. The Buyer has undertaken the obligation to invest over 20 million DM for the purpose of total modernization.
- The sale contract of one pulp and paper factory was signed. This company was heavily mortgaged and on the verge of bankruptcy. The Buyer has undertaken the obligation to invest over 36 million USD for the purpose of liquidation of the pulp unit and the total modernization of the factory.
- Several other contracts were signed. In one of them, about 5 million USD have been reserved for possible costs of soil clean-up and 120.000 USD for consulting fees.

- Many other small contracts have been minor successes for the environment. New investors will upgrade boilers, install equipment for air-protection, and build new wastewater treatment facilities.

Recently the proposed new version of the privatisation act added detailed legal provisions on the subject of environmental issues. By this act the proper full preprivatisation audit ought to include:

- Analyzing and considering all administrative decisions, among them those connected with environmental obligations.
- Summarizing all the appropriate investments needed for fulfilment of Polish environmental law.
- Evaluating the value of the various deposits excavated or the existing resources of the company.
- Considering all other important environmentally related facts (among them potential "contingent liabilities").

The important backing for the above achievements was the fact that the Commission for Securities has sharpened the regulations concerning the information which must be disclosed in an emission prospectus. It requires, under the penalty of five years in prison, the disclosure of all facts which may have an impact on the future financial situation of a company. The prospectus must include:

- Administrative proceedings being taken (those connected with environmental protection must be shown, too).
- Important facts known by the company which can influence its financial standing (the existing land contamination which may require recultivation is included, too).

Sharpening those regulations followed from the fact that one public company had concealed in its prospectus that it could obtain a significant tax exemption.

One should notice that in Poland legislation is still not complete which would help to define the size of possible ecological liabilities. There are many complicated individual regulations which sometimes must be properly taken into consideration in the contracts. In view of this fact, the Unit has proposed that the ecological part of every contract be a separate part of the contract, not connected with other parts. This method enables defining more clearly the environmental protection problems than in a classic "American" structure of a contract in which all the clauses include all the elements of the activity of the firm being sold.

One should notice that the goal of the Seller which is the State Treasury (in Poland the Ministry of Privatisation acts on its behalf) is not the same as the goal of the Seller—a private company. The State Treasury (the Government) may have goals other than the simple acquisition of income. So the tools ought to be different if the goal is different.

The Unit has initiated a proposal to address the European Bank for Reconstruction and Development to finance the project of establishing guidelines on soil and underwater contamination of land intended to be used in activities connected with crude oil refining. A representative of the Unit took part in the work of two committees on modernization of Polish environmental protection law. In March 1994 a short seminar is scheduled on the subject of mine and mineral deposits evaluation. One should stress the assistance granted by U.S. EPA and the International Bar Association which in September 1993 helped to organize a training for the members of the Unit and other clerks from Polish agencies dealing with problems of privatisation and environmental protection.

1.6 Cost, economic, and political factors versus compliance issues in capital privatisation

Adequate analysis of ecological problems decreases the potential risk both on the part of the Seller (the State Treasury) and the Buyer (the investor). A detailed analysis often causes an investor

to agree to take all the responsibility for the existing problems of environmental protection. It is, relatively, the simplest situation but it occurs mostly with companies with known past activity and a well-known, simple process of production. It can be used if, for example, the only problem concerns a coal boiler-room, a porcelain heating furnace, etc.

The decisions made concerning the allocating of some funds from contracts to solve the problems of environmental protection can cause:

- Reduction of funds allocated to maintain and create new jobs for the employees of a plant. As a rule, when the ecological problems are solved, new jobs are created in other firms.
- Slowing down the whole privatisation process due to the fact that obtaining necessary agreements is sometimes required. Local authorities may have other goals, and sometimes they demand additional money for roads, wastewater treatment facilities, etc.
- Defining that 10, 20, or 50% of income goes for environmental protection goals is in fact modifying the Budgetary Act. The money might eventually have gone for the poor, housing, unemployment, etc.
- Assigning the funds to solve the exact "individual" problems automatically means a change in the order of solving the environmental problems in the scale of the country. The modernized and ecologically healthy enterprises gradually (but rather quickly) force out of the market the other ones. In this way environmental protection becomes an additional factor which significantly accelerates market development in post-communist countries.

Having a wastewater treatment facility is often a key element when making investment decisions; for example, foreign investors have changed the site of a plant by 50 km in order to build it in a town which has such a treatment facility. The other town still has unemployment over 30%. In another district, near the sea, where there is a lack of a proper landfill and wastewater facility, no privatisation deal has been made.

2 ENVIRONMENTAL COMPLIANCE VERSUS THE PRIVATISATION PROCESS

2.1 Typical examples of the dependence of the privatisation process on the environmental performance of companies

Polish environmental protection law is mainly based on the Administrative Code. This means that a plant has to apply to the competent administrative bodies with a request to obtain permission for using the environment. During the privatisation process, MOP forced many enterprises to settle their legal situation in this respect. The investors during the talks with the companies also required legal clarification of their environmental situation. Therefore many deals are still not ended. They include for example:

- A deal which awaits a legally valid permit for air emission.
- A deal which awaits explanation of the legal status of a so-called protective zone. This zone is inhabited by several families.
- A deal which awaits evaluation of the costs of the clean-up that will be done during the next five years.

The fact that such situations occur stimulates many other companies which want to settle their legal status—to the sincere surprise of local environmental authorities. Sometimes a plant, which for many years refused to deliver a complete set of documents, delayed the administrative proceedings and suddenly demands settlement as quick as possible.

During this process, accelerated education of many managers takes place. During the privatisation process they start realizing that they must quickly change their attitude toward the environment or they will be fired.

Apart from the positive elements one can mention an element which is still not possible for the Unit to achieve. This is the problem of excessive (in my opinion) consumption of underground water by companies. Their dependence is sometimes almost 100%. The resources of underground water are limited and it ought to be used only for the food-processing or pharmaceutical industry. However, there is a chance that the privatised plants will reduce water consumption and will build alternate sources of supply.

2.2 Example of the environmental part of a prospectus published for the issuing of shares in the Polish stock market

"The Company production does not involve environmentally damaging technologies, except common ones, such as a waste water release and heating applications. In recent years the Company has built a modern waste water purification station, which meets all standards.

"Two different sources of heating are used in the Company. One is from the city heating plant and the other is from the Company's own boiler house. The latter source of heat has gone through a modernization process aimed at significant lowering of emissions.

"One of the elements of the Company production process is covering all parts with special paint for transportation and storage. According to the existing norms, no special paint-room is required to perform this operation. Nevertheless the Company is considering installing a special, environmentally friendly paint vapour collection facility.

"Expenses planned for environmental protection in 1994-2000:

- waste water purification station maintenance app. 50.000 USD a year;
- installation for lowering emission of boiler house + maintenance 1996 = 150.000 USD, 1997 = 200.000 USD, next years app. 25.000 USD a year;
- paint vapour collection facility + modernization of paint facility 1998 = 300.000 USD, 1999 = 350.000 USD, 2000 = 350.000 USD.

"Main air polluters are the following:

- company boiler house producing heat;
- production facilities;
- tool-house, polishing shop;
- grinding mill: chamber-type, through-type.

"When modernization of main polluting facilities are finished the Company will request to change the regulations imposed on the Company by the authorities.

"Since November 1992 all waste water is purified by a newly built purification station before draining into the Odra river. The purification process is both mechanical and biological. Parameters of purified water match the norm of decision.

"Production waste, which may be produced as a result of the Company activities, are as follows:

- used oils and greases (transferred to CPN);
- fermentation waste from water purification process (currently placed in own reservoir);
- slag (managed internally).

"Modernization of waste management facilities and processes will decrease contributions to the Environmental Protection Fund.

"The Company paid 20.000 USD in the first half of the year as environmental fees and fines."

3 CONCLUSIONS

The constitution of the Permanent Interministerial Unit was a natural result of the development of the privatisation process in Poland. The Unit was established as a result of long negotiations and an understanding of the problems by both sides—the State Inspectorate for Environmental Protection and the Ministry of Privatisation. When the Unit started to operate and the results were successful, everyone wondered why it had not been established earlier.

One should also note that the privatisation process disclosed all the small failings of Polish environmental law—discrepancies between some regulations and their lack of precision. Because of that, members of the Unit have been assigned to the committees established on the turn of 1993 and 1994 for collecting and treating all mistakes in Polish legislation and proposing changes which will increase the efficiency of ecological law enforcement. The matter is also raised by investors who do not want to compete with the plants against which environmental law is not effectively enforced. In a way that may be paradoxical, the enforcement agencies have earned a strong ally. The serious investors want to have clear rules and strong enforcement against those who break ecological law. The Commission for Securities has become the second ally which has helped in introducing the environmental factors in capital privatisation. The risk factors connected with the shares must be disclosed properly. This contributes to better environmental performance by many companies.