

Cash Flow Statement (thś PLN)

	1998	1999
A. Cash flow from operations		
I. Net financial result (profit/loss)	-192.3	18,974.9
II. Adjusted for:	762.4	-57,505.9
1. Depreciation	354.9	365.5
2. Foreign exchange gains/losses	-100.4	-
3. Interest and dividends received and paid	-7,587.7	-12,691.5
4. Provision for receivables	32.0	-
5. Other provisions	3,050.0	200.0
6. Income tax on gross profit	728.2	3.1
7. Income tax paid	-728.2	-3.1
8. Adjustment to corporate income tax for prior years*	-	-51,526.5
9. Profit or loss on sale and liquidation of components of investment activity	7.3	3.1
10. Change in receivables and claims	6,016.3	526.0
11. Change in short term liabilities (except for loans and bank credits) and special funds	-437.0	4,224.9
12. Change in deferred charges and accruals	-1.3	-13.3
13. Change in deferred income	-	1,200.0
14. Other items	-571.7	214.8
III. Net cash from operations	570.1	-38,531.0
B. Cash flow from investment activity		
I. Purchase/sale of intangible fixed assets	-40.0	-4.2
II. Purchase/sale of tangible fixed assets	-101.7	-35.5
III. Purchase/sale of shares in affiliated companies	-	-
IV. Purchase/sale of shares in associated companies	-	-
V. Purchase/sale of other shares and securities (included those intended for resale)	-5,505.3	110,929.5
VI. Granted/repaid loans	-	-
VII. Received/paid dividends	568.2	1.4
VIII. Received/paid interest	8,254.7	12,690.6
IX. Other items	-	-
X. Net cash from investment activity	3,177.8	123,581.8
C. Cash flow from financial activity		
I. Contracted/repaid long term bank credits	-	-
II. Contracted/repaid long term loans, issuance/redemption of bonds and other securities	-	-
III. Contracted/repaid short term bank credits	-	-
IV. Contracted/repaid short term loans, issuance/redemption of bonds and other securities	-	-
V. Paid dividends and other payments to owners	-	-
VI. Paid financial leasing instalments	-	-
VII. Income from issuance of shares and additional payments to capital	-	-
VIII. Paid/received interest	-1,235.1	-0.5
IX. Other items	-	-
X. Net cash from financing activity	-1,235.1	-0.5
D. Change of net cash position	2,512.8	85,050.3
E. Cash at the beginning of the accounting year	4,414.2	6,927.0
F. Cash at the end of the accounting year	6,927.0	91,977.2

- Adjustment to corporate income tax for years from 1995 to 1998 decreased retained earning from prior years and increased liability from corporate income tax.

EQUITY AND LIABILITIES	1998 Ths zlotys	1999 Ths zlotys
A. Equity	185,390.2	204,364.9
I Capital fund	95,000.0	95,000.0
II Reserve fund	27,604.5	27,606.0
III Statutory fund	135,051.2	135,051.2
IV Revaluation fund	10.3	8.8
V Undistributed financial result	-72,083.7	-72,276.0
VI Undistributed net financial result from the previous year		-192.3
VII Net financial result for the accounting year	-192.3	18,974.8
B. Provisions	3,000.0	0.0
C. Long term liabilities	0	0
D. Short term liabilities and special fund	72,393.3	25,091.8
I Liabilities	72,390.2	25,088.0
II Special fund	3.1	3.8
E. Accruals and deferred income	-	1,200.0
TOTAL EQUITY AND LIABILITIES	260,783.3	230,656.7

Balance Sheet as at 31 December 1999

ASSETS	1998 Ths zlotys	1999 Ths zlotys
A. Fixed assets	86,528.7	93,960.5
I Intangible fixed assets	270.4	187.6
II Tangible fixed assets	2,667.1	2,430.1
III Financial assets	83,591.2	90,181.7
IV Long term receivables	-	1,161.1
B. Current assets	174,249.1	136,677.3
I Inventories	0	0
II Receivables and claims	1,737.6	50.5
III Short term securities	165,584.5	44,649.6
IV Cash	6,927.0	91,977.2
C. Inter-period settlements	5.5	18.9
TOTAL ASSETS	260,783.3	230,656.7

D. 1. Change in stock	1.3	13.3
E. Financial revenues	455,683.0	302,322.1
F. Other revenues	0.7	<u>23.5</u>
G. Administration costs	4,660.6	8,871.1
H. Financial cost	431,479.4	254,140.8
I. Other costs	9.2	<u>310.3</u>
J. Profit on activity	535.9	<u>18,978.0</u>
K. I Extraordinary profit	0,02	
II Extraordinary loss	-	
L. Income tax	728,2	3.1
M. Net profit	-192,3	<u><u>18,974.9</u></u>

THE FINANCIAL STATEMENT AND THE AUDITOR'S REPORT

Auditor's Report

for

Fundacja na Rzecz Nauki Polskiej

We have audited the accompanying financial statements of Fundacja na Rzecz Nauki Polskiej. These financial statements consist of: the balance sheet as at 31 December 1999 with total assets of and total liabilities and equity of PLN 230,656,684.93; the profit and loss account for the year then ended with a net profit of PLN 18,974,866.46; the cash flow statement for the year then ended with an increase in cash amounting to PLN 85,050,277.19.

These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with International Standards on Auditing, section 7 of the Polish Accounting Act dated 29 September 1994 (Official Journal no.121, item 591 with subsequent amendments) and the professional norms established by the Polish National Council of the Certified Auditors. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements have been prepared from properly maintained accounting books and present fairly, in all material respects, the financial position of Fundacja na Rzecz Nauki Polskiej as at 31 December 1999 and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards applied in Poland as set out in the Polish Accounting Act dated 29 September 1994 (Official Journal no.121, item 591 with subsequent amendments) which have been applied on a consistent basis.

As required under the Polish Accounting Act dated 29 September 1994 we also report that the information given in the Directors Report is consistent with the financial statements.

25 February 2000

Certified Auditor no. 796/1670
Bogdan Dębicki, Director

for KPMG Polska Audyt Sp. z o.o.
Zofia Popławska, Director

Profit and Loss Account

for the year ended as of 31 December 1999

	1998 Ths zlotys	1999 Ths zlotys
A. Income on statutory activity	-	-
B. Costs of statutory activity	18,999.9	20,058.7
C. Profit/loss on statutory activity	-18,999.9	-20,058.7

Sectors, Restructuring and Personnel Training in R&D Establishments and Supporting Co-operation between the Polish Academy of Sciences, Universities and Commercial Enterprises (completed by the end of 1999). The project *Increasing the Participation of Poland in EU Science and Technology Programmes* is currently being implemented; under this scheme, 218 grants were awarded for the development of proposals for EU programmes.

As part of the project *The Development of the National and Regional Innovation System in Poland*, competition entries were evaluated and grants awarded to 21 institutions involved in activities aimed at increasing the innovative character of Polish business enterprises, especially the small and medium-sized. As part of the project *Preliminary Studies and Pilot Implementation of the Excellence Centres Model*, a model of such centres was developed meeting the requirements specified in the relevant legislation in Poland, and five pilot Centres selected following a competition. Two more projects were launched, namely *Emergency Analysis of Policy in the Science and Technology Sectors*, and *The Policy of Supporting the Participation of Small and Medium-Sized Enterprises in the Fifth Framework Programme*.

By the end of 1999 all projects under the SCI-TECH II Programme were launched, and are now at an advanced stage.

CRIT-2

(Co-operative Research in Information Technology Programme)

This project is aimed at the development of research in the field of information technology, and in particular at strengthening co-operation with business and industry as well as intensifying the ties of Polish science with information technology research in the European Union. It is closely related to the ESPRIT Programme which constitutes a part of the Fourth Framework Programme for Research and Technological Development in the European Union.

The first stage of this project included the development and application of the criteria and procedures for the selection of research projects in the field of information technology to be implemented and financed. The second stage of CRIT-2 implementation commenced on 1 January 1998 and is to be completed by 15th October 2000.

FEMIRC Project

The FEMIRC Network (Fellow Member to the Community Innovation Relay Centres in Poland), was established as an initiative of a number of institutions operating in the science and technology sectors. Since 1st July 1998 it has been co-ordinated by the FNP Office for European Co-operation. It is partially financed from the budget of the INCO-COPERNICUS Programme (the Fourth EU Framework Programme).

The partners in the network are universities, R&D institutes, Science Parks, Technology Transfer Centres and other science and/or industry-related institutions and organisations. The partners collaborate at the regional level, and co-operate with other universities and establishments, as well as with small and medium-sized enterprises (SMEs). Also involved in this co-operation are Innovation Relay Centres from EU member states.

In 1999 the participants in the FEMIRC network took part in the Innovation Relay Centre Competition under the Fifth EU Framework Programme. Assistance and expert advice to members of the three member IRCs in Poland is provided by the FNP Office for European Cooperation.

1999 was the fourth and final year of the INCOME Programme. Its objective was to encourage Polish scientists and research workers to introduce innovations in the industry and business sectors of the economy, and financial institutions to accept the challenge of investing in advanced technology.

The programme was implemented initially in co-operation with the PBR Bank, and then the BRE Bank in the area of analysis and management of investment projects, using the network of Technology Transfer Centres (TTCs) accredited by FNP.

In 1999, six TTCs were involved in the execution of this project; their accreditations had been granted the previous year and then renewed.

In 1998 new instruments facilitating technology transfer were introduced in the form of grants towards the cost of prototype testing, trial run manufacturing, tests of new technologies and other activities aimed at obtaining all the certificates and permits required prior to a given product being launched on the market.

At the end of 1998 and throughout 1999, 5 investment projects and 12 grant applications were submitted to the Foundation for final assessment; a small percentage of the applications received and evaluated by TTCs.

In 1999, four grants were awarded under this scheme for the development of technical investment projects. As all the capital investment was currently suspended by the Foundation, no direct investment projects were evaluated, and no grants given in this category.

The grants were awarded for the following projects:

Collagen Substitute of the Cerebral Dura Matter and Spinal Cord as well as Other Connective Tissues originated by Dr. Krystyna Pietrucha of the Technical University of Łódź;

The Manufacture and Indoor Testing of Prototype Mechanisms for a Multi-Purpose Fishing System for Small Fishing Vessels originated by Professor Józef Krêpa of the Technical University of Gdańsk;

The Modification of a Zinc-Manganese Cell Using a New MnO₂ /RCV Electrode System originated by Professor Andrzej Czerwiński of Warsaw University; and

The Required Ground and Air Testing of the J6 Fregata Motoglider originated by Dr Roman Œwitkiewicz of the Warsaw University of Technology.

The INCOME Programme terminated on 31st December 1999; the experience gained during its implementation was used in the development of the terms of reference for TECHNO, a new annual programme of the Foundation.

PROGRAMMES FINANCED FROM EU FUNDS

Phare SCI-TECH II

Launched in 1997, this is the main programme aimed at supporting Polish science and facilitating technological advancement and innovations in the period preceding Poland's accession to the European Union, seeking to ensure effective implementation of EU policy in the areas of science and technology. The Programme's budget amounts to 5 million ECU; it provides various forms of assistance for participating Polish institutions including expert advice, training, and support for new institutions emerging in the science sector in Poland such as consortia and Centres of Excellence; as well as special grant schemes.

The first stage of implementation of the SCI-TECH II Programme was a tender procedure by which companies responsible for individual projects were selected. Following the tender, the realisation of several projects was initiated, including *A Pre-accession Strategy for the Science and Technology*

The 1999 Annual Grzegorz Bia³kowski Award for the best Ph.D. dissertations in the field of the mathematics, physics or chemistry granted jointly by FNP and the Society for the Promotion and Support of Science was given to Szymon Krzywda of the Adam Mickiewicz University Faculty of Chemistry.

In 1999 the Foundation continued membership in, and support for, four leading and highly active scientific associations in Poland: The Warsaw Scientific Society, The Toruñ Scientific Society, The Society of the Friends of Science in Poznañ, and The Society for the Promotion and Support of Science.

FNP Conferences

Polish Territories in the 10th Century and Their Relevance for the Shaping of the New Europe

Prior to the 1000th anniversary of the Gniezno Congress, the Foundation organized an all-Poland conference held in Kalisz, aimed at summarising the current state of knowledge on the origins of the Polish state, taking into account the latest research findings.

This event was attended by over 80 participants, representing four generations of historians and archaeologists. It showed clearly that the new findings and interpretations concerning the beginnings of the Polish state differ considerably from generally held ideas of this period.

The conference papers and contributions to the discussions will be presented in the form of an extensive publication available in the first half of the year 2000.

FNP Debates on Science

In 1999, this conference of a series held regularly under the common title *FNP Debates on Science* was an attempt to answer questions concerning the nature of "proper science", and the criteria that can be applied in distinguishing outstanding achievements from the mediocre. Considerable attention was paid to the methods of evaluation of scientific findings, and the establishment of assessment criteria appropriate to specific areas and fields.

The papers and contributions by participants in the conference will be published as Volume Four of the *FNP Debates on Science* series, *The Better in Science*.

The materials from the last conference, *Science and Education*, were published in July 1999.

Meetings of Beneficiaries

In the spring of 1999, two meetings were held summarising the outcome of the DIAMOL and MOLTEK Programmes executed in 1996, under which grants were awarded for the purchase of equipment for the best teams involved in research in medicine and the physics and chemistry of molecular crystals.

The organization of both events was delegated by the Foundation to, respectively, the PAS Institute of Bio-organic Chemistry in Poznañ, and the Wroc³aw University of Technology.

Each meeting began with a lecture on selected issues within the scope of the DIAMOL and MOLTEK Programmes, followed by a poster session presenting the most interesting achievements of the grantees. In addition, the beneficiaries submitted a list of publications and memoranda which were the outcome of research and studies carried out using equipment purchased from the grants awarded by the Foundation. Conference papers were published in the form of brochures.

FACILITATING TECHNOLOGY TRANSFER

INCOME Programme

This competitive programme, aimed at the publication of monographs by Polish authors in the humanities and social sciences, was initiated in 1994. Since then, 40 books have been published in the series *FNP Monographs*, widely acclaimed by scholars, editors and readers alike. Their recognition has been confirmed on many occasions, including most recently in the form of an award granted by the Minister of Education, several KLIO Awards from the Alliance of Historic Books Publishers, and nominations for the Jan D³ugosz Award made at Book Fairs in Cracow, and the Klemens Szaniawski Competition Award.

In 1999 the publication and distribution of books published in the *FNP Monographs* series was handed over to an associate company of the Foundation, the Wroc³aw-based FUNNA Company.

In 1999 seven books were accepted for publication by the competition jury, and seven new monographs published.

The financial commitments incurred in 1999 under this scheme amounted to 300,900 thousand zlotys; and the cost of programme implementation totalled 337,000 zlotys.

PUBLICATIONS

Due this programme, launched in 1994, the publication of multi-volume works documenting Poland's historical, cultural and technological heritage can be continued, including ***Polski S³ownik Biograficzny*** (The Polish Biographical Dictionary), ***Katalog Zabytków Sztuki w Polsce*** (A Catalogue of Art Works in Poland), and ***S³ownik polszczyzny XVI wieku*** (A Dictionary of the 16th Century Polish Language). These are prepared by PAS Institutes of History (in co-operation with the Polish Academy of Abilities), of Art, and of Literary Research; the Foundation covers the printing and publication costs as well as the cost of editing. In 1999 the total allocations under this scheme amounted to 303,140 zlotys.

In 1999, a new regular publication was included in this programme (from the year 2000 onwards), namely ***Materia³y do dziejów sztuki sakralnej na ziemiach wschodnich dawnej Rzeczpospolitej*** [Sources for the History of Religious Art in the Eastern Territories of the Former Republic of Poland], prepared by the International Cultural Centre in Cracow and the Jagiellonian University.

ADALBERTUS

This multi-annual archaeological research programme originated in 1995, connected with the millennium of the last mission of St Wojciech (Adalbertus) to Prussia, resulted in many important findings. The results of research carried out during the years 1995-1997 were published subsequently in a series consisting of several volumes, the last two of which appeared in 1999: Volume Four devoted to the road constructions exposed in the valley of the Dzierzgoñ River; and Volume Five containing data allowing for the reconstruction of changes in the natural environment.

SUBIN

In addition to its regular programmes organized on a competitive basis, the Foundation undertakes emergency action aimed at providing financial support to certain projects (including investment undertakings) of special importance to Polish science.

In 1999, grants under this scheme of nearly 2.1 million zlotys were awarded to 27 projects originated by teams of researchers and scholars.

FNP Co-operation with Scientific Associations

The co-operation of the Foundation with domestic scientific organisations and associations initiated in 1995, includes, among other activities, the co-financing of awards granted jointly with these establishments.

qualitative changes in the environment and potential of the best research teams working in Poland in a given field.

The area selected for 1999 was research in the functioning of immunological systems in humans and animals (the IMMUNO Programme).

IMMUNO Programme

Immunology is one of the most dynamically developing areas of study. Research findings in this field result in the elaboration of new preventive measures and treatment methods used to fight various civilisation-related diseases.

The grants under this scheme were awarded as a contribution towards the cost of purchase of specialist appliances for the best research team involved in studies of cell immunity aimed at explaining the immunological mechanisms in humans and animals, both healthy and diseased.

This project aroused considerable interest from potential beneficiaries: a total of 108 applications were received, submitted by research teams from various locations throughout Poland. Following the evaluation procedure, 33 entries were selected. The grants awarded under this scheme amounted to approximately 5.8 million zlotys. The beneficiaries included research teams from 11 medical academies, 8 PAS centres and 9 universities.

LONG-TERM PROGRAMMES

LIBRARIUS

In March 1999, the final tenth competition under this scheme was judged. Originated in 1995, the Librarius Programme was aimed at providing assistance to scientific libraries in Poland (especially those at universities) to improve the standard of their facilities and resources; funds were also available for construction or adaptation works at their final stage. The applications could be submitted from May to December 1998. 12 grants were given; and in the case of 3 beneficiaries, decisions made to increase the allocations awarded in previous years. The total amount expended under this scheme in the 1999 financial year was 1.8 million zlotys.

ROUTE

Launched in 1998, this programme has been intended as an emergency source of finance for archaeological research carried out in areas involved in motorway construction and large investment projects; providing funds for preliminary projects, laboratory tests and interdisciplinary studies, as well as the preservation of items of significant archaeological interest.

In 1999, 4 applications were received, and 3 grants for specialist analysis and preliminary research awarded to the following beneficiaries:

- a research team supervised by Dr Dominik Ab³amowicz of the Silesian Museum in Katowice;
- a research team of Professor Stanis³aw Tabaczy³ski of the PAS Institute of Archaeology and Ethnology in Warsaw; and
- an intercollegiate research team from the Maria Curie-Sk³odowska University and the University of Silesia, lead by Dr Maria Lanczont.

The total amount of grants awarded under this scheme over two years exceeded 450,000 zlotys.

As Polish archaeologists expressed only slight interest in this programme because of the slow progress in motorway construction in Poland, the Foundation has decided to adjourn the programme at the end of 1999, limiting activities to providing funds for projects agreed on previously.

MONOGRAPHS

Alexander von Humboldt Honorary Research Fellowships

Alexander von Humboldt Honorary Research Fellowships awarded by the Foundation for Polish Science to German scholars are the equivalents of the Humboldt-Forschungpreise granted by the well-known Alexander von Humboldt Foundation to eminent foreign scholars from various countries all over the world. Fellowships under this scheme are awarded with the aim to honour the outstanding achievements of the beneficiaries, and to foster long-term co-operation between Polish and German scientists.

In 1999 these fellowships were granted to:

Professor Klaus Hafner of the Institute of Organic Chemistry of Darmstadt University of Technology, for four-month research at the PAS Institute of Organic Chemistry in Warsaw;

Professor Walter Glöckle of the Institute of Theoretical Physics of Bochum University, for twelve-month research at the Institute of Theoretical Physics of the Jagiellonian University in Cracow; and

Prof. Josef Hörle of Würzburg University Hospital, for four-month research at the Medical Academy in Warsaw and the PAS Centre of Experimental and Clinical Medicine.

The fellowships of 5,000 zlotys per month can be drawn by the beneficiary over a three year period.

Polish Post-Doctoral Research Fellowship at the School of Slavonic and East European Studies of the University of London

An initiative of the School of Slavonic and East European Studies of the University of London and FNP, this fellowship, established in 1994, is granted for twelve-month research at the University of London in the area of Polish Studies as broadly understood. It is co-financed by the British Foreign Office and the M. Grabowski Foundation, with the contribution of FNP amounting to approximately 36% of the project's annual budget.

The subject for each year is chosen by the sponsors.

In 1999 the successful applicant selected through competition in the previous year went to London. As the commencement date for research visits to London has been changed, the next competition under this scheme will be held in mid-2000.

Research Fellowships for Scholars from Central and East European Countries

This fellowship programme for foreign scholars (mainly from Central and Eastern Europe) willing to conduct research in the field of life and exact sciences in Poland, was launched in 1993; it has been administered by the Foundation in co-operation with the Józef Mianowski Fund. Fellowships under this scheme are granted on a competitive basis.

In 1999, 94 applications were received, and 19 grants awarded. The largest group of recipients were physicists and chemists, mainly from Ukraine. Other countries represented amongst the beneficiaries were Russia, Belarus, Uzbekistan and Bulgaria.

The fellowship recipients were hosted by 9 universities in Poland, 9 PAS research centres and 1 branch institute.

The list of beneficiaries can be found in the reports published by the Józef Mianowski Fund.

ANNUALLY DESIGNATED DISCIPLINES

These programmes are aimed at providing funds for the purchase of equipment to be used by researchers involved in studies in designated areas, and intended as a stimulus to bring about

These grants have been awarded by the Foundation since 1995. Each year they are available to approximately 100 beneficiaries under 30 years of age who are faculty members, associates or postgraduate students of universities, research institutes and similar establishments. In 1999, 310 applications were received by the closing date, and grants of 16,320 zlotys each awarded to 101 successful applicants.

The majority of beneficiaries represented renowned university centers: Warsaw (25), Cracow (18), Poznań (16), the Triune City (12), and Wrocław and Lublin (8 each). 84 of the successful applicants were university staff, 13 were from the Polish Academy of Sciences, and 4 from research and development institutions. The largest group were representatives of the various disciplines of biology (16), chemistry (13) and medicine (10).

Award certificates were given to the competition winners during a special ceremony held in March 1999 in the Grand Hall of the Royal Castle in Warsaw.

Foreign Fellowships for Young Ph.D./D.Sc. Recipients

These fellowships have been awarded by the Foundation since 1995. They are available to Ph.D. or D.Sc. recipients under 35 years of age to give them the first-ever possibility of spending six to twelve months at leading research centres abroad.

The 1999 fellowships were granted on two occasions to the following 11 beneficiaries:

Małgorzata Bogdan of the Institute of Mathematics of the Technical University of Wrocław for a six-month research visit to the University of Washington, Seattle (USA);

Tomasz Durakiewicz of the Institute of Physics of Maria Curie-Skłodowska University for a twelve-month research visit to the University of New Mexico (USA);

Jakub Gościński of the Institute of Biostructure of Warsaw Medical Academy for a twelve-month research visit to Harvard Medical School in Boston (USA);

Paweł Janiszewski of the Historical Institute of Warsaw University for a six-month research visit to the Katholieke Universiteit Leuven (Belgium);

Katarzyna Jaćko of the Institute of German Studies of the Jagiellonian University for a six-month research visit to the Freie Universität in Berlin;

Marcin Józwiak of the Department of Gynaecology of Białystok Medical Academy for a six-month research visit to the Val d'Aurelle Centre of the University of Montpellier (France);

Małgorzata Młynarczyk of the Department of Pharmacology and Toxicology of Lublin Medical Academy for a twelve-month research visit to the School of Medicine, Loma Linda University (USA);

Anna Siedlecka of the Department of Biology and Earth Sciences of Maria Curie-Skłodowska University for a twelve-month research visit to Umeå University (Sweden);

Arkadiusz Szklarczyk of the PAS Institute of Experimental Biology in Warsaw for a twelve-month research visit to the National Institutes of Health in Bethesda (USA);

Eugeniusz Szpakowski of the First Department of Cardiac Surgery of the Institute of Cardiology in Warsaw for a twelve-month research visit to the Zentrum Chirurgie Medizinische Hochschule Hannover (Germany); and

Ewa Zgrabczyńska of the Faculty of Biology of Adam Mickiewicz University for a six-month research visit to the Polar Environment Center in Tromsø, Oslo University (Norway).

FNP PROGRAMMES IN 1999

As in previous years, these included both permanent competitions (FNP Awards, Scholarships Grants, and domestic and foreign scholarships), an annual programme (of the nominated discipline), and long-term programmes (LIBRARIUS, ROUTE, MONOGRAPHS, PUBLICATIONS, ADALBERTUS, SUBIN and INCOME).

The allocations for statutory activities in 1999 amounted to 24.8 million zlotys. Of these, over 20 million were disbursed by the end of 1999; the majority of the remaining grants to beneficiaries being distributed during the first quarter of 2000.

In 1999 the Foundation continued in addition the implementation of programmes financed from EU funds and administered by the FNP Office for European Co-operation.

AWARDS AND GRANTS

FNP Annual Awards

These individual annual awards are granted to Polish scholars and scientists for remarkable achievements or findings within the four years preceding a nominee being entered for the competition; they are now considered to be the most prestigious of its kind in Poland.

The FNP 1999 Awards (each of 50,000 zlotys) were granted to:

- in the field of the humanities and social sciences, Mieczysław Tomaszewski, Professor Emeritus of Cracow Musical Academy, for his publication *Chopin: The Man, the Work, the Resonance*, an innovative synthesis of knowledge about the great composer;
- in the field of medicine and the life sciences, Professor Maciej Ylicz of the Intercollegiate Biotechnology Department of the University of Gdańsk and Gdańsk Medical Academy, for research on regulatory proteins constituting part of the system protecting cells against undesirable changes in their external environment; and
- in the field of the technical sciences, D.Sc. Zdzisław Kowalczyk of the Faculty of Electronics, Telecommunications and Information Technology of the Technical University of Gdańsk, for research in the field of automation concerning the design of continuous time control systems.

The award-giving ceremony, with the participation of representatives of both the scientific community and the state authorities, took place on 7th December 1999 in the Grand Hall of the Royal Castle in Warsaw, and received considerable media attention.

Scholar Grants Programme

Grants under this scheme were available for the second time to outstanding Polish researchers and scholars in various fields, with different disciplines being selected each year. Awarded on a competitive basis following a strict multi-stage evaluation procedure, they are granted for 36 months, and aimed at intensifying the ongoing research work or undertaking new fields of study. The annual disbursement is approximately 70,000 zlotys, part of which is allocated for the sole use by the beneficiary; the remaining amount can be appropriated for grants for Ph.D. students, the purchase of specialists publications, appliances and materials, participation in conferences, and similar purposes at the beneficiary's discretion.

The list of 15 grantees for 1999 was announced at the end of May.

In 1999 the awards under this scheme amounted to 1.7 million zlotys, divided between the humanities (834,000 zlotys) and the exact sciences (867,000 zlotys).

Domestic Grants for Young Scholars

decrease in the nominal value of its assets. This was especially painful taking into account the fact that 1999 was to be the first year when the new strategy of the Foundation was to yield fruit.

Despite these circumstances, the Council and Board of the Foundation unanimously decided not to reduce the allocations for statutory activities, having assumed the position that the Foundation's mission cannot be limited by fiscal restrictions. As interventions at an administrative and political levels had proved futile, the support of representatives of the science sector in Poland, both individuals and collegiate bodies including such respected organizations as the Polish Academy of Sciences, the Polish Academy of Abilities, the Rectors' Conference of Polish Universities and Colleges, the Society for the Support and Promotion of Sciences and others, has been a source of immense satisfaction to the Foundation.

The decision of the fiscal authorities concerning the Foundation of Polish Science is a threat to the operation of other independent organizations of a similar kind and importance, and therefore aroused considerable interest from them. A number of meetings with FNP authorities have been held during which this issue was discussed extensively, and decisions were made to commission an analysis of the legal and tax systems of other countries, focusing on the regulations applicable to foundations elsewhere in Europe.

This study was subsequently submitted to those involved in the development of the taxation system in Poland.

Another important event in 1999 was the fact that the Foundation of Polish Science was accepted as member of the European Foundation Centre, a Brussels-based organization grouping the most important foundations and non-governmental organizations not only of Europe, but also from Japan and the United States. Its main objectives and aims include the promotion of foundations as important constituents of the democratic order; representing the members in relations with the European Union; and lobbying for the development of comprehensive European legislation pertaining to foundations. Another important task for the EFC is the formulation of a proper code of practice to be implemented by member organisations. One of the bulletins of the EFC gave coverage to the dispute between the Foundation for Polish Science and the tax authorities in Poland, *Foundation in Fiscal Danger*.

INTRODUCTION

1999 was the ninth year of the Foundation's operation, and the second during which *The FNP Framework Policy 1998-2000* was implemented. In keeping with the principles therein adopted, allocations made by the Foundation in 1999 were reduced for the purchase of specialist equipment by beneficiaries (only one discipline was designated); the focus of attention being redirected to assistance to scientists and researchers, and support for undertaking long-term investment.

A serious problem which has remained unresolved since 1998, the outcome of which could even endanger the further operation of the Foundation, is a dispute with the fiscal authorities concerning the interpretation of Corporate Tax Law. During the 1998 audit, the tax supervision inspectors ruled that the purchase of short-term securities by the Foundation should not be deemed expenditure within the Foundation's statutory activities as provided in Art. 17 section 1 item 4 and section 1b of this Law, and therefore the relevant amounts be subject to corporate tax. In the auditors' opinion, the only tax-exempt form of investments available to the Foundation are fixed-term bank deposits.

The Foundation was therefore required by the fiscal authorities to pay over 67 million zlotys in tax for the years 1995-1997 in addition to penalty interest. Regarding such an interpretation as unjust, the Board of the Foundation resorted to the appropriate appeal and intervention procedures. One of the steps taken was applying to the Minister of Finance for the decision of the fiscal authorities to be overturned, subsequently lodging an appeal against his refusal.

This situation was presented to Polish scientists, research workers and scholars in a letter from the Board of the Foundation of May 1999 stating, among other things, that *the single endowment allocated by the National Treasury eight years ago to the then-established Foundation as start-up capital was 95 million zlotys. Since its inception it had been assumed that the institution should be financially independent, bringing a significant contribution to the development of the science sector in Poland. In accomplishing its statutory aims, the Foundation had resorted solely to funds generated through investment in various financial instruments available on the domestic capital market, such as state and Treasury bonds, commercial bonds, stocks, debt securities, bank deposits, etc. This activity was aimed at ensuring the realisation of the Foundation's statutory aims to the greatest extent possible, at the same time protecting the funds at its disposal against depreciation. Despite the hardships and obstacles encountered at the initial stage, the financial allocations of the Foundation aimed at supporting the science sector in Poland amounted to nearly 170 million zlotys within the last eight years, with a current asset value exceeding 300 million zlotys. We would like to point out that this has been accomplished not through the use of government subsidies, but through the Foundation's activity in the capital market, in keeping with the principles of a free market economy. (...)*

The interpretation of Corporate Tax Law presented by the fiscal authorities would make Poland fly in the face of established fiscal practice amongst the advanced economies of the modern world. Investment in various types of financial instruments has been commonly regarded and used as the main source of revenue and the primary aim of foundations; and a major element in the proper practice of their management.

As the Ministry of Finance had dismissed the Foundation's appeal, the required tax charges and penalty interest for the years 1995-1997 were paid during 1999 (55 million zlotys), and an amended version of the 1998 Annual Corporate Tax Form submitted to the relevant tax office.

With no further appeal procedures available, in June 1999 the Foundation lodged a complaint against the decision of the fiscal authorities with the Supreme Administrative Court, pointing out, among other things, the erroneous interpretation of the Corporate Tax Law. At the time of this report being sent to the printers, court procedures have not been completed; and the date of the Court's ruling is unknown.

Therefore, the Foundation has decided to suspend all the financial activities which previously accounted for its success until the issue has been settled by the Supreme Administrative Court. Regrettably, this has resulted in reducing the revenues generated and a decrease in the value of the funds at the Foundation's disposal, leading to financial losses that will take a long time to restore. Although the financial results for 1999 were very good, for the first time ever the Foundation reported a

It is obvious to us at the Foundation that these additional funds should be allocated for the implementation of long-term structural goals, rather than for current, narrowly defined needs. This decision was presented by the Foundation during discussions with the legislators. Another condition under which the Foundation agreed to accept the benefits from the privatisation process was the freedom to use them in keeping with FNP's existing regulations, thus safeguarding the Foundation's independence in its decisions in performing its statutory duties.

These conditions can be summarised as a statement that the handing over of additional funds to the Foundation should not change the character of the institution.

It should be pointed out here that the sums earmarked annually by the Foundation for the support of science, even taking into account the extra revenue from shares in newly privatised enterprises, will constitute only a small proportion of the total allocation from the state budget disbursed to beneficiaries via the Committee for Scientific Research. In order to ensure that these funds are put to the best possible use, they should be directed to carefully selected areas of primary importance. This principle has been kept to in previous years, and proved effective.

The experience gained by the Foundation so far has allowed us to develop basic operational principles. The most important of them have been included in the statute, and define the mission of the Foundation as supporting the best: that is why all FNP grants are awarded by competition. Additionally, as the Foundation functions in the same field as the Committee for Scientific Research, great care has to be taken to differentiate our target areas from those within the scope of the Committee's mandate.

In general terms, the initiatives of the Foundation are aimed at supporting individual scholars and research teams, and not institutions. We do not extend grants to supplement the budgets of research establishments, nor to finance research projects: our primary task is the direct support of scientists and scholars. This goal is achieved through various grant and scholarship schemes, and programmes seeking to assist the beneficiaries in enhancing the environment in which they work and conduct their studies. Special attention is always paid to young researchers. Increasingly we contribute to various investment projects, especially those that serve the whole science sector in Poland or provide emergency assistance to scientists in their research tasks.

Our experience to date has prompted us to award our grants only to entities involved in science activities, and to exclude profit-making enterprises from being potential beneficiaries. Several years ago the Foundation discontinued its loan-granting function, and limited its involvement in facilitating the transfer of technologies to business and industry to the pre-commercial stage, following the example of similar organisations elsewhere in the world. These rules and principles are reflected in the FNP programmes presented in this report, and will serve as the framework for the design of future plans.

In the writer's opinion, the Foundation as an institution is well prepared to meet the new challenges it now faces, although important changes in our organisational structures are necessary to increase our ability to manage the enlarged assets. The major task today is the development of an inventory of new FNP programmes, taking into account the expected growth in the funds available.

These programmes, based on our experience to date and designed using the principles previously adopted, should be tailored to the most important needs and expectations of the representatives of the science sector in Poland. To this aim, the Foundation has to co-operate in drawing them up with all those who are directly involved in science in Poland, and show a genuine interest in its current condition and future prospects. In particular, we want to rely on their participation in the identification of the key areas of primary relevance to the future of science and technology in Poland, where our grants could bring tangible and long-term results. Our aim is to co-operate with all our scientists to the advantage of science in Poland; an objective as important to the future as it is dear to us all.

Maciej Władysław Grabski

The Foundation for Polish Science was registered in 1991. It is an independent, self-sufficient, non-profit making non-governmental organisation, operating on the basis of the Law on Foundations, and its own statute.

The statutory aims of the Foundation include:

- aiding recognised scientists and scholars working individually or in teams, whose research is connected with areas of significant importance for the technological and cultural development of Poland, its economic growth and international prestige;
- easing the transfer of innovative technologies developed by Polish scientists and researchers to industry and business; and
- supporting investment undertakings facilitating the development of science in Poland.

FNP grants are awarded on a competitive basis, in keeping with the principles of the annual action programmes. All decisions in this respect are final, and there is no right of appeal.

An important part of the Foundation's activities, carried out by its Office for European Cooperation, is supporting activities aimed at the integration of the science sector in Poland with European Union structures by co-ordinating EU regular and aid programmes.

A LETTER FROM THE PRESIDENT OF THE BOARD OF THE FOUNDATION

There are many indications that the Foundation for Polish Science, nine years after its inception, is entering a new stage which will be characterised by many important changes brought about by the fact that the position of our institution as the largest independent sponsor of science in Poland has been officially recognised and the consequent widening of the range and scale of operations that can be expected. Although the event of crucial importance to these latest developments is outside the time scope of this report, it has to be mentioned here and given due prominence.

In an Amendment to the Law on the Commercialisation and Privatisation of State-Owned Enterprises that came into force on 6th May this year, the Sejm decided to hand over to the Foundation some of the proceeds of the privatisation of state-owned enterprises, the proportion allocated for the support of the science sector in Poland.

As provided in Art. 1 Section 1 Point 3 of the aforementioned law, 2% of shares in companies of which the State Treasury is the sole shareholder are to be used for purposes related to the development of science and technology in Poland, by allocating them as a contribution towards the capital fund of the Foundation for Polish Science.

Undoubtedly, the fact that some of the proceeds from privatisation have been allocated to the science sector is a remarkable success for Polish scientists who have proved their competence in presenting their position both firmly and convincingly. That the management of these monies has been delegated to our Foundation is in turn proof of the trust in its high professional standards, economy and efficiency of action, and reliability in the pursuit of its statutory aims. This is a source of great satisfaction to all the associates of the Foundation, but at the same time poses a challenge that will not be easy to meet.

Estimates of the amounts and the rate at which the Foundation will benefit from the privatisation vary substantially. Also of considerable relevance here is the ruling of the Supreme Administrative Court in the case brought by FNP against the Polish fiscal authorities that will provide an interpretation of the tax liability applicable to the Foundation, thus determining the scope of its future activities with regards to its statutory duties. There is no doubt however that within the next few years the Foundation will be able to award grants to a total amount far greater than current disbursements.

FOUNDATION FOR POLISH SCIENCE

ANNUAL REPORT 1999

(a complete Annual Report 1999 available at the Foundation's Office)

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