

EU Structural Funds - Status Update for Poland ó February 5, 2008.

Summary: Following Poland's accession to the EU, structural funds became available to support implementation of projects in environment protection, infrastructure, public transport, ICT, human resources development and R&D. The time period for implementation and funding is 2007-2013. EU Structural Funds are managed by national authorities ó in the case of Poland the Ministry of Regional Development. www.fundusze-strukturalne.gov.pl. This is a unique investment momentum in Poland's history and a unique opportunity for Canadian companies with know how and expertise especially in the environment and infrastructure sectors.

2. Poland's National Convergence Strategy for 2007-2013. Under the current convergence policy, 85.5 billion Euro has been earmarked for Poland; which includes **67.3 billion Euro from the EU budget** - the remaining 18.2 billion will come from the Polish state budget. The funds come from the European Regional Development Fund, Cohesion Funds, and European Social Fund. Their purpose is to level out developmental and economic difference between Poland and its regions with the old EU. The EU has left it to the national government in Poland to manage and administer the funds.

Funds are grouped into operational programs divided along priority themes:

- É Infrastructure and Environment (27.0 billion Euro),
- É 16 Regional Programs (16.6 billion Euro) for smaller municipal projects,
- É Development of Eastern Poland (2.3 billion Euro),
- É Human Capital (9.7 billion Euro),
- É Innovative Economy (8.3 billion Euro) - mostly for SMEs,
- É Technical Assistance (0.5 billion Euro),
- É European Territorial Cooperation (700 million Euro),
- É Contingency for Implementation (1.3 billion Euro)

Infrastructure funds are a very strong developmental impulse in particular in the regions where they will account for 10% of GDP. As a result of the funding, sectors such as construction, transport, ICT will bloom and GDP will grow 1.5% annually.

3. Operational Program Infrastructure and Environment. This program mainly supports projects from a List of Individual Key Projects. Recently, the Ministry of Regional Development has approved a revised list of 433 projects which are most advanced in terms of readiness for implementation. The projects have defined budgets and beneficiaries (in all cases public sector entities: municipalities, regional and HQ offices of government, rail, airport and sea authorities, publicly owned companies from the energy sector). Some projects are of national, others of local scope. These projects are subject to tenders but not to call for project proposals. Following are main target areas with budget breakdown:

- É higher education (500 million Euro),
- É environment protection (4,749,800,000 Euro mostly for municipal sewage)

- É transport (19,074,990,000 Euro for roads infrastructure, rail, air and sea transport),
- É health protection (349,990,000 Euro mainly for development of emergency rescue services),
- É energy security including renewable energy (1,706,480,000).

The majority of the funding is earmarked towards road construction, airport development, municipal wastewater and solid waste management, public transport, science and research infrastructure.

Among others, key priority project recipients include:

Polish Rail: 18 billion Euro

PGNiG (Polish Gas and Oil): 213 million Euro

Gaz System: 214 million Euro

PSE Operator (electricity distribution) 196 million Euro

PERN Przyjazn (gas pipeline) 150 million Euro

Strategies for participation of Canadian firms vis a vis Key Priority Projects:

Category "A" To participate as contractors or suppliers through independent bids. This category includes specialized projects such as construction of an LNG terminal, energy transmission infrastructure and transport infrastructure such as airport, seaport construction or ITS solutions. To participate as independent bidders the companies need to have an established solid base in Poland with adequate operational capacity. These companies do not require Trade Commissioner support except for possible intervention with authorities regarding political or legal barriers.

Category "B" To participate as subcontractors or suppliers by entering in partnership with local companies or company consortia, who prepare the bid. In other cases Canadian companies may render services or supply technology to a local contract winner who wishes to sub-contract. It should be noted however, that Canadian technology should conform with local Polish norms and appropriate certification needs to be obtained. This category presents an opportunity for innovative Canadian SMEs and requires intensive Trade Commissioner efforts to promote the opportunities in Canada, as well as Canadian technologies on the ground in Poland. Potential Canadian clients include companies with niche construction or environmental technologies.

Category "C" in Key Priority Projects concerns low-technology capital works projects such as modernization and construction of sewage pipeline lines. These projects are neither attractive nor accessible to Canadian firms as the sole determining factor is price and Canadian firms have no competitive advantage over local companies.

4. 16 Regional Operational Programs for each voivodship.

General Overview:

- É Funding for projects under 2 million Euro supporting SMEs. As well as projects above 2 million proposed by municipalities.
- É Targets include environment protection, rehabilitation of degraded areas.
- É Administered by Marshal's Office or designated RIFs
- É The degree of EU contribution varies between regions: the largest share (50%) is reserved for investments in the regions of Warmińsko-Mazurskie, Wielkopolskie, Kujawsko-Pomorskie, Mazowieckie, Łódzkie, Lubuskie, Podlaskie, Lubelskie and Podkarpackie. In other regions and specific cities the percentage of assistance is lower.
- É The EU contribution share is raised by 10% for medium and 20% for small enterprises. SMEs may look forward to between 30% to 70% of grant financing for their investments.
- É The region of Silesia is the first to publish a competition for projects in the wastewater management sector.

5. Operational Programme Innovative Economy Supports highly innovative investments.

- É Program is managed by Polish Agency for Regional Entrepreneurship (PARP) on a national scale. In the regions, PARP contracts RIFs (regional funding institutions) responsible for the administration of the program. Typically, regional development agencies play the role of RIFs.
- É In Mazowsze implementation is taking place at the newly created Mazowiecka Agencja Programów Operacyjnych (Mazowiecka Jednostka Wdrażania Programów Unijnych)
- É Funding for projects over 2 million Euro and up to 40 million Euro
- É The Program is divided into 8 priority themes with each theme having a number of associated activities. (Personal note: The most noteworthy for Canadian firms is the priority theme no. 4 (Investments into Innovative Initiatives))
- É Priorities include environment, energy; CO2 emission reduction and increased in thermal and electric power production, infrastructure and development of innovation potential,
- É Time line: The level of funding will decrease after 2011. First competition will be organized in the first quarter of 2008, however no competition has been published as of 25 January 2008/
- É The goal of this activity is to support service or production companies in implementing technological innovation not older than 3 years (on a world scale). - (Personal note: A discrepancy of information exists on this point; other sources quote that the technology implementation in Poland must not be older than 3 years.) Innovation can consist of IP (licence, patents), materials, machines, diversification into new product.

Types of costs eligible for funding:

- É training and advisory services
- É investment into renewable energy
- É purchase of buildings, cost of capital works, leasing land
- É advisory services for technology
- É training up to 10% of costs or 1 M Euro

Other technical requirements:

- É A market report is required regarding the new product, which proves verified market demand for the product although sources of such reports are not specified.
- É All permits must be in place at the point the proposal is submitted

Required and value adding criteria:

- É maximum amount of points for technology younger than 1 year (in worldwide implementation)
- É technology that can be patented
- É cooperation with academic institutions
- É creation of new work places
- É patents in place
- É certificate for clean energy production
- É applicant is SME
- É Extra points for management software
- É Extra points for new employment for women

Other advice for SME applicants:

- É Project should be prepared by a team of persons from various levels of project management including the owner, the technical and financial specialist
- É Projects must be profit oriented
- É Only new costs qualify (not those already incurred)
- É Do not include transport vehicles- unless strictly related to project with no risk of alternative use
- É Some activities such as agriculture are excluded as in the attachment to the EU Accession Treaty

SPOR (Phare 2004-2006) Despite the fact the funding was to stop in 2006, some contributions agreements are still being signed with entrepreneurs. It should be noted that under the oldö Phare program there were far more proposals received than the funding could support.

Science, Research and Development

There are three program sources accessible to Canadian companies wishing to engage in R&D or projects involving innovative technologies in Poland. Projects may draw funding from the various operational programs and are managed by Ministry of Science and Higher Education.

7th Research Framework Programme: <http://ec.europa.eu/research>. This program is managed from Brussels. The total EU budget for the period of 2007 -2013 is 53.2 billion Euro. Priority sectors include health, food, agriculture, biotechnology, ICT, nano-sciences, energy, environment and transport (aeronautics). Canadian entities may participate on the basis of a Canada-EU cooperation agreement. There are examples of Canadian-EU cooperation under the 6th Research Framework Programme (e.g. hydrogen research). Deadline for proposals is February 12, 2008 ó info: www.delcan.ec.europa.eu

Competitiveness and Innovation Framework Programme (CIP) is a new program within the 7th Framework Program supporting pilot stage projects (replacing the current e-content financing in the 7th Framework Program) CIP does not support research projects but implementation of demonstration projects. The program will run from 2007 to 2013 and is centrally managed from Brussels and supports projects in all EU member states.

The program has three priorities:

- É Entrepreneurship and Innovation Program (EIP) to support SMEs and includes eco-innovation with a budget of 2.17 billion Euro
- É Intelligent Energy Europe (IEE) to support new and renewable energy sources with a budget of 730 million Euro
- É Information Communication Technologies Policy Support Programme (ICT PSP) support creation of an Information Society by developing information and communication technologies with a budget of 730 million Euro

Information sources on CIP:

www.cip.gov.pl
<http://ec.europa.eu/cip>
<http://era-can.ca>

Partner Search - Up-to-date data base of organizations and projects which serves as an on-line partner search tool: <http://cordis.europa.eu/partners-service/> as well as www.ideal-ist.net. The Canadian contact point: Ms. Debbie Kemp, Communications Research Center Canada.

LIFE. Energy and Climate Change. Info on www.ec.europa.eu/environment/life. Research calls can be found on CORDIS website: <http://cordis.europa.eu/fp7/dc/index.cfm>

6. Role of Banks Practically all banks operating in Poland offer Bridge funding and EU project advisory services. Export Development Canada has a regional representative office in Warsaw and is ready to support projects procuring goods and services from Canada with a wide range of financial products.

Some banks providing assistance with EU funded projects:

BOS Bank (Poland's Environment Bank) www.bosbank.pl ue@bosbank.pl

PKO BP www.pkobp.pl

Raiffeisen Bank in Poland www.raiffeisen.pl

Bank Pekao S.A www.pekao.com

Bank Zachodni/WBK www.bzwbk.pl

Bank Gospodarstwa Krajowego (thermo-modernization, technology credits) www.bgk.com.pl

BRE Bank www.brebank.pl

7. Conclusion: The newly available operational programs of the Structural Funds appear to be focussed and well defined. The state of preparedness of the program administration infrastructure is advancing rapidly. On the private sector side, a EU consulting and financing industry is in place to support entrepreneurs wishing to engage external help. The main message is to raise the sense of emergency among Canadian companies to explore the market with a view to selling their expertise and technologies in EU funded projects.

Websites for additional information:

Central government sites:

General Site on Structural Funds: www.fundusze-strukturalne.gov.pl

Polish Agency for Entrepreneurship Development: www.parp.gov.pl

Some examples of private sector sites:

AbiS www.fundusze.abis.lodz.pl fundusze@abis.lodz.pl

ACUS Consulting acus@acusconsulting.pl

Centrum Koordynacji Projektow www.ckp.org.pl Ckp@ckp.org.pl

European Centre for Entrepreneurship: www.eucp.pl

Euro Grant Consulting www.egc.pl

Regional government:

Marshal Office of Mazowsze

www.mazovia.pl

Marshal Office of Podlaskie

www.wrotapodlasia.pl

Marshal Office of Lubelskie

www.lubelskie.pl

Marshal Office of Małopolskie

www.malopolskie.pl www.fundusze.malopolska.pl

Marshal Office of Podkarpackie

www.podkarpackie.pl

Marshal Office of Świętokrzyskie

www.sejmik.kielce.pl

Marshal Office of Łódzkie

www.lodzkie.pl

Marshal Office of Pomorskie

www.woj-pomorskie.pl

Marshal Office of Kujawsko-Pomorskie

www.kujawsko-pomorskie.pl

Marshal Office of Zachodniopomorskie

www.um-zachodniopomorskie.pl

Marshal Office of Śląskie

www.silesia-region.pl

Marshal Office of Dolnośląskie

www.umwd.pl www.dolnyslask.pl

Marshal Office of Wielkopolskie

www.wielkopolska.mw.gov.pl

Marshal Office of Lubuskie

www.lubuskie.pl

Marshal Office of Opolskie

www.umwo.opole.pl

Marshal of Warmińsko-Mazurskie

www.wm.24.pl

Tenders:

For all tenders for capital works above 5,000,000 Euro and supply of goods and services above 130,000 Euro: <http://simap.europa.eu>

For road tenders: www.gddkia.gov.pl

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