

BUILDING POLAND

BALANCE OF EU FUNDS ABSORPTION



2nd
EUROPEAN
FUNDS FORUM

WARSAW
7-8 MAY
09

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BALANCE OF EU FUNDS ABSORPTION

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Warsaw, May 2009 r.

Introduction

Poland is the largest construction site in Europe. 720 km of roads and motorways are currently under construction. Bridges and railway lines are being built and modernised. Waste water treatment plants, water supply and sewage systems, education, culture and health service facilities are being constructed. Major works on Polish airports will soon be started. Modern technological parks will be launched in the biggest Polish cities. All this would not be possible without European Union funds. Thanks to them – we are building Poland.

After 5 years of EU membership we not only have proved to be effective in obtaining European funds but most of all in spending them. Bearing in mind that Poland has advanced into the first European league as a beginner, this only adds to the success. As a result, we are currently the most significant EU fund beneficiary and thus have a historic chance for the exceptional civilisational, economic and historic leap.

Since the commencement of the EU accession process, a broad stream of EU funds has flowed to our country providing additional support to the Polish economy. The joint effort of beneficiaries, public administration and local governments enables us to fully benefit from these funds.

The largest amount of funds has been earmarked to infrastructure – altogether more than 20 billion zlotys, including, inter alia, about 9.5 billion zlotys for transport (roads, railways) and nearly 5 billion zlotys for environmental protection. About 5 billion zlotys has been spent on human resources development, counteracting unemployment and social exclusion, as well as support for education and professional training. About 4 billion zlotys has been given to entrepreneurs. Similar amount has been allotted to the development of rural areas, agriculture and fishery.

Currently, Poland benefits from another huge injection of European Funds totalling to more than 67 billion euro. Thus it is the largest sum ever allocated to an EU country. Building on our achievements and experience we are sure to successfully cope with this enormous challenge.

We have set increasingly ambitious objectives. First of all, we have made up for the set-backs in spending the funds allotted to Poland in the 2004-2006 perspective. Secondly, on the 16th December 2008, the government approved the the Stability and Development Plan which, at its core, assumes spending at least 16.8 billion zlotys from the EU funds to strengthen the Polish economy during the economic slowdown.

The implementational machine of funds formed throughout the last year and is thoroughly prepared and well oiled. Therefore, we are fully optimistic about successful accomplishment of the abovementioned plan. It is reflected in the current pace of spending which exceeds the previous assumptions by three times. 20.4 billion zlotys has been infused into the Polish economy and this sum has been growing dynamically – the value of the applications submitted by the beneficiaries already exceeded 110 billion zlotys.

Investments in infrastructure and environment have gathered significant momentum. Legal regulations that entered into force last year have simplified and shortened the preparation process for major investments. As a result, additional 100 billion zlotys will support key infrastructure projects. Furthermore, it is worth emphasizing that 7 billion zlotys is already supporting the employment market and strengthens the intellectual capital (through attractive scholarship offers for students). Another 5 billion zlotys supports entrepreneurs in activities aimed at advancing innovation and knowledge-based economy.

We will appreciate the crucial role of European funds in the context of the current uncertainty on the world financial markets. This additional

source of EU funds will provide a soft cushion. Therefore, in co-operation with the European Commission, a number solutions has been worked out to not only facilitate injecting the funds into the bloodstream of our economy, but to simplify the related procedures as well. Furthermore, the Ministry of Regional Development, hand in hand with various stakeholders and representatives of entrepreneurs, has launched the “Simple Funds” campaign to eliminate the most burdensome red tape barriers. The enormous scale of engaged funds and the impressive number of implemented projects (90,000) make sings about EU co-financing ubiquitous. They have become an inherent element of the Polish landscape and a symbol of enormous changes that have happened. It is most of all a huge success which makes us all feel both proud and happy.

We are building Poland together!

I. POLAND IN THE TOP EUROPEAN LEAGUE

The accession of Poland to the European Union on 1 May 2004 was an unprecedented historic event. Poland finally broke with the iron curtain heritage which for dozens of years separated us from countries to which we had naturally belonged for ages. Today, Poland is a major player on the European political and economic scene.

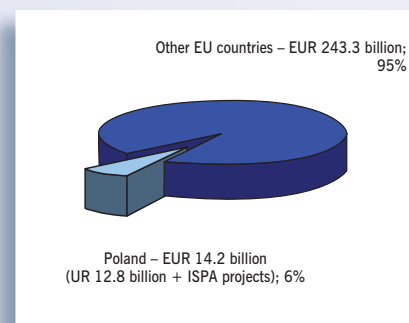
The European Union, within its cohesion policy, has enabled access to enormous funds which Poland has used to modernise its economy and develop its human resources. These funds enhance our competitiveness on the international markets, which gains exceptional significance from both European and global perspectives.

The enormous scale and range with which structural funds and Cohesion fund affect Poland's development constitutes both a great chance and a huge challenge for Polish beneficiaries and administration. Under the operational programmes for 2004–2006 and 2007–2013 the EU has allotted to Poland respectively: 12.8 billion euro (8.6 billion euro from structural funds and 4.2 billion euro from the Cohesion Fund¹) and 67.3 billion euro.

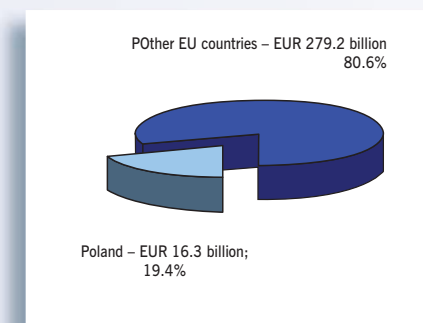
The value of the 2004-2006 allocation constitutes 6% of the whole funds within the Cohesion Policy of the EU for 2000–2006 and nearly half of the funds allocated to Member States which joined the EU in 2004. In the new financial perspective of 2007–2013 Poland has become the most significant beneficiary of the EU funds of all Member States receiving nearly one fifths of the available resources (67.3 billion euro). In comparison, for 2007–2013 Spain received 35.2 billion euro, EUR 28.8 billion euro, Czech Republic 26.7 billion euro, Germany 26.3 billion euro, Cyprus 640 million euro, Denmark 613 million euro, Luxembourg 65 million euro.

¹ In the frames of the Cohesion Fund projects cofinanced from the pre-accession Instrument for Structural Policy (ISPA) are being continued, that is why joint allocation of resources for the Cohesion Fund Implementation Strategy exceeds 5,6 billion EUR.

2004–2006



2007–2013



Both funds for 2004–2006 and for 2007–2013 were programmed in areas having crucial importance for Poland's competitiveness. This engulfs development of the transport infrastructure (where we lag behind most in comparison to other Member States), then environment protection, strengthening cultural heritage, health services, and enterprises. Moreover, the funds have also been used to advance innovation in Polish economy and improve of the situation on the job market. More than half of the financial resources from the pool available in the programming period of 2004–2006 and 64% in the programming period of 2007–2013 co-finance the expenses directly aimed at the implementation of the Lisbon Strategy (Poland is the only country among the new Member States that has earmarked more than 60% of allocations for 2007–2013 to put into practice the Lisbon Strategy).

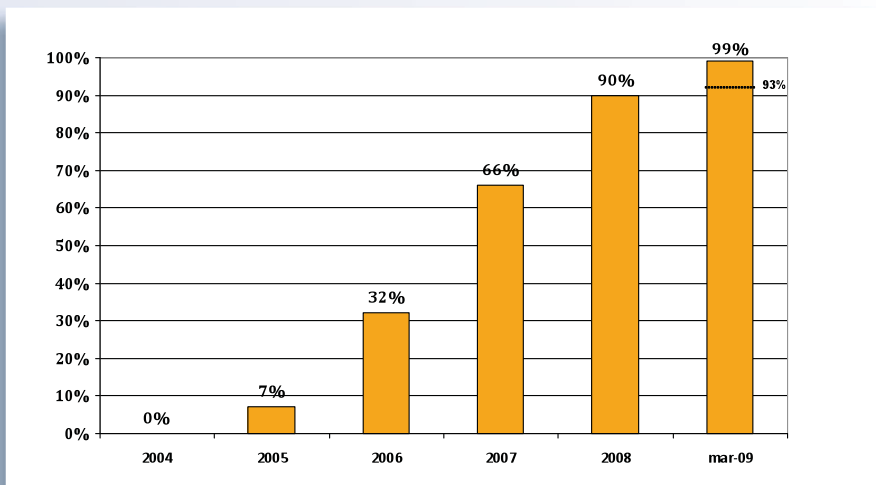
The wide range of intervention required a lot of flexibility of the implementational system as well as harmonising many areas of the Polish law to the Community requirements. Receiving funds from the EU rests on this.

100% within arm's reach

At the end of March 2009 the beneficiaries received 30.9 billion zlotys, more than 60% of the 2004–2006 allocation which, according to estimates

and forecasts from the mid 2008, should correspond to 99.3 percent of the whole allocation. However, the increasing depreciation of Polish currency progressing from the middle of last year has had an impact on the value of funds expressed in zlotys, hence the decrease to about 93 percent of the allocation for 2004–2006. As a result, the value of allocation expressed in zlotys has increased by 2.2 billion. Owing to this situation we can complete additional projects.

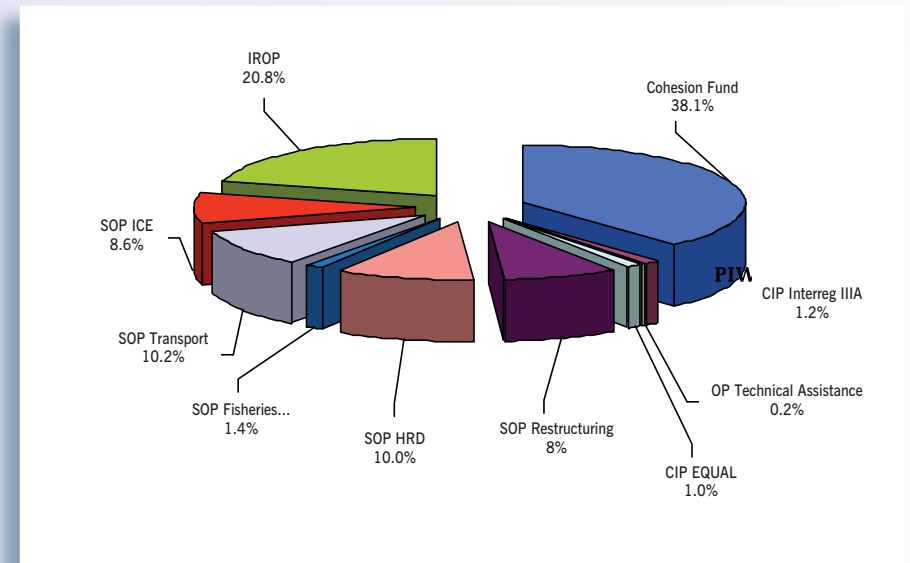
Value of the payments made from bank accounts in the period 2004-March 2009 as a percent of allocation at the end of a given year and at the end of March 2009.



Poland was granted a total amount of over 12.8 billion euro to carry out the National Development Plan 2004–2006 (NDP 2004–2006), including 8.6 euro billion within the structural funds and 4.2 billion euro within the Cohesion Fund. Also, the Cohesion Fund engulfs the on-going projects co-financed from the Instrument for Structural Policies for Pre-Accession (ISPA). Therefore, the total allocation of the Cohesion Fund is 5.6 billion euro.

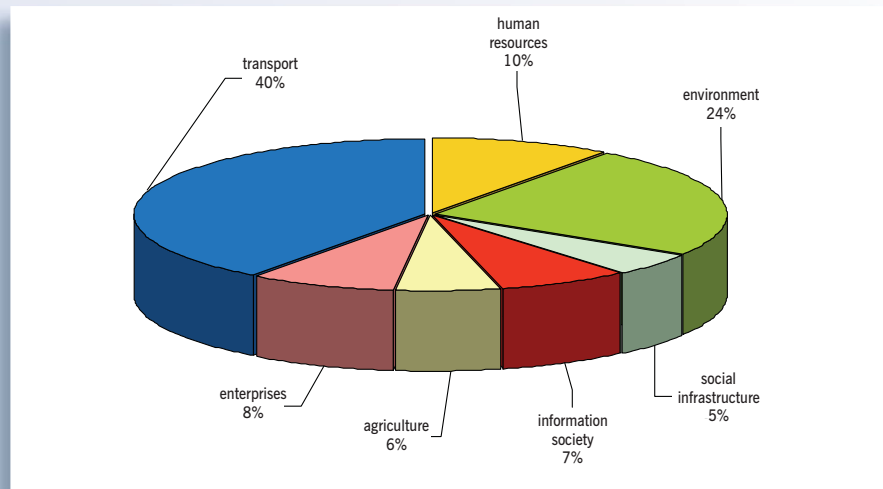
Within the National Development Plan, 89,300 projects worth 55.9 billion zlotys in contribution value were co-financed. The breakdown into operational programmes, is presented in the chart below.

The value of projects (EU co-financing) implemented on the territory of the whole country in the division into operational programmes Community initiatives and the Cohesion Fund (the value of the projects implemented in a given programme is presented in % in relation to the value of projects implemented within all programmes)



Projects which have consumed the largest bulk of the EU co-financing (40 percent of available funds) are carried out in the areas of transport infrastructure and environmental protection. The breakdown of the contracted resources into areas of support are presented in the next chart.

The value of projects (EU co-financing) implemented at the national level divided into areas of support in %



The projects within the Cohesion Fund are realised up to 2010. Therefore, the ultimate date of the expenditure eligibility is 31st December 2010, thus Poland has still 21 months to use these resources.

Since the Strategy was launched the value of applications submitted to the Commission amounted to circa 3.4 billion euro which makes 60.32 percent of allocation from the Cohesion Fund. It shows satisfactory level of absorption and the advanced stage of the projects.

State of the implementation of the Cohesion fund according to data of 31 March 2009.*

| State of implementation | % of the implementation progress in relation to the allocation from the CF/ eligible expenditure |
|--|--|
| Contracting (by the beneficiaries) | 118,13% |
| Applying (for funds to the Commission) | 60,32% |

* data concerning applications show the state on 31 March 2009, while the data of contracting were updated on the basis of lists generated on 6 April 2009 from SIMIK system 04-06.

Because of exceeding estimated values of contracts % of contracting in relation to the primal value of eligible expenditure exceeds 100%

Our achievements

At the end of 2008 over 89,300 projects were subsidized from the resources of the EU structural funds (within seven operational programmes and two Community initiatives). 85,200 projects (over 95.4%) were completed. This has translated into substantial effects on the economic growth and improvement in the quality of life that are visible across all Polish regions.

It is not only a more modern and unobstructed communication network (almost 5,000 km of roads and 600 km of railways), but also improved health care infrastructure (540 supported health care centres and over 9,000 items of medical equipment) and innovative and more competitive Polish enterprises (over 18,000 benefited from the European support) on the European market. Thanks to the European Funds we have had the opportunity to introduce more effective environment protection (almost 160 waste water treatment plants), to support of Polish scientific and engineering potential (resources were given to over 300 scientific laboratories, industrial parks and business incubators). We have also improved educational conditions (over 200,000 computer stands at schools) and the access to modern telecommunication and IT technologies (over 600 available broadband networks).

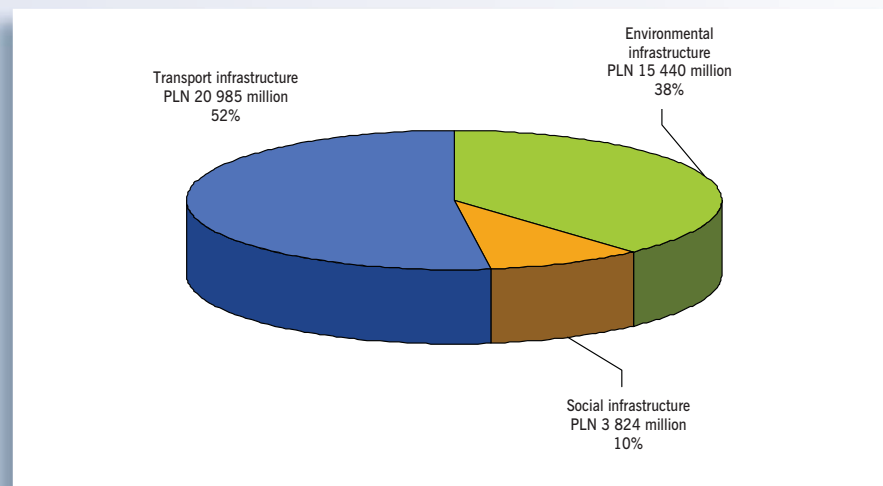
European Funds are also used as an investment in an individual. We have gained the opportunity to more effectively confront unemployment and social exclusion, by providing support to 2.6 million people. As a result, one in every sixth occupationally active person benefitted from various forms of support. Europe's helping hand has also reached over 600,000 pupils who received EU grants.

| Thanks to EU funds by the end of 2008 were built and repaired: |
|---|
| - 4968 km of roads |
| - 636 km of railway roads |
| - 10237 km of sewerage system |
| - 4664 km of water treatment system |
| - 158 of sewerage treatment plants |
| - 162 of water treatment plants |
| EU funds are also given to entrepreneurs. For example, the support was given to: |
| - investments of over 1300 microenterprises |
| - 74 business support institutions and seven business networks of institutions |
| - 172 microloan and guarantee funds |
| - 126 industrial, scientific and technology parks and business incubators, where more than half was made from scratch |
| - 134 scientific and specialist laboratories were modernised or built |
| EU funds are also: |
| - 200,000 computer stands at schools |
| - 610,000 pupils who received EU grants |
| - 540 supported health care centres |
| - 9,000 items of medical equipment |
| - 220 supported educational and research buildings |
| - 571 new sports facilities |
| - over a thousand Public Internet Access Points (PIAP) |
| - 96 renovated historic buildings |
| - 290 new or modernised culture or recreation facilities |
| - 661 units making available access to broadband networks |
| - 775 public units connected to the broadband Internet |

We invest in infrastructure

We are building Poland. It can be seen in all regions and districts. The most resources support investments in transport infrastructure.

Infrastructural projects according to granted co-financing



Around 5000 km of motorways at national and regional and local levels as well as over 600 km of railway lines have been built and modernised. Over 200 railway vehicles have been purchased or modernised.

Improvement in the environment sector have taken the form of water treatment and waste management, as well as the environment protection. To date the construction of about 10,000 km of sewerage system, 4,200 water treatment system, 150 sewerage treatment plants, 160 water treatment plants and 60 waste management projects. These investments not only improve the standards of living, but are a major step towards fulfilling our obligations in terms of environmental protection.

We invest in companies

Competitive and innovative enterprises are necessary conditions for development. Therefore, such undertakings have an important role among the projects co-financed from the European Funds. Due to their horizontal dimension, these investments have been realised almost in all programmes.

Entrepreneurs have carried out about 18,000 projects, including 16,000 for small and medium businesses. 2,200 enterprises from the SME sector took advantage of consulting services, including 398 that utilised new technologies. Almost 7,200 fair and exhibition projects, as well as over 1,200 business missions have been co-financed.

What is also vital, business environment has been supported as well, through 98 capitalised micro-loans, guarantee funds and seed capital. 63 industrial, science and technology parks and business incubators have been created. Additional 80 special projects have been carried out with the aim of strengthening ties of R&D sector with the economy. Moreover, 134 research and specialist laboratories have been built or modernised, as well as 36 forecast reports concerning technological development have been published.

We invest in IT solutions

Another key component co-financed from the EU funds are IT projects, including online services and Internet access.

As a result, we currently have over a thousand Public Internet Access Points (PIAP), nearly 800 public institutions have been provided with safe Internet. Additionally, 20,000 schools, especially in rural areas, have been equipped with IT hardware (20,000 schools), and 16,000 multimedia information centres have been created in public and school libraries.

89 public online new services have been made available, including submission of tax forms via the Internet, online participation in proceedings carried out by the Patent Office and by the General Office of Building Control.

We invest in Poles

Undertakings co-financed from the European Social Fund have helped to provide support to 2,6 million people. What they have benefitted most from was professional counselling, training aimed at improving professional skills. About one fifth of those who have received support were students who received help through scholarship projects.

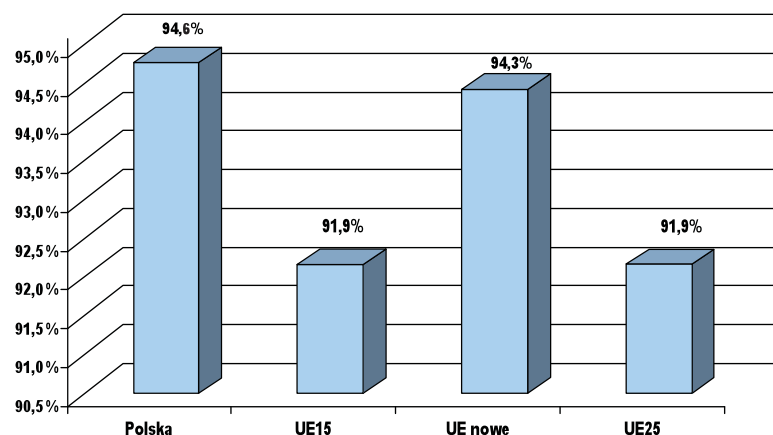
Beneficiaries find the received support to be extremely valuable. According to the report, 87% of the employed who have received support consider it to have been “rather” or “very” good. 74% indicated that the support “rather” or “definitely” helped them to acquire knowledge or skills which turned out to be useful in work. Only 2% assessed the support as “rather bad”, whereas nobody assessed it as “very bad”. Among people participating in projects 66% think that they are now better prepared for job searching, 75% declare that they have developed their professional qualifications and 80% expressed the opinion that they improved their interpersonal skills.

What is worth noticing, that ESF co-financed projects, as well as those aimed at entrepreneurs, have contributed most to the creation of new jobs. More than 40% of the unemployed who participated in EFS projects have found jobs and about 20% started their own businesses. It means that more than 400,000 people have returned to the labour market.

We passed the European exam

The data from the European Commission shows clearly that Poland is in the leading group among the Member States as far as using money from the 2004–2006 perspective. Taking into account the aid completion by the Commission, which may happen no sooner than in late 2010, the EC may allocate funds to countries (in the form of advance and indirect payments) to the value of maximum 95% of the allocation. Up to 16th April 2009, the Commission had already allotted more than EUR 7.8 billion to Poland i.e. 94.6% of the allocation. This places us in the top tier of Member States.

Value of funds allotted by the Commission within the structural funds as the percentage of the allocation Allotted to Poland, "old" Member States, "new" Member States and the whole EU-25 (according to the state on 16 April 2009).



Poland has already reached the maximum limit of 95%, from the European Regional Development Fund and the European Agricultural Guidance and Guarantee Fund, whereas in the case of the European Social Fund this value amounts to 94.7%. Compared to other countries, particularly the new Member States, it is a major achievement.

In 2008 saw considerable acceleration in implementation of the Financial Instrument for Fisheries Guidance. To date we have received 82.9% of funds (in a form of advance payment and refund of expenses), while at the end of 2007 it amounted to 45.4% of the allocation. In relation to other funds, the value of this particular fund constitutes only 2.4% of the overall allocation given to Poland. The current level of usage results from structural problems in the initial period of implementation.

II. EVEN MORE MONEY FOR 2007–2013

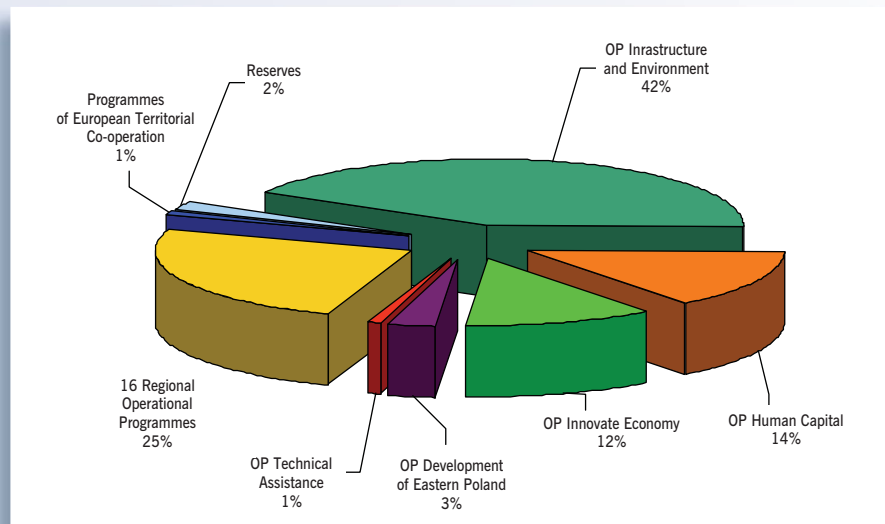
In order to implement the National Cohesion Strategy 2007–2013 we have over 67.3 billion euro, i.e. nearly 1/5 of the total sum of funds earmarked for the European Union cohesion policy in this period. To co-finance these actions, we will allot ca. 11.9 billion euro from the public funds. A sum of 6.4 billion euro will come from the private sector.

The structural funds are implemented through:

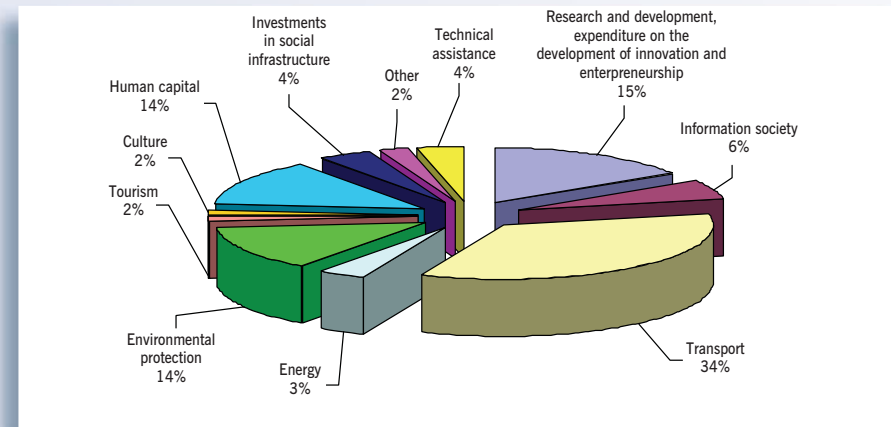
- 5 operational programmes of supra-regional or national impact, financed from the European Regional Development Fund, the Cohesion Fund and the European Social Fund,
- 16 regional operational programmes financed from the European Regional Development Fund, as well as the European Territorial Cooperation programmes (co-financed from the ERDF funds).

42% of all funds are directed to our priority, namely investment in infrastructure and the environment. Moreover, regions have 25% of funds at their disposal. 14% of available funds are invested in human capital and 12% - in innovativeness of Polish economy.

Distribution of funds allocated for Poland under the cohesion policy for 2007–2013 according to Operational Programmes

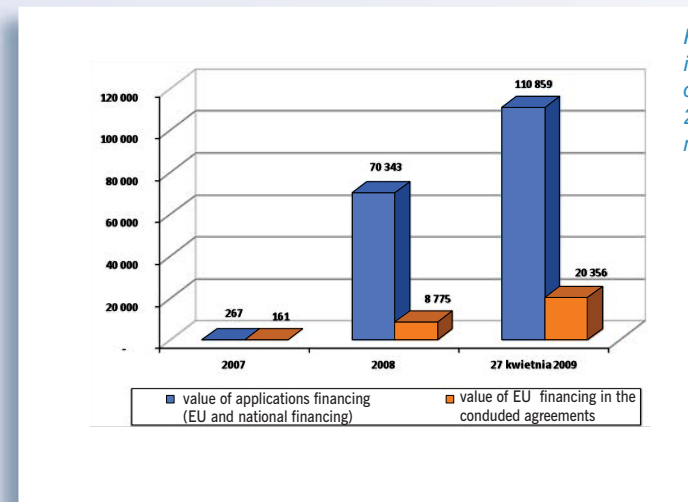


Distribution of funds allocated for Poland for 2007–2013 according to support areas



We are effective

In 2008, the implementation pace of operational programmes for 2007–2013 increased. We have a unique chance to fully use funds available for Poland.



Progress in the implementation of funds under NSRF 2007–2013 (in PLN million)

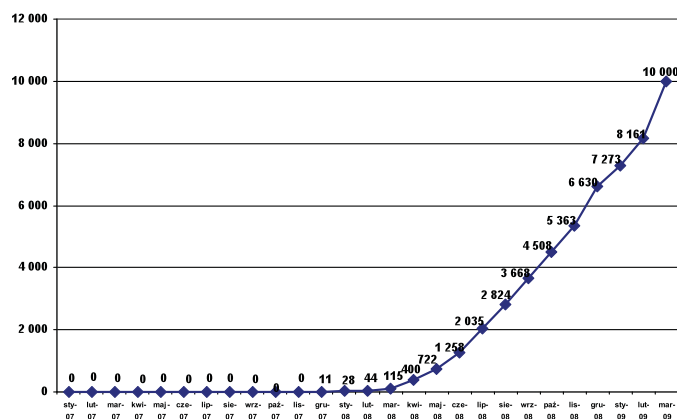
Since the commencement of programmes until 27 April 2009, the beneficiaries submitted 56.9 thousand applications for projects worth ca. 111 billion zlotys. About 21.3 thousand of applications of the total amount of ca. 38.2 billion zlotys (both from EU and national funds) were approved for implementation.

In this period, over 11 thousand financing agreements with the beneficiaries were signed and eligible expenditure amounts to ca. 29 billion zlotys, including ca. 20.4 billion zlotys of EU financing.

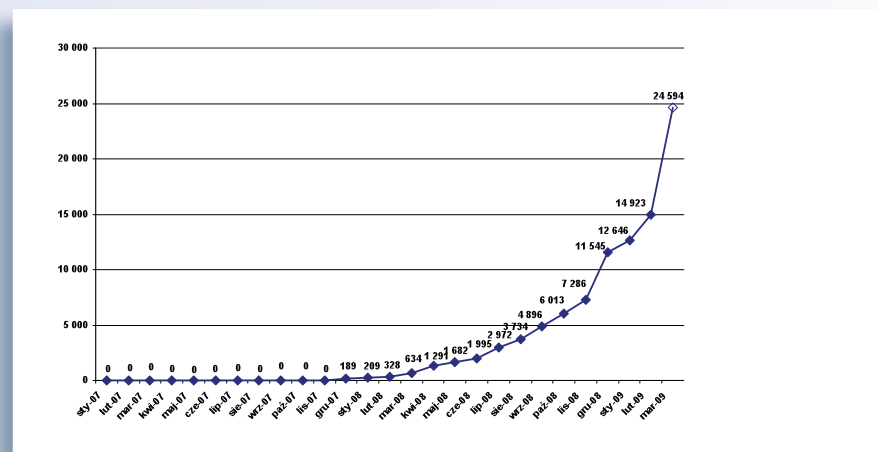
The beneficiaries presented refund requests totalling to ca. 2.4 billion zlotys.

The figures reflecting the dynamics of the National Cohesion Strategy 2007–2013 implementation (between January 2007 and March 2009) are presented in the graphs below.

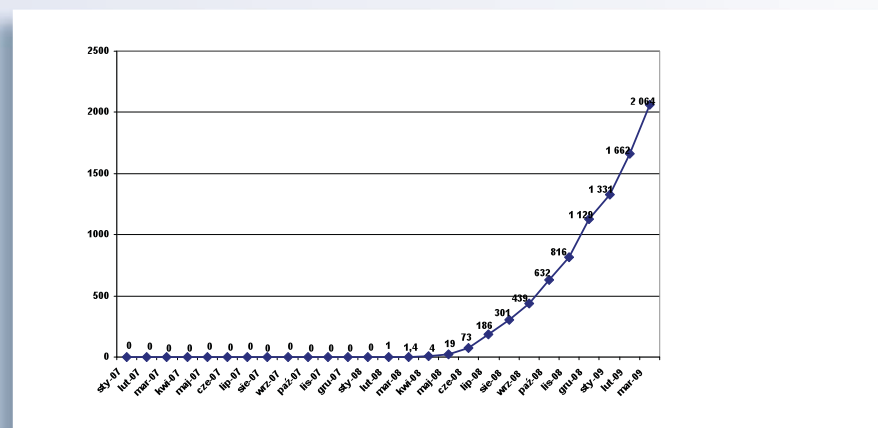
Number of financing agreements concluded with the beneficiaries (increasing)



Eligible expenditure presented in the concluded financing agreements (in PLN million, increasing)



Expenditure deemed as eligible in the submitted applications for payment (in PLN million, increasing)



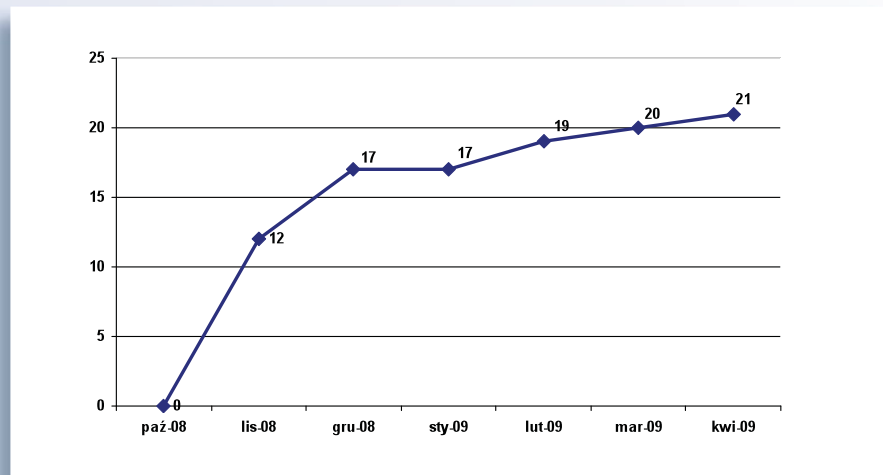
Such a significant increase in the use of EU funds is the result of actions taken by the Polish government in 2008. We rearranged the legal and institutional framework and simplified the implementation system.

Poland – the EU leader

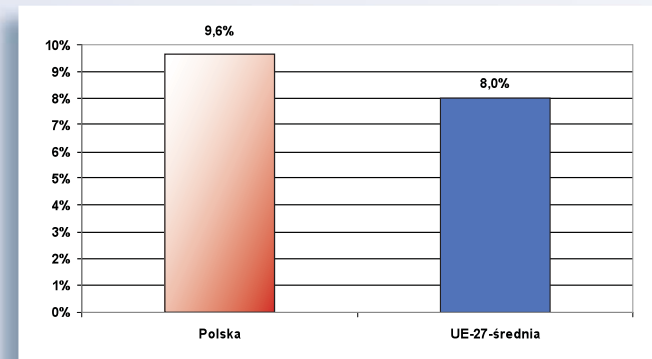
Poland is one of 9 EU states where the implementation systems of the EU programmes has gained the full approval of the European Commission. This fact is worthy of particular note in the context of scale of funds Poland has to cope with and the number of institutions involved in the programmes' management system.

Approval of the implementation system is a crucial condition of funds settlement by the Commission. Poland is one of 7 EU states which have already received first settlements based on expenditures submitted to the Commission.

Progress in gaining the EC approval for the Polish management system for the operational programmes (number of programmes which obtained the EC approval – increasing)



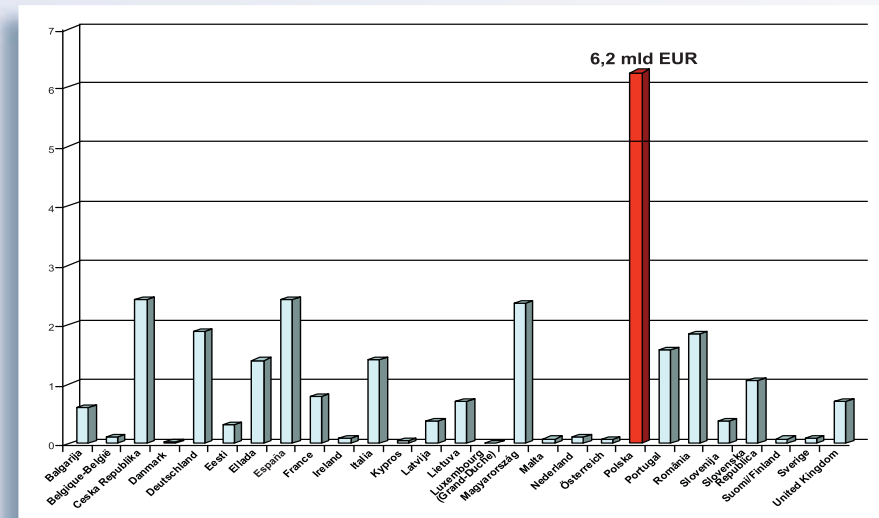
Taking into account the amount of funds transferred from the European Commission, both in the form of advance payments and indirect payments, Poland is also among the leaders. We have already received 9.6% from the available fund reserve, whereas the European average is 8.0%. We are outdistancing the countries which are considerably, i.e. Italy, France, Spain, United Kingdom, Belgium, Finland, Sweden and Portugal.



Value of funds for 2007-2013 transferred by the European Commission to date

In terms of amounts transferred by the European Commission, Poland is ranked first.

Funds transferred by the EC under the structural funds and the Cohesion Fund in the form of advance and indirect payments to individual Member States, as of 16 April 2009 (in EUR billion)



We have received 6.2 billion euro as an advance payment and refund of expenditure already incurred. These funds will enable Poland to co-finance 56.9 thousand of projects worth ca. PLN 111 billion. Over 20 thousand applications for the total amount of 37 billion zlotys have already been approved for implementation.

III. EASIER FUNDS FOR TOUGHER TIMES

The European Funds are not only about supporting investments in infrastructure, knowledge-based economy or broadly understood education, crucial for the long-term development of the country. Thanks to the EU funds we can deal better with the effects of the turbulent global economy.

Fast funds

The Ministry of Regional Development uses the European Funds to help alleviate the negative results of the economic crisis. In the situation of the weakened labour market, the measures of MRD will enable to fuel the economy with the amount of almost 700 million zlotys under the Human Capital Operational Programme. The elaborated package of solutions will enable a quicker and more effective reaction to the changes in economic and social situation.

The most important anti-crisis measures planned under the Human Capital Operational Programme:

- Special one-off allowances for persons who found employment within the distance of more than 50 km from their current place of residence – to cover the costs of commuting or settling in the new location (available for persons participating in the implementation of projects under submeasure 6.1.1 and 8.1.2)

The amount of co-financing is:

- the equivalent of six full unemployment benefits, as an alternative to benefits financed by the Labour Fund to which a person who has lost his job is entitled;
- Covering half of the difference between the former (higher) and the current (lower) gross wage of an employee (for no longer than six months).
- Financing specialist trainings or post-graduate studies for highly skilled employees laid off due to the reasons on the side of the enterprise (e.g. employees laid off in the services sector including the financial sector).

- funds for business start-ups directed to for employees under the outplacement programme.
- “Fast track” application evaluation – the process will be shortened to 30 days (in competitions published and carried out for submeasure 6.1.1, measure 6.2 and submeasure 8.1.2).

These additional aids will enable to increase and better direct the support to the areas which are most vulnerable to the effects of economic slowdown. Total support from the Ministry of Regional Development for alleviating the negative effects of processes on the labour market will amount to almost 700 million zlotys in 2009.

Easy funds

In response to the threat of economic slowdown, on 30th November 2008 the government presented the Stability and Growth Plan, which aims at boosting Polish economy in the face of global crisis. The document details both current and planned actions of the government to alleviate the negative effects of the economic downturn.

One of the important elements of the governmental policy is to speed up spending of the EU funds in 2009. For this purpose, on 16th December 2008, the Council of Ministers accepted the Plan of expenditure for the end of 2009 in the programmes co-financed from the European Funds under the NSRF 2007–2013. The plan was proposed by the Minister of Regional Development. It assumes the certification for reimbursement by the European Commission of at least 16.8 billion zlotys of expenses incurred from the state budget in favour of the beneficiaries.

Spending this amount of funds will be an incentive for maintaining a fast pace of development of the country, will ensure the appropriate level of income for the state budget from the EU transfers in times of slowdown and will assure an appropriate absorption rate of funds by Poland in the 2007–2013 perspective.

The detailed set of measures in the above-mentioned areas, which will enable the implementation of the Plan was presented to the Council of Ministers by the Minister of Regional Development on 3rd February 2009, within “The information on the actions of the Ministry of Regional Development adopted with regard to the economic slowdown. The necessity to speed up the settling of the project accounts”.

Measures to speed up the spending

In this document a complex programme was formulated to speed up the implementation of programmes co-financed by the EU. It contains 9 items which will allow to meet the assumed objectives using the following measures.

Advance payments for entrepreneurs

On the 12th February 2009 the ordinance of the Minister of Regional Development entered into force which allows the payment of the advances to all beneficiaries including the entrepreneurs. This was possible until then. Today they are given a ready-made solution which will allow them to carry out the investments with no obligation to apply for bank loans to finance their own contribution. Thanks to this measure, the entrepreneurs will bear fewer costs and in the same time they will be able to carry out their projects more quickly.

Controlled flows

We are changing the way the development grant for the regional operational programmes is transferred to local governments. The subsequent tranches of the budget funds will be paid out only after the local governments apply to the EC with the request to certify the expenditure already incurred from the previous tranches (certification).

Thanks to this measure, the budget will transfer the funds to the amount truly needed by local governments. The transferred funds will feed the economy and not „rest” in local governments’ bank accounts. The MRD will be able to verify the actual requirement for the transferred funds on the basis of concluded agreements and submitted payment claims.

Apply as soon as you settle your accounts

We are changing the procedure of transferring funds for the financing of the EU programmes from the dedicated (integration) reserve of the state budget. Transferring a subsequent tranche of funds will be faster but will depend on the settling of funds obtained earlier, so that the amounts spent can be submitted for reimbursement from the European Commission.

The advantages of this solution:

- A simpler procedure: if you settled one tranche – you will automatically receive subsequent funding.
- A relief for the budget: when launching the national budgetary funds we know they will soon be settled and we will be able to quickly settle our accounts with the Commission and get a reimbursement to the State budget.
- A faster settling of the tranches means more funds reimbursed by the Commission.

Additional funds for the best

We are introducing competition between programmes – the ones implemented in the quickest and most effective way may count on additional reserve funds of over 1.3 billion euro in 2011. These funds will be earmarked in the first place for strong pro-development measures increasing the economic potential of the country.

Shortening the procedures

The Ministry of Regional Development is preparing the guidelines, ordinances and recommendations in order to standardise procedures for obtaining EU funds.

New standards concerning both the method and the pace of implementation of specific funds-related tasks will be introduced. Deadlines for application evaluation will be tightened and unified. This will lead to the shortening of the payment of funds from the budget until reimbursement from the European Commission. Both the beneficiary and the state budget will profit from this.

Awards for effectiveness

We will conduct an ongoing verification and assessment of the effectiveness of the institutions involved in the implementation of EU support. We are introducing an incentive and motivation system through, e.g. coupling the level of remuneration of the officials with the degree of effectiveness in the implementation of funds and in the execution of entrusted plans.

The EU money must work

Ministry of Regional Development proposed amendments enabling minimising the needs to use own financial means at the initial stage of investment process. Owing to this, it is possible to postpone using national funds for implemented projects, by granting subsidies consisting entirely of EU financial resources. This will relieve the state budget, whose money can be used at a later stage of project implementation.

Large-scale projects- faster reimbursement of expenditures

So called “large-scale projects” have to be approved by the European Commission. The decision-making process takes many month and thus blocks EU co-financing, while these investments are being financed from the state budget. Following the latest amendments to the EU law, we have introduced a possibility of concluding an agreement and reimbursing the expenditures incurred before the decision is passed by the EC. In order to conclude an agreement, only a properly prepared application for co-financing is required. In the case of major projects implemented by governmental institutions (e.g. construction of roads and motorways), owing to this solution the state budget will obtain the reimbursement of previously incurred expenditures.

Measures within the simplification of rules of funds use

In the last months, in relation with world economic slowdown, there has been a lot of discussion about the necessity to simplify the procedures of application for structural funds. A lot has been done in this field and new solutions will be introduced soon. However, the institutions responsible for implementation of programmes have still been carrying out review of the implementation system of Community funds in terms of its improvement.

A significant role in this process is played by the beneficiaries themselves, who address their remarks to the Ministry of Regional Development mostly through Simple Funds initiative. The proposals are by the team responsible for the simplification of EU funds implementation system.

However, it should be remembered that in relation to the necessity of fulfilling EU requirements, granting the support from structural funds will never be entirely free of formalities and monitoring procedures. Financial undertakings with such procedures on the other hand are – without any doubt – safe investments, which in the current economic situation, have a significant meaning for the institutions granting loans for their implementation. The field of introducing such simplifications is limited by the EU legislation, and the provisions of the national law. The European Commission, beign aware of the significant meaning the structural funds carry in the time of economic crisis, has started a discussion on possible changes, which would enable making these funds more accessible for beneficiaries. Poland, actively participated in the discussion by presenting in European forum initiatives aimed at introducing simplicity and flexibility in EU funds distribution. At the same time, on the basis of the changes introduced by the Commission, MRD and other institutions participating in the implementation system have introduced changes which are relevant to national rules. However, the possibilities presented by the EC are still insufficient according to Member States. Hence, presently, Poland actively participates in further works to make the implementation system and the rules established at Community level more flexible.

I. Perspective 2004–2006

1. More time for implementation of projects – extension of the expenditures eligibility period

In December 2008 The European Commission, under the anti-crisis package, offered Member States the possibility to extend the final expenditures eligibility period under the 2004–2006 programmes, until the end of June 2009, and in the case of three programmes of Community Initiative

Interreg IIIA- until the end of 2009. In practice it means (depending on the regulations adopted by the Managing Authorities of separate programmes and the accessibility of funds in separate measures) a possibility of:

- announcing new calls for applications
- co-financing projects, which, until now, had been on reserve lists
- the increase of co-financing for the on-going projects.

Moreover, in extraordinary, individual cases, relevant institutions can decide on extending the project completion date determined in the agreement. It has a significant meaning for those beneficiaries whose projects were delayed, and thus would have to be completed using beneficiaries' own financial resources.

2. Bigger flexibility between priorities

A significant simplification indirectly influencing beneficiaries is extension by the European Commission of the so called flexibility rule on the final settlement of the project at the level of separate priorities from 2% to 10% of the granted allocation.

The rule means that the European Commission, while calculating the final balance, allows funds payment at the level of separate priorities up to 110% of the granted funds, on condition that the allocation at the level of the whole programme will not be changed i.e. will not exceed 100%. This solution can be applied in practice in the programmes whose beneficiaries' interest in individual priorities is diverse as it is for instance in the case of Sectoral Operational Programme "Fisheries and Fish-Processing".

II. Perspective 2007–2013

1. Amendments in environmental regulations

The process of introducing legal amendments within environmental protection has been completed. The adopted act on the provision of information on the environment and its protection, public participation in environmental protection and environmental impact assessments,

introduces simplifications in administrative proceeding reducing the duration of environmental procedures in investment process by half. Amended regulations finally allow to implement projects in full accordance with EU regulations.

2. Income-generating projects

Until now, income-generating projects in many cases couldn't be granted full EU co-financing. The so-called mechanism of financial gap was applied for the calculation of subsidy amount. This resulted in lowering of subsidy degree.

Presently, this mechanism does not have to be applied by the beneficiaries who intend to implement investments worth up to EUR 1 million. Moreover, the beneficiaries applying for the means from the European Social Fund have been entirely released from this obligation. It means that they will be granted co-financing of the projects in full, possible scale (max. 85%).

3. Public procurements- simplifications for entrepreneurs

In 2008 Public procurement law was amended in order to ensure full compliance of national regulations with the EU directives as well as to make the procedures more flexible.

First of all, a person taking part in a tender has now more room for correcting errors. Until now, even an error of no impact on the content of the offer excluded the entrepreneur from the tender (e.g. an error in the calculation of lampshades in one of the offers for road investment implementation caused the necessity of choosing a significantly more expensive offer). Secondly, unlimited possibility was introduced to commission subcontractors to carry out the contract. Thirdly, also entrepreneurs who, upon the submission of a tender do not have the technical potential at their disposal, can also apply for public procurement.

The changes mean bigger access to public procurement for the entrepreneurs, also these involving EU money and the increase of competition during applying for public procurement. The implementation of the project can run more smoothly and cheaply.

4. Public aid- more transparently and less strictly

One of the most significant changes allows the entrepreneur to start the works related to the implementation of the project only after filing an application for granting aid to the relevant institution (until now the works could not begin before obtaining confirmation that the support has been granted).

5. Friendly law

The amendments were introduced to the Act on Principles of the Development Policy Making. They concern, inter alia, the appealing procedure and give potential beneficiaries a possibility to contest evaluation results of their applications, including appeals to administrative court. This strengthens transparency and objectivity of the project selection process.

New regulations also specify the ban on introducing any changes to the rules of on-going tenders, as this would be harmful to potential beneficiaries participating in them.

6. Coordination and planning for the purpose of higher efficiency

Since 2009 The Ministry of Regional Development – in consultation with relevant institutions – has been setting goals for spending the structural funds and the Cohesion Fund for a given year – in 2009 16.8 billion zlotys. This concept envisages the defining target level of expenditures certified to the EC. This will allow to avoid expenditure accumulation in 2013, which is particularly important in the context of the state budget stability. The amounts designated in this way for each year will be adopted as goals by the Council of Ministers, which will also supervise their implementation.

7. Simple Funds

The Ministry of Regional Development initiated the “Simple Funds” initiative in 2008. The aim of this undertaking is to introduce changes into project implementation procedures to maximise simplification and make the process of applying for co-financing friendlier for the applicants.

The initiative also indicates that the administration is open to the signals from citizens, as the majority of changes answer the postulates reported directly by the persons dealing with practical aspects of implementation of projects co-financed from EU funds. These proposals are work on by the task force which is responsible for the simplification of EU funds implementation system and answers directly to the Minister of Regional Development.



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