

Poland: European Union Funds 2014 - 2020

OPPORTUNITIES FOR SWISS COMPANIES



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**POLAND: EUROPEAN UNION FUNDS 2014 -
2020
OPPORTUNITIES FOR SWISS COMPANIES**

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Contents

1.	FOREWORD	5
2.	OVERVIEW	6
3.	EUROPEAN UNION FUNDS IN FINANCIAL FRAMEWORK 2014-2020 IN POLAND	12
4.	INFRASTRUCTURE AND ENVIRONMENT OPERATIONAL PROGRAMME	14
5.	SMART GROWTH OPERATIONAL PROGRAMME	21
6.	REGIONAL OPERATIONAL PROGRAMMES	25
7.	OTHER OPERATIONAL PROGRAMMES	29
8.	SPECIAL ECONOMIC ZONES	34
9.	CASE	37

List of tables, pictures and charts

Table 1. Share of financing for each programme	33
Table 2. Amount of support in SEZ	35
Table 3. Official websites of European funds	39
Picture 1. EU Regional policy 2014-2020	8
Picture 2. Allocations for the main EU programmes in Poland	14
Picture 3. European TEN-T Network	17
Picture 4. Lodz Fabryczna Railway Station.....	19
Picture 5. Allocation of funds under Regional Operational Programmes by region (EUR bn)	25
Picture 6. Special Economic Zones localizations in Poland	34
Picture 7. Maximum level of state aid for large enterprises	36
Picture 8. Fundamental steps that must be met in order to become a beneficiary of EU funds	37
Picture 9. Steps in application process	42
Chart 1. MFF 2014-2020 categories of expanses	6
Chart 2. Structural and Investment Funds	7
Chart 3. EU budget for cohesion policy by countries.....	9
Chart 4. Share of the total pool allocation for Poland	12
Chart 5. I&E OP areas of support	15
Chart 6. Transport fund distribution.....	16
Chart 7. SG OP budget	21
Chart 8. Allocation of funds under the Regional Operational Programmes by region (EUR bn)	26
Chart 9. Areas funded by ROPs	26
Chart 10. Areas of support in OP KED	29

1. Foreword

Poland is the biggest beneficiary of Regional Policy of the European Union from all European countries. The budget for Poland for the years 2014-2020 consists primarily of cohesion policy (EUR 82.2 bn), the Common Agricultural Policy (EUR 32.1 bn) and the European Maritime and Fisheries Fund (EUR 0.5 bn). About EUR 5 bn will be also used in programs such as Horizon 2020 and Erasmus.

The money will be allocated in various projects of different size and scope. The biggest Operational Programme is the Infrastructure and Environment Operational Programme with allocation of EUR 27.4 bn. It is followed by Smart Growth Operational Programme with EUR 8.6 bn money at disposal. The focus of the first one is put on further development and modernisation of Polish railways, roads, bridges and energetic sector. The second one emphasizes a great need of Polish economy to increase its level of innovation and R&D spendings. Both of these areas open many business opportunities for Swiss companies providing state of the art solutions for various applications.

Also Swiss companies benefit from the projects co-financed from the European Union Funds. Great examples are such companies like Stadler Rail, Schindler or Hoval that have been since years operating successfully on the Polish market.

It is recommended to each Swiss company offering advanced and high-tech solutions and interested in entering the Polish market to monitor new projects co-financed from the European Union Funds. This publication gives a good overview of the most important fields that will receive funding and enable realisation of numerous projects both by public authorities and private sector.



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2. Overview

In the Multiannual Financial Framework (MFF) 2014-20 the EU dedicates about **EUR1 trillion** to help Europe fight unemployment and support economic growth. About 94% of this amount of money is spent on projects in EU Member States and beyond, other 6% is absorbed by administration costs. The MFF implements five ambitious objectives set out in the Europe 2020 growth strategy – employment, innovation, education, social inclusion and climate/energy.

The EU budget is mostly an investment budget. It pools the resources of Member States and creates economies of scale. Each of the 508 million EU citizens benefits in one way or another from the EU budget. It helps millions of students, thousands of researchers and cities, and numerous regions and non-governmental organisations (NGOs). The EU budget is used in areas where it makes sense to pool resources for the good of Europe as a whole. European funds contribute to healthier and safer food, new and better roads, railways and airports, a cleaner environment, higher security at the EU's external borders, studying opportunities abroad and cultural exchanges. It improves energy and communication links between EU countries, makes the European economy more competitive globally and help European scientists and researchers join forces across borders. The EU also brings help and humanitarian assistance to people in need all over the globe.

The EU budget funds investment projects that otherwise would not be realised - in some countries, it is the main source of investments in infrastructure. The leverage effect is often powerful: EUR1 guaranteed by the EU budget can represent up to EUR12 raised by a small or medium-sized enterprise (SME) (source: *The European Union explained: Regional policy*, European Commission, November 2014).

Funding is managed according to strict rules to ensure there is tight control over how funds are used and that the money is spent in a transparent, accountable manner. The European Commission has overall responsibility for implementing the EU budget, but is not directly responsible for managing all EU funds. There are two forms of EU funding management: direct management and shared management. Shared management means that the management of the EU fund or programme is delegated to EU countries. About 80% of the EU budget is managed in partnership with national and regional authorities through that system. Other funds are managed directly by the EU.

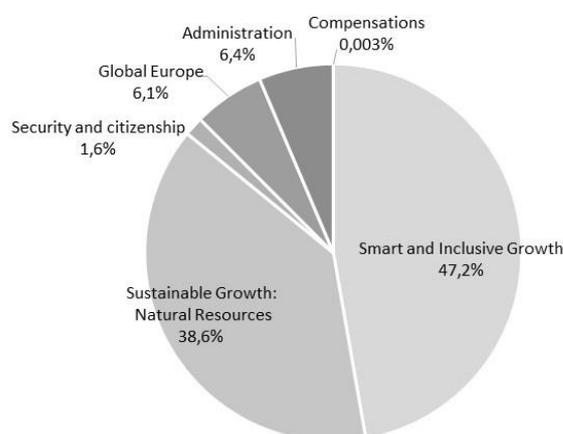
Categories of expense

EU policies are implemented through a wide range of programmes and funds which provide financial support to hundreds of thousands of beneficiaries. Generally, the MFF 2014-20 is divided into six categories of expenses ('headings') corresponding to different areas of EU activities (showed on graph).

Currently, the largest share (EUR 513.5 bn¹) goes to the category **Smart and Inclusive Growth** to create growth and jobs **and** reduce economic gaps between EU's various regions, through two types of activities:

- **Competitiveness for growth and jobs** (EUR 142.1 bn): includes research and innovation, education and training, trans-European networks in energy, transport and telecommunications, social policy, development of enterprises etc.

Chart 1. MFF 2014-2020 categories of expenses



Source: Crido Taxand own materials

¹ commitment appropriations, in current prices (http://ec.europa.eu/budget/mff/index_en.cfm)

- *Economic, social and territorial cohesion* (EUR 371.4 bn): covers regional policy which aims at helping the least developed EU countries and regions to catch up with the rest, strengthening all regions competitiveness and developing inter-regional cooperation.

A major part of funds goes also to **Sustainable Growth: Natural Resources** category (EUR 420.0 bn), giving support in areas like agriculture, rural development, fisheries and environmental protection. The common agricultural policy has undergone a major reform, whereby its share of the EU budget has fallen from 70% in 1985 to around 40% today, and is set to continue falling to 33% in 2020.

Other categories of expenses are:

- *Security and citizenship* (EUR 17.7 bn) - includes justice and home affairs, border protection, immigration and asylum policy, public health, consumer protection, culture, youth, information and dialogue with citizens.
- *Global Europe* (EUR 66,3 bn) - covers all external actions ('foreign policy') by the EU such as development assistance or humanitarian aid.
- *Administration* (EUR 69.6 bn) - covers the administrative expenditures of all European institutions, pensions and European Schools.
- *Compensations* (EUR 0.29 bn) - temporary payments designed to ensure that Croatia, who joined the EU in July 2013, does not contribute more to the EU budget than it benefits from it in the first year following its accession.

Structural & Investment Funds

Money delegated to EU countries comes largely from **5 big funds** - the Structural & Investment Funds (**ESIF**). With a budget of EUR 454 bn for 2014-20 allocated in 535 programmes all over Europe, the European structural and investment funds are the European Union's main investment policy tool.

The Structural & Investment Funds are:

- **European Regional Development Fund (ERDF)**

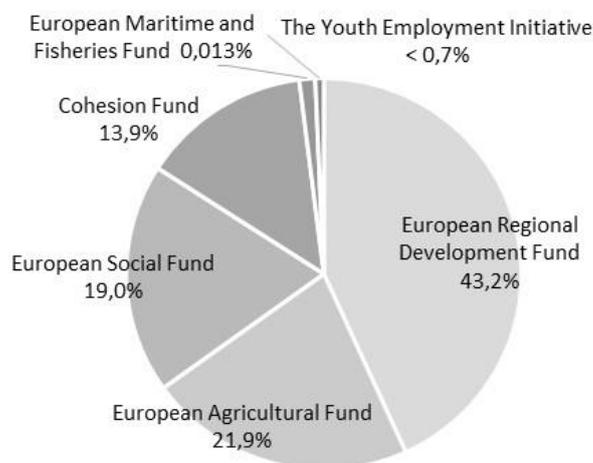
The EU budget for ERDF in the years 2014-2020 is EUR 196.3 bn and it covers all Member states. It invests under various thematic objectives, however it has a strong focus on 4 key priority areas: Research and Innovation, Digital Economy, SME competitiveness and Low Carbon Economy. The ERDF also finances Interreg – cross-border, transnational or interregional co-operation under the Territorial Cooperation objective.

- **European Social Fund (ESF)**

The ESF invests more than EUR 86 bn in all EU regions. It is Europe's main instrument for investing in people. ESF focuses on four thematic objectives: promoting employment and supporting labour mobility, promoting social inclusion and combating poverty, investing in education, skills and lifelong learning and enhancing institutional capacity and an efficient public administration.

Associated with the ESF is *The Youth Employment Initiative (YEI)* - one of the **main EU financial resources** to support the implementation of Youth Guarantee schemes which supports young people who are **not in education, employment or training** (NEETs). The **EU budget** of the YEI was originally EUR3.2 bn, on September 2016 the Commission planned to increase it of another EUR 2 bn.

Chart 2. Structural and Investment Funds



Source: Crido Taxand own materials

- **Cohesion Fund (CF)**

The Cohesion Fund allocates about EUR 65 bn to activities under two categories: trans-European transport networks and environment. It concerns Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

- **European Agricultural Fund for Rural Development (EAFRD)**

The EU's rural development policy helps rural areas of the EU to meet the wide range of challenges and opportunities that face them in terms of economic, environmental and social development. Known as the "second pillar" of the Common Agricultural Policy (CAP), it has been improved for the period 2014-2020 through the process of wider CAP reform. The EU budget is EUR 99.3 bn.

- **European Maritime and Fisheries Fund (EMFF)**

The EMFF is the financial instrument that helps deliver the objectives of the reformed Common Fisheries Policy (CFP) and that will support the implementation of the EU Integrated Maritime Policy (IMP). It will contribute to sustainable and competitive fisheries and aquaculture, to a consistent framework for the Integrated Maritime Policy and to a balanced and inclusive territorial development of fisheries and aquaculture areas. The EU budget for EMRR is EUR 5.7 bn.

Cohesion Policy in UE

The EU's main investment policy is Cohesion (Regional) Policy – about **EUR 350 bn**, which is almost a third of the total EU budget, has been set aside for that Policy for 2014-2020.

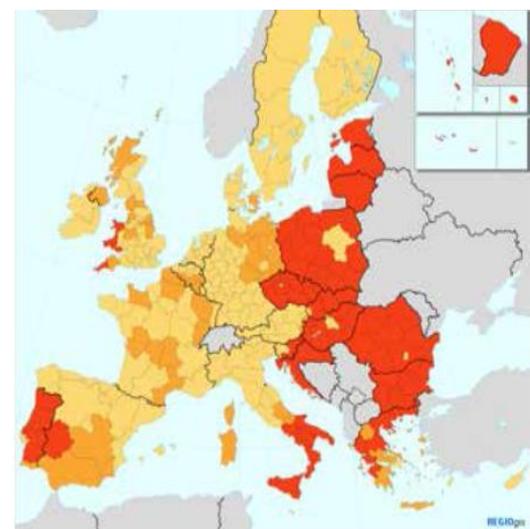
The main sources of funding Cohesion Policy during the 2014-2020 period are European Regional Development Fund and European Social Fund (as Regional Policy). Other sources include the Cohesion Fund, European Territorial Cooperation (EUR10.2 bn, as part of ERDF), the 'Youth Employment Initiative' (EUR3.2 bn) and specific allocations for the outermost and sparsely populated regions (EUR1.6 bn).

These resources are used to finance strategic transport and communication infrastructures, to favour a transition to a more environmentally friendly economy, to support small and medium-sized enterprises (SMEs) in becoming more innovative and more competitive, to create new and lasting job opportunities, to reinforce and modernise education systems and to build a more inclusive society.

Regional Policy targets all regions and cities in the European Union. The level of support is adapted to each region's level of economic development (shows on the map). Regional Policy is an expression of solidarity between EU countries as it dedicates the bulk of its funding to the EU's less developed regions to help these regions to fulfil their economic potential, in the light of regional disparities both across the EU and within member countries.

UE budget by country for Cohesion Policy in 2014-2020 period is shown on the graph below. Main beneficiaries of regional support (in terms of the total amount of funds or the amount per one inhabitant) are new-UE countries (joined in 2004 or later) - Poland, Romania, Czech Republic, Hungary, Slovakia, Croatia, Bulgaria, Lithuania, Latvia, Estonia, Slovenia, Cyprus and Malta. Less developed regions in countries like Italy, Portugal, Spain also gets significant support.

Picture 1. EU Regional policy 2014-2020

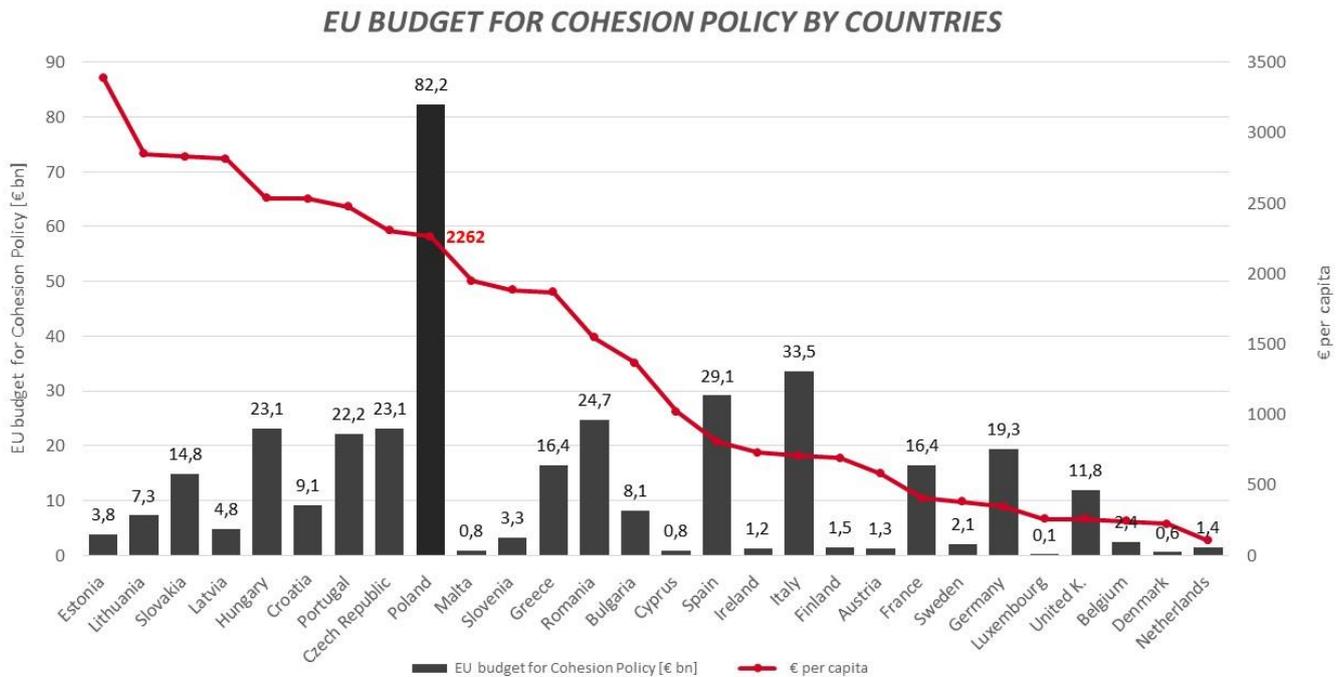


Category

- Less developed regions (GDP/head < 75 % of EU-27 average): €182.2 billion
- Transition regions (GDP/head between > = 75 % and < 90 % of EU-27 average): €35.4 billion
- More developed regions (GDP/head > = 90 % of EU-27 average): €54.3 billion

Source: The European Union explained: Regional policy, European Commission, November 2014

Chart 3. EU budget for cohesion policy by countries



Source: Crido Taxand own materials

One of the main beneficiaries of the EU budget for the years 2014-2020 are the countries of southern and central Europe - Poland, the Czech Republic, Slovakia, Romania, Bulgaria, Croatia, Slovenia and Hungary. Basic information about the EU funds in these countries is shown below.

Romania

For 2014-2020, Romania has been allocated **EUR 30.8 billion**, which is an average of 1 546 euro per person. In this amount of money, around EUR 23 billion are the funds for Cohesion Policy - EUR 15.06 bn for the less developed regions (all except Bucharest), EUR 441 million for Bucharest (as more developed region) and EUR 6.93 bn under the Cohesion Fund.

Romania identified five main challenges to be tackled through Cohesion Policy, which are: People and Society (about EUR 7.4 bn for employment, social inclusion and education policies), Infrastructure (about EUR 6.08 bn), Economic Competitiveness with EUR 0.75 bn for SMS and 0.97 for R&D sector, Protection of Environment (about EUR 7.71 bn) and Efficient Public Administration (EUR 0.78 bn). In MFF 2014-2020, Romania will manage six operational programmes: *Administrative Capacity, Competitiveness Programme, Human Capital, Integrated Regional Programme, Large Infrastructure Programme, SME Initiative*.

Bulgaria

Bulgaria benefits from ESIF funding of **EUR 9.9 billion** representing an average of 1 363 euro per person over the period 2014-2020. In this amount of money, around EUR 7.6 billion are the funds for Cohesion Policy.

Nearly 40% (EUR 2.77 bn) of Bulgarian Cohesion Policy budget will go for activities related to environment, about 22% (EUR 1.59 bn) - for social inclusion and sustainable and quality employment, 20% (EUR 1.43 bn) for transport and energy infrastructure. For Competitiveness of SMEs it is allocated EUR 590 million and for R&D 490 million. The investment priorities includes raising competitiveness and sustainability of the economy, creating a high quality research and innovation system, developing sustainable and environmental friendly modes of transport along Trans-European Networks, stimulating

integrated urban development, improving management of water and other natural resources and raising the employment population aged 20. Cohesion Policy will be implemented within seven operational programmes: two programmes funded by ERDF and CF (*Transport, Environment*), two funded by ERDF (*Innovation & Competitiveness, Regional Development*), two from ESF (*Human Resources Development, Good Governance*) and one programme (*Science & Education*) by both ESF and ERDF.

Czech Republic

Total MFF budget for the Czech Republic is **EUR 24 billion** (2 302 euro per person). In total Cohesion Policy funding Czech Republic has been allocated around EUR 22 billion - EUR 6.3 bn under the Cohesion Fund and 16.68 bn from ERDF and ESF (EUR 15.3 bn for less developed regions and EUR 88 million for one more developed region – Prague).

As the most important priorities Czech Republic identified: promoting an innovation-friendly business environment (with EUR 890 million for competitiveness of SMEs and EUR 2.42 bn for R&D), developing basic infrastructure (about EUR 6.24 bn), supporting human capital (5.18 bn), promoting an environment-friendly and resource-efficient economy (4.85 bn) and improving efficiency and effectiveness of public services (18 million). A very important challenge for the Czech Republic is also Information & Communication Technologies sector with about EUR 1 bn allocation. The country will manage seven main operational programmes – *Enterprise and Innovation for Competitiveness, Environment, Integrated Regional Programme, Research, Development and Education, Transport, Employment and Prague Growth Pole*.

Slovakia

Slovakia benefits from European Union funding of **EUR 15.3 billion**, an average of 2 830 euro per person. Of this amount, for 2014-2020 Slovakia has been allocated around EUR 14 billion in Cohesion Policy: EUR 9.2 bn for the less developed regions (all except Bratislava), EUR 328.7 million for more developed regions (Bratislava) and EUR 4.2 bn under the Cohesion Fund.

Over 75% of total budget for Cohesion Policy in Slovakia will be allocated into 3 main areas of support - transport and energy infrastructure (EUR 3.5 bn, mostly for key transport networks and sustainable urban transport), protection of environment (EUR 3.27 bn, specially through promotion of energy efficiency and a low carbon economy) and people and society (EUR 3.21 bn, specially for reinforcing all levels of education, increasing access to employment and promoting social inclusion of Roma communities). An important priority is also promoting an innovation-friendly business environment by enhancing the competitiveness of SMEs (EUR 1.8 bn), improving innovation and research performance (EUR 401 million) and developing an e-economy (with EUR 830 million for Information & Communication Technologies). Slovakia will manage six operational programmes under Cohesion Policy, which are: *Effective Public Administration, Human Resources, Integrated Infrastructure, Integrated Regional Programme, Quality of Environment and Research and Innovation*.

Croatia

Total EU budget for Croatia in period 2014-2020 is **EUR 10.7 billion**, which is an average of 2 529 euro per person. Croatia has been allocated around EUR 8.6 billion in Cohesion Policy, which will be implemented under two national programmes - *Competitiveness and Cohesion* and *Efficient Human Resources*.

The main priorities of Cohesion Policy in Croatia include strengthening the competitiveness of the economy, increasing labour market participation, reduce poverty, preserving and maintaining a healthy environment, protecting natural resources and heritage, adapting to climate change and strengthening administrative capacity, enhancing an efficient public administration and increasing the involvement of civil society and social partners. In accordance with the above objectives, largest amounts of funds will be allocated for activities related to environmental protection (34%, which is 2.77 bn) and people and society (24%, 1.93 bn). About EUR 970 million will be dedicated to improve the SMEs competitiveness and 660 million for R&D activities.

Hungary

Total Hungarian EU budget for 2014-2020 is **EUR 25 billion** (an average of 2 532 euro per person). In Cohesion Policy Hungary has been allocated EUR 21.9 billion: EUR 15 bn for less developed regions (Közép-Dunántúl, Nyugat-Dunántúl, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld and Dél-Alföld), EUR 463.7 million for the more developed region (Közép-Magyarország) and EUR 6 bn under the Cohesion Fund.

The priorities of Cohesion Policy in Hungary include improving the competitiveness and global performance of the business sector (with EUR 2.07 bn for supporting SMEs), promoting employment through economic development, education and social inclusion policies and tackling social and demographic challenges (with EUR 1.94 bn for social inclusion and EUR 4.74 bn for fight against unemployment), increasing energy and resource efficiency (EUR 5.74 bn) and development of transport and energy infrastructure (EUR 3.33 bn). Hungary will manage seven operational programmes under EU Cohesion Policy: *Economic Development and Innovation Programme, Environmental and Energy Efficiency, Human Resources Development, Integrated Transport, Public Administration and Civil Service Development, Competitive Central-Hungary and Territorial and settlement Development.*

Slovenia

Slovenia benefits from EU funding of **EUR 3.8 billion** representing an average of 1 880 euro per person. For 2014-2020 Slovenia has been allocated around EUR 3.07 billion in Cohesion Policy: EUR 1.26 bn for the less developed region of eastern Slovenia, EUR 847 million for more developed region of western Slovenia and EUR 895 million under the Cohesion Fund. There is a clear shift from infrastructure-based support in Slovenia to more innovation and entrepreneurship investments that will underpin growth and jobs in the country. Slovenia, like Poland, implements a Smart Specialisation Strategy which is defining the priority sectors of the Slovene economy.

Slovenia identifies two main priorities: investing in research, development and innovation, competitiveness and supporting a resource efficient economy with better environmental preservation, sustainable energy use and sustainable mobility. Large part of funds are allocated to support SMEs (nearly 20%, 530 million), for R&D projects (about 16%, 460 million) and for Information and Communication Technologies (2.4%). All these measures are available under one operational programme - *EU Cohesion Policy.*

Poland

The greatest beneficiary of Regional Policy from all European countries is **Poland**. The budget for Poland for the years 2014-2020 consists primarily of cohesion policy - EUR 82.2 bn, the Common Agricultural Policy (EUR 32.1 bn) and the European Maritime and Fisheries Fund (EUR 0.5 bn). About EUR 5 bn will be also used in programs such as Horizon 2020 and Erasmus. Funds for Cohesion Policy include:

- EUR 76.6 bn in 22 programs (6 national and 16 regional - ROP);
- EUR 0.3 bn for additional support to the unemployed and learning of young people in the Programme Knowledge Education Development;
- EUR 0.7 bn in programs of European Territorial Cooperation;
- EUR 4.1 bn under Polish envelopes for infrastructure projects in the managed centrally by the EC instrument, the Connecting Europe Facility (CEF);
- EUR 0.5 bn from the European Fund for Assistance to the most needy (FEAD);
- EUR 0.3 bn allocated to the general pool of technical assistance managed by the EC;
- EUR 0.1 bn to be taken by the European Commission's innovative activities related to the development of urban areas.

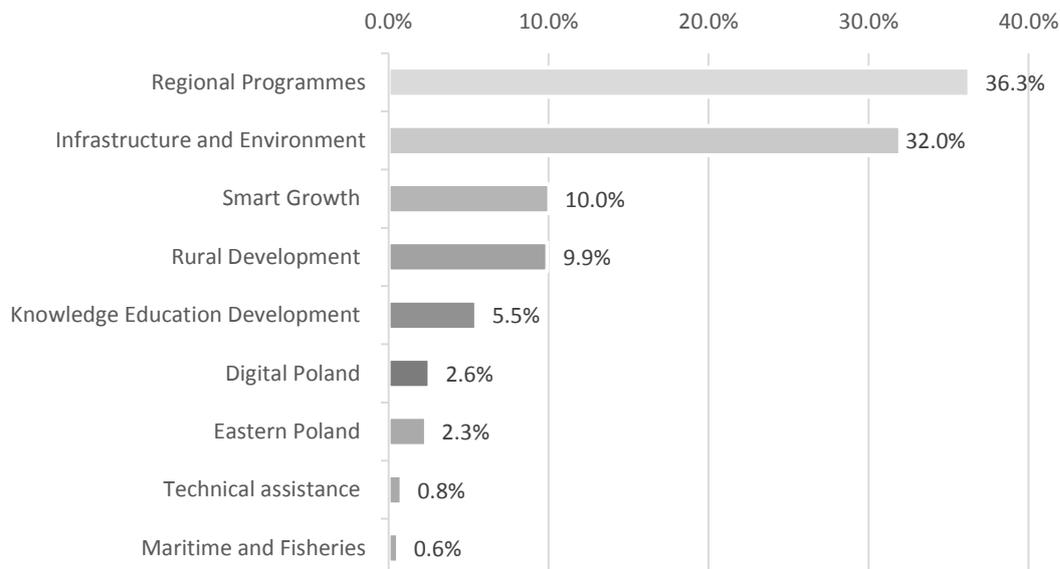
3. European Union Funds in Financial Framework 2014-2020 in Poland

As stated in the previous chapter, Poland is the biggest beneficiary of EU funds in the Multiannual Financial Framework 2014-2020 with a budget of **EUR 82.2 bn.**

The main criterion for the allocation of funds in the European Union for individual Member States, is the level of gross domestic product (GDP) per capita. Regions with a GDP per capita at 75-90% of the average EU level are among “regions in transition” or “less developed regions”, and those with GDP per capita at least at the level of 90% are called “more developed regions”. The level of GDP per capita in Poland reaches up to 70% of the average EU level (only mazowieckie voivodeship exceeds that threshold with GDP per capita 75% which puts it in the group of more developed regions).

The financial framework 2014-2020 is implemented in Poland by the means of national and regional programmes. The biggest allocation in the 2014-2020 framework will be invested in transport infrastructure (road and rail), but the biggest increase in expenses compared to previous financial framework (2007-2013) will take place in the sphere of innovation and support for entrepreneurs. In addition to grant money, European Union will also distribute the financial means by the use of repayable instruments, namely loans and credits. All three forms of support may be used by entrepreneurs.

Chart 4. Share of the total pool allocation for Poland



Source: Crido Taxand own materials

The majority of funds allocated for national programmes in Poland is distributed to the **Infrastructure and Environment Operational Programme (IE OP)**, which supports activities related to environmental protection, development of technical infrastructure and energy security.

The second largest programme is the **Smart Growth Operational Programme**. It is a funding program for research, development and innovation. A lot of support from the program is designed for entrepreneurs who are interested in conducting research and development projects, the results of which will have a practical application in the economy.

The main objective of the **Rural Development OP** is to improve the competitiveness of agriculture.

The aim of the **Knowledge Education Development OP** is to improve policies and public action on the labour market and education.

Digital Poland OP is aimed at increasing the availability of the Internet, widespread use of computers and the creation of e-government.

Polish Eastern voivodeships have their own programme - Eastern Poland OP. It is designed to increase competitiveness and innovation in this macro-region by supporting innovation and research development and increasing the attractiveness of investments.

Technical Assistance OP is aimed at ensuring the smooth operation of institutions implementing the funds and providing adequate information and promotion of the European funds.

The main objective of the **Maritime and Fisheries OP** is to support marine fisheries, inland aquaculture and processing.

Besides the national programs, EU funds are disposed of by means of **16 regional programmes** designated to each Polish voivodeship. Their aim is to support the development of individual voivodeships.

It is worth noticing, that a huge amount of funds is designed for private companies (all 16 voivodeships intend to support business by means of total of EUR 10.5 bn, thus 33.2% EU funds available to them).

Additionally, there are other means of financing for Poland's development, such as **European Territorial Cooperation programmes, Special Economic Zones** and a **variety of tax deduction forms**. In the following sections, detailed information on available sources of support possible to obtain in Poland will be presented.

Picture 2. Allocations for the main EU programmes in Poland



Source: Crido Tax and own materials

4. Infrastructure and Environment Operational Programme

Operational Programme Infrastructure and Environment for 2014-2020 (I&E OP) is the largest program financed by European Funds, not only in Poland but in the whole European Union – the total amount of EU funds involved in the program will amount to **EUR 27.4 billion**.

Main objective of I&E OP is promoting resource efficient and environmentally friendly economy conducive to social and territorial cohesion. Main areas supported by the program are low- carbon economy, environmental protection, prevention and adaptation to climate change, transport and energy security, as well as investments in the areas of healthcare and cultural heritage.

The program supports only the biggest investments at the national level while projects of regional and local impact can apply for funding from regional operational programmes. Consequently, groups of entities authorised to apply for grants in I&E OP are mainly public administration, including regional and local administrative units, entities performing public tasks and civil society organisations.

Private enterprises (small, medium and large) can get state aid as direct beneficiaries only for large investments in renewable energy sources, cogeneration investments and projects related to energy efficiency. However, large amount of I&E OP funds pose a big chance for the private sector to be an indirect beneficiary as contractor of construction works or provider of equipment chosen by public bodies in public procurement procedures. For example in case of the biggest investments in the road construction sector, the main beneficiary of the funds will be the General Director for National Roads and Motorways. It will then announce public procurements for contractors of constructor works which will be open for private companies fulfilling the tender criteria.

Programme budget

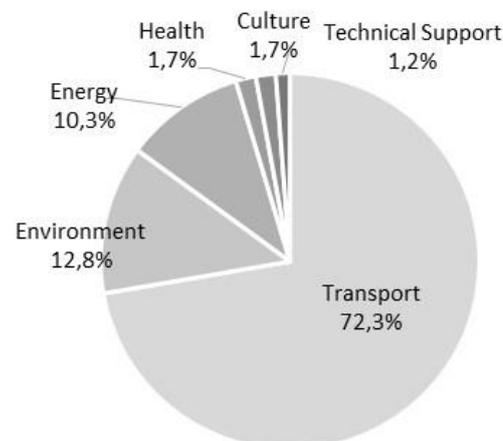
About 32% of total budget for 2014-2020 in Poland is allocated for activities under I&E OP, which is EUR 27.4 bn. There are two sources of financing for the Infrastructure and Environment Programme:

- European Regional Development Fund – EUR 4 905.9 million
- Cohesion Fund – EUR 22 507.9 million

EU funds available from the I&E OP 2014-2020 will be implemented within 10 priority axes, divided into 5 different areas:

1. *Energy*
 - Priority axis I. *Shifting towards a low carbon economy*
 - Priority axis VII. *Improving energy security*
 2. *Environment*
 - Priority axis II. *Environmental protection including adaptation to climate change*
 3. *Transport*
 - Priority axis III. *Development of the TEN-T road network and multimodal transport*
 - Priority axis IV. *Road infrastructure for the cities*
 - Priority axis V. *Development of railway transport in Poland*
 - Priority axis VI. *Development of low-carbon public transport in cities*
 4. *Culture*
 - Priority axis VIII. *Protection of cultural heritage and development of cultural resources*
 5. *Healthcare*
 - Priority axis IX. *Strengthening the strategic healthcare infrastructure*
- + *Technical Support - priority axis X. Technical assistance, EUR 330.0 million*

Chart 5. I&E OP areas of support



Source: Crido Taxand own materials

Description of priority axes of I&E OP 2014-2020

- **Energy – EUR 2 828. 43 million (10,3% of I&E OP allocation)**

Projects from Energy area will be implemented within the priority axis I. Shifting towards a low carbon economy (EUR 1 828 m) and VII. Improving energy security (EUR 1 bn).

The specific objective of **priority axis I** is increasing the share of energy produced from renewable sources in gross final energy consumption. This priority axis will support activities including increasing the efficiency of primary energy use, improving energy efficiency of the public sector and housing (including a decrease in emissivity), reducing the energy consumption of enterprises and increasing the production of energy from renewable sources. It will also support development of intelligent energy networks and activities in the field of development of high-efficiency cogeneration. Priority axis I is the only area of I&E OP where private enterprises can get state aid as direct beneficiaries.

As part of the **VII priority axis** support will be granted for initiatives aimed at increasing energy efficiency and security of supply through the development of smart distribution systems, storage and transmission of energy and through the integration of distributed generation from renewable sources. Although the private sector representatives cannot be the direct beneficiaries of this grants, there are many opportunities to participate in projects as a subcontractor.

Depending on the specific measure, the following institutions will be responsible for implementing:

Axis I:

- *The National Fund for Environmental Protection and Water Management* (www.nfosigw.gov.pl)
- *Voivodeship Fund for Environmental Protection and Water Management in Katowice* (www.wfosigw.katowice.pl)

Axis VII:

- Oil and Gas Institute – National Research Institute (www.inig.pl)

• **Environment – EUR 3 508.17 million (12,8% of I&E OP allocation)**

Projects in the area of Environment will be implemented under priority axis II. Environmental protection including adaptation to climate change. Under this priority support will be provided mostly to government administration and units of local authorities while private sector could be an indirect beneficiary as contractor of construction works or provider of equipment.

The activities within the axis will concentrate on the development of infrastructure related to waste and water-sewage management, preventing the loss of biodiversity, enhancing the prevention of natural hazards and reinforcing the resistance to hazards related to negative effects of climate change.

The improvement of environment conditions will also be substantially influenced by the activities performed within other areas of the Programme axis e.g. the improvement of air quality will depend on activities reducing emission from uneconomical household furnaces with permanent fire grates, combusting low quality fuel (undertaken within the I priority axis) and supporting the environment friendly transport (within VI and partially V axis).

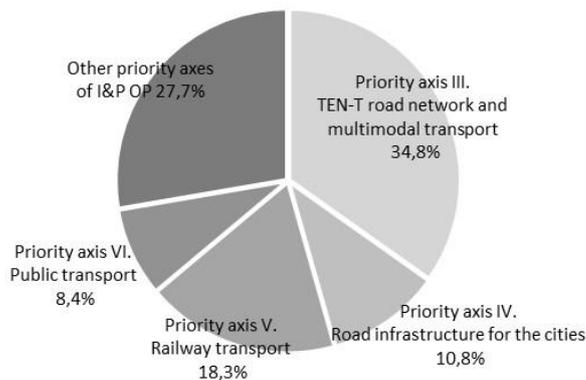
Implementing authorities are:

- *The National Fund for Environmental Protection and Water Management* (www.nfosigw.gov.pl)
- *Coordination Centre for Environmental Projects* (www.ckps.lasy.gov.pl)

• **Transport - EUR 19 811.57 million (72,3% of I&E OP allocation)**

Transport, with almost EUR 20 bn budget, is the largest area supported in whole I&E OP. The program will be implemented primarily through large projects of national and international importance, consequently funds within this area will be dedicated to the public sector. However, large amount of these funds may go to private entrepreneurs as an indirect beneficiary as contractor of construction works or provider of equipment.

Chart 6. Transport fund distribution



Source: Crido Taxand own materials

Projects will be implemented within 4 priority axes:

III. *Development of the TEN-T road network and multimodal transport*
(EUR 9 532 m)

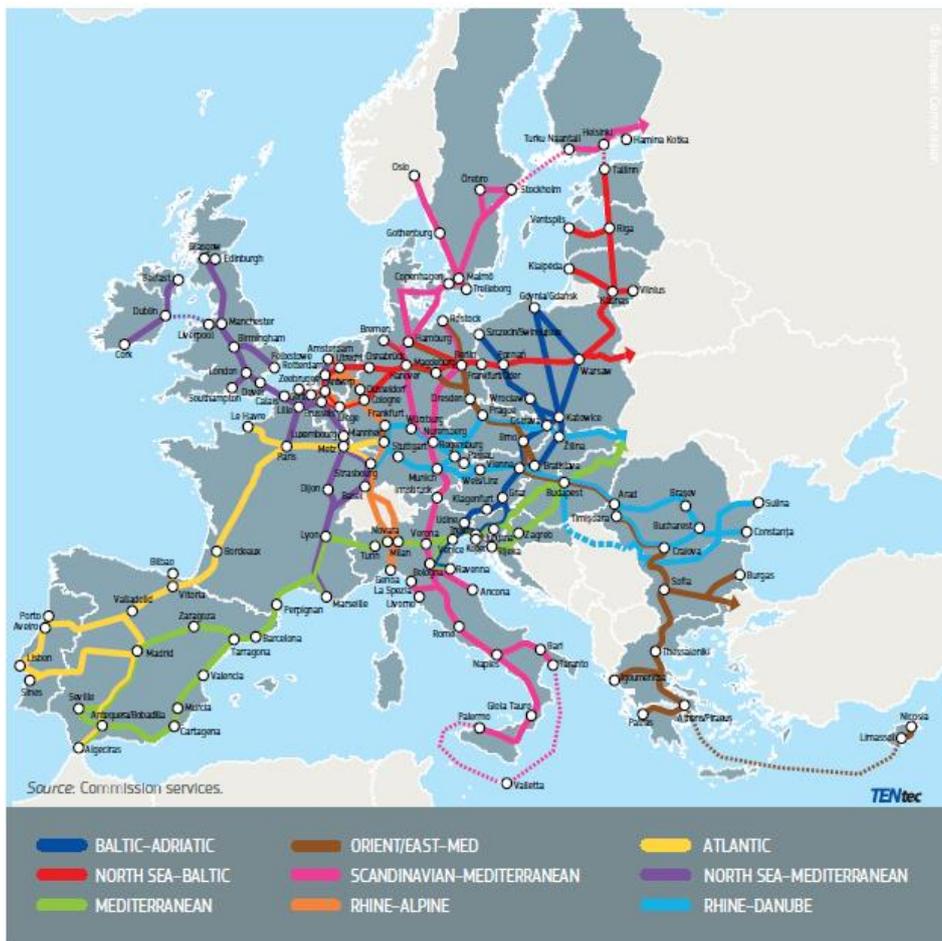
IV. *Road infrastructure for the cities*
(EUR 2 970 m)

V. *Development of railway transport in Poland*
(EUR 5 009 m)

VI. *Development of low-carbon public transport in cities* (EUR 2 299 m)

Within the **III priority axis**, funding will be available for road construction, especially for national roads belonging to the TEN-T network, including express roads and highways and roads within nodes which are core network of a strategic importance for TEN-T network. There is also the possibility to support to some extent investments aimed at increasing the navigation capacity of airports, increasing the airspace capacity and improving safety and security of air traffic within the air TEN-T core network. It is also possible to support intermodal, maritime and inland waterway transport.

Picture 3. European TEN-T Network



Source: *The EU explained: Transport, European Commission, November 2014, p. 17*

Within the **IV priority axis**, implementation will include investments in the national TEN-T road network related to connecting the urban infrastructure with the non-urban TEN-T network, relieving cities from traffic congestion (bypasses on national and express roads, national roads in the cities with Poviats rights), and improving their accessibility (exit routes on national roads, express roads sections next to the cities).

Specific objectives of **axis V** is to improve condition of the railway connections between major Polish cities. Investments will include, in principle, modernization and rehabilitation of existing railway routes in the TEN-T network. Railway infrastructure investment will be directed also to improve availability of airports. Projects outside the TEN-T and the railway system in cities (urban railways) will be also supported.

Measures under **axis VI** will be directed to support infrastructure and fleet for public collective transport in cities and urban functional areas. The priority will be given to purchase of vehicles with alternative drive systems (electric, hybrid, bio-fuel, hydrogen fuelled etc.).

All projects will be implemented by *Centre for EU Transport Projects* (www.cupt.gov.pl).

- **Culture – EUR 467 m (1,7% of I&E OP allocation)**

Projects in the field of protection and preservation of cultural heritage and development of cultural resources can be financed under priority VIII Protection of cultural heritage and development of cultural resources. The beneficiaries of the investment priority will include public sector representatives like cultural institutions, national archives, local authority units and art schools and universities.

Within this investment priority support will be provided for complex actions related to protecting and providing access to monuments of national and worldwide historical value, including those on the UNESCO World Heritage List and the list of objects considered by the Polish President as Monuments of History. Support will also be provided for modern solutions related to culture accessibility.

The Intermediate Body, also responsible for implementation of projects in this area, is *Ministry of Culture and National Heritage* (www.mkidn.gov.pl).

- **Healthcare – EUR 468 m (1,7% of I&E OP allocation)**

The specific objective of Priority axis IX: Strengthening the strategic healthcare infrastructure is to ensure access to health infrastructure and improving the efficiency of the healthcare system.

Under this priority axis support will be provided for the National Medical Rescue System infrastructure and for the infrastructure of supra-regional hospitals and diagnostic units dealing with diseases related to professional activity and care for mother and child. Beneficiaries of projects implemented under the priority axis include public healthcare entities. Private entrepreneurs can be subcontractors or providers of equipment for many of these projects.

The Intermediate Bodie, also responsible for implementation of projects in this area, is *Ministry of Health* (www.mz.gov.pl).

Effects of the Infrastructure and Environment Operational Programme 2007-2013

Operational Programme Infrastructure and Environment for 2014-2020 is a continuation of the program of the same name, realized in the financial framework 2007-2013. The Programme aim was to support the development of the most crucial sectors of the Polish economy like transport, health, energy, environment, higher education and culture and it resulted in a wide range of investments. In the end, more than 3 300 different projects got funded form I&E OP 2007-2013. Thanks to the Programme Poland now has:

- 1 390 km of new motorways,
- 8 modernized airports and 15 cargo handling terminals,
- 2 536 km gas pipelines, 560 retrofitted buildings,
- 17 675 new or modernized sewage plants, 39 new incinerators and composting plants,
- 15 000 additional places for students in priority fields, 129 newly build or rebuild universities and schools,
- 9 232 renovated art pieces, 47 culture institution buildings restored,
- 181 healthcare facilities with new equipment and 11 modernized air rescue bases.

One of the flagship projects of financial framework 2007-2013, financed from I&E OP, was the project of complete renovation of the main train station in city Lodz “Łódź Fabryczna”. Beneficiaries of that project was PKP Polish Railway Lines JSC, PKP S.A. and Łódź City, private contractors involved in project was Consortium Torpol – Astaldi – PBDiM – Intercor. Total project value was PLN 1.72 bn (EUR 389.6 million), EU support value was PLN 1.02 bn/ EUR 231.5 million.

Picture 4. Lodz Fabryczna Railway Station



Source: Konsorcjum Torpol-Astaldi-PBDiM-Intercor

Project involved a total modernization of the main train station building in Lodz. It consisted from two parts. The I part was about designing and reconstruction of Lodz Widzew station and part of railway from Lodz Fabryczna to Lodz Widzew from 2,250 km to 7,200 km with railway traffic control devices and communications for the whole Lodz Fabryczna - Lodz Widzew and modernization of the railways in sections Lodz Widzew - Lodz Chojny - Lodz Kaliska. The phase II of the project was modernization of the railway line Warsaw – Lodz, section Lodz Widzew - Lodz Fabryczna to the Lodz Fabryczna station and construction of the underground part of the Lodz Fabryczna station for departures and arrivals of trains and passenger service. Moreover, project involved reconstruction of the road system and infrastructure around the multimodal Lodz Fabryczna station. As the result the integrated interchange above and below the street was constructed. The first phase of the project was held from 30.06.2011 until 30.08.2016 and the second phase took place from 18.08.2011 to 31.08.2016.

Current Lodz Fabryczna is an example of great and modern railway station with some traditional elements which has already been named as the most beautiful railway station in Poland, title that previous version of station could only dream about.

In the current Programme for 2014-2020 similar goals are set. So far, 22 agreements were signed with co-financing at the level of EUR 2.5 bn. Among the projects supported from I&E OP 2014-2020 are:

TRANSPORT AREA

Construction of the A1 motorway, section Pyrzowice – Czestochowa

Beneficiary: General Director for National Roads and Motorways

Project value: EUR 589.94 million

EU support value: EUR 306.59 million

Implementation period: 2014-2019

The project includes the construction of another part of the A1 motorway, section between Pyrzowice - Czestochowa end of the ring road, located in the TEN-T, the Baltic-Adriatic corridor, with a total length of 57.70 km.





CULTURE AREA

Modernization of the Opera Nova in Bydgoszcz

Beneficiary: Opera Nova in Bydgoszcz

Project value: EUR 3.01 million

EU support value: EUR 2.1 million

Implementation period: 2016-2018

The premise of the project is to raise the level of regional cultural infrastructure. The project will result in, among others, new concerts, performances, educational

projects, exhibitions and cultural events. The planned project works include purchase of equipment (musical instruments), soundstage, modern lighting equipment and minor repair work related to improving the infrastructure of the Opera.

ENVIRONMENT AREA

Flood protection reservoir Racibórz Dolny on the Odra River in Silesian voivodship

Beneficiary: Regional Water Management Board in Gliwice

Project value: EUR 211.91 million

EU support value: EUR 74.22 million

Implementation period: 2014-2020



The project involves the construction of a flood control reservoir between Racibórz and Wrocław, providing effective flood protection of the Odra valley, with a population of approximately 2.5 million people. The project is the second phase of construction of a polder. In stage I a polder with an area of 8 square kilometers and a maximum capacity of 50 million cubic meters was built. Stage III will transform the dry container in a multifunctional reservoir.

5. Smart Growth Operational Programme

Smart Growth Operational Programme (SG OP) for 2014-2020 is the largest programme that finances research, development and innovation in the European Union. The total allocation of funds from European Regional Development Fund (ERDF) amounts to **EUR 8,6 bn.**

SG OP is concentrated on supporting projects aimed at scientific research and technological development as well as investments in equipment, technology and necessary infrastructure that will help with creation of innovative products and services. ERDF contributes also to the creation of R&D centers in enterprises and support for innovative activities of SMEs. Support is provided for projects which address the objectives of the National Smart Specialisation (NSS) - a list which represents economy sectors and activities with the greatest potential to compete in the national and international arena. Projects involving scientific research and development carried out by scientific and industrial consortia are also supported. The main SG OP objective is the increase of innovation of the Polish economy. It also improves the competitiveness of business by promoting entrepreneurship and innovative ideas. One of the most important SG OP assumptions is the implementation of various project's results onto the market and helping to boost the economy as well as creating new jobs.

The Programme is directed to the following entities:

- enterprises (in particular SMEs),
- research units,
- consortia of enterprises and research units,
- business environment institutions.

Standard actions that can be implemented within the programme:

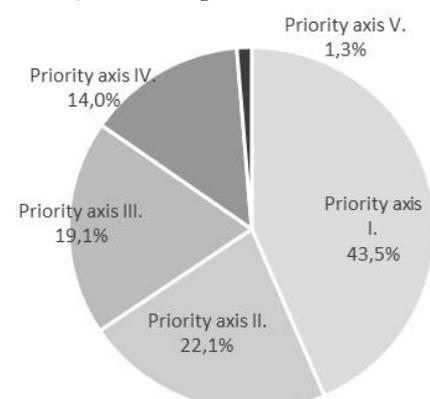
- R&D projects and implementation of their results,
- infrastructure for conducting R&D,
- purchase of services necessary for innovation activities,
- activities related to entering foreign markets,
- acquiring intellectual property rights.

Programme budget

Over 10% of the total budget for 2014-2020 in Poland is allocated for activities under SG OP, which is EUR 8.6 bn. EU funds available from the SG OP 2014-2020 are implemented within 5 priority axes:

1. Priority axis I: Support for R&D activity of enterprises
EUR 3 849.9 million
2. Priority axis II: Support for the environment and capacity of enterprises for R&D&I activity
EUR 1 043.2 million
3. Priority axis III: Support for innovation in enterprises
EUR 2 200.9 million
4. Priority axis IV: Increasing the research potential
EUR 1 223 million
5. Priority axis V: Technical Assistance
EUR 297 million

Chart 7. SG OP budget



Source: Crido Taxand own materials

Description of priority axes of SG OP 2014-2020

- **Priority axis I: Support for R&D activity of enterprises**

First priority axis is directed for support of SMEs and large entities. It is possible to conduct projects individually or in cooperation with third parties such as research units.

The axis is directed to R&D projects that include industrial research and/or development works. A necessary condition for receiving funds is the commercialization of the results of projects, which means implementing them in economic activity. Financing is granted for projects that address the National Smart Specialisations.

A part of the budget is funded through Sectoral R&D programmes which are significant for the development of specific industry sectors. The originators of this measure are groups of entities that represent a specific brand/sector resulting in programmes such as INNOCHEM (for companies from the chemical sector)², INNOMOTO (designed to increase the competitiveness and innovation of Polish automotive sector)³ or INNONEUROPHARM (addressed to the representatives of the pharmaceutical sector, including neuro medicine)⁴.

In addition, SG OP priority axis I also provides support for projects that cooperate with venture capital funds, which invest into spin-off entities that conduct R&D. Thanks to this support, these companies may be able to continue developing and commercialising innovative products, services, and technologies.

- **Priority axis II: Support for the environment and capacity of enterprise for R&D&I activity**

One of the main focuses of second priority axis is supporting projects that envisage development or creation of R&D infrastructure (i.e. devices, equipment, machines as well as infrastructure necessary for developing innovative products and services). Another objective of this axis is providing funds for purchasing services related to R&D activity, which help SMEs in the process of developing and implementing new technologies and products.

As part of SG OP priority axis II support is also focused on procedures related to obtaining and enforcing the protection of industrial property rights such as patents or registration rights.

Under priority axis II there are also measures concentrated on proinnovative services for SMEs, which should lead to development of products and services.

- **Priority axis III: Support for innovation in enterprises**

All of the support provided in third axis of SG OP is available solely to SMEs.

The main purpose of axis III is to support, via different measures depending on risk levels of the projects, innovative products, services or technologies. Implementation of R&D results in economic activity will be strongly favoured.

The purpose of another measure under priority axis III is to increase competitiveness of Polish enterprises through internationalization of their economic activity (i.e. via supporting cooperation with foreign companies and assistance on foreign markets) which leads to promoting Polish product brands.

Also start-up and young companies involved in R&D can find support in this axis. Capital instruments, loan instruments and subsidies are the elements used to fund these entities.

- **Priority axis IV: Increasing the research potential**

Main objective of axis IV is improvement of the quality of Polish science. Nevertheless, even here entrepreneurs can find sources for research and development. This axis however puts stronger emphasis on cooperation between science sector

² <http://www.ncbr.gov.pl/fundusze-europejskie/poir/konkursy/konkurs3122015innochem/opis-programu>

³ <http://www.ncbr.gov.pl/fundusze-europejskie/poir/konkursy/innomoto/opis-programu/>

⁴ <http://www.ncbr.gov.pl/fundusze-europejskie/poir/konkursy/innoneuropharm2017/opis-programu/>

(research units) and entrepreneurs and focuses on innovations on a global sale. Moreover, support is given to research programmes which are strategic for Polish economy.

Effects of the Innovative Economy Operational Programme 2007-2013

Smart Growth Operational Programme for 2014-2020 is a continuation of the programme from previous financial framework called Innovative Economy Operational Programme 2007-2013 (IE OP). Main focus of the SG OP remains unchanged in comparison to IE OP. Its emphasis is put on enhancement of the innovativeness of entrepreneurships, strengthening Polish market in terms of innovative products and implementation of high-tech solutions. It should also result in increase of competitiveness of entrepreneurs on international market. IE OP 2007 – 2013 had a significant impact on Polish economy. It resulted in:

- 17 771 contracts signed,
- over 1 600 entrepreneurships with implemented innovations,
- 4 358 new ICT services offered for supported entrepreneurships,
- 56 871 new work places,
- 765 brand new or modernized laboratories,
- 2 916 ideas for innovative business solutions implemented thanks to business incubator,
- 1 363 new technologies implemented by entrepreneurships,
- 4 803 new products and services introduced onto the market.

RESEARCH AND DEVELOPMENT

Cold Flow Turbine Test Facility

Beneficiary: Polonia Aero Sp. z o.o.

Project value: EUR 47.20 million

EU support value: EUR 40.08 million

Implementation period: 2008-2015



The consortium of Warsaw University of Technology, Military University of Technology, GE Avio Aero and Military Aircraft Works No. 4 SA, thanks to the European financial support from European Regional Development Fund, constructed one of the largest and most modern aeronautical laboratory. The main objective of this high-tech facility is to test new solutions used in aviation industry especially in modern turbines used in aircraft engines. Both academic and industrial sector has gained many advantages from cooperation within the consortium and carry on research on advanced technologies in aeronautics which in future can be used in the commercial sector.



RESEARCH AND DEVELOPMENT

Extension of tires and treads production plant.

Beneficiary: Bridgestone Stargard Sp. z o.o.

Project value: EUR 133.71 million

EU support value: EUR 26.17 million

Implementation period: 2013-2015

The production plant extension process resulted in the launching of the new production line generating over 170 new workplaces. After conducting the Project, the production plant located near Stargard Szczecinski is one of the most modern

Bridgestone unit producing innovative, fuel-efficient premium tires and PCT treads. The unit development is the milestone for the whole company allowing it to recycle truck tires and produce PCT treads in one production plant.

BUSINESS DEVELOPMENT

New generation MDB engine production line

Beneficiary: Volkswagen Motor Polska Sp.z o.o.

Project value: EUR 119.67 milion

EU support value: EUR 14.95 milion

Implementation period: 2013-2014



Volkswagen Motor Polska opened a new production floor and new generation engine production line in Polkowice, Poland. VW conducted investment in production of modern modular type of engines which is used in new models of Volkswagen cars worldwide. The investment not only is a milestone in the development process of the company but also has a very positive influence on the local economy generating 150 workplaces.

6. Regional operational programmes

At regional level, EU funding, as in the previous framework, will be allocated to 16 Regional Operational Programmes (ROPs). Each Programme is designated to each Polish voivodeship. In this case, financing is managed not by central authorities, but by local government institutions – Marshal's Offices. The total allocation of funds for Regional Operational Programmes amounts to **EUR 31.4 bn**, which accounts for 38% of the total amount of EU funds for Poland.

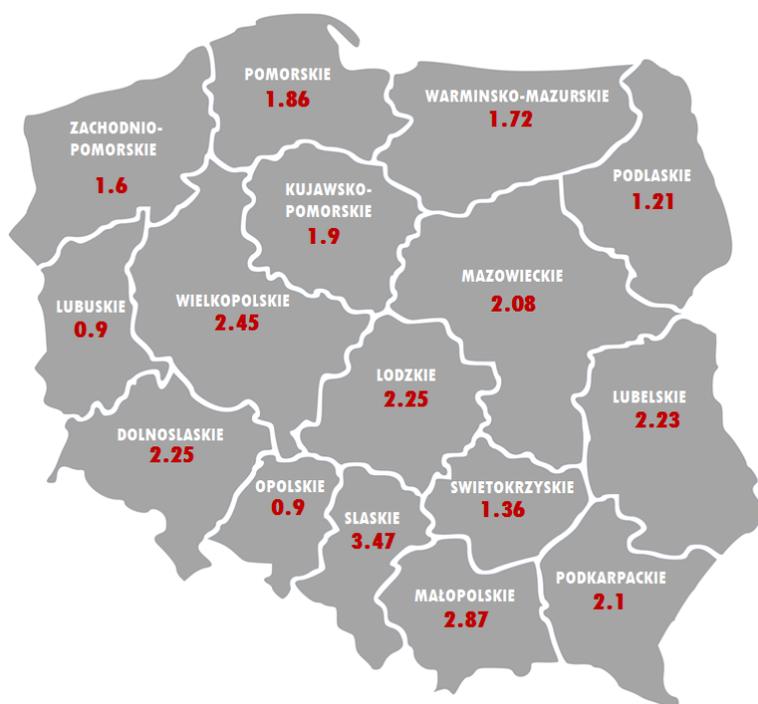
Programmes are directed to the following entities:

- enterprises (SME and large),
- local government entities,
- consortia of enterprises and research units,
- others.

Programme budget

In comparison with years 2007-2013, the amount of EU funds allocated for distribution by Polish regions is almost twice as high. Between 2007 and 2013, local authorities were responsible for managing about 25% of all funds for Poland, in the current funding period they will be supervising almost 40%. Local institutions will also have more autonomy in choosing which growth targets they want to focus on. The novel idea of ROP financing from two different sources - European Regional Development Fund (EUR 22.35 bn) and European Social Fund (EUR 8.8 bn) is also adopted. It is believed, that this solution will increase Programme flexibility and effectiveness, as well as allowing soft projects - like training courses or seminars - and infrastructural projects to work together in unison.

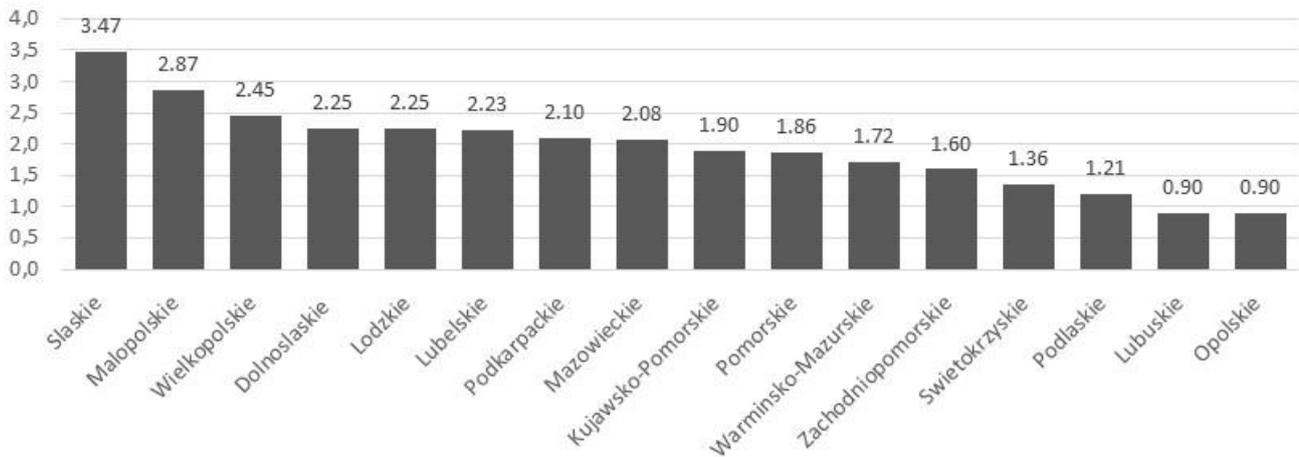
Picture 5. Allocation of funds under Regional Operational Programmes by region (EUR bn)



Source: Crido Tax and own materials

As shown below, the highest value of EU financial means were allocated in Slaskie Voivodeship (EUR 3.47 bn), the lowest – in Lubuskie and Opolskie Voivodeships (both EUR 0.9 bn).

Chart 8. Allocation of funds under the Regional Operational Programmes by region (EUR bn)



Source: Crido Taxand own materials

It is worth noting that Mazowieckie Voivodeship left the category of less developed regions the first Polish province as the first Polish region (crossing the threshold of 75% EU GDP per capita) and currently belongs to the transition regions category (GDP per capita 75% and 90% of EU-27 average). Therefore, this region's funding is structured differently to that of other regions. However, the Mazowieckie Voivodeship level of development is very uneven, EU support is therefore adapted to regional disproportions taking into account the specific needs of individual sub-regions.

Regional Operational Programmes goals

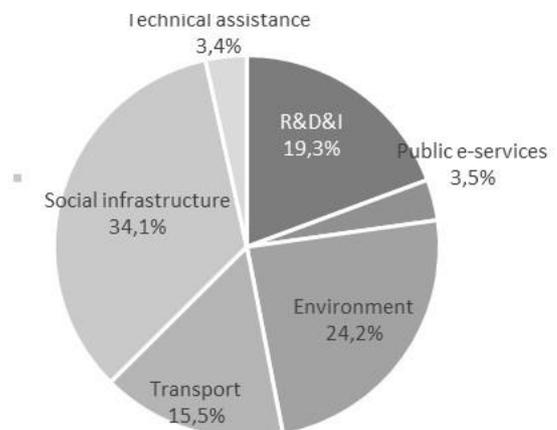
ROPs main aim is to support regional development, increasing regional competitiveness and the quality of life of its citizens, by benefiting from regional potential and eliminating development barriers. The focus will be located primarily on supporting:

- entrepreneurship
- innovation
- research and development
- education
- employment and social inclusion
- ICT
- environmental protection and energy
- transport

Shown below are the thematic areas funded by Regional Operational Programmes. For the purpose of this report each area is defined in a following way:

- **R&D&I** – research and development and its commercialisation, innovation and connections between R&D and enterprise sector, investment in R&D infrastructure,
- **Public e-services** – state digitalisation (administration e-services, broadband Internet access, improving quality, accessibility and effectiveness of e-services, increasing use of public services and resources available on-line),
- **Environment** - energy efficiency, low-carbon economy,

Chart 9. Areas funded by ROPs



Source: Crido Taxand own materials

cogeneration, renewable energy, environmental protection and efficient use of resources (waste, water and sewage management, retention), protection of natural and cultural heritage,

- **Transport** - road infrastructure, railways, local transport, low emission urban transport, multimodal transport,
- **Social infrastructure** – education, healthcare infrastructure, social inclusion, urban regeneration, increasing vocational activity.

Between 2014 and 2020, the biggest share of EU funds allocated in ROPs has been and will be used in Social Infrastructure (34%), Environment (24%) and R&D&I (19%).

Regional Smart Specializations

In this framework each voivodeship chooses its own RSS (regional smart specialization), which represent the areas of R&D and innovation with the greatest potential to compete in the national and international arena. Marshal's Offices created special documents termed regional strategies of innovation, whose integral parts are lists of regional smart specializations. RSS were chosen on the basis of expert analysis, as well as extensive public consultations. Concentrating funding on industries with the highest potential will cause a significant leverage effect, which is hoped to propel the Polish economy in accordance to each voivodeship strong and weak points.

Effects of Regional Operational Programmes 2007-2013

Regional Operational Programmes for 2014-2020 are a continuation of the programs of the same name, implemented in the financial framework 2007-2013. Regional Operational Programmes 2007-2013 resulted in:

- 36.5 thousands contracts signed,
- 71.7 bn PLN of subsidies from EU,
- 867 km of new roads,
- 982 km of railway,
- bought or modernized 330 rolling stock,
- bought or modernized 1,8 thousands of urban rolling stock,
- 1.8 thousands km of cycle paths,
- bought or modernized 9,5 thousands km of sanitary sewage system,
- bought or modernized 4 thousands km of water supply network system,
- nearly 16.8 thousands of entrepreneurs got financial support,
- 2 thousands cultural heritage art pieces restored.

INFORMATION AND COMMUNICATION TECHNOLOGY

Mazowsze Voivodeship ROP, Measure 2.3 "Information and Communication Technologies for SMEs"

Implementation of an integrated ERP system by CD Projekt Sp. o.o.

Beneficiary: CD Projekt Sp. z o.o.

Project value: EUR 0.62 million

EU support value: EUR 0.18 million

Implementation period: 2010-2014

The aim of the project was to increase competitiveness and innovation activities of CD Projekt by applying and using information and communication technologies by the enterprise. The project will result in implementing an integrated enterprise resource planning (ERP) system to in the company.



TOURISM INFRASTRUCTURE



Zachodniopomorskie Voivodeship, Measure 6.1 "Tourism infrastructure in the metropolitan area"

West-Sea Adventures. Tourism promotion of Zachodniopomorskie Voivodeship and Szczecin Metropolitan Area

Beneficiary: Zachodniopomorskie Voivodeship

Project value: EUR 0.66 million

EU support value: EUR 0.66 million

Implementation period: 2013-2015

The main objective of the project was to increase tourism competitiveness of the Zachodniopomorskie Voivodeship in the national and international arena, including Szczecin Metropolitan Area. An important goal of the project was to improve attractiveness of the Voivodeship by promoting its most valuable places and presenting it as an attractive place for tourists.

7. Other operational programmes

OPERATIONAL PROGRAMME KNOWLEDGE EDUCATION DEVELOPMENT

Operational Programme Knowledge Education Development for 2014-2020 (OP KED) seeks to achieve a high level of employment and job quality as well as to improve access to the labour market.

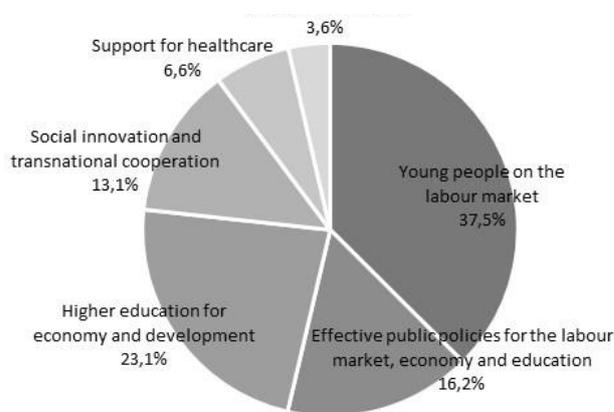
Measures implemented under the OP KED are complementary to the activities carried out by the European Social Fund under Regional Operational Programmes. Although, OP KED focuses on activities relating to the preparation and implementation of reforms in the areas of employment, social inclusion, education and public administration and those areas in which more effective support is generated from national level (support for young people aged up to 30, the Roma community, persons undergoing imprisonment, repayable financial instruments for social economy entities, higher education, social innovation and transnational cooperation). Meanwhile Regional Operational Programmes are focused on direct support to individual consumers, leading to increase their activity in the labor market (except for those who are supported within the framework of OP KED).

The total EU contribution for the Programme is EUR 4 689 million. OP KED is co-financed mostly by European Social Fund (EUR 4 436.8 m). A small part of funds comes also from the Youth Employment Initiative (EUR 252.4 m).

EU funds available from the OP KED will be implemented within 5 priority axes, which are as follows:

- Axis I - Young people on labour market
- Axis II - Efficient public policies for labour market, economy and education
- Axis III - Higher education for economy and development
- Axis IV - Social innovations and international cooperation
- Axis V - Support for healthcare

Chart 10. Areas of support in OP KED



Source: Crido Taxand own materials

The Programme is mainly dedicated to the public sector beneficiaries like local authorities, general government, NGOs, self-government institutions, labour market organizations, universities, scientific units and healthcare providers. A large part of projects under the Programme are implemented as restricted calls for proposals under which projects are implemented by precisely determined beneficiaries indicated in the detailed description of OP KED priorities. Primarily, OP KED supports activities of a non-investment character, like coaching or consulting, also for enterprises and their employees. Activities in which private entrepreneurs may apply for funding as beneficiaries are available under Axis II - Effective public policies for the labour market, economy and education and Axis IV - Social innovation and transnational cooperation. Both axes are targeted at improving employees competitiveness, for example through training.

An example of a project funded under the OP KED is:

“Action Incubation”

Beneficiary: ECORYS POLSKA Sp. z o. o. (consulting limited company) in partnership with the SWPS University (University of Social Sciences and Humanities)

Project value: EUR 1.270 m

EU support value: EUR 1.198 m

Implementation period: 2016 – 2018

The project aim is to stimulate innovation activity through social innovation Incubators. As part of the grant, project originators will be given comprehensive substantive, technical and financial support from the Beneficiary of the Project. Participants whose idea goes into testing phase, will receive a grant from 5 to 80 thousand PLN. The plan is to develop and test 60 social innovations and to implement 8 of them.

OPERATIONAL PROGRAMME DIGITAL POLAND

Operational Programme Digital Poland for 2014 – 2020 (OP DP) intends to strengthen digital foundations for the national development. Those foundations include: common access to a high-speed Internet, effective and user-friendly public e-services and a continuously rising level of digital competences of the society. It is a national programme that is focused on major projects with significant, global or transregional, effect.

The programme is co-financed by the European Regional Development Fund with the total amount of **EUR 2 172.5 million**. The programme provides support aimed at new investment projects which ensure access to broadband networks, at implementation of systems which provide public services available online and at helping people over 50 or disabled persons to find their way around the Internet. It also provides a special support to strengthen and use the potential of young and creative software inventors.

This funds will be implemented within 3 priority axes. As this is a national programme, most beneficiaries are public entities like general government, NGOs, scientific units, state cultural organizations and telecommunication operators. Although, in each axis there are possibilities for private entrepreneurs to obtain EU funding from OP DP:

- **Axis 1 - Common access to high-speed Internet (EUR 1 020.2 m)**

The goal of this axis is to achieve full national broadband Internet coverage. The support will be granted to projects related to building/extending or restructuring access networks. The aim of the support is to maximize coverage of the country with modern NGA access networks, enabling the provision of Internet access services with the parameters of at least 30 Mb/s. Under this axis, entrepreneurs can obtain funds both as direct beneficiaries (telecommunication operators) and as a subcontractor, by participating in calls for tenders for execution of works.

- **Axis 2 - E-government and open government (EUR 949.6 m)**

The aim of the support will be to extend the scope of matters which citizens and entrepreneurs can handle by electronic means. This will be done directly through electronisation of new services and improvement of the functionality and e-maturity of existing services. In this type of projects, private sector can participate as a subcontractor in project like:

- Digitalization of back office processes in government administration (e.g. development and implementation of innovative IT solutions that improves digital workflow),
- Creating services and applications that use public e-services and public information (e.g. creating mobile application that can be used in healthcare sector).

- **Axis 3 - Digital competences of the society (EUR 145 m)**

Specific objective of this axis is increasing the degree and the improvement of Internet skills, including public e-services which will be achieved specially through training activities for development of digital competences. The axis will also support talented programmers to use their potential through activities which will adjust their skills to the needs of the market, i.e. development of IT solutions tailored to the customer's needs, project management, entrepreneurship or work in an interdisciplinary team.

Opportunities for Swiss Companies

An example of a project funded under the OP DP is:

“Construction of NGA networks in the area of selected towns of Bialski county”

Beneficiary: Telbial Sp. z o. o. (constructing limited company)

Project value: EUR 2.098 m

EU support value: EUR 1.160 m

Implementation period: 2016 – 2018



The idea of the project is to eliminate regional differences within the possibility to access broadband high-bandwidth access through the construction of NGA network with bandwidth of 100 Mb/s to the end customer (household). Thanks to the project, almost 2.5 thousand households will gain access to the Internet.

OPERATIONAL PROGRAM EASTERN POLAND

The Operational Programme Eastern Poland 2014-2020 (OP EP 2014-2020) is an additional support to five voivodships of Eastern Poland:

- Lubelskie,
- Podkarpackie,
- Podlaskie,
- Swietokrzyskie,
- Warminsko-Mazurskie.

When Poland accessed to the UE, these 5 regions were the least developed regions in the European Union. The programme aims to create equal opportunities for development and modernize many areas of life in Eastern Poland. The programme is co-financed by the European Regional Development Fund with the total amount of **EUR 2 bln.**

EU funds available from the OP EP will be implemented within 3 priority axes, which are as follows:

- Axis 1 – *Entrepreneurial Eastern Poland* – the aim is to increase the number of innovative companies and to boost SME's activity on international market (EUR 719 m),
- Axis 2 – *Modern transport infrastructure* – the aim is to improve mobility and availability of residents in eastern cities (EUR 916 m),
- Axis 3 – *Supra-regional railway infrastructure* – the aim is to increase availability of railway infrastructure within provincial cities of Eastern Poland as well as the rest of Polish regions (EUR 330 m).

The programme is mainly dedicated to the following beneficiaries: start-up companies, SMEs, innovation centres, self-government institutions and PKP PLK S.A. (Polish Railway Lines). An important aim of the programme is to support development of entrepreneurship in eastern Poland. Private companies may apply for funding within the following actions:

- *Internationalization of SMEs* - support focuses on providing comprehensive and individual advice to companies, as well as thorough preparation of the entrepreneur and his/her offer for sale on foreign markets,
- *Implementation of innovations by SMEs* – initiators will be offered professional assessment of their ideas, support in preparing and implementation of business model and the possibility to apply for a subsidy for company development,
- *Creating a network of products by SMEs* – it covers co-funding for creating innovative network of products around specific thematic areas, common for at least two voivodships of Eastern Poland,
- *Design competition* – concerns creation of innovative products and services using industrial design (support covers design audits as well as preparation and implementation of a design strategy).

Within axis 2, private companies may apply for funding as subcontractors through public tenders regarding public transportation, vehicle manufacturing, constructing of tram and bus networks, constructing of telematics systems or constructing of national and regional roads.

Within axis 3, companies may apply for funding as subcontractors through public tenders regarding constructing of railways and its infrastructure, as well as through creating passenger information system or signalling system.

An example of a project funded under the OP EP is:

“Implementation of product innovation”

Beneficiary: Union Parts Sp. z o. o.
(manufacturing limited company)

Project value: EUR 1.423 m

EU support value: EUR 694 m

Implementation period: 2015 - 2017



Under the project, basing on R&D works, the company will launch the product innovation i.e. galvanized tuned brake discs of iron cast with vermicular graphite matrix (under its own brand – Rotinger).

EUROPEAN TERRITORIAL COOPERATION

European Territorial Cooperation (ETC) programmes include cross-border, transnational and interregional programmes as well as the European Neighbour Instrument (ENI) programme. ETC is central to the construction of a common European space, and a cornerstone of European integration. It has clear European added value: helping to ensure that borders are not barriers, bringing Europeans closer together, helping to solve common problems, facilitating the sharing of ideas and assets, and encouraging strategic work towards common goals.

The ETC programmes for 2014 – 2020, in which Poland is one of the partners, are financed by the European Regional Development Fund with the total amount of **EUR 1 774.3 m**.

These programmes focus mostly on following aspects: protection and development of natural resources and cultural heritage, creating new jobs, increasing the importance of tourism all over the border, support of marine and economic industries and establishment of permanent cooperation between institutions in the area of support.

In the years 20014-2020 Poland participates in 7 cross-border programmes, 2 transnational programmes, one interregional and 5 others.

Table 1. Share of financing for each programme

European Territorial Cooperation programmes	EU funding [EUR million]
Cross-border Programmes:	
• Poland - Slovakia	155
• The Czech Republic - Poland	226
• Brandenburg - Poland	100
• Mecklenburg - Western Pomersania-Brandenburg-Poland	134
• Poland – Saxony	70
• The South Baltic(Netherlands, Lithuania, Germany, Poland, Sweden)	83
• Lithuania - Poland	53
Transnational cooperation programmes:	
• Interreg Baltic Sea Region (Poland, Netherlands, Sweden, Finland, Lithuania, Latvia, Estonia, Germany, Norway, Belarus, Russia)	264
• Interreg Central Europe (Austria, Croatia, Czech, Poland, Slovakia, Slovenia, Hungary, Germany, Italy)	246
Interregional:	
• Interreg Europe (all EU countries, Norway and Switzerland)	359
Others:	
• INTERACT 2014-2020 (all EU countries, Norway and Switzerland)	39
• URBACT III (all EU countries and other countries in limited extent)	74
• ESPON 2020 (all EU countries, Iceland, Lichtenstein, Norway and Switzerland)	41,3
European Neighbour Instrument:	
• Poland – Belarus – Ukraine	183
• Poland - Russia	41,6

Source: Crido Taxand own materials

8. Special economic zones

A special economic zone (SEZ) is an administratively separated part of a country's territory where business activity is conducted on preferential terms within the state aid. SEZs were created in order to, among others, accelerate the economic development of Polish regions, improve the competitiveness of products and services and generate new workplaces. In 2013 the Council of Ministers issued regulations which state that all SEZs in Poland will be active until 31st December 2026. During over 20 years of its operation, SEZs obtained public aid worth bns of PLN, as well as secured work places for hundreds of thousands of people.

Picture 6. Special Economic Zones localizations in Poland



Source: Crido Tax and own materials

There are **14 SEZ in Poland**, which locate both, Polish companies, i.e. Ceramika Paradyz Group from the ceramic tiles industry, with investments of over EUR 125 million (Lodzka SEZ) as well as global concerns, including General Motors Manufacturing, which has invested since 1998 in the Opel plant in Gliwice (Katowicka SEZ) more than EUR 975 million and hired more than 3 thousand people. SEZs constantly gain new investors, such as Toyota, whose investment in the Walbrzyska SEZ planned for the years 2018-2019 will amount to approx. EUR 162,5 million, and as a result of which the company declares to create at least 100 workplaces.

Forms of support in SEZ

While conducting economic activity in SEZ, an entrepreneur can take advantage of state aid granted in the form of:

- 1) deduction from income tax for legal entities or natural persons;
- 2) deduction from real estate tax.

Tax relief involving deduction from income tax, includes income derived from business activity conducted under a permit in the SEZ. In order to obtain the relief, entrepreneurs must meet two conditions on how to generate income:

- Generation of income from business activity run within the territory of a SEZ;
- Generation of income on the basis of a SEZ permit, in which specific kinds of activities are classified, as a rule, in accordance with the Polish Classification of Goods and Services (PKWiU).

Variants of SEZ Use

Conditions of usage of state aid in SEZ demand obtaining a SEZ permit. Currently, there are two ways to obtain the permit:

- initial investment in the area with the status of SEZ,
- inclusion of the private area to SEZ.

Amount of Support

State aid granted to entrepreneurs in the form of tax exemption constitutes regional aid and can be calculated in one of the following forms:

- Due to new investment costs – costs qualifying for state aid include net costs of an investment incurred within the territory of a SEZ, during the time of the permit, for tangible and intangible assets. Expenses related to the investment incurred in SEZ during the permit - minimum capex EUR 100 000 or according to additional requirements.
- Due to creation of new workplaces understood as two year labour costs of newly employed employees while establishing SEZ on private land – minimum EUR 5 million and raise of employment by at least 30 new jobs.

Table 2. Amount of support in SEZ

new investment costs	creation of new workplaces
Amount of support = intensity of support X (investment costs qualifying for aid – tax)	Amount of support = intensity of support X two year labour costs of newly employed employees

Source: Crido Taxand own materials

Entrepreneurs can choose the calculation that is more beneficial for them. State aid intensity level is respectively for large entrepreneurs 15%-50%, for mid-sized – 25%-60%, for small – 35%-70% of eligible costs depending on the region, where the relevant project is conducted.

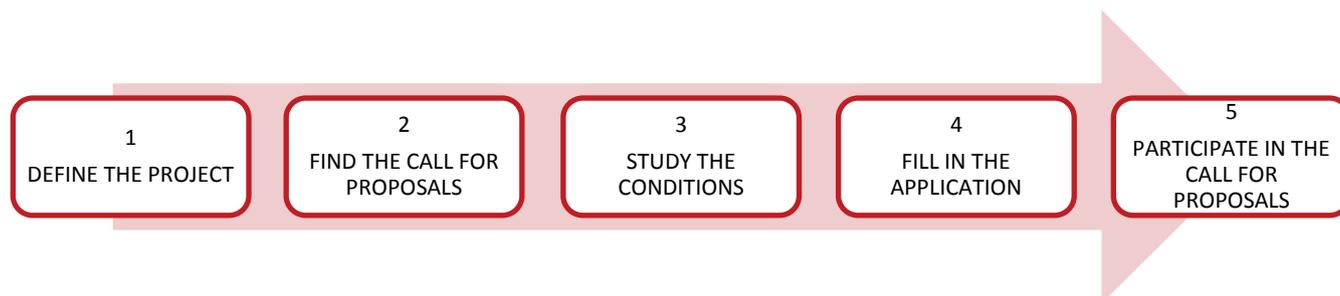
9. Case

As the largest EU-funds beneficiary among all member states in the financial framework 2014-2020, the coming years create a huge opportunity for Poland to fasten the economic growth and create an innovative market-oriented economy. One of the ways to achieve this objective is the direct support for the development of entrepreneurship, therefore a large part of EU funds will be allocated to the private sector. Entrepreneurs, especially belonging to the SME sector, are going to be the biggest beneficiaries of EU funds in Poland with a total allocation of about € 20 bn.

For this reason each company should have a look at the available funding opportunities and assess whether it has a chance to benefit from EU-funds. EU grants is a great support in realization projects, which implementation often without subsidies would not be possible. Although, each potential beneficiary of funds must be aware of the fact, that being a beneficiary of EU funds is also a number of obligations that must be followed.

The main issues an entrepreneur should know when planning to apply for EU funding in Poland are shown below.

Picture 8. Fundamental steps that must be met in order to become a beneficiary of EU funds



Source: Crido Taxand own materials

How to start

The best projects are those that result from the internal needs of the beneficiary. Therefore, before taking any steps towards obtaining EU subsidy, the applicant should make a thorough analysis of his needs included, in particular, a strategic review of the company, setting of development targets and an analysis of steps taken by direct market competitors and financial possibilities.

There are lots of possibilities for entrepreneurs to co-finance different kinds of projects. Each of the funding programmes has its own specific criteria and requirements. Nevertheless, regardless of the type of project and operational programme, there are some basic criteria that must be met by entrepreneur to apply for EU funding in Poland:

- ***The applicant should carry on a business activity and be established, or in case of a natural person, reside, in Poland.***

Investors from Poland and abroad have the same chances to apply for funds, except the fact that the company which is applying for the money has to have its seat in Poland. Therefore in the case of foreign direct investments it is necessary to create a new company in accordance to the Polish law.

Steps required for incorporation of a company differ with regards to the legal form of a business activity. For every form, the law sets different incorporation procedures. The most common form of an investment vehicle in Poland is a limited liability company (sp. z o. o.). Incorporation of an *sp. z o. o.* company takes from 3 to 4 weeks and it could be done also through the Internet.

- ***The applicant must not be disqualified from applying for funding.***

It means that the enterprise applying for funds must not be e.g. in arrears with payment of public dues, in a difficult financial situation, in liquidation, subject to insolvency or rehabilitation proceedings, and must not be under the obligation to repay any state aid (grants) previously obtained.

- ***The project must be implemented in Poland and should contribute to the achievement of the objectives set out in the individual Operational Programmes.***

In the case of national programmes the project can be implemented anywhere in the country. Implementation of projects under one of ROPs or OP EP determines the project in the region which the program refers.

- ***The project cannot start before the application is submitted.***

Any work planned under the project must be launched after applying for a grant. A project launch is in particular beginning of construction works or the first applicant's commitment to order equipment or services (eg. an agreement with the contractor, advance payment). Not considered as the start of the project is the announcement of inquiry/tender, the signing of a conditional agreement with the contractor or the preparation of project documentation. Launching of the project before submitting the application will identify all costs as ineligible.

- ***Beneficiary must provide own contribution to co-finance project costs.***

Within implementation of projects co-financed from EU funds the responsibility of each beneficiary is to provide their own contribution to co-finance the project costs. It could be own funds of company or debt financing (eg. investment loans, intercompany loans, leasing, investment, issue bonds etc.). The amount of own contribution varies depending on the Operational Programme, the type of project, size of the company, the location of investment, planned expenditures, etc.

Where to find information

Before applying, entities seeking EU funding should identify the programme and the body managing it. The regional and national managing authorities regularly publish information about the funding opportunities they offer.

The best source for the most current knowledge about programs and competitions are websites. The fastest and easiest way is to check the information on the **official websites runs by the Ministry of Economic Development**, which are dedicated to each operational programme.

Table 3. Official websites of European funds

Official websites of European Funds	
EU Fund https://www.funduszeuropejskie.gov.pl/	Regional Operational Programms: Dolnoslaskie: http://www.rpo.dolnyslask.pl/ Kujawsko-pomorskie: http://www.mojregion.eu/index.php/strona-glowna-rpo Lubelskie: http://www.rpo.lubelskie.pl/ Lubuskie: http://www.rpo.lubuskie.pl/ Łódzkie: http://www.rpo.lodzkie.pl/ Małopolskie: http://www.rpo.malopolska.pl/ Mazowieckie: http://www.funduszedlamazowska.eu/ Opolskie: http://rpo.opolskie.pl/ Podkarpackie: http://rpo.podkarpackie.pl/rpo/ Podlaskie: http://rpo.wrotapodlasia.pl/ Pomorskie: http://www.rpo.pomorskie.eu/ Śląskie: http://rpo.slaskie.pl/ Świętokrzyskie: http://www.2014-2020.rpo-swietokrzyskie.pl/ Warmińsko-mazurskie: http://rpo.warmia.mazury.pl/ Wielkopolskie: http://www.wrpo.wielkopolskie.pl/ Zachodniopomorskie: http://www.rpo.wzp.pl/
SG OP http://www.poir.gov.pl/	
OP I&E http://www.pois.gov.pl/	
OP KED http://www.power.gov.pl/	
OP EP http://www.polskawschodnia.gov.pl/	
OP DP http://www.polskacyfrowa.gov.pl/	
EWT http://www.ewt.gov.pl/	

These websites explain in clear and transparent manner for whom all programmes are directed and what types of projects can be implemented. Most of these websites are available in English version. A list of addresses is given in the table.

Important information can be also found in Intermediate Bodies and Implementing Authorities websites, which presents information about calls for proposals and their terms. The most important websites are:

- For R&D projects (SG OP): <http://www.ncbr.gov.pl/>
- For environmental projects (OP I&E): <http://www.nfosigw.gov.pl/>
- Projects for SME (SG OP, OP EP): <http://www.parp.gov.pl/>

An important source of information are **Information Points of European Funds**, which function in every voivodeship. At present, there are 77 information points that provide information by phone and e-mail. The list of Information Points, with contact data, is posted under the following link: <http://www.funduszeuropejskie.gov.pl/en/site/learn-more-about-european-funds/locate-the-information-point/>.

Foreign companies wishing to invest in Poland can also get help from **Polish Information and Foreign Investment Agency** (PAIiZ, <http://www.paiz.gov.pl>) which helps investors to enter the Polish market and find the best ways to use the possibilities available to them. PAIiZ guides investors through all the essential administrative and legal procedures that involve a project. The institution provides rapid access to complex information relating to legal and business matters regarding investments, help in finding the appropriate partners, suppliers and new locations for investments.

Companies and small and medium-sized enterprises may also access useful information through the **Enterprise Europe Network** (<http://www.een.org.pl/>), which groups about 600 business support organisations based in over 50 countries. In Poland, there are 30 offices that offer a range of services related to the development of enterprises, including through EU grants.

Common practice is also the cooperation with private **consulting companies** that provide consultancy services in the field of obtaining grants from EU funds. On the Polish market there are several specialized companies that know perfectly the specific nature of the funds and could efficiently conduct customer through all the procedures related to obtaining financing and settlement of grants.

The project selection system

Subsidies granted to enterprises co-financed by European funds are distributed in competitions announced by Implementing Institutions.

By 30 November of each year during the MFF 2014-2020 the Managing Authority of each Programme publishes on its website the **schedule of calls for proposals** held in a competition procedure, which are planned for the subsequent calendar year.

The schedule can be updated, but the update can not relate to calls for proposals to which the announcement is less than 3 months from the date of the update. Current schedules for all competitions are available at the following link: <http://www.funduszeuropejskie.gov.pl/strony/skorzystaj/harmonogramy-naborow-wnioskow/>.

The competent authority publishes on its website a **notice about the call for proposals** at least 30 days before the planned commencement of acceptance of applications for co-financing. The announcement of the competition provides a set of documents which have to be analyzed by each applicant in order to apply for funding. Key documents, which every potential applicant should read before applying, are:

- Contest Rules that contain all key information of the competition like the types of activities that can be financed within the framework of the competition, the main conditions for participation, a list of necessary appendices, important dates, etc.
- The list of all criteria for project selection with a precise explanation of each criterion
- The application form and detailed instruction of how to complete the document
- The grant agreement

Although the process of applying for EU-funds and the project assessment has become very transparent during more than 10 years of experience with dealing with EU-Funds, the preparation of necessary documents is still quite complicated and requires a large effort from applicants. Among the application documents potential beneficiaries will find in most cases a business plan or feasibility study which contains a large amount of information required by authorities. Due to the above as well as the fact that almost each project requires some preparatory works (e.g. obtaining administrative decisions, setting up cooperation with science/research units, etc.) it is necessary to start internal works on the project in advance.

To obtain a grant the applicant should file an application for grant along with necessary appendices. The application needs to be filed in due course in response to a call for proposals announced by the relevant institution. In most competitions, the application documents are **submitted electronically**, using Generators of Applications. Documents are signed electronically using certified electronic signature.

The time limit for the relevant call for proposal is defined in the Contest Rules. It shall not be shorter than 7 days, starting from the date of commencement of acceptance of applications for project co-financing, typically it lasts about 1-2 months. **There is no possibility to submit documentation after the indicated deadline**, therefore it is very important to start preparing documents in advance.

In principle, the project assessment is carried out in two stages:

- **Formal assessment** which involves checking the filed application against the formal criteria specified for a given contest and call for proposals. After being formally approved, the application is forwarded to the next stage.

- **Substantive assessment** which is based most often on two types of criteria – the so-called access criteria and score criteria. The score criteria determine how many points an application will score and how it will be ranked.

The assessment criteria and the number of points assigned to them vary due to the type of action and the specificity of the project. However, there is a group of criteria that are repeated in most measures, regardless of the type of projects, e.g.:

- the number of new jobs that will be generated by the project,
- experience in project implementation,
- resources appropriate to the specific of project (human, technical, financial, organizational),
- the innovation level of results (specially on R&D projects; high level of modernity, high level of usability, considerable competitive edge over other services / technologies available on target markets),
- expected economic and social effects of the utilization of project results (e.g. payback period),
- environmental effect,
- impact on horizontal policies (include: sustainable development, equal opportunities and non-discrimination and gender equality).

Regardless of the type, each project is also evaluated in terms of its feasibility, taking into account things like the adequacy of the selection and description of indicators of the project, the adequacy of the selection of the target group, accurately described risk analysis, consistency and accuracy of selection and description of the tasks in the project, the involvement of potential applicants and partners, management and financial feasibility of the project.

In some competitions, especially in the case of projects of R&D sector, part of the substantive assessment is the so-called **Panel of experts**. Within the Panel, representatives of the applicant have the opportunity to present their project to experts which make the evaluation. It takes about 30 minutes and is a great opportunity to demonstrate potential of the project.

Common mistakes made by applicants that should be avoided are:

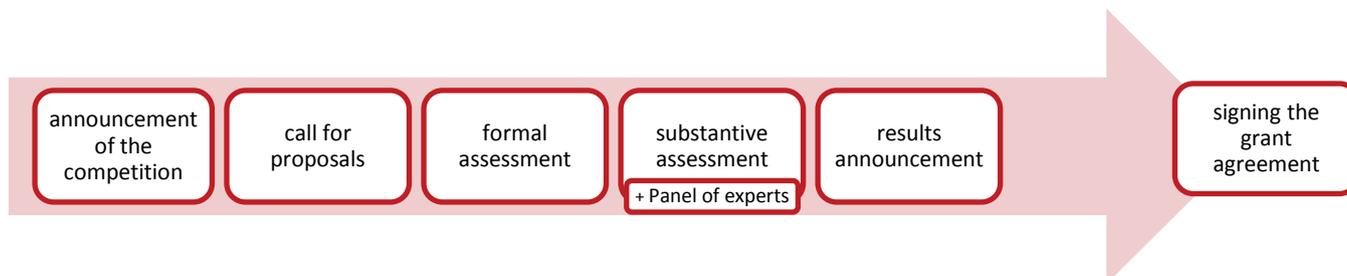
- failure to match the project to call requirements,
- ignoring call accession criteria (amount limits, partnership requirements, excluded sectors, etc.),
- dismissing the score criteria as unimportant when preparing a project,
- relying only on experiences gained in previous calls.

After the substantive assessment, ranking lists are compiled and announced. As a matter of principle, applications which earn the highest score will receive the grant. Information about the beneficiaries of EU funding is public. The names of beneficiaries of the funds and the amounts they receive are published on the competent authorities website.

If the project submitted by the applicant under a competition procedure is evaluated negatively, the applicant has the right to **lodge a protest** to have the application re-evaluated in terms of fulfilment of the project selection criteria.

The period from preparation and submission of a grant application to the competent institution until the execution of the grant (financial support) agreement is usually **a few months** (at least 3 or more). The applicant can start the project on the day following the day of submission of the application. It is necessary then to keep all the procedures specified in the grant agreement.

Picture 9. Steps in application process



Source: Crido Tax and own materials

Obligations of the beneficiary

Undertaking a co-financed project entails not only privileges but also numerous obligations. Following a positive grant decision, entrepreneurs should verify all provisions included in the grant agreement. In such a document the following is listed in detail: conditions for granting funding, including rights and obligations of the beneficiary, project settlement details, budget, time schedule for the performance of specific tasks etc.

The responsibility of the beneficiary is the timely performance of the tasks set forth in the application and achievement of the assumed ratios and fund spending/cost payment according to the budget.

Implementing the project, the beneficiary has to remember primarily the following:

- **eligibility of the project costs**

EU funding in Poland is available exclusively for those expenses that are considered eligible. Eligible costs are listed in the Community regulations and the provisions specified by the Managing Authority.

To qualify an expense as an eligible cost, it must not only be listed in the regulations, but must also be actually incurred and properly documented, directly related to the project and indispensable for its implementation, and also must be reduced by the input VAT (except where the VAT is not refundable under domestic VAT regulations).

The time when the expenditure is incurred also matters – to qualify an expense as an eligible cost, it must be incurred during the so-called **period of eligibility** set in the project's objective and financial schedule included in the application for grant. Within the Financial Framework 2014-2020, all projects must be completed to 31st December 2023, unless the contest rules for a particular contest provide a different, earlier, date. Date of completion of the project is also the date by which the beneficiary can incur eligible costs.

Other costs that do not meet the above requirements are considered non-eligible costs. That is why almost every project will include both eligible and non-eligible costs.

- **the selection of contractors must comply with the principle of competitiveness**

The principle of cost competitiveness must be applied to all expenditures with a value of over 50 thousand PLN (about € 11.4 thousand). Public procurement is a written and paid contract concluded between ordering party and a contractor which refers to services, supplies or construction works predicted in the project. This applies to both: contracts concluded in accordance with the Public Procurement Law (public entities) as well as contracts concluded according to **principle of competitiveness** (private enterprises). Preparing and conducting the public procurement within the co-financed project ought to be done in the way which guarantees fair competition and equal contractors treatment.

Public procurements **cannot be granted to entities with capital or personal links to beneficiary.** „Capital or personal links” should be understood as mutual links between beneficiaries (or persons authorised to represent the beneficiary or persons performing actions connected to procurement process) and contractors, particularly regarding to:

- Participating in the company as a shareholder in partnership or civil law partnership
- Owning at least 10% of shares
- Holding a function of a member of the Board, Supervisory Board or proxy or plenipotentiary
- Formally staying in the bonds of marriage, blood relationship, affinity, adoption, custody, guardianship

All the contractors ought to be given the same access to information regarding public procurement, none of them should be privileged and the whole process should be conducted in a transparent way. Beneficiaries of grants are obliged to public by request for offers in a dedicated database: <https://bazakonkurencyjnosci.gov.pl/>.

In case when the beneficiary would have to choose from a couple of equally attractive offers from the economic point of view, beneficiary is obliged to select the offer which is most beneficial in matter of environment and climate influence (e.g. less energy-intensive, lower water consumption, use of recycled materials etc.).

In case of violation by the Beneficiary of the requirements and procedures for the granting of a public procurement, the managing authority recognizes all or part of the expenses related to this contract as ineligible.

- ***maintain the project sustainability after its completion***

Project sustainability is a period in which beneficiary must not, as a matter of principle, e.g. sell tangible assets purchased under the project. In the case of large enterprises this period is 5 years and in the case of micro, small and medium-sized enterprises 3 years. The period runs from the date of completing the project implementation. Violation of the principle of project sustainability may result in the return of funds received for the project.

Other key obligations arising from a grant agreement are:

- responsibility for ensuring that a project is implemented in accordance with the agreement and application documents prepared by the entrepreneur,
- responsibility for ensuring accounting transparency of a project (usually by keeping a separate, project-dedicated electronic ledger or by assigning a separate accounting code to the project within an existing system),
- documenting all financial operations related to the project,
- project-related reporting obligations,
- informing the relevant institutions about any modifications in the project,
- apply the principles of promotion of the project specified by the managing authority,
- duty to participate in controls and audits concerning proper implementation of the agreement.

As indicated in this chapter, to get a grant for the project requires commitment and time and the realization of co-financed project is associated with a number of duties. Nevertheless, the high intensity and vast project opportunities make it really worth trying.