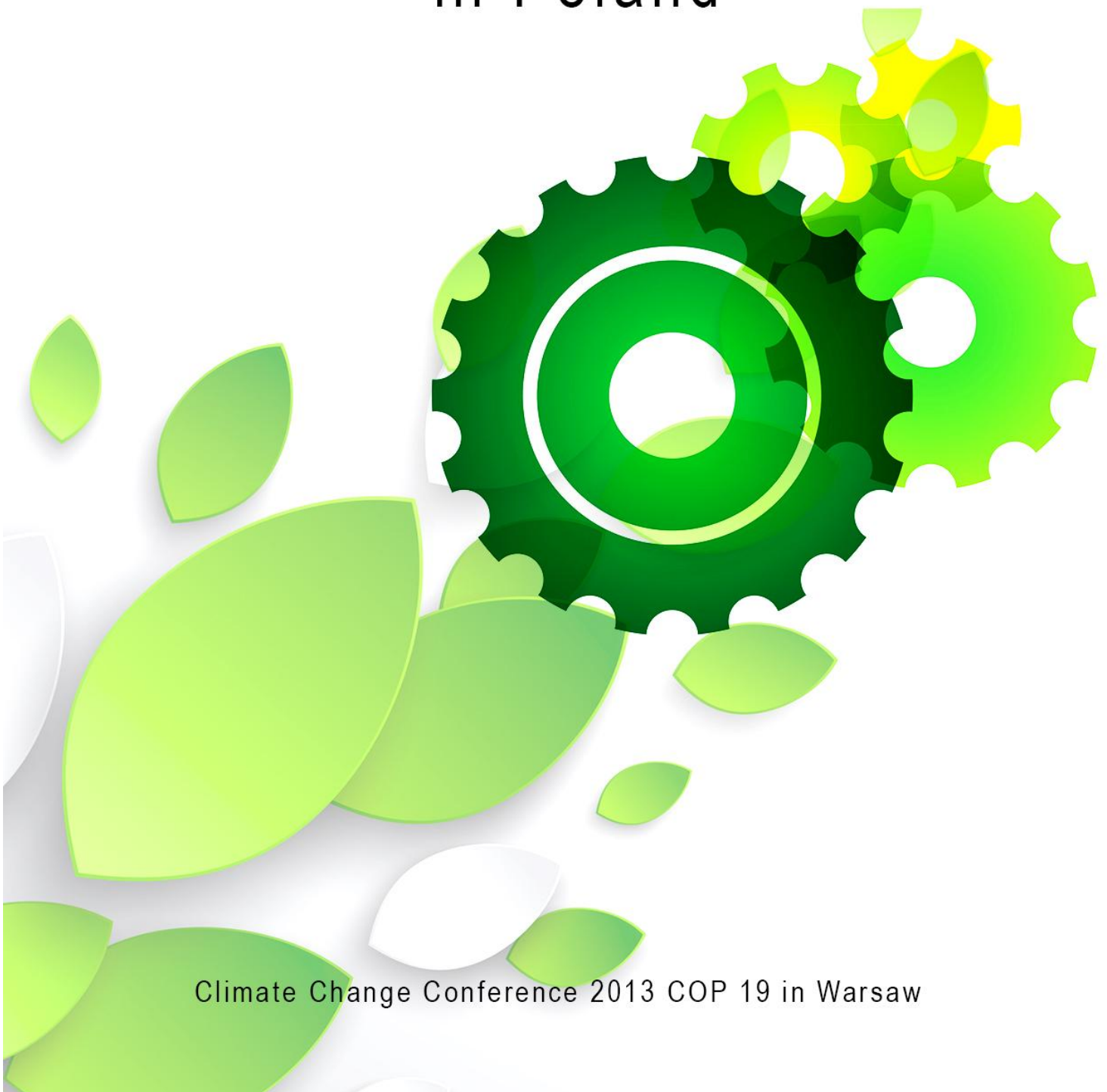


The system of financing environmental protection in Poland



Climate Change Conference 2013 COP 19 in Warsaw

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(Summary)

Poland is inhabited by almost 40 million people and is a modern country situated in Central Europe, a Member of the European Union since 2004, successfully implementing its ecologically sustainable development policy, in which natural resources are the pillars of sustainable development, both economic and social. The rational use of natural resources and their protection for the sake of both present and future generations form the foundations for the National Environmental Policy.

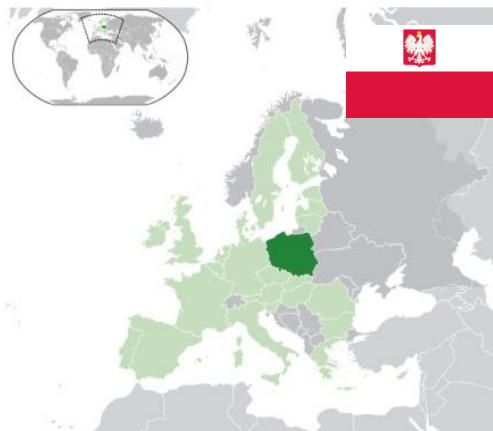


Fig.1 Poland's location in Europe and World

As a result of the political transformation, after the 1989 political breakthrough, Poland has made a leap forward, the effects of which are noticeable in every aspect of life. Modernization of the economy and socio-economic development has been accompanied by improved living conditions resulting from productive and effective investments in environmental protection. From a country that did not take into account the environmental needs in its economic development Poland has transformed into a country that strives to be a leading proponent of the ambitious environmental policy pursued by the European Community, with its goals outlined by the European Commission in the Europe 2020 Strategy and compliant with the initiative "A Resource-efficient Europe".



Fig. 2. The NFEPWM (*NFOŚiGW*) predominantly implements nationwide projects of strategic importance for the country. The implementation of tasks of regional scope in each of the 16 voivodeships in Poland is supported by the Voivodeship Funds for Environmental Protection and Water Management.

The successes in the area of sustainable development, improved quality of life and health of the population, effective protection of its resources and their rational use are the result of functioning in Poland **system of financing environmental protection and water management** that is flexibly adaptable to new challenges and based on both national and international sources of funding.

As a result of the evolution of the system it is at present based on **environmental funds**¹

¹ Hereinafter referred to as **Funds** or **environmental funds**

- the **National Fund for Environmental Protection and Water Management** (*NFOŚiGW*), which was established in 1989 – executing tasks of strategic importance at the national level and **Voivodeship Funds for Environmental Protection and Water Management** (*WFOŚiGW*), which acquired legal personality in 1993 – supporting tasks of regional scope in each of the 16 voivodeships in Poland.

Two decades of ecologically sustainable development

The specific nature of the Polish system of financing environmental protection involves a purposeful, strictly defined disbursement of funds originating from charges and fines for the use of the environment in the area of sustainable development. In this way, the "*polluter pays*" principle has been implemented in Poland from the beginning of its political transformation and funds thus obtained are earmarked for projects that limit environmental pollution.

Environmental funds, both the National and Voivodeship ones, also play a fundamental role in the distribution of foreign funds earmarked for environmental protection and water management. **The System of Funds constitutes a financial instrument and organizational tool for the Minister of the Environment that supports implementation of the National Environmental Policy.**

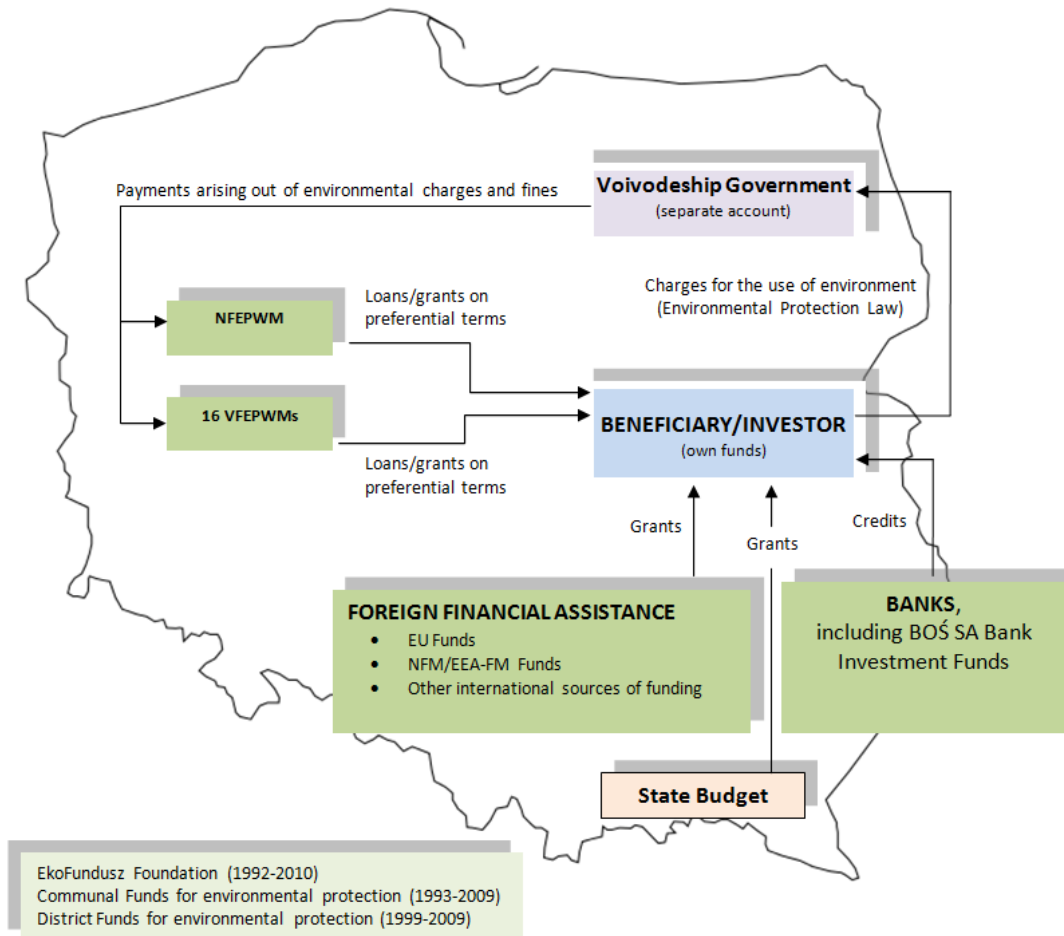
In the years 1989-2012 the NFEPWM co-financed environmental projects with approximately PLN 33 billion of its own funds.

Within 20 years of its operations, in the period between 1993-2012, the financial outlays of all VFEPWM for environmental protection tasks exceeded PLN 29 billion.

The environmental funds co-financed environmental protection projects with a total exceeding PLN 62 billion.

During that period the greatest amounts of funds were spent on water pollution control and water management as well as on air pollution control. These actions resulted in a significant improvement of the environment in Poland.

The system and main sources of financing environmental protection in Poland



In the 70s and 80s of the Twentieth Century Poland was one of the most polluted countries in Europe. As much as 30% of its population lived in high ecological risk areas, where the environmental pollution standards were permanently exceeded. Almost half of towns and cities in Poland, including its all major cities, did not have a sewage treatment plant. No sulphur dioxide or nitrogen oxide emission reduction plant was operated in the industry or energy sector, and the concentration of air pollution considerably exceeded the permitted standards in all urban and industrial agglomerations, resulting in significant health and financial consequences. The amount of damage caused by environmental pollution was estimated at 5-10% of the National Income, whereas expenditures for environmental protection amounted to only 0.2-0.5% of the GNP, thus several times less than those in the OECD countries (Organization for Economic Co-operation and Development)².

² Prof. Maciej Nowicki (Minister of the Environment 1991 and 2007-2010), foreword to: "20 lat na rzecz ekorozwoju. Odnawialne źródło finansowania" (*20 years of working towards ecologically sustainable development. On-going source of funding*), NFEFWM, Warsaw 2009.

The “Round Table” and political transformation

As a result of the “Round Table” discussions and Poland’s political transformation a **system of charges and fines for the use of the environment was established** in 1989, and funds obtained from that source were fully allocated to environmental projects. The management of those funds was entrusted to the National Fund and Voivodeship Funds for Environmental Protection and Water Management. Thus was established a **system of environmental funds** that provides a great leverage for real and rapid progress in environmental protection in Poland. During the turbulent times of the political



Photo 1. The “Round Table” conference room in 1989

transformation it provided evidence for advanced thinking about environmental protection issues, recognizing the need for rational use of natural resources and protection of the natural environment as generationless values.

The system of environmental funds

The agreements of the “Round Table” were reflected in the amendments to the Law on Environmental Protection and Management. Both the National Fund for Environmental Protection and Water Management - as an independent organizational unit – and Voivodeship Funds for Environmental Protection and Water Management – without legal personality at that time – commenced their activities in 1989. The granting of legal personality to Voivodeship Funds in mid-1993 and establishment of Communal Funds for Environmental Protection and Water Management was an acknowledgment of the organizational success of the system of financing environmental protection. This system was supplemented with District Funds for Environmental Protection in 1999. As a result of the reform of the public finance system in 2010 the Communal and District Funds became directly controlled by the budgets of individual local government units, however, subject to the requirement to transfer proceeds from environmental charges and fines for activities related to environmental protection.

Synergy of action and effect of leverage

There were and are considerably more elements in the chain of available sources of funding for environmental protection in Poland, which contribute to the economic mechanism that changes and adapts to the needs of a modern country. The most important characteristic of the system is the synergy of action and the effect of “financial leverage”. The system of environmental funds stimulates thousands of projects across the country, owing to co-financing it triggers the initiative to seek other, complementary sources of funding and opens up other market mechanism, involving the banking and private sector, for example.

Bank Ochrony Środowiska S.A. (Bank for Environmental Protection) and EkoFundusz Foundation

In the system of financing environmental protection that is based on environmental funds an important role is served by Bank Ochrony Środowiska S.A. (*Bank for Environmental Protection*) that co-finances and co-operates with the funds (commenced its operations in 1991), which has allocated PLN 11 billion to finance environmental projects over 22 years. EkoFundusz Foundation, established in 1992 and active to 2010, also played a great role and gained recognition worldwide. The objective of the Foundation was effective management of funds that originated from the conversion of part of the Polish debt to financing of environmental protection projects, that is, the so-called eco-conversion. During the period of its activities, i.e., 1992 - 2010, EkoFundusz Foundation disbursed approximately PLN 2.5 billion from its funds for pro-environmental activities.

On-going source of funding

Revenues of the environmental funds are the proceeds from charges paid by companies for their use of the environment and fines as well as revenues from interest on granted loans. In addition to the forms of financial assistance such as grants, loans, write-offs of loans there have arisen new co-financing possibilities involving the granting of subsidies to pay interest on bank credits, making partial repayments of principal of bank credits and interest subsidies or bond redemption price subsidies. Since 2001, the proceeds to the National Fund and Voivodeship Funds from the repayment of loan instalments have exceeded the revenues from environmental charges and fines and have become the primary source of financial injection for these Funds that thus has become an “on-going source of funding”.

Beneficiaries in the environment

The National Fund and Voivodeship Funds for Environmental Protection and Water Management strengthen relationships with local governments and extend the possibilities for financing environmental projects by different sectors of the economy. The outlays of the National Fund and Voivodeship Funds on pro-environmental tasks throughout the country have been growing steadily over the last years, exceeding an average PLN 7 billion per annum. Owing to the efforts of the funds for environmental protection and water management it has been possible to significantly improve the condition of the Polish natural environment. Those included: reduction in dust emissions, support for the programme to construct sewage treatment plants, drastic reduction in emissions of harmful substances to the environment, creation of a waste management system as well as strengthening of nature conservation. In addition to investment activities carried out by the Funds they also financially support diverse projects in the area of environmental education that involve many social groups.

Partners around the world and in Europe

The system of environmental funds is a mechanism that is unique worldwide in terms of both its size and forms of activities. The national system for financing environmental protection, supported by environmental funds, has gained international recognition, including that of the European Commission, the Organization for Economic Co-operation and Development as well as the World Bank. The Polish system is regarded as a model for developing economies and countries undergoing political transitions.

The Funds prior to and after accession to the European Union

The Funds also played a major role in absorbing financial assistance funds from the European Union, particularly in the pre-accession period, and provided the financial support for the programmes of the “old” financial perspective of the EU budget for the years 2004-2006 and the 2007-2013 budget.



**INFRASTRUCTURE
AND ENVIRONMENT**
NATIONAL COHESION STRATEGY

The most significant aspect in terms of financial size and Polish membership in the European Union is the fulfilment by the National Fund and Voivodeship Funds of the role of the Implementing Authority with respect to the priorities of the Infrastructure and Environment Operational Programme (IEOP) in the years 2007-2013. The Infrastructure and Environment Programme is currently one of the most significant sources of financing for environmental protection in Poland. EUR 5 billion was allocated to environmental protection projects from the IEOP budget (2007-2013) exceeding EUR 28 billion.



The experience of the National Fund gained as a partner, implementing and operating authority has influenced the decision of the Minister of the Environment and the Minister of Regional Development to entrust it with the tasks of managing projects co-financed under: the Green Investment Scheme (GIS), LIFE+ Financial Instrument, the Norwegian Financial Mechanism and the Financial Mechanism of the European Economic Area, the ISPA pre-accession fund as well as the Cohesion Fund 2000-2006, the Sectoral Operational Programme ‘Improvement of the Competitiveness of Enterprises’ (2004-2006), PHARE: Environmental Partnership Fund, Danish EPA Partnership Funds, SIDA Funds (Sweden) as well as bilateral aid funds in the years 1990-2008. Voivodeship Funds for Environmental Protection played a significant role in the absorption of financial assistance funds in the first years of Polish membership in the European Union (SAPARD, IRDOP, PHARE) and in the budgetary period 2007-2013 (IEOP, Regional Operational Programmes) provide strong institutional and financial support for local government units, businesses, environmental organizations and many other beneficiaries.





Fig. 4 The operating mechanism of the NFEFWM and VFEPWM

The number and value of projects, as well as the achieved results, have proven over more than the past two decades the institutional capability of the Funds to implement and fund a diverse range of tasks and programmes and thus confirmed the efficiency of the entire system. The Funds are fully prepared to face new challenges that – owing to the absorption of EU funds in the EU’s next budget perspective 2014-2020 – should provide a developmental boost to the Polish economy and local governments in the coming years.

Common Strategy 2013-2016

The EU’s priority to 2020 – due to threats resulting from climate changes – will involve moving to a low-emission economy and effective use of resources. In the new financial perspective 2014–2020 the European Commission will allocate most funds to support energy efficiency and renewable energy sources, R&D and innovative activities, to support small and medium-sized enterprises as well as development of rural areas.

Implementing such outlined challenges for ecologically sustainable development for the European Union in the “*Common action strategy for the National Fund and Voivodship Funds for Environmental Protection and Water Management for the years 2013-2016 with an outlook to the year 2020*” there have been formulated objectives for the four primary directions for financing environmental protection in Poland: sustainable conservation and management of water resources, waste management and protection of land, protection of the atmosphere, including counteracting climatic changes, as well as conservation of nature and biodiversity. In the *Strategy for 2013-2016* it has also been provided for that the National Fund will support Voivodship Funds with funds earmarked for solving regional problems.

The strategy provides for support for the implementation of substantive activities of the Funds under the priorities of pursuing environmental objectives arising from the national and regional strategic documents, in particular the National Environmental Policy for the years 2009-2012 with an outlook to the year 2016 (NEP) as well as the Strategy for Energy Security and Environment.

Under the 2020 strategic perspective the system of mutually co-operating Funds will effectively and flexibly support their beneficiaries in implementing high-quality projects to improve the environment and the sustainable management of its resources, continuously improving the efficiency of their operations.

Strengths of the system of funds for environmental protection and water management

- large financial potential and the resultant position of the largest specialized participant in the market for financing environmental protection;
- highly qualified personnel;
- knowledge of economic and legal issues relating to environmental projects;
- experience in the financing of environmental projects;
- experience in the administration of funds originating from foreign sources, including in particular from EU assistance funds;
- possession of legal personality based on statutory regulations, enabling the use of various forms of preferential financing of environmental protection that are tailored to the needs of the beneficiaries and allow maximization of the environmental effect;
- revenue sources based on statutory regulations (stable budgets);
- developed principles of co-operation with central government authorities, national government and local government units as well as non-governmental environmental organizations;
- contacts with international financial organizations;
- reimbursement (revolving) financing system.

Significant opportunities are also provided by increasing and optimizing the distribution of environmental proceeds while maintaining an efficient, decentralized system of their collection, and also by stimulating “green” (environmentally friendly) economic growth in Poland, through, among other things, supporting energy efficiency, renewable energy sources, eco-innovation, low-emission economy and creating conditions for the creation of “green” jobs. It is also important to promote environmental behaviours, actions and undertakings aimed at conserving biodiversity, and – what is becoming an important, difficult and costly challenge – the implementation of tasks related to adapting to climate change.

Environmental policy with an outlook to the year 2016

The needs for financing of environmental protection projects are tremendous. On the one hand, they are the result of implementing Poland’s environmental protection obligations with respect to the adoption of the environmental *acquis*, and, on the other hand, the need to reconcile its economic growth with care for the environment. The main direction for interventions with respect to environmental protection will involve actions aimed at ensuring the sustainable development and efficient functioning of the economy and society in the face of the risks posed by climate change.

Based on the document “National Environmental Policy for the years 2009–2012 with an outlook to the year 2016” it has been estimated that the outlays required to execute the tasks in the years 2009–2012 amounted to PLN 66.2 billion, while for the years 2013–2016 they will be PLN 63.5 billion (at 2007 prices). It is estimated that over 80% of the requirement for financial resources earmarked for implementing the environmental policy objectives stems from the need to implement the accession treaty and new directives.

A significant flow of EU funds, including reimbursable funds, earmarked for environmental protection tasks in the years 2014–2020, new financial instruments, increasing environmental awareness of the population, new areas of economic development, innovations and new technologies, all provide an opportunity for the Funds to develop their institutional competencies.

Each year, the National Fund and Voivodeship Funds for Environmental Protection and Water Management conclude thousands of co-financing agreements for large and small local tasks alike. They are required to be undertaken because of ever more stringent regulations requiring compliance with specific environmental standards, concern for the environment in which we live, as well as the awareness that projects offer the best way for economic recovery, the creation of new jobs and the development of a modern country that cares for its citizens

For more information please visit:

Ministry of the Environment

www.mos.gov.pl/?j=en/

National Fund for Environmental Protection and Water Management

www.nfosigw.gov.pl/en/