



**BANK
GOSPODARSTWA
KRAJOWEGO**

Financial instruments for energy efficiency and revitalization of cities – some Polish experience

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Scope of the presentation

1. Bank Gospodarstwa Krajowego – some basic information
2. GEF (Global Environmental Facility) Energy Efficiency Project – lessons learned
3. The role of EU funds in urban revitalization financing in Poland
4. Municipal Investment Development Fund (Fundusz Rozwoju Inwestycji Komunalnych)
5. JESSICA initiative in Poland

Bank Gospodarstwa Krajowego (BGK)

- BGK, established in 1924, is the only state-owned bank in Poland.
- BGK's mission is to support governmental socio-economic programs and local government programs and projects.
- The Bank conducts also commercial activities focusing in particular on the public finance sector, including local government units.

GEF (Global Environmental Facility) Energy Efficiency Project – financing and objectives

- GEF Energy Efficiency Project financing (USD 11 million) was provided by a grant from the Global Environmental Facility to the Government of Poland.
- Project is administrated by the World Bank.
- The Project was started in 2004 and is supervised by the Ministry of Economy.
- The objective of the project is to increase public and private sector investments in energy efficiency in buildings.
- The Closing Date of the Project will be June 30, 2011.

GEF (Global Environmental Facility) Energy Efficiency Project – Partial Guarantee Facility (PGF)

- PGF is one of GEF Energy Efficiency Project's components.
- PGF was chosen as an appropriate mechanism to overcome the fundamental barriers in the financial sector in Poland: reluctance of commercial banks to provide long-term financing, lack of adequate security among borrowers, in particular ESCO's and housing cooperatives, and lenders, perception of high risk.
- Agreements were signed by BGK with 3 banks: Bank Pocztowy S.A., BISE S.A. (now called DnB Nord S.A.), Nordea Bank Polski S.A.
- Guarantees were provided primarily to housing cooperatives.
- There was only one guarantee, granted to DnB Nord S.A.
- The main causes of such a result were: big competition in the market of guarantees and too extensive reporting requirements.

The role of EU funds in urban revitalization in programming period 2004-2006

Part of the European Union funds were contributed for revitalization – under the Integrated Regional Operational Programme 2004-2006 (IROP), which was

Under IROP:

- A new source of investment financing revitalization has been assured,
- Formal framework has been created by implementation of formal requirement for Local Revitalization Programs (currently adapted to the conditions of the programming period 2007-2013),
- The administrative units (like city and municipal offices), created new cells, responsible for revitalization.

Municipal Investment Development Fund

- Preferential loans designed for the communities (gminas) and their associations, exempted from the Public Procurement Law.
- Designed to cover the costs of preparation of municipal investment documentation for projects provided for co-financing from EU funds (feasibility study, cost benefit analysis and other project documentation, analysis, expert reports and studies needed to prepare the investment).
- Loan amount: up to 80% of planned documentation net cost, nevertheless not more than 500 000 PLN (approx. EUR 125 000) for the project.
- Loan term: up to 3 years. Possible loan repayment grace period up to 1,5 year.
- Preferential loan bears interest.
- Flexible repayment terms.

JESSICA in Poland – first observations

- The most advanced status of the implementation of initiative is observed in Wielkopolskie and Westpomerania regions (announced calls for tenders for the selection of UDFs) and the Silesia and Pomerania regions (negotiations with the EIB).
- The delay in launching the JESSICA initiative.
- Complex institutional system in Poland:
Board of the Region → Holding Fund (EBI) → Urban Development Fund (UDF) → Urban Projects
- No final decisions on rules for state aid.
- The low level of preparation of urban projects that meet the criteria of the JESSICA initiative