



# **Role of the National Fund for Environmental Protection and Water Management in Financing Water Projects in Poland**

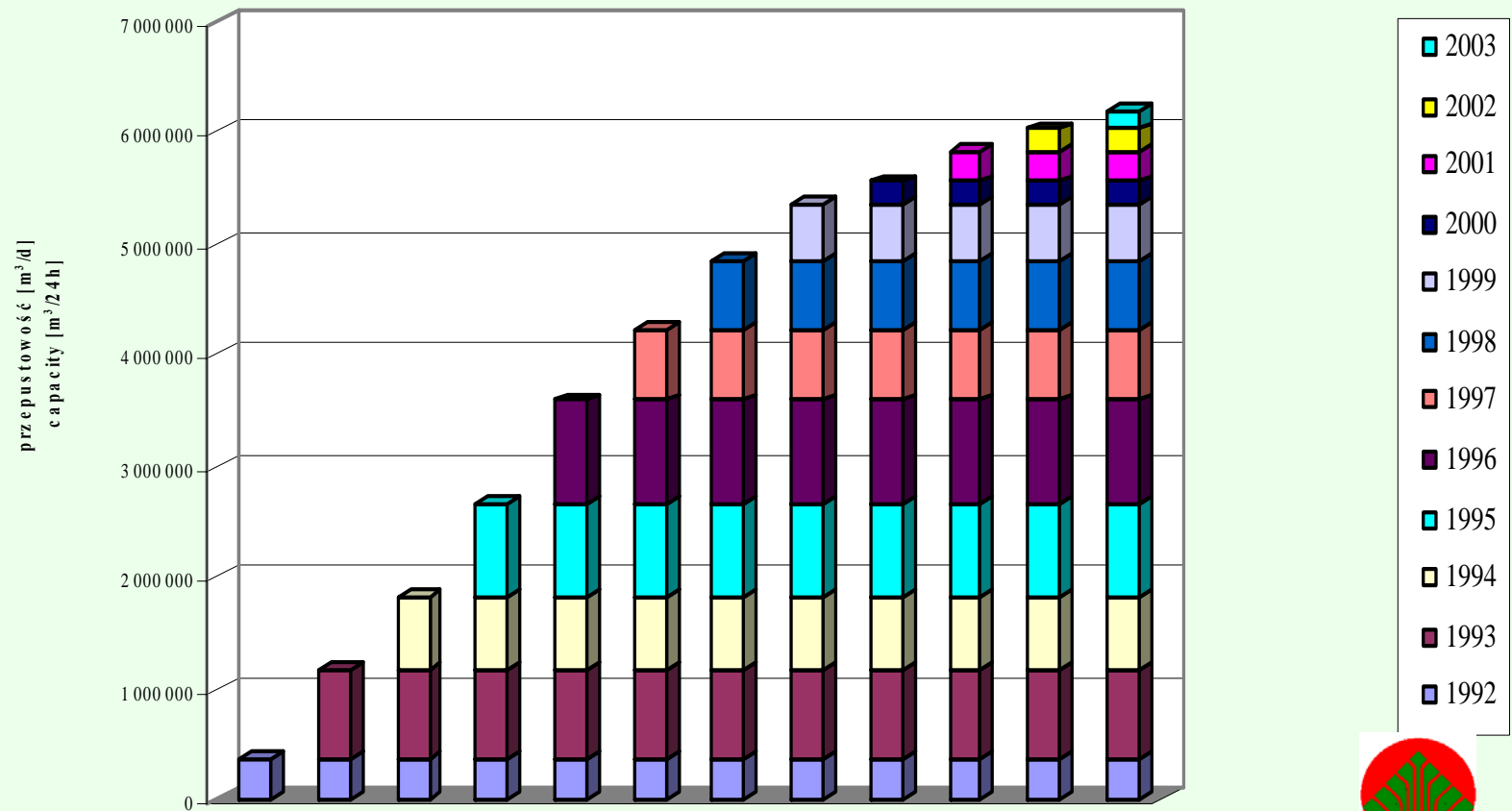
**Anna Czyżewska, Poland,  
NFEP, Water Protection Division  
Paris, June 2004**

# Introduction

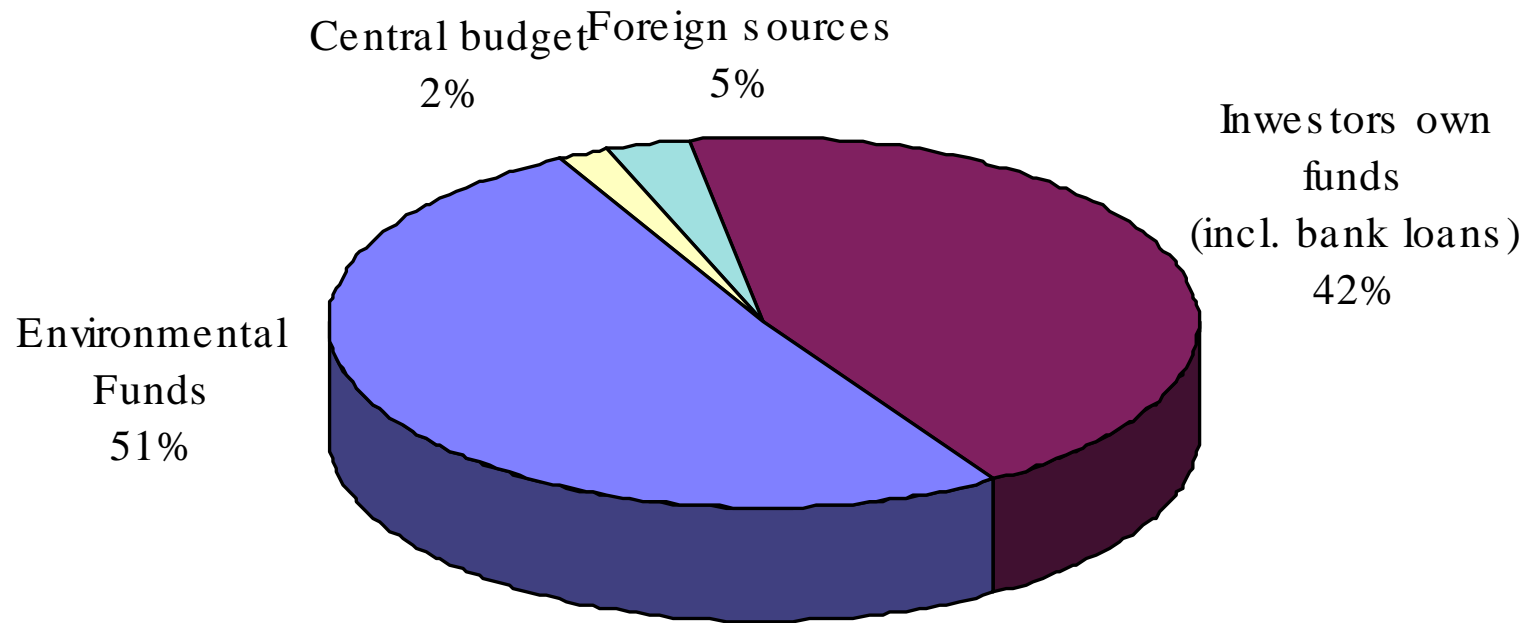
- Poland has limited water resources, less than the European average.
- To improve the quality of these resources in line with European standards, and to fulfil EU obligations, efficient waste water treatment plants need to be built and technologies applied which will enable the level of contamination to be reduced significantly.
- These obligations are contained in the Accession Treaty, which after 1 May 2004 has become the supreme source of law in Poland.
- Much has been done in Poland in the field of water protection and water management in the last 14 years.



# Wastewater treatment plants co-financed by National Fund projects completed in 1992-2003 cumulative effect



## Main sources of financing the water pollution control investments in Poland.



# **Main sources of environmental protection financing system in Poland**

## **Non-budgetary special - purpose funds:**

- **National Fund for Environmental Protection and Water Management (NFEP),**
- **Voivodship Funds for Environmental Protection and Water Management,**
- **County Funds for Environmental Protection and Water Management,**
- **Municipal Funds for Environmental Protection and Water Management.**

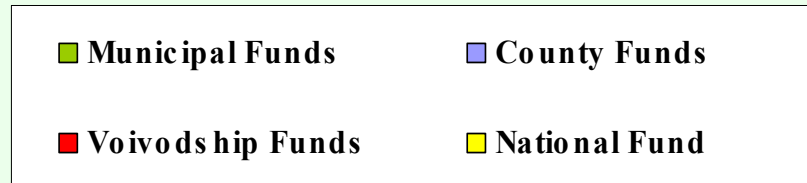
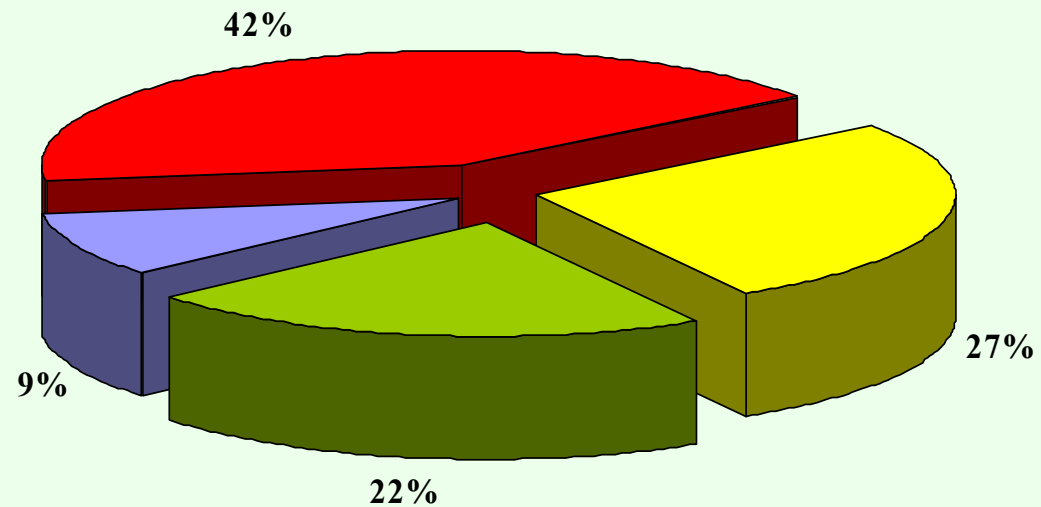


## **Environmental Funds**

- **The National Fund for Environmental Protection and Water Management launched its operation on July 1, 1989.**
- **The establishment of the NFEP was accompanied by creation of the Voivodship Funds for Environmental Protection and Water Management. In 1993 they were given legal status, following the principle of the NFEP.**
- **The Municipal Funds have been acting as well from 1993 on the municipal territories.**
- **In 1998, following new territorial division of Poland, the County Funds launched their operations.**
- **The National and Voivodship Funds distribute the money in forms of soft loans and subsidies, whereas County and Municipal Funds only in the form of subsidies.**



# Fees and fines as revenue for environmental protection funds



## **National Fund for Environmental Protection and Water Management**

- This year the National Fund for Environmental Protection and Water Management has started 15th year of its activity.**
- The NFEP gives financial support for environmental projects of about PLN 1,5 billion annually.**
- From the very beginning water protection has been the main priority of the NFEP.**
- During 14 years the NFEP has allocated over PLN 5 billion for about 3800 water projects.**



**The NFEP provides the following forms of financial support for environmental protection projects:**

- **subsidies**
- **preferential loans**
- **subsidies to bank credits (from the Bank for Environmental Protection)**
- **partial writing off of loans**
- **equity involvement**



## **Conditions for NFEP Financial Support**

- **The NFEP can give financial support for a water project for up to 80% of its value.**
- **The basic form of financing are loans offered on preferential terms (so-called soft loans).**
- **The NFEP offers preferential interest rates when granting loans based on the rediscount rate set by the National Bank of Poland, which is currently at a level of 5.75%.**
- **For water projects, the interest rate is less than 1%.**



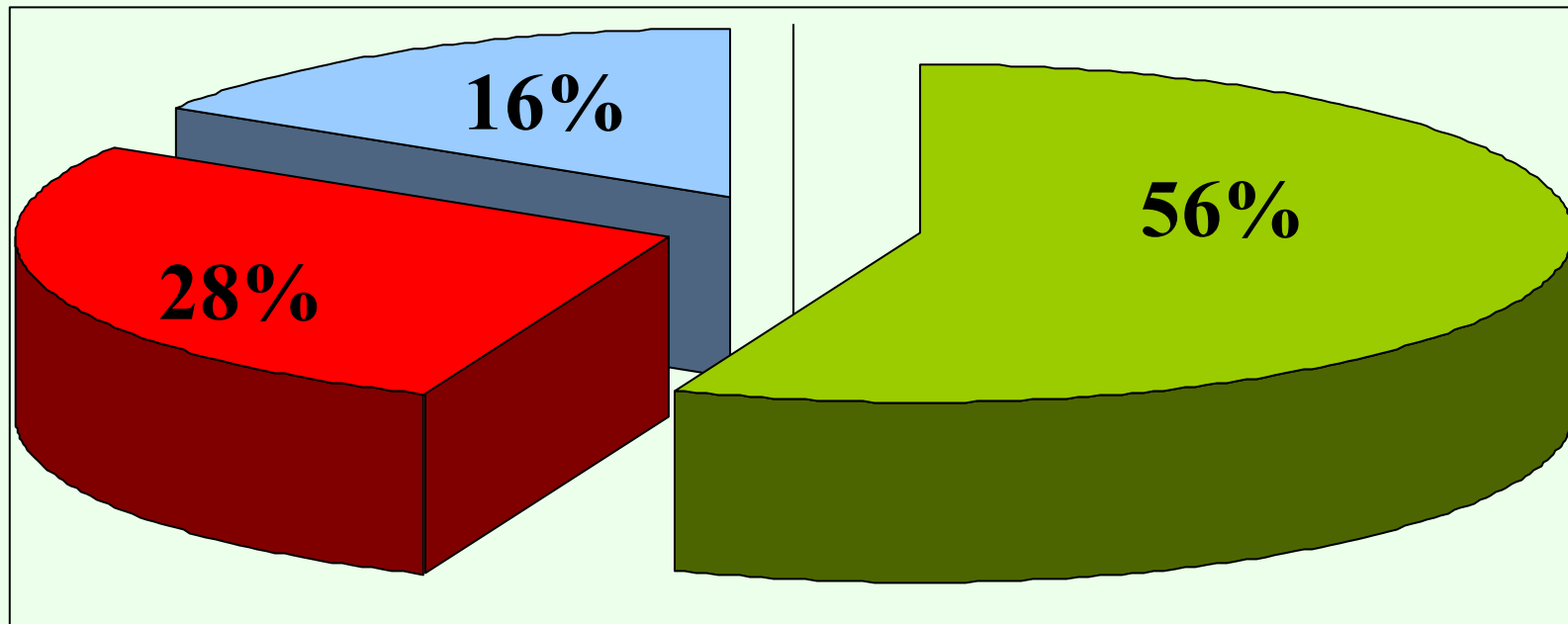
# **Writing off of a portion of the debt involved**

**This is another form of preferential treatment offered by the NFEP to borrowers who correctly fulfil the contract provisions, in particular:**

- the project is completed on time,**
- the planned environmental effects have been achieved,**
- at least 50% of the loan has been paid off in accordance with the terms and conditions of the loan agreement,**
- the conditions for paying fees and fines constituting the NFEP revenue have been met.**



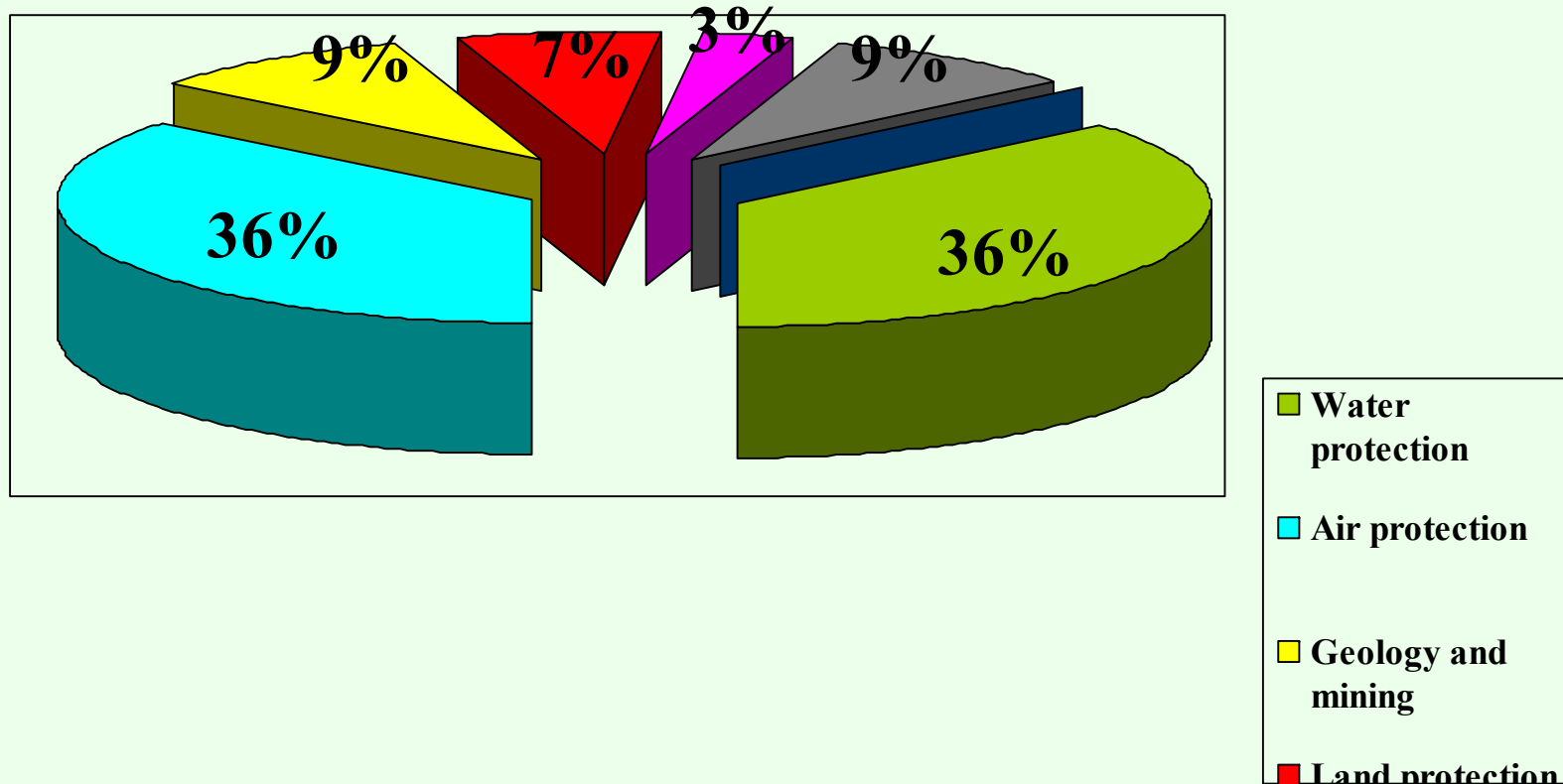
## Clients of the NFEP



■ Local governments ■ Enterprises ■ Others



# Main Areas of NFEP Financial Support



**There is still much to be done, especially in respect of the obligations relating to Poland's accession to the European Union.**

**Considerable sources of finance are required to fulfil these obligations and they must be efficiently allocated.**



## **EU AID**

**Poland has benefited from pre-accession aid for environmental investments within the framework of the PHARE, SAPARD and ISPA programmes.**

**The idea behind pre-accession aid is to prepare new member states for the Cohesion Fund and absorption of structural funds.**

**The NFEP has been involved in implementing PHARE and ISPA projects, whereas SAPARD projects are implemented by the Agency for the Restructuring and Modernization of Agriculture.**



## EU AID

- **As a Member of the European Union, Poland will be a beneficiary of structural policy financial instruments:**
  - ✓ *Structural funds and*
  - ✓ *Cohesion Fund.*
- **Poland is a potential beneficiary of about EURO 11.3 billion of structural funds and the Cohesion Fund in the years 2004-2006.**
- **The total amount of commitments allocated for environmental protection is predicted at a level of EURO 2.4 billion.**



## EU AID

**Environmental protection will be financed by structural funds within the framework of:**

- **Sectoral Operational Programme “Improving the Competitiveness of Enterprises” (SOP ICE) according to Measure 2.4: *Support for enterprises obliged to adjust their infrastructure to the requirements of environmental protection* - one of sub-measure concerns water protection;**
- **Integrated Regional Development Programme (IRDP) with the Measure *Infrastructure of environmental protection*.**



## **Financial Requirements of the EU Directives**

**It is estimated that implementation of the EU environmental directives will require investment outlays of about EURO 34.8 billion, including EURO 7.1 billion to implement municipal wastewater directive 271/91 . These figures can be treated as very rough estimates although they express the scale of needs and can be used as a basis for further calculations.**



# **National Programme for Municipal Wastewater Treatment**

**The National Programme for Municipal Wastewater Treatment is a legal document drawn up as an obligation to the European Union, in accordance with the requirements of Directive 271/91. It identifies the water protection investments (with a cost evaluation), which must be undertaken to comply with Accession Treaty obligations. Efforts have to concentrate on those investments which will achieve the required environmental effects in short time. The main players in this respect will be local governments. The distribution of the required outlays is shown in the following Table.**



## Distribution of required outlays – municipal wastewater treatment

<b>Years</b>	<b>EURO million</b>
2003-2005	1425
2006-2010	1996
2011-2013	1865
2014-2015	1790
<b>Total</b>	<b>7076</b>



## Conclusions

- **The NFEP has considerable experience and is a key element in gaining access to the efficient use of EU aid and EU requirements in the field of environmental protection. The new legislation and institutional framework after 1 May 2004 call for a new attitude towards future that is before the NFEP and Polish environmental financing system.**
- **Poland has no time to waste. Speedy action is needed by all the players in the environmental market. The Polish government, decision-makers, investors (local governments and enterprises) and financing institutions should act together for the common good, both to satisfy the demands of the European Union and also in our own interests to have clean water, air and earth.**

