



European Construction Sector Observatory

Policy Measure Fact sheet Poland

National Revitalisation Plan
Thematic Objective 1&3

March 2016

Implementing body:	Ministry of Infrastructure and Regional Development
Key features & Objectives:	The Plan creates a framework for effective city revitalisation in Poland: may it be legal, financial or otherwise operational (e.g. by promoting good practice).
Implementation date;	2007-2013 2014-2020
Targeted beneficiaries:	Polish cities and municipalities Tenants and owners of existing residential and industrial buildings
Targeted sub-sectors:	Construction (F) Real estate (L)
Budget (EUR):	2007-2013: PLN 5 bn (EUR 1.2bn) 2014-2020: PLN 25 bn (EUR 5.9 bn) PLN 22bn (EUR 5.2 bn) will come from EU funds (ERDF, ESF, CF, Jessica) and around PLN 3bn (EUR 0.7 bn) will be financed by the State budget and by local authorities

In a nutshell

Revitalisation is a comprehensive process of social, economic, spatial and technical change, aiming to support degraded areas affected by the crisis. It entails the restoration of their economic function or the creation of conditions for further development, leveraging on the endogenous characteristics of the area.

75,7% of Polish towns have a population of less than 20,000 people, representing in total approximately 35% of population. Only 20% of Polish cities are medium size (20,000-100,000 inhabitants) with just 16 of them accommodating more than 200,000 inhabitants¹. Despite the fast development of some cities

(urbanisation rate in Poland was 61% in 2014²), some smaller cities in Poland are stagnating, negatively affecting the integration and economic development of the country. Assuming that economic development depends to a large extent on the importance and competitiveness of its main urban centres, focusing only on the development processes in large cities will further destabilise already weak cohesion of the polycentric system in Poland³.

To overcome this challenge, the Polish Government proposed the National Revitalisation Plan (NRP), a first conceptual document that outline the Governmental plan to modernise and develop the infrastructure of the Polish cities. The Plan was created on a basis of previously implemented smaller and often fragmented schemes which outlined the need of a national policy in the area of revitalisation. The National Revitalisation Plan is a complex investment programme for the modernisation of Polish cities, both in terms of infrastructure and housing stock, as well as from the social, environmental and economic perspective. The programme is foreseen to operate between 2015 and 2018, with a total budget of around EUR 5.9 bn.

General description

According to the estimates, approximately **20%** of the urban areas in Poland, inhabited by **2.4 million** citizens, is degraded⁴. These are mainly affected by the technical and functional obsolescence of infrastructure and buildings (especially residential), as well as the erosion of social and economic relations.

Within this context, the Ministry of infrastructure and development (MiaD) is leading the preparation of the National Revitalisation Plan (NRP), recently announced by the Government.

The main objective of the National Revitalisation Plan is to improve the conditions for social, spatial, cultural and economic development of degraded areas. Realisation of this goal will create favourable conditions for further business investment in these areas.

The Plan promotes the ideas of compact, low-carbon and environmentally friendly cities. Among others, it emphasises the idea of reusing the existing areas over building new ones.

The Revitalisation Plan is in fact the „umbrella” document for a set of policies and measures tackling revitalisation issues and do not focus on the concrete activities or results to be achieved. However, it includes a set of policies and regulations aimed to provide a background of the revitalisation in different areas. It includes the Law on Revitalisation, the Revitalisation Act, the National Spatial Development Concept 2030, the National Urban Policy, the National Regional Development Strategy 2010-2020, and the Guidelines on the revitalisation in the operational programmes for the period 2014-2020.

While the main activities encompassed in the Revitalisation Plan are focused on construction and renovation, a specific emphasis in this programme is also given to the social, socio-economic and environmental issues.

The National Revitalisation Plan foresees a total investment of **PLN 25bn** (EUR 5.9 bn) over 2014-2020, of which PLN 22bn (EUR 5.2 bn) will come from EU funds (ERDF, ESF, CF, Jessica) and around PLN 3bn (EUR 0.7 bn) will be financed by the State budget and by local authorities. The proposed PLN 25bn of funding represents about 9-10% of total EU allocations to Poland for national and regional programmes⁵. However, some stakeholders indicate that this amount is too low to address the real revitalisation needs of around 3000 municipalities in Poland (e.g. the budget for the revitalisation pilot of the city of Wałbrzych is about PLN 5 bn, or 20% of all funds dedicated to the programme in three years). The proposed distribution of the budget is still being negotiated at the national and regional levels and therefore is higher than the total budget of PLN 25bn until the negotiation process will be finished at the local level. The distribution of funds among the Thematic Objectives of the EU structural funds is provided below.

Table 1: Distribution of the National Revitalisation Plan budget per ESI Fund’s Thematic Objective

Areas of support	Amount	TO EU Structural funds
ICT	EUR 200m	T02
Low-Carbon Economy	EUR 1700m	T04
Environment and culture	EUR 600m	T06
Transport	EUR 300m	T07
Labour market and entrepreneurship	EUR 2000m	T08 T03
Social inclusion	EUR 2000m	T0 9
Education	EUR 200m	TO10

Private investments will represent an additional source of funding and are expected to vary by type of investment. The Polish Association of Developers (PAD) indicated, based on the experience of the previous programming period, that the Revitalisation Plan is lacking the incentives to involve industry (including construction sub-sector) in the revitalisation. Indeed, an important aspect of the NRP is to develop Public-Private Partnership (PPP) initiatives, suffering previously from too severe regulation towards public side, in order to boost investments in the degraded regions of Poland.

Construction and construction-related interventions represent the main focus of the activities of the Revitalisation Plan, since capital assets (buildings and infrastructure) display the highest levels of degradation in Poland. Despite the progress made in the last decades in modernisation and development of construction infrastructure, the housing stock, especially with regard to technical standards and utilities, remains outdated and depreciated in comparison to the rest of Western European countries.

The National Revitalisation Plan puts special emphasis on **housing infrastructure**. It includes, amongst others:

- **Social housing** interventions (new and existing housing stock), focusing on the construction of social housing, sheltered housing, night shelters and homes for the homeless. These measures are covered for 30-50% by the Plan’s budget **transforming post-industrial premises into residential housing**. These activities focus on the change of use of non-residential buildings (e.g. abandoned schools, hospitals, hotels) and adapting them for residential use. Related investments are expected to be covered by the State Subsidy Fund. However, industrial stakeholders are concerned about

the densification of the social housing without investing in the related commercial infrastructure (in most of the cases 100% of funding should be related to the social housing), which could lead to the further degradation of socio-economic life in the affected areas.

- **Thermal modernisation and renovation** of existing housing stock. These activities are funded by the Thermo-modernisation Fund⁶, which provides subsidies (in the form of repayment of the loan) for home owners for the installation of more energy-efficient and environmentally friendly heating equipment and insulation, thus improving the technical performance of the existing buildings.

In addition, the Plan foresees a set of measures aiming to support the renting of **social housing** which remains an issue for the people with low income. Indeed, the Plan foresees the implementation of the specific financial instruments (new preferential loans) that will support better accessibility of rental stock. In the future, it is planned that the Rental Housing Fund⁷ will develop the rental market in the affected areas and will create market opportunities for institutional investors, which are showing demand in other forms of revenue, alternative to selling property.. However, the amendment to the Tenant law are required by stakeholders in order to optimise the relationship between the owners and renters and to facilitate the environment for the sustainability of revitalisation for rental market.

Results achieved (expected or actual)

As the actual implementation of the policy for the 2014-2020 period, is expected to take place only in 2016, no specific results or outcomes were reported up to date. However, some revitalisation activities are already taking place in Polish cities, based on the limited budget of revitalisation programmes of 2007-2013 programming period.

In the 2007-2013 Programming Period, the pilot revitalisation activities supported modernisation of the urban development and railway projects. For this purpose, special financial instruments were proposed by the BGK and JESSICA. The first programming period revealed a lack of legal regulations concerning regeneration, limited access to public financial resources for specific projects and did not present encouragement for regeneration financing by the private sector⁸. The general view of private sector beneficiaries is that the process of obtaining the necessary status in the Local Revitalisation Plan was challenging and time-consuming. This however will not be a requirement for the 2014-2020 Programming Period⁹.

As a part of the new 2014-2020 programming period, the Ministry of Infrastructure and development of Poland is currently

running three pilot projects on revitalisation. These pilots cover the cities of Lodz, Wałbrzych and Bytom.

The cities for the Pilot projects were selected on the criteria of the urgency for the revitalisation and on the basis of the complexity of revitalisation issues. The aim of the pilot projects is to develop the business model for revitalisation as well as to derive guidelines, best practices and lessons learnt for the implementation of the programme in other cities. The first results of the pilots can be already observed in the city of Wałbrzych where 220 modern council flats were built by November 2014, supporting families with children and those who cannot afford a mortgage. However, most of the results of pilot project will be evident by the end of 2016.

Apart from the pilot project, the Ministry of Infrastructure and Development launched on April 23rd 2015 the competition for the revitalisation grants "Model Urban Renewal". The aim of the competition is to support the municipalities in the development of pilot programmes, revitalisation and regeneration activities in urban areas.

The competition has a two-stage selection procedure. **240 municipalities** have applied for the first call of the programme closed on the 1st of June 2015. Among those applications, **57 proposals** were pre-selected for the second stage of appraisal. As a result, up to **20 projects** are planned to be selected for funding in the frame of this call. The selected projects are expected to have a budget between **PLN 100,000** and **5,000,000** (EUR 23,640 – 118,200), and are to be completed by the end of 2018. The projects will be funded mostly from the EU Structural Funds and related Operational Programmes with only **10%** of the project value supported by the applicant. It is expected that the actual implementation of the program will start from January 2016.

Implementation of the NRP will be monitored in terms of quantitative and qualitative outputs at the central, regional and local levels. The monitoring activities will focus on the assessment of the effectiveness and efficiency of the revitalisation as well as on financial instruments and coordination measures applied. The implementation of the NRP will be coordinated at the central level by the Minister of regional development in close cooperation with other ministers and local authorities. Due to the novelty of the NRP, no specific outputs, concrete results or output indicators were published up to date.

The results of the actual Revitalisation Plan should be evident by the end of the planning horizon of 2022. On the long term, the revitalisation strategy of Poland will be moving towards deeper modernisation of smaller cities. The funding of those measures will gradually shift towards national funding, moving away from extensive use of EU Structural support.

However, the industry stakeholders, particularly PAD, remain sceptical on the positive results and outcomes of the programme. This is related mainly to the lack of economic and financial incentives to industry to be involved in revitalisation (excessive regulations, lack of PPPs, limited use of financial instruments) as well as to the lack of funding to cover needed modernisation and rehabilitation. Therefore they expect that the implementation of the Plan, which in itself is very well received by stakeholders, will be minimal.

Perspectives and Lessons learned

The realisation of the National Revitalisation is a complex process involving various stakeholders in Poland. A set of discussions and dialogues are taking place in Poland in order to define the conceptual approaches and methodology for the revitalisation process within the specific economic and historical context of Poland. It should be emphasised the important role of the Urban Development Institute in designing and developing the research and organisational capacity for the implementation of the programme.

Despite the positive purpose of the Plan, active debates between stakeholders brought forward certain limitations and barriers for the revitalisation process, notably:

- Limitations and imperfections of the law on public procurement, mainly concerning too severe penalties introduced for the public authorities (risk coverage mainly by the contractor) involved in the PPPs that limits the amount of PPP contracts;
- Lack of incentives for industry. Opposite to municipalities, who are actively involved in the modernisation process, industry did not receive any incentives to participate in the revitalisation activities (thus most of the activities are related to the social housing and do not allow commercial property at the site). Therefore, stakeholders are proposing amendments to the Revitalisation Law in order to provide feasible incentives for industry (e.g. 30-40% of the revitalisation area should be dedicated to the commercial property), following the best practices of revitalisation applied in Germany (examples of some cities, plans?).
- Low property taxes can create barriers for development in case owners are keeping land slots required for the revitalisation as a long-term investment without actual construction or modernisation of the site. Therefore, stakeholders are appealing to review the property tax rates to create conditions for the capital investments in the degraded areas;
- Limitation of the financial instruments used and creation of new financial instruments (e.g. Municipal Fund);

- Too much emphasis on the social housing, especially in the city centre areas limits the potential for the business development of the area and creates conditions to the further socio-economic degradation after several years.
- Lack of incentives (tax, business) to develop brownfield instead of greenfield. This is linked mainly with administrative burden linked with investing in the brownfield and secondary market.

In parallel with the abovementioned issues, there are new developments which are expected to widen the scope of the NRP:

- Modernisation of railway stations linked to the implementation of large retail and service programmes (e.g. in Sopot, Krakow, Warsaw, Katowice);
- Moving large retail centres to the outskirts of the city (e.g. in Wroclaw, Krakow, Bielsko-Biala, Katowice, Nowy Sacz, Jaroslaw).

The National Revitalisation Plan is expected to create closer integration and connection between Polish cities. Specifically the revitalisation process is expected to:

- Reinsure the active participation of the industry in the revitalisation process;
- Create a business model for the revitalisation activities which will be sustainable after the completion of the programme;
- Ensure the development of the socio-economic relationship in the revitalised areas, including employment, industry and education;
- Address weaknesses of the Act on public-private partnerships linked to the severe penalties for public authorities;
- The revitalisation activities should not only be focused on the public property but also involve private owners (e.g. for the residential housing revitalisation projects).
- Ensure that urban revitalisation translates into concrete improvements in the quality of life;

Comparison with other analytical sources

This Fact Sheet concurs with other analytical sources:

- Country Fact Sheet Poland¹⁰ in the sections:
 - Access to finance for construction enterprises
 - National & Regional Policy & Regulatory Framework
 - Current Status & National Strategy to meet Construction 2020 Objectives:
 - TO 1 - Investment conditions and volumes;
 - TO 3 - Resource efficiency / Sustainable construction

- Outlook.
- Country-specific recommendations for Poland¹¹:
 - Section 1: Scene Setter: Economic Situation and Outlook, Box 1.1 on the Investment challenges;
 - Section 2.4 Business Environment and Public Administration.

¹⁰ European Construction Sector Observatory, Country Fact Sheet Poland, February 2016, http://ec.europa.eu/growth/sectors/construction/observatory/index_en.htm

¹¹ Commission Staff Working Document, Country Profile Poland 2016, http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_poland_en.pdf

Endnotes

¹ Polish Central Statistical Office, Area and Population in the Territorial Profile in 2015, <http://stat.gov.pl/en/topics/population/population/area-and-population-in-the-territorial-profile-in-2015,4,9.html>

² World Bank, Urban Population data, 2014, http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?order=wbapi_data_value_2014+wbapi_data_value+wbapi_data_value-last&sort=desc

³ Dagmara Mliczyńska-Hajda. Rewitalizacja polskich miast – potrzeby, prognozy i perspektywy, 2007 <http://www.poznan.pl/mim/s8a/konferencja-w-poznaniu-10-11-10-2007,p,1025,1035,8925.html>

⁴ The government will earmark PLN 25 billion for revitalisation of degraded areas, Premier.gov.pl, 2015 <https://premier.gov.pl/en/news/news/the-government-will-earmark-pln-25-billion-for-revitalisation-of-degraded-areas.html>

⁵ National Revitalisation Plan 2022, https://www.mir.gov.pl/media/4438/NarodowyPlanRewitalizacji_Zalozenia_062014.pdf

⁶ The Thermo-modernisation Fund constitutes the largest mechanism for financing energy efficiency improvement in the building construction sector in Poland, It was established in 1998 and managed by the BGK. Between 1999 and 2010, around 20 thousand thermo-modernisation grants, with the total value of over EUR 0.3 billion, were granted within this mechanism, instigating investments valued at over EUR 1.6 billion.

⁷ Rental Housing Fund is a financial instrument introduced by the BGK in Poland in 2014. The Fund aims to provide affordable social rental housing using available municipal flats.

⁸ Zygmunt Ziobrowski, Revitalisation of Polish Cities – diagnosis, http://irm.krakow.pl/uploadUser/file/Vol8_summary.pdf

⁹ 2014-2020 JESSICA Evaluation Study for Nine Polish Regions, Final Report, 30 April 2014, http://www.eib.org/attachments/documents/jessica_evaluation_study_for_nine_regions_part1_en.pdf