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Press release

EU funds as an opportunity for the woodworking and furniture sector.

Poland obtained over EUR 12 billion in the first years of its membership in the European Union. Entrepreneurs quickly got interested in the EU funds and effectively applied for non-repayable support. Businesses from Mazovia, Silesia, Lower Silesia and Wielkopolska were most active.

Approx. EUR 67.3 billion will be allocated to Poland in 2007-2013. Works are currently underway to identify conditions of specific programmes. The main aim of the assistance is the creation of a competitive knowledge-based and innovative economy that guarantees increased employment. Many investments planned for the woodworking and furniture sectors are in line with the objectives of the EU programmes, which means that grants can be an alternative source of funding for investments in businesses and can stimulate many projects.

Who has the chance to gain funds?

The development of furniture or woodworking companies requires many investment outlays due to a specific nature of their activities. High implementation costs of new technologies and solutions discourage entrepreneurs from investments.

The possibility of gaining non-repayable assistance up to 70% of net investment value is a great opportunity. The EU grants can help many companies to develop.



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The maximum levels of co-financing for small and medium-sized enterprises have changed in the new programming period 2007-2013. The level of grants depends on the location of the project and not on the seat of the applicant.

Region	Micro- and small companies	Medium-sized companies
the Capital City of Warsaw Mazowieckie Voivodship since 2011	50%	40%
Pomorskie, Zachodniopomorskie, Dolnośląskie, Wielkopolskie, Śląskie, Mazowieckie (in 2007-2010), excluding the Capital City of Warsaw	60%	50%
Lubelskie, Podkarpackie, Warmińsko – Mazurskie, Podlaskie, Świętokrzyskie, Opolskie, Małopolskie, Lubuskie, Łódzkie, Kujawsko – Pomorskie	70%	60%

Expenses that can be refunded include:

- purchase of land,
- purchase or production costs of new fixed assets, including:
 - a. buildings and structures,
 - b. machinery and devices,
 - c. tools, devices and apparatus,
 - d. technical infrastructure
- purchase of second-hand fixed assets,
- costs of installation and start-up of new fixed assets,
- purchase of intangible assets and the costs of their installation (purchase of patent rights, licenses, know-how or unpatented technical knowledge),
- purchase of construction materials or works,
- instalments for repayment of the initial value of fixed assets by the user under a leasing agreement.

The catalogue of co-financed expenses is very wide and leaves much room to specify the scope of the investment. The objective of the investment is also important when applying for co-financing.

Operational Programme – Innovative Economy

The Operational Programme Innovative Economy will be the main programme addressed to entrepreneurs. The allocation to this programme amounts to EUR 8.3 billion. The Programme will support projects that are innovative on the national or international level. 40% of the allocated funds will be used to directly support entrepreneurs (including: investment grants), 11% will be used to support business-related institutions and 20% is assigned to R&D (research and development).

This programme will support investments related to the following:

- increasing the innovativeness of businesses, i.e. very modern investments,
- increasing the share of innovative products of the Polish economy on the international market,
- creation of sustainable and new jobs.

Operational Programme – Infrastructure and the Environment

Investments that adjust enterprises to environmental requirements will also be co-financed. The support will be assigned as part of the Operational Programme – Infrastructure and the Environment, which is the largest in the history of the European Union. Larger companies can be beneficiaries of this programme. Assistance will be provided for projects that adjust companies to the environmental requirements; investments related to environmental management systems (e.g. ISO 14001), streamlined resource and waste management, implementation of the Best Available Techniques (BAT), water and wastewater management, air protection, recovery and disposal of packaging or hazardous waste.

Regional Operational Programmes – a useful supplement

The above programmes will be supplemented with EUR 16 billion allocated to 16 Regional Operational Programmes. The following tasks have been identified for ROPs:

- direct financial support of business investments, i.e. purchase of machinery, fixed assets, devices and equipment related to the type of the company's business activity.
- support for start-ups,
- support for participation in trade shows, exhibitions, domestic and foreign missions – costs of stand rental, printing of promotion materials, catalogues and leaflets are co-funded.
- support of business-related institutions, such as furniture clusters and similar.

These programmes will support local and regional projects valued at less than EUR 2 million, which means that most entrepreneurs will use regional programmes as sources of funding for their investments.

The furniture and woodworking industries can increase their growth rates thanks to additional EU funds that can guarantee even up to 70% of return on investment. Such a source of funding has no competition on the market and is considered the most attractive. Obviously, appropriate investment planning and preparation for calls are crucial if we want to use this opportunity.

EU Guarantee Fund – assistance on the way to grants

Because most grants are refunds of costs already incurred the applicant has to finance the investment before the co-financing is paid out. Thus, entrepreneurs frequently use bank loans.

The EU Guarantee Fund can help them when they need collaterals for such loans. Guarantees offered by the EU Guarantee Fund are an excellent alternative to bank loan collaterals traditionally required by banks. Depending on the allocation of funds, the maximum level of a guarantee or surety can be up to 80% of the loan value. One should remember that the amount of a single guarantee cannot be higher than the equivalent of EUR 5 million.

Guarantees or sureties offered by the EU Guarantee Fund are limited and valid for the period of the bank loan plus additional three months. The costs depend on the guarantee amount and the guarantee period. Thus, the commission for a guarantee ranges between 0.5% and 1.5% while the cost of a guarantee is 0.5 of a percentage point higher, i.e. 1%-2%.

All borrowers implementing projects co-funded by the EU, in particular investment, training and research projects, on the territory of the Republic of Poland can apply for a surety or guarantee.

The procedure for gaining a surety/guarantee is relatively simple (see the diagram below). To obtain a surety, you should submit a relevant application to a bank that has extended a loan, provided that the bank has signed a cooperation agreement with BGK. The lending bank submits documents to make formal, legal and financial analysis possible so that BGK can identify the risk of payment of an obligation. These documents are the same documents that were previously submitted to the lending bank to obtain a bank loan.

Benefits offered by the EU Guarantee Fund to borrowers

- Sureties and guarantees increase the credibility of borrowers, who are thus assigned to a lower risk group, which determines the bank loan interest rate,
- Sureties and guarantees increase the availability of external sources of funding even for those entrepreneurs who have no sufficient property for a collateral.

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