1. **Basic Information**
   1.1. Désirée Number: PL0003.12
   1.2. Title: National export development
   1.3. Sector: Private sector development
   1.4. Location: Poland

2. **Objectives**
   2.1. **Wider Objective:**
   Upgrade the export related policy and institutional framework in preparation for the competitive participation in the Common Market by creating conditions for the further development and internationalisation of the Polish economy.

   2.2. **Immediate Objectives**
   Creation of national and regional institutional conditions for streamlining Polish foreign trade development. Introduction of export driving mechanisms and instruments in a co-ordinated manner at national and regional levels. Growth of the participation of the SME sector in exports.

   2.3. **Accession Partnership and NPAA Priority:**
   The project corresponds to the priority identified in the AP of increasing the competitiveness of the Polish economy and improving its readiness for European integration, through strengthening Polish public institutional structures and human resources involved in the creation and implementation of corresponding policy instruments. Export policies and measures are a top priority, as significant issues have been identified in this area, impacting negatively on the growth of the national economy and integration readiness indicators. The area is also closely linked to the NPAA priority in SME development, which identifies actions for increasing SME competitiveness, investment levels and exports.

3. **Description**
   3.1. **Background and justification**
   The Polish economy remains under transformation. Important processes are underway, with change and development leading to many major achievements in terms of key economic indicators, such as growth in GDP, private sector market share, SME development; and decline in inflation and unemployment rates.
   One of the main areas of concern which has emerged and which requires immediate action is that of the volume and developmental trends in participation in international trade and economic co-operation. After ten years of transformation it is evident that the main indicators in this respect point to a certain level of stagnation and underdevelopment. New impulses in terms of policies and actions are required, if the Polish economy is to re-enter the track towards attaining significantly improved growth rates in the volume and effectiveness of Poland’s participation in international markets. The marked underdevelopment is further evidenced in the current situation of Poland’s trade balance, which is a reflection of the preparedness of the Polish economy and of the policy and institutional framework for participation in the Common European Market and in the international global economy. The rapidly growing gap in Poland’s trade balance is also threatening the long-term growth of the national economy. Two main policy targets have been identified in this area: overall increased exports by Polish companies; and growth of the participation of the SME sector in export. Recent strategic documents adopted by the Polish Government indicate that a major institutional development effort must accompany the upgrading of specific company level measures, as important gaps exist in the export development and economic internationalisation frameworks (policies, institutions, regulations) currently in operation. This also includes the need to harmonise the national level instruments with the development of new and adapted regional delivery mechanisms and a clearer focusing on issues related to EU accession.

3.2. **Linked activities**
   Phare projects:
   - PL9012 – Development of foreign trade infrastructure in Poland
   - PL9205 – EXPROM Programme
   - PL9603 SME Export Promotion (EXPROM II)
   Other projects:
• national level export promotion schemes, including co-financing of costs of participation in selected trade fairs, brand promotion scheme, financing of information and promotion activities of export development institutions;
• national level export financing schemes, mainly through Investment Credit Insurance Corporation KUKE, including export crediting insurance, export credits’ interest re-financing, credit guarantees for financing export related investment projects, international aid related trade provisions;
• national level bi-lateral projects stimulating trade and other co-operation arrangements between companies from Poland and the partner country involved;
• national level information and analyses provision through Foreign Trade Research Institute;
• local and regional level export development related training and advice, through organisations as Chambers of Commerce and National SME Services Network of Business Support Organisations;
• international co-operation projects on local and regional level (regional twinning arrangements).
• A new institutional development is the introduction of legislation related to the transformation of the Polish Foundation for SME Promotion and Development into the Polish Agency for Entrepreneurship Development. The new institution will belong to the public financing sector and will be provided with annual budgetary allocations and its goal will include export development. Support for the establishment of the agency is the subject of a separate IB project under Phare 2000 and is therefore a “partner project”.
• Other linked activities include selected projects from the planned Phare ESC programme. They reflect the priorities identified in the preliminary NDP, which includes specific sectoral issues as prioritised under the Government policies and in the regional operational programmes.
• In a similar way specific SME export assistance instruments from another key programme - the programme of national level actions within the Government’s Policy Guidelines for SMEs will also become an integral part of the national export development scheme. Significant national resources have been earmarked for this programme.

3.3. Results:
The project integrates human resources and organisation development measures with the practical introduction of instruments and actions for exporters (“learning by doing”).
Its main planned results and impacts include:
• development of the national and regional institutional framework for promoting increased participation in international trade and driving profitable exports by Polish businesses, including SMEs;
• development of regional capabilities and capacities for programming and implementing measures for export development at regional levels;
• developed regional “windows” and tested instruments for national SME export support;
• upgrading of the existing networks of export support institutions through quality assurance, service provision and training efforts;
• increased number of exporters and potential exporters availing of support and using development opportunities for growth through exports;
• higher than regional average survival, employment and growth rates of assisted exporting firms after 18 months;
• increase in turnover of assisted firms after two years;
• enhanced linkages of exporting SMEs with national and international partners, leading to greater value added for regional economy;
• 1,000 SMEs gaining export development knowledge and using programmes to enter international export markets;
• 300-400 SMEs receiving export enhancing company level supports and advisory services.

3.4. Activities:
Classical Technical Assistance: Four specific activities will be implemented through one contract:
1. Advisory and training programme for regional authorities in export development, including institutional solutions, programming of actions, project development and management, best-practise export development measures, working with local SMEs on export promotion in joint public-private sector initiatives. The training programme will involve assistance for identified key managers and personnel representing regional authorities involved in economic development and responsible for developing regional business programmes and measures. The training action will include a small scale grant facility (developed according to the EU grant manual and within DIS provisions for breakdown of costs within a TA contract) for co-financing specific projects, developed by the trainees during the training, for implementation in a “learning by doing”
exercise in their home regional institutions. These grants would reach a planned level of max. 20,000€ per project and region.

2. Advisory support towards the institutionalisation within the national and regional export development framework of identified new instruments for export growth, including the creation and management of SME exporting consortia, and expert advice on EU best practise in the area of specific financing instruments for exporters, including the development of the concept of export contract mutual insurance funds for potential future financing under Phare 2001 and national programmes.

3. Support in establishing partnership arrangements through a targeted programme of secondments and study visits of selected Polish personnel from the Ministry of Economy, and the national and regional organisations and institutions networked for export promotion to the counterpart headquarters and other appropriate EU export development organisations; including EU best practise partnerships in the area of specific financing instruments for exporters.

4. An Export Development Training of Trainers and Business Counsellors modular training package will be developed and provided to selected staff of export development organisations. The programme will be certified by the Ministry of Economy within the national export development scheme which will include a training component devoted to the creation and management of SME exporting consortia and/or clusters.

**Investment**

Provision of an appropriate mix of export development services and assistance to SMEs, organised as grants under the national scheme for co-financing of company’s costs of availing of the following measures:

- „Introduction to Exports”. Counselling and training programme for SMEs seeking to start/develop export activities; the programme will include individual counselling sessions with experienced „mentors” helping the participants with the introduction of the specific actions resulting from the formal training sessions, and group training sessions covering the main areas of developing new export activities. Grants will not cover more than 60% of the costs of the participation in the programme from public funding to eligible SMEs, with planned level of total Phare grant at about 1000€ per participating company.

- „Export Promotion Programme”. TA in preparation and co-financing of implementation of export market development, including marketing and promotion plans for existing exporters. Eligible costs will include advisory, training and information services and market research, trade fair and trade mission participation, promotion materials development and production, mailings, partner search and company visits and other international market development and promotion costs. Grants will not cover more than 60% of the costs of participation in the programme from public funding to eligible SMEs, with the total Phare grant in the range between 1500 to 10,000€ per company.

The measures will be open on a competitive basis to all SMEs meeting SME policy criteria and developing export projects. Exporting SMEs benefiting from the schemes will be identified through an open and public procedure on a regional basis, with full transparency and specific measures for ensuring the visibility of the EU and Polish public funding of the supports.

The instruments under the project have been selected and developed so as to meet the requirements of the national policies on export promotion and SME exports development, and taking into account the specific recommendations proposed under studies of the existing mechanisms in use in Poland as compared to international and EU best practise.

**4. Institutional Framework**

Overall supervision of the project rests with the Ministry of Economy. The beneficiaries of the technical assistance component of the project will be the Ministry of Economy, the regional authorities responsible for economic development and the networked export promotion institutions and organisations.

Investment type support will be granted as grants for SMEs, co-financing the costs of specific services provided to eligible SMEs through certified regional “windows” co-operating with the Implementing Agency.

Regional “windows” for the export development schemes will be identified through appropriate procedures involving quality assessment and regional needs; the achievement of a good regional spread (16 regions) will be targeted, as well as an extended coverage in the selected priority regions included in the Phare ESC Programme.

The IA will be responsible for selecting the regional “windows” along two basic procedures:

- on an open competitive (tender) basis, in close consultation with the regional authorities;
- in regions included in the Phare ESC Programme the regional authorities may select appropriate organisations for this role, being the same organisations as selected by the regional authorities for
implementation of the regional Phare 2000 projects (Lubelskie and Podkarpackie voivodships). These organisations, before accreditation to the national export promotion scheme as the regional “windows” and to the regional scheme, will be audited by an independent auditor under the terms as developed within the national SME Phare 2000 project.

In the case of Lubelskie and Podkarpackie these organisations have been identified in the relevant project fiches of the Phare ESC Programme. Ślaskie voivodship is planning to select this institution through an open competitive tender procedure. In this way it is foreseen that in the regions where Phare will co-finance regional export development projects the same regional institutions will be used to provide the different supports, regional and national.

5. Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total</th>
<th>Poland</th>
<th>IFI</th>
<th>TOTAL</th>
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</thead>
<tbody>
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<td>1. Technical assistance contract</td>
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<td>2. National Export Development Instruments</td>
<td>3.5</td>
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<td>3.5</td>
<td>0.475*</td>
<td>2.65**</td>
<td>6.625</td>
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<tr>
<td>2.1. Introduction to Exports</td>
<td>1.0</td>
<td>0</td>
<td>1.0</td>
<td>0.145*</td>
<td>0.76**</td>
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<td>2.2. Exports Promotion Programme</td>
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<td>2.5</td>
<td>0.33*</td>
<td>1.89**</td>
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<tr>
<td>Total</td>
<td>3.5</td>
<td>2.5</td>
<td>6.0</td>
<td>0.5*</td>
<td>2.65**</td>
<td>9.15</td>
</tr>
</tbody>
</table>

*Public sector, includes operational costs / ** Private sector(participating SMEs)

The Polish authorities have assured that the Government cofinancing is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose each year, or directly through the budget of the relevant Ministry. Part of the cofinancing will come from the private sector as indicated above.

6. Implementation arrangements

6.1. Implementing Agency: The SME Foundation is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Economy which itself shall be responsible for preparing projects and managing their technical implementation.

6.2. Twinning: n.a.

6.3. Non-standard aspects: National Export Development Instruments: The IA will enter into grant agreements with the beneficiary SMEs. The regional “windows” will be responsible for recruiting and identifying eligible SMEs and providing the “first contact” counselling. This will lead to the full definition of the particular SME needs and project specifications and to the signing of the agreement with the IA for the grant co-financing. The SME will select the service provider from the accreditation list of consultants and Business Support Organisations managed by the “window”. In all cases, the principles laid down in the Financing Memorandum regarding “arrangements for grant schemes” will be applied.

6.4. Contracts: TA contract (2.5M€) and Direct company assistance grants (3.5M€)

7. Implementation schedule:

<table>
<thead>
<tr>
<th></th>
<th>TORs/project specs ready</th>
<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. TA contract</td>
<td>01.12.2000</td>
<td>01.03.2001</td>
<td>01.07.2001</td>
<td>31.03.2003</td>
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<td>2. Export Development Instruments</td>
<td>01.06.2001</td>
<td>01.09.2001</td>
<td>01.12.2001</td>
<td>30.09.2003</td>
</tr>
</tbody>
</table>

8. Equal opportunity

The project will involve in all phases of its implementation specific provisions for guaranteeing equal opportunity of access to activities and benefits resulting from its implementation.

9. Environment: n.a

10. Rates of return

Only projects clearly demonstrating market competitive rates of return will receive support.
11. Investment criteria
11.1. Catalytic:
Phare support will strengthen the export development orientation within the developing new Polish administrative and institutional framework, which otherwise would take place over a much more extended period of time and on a more modest and less efficient scale.

11.2. Co-financing:
The project is co-financed by Poland and by the beneficiaries

11.3. Additionality:
The Phare project is not displacing other financing sources, especially from the private sector and IFI system, it is co-financing and not taking the place of the national policy.

11.4. Project readiness and size:
The project is ready for contracting and disbursement.

11.5. Sustainability:
The project will be continued over the next years in line with Poland’s export development policy.

11.6. Competition
The project will be developed with respect to the competition provisions of the Europe Agreement.

12. Conditionality and sequencing
Milestones (benchmarks):
The key benchmarks during project implementation will include:

- activities start in June 2001;
- regional networks “windows” for Agency projects selected and ready for participation in project by end of October 2001;
- SMEs uptake of export development supports maintained at steady level throughout second half of 2002, so that full participation reached before mid 2002;
### Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>The wider objective of the project is to upgrade the export related policy and institutional framework, as it prepares for the competitive and effective participation of Poland in the Common Market, through creating conditions conducive towards the further development and internationalisation of the Polish economy.</td>
<td>Ministry of Economy proves upgraded capabilities in export policy and measures development. Export promotion network of institutions and measures identified, established and operational. Export promotion network of institutions possesses proven capabilities and capacities to make measurable impact. Regional “windows” and trainees capable of delivering national export support programmes. Target groups of exporting SMEs reaching new markets, improving competitiveness and prepared to operate on common European market.</td>
<td>Central and regional government documents. Studies and analyses. Media reports. Project reports and documentation.</td>
<td>Export development maintained as one of key focuses of Government socio-economic policy. Government policy for institutional development in the area of export implemented in a timely and efficient manner, including establishment of Polish Agency for Entrepreneurship Development. Polish budget and other financing available in full programme period. General economic trends improve in area of Poland’s trade balance. Sustained growth of the Polish economy. Continued political stability. Negotiations on accession to EU progressing.</td>
</tr>
</tbody>
</table>

### Immediate Objectives

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>The creation of national and regional institutional conditions for streamlining Polish foreign trade development. Introduction of export driving mechanisms and instruments in a co-ordinated manner at the national and regional levels. Growth of the participation of the SME sector in exports.</td>
<td>Extent to which national level export projects implemented in a harmonised way in the regional programmes. Extent to which regional export development projects implemented in co-ordination with national initiatives. % increases in competitive position of exports of supported businesses. SME export development trends.</td>
<td>Project level monitoring data and information. Studies and analyses. Evaluation reports. Minutes of the Project Committee. Reports of the Project Committee. Reports of relevant regional and local institutions.</td>
</tr>
</tbody>
</table>

### Results of Project

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
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</table>
development of the national and regional institutional framework increasing participation in international trade and driving profitable exports by Polish businesses, including SMEs; development of capabilities and capacities for programming and implementing measures for export development at regional levels; developed regional “windows” and tested instruments for national SME exports support; upgrading of the existing networks of export support institutions through quality assurance, service provision and training efforts; increased number of exporters and potential exporters using development opportunities for growth through exports; higher than regional average growth rates of assisted exporting firms after 18 months; increased turnover of firms after two years; enhanced linkages of exporting SMEs with national and international partners, leading to greater value added for regional economy; 1,000 SMEs gaining export development knowledge and undertaking programmes to enter international export markets; 300-400 SMEs receiving export enhancing company level supports and advisory services; % of exporters who identify Government measures for exporters and value the instruments. Quality and numbers of international best-practise export development instruments developed and implemented, and up-taken for implementation under regional programmes. % of exporters who identify organisations providing supports as quality service providers. Numbers of exporters who avail of the proposed supports and co-finance their costs. Numbers of businesses which introduce steps to address export market issues. Levels of export market share, turnover, output, and partnerships of supported exporters. Levels of investments in export projects by exporters. % increases in competitiveness ratios at beginning and end of project of SMEs on export markets, and especially of the businesses beginning exporting activities.

Project level monitoring data and information
Government departments
Documents and reports of regional and local authorities and institutions
National Report on the State of the Sector
Regional and local statistics on the economy
Company specific comparative data
Media reports

General economic trends remain in growth mode and balance of trade begins to improve.
General economic situation does not deteriorate
Quality of TA services provided stimulates expected results
Supports accessed by beneficiaries utilised to ends foreseen in project design

Inputs
Classical TA for national and regional institutions and organisations, Study programme, An Export Development Training of Trainers and Business Counsellors
Investment – provision of an appropriate mix of export development services and assistance to SMEs, organised as grants under the national scheme, towards the co-financing of the individual company costs of availing of the following measures: „Introduction to Exports” „Export Promotion Programme”

Annex 2: Cumulative implementation, contracting and disbursement schedule

<table>
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