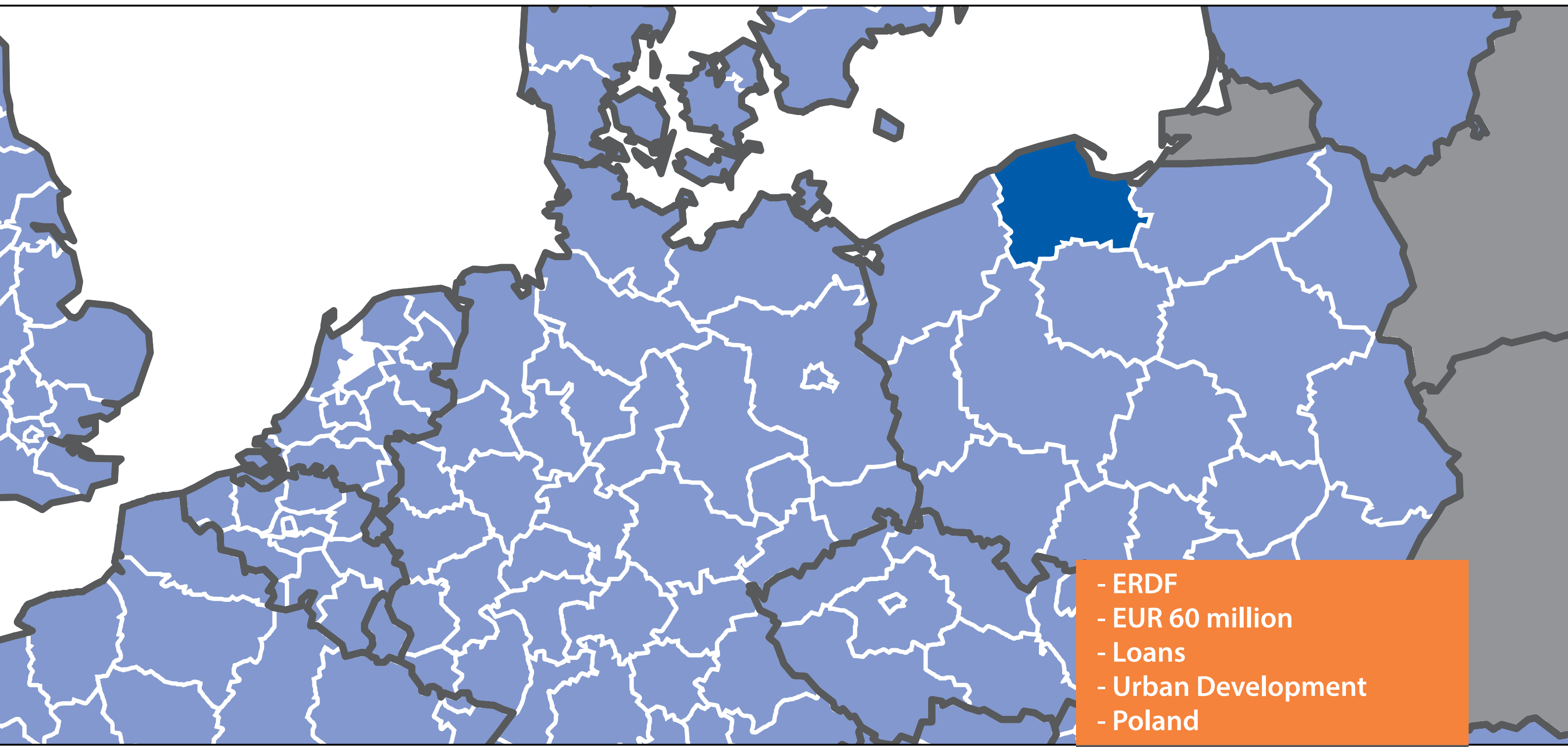

- ERDF
- EUR 60 million
- Loans
- Urban Development
- Poland

… supporting financially viable urban projects …

Urban Development Fund in Pomorskie

Case Study

European Commission

European Investment Bank *The EU bank*

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The authors of this study are a consortium of three companies: t33 (lead), University of Strathclyde – EPRC and Spatial Foresight.

Abbreviations

Exchange rate: EUR 1 = PLN 4.1776

ARP	Agencja Rozwoju Pomorza (Pomerania Development Agency)
BGK	Bank Gospodarstwa Krajowego (The State Development Bank of Poland)
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESI Funds	European Structural and Investment Funds
JESSICA	Joint European Support for Sustainable Investment in City Areas
LAU	Local Administrative Units (under the NUTS classification)
NUTS	Nomenclature of Territorial Units for Statistics
OP(s)	Operational Programme(s)
PPP	Public-private partnership
ROP	Regional Operational Programme
SF	Structural Funds
SME(s)	Small and Medium Enterprise(s)
UDF	Urban Development Fund
ZIPROM	(Polish abbr.) Integrated Plan for Sustainable Urban Development

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1 Summary

The BGK-managed Urban Development Fund in Pomorskie (Poland), with a budget of c.a. EUR 60m, is an ERDF co-funded financial instrument implemented under the Pomorskie ROP 2007-2013. Financial instruments facilitating sustainable growth and renewal of region's urban and metropolitan areas were introduced in mid-term review of the ROP implementation, beside the grant system. The instruments support urban projects that are financially viable, have a social element that is important to the local community, and form a part of an urban integrated development plan. The projects are focused on developing business environment institutions, urban regeneration and urban functions, public transport systems as well as their integration, or renewable energy and energy efficiency.

The BGK-managed UDF supports urban projects in the region's four major cities: Gdańsk, Gdynia, Sopot and Słupsk with low-interest rate long-term loans. Investment terms depend on the type of project and the investor. As a general rule, the interest rate is the National Bank of Poland's reference rate, which can be reduced by up to 80% based on the so-called social indicator. This indicator assesses the project's impact in four spheres: social, economic, environmental and spatial planning using a cost-benefit analysis.

The instrument suitably addressed market gaps and gained a good reputation among project promoters. UDF loans have become a universal financial product with diverse support areas and eligible recipients. It has also gained recognition for stability among investors in the region and has become a renowned trademark in the capital market. The UDF has proved a highly successful tool for effective and efficient SF deployment in the region, providing delivery of policy strategic aims and benefits to all the stakeholders, as well as to society in general. The UDF has not only committed all of its initial capital and accrued interest, but has also attracted substantial non-ROP funding.

The introduction of a repayable financial instrument increased the financial and socio-economic efficiency of investments for final recipients, especially in the public sector. Mentality and attitudes changed in all the stakeholders, who also gained significant experience. Lessons were learnt both by institutions and final recipients. They constitute valuable input for using financial instruments under ESI Funds 2014-2020.

Name

BGK-managed UDF in Pomorskie (Poland)

Funding source

ERDF (as the source of EU funding within Pomorskie ROP)

Type of FI

Loans

Financial size

EUR 59.96 million (EUR 33.87 ERDF + EUR 5.98 million regional co-financing + EUR 20.11 million of private funding from the UDF Manager, BGK)

Absorption rate[1]

61% of ROP funding (as at the end of September 2014)

EU leverage[2]

1.8x (leverage effect of ERDF funds)

Leverage of public resources

1.5x (leverage effect of ERDF and other public funds)

Re-investment rate

Subject to Managing Authority and Investment Board arrangements.

Thematic focus

Urban development

Type of final recipient

Public organisations, social and economic partners, non-governmental organisations, commercial companies, housing associations or communities, public-private partnership operators, other partnerships of the above entities.

Partners involved

Pomorskie Regional Management Board – Managing Authority, EIB – Pomorskie JESSICA Holding Fund Manager, BGK – Pomorskie UDF Manager (Lot 1), ARP – Pomorskie UDF Partner (Lot 1)

Timing

November 2011 – 2015

Main results

Targets: public facilities used by 658,480 citizens; 1.06 million kWh of energy saved; 41 jobs directly created

[1] *This refers to the absorption rate of all OP allocations for this financial instrument. It is calculated as funds disbursed to final recipients divided by funds available through the OP.*

[2] *This refers to the leverage effect of EU funds, in this case of ERDF. It is calculated as total funds available to final recipients divided by the amount of ERDF financing.*

2 Objectives

The Pomorskie ROP 2007-2013 has a budget of EUR 1.3 billion, of which ERDF supplied EUR 938 million, EUR 252 million were public funds and EUR 102 million were private. The ROP is one of the main ways of delivering development policy and SF in Poland's Pomorskie region. Apart from the ROP, there are also SF co-funded national OPs and other common EU and national policies being implemented in the region. The ROP's Managing Authority is the Pomorskie Regional Management Board.

As stated in the Pomorskie ROP document, it is the region's first ever large-scale, coordinated, multi-annual development programme. Its strategic goal is to improve the region's competitiveness, social cohesion and accessibility by utilising its unique economic and cultural potential and by ensuring sustainable use of the environment. The strategic goal is implemented through: (a) improving competitiveness and innovation in the economy and increasing the capabilities of residents; (b) improving the attractiveness of urban centres and links between them for investment; (c) improving attractiveness for settlement and tourism; and (d) overcoming barriers in areas with lower development potential.

One of the regional development problems addressed in the programme is progressive physical and social deterioration in urban areas, especially in large cities. The most important measures to increase the attractiveness of urban areas include improving accessibility to major urban centres and their public transport systems, enhancing the security and quality of urban space, as well as creating positive social attitudes directly affecting the social and economic activity of inhabitants. Hence, a priority axis (Priority No. 3) was created to support the development of urban and metropolitan areas. This embraces grants as well as financial instruments (Measure 3.3. Infrastructure of urban development – non-grant support).

The aim of these financial instruments is to focus on integrated urban development in the framework of the ROP and: (a) establish a new tool for shaping the region's urban policy, based on an integrated, territorial-based approach; (b) introduce a support instrument to close the capital market gap, while providing sustainable strategic planning in urban development and facilitating social benefits; (c) increase the effectiveness of SF and ROP impact in supporting entrepreneurship and developing cities through the renewable nature of the financial instrument, (d) address emerging needs including support for revenue-generating investments and housing; (e) enhance the region's SF absorption capacity; (f) increase the readiness to use non-grant support mechanisms in the next EU financial period.

Under SF regulations in the 2007-2013 programming period, financial instruments supporting urban development were deployed under the JESSICA initiative, through which member states can use a part of their OP allocation to make repayable investments in integrated, sustainable urban-renewal projects. In the case of Pomorskie, the Managing Authority used a Holding Fund that was responsible for selecting, funding and monitoring the performance of UDFs. The EIB was appointed as the Holding Fund manager and UDFs were selected in a tender procedure, with one lot covering support to region's major cities[3], and another for other cities and towns. The BGK-managed UDF was awarded in Lot 1 which supports urban projects, i.e. investment in urban areas, falling under an integrated urban development strategy with social impact in the region's four major cities: Gdańsk, Gdynia, Sopot and Słupsk.

Sopot Railway Station – project financed by the financial instrument

'Development of the railway station in Sopot', with a total value of EUR 27.7 million, is the first European PPP project using repayable OP funding under the JESSICA initiative. The revitalised railway station and its surrounding area create a new urban space. This includes a complex of retail and commercial buildings, a hotel, a new railway station and below- and above-ground car parks. The local transport system will be modernised into a transportation hub, integrated into the railway station. A loan of EUR 10 million for 17-years at 0.87% p.a. attracted investment. The project has a very strong socio-economic rationale, including increased functionality, aesthetics and safety in the city centre. Without the loan, the project would have involved mainly public-utility improvements and would not have attracted private investment due to inadequate profitability. With a lack of resources in public budgets such an investment might not have happened at all. Not only did the loan ensure the investment took place with its positive social effects, but it also allowed for surplus effects generated by the commercial side, e.g. improving tourism and hospitality services in the region.

[3] *The so-called 'cities with poviat status', being those on the territorial administration level of LAU1 (below the NUTS levels) whereas the other cities and towns are classified on the lowest level of LAU2.*

3 Set up of the financial instrument

This section presents the process of setting-up the UDF, from the early concept, through establishment, to implementation. The entire set-up process was successful due to the dedication of all the stakeholders.

3.1 Preceding events

The Managing Authority decided to incorporate financial instruments as an urban development support tool in 2009, during ROP implementation. In this ROP introduction of the financial instruments required an amendment to the programme. The ROP amendment took place in 2010 within the framework of the mid-term review of Poland's National Strategic Reference Framework 2007-2013 and its OPs. The amending procedure was relatively short and successfully managed due to the high commitment of the Managing Authority, the European Commission, Poland's Ministry of Regional Development and EIB personnel.

The steps undertaken to establish the Holding Fund and the BGK-managed UDF are detailed in the table below. The length of the entire set-up process needs to be analysed, taking into account its positive outcome, namely the efficient implementation of the financial instrument.

Time period	Action taken
Jan-Apr 2010	Evaluation of JESSICA implementation in Pomorskie, commissioned by the EIB
Apr-May 2010	ROP review and amendment process (introducing repayable support for integrated urban development).
12 July 2010	Conclusion of funding agreement (containing Holding Fund investment strategy) between the Pomorskie Regional Board and the EIB, establishing the Holding Fund and the EIB as the Manager.
3 September 2010	European Commission's decision approving the amended ROP.
To March 2011	EIB scoping study – regional market analysis, identifying potential projects and UDF candidates. Establishment of an Investment Board. Agreed reporting procedures. Preparing the UDFs selection procedure.
31 March 2011	Beginning of UDFs selection procedure – the EIB opened the call for expression of interest for potential managers.
11 July 2011	UDF selection decisions – awarding BGK as one of two UDFs for Pomorskie.
13 October 2011	Conclusion of operational agreement between the Holding Fund and BGK as the UDF.

One of the most important steps in the process was an evaluation study following the region's expression of interest in JESSICA, which investigated the rationale and potential for the financial instrument. The study's findings were decisive in concluding the funding agreement. The main conclusions are laid out in the table below[4].

Theme	Conclusions
Financial instrument demand and supply analysis	Pomorskie has a high potential for projects, with limited funds for projects that comply with ROP measures. The market offers financing for such projects, but does not cover every urban development investment. The term 'urban development' ranges from non-profit projects to projects generating large profits. A financial instrument focusing on integrated urban development would certainly supplement traditional sources of financing, in particular for Local Regeneration Programme projects.
Market analysis	Significant post-industrial, post-military land and degraded urban sites are eligible for regeneration. Relatively high urbanisation in cities in the region creates an attractive market for innovative ventures. Numerous historical buildings, districts, centres, structures and parts of cities are in need of regeneration because of their high socio-economic value.
Planning constraints analysis	There are no documents that can be directly considered as Integrated Urban Development Plans. However, the current planning environment of cities enables new plans or previous ones to be adapted, provided they include the relevant elements.

The selection of a Holding Fund manager was based on expertise and reputation in managing financial instruments, as well as a simplified procedure[5]. The Holding Fund manager's selection of UDFs took place via a competitive procedure, with an invitation for expressions of interest and was based on evaluation of UDF business plan proposals. The most important criteria were the strategy, the institutional capacity to manage the UDF, experience in supporting development investments and additional funding for the proposed UDF.

[4] *EIB, 'JESSICA Evaluation Study for Pomerania', executed by Ove Arup & Partners International Limited Sp. z o.o. Oddział w Polsce, April 2010.*

[5] *Envisaged in Article 44 of Council Regulation (EC) 1083/2006.*

Individual operational agreements were negotiated with the selected UDFs. The BGK was appointed as UDF in the four major cities of Pomorskie, offering low-interest loans to urban projects, as well as additional loan funding of EUR 20.11 million through its own products, available to the final recipients.

3.2 Funding and partners

The main funding and delivery partners are:

Role	Entity / institution
ROP Managing Authority	Pomorskie Regional Board
Holding Fund manager	EIB
UDF	BGK, ARP – partner

BGK is Poland's national development bank, whose primary business objective is to provide banking services to the public sector, as well as local and regional development programmes implemented with the use of public funds, including those of the EU.

ARP is a regional development agency, established in 1992 upon the initiative of the region's authorities and businesses from vital sectors of the regional economy. Over the years, ARP has been involved in the EU funding implementation system as an intermediate body for SF deployment under national and regional OPs.

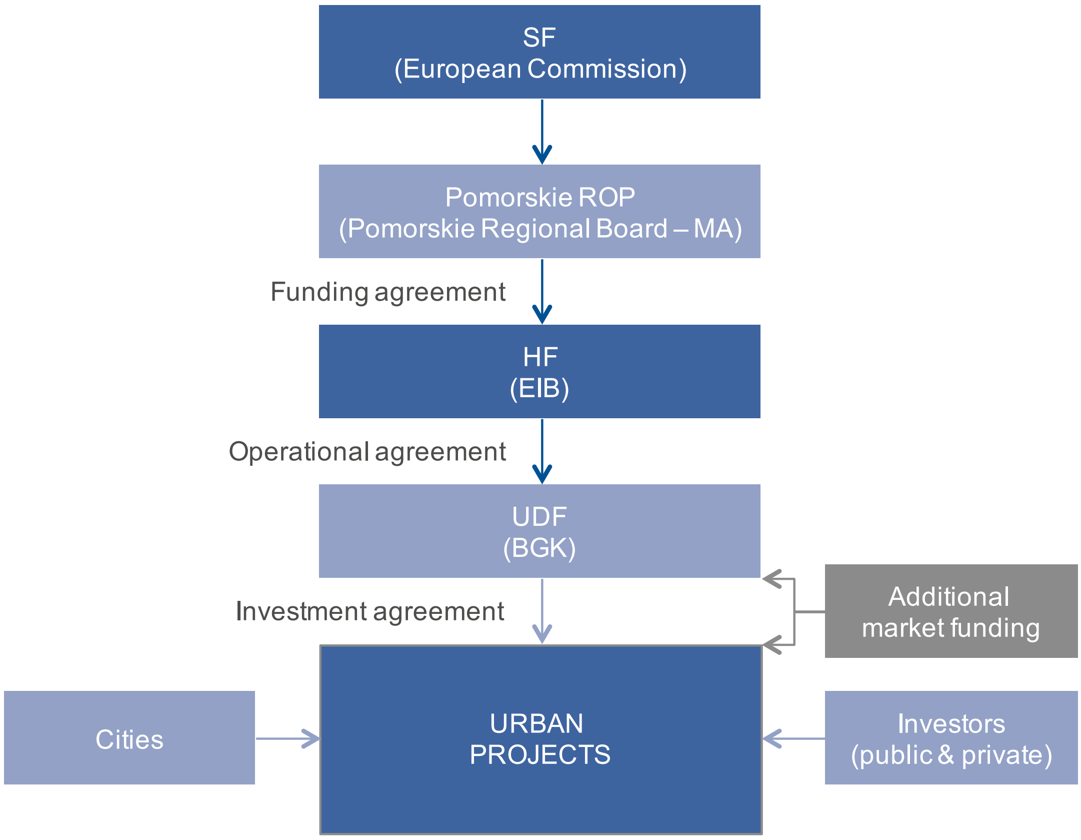
The main sources of funding for the BGK-managed UDF are:

Funding sources	EUR
ERDF	33.87 million
Public	5.98 million
- national	-
- regional	5.98 million
- local	-
Private	20.11 million of additional funding made available by the UDF – BGK.
Total funding available	**59.96 million**

BGK supplies additional private funding to supplement UDF loans under its other support programmes and financial products. As a part of its commercial activity, BGK offers investors long-term loans to supplement their obligatory contribution to urban projects, or working capital loans to finance VAT applied to purchases within the urban project implementation.

3.3 Implementation

The implementation structure is outlined as follows.



The timeline of the BGK-managed UDF activity has been:

Time period	Action taken
13 October 2011	Conclusion of operational agreement between EIB and BGK as the UDF
November 2011	Call for urban projects by the UDF
15 June 2012	First investment agreement concluded
9 October 2014	19th (currently last) concluded investment agreement
31 June 2015	UDF investment availability
Mid-2035	UDF maturity date

3.4 Governance

Implementation of the JESSICA initiative in Pomorskie is overseen by the Investment Board, established under the Funding Agreement. This body is not required under SF regulations, but is employed as best practice. The aim is to involve stakeholders in the management process. With members on the Board, the Managing Authority has insight into JESSICA activities, a capacity for controlling and reacting if needed, as well as the ability to monitor compliance with ROP and the investment strategy.

The UDF has a decision-making body in the form of an Investment Committee, whose tasks include granting final acceptance on signature of investment agreements. An important governance arrangement is UDF's monthly and quarterly performance reporting to the EIB as the Holding Fund manager.
BGK and ARP have clearly separated their respective roles in terms of implementation.

- BGK, as the UDF, plays the 'banking' role and is responsible for economic, financial and technical analyses, payments, collateral, on-site project inspections, monitoring and accounting.
- ARP, as the UDF partner, plays the 'intermediate body' role, assessing applications focusing on ROP eligibility, as well as compliance with SF, State aid and environmental regulations.

The UDF management fee is calculated in line with the provisions of the operational agreement, as a lump sum embracing all management costs. The UDF loan is free of any bank charges for the final recipient.

Sopot Railway Station

The project's final recipient is a private investor – Baltic Investment Group S.A., which entered into a PPP agreement with the City of Sopot. The agreement is based on Polish law for private-public partnerships. The City of Sopot gave land for the investor's commercial activities in exchange for the development of a transportation hub and public space on adjacent parcels of land. The city also acquired a parcel of land and the old railway station from Polish Railways and exchanged it with the investor for the construction of a new railway station.

4 Strategy

This section discusses the main aspects of the investment strategy and the projects supported.

4.1 Investment strategy

Urban projects must be financially viable, with a commercial element to ensure profitability and generate a financial surplus to repay the loan, or they must rely on other sources of income. The project must also have social elements that are important to the local community, such as improving the attractiveness of the area and thus raising the quality of life for local residents.

Investments must form a part of ZIPROM which may include local revitalisation programmes or plans, urban development programmes or integrated urban transport development plans. ZIPROM is defined as the integrated development plan for the city. This includes a system of related urban projects for lasting improvement in the environmental, physical, social and economic conditions for residents and businesses in the designated area of the city, under a coherent and unified development vision.

The financial instrument should help develop: (a) business environment institutions; (b) urban regeneration and urban functions; (c) public transport systems as well as their integration; (d) more renewable energy and energy efficiency.

SF priority themes are: (a) technology transfer and improved cooperation between SMEs, or between SMEs and education or research organisations such as universities, post-secondary education institutions, regional authorities, research centres, scientific and technological parks and technopoles; (b) railways; (c) urban transport; (d) solar, biomass, hydroelectric, geothermal and other renewable energy; (e) energy efficiency; cogeneration, energy management; (f) clean urban transport; (g) integrated projects for urban and rural regeneration.

4.2 State Aid

State aid issues that were reported by the Managing Authority and the UDF involved establishing and implementing the financial instrument, as well as project selection. In the set-up, the most appropriate State aid pattern needed to be selected. Individual notification was generally regarded as a solution that could be tailored to the financial instrument's needs. However, due to time constraints, the choice was to use regional investment aid, de minimis aid in selected cases and loans without State aid for selected investments and final recipients, including the thermal modernisation of public and apartment buildings.

4.3 Financial products and terms

The UDF introduced a low-interest rate long-term loan. Investment terms depend on the type of project and the investor. As a general rule, the interest rate is the National Bank of Poland's reference rate, which can be reduced by up to 80% based on the so-called social indicator. This indicator assesses the project's impact in four spheres: social, economic, environmental and spatial planning using a cost-benefit analysis. Projects with the highest contributions are offered more favourable interest rates. However, the loan's final interest rate must not be lower than 0.25% p.a. Loan repayment can be up to 20 years and the grace period can be up to 12 months following the project's completion.

The final recipient must provide own contribution equal at least to 25% of the eligible expenditure when receiving regional aid, or 15% in the case of de minimis aid, which may not include any form of public fund support. For projects not receiving State aid, the recipient's minimum contribution is 15% of the eligible expenditure, however, the Investment Committee, on the basis of the investor type and the project's characteristics, may grant a loan for 100% of the eligible costs.

Additional requirements include the eligibility of the investment and investor for ROP support, as well as compliance with rules for State aid, SF, environment, competition and sustainability. Economic, financial and technical assessments are required, as well as verification of creditworthiness and collateral.

The UDF does not finance any kind of 'soft' support with the financial instrument. There is, nonetheless, very close cooperation between the final recipient, BGK and ARP to support the preliminary implementation stage.

4.4 Final recipients targeted

Target groups eligible for UDF support include: (a) territorial authorities, their unions and associations; (b) higher education institutions; (c) research units; (d) cultural institutions; (e) churches and religious associations; (f) national government entities; (g) business environment institutions; (h) social and economic partners; (i) non-governmental organisations; (j) commercial companies; (k) public-private partnership operators; (l) public sector finance units with a legal personality (not listed above); (m) partnerships of the above entities; (n) housing associations; (o) housing communities.

The EIB and the UDF have widely marketed the loans through regional and local media and the internet. Additionally, the Managing Authority and the UDF organised many meetings with territorial administration units, to familiarise them with the financial instrument's features and to highlight the benefits. The instrument required a very proactive approach to attract attention and involvement. This differs from the grant system, where high levels of marketing are not always required.

4.5 Project types

Projects eligible and implemented within the UDF include:

(a) construction, expansion, remodelling, or renovation of buildings to create or develop science and technology parks, advanced technology centres, centres of excellence, education and implementation centres, business incubators and similar institutions, including technical infrastructure and surroundings;

(b) projects for comprehensively regenerating degraded urban areas such as brownfields, former military installations, railways, ports, housing, or commercial sites, including the construction of new, expanded or remodelled public infrastructure for economic, educational, social and recreational functions;

(c) construction, expansion, remodelling, renovation, adaptation and fitting out of public buildings (excluding the seats of local government units), historical sites and metropolitan and trans local functions including sports, convention, cultural, exhibition and fair facilities, together with development of their surroundings;

(d) comprehensive management of public spaces in city centres, among others, by excluding vehicles and building car parks with small architecture and associated infrastructure;
(e) construction of new, expanded or remodelled transport infrastructure (trolleybus, bus and railway – fast urban rail and tram) and public transport infrastructure in regional integration hubs;
(f) comprehensive thermal modernisation of public buildings and multi-family residential buildings, also connected with the transformation of existing heating systems and the use of renewable energy;
(g) elimination of existing coal heating systems and connecting customers to municipal and local heating;
(h) expanding or remodelling centralised heating systems, including source and distribution networks and reduced emissions of gases and particulates;
(i) Expanding or remodelling infrastructure and purchasing equipment for the production of energy from renewable sources, including heat sources based on biomass, biogas and biofuels, or solar installations.

4.6 Changes in Strategy

During the implementation phase, the Managing Authority introduced a significant change in the strategy. Since the UDF proved to be a successful and universal financial instrument, and, at the same time, the ROP had inadequately addressed support for housing then housing regeneration, e.g. thermal modernisation, was included in its scope.

Sopot Railway Station

A UDF loan to the private investor has two main advantages. The first is cost-related. The loan enables a wider project scope that increases the investment's profitability and compensation for investor risks. Another advantage is the positive marketing image of the investment with support from EU Funds and the positive regional recognition of loans from a financial instrument.

5 Achievements

The instrument suitably addressed market gaps and gained a good reputation among stakeholders. Results, however, cannot be quantified for the time being since most of the investments were still underway in December 2014.

5.1 Output

The UDF has not only committed all of its initial capital, but has also attracted substantial non-ROP funding.

According to the Managing Authority, as at October 2014 the UDF had signed 19 investment agreements under JESSICA for loans of EUR 41.7 million, which is about 105% of the ROP allocation for the UDF. Committed allocation exceeds the contributed capital due to interest earned on this capital. Loans paid to final recipients are EUR 25.6 million, which is about 61% of the allocation. Supported investments total approximately EUR 91 million.

Among these, ten loans worth EUR 12.9 million were given to private investors to generate investments of EUR 25.6 million. Public investors received eight loans worth EUR 18.8 million to finance investments of EUR 36.4 million. Finally, Sopot Railway Station, a PPP investment of EUR 27.7 million, received a loan of EUR 10 million.

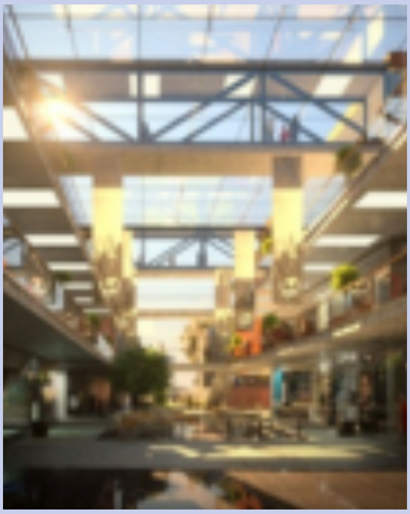
At September 2014 the BGK co-financed UDF loans with EUR 14.77 million, and had applications under assessment for EUR 5.5 million.

UDF loans have become a universal financial product, available to all major cities in the region, with diverse support areas and final recipients. It has also gained recognition for stability among investors in the region and has become a renowned trademark in the capital market. The instrument has also become self-financing, since management costs are covered by interest from UDF resources.

As presented by the UDF, by the end of September 2014 investments had been completed for public facilities, including sports facilities, congress centres, cultural exhibition and fair facilities, as well as for thermal modernisation.

Sopot Railway Station

The Sopot investment will generate significant socio-economic benefits. Its direct results include revitalising 1.7 hectares of land, a new public transport node, new tourism and leisure facilities, a modernised railway station as well as a railway control system and public area monitoring systems. Around 400 jobs will be created directly and indirectly. Additional benefits include more tourists, tax revenues for local authorities and increased public safety.



6 Lessons learned

Establishing and implementing the EIB-managed Holding Fund and BGK-managed UDF allowed all stakeholders to gain significant experience. Lessons apply to institutions as well as final recipients and constitute valuable input for using financial instruments under ESI Funds 2014-2020.

6.1 Main success factors

The following success factors are especially important concerning financial instruments for 2014-2020.

(a) Mentality and attitudes changed in case of all the stakeholders. Institutions previously dealing only with the distribution of grants needed to adopt a highly proactive approach towards potential final recipients and market their offer as a 'product' to a 'client'. Potential final recipients within the public sector needed to adapt to the repayable nature of this new form of support, to consider cost-efficiency and the generation of income from investments, and to become more open to private investors as partners. Private investors needed to see the social dimension of their investments and to engage in dialogue with the public authorities. The requirement of ZIPROM compliance made investments better coordinated with city-planning. Fund managers needed to see the difference between the UDF loan and traditional banking products.

(b) The introduction of a repayable financial instrument increased the financial and socio-economic efficiency of investments for final recipients, especially in the public sector.

(c) Regional authorities were dedicated to efficiently managing SF and conducting result-oriented regional and urban development policy, equipped with modern tools. There was a need for an urban policy focused on integrated urban development. The authorities were willing to innovate and adopt new solutions offered by EU initiatives.

(d) The banking and policy management system in the region had the capacity to deliver the financial instrument. In the regional economy there were many eligible undertakings, as well as institutional and financial capacity in final recipients.

(e) Establishing and implementing the financial instrument did not require sophisticated organisational structures. Regulatory requirements, especially with regard to State aid, were manageable.

(f) The implementation structure with the Holding Fund ensured transparency and best practices, as well as efficient procedures and processes.

6.2 Main challenges

Significant challenges were related to the set-up, particularly the process of learning the delivery mechanisms by the key stakeholders. Hence, the organisational period was extended, which, however, resulted in an efficient financial instrument.

Many of the challenges in the implementation period became success factors as described above. The most significant was a change in mentality, especially of public recipients. The need to re-orientate their thoughts about EU funding away from awarding grants, to being utilised in a more cost-efficient way and to generate income was one of the key issues. Additionally, integrated strategic planning as well as the social impact of the investments were challenges for recipients to overcome.

Challenges in ensuring adequate demand for the financial instrument's support were also mitigated by the limited availability of grants, providing substantially more attractive terms than the market alternatives and undertaking direct marketing, especially through meetings with potential recipients from the public sector.

6.3 Outlook

The UDF has proved a highly successful tool for effective and efficient SF deployment in the region, providing delivery of policy strategic aims and benefits to all stakeholders, as well as to society in general.

The region is willing to use financial instruments under ESI Funds in the 2014-2020 programming period. The Managing Authority anticipates the need for financial instruments focusing on integrated urban development, entrepreneurship and renewable energy. This financial instrument should support integrated urban development especially for the many brownfield, railway, port and shipyard areas. Such a financial instrument would be particularly justified for integrated territorial investments, which are envisaged for ESI Funds deployment in urban areas of Pomorskie.

Implementation of the UDF in the 2007-2013 period demonstrates the added value of this kind of financial instrument.

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