



THE PRINCIPLE OF COMPETITIVENESS IN EUROPEAN PROJECTS - THE CASE STUDY

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Abstract

One of the basic conditions for the granting of EU funds for co-financing of the project is the application of the principles of equal treatment of contractors, fair competition and transparency of procedures in their spending. The public procurement under the project takes place in accordance with the relevant legal provisions. Beneficiary being a public entity obliged to apply the Public Procurement Law. In other cases, including in the case of private companies, disbursement of funds should take place in accordance with the principle of competitiveness.

Competitiveness is recognized as a natural phenomenon in economic life and a source of wealth creation (Czerniachowicz, 2012). In order to be successful, every company is forced to effectively use its material, financial resources and employee potential, and to analyze the environment in which it operates. All this makes companies in the process of development undergo constant evolution, adapt functions, goals and tasks, or organizational and management methods to the changing conditions of economic activity (Grzebyk, 2009).

The article presents a case study: the problem of applying competition rules in the event of the need to purchase meat raw materials for the project entitled "Development of a comprehensive technology for premium products from ostrich meat produced in Poland" carried out by Strusia Kraina & MOBAX Sp. J., co-financed from EU funds by the National Center for Research and Development in Poland. A methodology for the settlement of meat raw material costs, developed for the needs of this project, has been proposed.

The study was based on an analysis of literature, legal provisions and experience of the project manager presented as a case study.

Key words: *project management, international project, innovative project, competitiveness, public orders.*

JEL code: L21, L23, M11, H43

Introduction

In the Universal Declaration of Human Rights, adopted by the UN General Assembly resolution 217 / III A on December 10, 1948 in Paris, it was assumed that everyone has the right to life, liberty and security of person. The right to life requires satisfying basic physiological needs, among which nutrition can be distinguished. The Special Rapporteur on the Right to Food as an independent expert appointed by the Human Rights Council, explained that the right to food is the right to regular, permanent and unlimited access, directly or through financial purchases, to the quantity and quality of adequate and sufficient food corresponding to traditions the cultural people that the consumer belongs to and provides for physical and mental, individual and collective, full of life and a decent life free from fear..

In recent years, the market for health-promoting products has been growing strongly in Europe. There is a large increase in consumer awareness of the nutritional value of food and the



impact of a well-balanced diet on health. Consumers check the composition of food products and increasingly consciously choose those that are as least processed, natural and providing high quality nutrients.

Among the pro-health products, you can distinguish ostrich meat products, which are among the best quality meats, they are especially valued for their taste and health values. The largest producer of ostrich meat in Europe is a company from the SME sector. Strusia Kraina & Mobax Dudka Motz Sp. J., which offers premium customers in Europe in the form of fresh culinary meat from ostriches. The company has obtained co-financing from European funds for the implementation of a research and development project entitled: "Development of a comprehensive technology for premium products from ostrich meat produced in Poland", co-financed by the National Center for Research and Development in Poland from the European Regional Development Fund under the Smart Growth Operational Programme 2014-2020.

The case study presented in the article concerns the problem of applying competition rules in the event of the need to purchase meat raw materials. A methodology for the settlement of meat raw material costs, developed for the needs of this project, has been proposed.

Information about the project

The subject of the project entitled "Development of a comprehensive technology for premium products from ostrich meat produced in Poland" is to carry out comprehensive industrial research as well as development and pre-implementation activities on the development of high quality innovative products from ostrich meat originating in Poland.

The subject of research at all stages of the project implementation are meat raw materials from ostrich meat originating from Poland.

The results of the project will be product innovations in the form of:

- in the area of culinary ostrich meat, a significant improvement of the products offered so far,
- in the area of ostrich meat products - launching new ostrich meat products that have not been available so far.

Technologies developed within the project will be implemented in production plants directly after securing intellectual property through European and Polish patent applications.

The main goal of the project is to increase the company's competitiveness on the European market by implementing the developed solutions on the market.

Costs in European projects

In accordance with Article 174. (ex Article 158. TEC) of the Treaty (Official Journal of the EU 2016 C 202), in order to promote the harmonious development of the whole Union, it develops and conducts activities to strengthen its economic, social and territorial cohesion..

Cohesion policy for 2014-2020 is a leading EU investment policy for economic development, employment and implementation of EU projects. Cohesion policy aims to support activities leading to equalization of economic and social conditions in regions of the European Union, and in the years 2014-2020 they are territorially targeted investments, among others in:

- research and innovation activities;

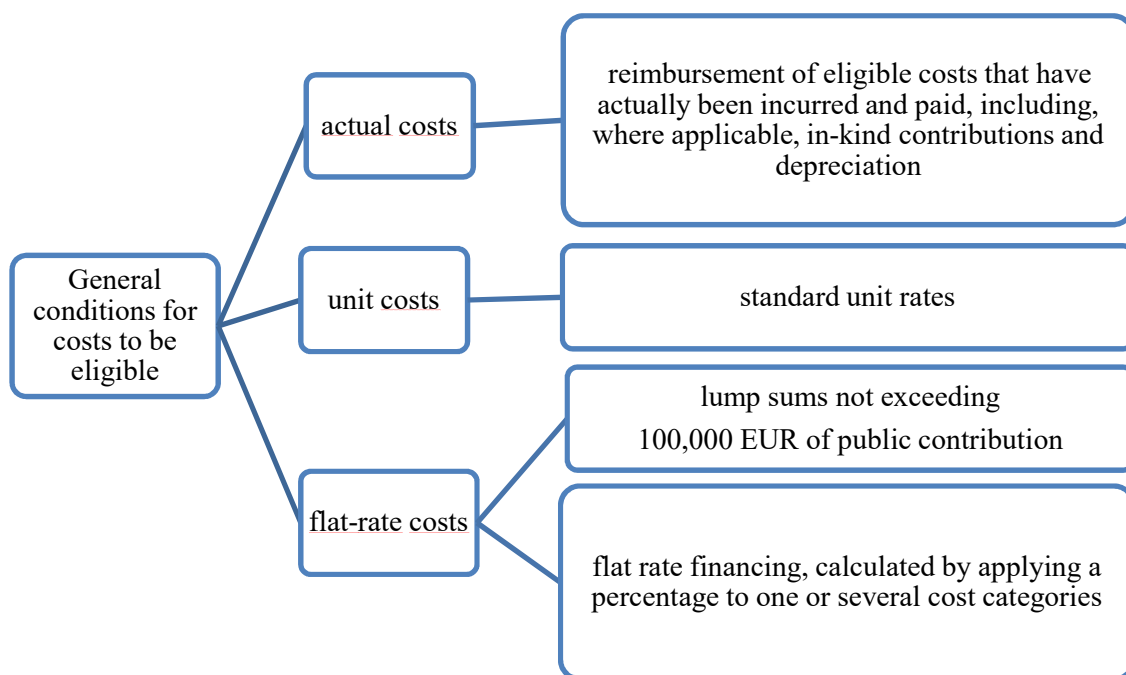


- support for small and medium-sized enterprises (SMEs).

The instruments for the implementation of cohesion policy are operational programs.

Regulation of the European Parliament and of the Council (EU) No. 1303/2013 of December 17, 2013 specifies the common rules applicable in the European Union countries applicable, among others to the European Regional Development Fund (ERDF).

Under EU rules, subsidies and repayable assistance in ERDF projects can take specific forms, as illustrated in Fig. 1.



Source: Authors' own work

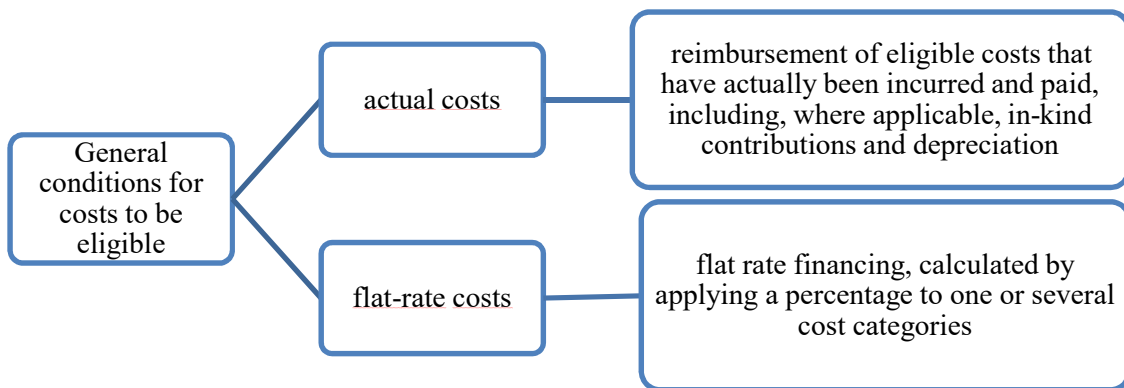
Fig. 1. Forms of subsidies and non-returnable aid in European Regional Development Fund projects - European Union

The legal provisions concerning the European Regional Development Fund, applicable in Poland, are in particular:

- Act of 11 July 2014 on the rules for the implementation of programs in the field of cohesion policy financed in the 2014-2020 financial perspective (i.e. Journal of Laws of 2018, item 1431, as amended);;
- Guidelines for the eligibility of expenditure under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for 2014-2020;
- Cost Eligibility Guide under the Intelligent Development Operational Program;
- Contracts awarded as part of projects. Handbook of the applicant and beneficiary of the cohesion policy programs for 2014-2020.



According to Polish regulations, subsidies and repayable assistance in ERDF projects may take specific forms, as shown in Fig. 2.



Source: Authors' own work

Fig. 1. Forms of subsidies and non-returnable aid in European Regional Development Fund projects - Poland

The general conditions of eligibility of costs laid down in the Regulation of the European Parliament and of the Council (EU) No. 1303/2013 of 17 December 2013, allow the settlement of subsidies with standard unit rates, whereas this form of settlement has not been accepted in Polish legislation..

Procedures for awarding public contracts in European projects

In Poland, in the programming period 2014-2020, Guidelines on the eligibility of expenditure under the European Regional Development Fund, the European Social Fund and the Cohesion Fund for 2014-2020, hereinafter referred to as "Guidelines", which specify harmonized conditions and procedures for eligibility of expenditure .in. for structural funds and the Cohesion Fund.

n the 2014-2020 programming period, eligible expenditure is one that has been made in a transparent, rational and effective manner, respecting the principles of obtaining the best results from the given inputs.

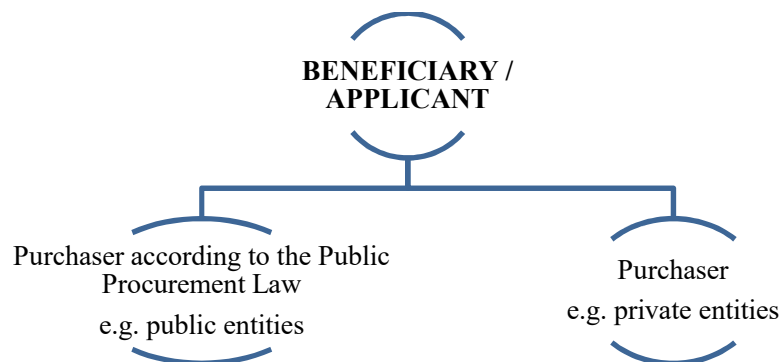
In addition, Chapter 7 of the Regulation of the European Parliament and of the Council (EU, EURATOM) No. 966/2012 of 25 October 2012 defines the fundamental principle of sound financial management, requiring the use of resources in an economical, efficient and effective manner:



- in accordance with the principle of savings, the resources used by the institution to carry out its activities should be made available in due time, in the right quantity and quality and at the best price.
- the principle of efficiency is associated with the most advantageous relationship between the resources used and the results achieved.
- the principle of effectiveness is associated with achieving specific objectives and intended outcomes.

Granting funds for project co-financing depends on the application of the principles of equal treatment, fair competition and transparency (Lech, 2016).

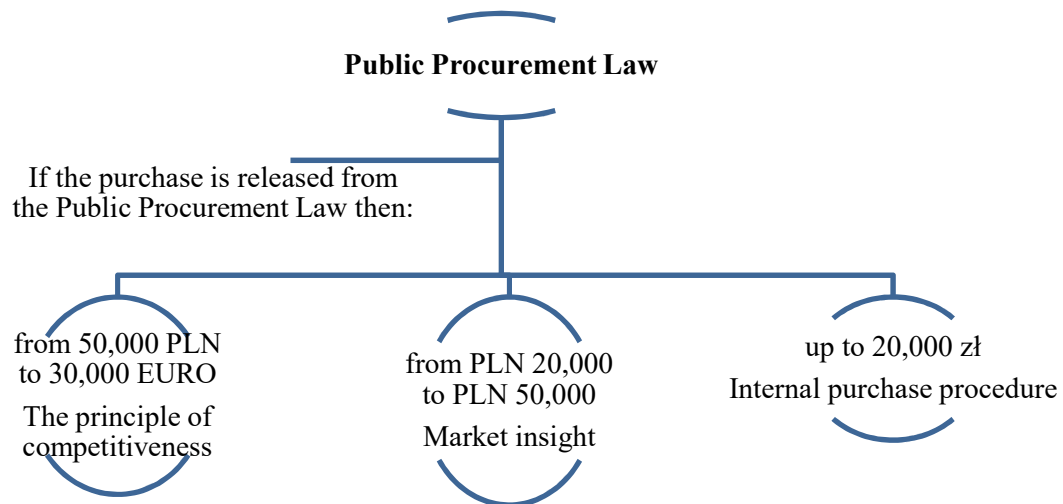
A statement of the beneficiary's violation of public procurement, community procurement procedures and / or the provisions of the Public Procurement Law Act is related to the establishment and imposition of the so-called financial correction. The selection of the public procurement procedure in European projects implemented in Poland is primarily dependent on the type of Beneficiary / Applicant, as set out in Figure 3.



Source: Authors' own work

Fig. 3. Types of Beneficiaries / Applicants

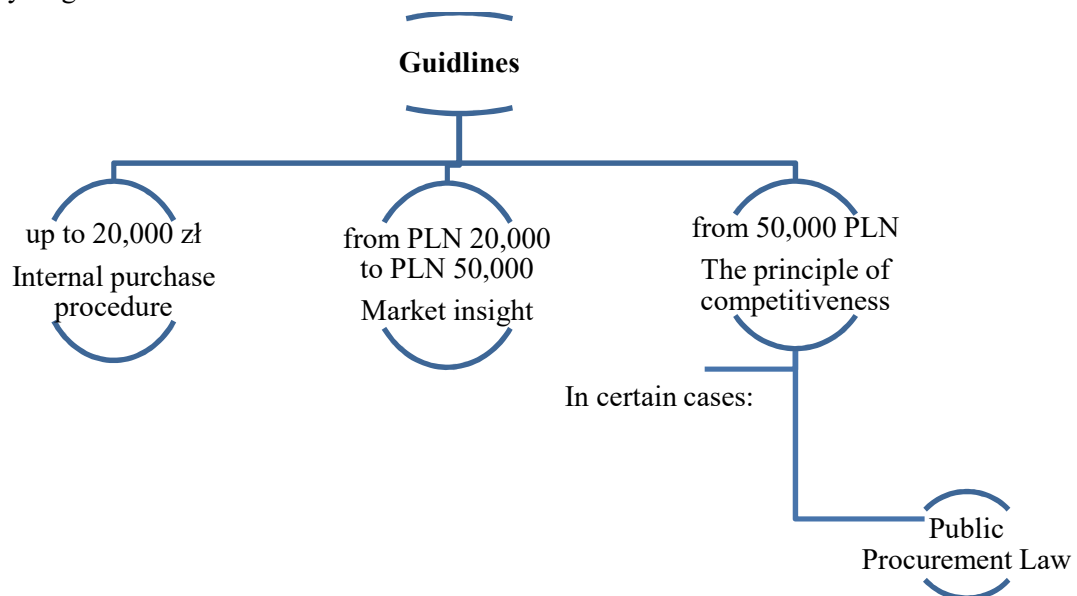
If the project is carried out before a public entity governed by the provisions of the Public Procurement Law, then the purchase should be carried out in the first place in accordance with the provisions of the Public Procurement Law. However, if the purchase can be made without applying the Public Procurement Act, the procedures set out in the guidelines will apply, depending on the estimated value of the contract. Fig. 4



Source: Authors' own work

Fig. 4. Procurement procedures applicable in public entities

If the project is implemented before a private entity, then the procedures set out in the Guidelines will apply, depending on the estimated value of the contract, and in specific cases indicated in the Public Procurement Law, the provisions of the Public Procurement Law should apply. Fig.5.



Source: Authors' own work

Fig. 5. Procurement procedures applicable in private entities



Case study

In this article as a case study, the process of purchase of meat raw material is presented, which is the subject of research within the project. Because the Beneficiary is a private company, the purchase procedure was carried out in accordance with the Guidelines. The next steps of the completed procedures are shown in Fig. 6.



•ESTIMATING THE VALUE OF THE ORDER

- Object of the contract: "Successive delivery of vacuum-packed ostrich meat from Poland"
- Estimated value of the order: over 50,000 zł
- Purchase mode: Competitiveness rules



•PROCEDURE ACCORDING TO THE PRINCIPLE OF COMPETITIVENESS

- The offer inquiry was made public: "The successive delivery of vacuum-packed ostrich meat from Poland"
<https://bazakonkurencyjnosci.funduszeuropejskie.gov.pl/>
- The deadline for submitting bids has been set at least 30 days
- NO OFFERS



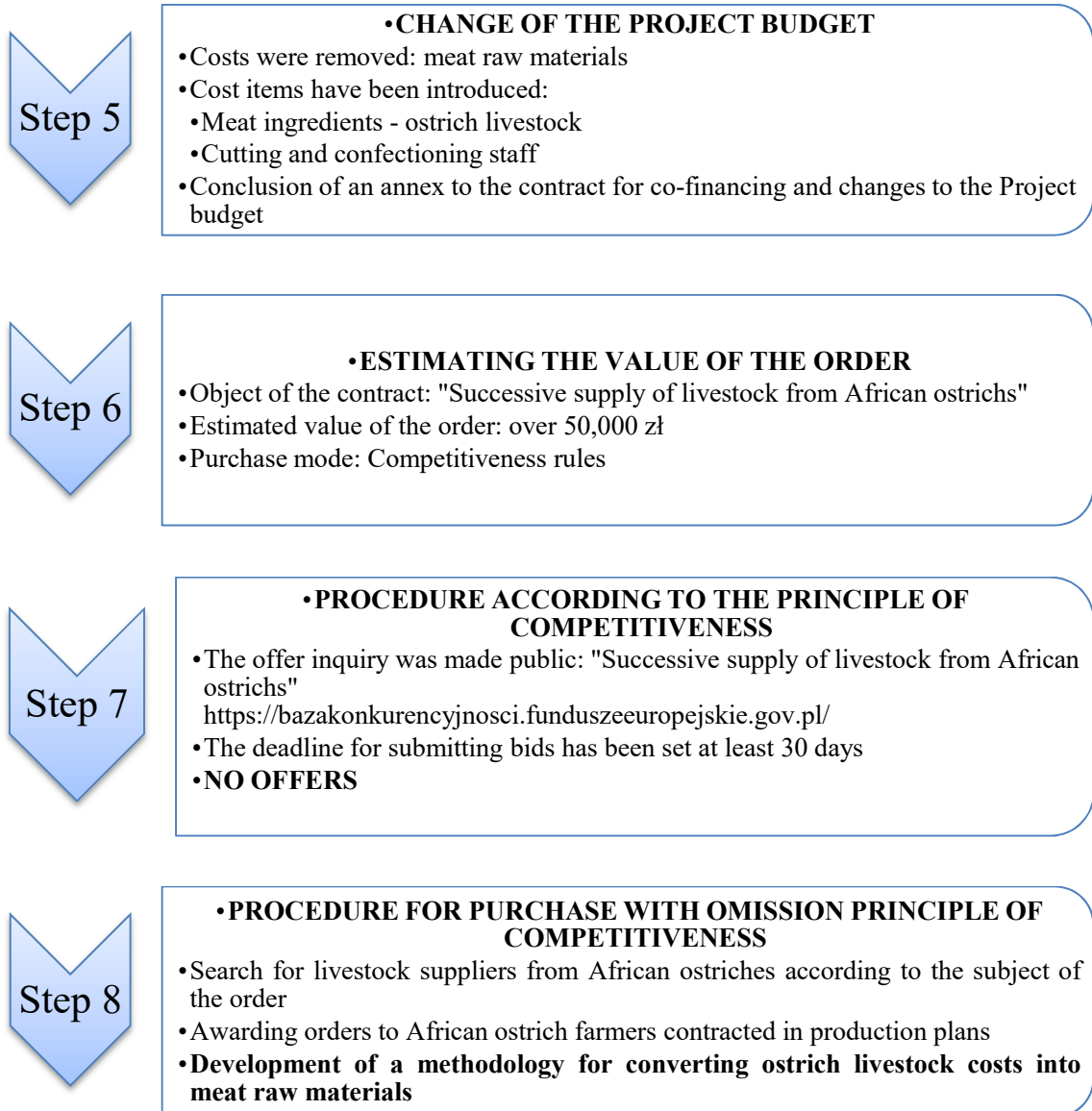
•PROCEDURE FOR PURCHASE WITH OMISSION PRINCIPLE OF COMPETITIVENESS

- Searching for ostrich meat suppliers according to the subject of the order
- NO OFFERS



•APPLICATION FOR THE PROJECT OF OWN MEAT RAW MATERIALS

- No possibility to settle the cost of meat raw materials from own resources according to the unit cost calculation, without the margin
- Reconciliation with the National Center for Research and Development, the method of solving the problem of the purchase of meat raw materials - change of the type of costs: instead of meat raw materials, the costs of producing meat raw materials should be introduced, without changing the total value of project costs



Source: Authors' own work

Fig. 6. Stages of the procurement procedure for the case study

Repeated purchase procedures and introduction of necessary changes to the Project budget caused the necessity of shifts in the project implementation schedule.



Methodology of settling costs of meat raw material - ostrich livestock

For the purposes of settling the cost of raw meat in the draft, based on the purchase costs of ostrich livestock, a methodology for calculating the indicator was developed.

For the calculation, historical data was adopted for the period from 01 / 2018-09 / 2018:

- Number of live ostriches purchased: a [pcs.]
 - Total weight of purchased live ostriches: b [kg]
 - Total weight of produced meat raw materials that will be covered by research in the project::
 - Fan Filet: c_1 [kg]
 - Filet mix: c_2 [kg]
 - Steak: c_3 [kg]
 - Class II: c_4 [kg]
 - Class IIIA: c_5 [kg]
 - Class IIIC: c_6 [kg]
- $$c_1 \text{ [kg]} + c_2 \text{ [kg]} + c_3 \text{ [kg]} + c_4 \text{ [kg]} + c_5 \text{ [kg]} + c_6 \text{ [kg]} = c \text{ [kg]}$$

Calculation of the percentage share of ostrich meat covered by research in the art of live ostrich:
Efficiency = $(c \text{ [kg]} / b \text{ [kg]}) \times 100 \% = X \%$

Calculation of the ratio of 1 kg of ostrich meat in the weight of ostrich live::
Indicator = $1 \text{ [kg]} \text{ of ostrich meat} / X \% = Y \text{ [kg]} \text{ of ostrich livestock}$

Interpretation:

To produce 1 kg of ostrich meat necessary for testing, it is necessary to buy and process Y [kg] of ostrich livestock.

The Y -ratio [kg] of ostrich livestock applies to all types of meat used in the project in one height. Based on the above the indicator has been calculated the amount of livestock necessary to conduct research and have been proposed changes to the Project Budget

Conclusions

The company's success in the area of purchases is dependent on proper management. Its aim is to get to know, satisfy and constantly control methods and procedures leading to the proper course of the purchase process and decisions connected with it (Gąsiorowska, 2007, p. 117).



Recognized in the literature dependence between phases of purchase and its type is presented in tab. 1.

Table 1.

Purchase model in the institutional market of F.E. Webster and Y. Wind

Purchase phases	New purchase	Purchased modified	Routine purchase
Recognizing the need to buy	Yes	sometimes	no
A general description of the need	Yes	sometimes	no
Determination of the characteristic features of the product	Yes	Yes	Yes
Searching for potential suppliers	Yes	sometimes	no
Collection and analysis of offers	Yes	sometimes	no
Selection of the supplier	Yes	sometimes	no
Specification of the order	Yes	sometimes	no
Control and evaluation of purchase	Yes	Yes	Yes

Source: abased on (Gqsiorowska, 2007, p. 127).

The purchase model on the institutional market of FE Webster and Y. Wind Phase presents in how the purchase phases are related to the types of purchases: new purchase, modified purchase or routine purchase. Similar models can be seen shopping in the normal practice of private companies, where the shopping is characterized by routine and minimum formalities that, as opposed to purchasing new. The type of purchase and business relationship depends on the procedure necessary to carry out the procedure.

If the company is carrying out the European project, purchases are made according to procedures s public procurement Phase result from the purchase necessary to apply the procurement procedures in European projects, which depend on the type of Beneficiary / Applicant and the estimated, current value of the order (so-called quota thresholds). This is an approach that can cause problems for companies implementing European projects , in particular for SMEs.

Based on the case study presented, the following conclusions can be made:

- 1) Polish law in projects co-financed from the European Regional Development Fund do not allow the possibility of settling expenses on the basis of unit costs.

The general conditions of eligibility of costs set out in Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 allow the settlement of subsidies using standard unit rates.

Unit rates in normal practice most often occur in manufacturing companies, where carrying out the required purchase procedures would be significantly difficult or economically unjustified, and sometimes even impossible.

- 2) The procedure of buying meat raw material carried out in accordance with the Competitiveness Rules was unsuccessful - no offers. The contracting authority, as a



producer of ostrich meat, supplies ostrich meat products to the market. It is not possible to settle the cost of meat raw materials from own resources in the project.

- 3) The procedure for purchasing ostrich livestock carried out in accordance with the Competition Rules was unsuccessful - no offers. Purchase of ostrich livestock takes place at market prices and is conducted on the basis of long-term contracts between producers and breeders.
- 4) After two procedures of purchase in accordance with the Principles of Competitiveness, notification of changes to the Project budget and development of the "Methodology for settling costs of meat raw material - ostriches from livestock", the meat products produced by the Beneficiary are accepted for the project implementation. The costs of meat raw materials are settled on the basis of actual expenses incurred for the purchase of ostrich livestock from breeders. Depending on the amount [kg] of the used raw material, the corresponding amount [kg] of the ostrich live with the indicator is converted.
- 5) Purchase procedures required by Polish law have been unsuccessful, but as a result, the Beneficiary purchases at market prices from breeders from whom they make routine purchases in connection with normal business operations.

The presented case study concerns the problems of settlement of raw material costs in a project implemented by a Polish ostrich meat producer. Similar problems may occur in the case of manufacturing companies from other industries..

The purpose of the article was to signal a problem and a possible way to solve it. It seems rationally justified that in the next programming period, the legislator would allow the settlement of subsidy costs according to standard unit rates - which may occur in the case of manufacturing companies. It seems also legitimate to see that companies in their normal activities make routine purchases from regular contractors, pursuing a specific pricing policy when building long-term business relationships. In such cases, also the requirement to use specific procedures as for new purchases seems unreasonable..

The case study shows that in some cases the conduct of purchase proceedings does not result, but only affects delays in the substantive implementation of the Project and is associated with the necessity to incur additional costs by the Beneficiary. Such problems could be avoided by allowing some simplifications..

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