1. Basic Information
1.1. Désirée number: PL0008.04.02
1.2. Title: Podkarpacie - SME Development
1.3. Sector: Private sector development
1.4. Location: Podkarpackie Voivodship, Poland

2. Objectives
2.1. Wider objective
The wider objective of the project is to create conditions for greater economic and social cohesion through modernising and restructuring of the manufacturing and services sector in the region.

2.2. Immediate objectives
The immediate objectives of the project directly reflect the region’s needs in the area of economic diversification, through support for the development of the role of the SME sector in the regional economy, and include:

• increasing the input of the private sector small enterprises into the local economies of rural areas and small towns, dependent on inefficient agriculture and declining industry;
• strengthening the role of medium sized enterprises in the economy of the region, including increasing the role of exports in the regional product;
• increasing flow of inward investments into the communities of the region;
• diversifying the economies of the “one company” towns in the region, through supporting the processes of privatisation and successful restructuring of the existing large scale industries and state owned companies.

These objectives will be reached through:

• creating a regional enabling environment for the development of the business sector, including upgrading of selected business support institutions;
• the further stimulation of entrepreneurship and development of recent business start-ups and small enterprises, increasing their numbers, competitiveness and survival rates;
• the development of medium sized enterprises with significant employer status, highly processed (high value added) production and potential for international competitiveness, located in the region;
• the facilitation of inward investment into the region;
• support of restructuring and privatisation efforts in selected companies.

Key to the success of the project will be the continued development and strengthening of the business support environment – developing local and regional institutions with significant levels of capabilities (skills) and capacities (financing) to influence regional economic processes in line with the priorities and objectives detailed above.

2.3. Accession Partnership and NPAA Priority
The project responds to the medium term priority identified in the Accession Partnership – developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives.

2.4. Contribution to the Preliminary National Development Plan
SMEs through their market flexibility and potential for employment creation can play a major role in regional development. Therefore one of the priorities for the country’s cohesion policy identified in the Preliminary National Development Plan (annexed to the NPPA) is “Improvement of the economy’s competitiveness through modernisation and structural adjustment of industry and services”. The priority will be implemented through the measure “Development of the SME sector”. This measure shall be complemented and enhanced by the activities carried out in the regions under the priority “Strengthening development potential of regions and counteracting marginalisation of certain areas”. One of the proposed instruments is “Supporting development of small and medium enterprises” by grants for start-ups and existing SMEs, advisory and information instruments for entrepreneurs, support for the creation of new enterprises. The project is in line with both PNPD and the operational programme for Podkarpackie Voivodship. The latter identifies “Support for SMEs” as one of the priorities that shall create conditions under which the targets of greater economic and social cohesion can be reached in the area of modernising and restructuring of the manufacturing and services sector in the region, thus creating conditions for the region economic diversification.
3. Description
3.1. Background and justification:
The Preliminary National Development Plan and Podkarpackie Voivodship Preliminary Operational Programme refer to a number of factors which affect the development potential of the region:

- inadequate growth in the endogenous SME sector (especially in the rural areas of the region), and ineffective structure dominated by large numbers of very small businesses and a dearth of modern, growth and exports oriented, technologically and organisationally advanced medium sized businesses;
- sectoral and privatisation issues related to the existence of a number of “one company” towns in the region, dominated among others by the steel and defence industries and now undergoing or awaiting significant restructuring;
- inadequate levels of inward investment in a region perceived as relatively unattractive in growth and investment terms;
- an identified strategic priority in the development of the region targeting among others entrepreneurship development, inward investment and significant restructuring efforts as key instruments for the development of the productive sector in the region.

The national SME policy further points to a number of issues impacting on SME sector development in the country, targeting increases in business competitiveness, levels of investments and export development as policy priorities. A number of measures have been developed within this policy, designed for implementation as “joint ventures” between the national and regional institutions.

The proposed approach in the Podkarpackie Voivodship creates a coherent regional platform for attaining the goals of these strategic documents. Implementing a regional strategy oriented towards the growth of the productive sector, it targets the varied businesses operating or potentially interested in operating in the area, and integrates the efforts around the local SME sector, the state owned industries in the process of privatisation and restructuring, and inward investors.

In view of this an operational design has been developed, based on the concept of creating a regional enabling environment, conducive to business development and based on a network of co-operating business support organisations. This regional business environment must be visibly marketed and - when compared to the conditions in other regions - it should clearly prove Podkarpackie to be a competitive area for doing business. The network must furthermore be provided with simple and efficient instruments answering the needs of the businesses, in the target groups identified as priority beneficiaries from the regional development perspective.

This design has been modelled on existing best practise developed, among others, under previous Phare Programme funding. It will be based on simplified procedures tested under SME and regional development programmes including the STEP I, STEP II, EXPRM II and STRUDER programmes. It will function as a regional counterpart and partner to the efforts planned in the national level SME sector Institution Building project under Phare 2000 and in the national SME policy. These efforts are being co-ordinated closely at the design phase so as to achieve full integration and compatibility of the measures, guaranteeing highest impact in the region and of the specific instruments at the company level.

In the Podkarpackie Voivodship approach the basic premise has been the linking in the region of activities at three crucial levels:

- regional business environment – creating regional policies, solutions and regulations which are friendly to the business community and answer its needs for development, and institutionalising them as organisations and instruments; this must be done through a concentrated effort in the area of gathering knowledge and information on the economy of the region, the needs of businesses and barriers to growth; advocating solutions to regional decision makers; creating coalitions of business organisations, employers and other groups; disseminating information; increasing the role of the private sector in decision making through consultative processes (including such initiatives as the recently formed Regional Economic Council); promotion of inward investment - including development and upgrading of regional promotion strategy and actions, promotion of specific locations for external investors, support in establishing the new businesses, advisory support to communities wishing to attract investors to their areas;
- local entrepreneurship culture promotion – developing awareness in local communities of the issues involved in the restructuring process awaiting the region, and of the role of alternative business activities and investors coming from outside of the region in creating jobs and upgrading living standards; start your own business promotion and support; entrepreneurship awareness and business culture promotion;
- direct support to businesses – company level advisory and financial assistance to SMEs and support to
companies under privatisation and restructuring.
The project is therefore directly related to the identified priorities for the region’s development, mainly through establishing institutional conditions and instruments conducive to the growth of new and development of existing SMEs, attracting inward investors, and restructuring/privatising existing industries. All project activities will be implemented with the use of the project impact assessment guidelines developed for the Phare 2000 Economic and Social Cohesion Programme by the Implementing Agency. These will include comparative benchmarking analyses of beneficiaries and non-beneficiaries, in order to gather statistically significant data for future programming exercises.

3.2. Linked activities
The project builds on the results achieved under several previous and ongoing Phare programmes, which have provided assistance in the creation and development of local and regional institutions and organisations, capable of providing information, training, advisory and financial services to SMEs. A number of these organisations are members of the National SME Services network. This SME support infrastructure has also benefited from the assistance of other donors.
The project’s instruments have been developed on the basis of experiences gathered especially within the previous Phare Programme funded activities in the area of small and medium enterprise development. These have included a number of national level programmes and projects designed specifically for the SME sector:
- PL9004 SME Sector Import and Support Programme (SME SIP);
- PL9109 Private Sector Development Programme (PSD);
- PL9511 Support to Entrepreneurship in Poland (STEP I);
- PL9603 SME Export Promotion (EXPROM II);
- PL9610 Support to Entrepreneurship in Poland II (STEP II);
and other programmes with important SME related components, including chiefly:
- PL9111 Local Initiatives Programme (LIU);
- PL9207 STRUDER Programme.
These actions financed through Phare have been supplemented by other Government, donor and IFI programmes, including:
- in the SME sector – the national level USAID funded projects in policy and SME services (GEMINI, Business Information Centre Project, FIRMA 2000, FABRYKAT 2000)
- in the area of counteracting unemployment - World Bank support for micro enterprise development project (TOR 10)
- in the area of regional development – Phare INRED and SPP programmes as well as World Bank projects supporting the preparation of regional development strategies; bi-lateral projects in regional (local) development; Government programme supporting a choice of measures within regional restructuring programmes in selected regions, with financing made available on a competitive basis to regional and local operational level institutions and organisations for regionally selected mix of preferential loans and grants for enterprises, and institution building measures.
The current project is also structured as to take advantage of the results, capabilities and capacities built under the previous Phare funded interventions aimed at the development of the national and regional institutional framework for SME development, built around the concept of the National SME Services Network of over 120 co-operating organisations and institutions – local, regional and national. Currently the role of the operational level national centre for SME development within the network and within its sector monitoring and advocacy roles is being played by the Polish Foundation for Small and Medium Enterprise Promotion and Development. The Foundation is also an Implementing Agency under the Phare Programme for Ministry of Economy projects.
On-going activities with crucial relevance for the project include foremost:
- the planned Phare 2000 National Institutional Framework for Small and Medium Enterprise Development – Polish Agency for Entrepreneurship Development project
- the planned Phare 2000 National Institutional Framework for Export Development project
- the Human Resources Development component of the Phare Economic and Social Cohesion Programme, which includes training actions stimulating new business start-ups and access to knowledge by SMEs.
The national level SME project has been designed to meet selected priorities identified in the preliminary National Development Plan, which also includes specific SME issues as prioritised under the Government Policy Guidelines for Small and Medium-Sized Enterprises until 2002. This project will include, among others, a number of measures – which will be available nationally – concentrated on increasing SME competitiveness.
3.3. Results
The results which will be achieved under this project will be a direct result of the introduction in the region of the selected instruments from the national SME development scheme. Both the regional project and the national SME development project, have been developed within the emerging national SME aid scheme. This aid scheme – the National SME Services scheme (NSS, i.e. Krajowy System Usług – KSU) – currently is being developed around two main types of efforts: the already mentioned network of co-operating Business Support Organisations (the National SME Services Network), and the emerging “long list” of standardised SME development instruments (advisory, information, training, financial). In the Phare 2000 exercise it has been therefore decided to concentrate on the national level on the Introduction to Quality, Innovation and Technology for Business Development, Fit for Business in Europe (module for recently privatised SMEs), and within the export promotion project - Introduction to Exports, and Export Promotion Programmes.

The regional projects in this project fiche therefore include an appropriate mix of the instruments from the NSS “long list” presented in the national project fiche, as deemed adequate to the specific objectives of the Regional Operational Programme of the Podkarpackie Voivodship.

In this same way specific direct company assistance instruments from another key activity - the programme of national level actions within the Government’s Policy Guidelines for Small and Medium-Sized Enterprises, entering implementation as of the beginning of the year 2000 – will also be an integral part of the thus developing national scheme. In the first year of implementation this programme will concentrate on implementing the Business Information and Counselling Programme, and a Fit for Business in Europe Programme module for crafts and small businesses.

The implementation arrangements, quality assurance and design for all these efforts are those as developed under the national scheme. Within the next few years the instruments thus selected will form the core of the national scheme, with a changing mix of nationally and regionally prioritised instruments. When operational both in a national and regional “envelope”, such instruments will be made available through the same “windows”, both on level of institution building and direct company assistance.

Direct results of the project:

- Inward investment promotion actions implemented:
  - regional inward investment actions established and operational;
  - practical approach to regional promotion developed and accepted by the regional authorities, including „branding” of the region and development of specific investment promotion products;
  - pilot communities provided with advisory support in developing investment oriented approaches and strategies, including the area of developing local human resources for employment in the investor companies and incubating new businesses;
  - targeted promotion of selected priority locations for investments implemented, through direct identification of preferred sectors, short-listing of potential investors, organisation of site visits, facilitation of negotiations and investment development.

- Business environment development actions implemented, including:
  - 6 communities receiving opportunity to access financial assistance in upgrading and building network of local and regional Business Support Organisations;
  - 16 selected organisations working for SME sector upgraded through training and reaching top National SME Services Network standards;
  - Regional business data base developed and operational;
  - Business Co-operation Centre operational and utilising information flows through networked regional business data base;
  - 3 annual reports on the state of the SME sector in the Podkarpackie Voivodship published (including all the necessary studies and analyses for the annual issues);
  - 3 annual Podkarpackie Voivodship SME conferences held (promoting results and recommendations stemming from the research which went into the publication of the annual state of the sector reports);
  - 1 study visit for regional economic policy makers to selected EU regions organised, providing best practise transfer in development for regions dominated by agriculture and declining industries;
  - 3 regional economic policy roundtables organised for representatives of regional and local self-government, the Voivode office, the Regional Economic Council (Regionalny Sejmik Samorzadowy - recently formed regional parliamentary style institutions operating in all 16 regions of the country, grouping business associations and organisations, pilot actions supported under previous Phare programmes) labour and other regional and national institutions;
• establishment of a core regional SME and economic development advocacy unit, responsible for:
drafting position papers on important issues (at least 4 annually); supporting the Regional self-
government through ad hoc advice, preparing opinions on regulatory issues and planned decisions,
drafts of necessary documents; linking with business associations, supporting creation of coalitions
for advocating development oriented solutions with value added for the public and private sectors of
the region; accessing additional expert input when necessary; supporting advocacy actions of the
region targeted at the national and international levels;
• 6 published issues of a regular newsletter on all of the economic development activities of the
region, including information on the specific actions undertaken under the Phare funded projects;
• annual placement in the local, regional and national media of at least 24 targeted articles on SME
and economic development issues, problems, recommendations, and project activities.
• Local entrepreneurship promotion actions implemented, including:
• series of 6 articles and 3 radio programmes targeted at developing awareness in local communities of
the issues involved in the restructuring process awaiting the region, and of the role of alternative
business activities and investors coming from outside of the region in creating jobs and upgrading
living standards;
• 6 local start your own business information and promotion seminars held, and published materials
distributed;
• Phare financed direct company assistance and financial support projects implemented in over
businesses, with:
• 1,000 jobs created and/or safeguarded;
• 120 SMEs receiving general and sector specific company development advisory, training and
information services;
• 40-60 SMEs receiving targeted support in developing exports;
• 100-120 SMEs receiving financial assistance for investments involving re-equipment and
introduction of new technologies.
Longer term impacts of the project will include:
• Creation of new jobs and opportunities for the inhabitants of the areas covered in project.
• Development of recognisably pro-business environment in the region, leading to increased investment
levels.
• Regional authorities supported in developing growth driving policies and solutions.
• Region informed about policies and initiatives for developing the productive
sector, and communities
aware of the restructuring efforts underway or planned.
• Higher than regional average survival rate of assisted firms after 18 months.
• Increased numbers and success ratios of business start-ups as compared to non-assisted areas.
• Increase in turnover of assisted firms after two years.
3.4. Activities:
The project includes the following specific sub-projects:
• Sub-project 1 - Business Support Organisations Development Project - Creating an Enabling Regional
Business Environment
• Sub-project 2 - Direct Company Assistance - grants towards the costs of direct support to businesses,
including:
  • 2.1. - Company Development Programme
  • 2.2. – Company Development for Exporters Programme
• Sub-project 3 - SME Investment Grants Fund
These inputs will be provided in the form of:
• sub-project 1
  • grants for the beneficiary BSOs to cover development (product development, co-financing for
specific project activities and quality assurance costs);
  • technical assistance (consulting and training);
• sub-project 2 - individual integrated company development schemes, including grant aids to start ups and
SMEs co-financing the individual companies costs of:
  • Company Development Programme:
    • general and sector specific consulting and information services provided at the individual
company level in identified key areas affecting the SMEs business competitiveness, such as
marketing and market development, management, HRD and staff training, product design and development, internal financing and accounting, quality assurance, strategic planning, strategic development and planning, new technologies, production management and others; grants covering up to 60% of the costs of these services will be provided from public funding (75% financed through Phare) to eligible SMEs, with average grants of between 3,500 to maximum 5,000 euro, covering a minimum 10 man-day support package.

- Company Development for Exporters Programme:
  - co-financing of the costs of implementation of Company Export Development Plans (CEDPs) of existing and potential exporters; co-financing will cover the development of the CEDP (including company development strategy, export market development strategy, export readiness financing plan); technical assistance in its implementation; and co-financing of selected activities aimed at
    - company development - preparing the company for competition on selected export markets, through product development and design, production and service quality and standards, technology production and layout, packaging, export management skills;
    - export market development - 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 cover 60% of the costs of participation in the programme from public funding (75% financed through Phare) to eligible SMEs utilising a technical assistance and financial assistance facility, with the total Phare grant of maximum 10,000 euro per company.

- Sub-project 3: Investment grant scheme: SMEs successfully participating in the:
  - Company Development Programme and Company Development for Exporters Programme (described above);
  - Introduction to Quality scheme (financed under the national Phare SME project);
  - Innovation and Technology for Business Development (financed under the national Phare SME project);
  - Introduction to Exports and Export Promotion Programme (financed under the Phare national exports project);
  - and/or in the Human Resources Development training schemes for business start-ups and SMEs (financed under the Phare Economic and Social Cohesion Programme)

will be targeted in the first instance of additional financial assistance in the form of a targeted investment grant scheme, involving: investment grant for covering costs related to projects financed from bank credits and involving investment projects directly affecting the SMEs’ competitiveness and including foremost the introduction of new technologies and re-equipment of the key production and service facilities; grants will be provided to cover costs of new equipment and machinery, together with any related hardware and software, up to a maximum of 25% of the costs (Phare co-financing 75% with a maximum level of 50,000 euro) with the remaining 75% of project costs provided by the SME; the grant will be tied directly (combined) with a bank loan.

The investment grant schemes will include provisions directly tying the grant with a bank credit for the investment project. It is proposed, that the financing ratios will allow for: at least 20% but not more than 50% financing from the SMEs own resources, which together with the bank credit would amount to 75% of investment project total; and 25% public financing in the form of the grant.

Within a given period SMEs would apply for the grant in the RFI, on the basis of the business plan/credit application, which they are planning to submit to a bank. It would also be possible for banks operating in the region to approach the RFI with business plans/credit applications from SME clients, which the banks would consider for crediting after attaining a promissory note from the RFI.

The proposals would be accepted by the RFI on formal grounds (financing ratios and other formal requirements related to project timing, size of business, sector eligibility etc.). On the basis of this acceptance a “promissory note” (including draft grant agreement with the SME) would be issued, valid for a set period of time, and then forming a part of the business plan/credit application. In cases in which the bank decides to issue the credit, the RFI would enter into the grant agreement with the SME (presenting a blank bill of exchange), with provisions for either:
  - advance payment of up to 45% of grant, and final payment of the remaining amount after the completion of the investment; or
financing for SME of eligible investment project costs proportionally to the uptake of the bank credit. The specific arrangement will be selected and agreed between the RFI and SME based on project size, cash flows, and other project aspects. Priority would be given at each tranche for projects presented by SMEs benefiting from the advisory and training projects (national and regional, SME – exports – HRD). All services will be provided in the line of standards of the National SME Services network. All project activities will be implemented with the use of the project impact assessment guidelines developed for the Phare 2000 Economic and Social Cohesion Programme by the Implementing Agency. These will include comparative benchmarking analyses of beneficiaries and non-beneficiaries, in order to gather statistically significant data for future programming exercises.

4. Institutional framework
The project will be managed through the existing network of Business Support Organisations, with significant levels of experience in business development programmes, proven track record in SME service provision, and linked with national level initiatives (National SME Services Network and its quality control mechanisms, SME consultants accreditation schemes). Additional institutional efforts (Regional Inward Investment Centre, Business Co-operation Centre) will be based in existing institutions and on tested and proven schemes.

Sub-project 1.

Sub-project 2.
The Direct Company Assistance component (sub-project 2) will be managed by the Consortium under the leadership of the Mielec Regional Development Agency (MARR) as the Regional Financing Institution, and including: Regional Chambers of Commerce in Sanok, Rzeszów and Tarnobrzeg, Regional Development Agencies in Tarnobrzeg, Rzeszów, Stalowa Wola and Przewsors, Karpaty Regional Development Agency, Bieszczadzka Regional Development Agency, Business Support Centres in Rzeszów, Sanok and Jaroslaw, Agriculture Advisory Centres in Krosno and Przemyśl, Jaroslaw Foundation for Entrepreneurship Development, Lezajsk Association to Support Economic Initiatives, Research and Development Centre in Stalowa Wola, Foundation International Centre for Education and Economic Development in Mielec, Regional Policy Institute.

Sub-project 3.
The SME Investment Grants scheme (sub-project 3) will be managed by the Rzeszów Regional Development Agency as the Regional Financial Institution, in a consortium arrangement with the Mielec RDA, Tarnobrzeg RDA, “Karpaty” RDA in Krosno, Bieszczadzka RDA; in co-operation with banks; the project will be open for all banks and other relevant financing institutions operating in the Podkarpackie Voivodship. The consortium will ensure easy access to the scheme, and in particular to relevant information, through the network of local “windows” opened in existing BSOs co-operating under sub-projects 1 and 2. The institutions selected for RFI status and identified above under the sub-projects will be subject to an audit, organised under the terms of the Phare 2000 national SME project and implemented through independent auditors, before this arrangement comes into force.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare</th>
<th>Poland</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating an Enabling Regional Business Environment-Business Support Organisations, Development Project</td>
<td>1.0</td>
<td>-</td>
<td>1.0</td>
<td>0.33*</td>
<td>1.33</td>
</tr>
</tbody>
</table>
2. Direct Company Assistance | 1.0 | - | 1.0 | 0.33* 0.89** | 2.22
3. SME Re-equipment Grants | 3.12 | - | 3.12 | 1.04* 12.48** | 16.64
Total | 5.12 | 5.12 | 15.07 | 20.19

*Public sector
**Private sector

6. Implementation arrangements
6.1. Implementing Agency
PAO: Undersecretary of State at the Ministry of Regional Development
Implementing Agency: Polish Agency for Regional Development
6.2. Twinning: n.a.
6.3. Non-standard aspects
For all grant schemes, whose procedures and formats are not covered by the current DIS Manual, the implementation arrangements will follow the principles for such schemes as laid down in the Financing Memorandum.
6.4. Contracts
Subproject 1: It is expected that 5 contracts will be signed
Subproject 2.1: It is expected that 120 grant contracts will be signed
Subproject 2.2: It is expected that 40-60 grant contracts will be signed
Subproject 3: It is expected that 100-120 grant contracts will be signed

7. Implementation schedule

<table>
<thead>
<tr>
<th></th>
<th>TORs/project specs ready</th>
<th>Start of tendering</th>
<th>Start of activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. BSO Development Project</td>
<td>01.11.2000</td>
<td>01.01.2001</td>
<td>01.04.2001</td>
<td>30.09.2003</td>
</tr>
<tr>
<td>2. Direct Company Assistance Project</td>
<td>01.11.2000</td>
<td>01.01.2001</td>
<td>01.04.2001</td>
<td>30.09.2003</td>
</tr>
</tbody>
</table>

8. Equal opportunity
Specific provisions for guaranteeing equal opportunity of access to activities, employment and other benefits resulting from the project implementation will be included. Gender related indicators will be gathered and monitored throughout the projects implementation to ensure that corrective steps can be taken at an appropriate moment in the projects life cycle, and will be included in the project impact assessment guidelines benchmarks, developed for the purpose of ensuring a full comparative assessment of the efficiency and effectiveness of the measures introduced in the project.

9. Environment
Environment impact assessments will be made for all investment projects in the business incubators (if appropriate) and in investment grant recipient SMEs. The scope and specific requirements of the assessments will be adopted based on existing Polish and EU regulations, in the light of each individual case and in view of, inter alia, their nature, size and location.

10. Rates of return
All investment projects in the business incubators will be implemented only on the basis of estimated positive rates of return in the appropriate planning documents (feasibility studies, business plans). All SME projects supported under the scheme will be analysed with due diligence from the point of view of their long term effect on the growth of the business and requirements of longer term business planning; only viable commercial activities will thus be supported.

11. Investment criteria
Catalytic - Phare support will be conducive to achieving economic and social cohesion goals in the
Podkarpackie Voivodship, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale.

Co-financing - the project demonstrates clear co-financing by the Polish partners.

Additionality - the Phare project is not displacing other financing sources, especially from the private sector and IFI system, it is co-financing identified priorities and not taking the place of national resources.

Project readiness and size - the project is ready for contracting and disbursement, as the sub-projects will meet all conditions for co-financing by the start of project implementation.

Sustainability - the project will contribute to the long term sustainable development of the region, as described in the Podkarpackie Voivodship Operational Programme.

Compliance with state aid provisions - all aspects of the project have been developed with respect to the state aid provisions of the Europe Agreement.

Contribution to the Preliminary National development Plan – the project is in line with two priorities of the Preliminary National Development Plan and as such will contribute to increase of economic and social cohesion of the country and region.

12. **Conditionality and sequencing:**

Co-funding of specific sub-projects will be conditional on:

- co-financing of the sub-projects by the Polish budget, partners and beneficiaries
- all contracting, reporting and monitoring conditions met.
**Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Podkarpacie - SME Development</td>
<td>5.12 M€</td>
</tr>
</tbody>
</table>

<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>The wider objective of the project is to create conditions for greater economic and social cohesion</td>
<td>Increased level of economic development of the Podkarpackie Voivodship as compared to</td>
<td>Statistics of the Main Statistical Office (GUS).</td>
<td>Integration with the EU continued.</td>
</tr>
<tr>
<td>through modernising and restructuring of the manufacturing and services sector in the region.</td>
<td>other regions of Poland, as well as EU average; Increased level of income in industrial</td>
<td>Statistics of the Voivodship Statistical Office (WUS).</td>
<td>GDP growth in Poland sustained.</td>
</tr>
<tr>
<td></td>
<td>areas in the Podkarpackie Voivodship as compared to other regions of Poland, as well as</td>
<td>Statistics of the EUROSTAT.</td>
<td>Government policy in its regional development and SME aspects not dramatically changed</td>
</tr>
<tr>
<td></td>
<td>EU average; Decreased development gaps between the Podkarpackie Voivodship and other</td>
<td>Expert studies and analyses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>regions</td>
<td>Regional Government reports</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>increasing the input of the private sector small enterprises into the local economies of rural areas</td>
<td>Increase of the share of regional SMEs in the investments made by businesses in the</td>
<td>Statistics of the Main Statistical Office (GUS).</td>
<td>Bank services for SMEs improved.</td>
</tr>
<tr>
<td>role of medium sized enterprises in the economy of the region, including increasing the role of</td>
<td>Rate of unemployment decreased through rise of employment in the SME sector.</td>
<td>Data collected from benefiting SMEs.</td>
<td>Support for rural areas by state agencies sustained or developed.</td>
</tr>
<tr>
<td>exports in creating the regional product; increasing flow of inward investments into the</td>
<td>Decrease of the “hidden” unemployment in rural areas of the region through rise of</td>
<td>Research conducted in selected areas of the voivodship.</td>
<td>Continuation of public support for the restructuring of heavy industries (steel)</td>
</tr>
<tr>
<td>communities of the region; diversifying the economies of the “one company” towns in the region,</td>
<td>employment in the SME sector.</td>
<td>Research conducted in banks and financial institutions in the region.</td>
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<td>through supporting the processes of privatisation and successful restructuring of the existing</td>
<td>Volume of SME investments increased.</td>
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<td>large scale industries and state owned companies.</td>
<td>Increase of SME uptake of credits.</td>
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<table>
<thead>
<tr>
<th>Results of Project</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Statistics of the Main Statistical Office (GUS).</td>
<td>Research conducted in selected areas of the voivodship.</td>
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<td></td>
<td>Data collected from benefiting SMEs.</td>
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</table>
Creation of new jobs and opportunities for the inhabitants of the areas covered in project; Development of recognisably pro-business environment in the region, leading to increased investment levels; Regional authorities supported in developing growth driving policies and solutions; Increased role of SMEs in employment in the areas covered by the project; Increased rate of restructuring and privatisation in state owned industries; Higher inward investment rates in supported locations than average for comparable areas; Environment protected through introduction of new facilities in SMEs; Higher than regional average survival rate of assisted firms after 18 months; Increased numbers and success ratios of business start-ups as compared to non-assisted areas; Increase in turnover of assisted firms after two years; 1,000 jobs created and/or safeguarded; 120 SMEs receiving general and sector specific company development advisory, training and information services; 40-60 SMEs receiving targeted support in developing exports; 100-120 SMEs receiving financial assistance for investments for re-equipment and introduction of new technologies.

**Inputs**

Business Support Organisations Development Project - Creating an Enabling Regional Business Environment

Direct Company Assistance grants towards the costs of direct support to businesses, including: Company Development Programme; Company Development for Exporters Programme

SME Investment Grants Fund

**Annex 2: Cumulative implementation, contracting and disbursement schedule**

<table>
<thead>
<tr>
<th>Podkarpacie - SME Development</th>
<th>Date of drafting</th>
<th>Planning period</th>
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<tbody>
<tr>
<td>Implementation</td>
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<td>Contracting</td>
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<td>Disbursement</td>
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<td>5,12</td>
</tr>
</tbody>
</table>

**Statistics of the Voivodship Statistical Office (WUS).**

Data collected from benefiting SMEs.

Research conducted in selected areas of the Voivodship.

Research conducted in banks and financial institutions in the region.

Reports from business organisations.

Data collected by BSOs and implementing institutions.

Starting date for the project not to be postponed.

Relevant information campaign to be conducted.

Increasing interest of SMEs in subsidised schemes.

Quality of the pre-support services for interested SMEs.

Local bank branches active in project implementation.

Availability of adequate pool of highly qualified and dedicated SME service providers.

Regional authorities continuing interest in SME promotion and development.

**Annex 3 - Feasibility studies and environmental impact assessment**

All business projects supported under the schemes will be analysed under due diligence from the point of view of their sustainability and longer term business planning; only projects clearly demonstrating business viability and market competitive rates of return will receive support.

All business development projects supported under the project will be scrutinised during the appraisal procedure from the point of view of environment related hazards and protection regulations. Only environmentally friendly or neutral projects will be thus supported; as well as projects directly introducing new, environmentally friendly or neutral technologies, products, procedures.