1 BASIC INFORMATION
1.1 CRIS number: 2002/000-580-06.29
1.2 Title: Swietokrzyskie - Renovation post industrial area
1.3 Sector: ESC
1.4 Location: Poland, Swietokrzyskie Voivodship, Ostrowiec Poviat, Ostrowiec Gmina.

2 Objectives
2.1 Overall Objective:
Creating favourable conditions for SMEs development through renovation of post-industrial areas

2.2 Project purpose/ Immediate objective(s):
- To enhance the economic attractiveness of the areas - creating at least 150 new jobs.
- To improve conditions for SME development - establishing 12 new entities.

2.3 Accession Partnership and NPAA priorities
The project is designed to address issues related to the AP priority in economic and social cohesion policy related to the preparation for the implementation of regional programmes and Community Initiatives. The project in particular responds to the economic criterion identified in the AP concerning improving the competitiveness of the Polish economy. The project corresponds also to the NPAA priority "Regional policy and co-ordination of structural instruments".

2.4 Contribution to the National Development Plan:
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and countering marginalisation of certain areas”. The priorities of this axis will be implemented by means of several measures including development and modernisation of infrastructure serving to strengthen competitiveness of regions. The project is compliant with the priorities of the Operational Programme of the Swietokrzyskie Voivodship.

2.5 Cross border impact: N/A

3 Description
3.1 Background and Justification:
The planned investment is to be implemented in Swietokrzyskie Voivodeship, in particular Ostrowiec Swietokrzyski town. There are 123 thousand inhabitants living in the town and its surroundings. The major economic centre of the Poviat is the second largest town (city) in the Region, Ostrowiec Swietokrzyski. The town's development is completely connected with the evolution of the steel industry. The first Steel Mill was established there in 1813. Moreover, the area of Ostrowiec town used to be part of the industrial area of “Zablebie Staropolskie” and later on the so-called “safety triangle” – Central Industrial District (“Centralny Okreg Przemyslowy”). Such location created an opportunity for the town's rapid economic acceleration. In the interwar period, many public-use buildings were built simultaneously to Ostrowiec Industry enlargement and development. The Steel Mill built most of the schools, nurseries, dispensaries, housing and culture and sport buildings. One could easily say that almost every Ostrowiecka family was somehow dependent on the Steel Mill. The public enterprise "Ostrowiec" Steel Mill operated until the end of 1992, when it was divided. The Steel Mill has been a major employer in the town and surroundings. In the eighties it employed 17,000 people, about 9,200 workers in the mid-nineties (a reduction of about 50%), and currently there are 3,100 employees in the Steel Mill and post-Steel Mill companies (a reduction of about 70%) whilst in the near future this is expected to be 2,700 people (another reduction of over 10% is planned in comparison to the present situation). It shows the continuously falling trend, and in consequence further employment reduction. At the moment the great majority of the company’s property is out of service. Restructuring has become a serious danger for the town existence, which the potential for social and economic degradation. Recognising the problem and the need for preventive activities, the Town Board continually takes efforts to counteract against the problems. (Resolution No XII/122/99 of Ostrowiec Sw. Town Board). Swietokrzyskie. The Voivodship Self-government supports actions undertaken by the Town. (Resolution No VIII/135/99 of Swietokrzyskie Voivodship Self-government).
As a consequence of problems described above, Ostrowiec Poviat and, in particular, Ostrowiec Sw. town have faced a rapid increase on unemployment. The unemployment rate amounted to 17.8% in Swietokrzyskie Voivodship at the end of November 2001. In Ostrowiec Poviat it was 8% higher on average and reached 25.8%, and only 22.7% of the unemployed were entitled to unemployment benefit. This status of the labour market generates social stress and conflict and threatens marginalisation of those groups of people who have lost their jobs.

To counteract the situation, a business development programme has been elaborated for Ostrowiec Swietokrzyski and Ostrowiec Poviat. It is directly connected with making post-industrial areas, owned by Ostrowiec Steel Mill and OZMO (Ostrowiec Fire Resistant Materials Works), available for investment. Currently, they are not used due to the poor condition of accompanying infrastructure and difficulties that have occurred in trying to link local vehicular traffic with main town traffic.

In May 2000 Ostrowiec municipality established the Local Development Agency, joint stock company. It’s activity concentrates on initiating and promoting actions supporting economic development, counteracting unemployment and promoting European Integration. The Agency is involved in running a Loan Fund, and organising training and seminars for the unemployed. In January this year it set up a new Media Centre of Ostrowiecki Business Incubator. The Centre enables local inhabitants, institutions, companies and local government to make use of advanced tele-information technologies in order to accelerate local and regional development.

Activities undertaken have already brought some effect in the form of an increase in the number of SME by about 2% a year on average. However, a very serious barrier for potential investors is the poor quality of the transportation system. The problem is highly visible from past correspondence, particularly letters of intent from companies interested in running business activities in the area. The difficulties resulting from the bad technical condition of the roads discourages new business. That is why “Programme conception of road investments in Ostrowiec Poviat” was created in 2001. It proposes modernisation of some parts of roads grouped in 4 so-called traffic arteries that are of great importance for integrating the local transportation system with national and voivodeship roads, as well as poviatic and local roads.

The scope of the Project is the part of these road arteries. It consists of the following streets: Kilinskiego, Kolejowa and 5 post-factory roads, located in the area described as the “Old part of the Steel Mill Plant”. The planned investment will contribute to create the transportation link to the entire post-industrial area, and at the same time social and economic development of the whole town. Presented Project shall contribute to the economic revitalisation of the city. At present, there are some 40 companies employing approx. 1,000 people in total within the post-industrial area of Kolejowa and Swietokrzyska Streets. In the surroundings of Kilinskiego Street there are about 75 SMEs, which give employment to about 1,000 workers. Moreover, the street is of strategic importance for the Customs Agency, which serves to about 40 companies and 40 people a day. There is also located in the considered area the Town Trade Square used by about 800 SMEs. That’s why it is expected that the completion of the Project shall provide maintenance of existing 3,000 jobs and supporting at least 150 new places of employment.

Because of specific transportation system of the region the link of investment tasks on the regional roads with the transportation system of Ostrowiec City was assumed to be the crucial issue. The works to be implemented under this Project are the 2nd stage of activities on the ‘Renovation of Post-industrial Areas by the Modernisation of Ostrowiec Swietokrzyski City Transportation System’. Stage 1 of the works has been implemented under the Voivodship contract for 2001 – 2002. It can be concluded that investment to the effective road access to the post-industrial areas should improve the opportunity for creating employment for the inhabitants of both the city and the population of neighbouring gminas. The final goal of the Project is to make available to investors 60 ha of the area with utilities and about 40 industry facilities (starting from office rooms and finishing with production facilities of the area more than 10,000 sq. m).

Summing up, the Project shall definitely have a positive influence not only on the inhabitants of the Poviat, but also on local businessmen and ‘strategic investors’ who were interested in the investment proposals of the city, but found the existing utilities impracticable. Thanks to the project there shall be conditions for socio-economic activation of the town and it’s surroundings.
3.2 Linked Activities:

Business support is one of the components of the integrated system of action proposed for the social and economic development of Ostrowiec Poviat and, in particular, the main town. The system consists of so-called soft – support actions (such as: training, financial support instruments, etc.) as well as improvement and enlargement of business-related infrastructure. The need to cope with the current, difficult situation provides the basis for co-operation between the authorities of Ostrowiec Town, the Poviat and Swietokrzyskie Voivodship.

Promotion and marketing action undertaken by involved Parties include:
- establishing a Promotion and Information Office in the Ostrowiec Town Hall in 1999
- elaborating Ostrowiec Town Promotion Strategy in order to attract foreign investors (agreement Or 212/99 on 14th Sept. 1999) by Public Agency for Foreign Investments (PAIZ).
- participation in the Active Investment Marketing Programme organised by PAIZ; placing town’s offers in PAIZ databases, participation in seminars and fairs; and organisation of investor visits to Ostrowiec Sw.following the investment offer being presented by the town in some EU member states,
- taking part in Investment Fairs of Polish Cities INVESTCITY in Poznan (Nov. 2001)

At the same time, actions supporting business development are being undertaken. In May 2000 Ostrowiec Gmina established the Local Development Agency joint stock company. Its major objective is supporting economic development of Ostrowiec town and poviat. In its first year of operation the company managed to develop loan activity. The Agency, as a local partner of Koneckie Association for Business Support in Konskie, has got involved in running a Loan Fund. Up to the moment it has granted loans of total value 750,000 PLN, thanks to which 13 new businesses have been established and 18 new jobs created. Further loans will be granted after a 6 to 12 months period when first part of the loan are to be paid back. There are about 30 interested businessmen waiting for loan support. It could give 25 new entities and 18 new jobs.

The Agency is also organising periodical trainings for SMEs as well as English-language courses. It has permanent co-operation with some foreign institutions, such as: NCMP – Dutch Programme for Manager Co-operation, Aarhus County from Denmark. The Dutch NCMP Programme is dedicated to organisation of visits of retired Dutch experts from different countries in order to provide free technical assistance to the companies. Furthermore, the Agency received equipment support for social institutions from Aarhus AMT. In January this year, with its own and national financial contributions, it set up the new Media Centre of Ostrowiecki Business Incubator. The Centre enables inhabitants, institutions, companies and local governments to make use of advanced tele-information technologies in order to accelerate local and regional development. The task has been realised within the Voivodship Contract. Having operated only for two month, the Centre managed to organise a few trainings in which about 70 SMEs participated. Currently, the Agency is going to establish Ostrowiecki Business Incubator to be located on the area covered by the project.

The proposed Project is the 2nd stage of the project ‘Renovation of Post-industrial Areas by Modernisation of Ostrowiec Swietokrzyski City Transportation System’, which is being implemented with national co-financing. The first stage is another task being implemented under the Voivodship Contract for 2000-2001. The investment aim is to modernise Zygmunтовка Street (which has already been completed) and buildings between Kilinskiego and Chrzanowskiego streets (preparatory works are in process). There are actions being undertaken in close co-operation with authorities of the north part of the region, to renovate national road No 42, which connects the major industrial centres of Swietokrzyskie Voivodship and integrating them into the national express roads system. It's also planned to build the southern part of the town by-pass and a connection between Kilinskiiego Street and national road No 9..This project has been proposed in the Voivodship Operational Programme for years 2004-2006.
3.3. Results:
- to maintain existing jobs and SMEs
  - Maintaining the existing 1,000 jobs,
  - Maintaining about 120 existing SMEs
- to improve access to investment areas and buildings
  - Making new post-industrial areas available for investments – 60 ha,
  - Making production facilities available – 40 facilities,
- To construct / re-construct / modernise roads
  - Building / rebuilding roads (streets) of total length 5,308 m
  - increased road load bearing capacity up to at least 80 kN per axle
- to reduce journey time
  - reduced travelling time by about 10%
  - reduced vehicles operational costs by about 6-7%

3.4. Activities:
To obtain the above mentioned objectives and results, the following activities will be undertaken:
- reinforcing of the pavement (surface) of Kolejowa Street (1,120 m long and building of the walkways. Introduction of some arrangements for the drainage system and renovation / construction of street utilities technical infrastructure,
- Reconstruction of Kilinskiego street (1,978 m long), including reconstruction of 3 Maja Avenue junction and accompanying infrastructure,
- Widening of post-industrial area roads up to 7.0 m all over their lengths (2,210 m in total), additional reinforcing of pavements, construction of walkways, renovation of existing services and adding new ones (incl. drainage) on all roads, together with a building bridge over the existing water course.

4 INSTITUTIONAL FRAMEWORK
4.1. The beneficiaries of the project will be Ostrowiec Gmina and Ostrowiec Poviat, contracting authority will be Ostrowiec Gmina., which will also be in charge of Project implementation. Ostrowiec Gmina shall employ the Project Manager.
4.2. The Engineer/ Project Manager will be appointed through a tender procedure organised by the Beneficiary in accordance with the Polish Public Procurement Law
4.3. The owner of the facilities after project implementation will be Starostwo Ostrowiec for the poviat roads (Kilinskiego Street), and Ostrowiec Gmina Board for remaining roads.
4.4. The investment will be executed according to the Decentralised Implementation System (DIS) - “Practical Guide to Phare, Ispa & Sapard contract procedures”
4.5. Implementation of the project will not lead to any changes in the institutional framework described above

5 BUDGET IN EUR

<table>
<thead>
<tr>
<th>PHARE Support</th>
<th>PHARE Support</th>
<th>Institution Building IB</th>
<th>Total Phare</th>
<th>National co-financing</th>
<th>IFIs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>2 600 000,00</td>
<td>2 600 000,00</td>
<td>1 400 000,00</td>
<td></td>
<td></td>
<td>4 000 000,00</td>
</tr>
<tr>
<td>In total</td>
<td>2 600 000,00</td>
<td>2 600 000,00</td>
<td>1 400 000,00</td>
<td></td>
<td></td>
<td>4 000 000,00</td>
</tr>
</tbody>
</table>

Total cost of the project shall be 4,000,000 EUR (including 300,000 EUR contract with the Project Manager), including 2,600,000 EUR of Phare support. National co-financing is 35% (22% - Ostrowiec Sw. commune input and 13% - Ostrowiec Poviat means). All investment (construction) works shall be executed under one contract agreement. Co-financing will be available.
6 IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency:
PAO: Ms. Ewa Freyberg, Undersecretary of State in the Ministry of Economy, Pl. Trzech Krzyzy 3/5, 00-507 Warsaw, Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95.
Implementing Authority for PHARE Cross Border Co-operation Programme: Krucza 36 St, 00-522 Warsaw, Poland, Phone:+48 22 695 99 10-11, Fax: + 48 22 695 99 12-13.

6.2 Twinning: N/A.

6.3 Non-standard Aspects: N/A.

6.4 Contracts:
Contract 1 (investment works): 3.7 million EUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.3 million EUR (financed from Polish funds)

7 IMPLEMENTATION SCHEDULE

7.1 Start of Tendering / Call for Proposals 1st quarter 2003
7.2 Start of Project Activity 2nd quarter 2003
7.3 Project Completion 3rd quarter 2005

8 EQUAL OPPORTUNITIES
Procedures related to the implementation of the project will be performed according to the law and will respect equal opportunities for all interested institutions and natural persons in spite of their sex, race and nationality. The employment of men and women will be based on applicable EU standards with reference to EOE (Equal Opportunity of Employment), which will be announced in official press advertisements during the recruitment procedures.

9 ENVIRONMENTAL IMPACT
The Environment Impact Assessment Study has been prepared and is available in the beneficiaries’ offices. According to the EIA study, available at the beneficiary’s office, fulfilment of the specific conditions for re-construction of the road artery in Ostrowiec Swietokrzyski shall not impact negatively on the environment. The EIA study for the described project has been elaborated on basis of:
As to Polish legal regulations, the Regulation Law of Environment Protection of 27th April 2001, went into effect in October last year, introduces all the Union regulations in this matter.

10 RATES OF RETURN
A Detailed Feasibility Study for the Project has been prepared, and is available at the beneficiary’s office. Following the study, the Project was prepared correctly from the legal and managerial point of view. Relevant activities have been undertaken under the Project to assure its proper socio-economical impact and in the same time to avoid any negative impact on the environment. Financial analysis shows that the Project is financially feasible and its implementation shall bring significant economical improvement of the regional potential.
The ENPV values are 23 066 170,00 PLN and 5 421 067,00 PLN at the discount rate of 5% and 12%, respectively, while the EIRR value is 18% in both cases. The EIRR value at negative ENPV value is 17%. The benefit and cost ratios (B/C) are 4.38 and 1.72 at the discount rate of 5% and 12%, respectively. Maximum receipts drops are 77% and 42%, while maximum costs rise 338% and 72% at above mentioned discount rates, respectively. The Project is justified in terms of economy.
11 INVESTMENT CRITERIA

11.1. Catalytic Effect:
The Phare support will be conducive to achieving economic and social cohesion goals in Swietokrzyskie voivodship, which otherwise could be attained only in a more distant future and on a more modest and less efficient scale.

11.2. Co-financing:
The project is co-financed by the Polish sources. The national contribution amounts to 35% of the total project cost. - joint co-financing

11.3. Addiционality:
The financial means transferred to the Beneficiary for the project implementation, covering the investment costs as they are planned within the project do not displace other financing sources, especially from the private sector and the IFI system; it is solely the co-financing of identified priorities and does not replace national resources.

11.4. Project Readiness and Size:
The project will be ready for implementation, contracting and disbursement in accordance with requirements of Phare 2002 ESC Programme. The feasibility study and report from environmental impact assessment have been prepared. The planning permit has been obtained. The acquisition of land for the investment has been completed. The Polish co-financing has been allocated.

11.5. Sustainability:
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Swietokrzyskie Voivodship. The investment is sustainable and do not require any further expenditures apart from the ongoing technical maintenance on the part of the beneficiaries.

11.6. Compliance with state aid provisions:
All aspects of the project will be developed with respect to the state aids provisions of the European Agreement.

12. Conditionality and Sequencing

Conditioning and assumptions:
- Implementation of remaining components of regional development strategy
- The region’s economy remains stable
- Level of involvement of local societies in multi-functional development of the post-industrial areas
- Drop of the economic situation / business outlook.
- Further development of infrastructure base
- Difficulties in organising transportation system at execution stage
- The Project’s financing will be provided
- The supervision and management of the project are both effective and professional

Deadlines:
- Construction designs prepared until 3rd quarter 2002
- Obtaining the building permit until (date) 4th quarter 2002
- Preparation of tender documents until 3rd quarter 2002
- Signing the works contract until 2nd quarter 2003
- Completion of the contract until 3rd quarter of 2005

ANNEXEES

Annex 1 Logframe Matrix
Annexes 2 and 3 Implementation, Contracting and Disbursement Schedule
Annex 1: Logframe Matrix

<table>
<thead>
<tr>
<th>Logframe Matrix</th>
<th>Programme name and number</th>
<th>PHARE 2002 ESC</th>
</tr>
</thead>
<tbody>
<tr>
<td>06.29 Swietokrzyskie - Renovation post industrial area</td>
<td>Contracting period expires</td>
<td>Disbursement period expires: 30/11/05</td>
</tr>
<tr>
<td></td>
<td>30/11/04</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total budget: 4 000 000,00 EUR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Phare budget: 2 600 000,00 EUR</td>
<td></td>
</tr>
</tbody>
</table>

### Overall objective
Creating favourable conditions for SMEs development through renovation of post-industrial areas

- Increase of SMEs turnover
- Decrease of unemployment rate

**Sources of verification**
- Statistical information from the region (Main Statistic Office, Regional Statistic Office)
- Reports of the Provincial Labour Office

**When:**
- after 5 years of the project completion

**Who:**
- Marshal Office

### Immediate Objectives

- To enhance investment attractiveness of the area
- To improve conditions of SME development

- Creating at least 150 new jobs,
- Establishing 12 new entities,

**Sources of verification**
- Information from:
  - Poviat Unemployment Authority
  - City Hall
  - Main Statistic Office
  - Regional Statistic Office

**When:**
- 2 years after the project completion

**Who:**
- beneficiary

### Results

**Assumptions**
- implementation of remaining components of regional development strategy
- it’s assumed that the region’s economy remains stable
- to maintain existing jobs and SMEs
- to improve access to investment areas and buildings
- to construct / re-construct/modernise roads
- to reduce journey time

- 1,000 workplaces and 120 existing SMEs maintained,
- 60 ha of new post-industrial areas available for investments –,
- Making production facilities available – 40 facilities,
- Construction / reconstruction of roads (streets) of total length 5.308 m
- Increased roads load bearing capacity up to at least 80 kN per axle
- Reduced travelling time by some 10%,
- Reduced the vehicles operational costs by some 6 to 7%.

**How:**
- Taking over certificates for specific facilities,
- Expert reports
- Data from beneficiaries
- Reports of Municipal and Poviat Roads Administration.

**When:**
- immediately after the project completion

**Who:**
- beneficiary

---

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinforcing of the pavement of Kolejowa Street (1,120 m long), arranging lawns, building walkways. Introduction of some arrangements in drainage system and renovation / adding of the technical infrastructure of street utilities,</td>
<td>One contract for the performance of construction work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconstruction of Kilinskiego Street (1,978 m long), including reconstruction of 3 Maja Avenue junction and accompanying infrastructure,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Widening of post-industrial area roads up to 7.0 m all over their lengths (2,210 m in total), additional reinforcing of pavements, construction of walkways, renovation of existing services and adding new ones (incl. drainage) on all roads, together with building bridge over the existing water course.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Further development of infrastructure base
- Difficulties in organising transportation system at execution stage
- It’s assumed that project’s financing will be provided
- It’s assumed that supervision and management of the project is both effective and professional

Resolution No XLVIII / 812 / 2002 of Ostrowiec Swietokrzyskie City Board of 21st February 2002
### Annexes 2 and 3: Implementation, Contracting and Disbursement Schedule

**06.29 Swietokrzyskie - Renovation post industrial area**

<table>
<thead>
<tr>
<th>Date of drafting</th>
<th>January 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning period</td>
<td>2003 - 2005</td>
</tr>
</tbody>
</table>

#### Budget Allocation Cost Estimate in MEUR

<table>
<thead>
<tr>
<th></th>
<th>I'03</th>
<th>II'03</th>
<th>III'03</th>
<th>IV'03</th>
<th>I'04</th>
<th>II'04</th>
<th>III'04</th>
<th>IV'04</th>
<th>I'05</th>
<th>II'05</th>
<th>III'05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PLANNING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td>C</td>
<td>C/I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Contracting schedule</td>
<td>2.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td>0.20</td>
<td>0.50</td>
<td>0.80</td>
<td>1.10</td>
<td>1.40</td>
<td>1.70</td>
<td>2.00</td>
<td>2.30</td>
<td>2.60</td>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td>schedule*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Legend:

- **D** = design of sub-projects
- **C** = tendering and contracting
- **I** = contract implementation and payment
- **(1)** = amounts to be given in MEUR cumulative