1. Basic Information
1.1. CRIS Number: 2002/000-605-06.02
1.2. Title: Support for SME development in the Bydgoszcz – Torun sub-region
1.3. Sector: ESC
1.4. Location: Poland, Kujawsko - Pomorskie Voivodship, Solec Kujawski

2. Objectives:
2.1. Overall Objective:
Project’s overall objective is to improve investment attractiveness of the Bydgoszcz - Torun sub-region through stimulation of local entrepreneurship

2.2. Project purpose/ Immediate objective(s):
• Enhancement of investment attractiveness of the Bydgoszcz – Torun sub-region,
• Creation of new SMEs,
• Creation of new work places

2.3. Accession Partnership and NPAA priorities
The project corresponds medium priorities defined in PC: development of national policy regarding socio-economic integrity and preparation for implementation of regional development plans. It also corresponds to the priority of NPPC „Regional policy and the policy of integrity”.

2.4. Contribution to the National Development Plan
One of the priorities defined in WPRN is „Strengthening of regional development potential and counteracting the marginalisation of certain regions”. One of the instruments is the „Development and modernisation of infrastructure in order to increase the competitiveness of regions”. The activities within this priority include development of business infrastructure, which is necessary for development of SME’s. The project corresponds also to OP, owing to the role of SMEs in long term economic development of the region with the weak national companies and over-employment in agriculture.

2.5. Cross-Border Impact: N/A

3. Description
3.1. Background and justification
The gmina of Solec Kujawski is located in the vicinity of national highway no. 10 connecting Szczecin and Warsaw (future S10 express highway), half way between Bydgoszcz, the seat of the Voivod (18km) and Torun, the seat of the Marshal. Additionally, the town is traversed by the main railroad from Bydgoszcz to Warsaw. Location of the gmina within the area of Bydgoszcz – Torun metropoly, offers numerous investment possibilities.

Under the PHARE 2001 ESC programme, the gmina of Solec Kujawski received EU support for the project “Preparation of investment areas for the Industrial Park”. Within this project, basic media infrastructure (sanitary sewage system, water mains, storm-water drainage and storm-water treatment facility, road infrastructure (internal road), electric power, gas main ) is being prepared for the area of 30 ha assigned for investments for companies, particularly form the SMEs sector. The site is assigned for new investors and for already existing firms that wish to diversify and expand their activities. This area is a part of 175 ha area assigned to business investments in the spatial development plan and in the adapted strategy for the development of the town and gmina (by 2015). Presently, the beneficiary possesses letters of intent signed by potential investors who are willing to utilise areas currently being prepared within the PHARE 2001 project.

In accordance with the provisions of the Phare 2001 ESC project fiche “Preparation of investment areas for the Industrial Park” the next stage, allowing the complete utilisation of the area of the Industrial Park in Solec Kujawski, is the creation of a Business Incubator, which is the subject of this project fiche. The Business Incubator shall be created within the currently developed Industrial Park and shall be a place for a location of start-up firms. The Incubator shall provide services regarding preparation of business plans, obtaining resources for financing a company’s activity, defining target markets. Moreover, support in company management shall be available, as well as legal advice, book keeping and other advisory services, indispensable in business management. The Incubator shall be divided into three parts: production hall with social back-up area (circa 4200 m²), office rooms for renting by service companies (c. 550 m²) and the part designated for running advisory and training activities in support for SME’s (c. 250 m²). Training shall be financed by The Society for Development of Solec Kujawski and in a small part (approximately 10%) by the participants. The beneficiary shall equip the incubator with all necessary media, including a computer network, telephones, faxes, etc.
The owner of the project will be the gmina of Sołec Kujawski. The beneficiary will ensure that the management of the incubator will be taken over by the Society of Development of Sołec Kujawski which in turn is a non-profit public subject. Rents from companies, which will act inside the incubator, will be collected by the Society and used for development and functioning of the incubator. It will also include advisory services. In case of lower incomes at the initial stage of the project, the beneficiary will cover the rest of the cost from its own budget. The level of rents offered in the incubator will be roughly 25% lower than in town. Price of rent for square metre shall be between 3.5-4 euro.

Due to the planned development of the Industrial Park it is envisaged that companies from the following sectors will be given preferences to renting office space in the incubator: services of typography, internet, project (for companies investing in the Industrial Park), geodesy, advertising, standardisation laboratories, as well as interior designing services. The companies located within the Industrial Park shall be potential customers for which the firms from the Business Incubator shall provide services. To accept a company to the incubator, it will be necessary to make a proper system of selection, i.e. business plan demonstrating that the enterprise will make profits. The Programme Council will make the selection of the companies that will meet the selection criteria.

The council will consist of representatives of the incubator managers, local government authorities, banks and local chamber of commerce.

The partnership with the University of Montpellier, France, shall be utilised for creating the development opportunities for companies from e-commerce sector (computer services, trade via the Internet) and for know-how transfer to SMEs located in the Industrial Park and the Incubator. For realisation of the project, the beneficiary shall utilise local partnerships for employment and unemployment prevention created in order to alleviate the effects of unemployment – so called Local Government Labour Club.

Regulations for granting support shall be created, and shall safeguard that SMEs from the region shall have equal opportunities of access to activities and other benefits resulting from the implementation of the project. A local fund for credit guarantees, with the initial capital of 0.15 mln euro shall be created by the beneficiary and financial institutions (banks), which shall primarily support the firms located in the Incubator. The creation of the fund shall take place in the beginning of the year 2005. Due to the acceptance of the project within PHARE 2001, in February 2002 the Beneficiary accessed the Kujawsko–Pomorski Fund for Credit Guarantees created by the Voivodship Board, in order to provide support for companies interested in locating SMEs within the Industrial Park. The Business Incubator shall also cooperate with National Service System. Beneficiary warrants sustainability of the project.

It is estimated that the companies will be located in the Incubator, after 36 months shall be able to function independently as economic entities and shall be expanded and shall locate their investments in the remaining part of the Industrial Park. The Park has the area of 145 ha, thus the new companies will constitute natural back-up facility to development and full utilisation of it. Thanks to the project implementation about 30-40 new small and medium size companies will be established as well as 100 new workplaces will be created.

In order to support companies leaving the Incubator, the Beneficiary shall utilise proper tax policy aiming at facilitating purchasing of land in other parts of the Park. The Business Incubator in the Industrial Park in Sołec Kujawski shall be a complementary activity to the project realised within PHARE 2001 Technology Transfer Centre in Torun, that owing to its back-up facility shall be a place for localisation of high–tech companies. Business Incubator, together with the infrastructure shall be the property of the beneficiary.

### 3.2. Linked Activities

The realisation of the project is connected to the development of technical infrastructure in the region, mainly the realisation of investment projects for roads no. S5, S10 and A1 motorway. Owing to this, the transport accessibility of this area shall improve. In connection to the project, the investments co-financed from PHARE 2001 ESC „Construction of southern ring-road for Torun” within the course of the road no. S 10, and „Technology Transfer Centre in Torun” are being realised.

### 3.3. Results

Operating Business Incubator Centre of the total roofed area of 5000 m² including:
- production hall - 4200m²
- office rooms for rent – 550m²
- courses and training rooms – 250 m²

Parking lots – 2500m²
3.4 **Activities**

Construction of the Business Incubator objects, including:
- production hall 4200 m², with social back-up facilities;
- office rooms for rent by service companies – 550 m² (telecom computers and digital networks),
- courses and training room – 250 m²,
- parking lots 2500 m² including lighting;
- water, sewage, electrical and gas connections,
- driveway with storm water drainage and lighting,
- Local central heating (gas heating).

4. **Institutional Framework**

4.1. The beneficiary of the project will be the town and Gmina of Solec Kujawski

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 the town and Gmina of Solec Kujawski

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. **Detailed budget (€ mln.)**

<table>
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<tr>
<th></th>
<th>Investment</th>
<th>IB</th>
<th>Phare Total</th>
<th>National co-financing</th>
<th>IFIs</th>
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<td>2.0</td>
<td>0.7</td>
<td>0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Co-financing from Polish sources includes administration costs connected with project management, including costs of tender documentation and contract with an independent engineer. National co-financing includes the means of Beneficiary. The cost of project manager will be 0.108 mln euro. Co-financing will be available.

6. **Implementation Arrangements**

6.1. **Implementation Agency**

PAO: 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 Agency: Implementing Authority for Phare Cross Border Co-operation Programme, ul. Krucza 36, 00-522 Warsaw, Phone:+48 22 695 99 10-11, Fax: + 48 22 695 99 12-13

6.2. **Twinning**: N/A

6.3. **Not-standard aspects**: N/A

6.4 **Contracts**

Contract 1 (works): € 2.592 mln; - joint co-financing
Contract 2 (engineer): € 0.108 mln

7. **Implementation Schedule**


7.2. Start of project activity: 3rd 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. **Environment**
A report concerning the environmental impact of the investment has been prepared, in accordance with EU directives. After analysis of the report it can be stated, that the project shall not negatively influence the environment. The report can be found in the seat of the Beneficiary. The project shall be adapted to the local conditions regarding the natural and socio-cultural resources. The poor quality of soils in the region excludes any agricultural activities. The project includes connecting the Incubator to the sewage system leading from the area of the Industrial Park to the Bydgoszcz Kapusciska sewage purification plant. The purification plant is in operation and its characteristics comply with the UE 91/271 standards. The nature of the project does not involve the implementation and utilisation of new pro-ecological technologies on a large scale. According to the assumptions of the plan, only the activities that do not have a negative environmental impact shall be allowed.

10. Rates of return:
According to the economic analysis, with the decrease rate 3%, NPV (current net value) is € 364,04 thousand, whereas IRR (external profitability) is 3.40%, ERR – 8.1 %. The indicator is within average values for projects of this type. The complete realisability analysis is available in beneficiary’s seat.
The low level of the internal return rate (IRR) results from the fact that the Business Incubator does not have a commercial character.
The level of rate for a rent in the Business Incubator is intended to be lower than the level of rate within the town area.
Due to the start-up aid, the Beneficiary expects a growth of activity (creating new enterprises in SMEs sector) among the inhabitants of the town and commune of Solec Kujawski.

11. Investment criteria

11.1 Catalytic effect
The Phare support will be conducive to achieving economic and social cohesion goals in Kujawsko-Pomorskie 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 25 % of the total project cost.

11.3. Additionality
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 Project duration:
The project shall contribute to long term sustainable development of the region, as stated in Operational Programme for Kujawsko – Pomorskie Voivodship and does not require any further expenditures apart from the ongoing technical maintenance on the part of the beneficiary.

11.6. Conformity 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 succession
Successfull implemenation of the project depends on the following conditions and assumptions:
- It is assumed that regional economy will remain stable
- Assumption is made that the Voivodeship strategy for the SME promotion and developement will be successfull
• It is assumed that the financing of the project is established
Deadlines:
• Assumption is made that regional economy will remain stable
• Assumption is made that the Voivodeship strategy for the SME promotion and development will be successful
• It is assumed that the financing of the project is granted

Annexes
1. Logical matrix
2-3 Implementation, contracting and disbursement schedules
| Strategic objective | Achievements indicators | Information sources
|---------------------|-------------------------|------------------|
| Improvement of investment attractiveness of Bydgoszcz - Toruń sub-region through stimulation of local entrepreneurship | Increase of the turnover of the SME companies in the Solec Kujawski town | How: Statistical data, beneficiary reports
When: 5 years after project completion
By whom: Beneficiary

| Direct objectives | Achievements indicators | Information sources | Assumptions
|------------------|-------------------------|---------------------|------------------|
| Enhancement of investment attractiveness of the Bydgoszcz – Toruń sub-region, Creation of new work places | 40 new SMEs in the sub-region created 100 new work places created Increased Industrial Park area by 30% 300 persons trained increased number of SME companies founded by graduates by 10 % | How: Reports of the Board, Statistical data by WUS, beneficiary
When: 3 years after project completion,
By whom: Beneficiary | It is assumed that regional economy will remain stable

| Results | Achievements indicators | Information sources | Assumptions
|---------|-------------------------|---------------------|------------------|
| Business Incubator with training, consulting assistance and technical support facilities for prospective new entities from SME’s sector. Parking lots | Production hall of 4200 m², with access road Office rooms for rent - 550 m² courses and training rooms – 250 m² parking lots -2500 m² | How: Contract Engineer reports, investment communal bodies
When: Immediately after completion of the project,
By whom: Beneficiary | Assumption is made that the Voivodeship strategy for the SME promotion and development will be successful

| Activities | Means/Resources | Assumptions
|------------|----------------|------------------|
| Construction of the Business Incubator objects, including: - hall 4200 m², with social back-up facilities; - office rooms for rent by service companies – 550 m² (telecom computers and digital networks), - courses and training room – 250 m², - parking lots 2500 m² including lighting,: - water, sewage, electrical and gas connections, - driveway with storm water drainage and lighting, - local central heating (gas heating) | Financial input 2.7 mln Euro, of which 2.0 mln euro from PHARE, 0.7 mln euro from beneficiary budget | It is assumed that the financing of the project is established

| Preconditions | Decision of the Local Authorities to implement the project. |
Annex 2-3: Implementation, contracting and disbursement schedules

| PLANNED |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Realisation Time-Schedule | D | D/C | C | I | I | I | I | I | I | I | I | I |
| Contracting* | 2.0 |
| Disbursement* | 0.01 | 0.02 | 0.03 | 0.04 | 0.1 | 0.3 | 0.8 | 1.5 | 2.0 | 2.0 |

Legend:
- subproject designing (D),
- contracting process (C),
- project implementation (I).
* Phare funds are given in increasing order in euro millions.