1 BASIC INFORMATION

1.1. CRIS number: 2003/004-379/05.34
1.2. Title: Economic Activation Swietokrzyskie region Industrial Centres Starachowice and Ostrowiec Swietokrzyski.
1.3. Sector: Economic and Social Cohesion
1.4. Location: Poland, Swietokrzyskie Voivodship, the cities of Starachowice and Ostrowiec Swietokrzyski

2 OBJECTIVES

2.1. Overall objective
Economic activation and development of the enterprises in Swietokrzyskie Voivodship by funding the bodies supporting business in Ostrowiec Swietokrzyski and Starachowice, extending the business incubator in Starachowice and making new areas of Starachowice city available to business activities and improving their attractiveness subsequent to extension of the municipal infrastructure.

2.2. Project purpose/Immediate objectives
- To fund new entities (140)
- To establish new jobs (750)
- To create and extend the business surrounding entities (4)
- To improve infrastructure development and increase the attractiveness of the area incorporated in the Project (7.2 Ha)

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 regarding 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 Draft of National Development Plan
The project is in line with the sixth axis of the preliminary NDP, which is ‘Strengthening development potential of regions and counteracting 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 scheduled Project shall be implemented in the location of Ostrowiec city and Starachowice (Poviats’ adobes). The cities are located in the valley of Kamienna River in the centre of the Old Polish agglomeration. Both cities make significant administrative, industrial, educational and cultural centres. At present both cities live through difficult economic situation as a consequence of the industrial monoculture. Starachowice, of nearly 60 thousand inhabitants, are surrounded with forest complexes being a residue of the Swietokrzyska Forest. The nearest surroundings of the city are three rural communes of Brody Ilzeckie, Mirzec and Pawlow and the city and commune of Wachock. Ostrowiec Swietokrzyski city is 80 thousand inhabitants. The city borders on two rural communes of Wasniow and Bodzechow and the city and commune of Kunow.
Starachowice is a significant industrial centre where steel, metallurgical and woodworking industries have been well developed trades. Machines manufacturing and vehicles industries have been also well developed, and at the moment these two live through serious difficulties related with the drop of demand...
for machines, delivery vehicles and trucks. For instance, at the boom period of vehicles industry some 20 thousand people were employed there (STAR trucks factory with co-operating businesses), and as little as 1.5 thousand people are employed nowadays.

The economical fundamentals of Ostrowiec Swietokrzyski city were steel and metallurgical industries (steel works employed some 17 thousand people in 1980s and used to be the city largest employee). In 1992 National Company of Ostrowiec' Steel Works was split and in mid 1990s the employment was reduced to some 9.2 thousand. At present some 3.1 thousand people are employed in the branch of the city economy, and the employment is scheduled to be reduced down to 2.7 thousand people. The undergoing re—structuring of the works has become a serious threat for proper functioning of the city. The traditions of Starachowice and Ostrowiec related with above mentioned branches of economy have been yielding into more and more differentiated economy. Other branches of manufacturing have been developed, i.e. food and clothing industries, building materials production, furniture making and transporting services. The cities attach the specific weight to developing of banks and business supporting institutions that make so called 'business surroundings' (accountancy and advising offices, legal advising and notary offices, translating and interpreting offices).

The future vision of the development of Starachowice is defined in the development strategy produced in a form of eco—development. Undertaken operations contribute to the increase of the number of entities which is some 3,900 in the city, including several companies with the share of foreign capital. Business Incubator of Starachowice (BIS), funded in 1994 to counteract the consequences of unemployment by supporting entities in their initial period of operation, plays very important role in stimulating the enterprises. The BIS was funded following the initiative of Starachowice, on the bases of the area and industrial facilities formerly owned by STAR S.A. Starachowice Factory which were taken over by the municipality. In 1996 the BIS was classified to TOR's #10 programme thus it was possible to obtain 650,000 PLN for its development. The result of the BIS operations in 1996 – 2000 was 48 incubated companies with some 159 employed. By the end of this year the incubator shall leave another four entities. Majority of the entities operating in the incubator was funded by the former unemployed who are welcome in first order. People willing to start their own businesses are engaged on positive assessment of the presented business plan that prognoses functioning of the undertaking after 3—year incubation period. Since March 1999 the incubator operates by Regional Chamber of Economy in Starachowice which improves its operations and speeds up its development. The Regional Chamber of Economy (RCE) is a non-profit organisation, which under the agreement with the City of Starachowice, do operates and manage the facilities for the needs of BIS. Positive economic results reached subsequent to the incubator’s operations caused that some activities aiming toward its extension in order to engage larger quantity of the entities willing to start their business activities, or already operating on the market and whisking to develop and subsequently to increase their employment. On completion of the project works the number of incubated entities shall be increased by some 20—25 within two years on completion. At present the incubator has in its disposal the quarters of the total area of 2,700 sq.m scheduled for economic activities 800 sq.m area of which is expected to be demolished (before commencement of the project works) because of the technical conditions thus the facility available in the incubator shall be reduced down to 1,900 sq.m. Instead, a new 600 sq.m storage and production facility shall be constructed as a result of this Project plus 1,200 sq.m building the 400 sq.m area of which shall be scheduled for offices, training room and social background rooms and 800 sq.m area for production rooms and exhibition space for the incubated companies. This facility shall be constructed in a modular system thus providing easier adaptation of the area for specific needs of the incubated companies. Under the scheduled extension of the incubator the works shall also incorporate external facilities and accompanying infrastructure of roads, parking, services and the like. Owing to the project activities the economy of incubator itself shall be also improved by significant increase of the usable area. In the Polish conditions it is usually assumed that a minimum usable area needed to achieve financial fluency is 3,000 sq.m. The scheduled facilities are also expected to accommodate Business Supporting Centre and Business Information Point already operating in Starachowice (from PAOW funds). With regard to large demands of local business community in the field of economy training and advising services it was recognised to join various business surrounding institutions and to ensure a broad spectrum of services. Construction of one of the municipal infrastructure components of sewer system is intended under the scheduled activities. [Other infrastructural projects shall be carried out in parallel by responsible companies (telecommunication company, power supply) or by City Hall of Starachowice (water main, access roads)]. Construction of the municipal infrastructure, including sewer system, is a precondition among others for severe development restrictions connected with the lack of new well developed investment areas. There are 882 service companies, craftwork works and other SMEs are registered in
south part of Starachowice the further development of which is seriously restricted by lack of the infrastructural services. Moreover, there are facilities and large post–industrial land available in the area where lack or insufficient development with services makes undertaking and running businesses impracticable for new entities. This situation prevents other businessman from investing in Starachowice. The cases of withdrawing of large investors and moving to other regions of the country, or even to other states, because of shortages in the infrastructure, are well know from the publications in local newspapers. Therefore, the city has undertaken broad activities in the field of extension of municipal infrastructure, construction and renovation of roads, extension of the marketplace to establish the conditions for using the economic opportunities created by the city lands and post–industrial facilities. The investment scheduled in Starachowice in 2000–2003 are incorporated in the Multi–annual Investment Programmes which partly shall be financed by issuing the municipal bonds. By implementing this Thought this project the city intends to strengthen past efforts aimed toward establishing the business surrounding institutions. At present there are Regional Chamber of Economy, Credit Guarantees Fund, Business Incubator and Business Supporting Centre in Starachowice. Business Information Point and exhibition – trade halls are expected to be started. These activities are transferred to the evident business activities in the city. With the assistance of Business Supporting Centre new entities are being funded and existing ones are developing, increasing interest of external investors is also reported. Every year the entities leave the incubator. To make their start easier and make self–sustaining operation on the market, properly prepared buildings and completely equipped with the municipal infrastructure areas, meeting up–to–date technical requirements and environmental standards are necessary. Presented structuring of the Project shall allow local community to carry out further intense works aimed toward stimulating the business development, and to make properly prepared areas and facilities available for the existing and newly established entities. Broadly extended activities aiming toward counteraction of the effects of violent increase of unemployment have been also initiated in Ostrowiec Swietokrzyski. A programme of business development has been produced. In May 2000 the Ostrowiec commune funded the Local Development Agency S.A. (with a 100% share of Ostrowiec Swietokrzyski Commune). Activities of the Agency are focused mainly on initiating and promoting any initiative for the economic development, counteracting the unemployment and disseminating the idea of European integration. The Agency also deals with running and complex servicing of the Load Fund, organising the trainings and courses for the unemployed. In January 2002 in the Agency’s facilities Multimedia Centre of the Ostrowiec Business Incubator was started. The Centre shall make the inhabitants, institutions, entities and territorial self–government possible to get broad and free access to sophisticated computer communication technologies to speed up local and regional development. To strengthen the activities described above the Ostrowiec Sw. commune made the decision on establishing a Business & Employment Activation Centre (BEAC). The management of it shall be conducted by Local Development Agency under the agreement conducted with the City of Ostrowiec Swietokrzyski. Basic decisions on the investment and properties shall be still made by Ostrowiec Sw. commune. The Centre shall be funded on the basis of the existing buildings left after the trade school at Sandomierska street which ceases to use the facilities due to the drop of interest in the forms and branches of education. The complex incorporates buildings of the trade school itself, the boarding–school and canteen building and school workshops facility with the production and services halls. The facilities are located at the fenced real estate of the area of 3.67 ha hold by Ostrowiec Swietokrzyski commune and the Local Development Agency S.A. The accompanying facilities are access roads, parking and recreation and sport background facilities. It is expected to start initiate with the Business Incubator (BI) for some 40 companies under the BEAC to operate on the basis of workshop building. On its re–construction the building in terms shall be made available for the entities that will present a clear business plan of their development with a probable prognosis for further development after the incubation period. Under the BEAC a Conference and Office Centre located in the present boarding–school building is scheduled as well as the Employment Activation Centre (EAC) to be accommodated in the trade school building. The companies shall be provided with a versatile legal, booking, tax, financial (for instance with obtaining advantageous investment credits) and consulting assistance until they reach a maturity for self–sustaining functioning on the market. The buildings erected at the turn of 1970s and 1980s require repairs and adaptations for these purposes. Taking into consideration past experiences of the BIS in incubating the companies (in 1996 – 2001 as many as 48 entities employing 159 persons got self–sustained) it was assumed that subsequent to the
implementation of this Project the potential to incubate the companies shall be increased by several times (from 20 entities at present up to 85 on completion) what shall result in graduating even 30 companies per annum (at present 8 per annum) – after a 3-year incubating period. Moreover, in the location of the Project works of municipal infrastructure at least 70 new entities shall be funded within two years on completion. A presence of two similar locations in terms of surface area and number of inhabitants is a good point of reference in Starachowice; in these areas located one by another, there are 742 registered entities in the area furnished with complete infrastructure and as little as 140 in the area without the infrastructure. Moreover, within two years on Project completion some 750 new jobs are expected to be created.

Implementation of this Project is a significant component of the regional programme for economic activation under which the Swietokrzyskie Centre of Innovation and Technology Transfer (SCITT) was established. The authorities of Starachowice and Ostrowiec Swietokrzyski are involved in the regional partnership system organised around the SCITT aimed toward economical stimulating of the region with simultaneous use of the research, innovation and new technologies potential. The activities aiming toward establishing the BEAC in Ostrowiec Swietokrzyski and extension of incubator and BIS in Starachowice are important components of the economic activation of the whole region, and they shall immediately contribute to funding new entities and make it possible to extend the scope of operation of already existing businesses. The activities undertaken under the Project shall also contribute to generating the Phare 2003 objectives. Making new areas and facilities for investments available, increase of the attractiveness of the areas and improvement of the conditions for SMEs sector development shall cause that the rate of unemployment is decreased owing to maintaining of the past jobs and creating new ones as well as to funding new entities.

3.2. Linked activities

The investment scheduled for implementation under this Project are the continuation of broadly ranged investment activities financed from own resources (including bonds issuing), governmental programmes and PAOW project, and continue PHARE 2002 programme (re-vitalisation of the post–industrial areas in Ostrowiec Swietokrzyski). The renovation of roads system within the post–industrial areas that aims toward opening new areas for SMEs development is being planned, what was applied to Phare 2002. Implementation of Phare 2002 financed project shall cause essential strengthening of the business surrounding infrastructure in Ostrowiec Swietokrzyski. Budget of that project is 4.0 MEURO, including Phare support of 2.6 MEURO.

Starachowice city has undertaken broadly extended activities to support socio-economic development of the city and poviat. To do this a Foundation, Regional Development Agency, was funded in 1992 as a non-governmental body supporting business in the region. The overall goal of the Agency is to overcome the effects of unemployment by providing organisational, legal and technical assistance for new entities, rendering various financial assistance at funding and re-structuring the companies and supporting small business. One of the most significant activities of the Foundation is the FUNDSTAR Credits Guarantee and Financial Supporting Fund the main objective of which is to make easier access to the external sources of financing the economic activities offered by banks. Moreover, the Fund also supports companies commencing the economic activities and creating new jobs using the loans of Poviat Employment Office. The guarantees are available for entities and individuals from Swietokrzyskie Voivodship. FUNDSTAR will received additional financial support from Phare 2002 and Phare 2003 SME Development at a total of 800 000.00 EUR. The Fund granted 121 guarantees for a total amount of 4,000,000.00 PLN what allowed to commence the credit granting operation of 3,000,000.00 PLN. Owing to these guarantees 438 new jobs were created. Several companies operating in the BIS used the guarantees.

The Regional Chamber of Economy is also a business supporting body. This was funded in 1994 following the initiative of 50 entities operating within the city and its surrounding communes. The RCE activities is focused on organising the trainings and courses on economy, taxes, social insurances, language learning and dealing with the promotion of the Starachowice region owing to which many companies entered into co-operation with German companies. Under the activities of the RCE, in the structures of Computer Information Centre, a Starachowice Economy Directory’ is published on a regular basis using the latest data. The Directory incorporates updated information about the city and region and about many companies running their activities within the area. The activities aiming toward making the development of the city and region more dynamical are undertaken by the Association for Local Initiative (ALIS), Starachowice, that was funded after transformations of the Local Committee operated since 1993. The ALIS acts for promoting the city and region, organises marketing workshops
(with the co-operation of Swiss embassy), and conferences and seminars for supporting local business. The ALIS also undertakes actions in favour of obtaining sources for the local institutions. Missing infrastructure, or its poor technical condition on the areas of possible enterprise development is a serious restraint in operation of the entities in Starachowice. To alleviate this restraint, Starachowice city prepared the 2000 – 2003 Multi-annual Investment Programme aimed toward comprehensive renovation of the infrastructure the general sources of finances of which shall be multi–annual municipal bonds issued for the amount of 20 M PLN. Under the 2000 – 2003 Multi-annual Investment Programme some investment project of sewer system, water mains, housing, road engineering, environment protection, education, culture, sport and recreation area to be implemented.

The superior goal of the operations of the 2000 funded Local Development Agency S.A. is to support economical development of Ostrowiec Swietokrzyski and Ostrowiec Poviat communes. In first year of its operation the Company undertook activities related with establishing the loan granting system. As a field partner of Konskie based Business Supporting Association, the Agency has dealt with running and complete servicing of the Loan Fund. Owing to its loans 13 new companies were funded and 18 new jobs were created. The Agency also operates periodical trainings for small and medium businessmen, runs language courses as well as maintains permanent co–operation with foreign institutions. In January 2002, thanks to involvement of its own finances and national co–financing a Multimedia Centre of the Ostrowiec Business Incubator was started in the Agency’s facilities. The Centre shall make the inhabitants, institutions, entities and territorial self–government possible to get broad and free access to sophisticated computer communication technologies to speed up local and regional development. This activity is carried out under the Voivodship Contract Agreement. Several trainings with some 70 SMEs’ have been arranged for as little as two months of the Centre’s operation.

In 1999, to strengthen the activities of socio–economic development of the city, the Information and Promotion Office was funded under the structures of Ostrowiec Swietokrzyski City Hall. To put the foreign investors’ attention, National Agency for Foreign Investments (NAFI) produced Ostrowiec Swietokrzyski Promotion Strategy (agreement ref. Or 212/99 of 14th September 1999). The city participated in the Programme for Active Investment Marketing organised by the NAFI (common publications, incorporating the city’s offers in the NAFI’s databases, participation in seminars and trades on which the investment offer of Ostrowiec Swietokrzyski was presented, among others in the UE countries, visits of the investors in Ostrowiec), and in the INVESTCITY Polish Cities Investment Trades, Poznan (November 2001).

The city has also undertaken the activities to improve and extend the business surrounding infrastructure. To do this, in 2001 a "Concept Design of the Roads Investments within Ostrowiec City and Poviat" was produced that assumes renovation of several sections of the roads and streets within the nearest few years. The undertaken activities cause that a barrier of business development shall be alleviated, which is a bad condition of the road system in the post–industrial area located within so called ‘Old Steel Works’.

This project was applied for co–financing from Phare 2002 programme. Implementation of this project shall contribute to opening the post–industrial areas, and thus this shall make entities possible to run their businesses within the area.

3.3. Results

- To create the conditions to incubate additional companies: 65
- To construct new BIS facilities of the surface area of 1,800 m²
- To make new production facilities of Ostrowiec Swietokrzyskie Business Incubator (BI) available: 3,652 m²
- To make Office and Conference Room (OCR) available: 3,767 m²
- To make Employment Activation Centre (EAC) available: 3,260 m²
- To construct sewer system: 41.5 km
- To load up municipal WWTP from 50% to 70% from 50% to 70%
- To reduce the unit cost of the foul water discharge in the Project location area born by the inhabitants by some 50%

3.4. Activities

To obtain these objectives and results the following activities shall be initiated:
- Extension of the BEAC and BIS facilities
  - To construct storage and production facility – 600 sq.m
- To construct 1,200 sq.m building (the 400 sq.m area of which shall be scheduled for offices, training room and social background rooms and 800 sq.m area for production rooms and exhibition space for the incubated companies).

Reconstruction of the building complex left after trade school in Ostrowiec Swietokrzyski with the purpose of funding the Business Incubator, OCR and EAC at the buildings with total surface of 10,679 sq. m.
- Applying a heat insulation, replacement of the windows and reduction in their quantity
- Removing of the roof skylights, replacement of the insulation claddings and heat insulation to the roof
- Replacement of the heating system and radiators
- Installation of alternative heat power sources with an automatic control board
- Renovation of the main electric power switchgear to the building and internal power supplying lines from the point of view of establishing of individual electricity meters system
- Carrying out the civil works to separate independent manufacturing areas
- Establishing of the internal computer cabling with the web access board

Extension of the sewer system infrastructure in south part of Starachowice: to construct sewer system – 42.5 km (gravity sewers – 36 km, pressure pipes – 5.5 km, pumping station – 9)

Total cost of the Project is estimated at 5,450,000 € (including 300,000 € as a Project Manager remuneration) with Phare support of 3,810,000 €. National co-financing shall be 30.09 %. The whole project works shall be executed under the same contract agreement.

3.5. Lessons learned

Under the Final Assessment Report for Assistance funded under PL-9808 Special Preparatory Programme (SPP) and PL-9909 Regional Policy and Cohesion, prepared by OMAS, some recommendations have been made. They are also relevant to the above-mentioned project. Therefore the Ministry of Economy together with the IA and Office of the Committee for European Integration have established stronger institutional co-operation between those organizations (responsible for the programming and implementation of the Phare – ESC assistance).

LPM (Logical Planning Matrix) methodology is applied correctly and contains clear, quantifiable indicators of achievement of the project’s objectives.

The implementation of the Phare 2003 ESC Programme should be based on the experience gained during the implementation of previous Phare programmes, especially ESC 2000, 2001 and 2002 ESC Programmes. Therefore documents concerning land acquisition and conformity with the local spatial development plans are required during the current programming exercise. For this purpose the Polish authorities (Ministry of Economy and Office of the Committee for European Integration) have established a scrutiny system (in form of a checklist) that should be used at the early stage of programming Phare 2003 ESC assistance, eliminating proposals which do not meet the above-mentioned criteria.

4. INSTITUTIONAL FRAMEWORK

4.1. The beneficiaries of the Project are Starachowice city and Ostrowiec Swietokrzyski city.

4.2. The Engineer/Manager of the project will be selected through tender pursuant to the Polish Act on Public Procurement.

4.3. The owner of the investment after the implementation of the project: after implementation the project will be managed by Starachowice city and Ostrowiec Swietokrzyski city.

4.4. The investment will be implemented pursuant to the regulations of the Decentralised Implementation System – "Practical Guide to Phare, Ispa and Sapard Contract Procedures".

4.5. The contracting authority will be the Starachowice city, which will be directly responsible for the project implementation, and employ the Project Manager

4.6. The implementation of the project will not cause any changes to the institutional framework described above.

5. DETAILED BUDGET

<table>
<thead>
<tr>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare</th>
<th>National co-financing</th>
<th>International &amp; Financial Institutions</th>
<th>Total</th>
</tr>
</thead>
</table>

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National co-financing shall amount to 1,64 MEUR what makes 30.09% of the total project value. The overall value of the investment including employment of the Project Manager will amount to 5,45 MEUR. The cost of the employment of the Project Manager will be borne by the beneficiary in the amount of 0.30 MEUR. Co-financing will be available.

6. IMPLEMENTATION ARRANGEMENTS

6.1. Implementing Agency

PAO: Ms. Krystyna Gurbiel, Undersecretary Of State In The Ministry Of Economy, Labour and Social Policy, Pl. Trzech Krzyzy 3/5, 00-507 Warsaw, Poland, Phone: + 48.22.693.56.28, 629.31.47, Fax: + 48.22.693.40.05

Implementing Authority for Phare Cross Border Co-operation Programme, Contact person: Ms. Grazyna Weclewsk, Krucza 36 Street, 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 (works): 5,150,000 €, Joint co-financing: 3 810 000 € Phare, 1 340 000 € Beneficiary

Contract 2 (Manager): 300,000 €, Beneficiary own sources

7. IMPLEMENTATION SCHEDULE

Start of tendering/Call for proposals: first quarter 2003

Start of project activity: fourth quarter 2003

Project completion: second quarter 2005

8. EQUAL OPPORTUNITIES

Procedures related to the implementation of the project will be implemented 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

Environmental Impact Review for the Project in terms was produced basing as listed below:


Following Policy regulations of Environment Protection Act of 27th April 2001, the project activities in terms do not require the EIS report to be produced. As appears from the Environmental Impact Review, when using the preventive methods and precautions for alleviating the impacts, implementation of the Project shall not cause any arduousness for human and environment. The EIA is available at the beneficiary headquarter.

10. RATES OF RETURN

Net present value (NPV) and internal rate of return (IRR). These values, as computed at the discount rate of 5%, are: NPV = 27,163,699 PLN - IRR = 12%

<table>
<thead>
<tr>
<th>Activity</th>
<th>NPV (r=5%) in PLN</th>
<th>IRR (in %)</th>
</tr>
</thead>
</table>

05.34 SWIETOKRZYSKIE STARACHOWICE OSTROWIEC – page 7
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: Starachowice and Ostrowiec Swietokrzyski cities. The national contribution amounts to 30.09% of the total project cost.

**11.3. Addiotionality**
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 2003 ESC program. The feasibility study and a report on environmental impact assessment were completed in August 2002. The beneficiary is the owner of the land for the investment. The building permit will have been obtained by end of 1st quarter 2003. The Polish co-financing has been included in the budget of the beneficiary.

**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. After implementation, all maintenance costs related to the investment will be covered by 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 SEQUENCING**

Joint funds for specific activities shall depend on:
- keeping the time schedule provided in the programming,
- completion of the technical designs,
- obtaining required permits and experts’ opinions,
- meeting all provisions of tendering procedure, contracting, reporting and monitoring,
- selecting the contractor capable of carrying out the works.

**Sequencing:**
- preparation of the execution designs: first quarter 2003
- preparation of tendering dossier: first quarter 2003
- employing the Project Manager: second quarter 2003
- announcing the tendering procedure: second quarter 2003
- granting a contract: third quarter 2003
- signing a contract agreement with successful tender: fourth quarter 2003
- start of project implementation: fourth quarter 2003
- taking over the completed project: second quarter 2005

**ANNEXES**
Annex 1: Log-frame matrix
Annex 2: Implementation schedule
Annex 3: Contracting schedule
Annex 4: Disbursement schedule
Annex 5: EIA
Annex 6: Habitats
**ANNEX 1 - PROJECT LOGICAL FRAMEWORK MATRIX**

**PROJECT TITLE:** Economic Activation of Starachowice and Ostrowiec Swietokrzyski Industrial Centres

<table>
<thead>
<tr>
<th>Programme number</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall objective</td>
<td>Economic activation and development of the enterprises in Swietokrzyskie Voivodship by funding the bodies supporting business in Ostrowiec and Starachowice, extending the business incubator in Starachowice and making new areas of Starachowice city available to business activities and improving their attractiveness subsequent to extension of the municipal infrastructure.</td>
<td>Decrease of unemployment by 0.5 % in the powiats of Starachowice and Ostrowiec. Four–time increase of the possibilities to incubate companies. Significant increase of local capacity in training, business advise and other business related services for unemployed and SME’s Reports and data of the monitoring team and Main Statistic Office, Regional Statistic Office, Provincial Labour Office</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose/Immediate Objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To fund new entities, to establish new jobs, to create and extend the business surrounding entities, to improve infrastructure development and increase the attractiveness of the area incorporated in the Project</td>
<td>To fund new entities (140), to establish new jobs (750), to create and extend the business surrounding entities (4) to improve infrastructure development and increase the attractiveness of the area incorporated in the Project (7.2 ha).</td>
<td>Periodical reports and final report, statistical data from the Poviat Employment Office</td>
<td>The Project is in line with the investment projects implemented under the Phare 2001 &amp; Phare 2002 programmes. This Project is also a component of the activities for economical activation of the region under which the Innovation Centre was funded, and PAOW works are carried out.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To create the conditions to incubate additional companies</td>
<td>To create the conditions to incubate additional companies (65)</td>
<td>Taking over certificates for specific facilities, expert reports, data from beneficiaries, information from Municipal Water and Sewer Works.</td>
<td>Realization of the project depends on degree of the commitment and activation local society. Intensification of regional promotion in order to pay investor’s attention is very important.</td>
</tr>
<tr>
<td>To construct new BIS facilities</td>
<td>To construct new BIS facilities (1,800 m²)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To make new production facilities of Ostrowiec Sw. Business Incubator (BI), Office and Conference Room (OCR), Employment Activation Centre (EAC)</td>
<td>To make new production facilities of Ostrowiec: BI of 3,652 m², OCR of 3,767 m², EAC of 3,260 m²</td>
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</tr>
<tr>
<td>To construct sewer system of 41.5 km</td>
<td>To construct sewer system of 41.5 km</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To load municipal WWTP from 50% to 70%</td>
<td>To load municipal WWTP from 50% to 70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To reduce the unit cost of the foul water discharge in the Project location area born by the inhabitants by some 50%.</td>
<td>To reduce the unit cost of the foul water discharge in the Project location area born by the inhabitants by some 50%.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension of the BEAC and BIS facilities, re–construction of the building complex left after trade school in Ostrowiec with the purpose of funding the BI, OCR and EAC, extension of the sewer system infrastructure in south part of Starachowice.</td>
<td>Total cost of the Project is estimated at 5,450,000 € (including 300,000 € as a Project Manager remuneration) with Phare support of 3,810,000 €.</td>
<td>It’s assumed that at the same time will be realizing the remaining elements infrastructure base like waterworks, roads, telecommunication, and power lines.</td>
</tr>
</tbody>
</table>

| Preconditions | |
|---------------|
Design works to be completed and planning permission obtained
### Project Title: Economic Activation of Starachowice and Ostrowiec Swietokrzyski Industrial Centres

**Date of Drafting:** 09/2002  
**Planning period:** 2003-2005

<table>
<thead>
<tr>
<th>Planned Implementation Schedule per Quarters</th>
<th>Budget Allocation</th>
<th>Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td>IMPLEMENTATION</td>
<td>D/C</td>
<td>C</td>
</tr>
<tr>
<td>CONTRACTING</td>
<td>3.810</td>
<td></td>
</tr>
<tr>
<td>DISBURSEMENT (PAYMENT)</td>
<td>0.55</td>
<td>1.10</td>
</tr>
</tbody>
</table>

Legend:  
D = design of sub-projects;  
C = tendering and contracting;  
I = contract implementation and payment.
Annex 5 – Environment Impact Assessment and Nature Conservation

1. Development consent

Has development consent\(^1\) already been given to this project?

Yes [ ] No [X]

If yes, on which date [____/____/____]

If no, when was the formal request for the development consent introduced [00/00/00] and by which date is the final decision expected [____/____/____]

Specify the **competent authority or authorities**, which has given or will give the development consent

- Powiat Office of Ostrowiec Sw.
- Powiat Office of Starachowice

Is the above authority considered to be the competent authority responsible for performing the duties of Directive 85/337/EEC as amended by 97/11/EEC on Environmental Impact Assessment?

Yes [X] No [ ]

If no, please specify for this project who is designated as competent authority for the purposes of the EIA Directive:


2.1. Is the project a class of development covered by:

- Not covered by Directive 85/337/EEC, as amended by Directive 91/11/EC (only the section on nature conservation needs to be completed)

2.2. Has an EIA already been carried out?

Yes [X] No [ ]

If yes, has the EIA been carried out before development consent has been given?

Yes [X] No [ ]

On which date has it been finalised [____/____/____]

If no, provide an estimation of the date when the procedure will be finalised [____/____/____]

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\(^1\) i.e. decision of the competent authority or authorities which entitle the developer to proceed with the project

2.3. When covered by Annex I of the EIA Directive a similar\(^3\) procedure as the one described in the EIA directive will need to be applied and the following documents included.

Necessary documents are:

a) the non-technical summary of the Environmental Impact Review

Following Polish laws – the Environment Protection Act of 27th April 2001 (Official Legislation Journal No. 62, item 627 of 2001), it is not required for the investment projects in terms to produce typical EIA report. However, to meet the requirements of EC provided thereto (Directives nos. 85/337/EEC and 97/11/EC) a simplified proceeding was conducted in form of the Environmental Impact Review.

The project shall be implemented in the location of the areas in the close vicinity of Starachowice and Ostrowiec Swietokrzyski cities in north-east part of Swietokrzyskie Voivodship over Kamienna River that is left tributary of Wisla River. Both cities are former centres of specialized industries the collapse of which caused significant unemployment resulting in the decrease of the standard of inhabitants living. However, the traditions and human resources existing in the cities, and first of all the outputs expected as a result of the project implementation owing to which the conditions for development of SMEs shall be definitely improved, give an opportunity to stimulate the economic development of the region in terms.

As appears from the analysis of the impact of scheduled project, negative influences on the environment shall be found only in the implementation period. The works to be executed shall be a source of increased noise level emitted to the environment. Earth works carried out when executing the civil works shall be a short-term arduousness related with a change of road traffic arrangements particularly when constructing the designed sewer system. To reduce the arduousness temporary roads shall be marked correctly or an oscillatory traffic arrangement with traffic light shall be organised. Any type of works where heavy equipment is used shall be carried out between 6 a.m. and 18 p.m. to ensure afternoon rest for the inhabitants. The surplus soil shall be used for reclamation of appointed lands owned by the commune, or transported to individuals. Details on this shall be defined on the stage of building permit design.

Implementation of the project in terms shall not cause disturbances in the natural environment on adjacent lands. The city of Starachowice is surrounded by a complex of compact forests partly included in Sieradowicki Landscape Park which anyway shall not be directly endangered on minor arduousness that shall be reported at the stage of project implementation. Extension of the sewer system in the city shall provide additional protection of the water reservoir existing in Starachowice against contamination by municipal wastewater coming from households. Owing to this attractiveness of the city shall be improved, and the town shall become not only a place of living and working but a place of rest as well. The location of individual jobs shall not influence negatively on the life of animals, and first of all water fowls the most precious species of which could be found in the water and land eco–systems in the surroundings of Pasternik and Lubianka reservoirs featuring large variety.

The inhabitants of the cities included in the project were informed about the intended undertaking, and they are keen on implementing the project perceiving the chance of developing the region. The inhabitants come up with their ideas on developing new areas opening for establishing SMEs. Interests in constructing the sewer system is also arisen by a consciousness resulting from improving of the living standard, necessity of protecting the natural environment values, liquidation of the arduousness related with evacuation of septic sewage and limitation of significant costs carried by those who transport sewage to Waste Water Treatment Plant (WWTP).

b) the results of consultations with the competent environmental authorities; indicating in what way the concerns of the designated consultees have been taken into account.

Following Polish laws, i.e. the Environment Protection Act of 27th April 2001 (Official Legislation Journal No. 62, item 627 of 2001) where any undertaking is not covered by a legal provision of environmental proceeding, this proceeding may be initiated only by an investor or financing institution. An administrative body has not any legal basis for commencing a proceeding.

This project was agreed upon by the investor with The Board of Swietokrzyskie i Nadnidzianskie Landscape Parks, Powiat Sanitary Inspektorate, Powiat Office and Environment Protection Department, City Hall. These institutions did not make reservations as to the project implementation and are for the possibly fastest implementation. The Environmental Impact Review produced basing the investor’s initiative was agreed upon with Voivodship Nature Conservation Authority.

\(^3\) A guidance document describing the minimum criteria to ensure that a similar procedure has been applied can be found on [http://www.inforegio.cec.eu.int](http://www.inforegio.cec.eu.int)
c) the results of consultations with the public concerned
Information on the scheduled investment project of the extension of Business Incubator of Starachowice and construction of the sewerage system in south part of Starachowice city emerged in the local press articles (the Starachowice Daily, the Starachowice Magazine). The project of the sewerage system extension in south part of Starachowice, which makes a part of business surrounding infrastructure, arose interest and favourable attitude of the inhabitants. Letters of the inhabitants as well as Polish Scouts Association to Starachowice City Hall are the proof for this; in the letters some ideas on development of new areas to be opened for establishing small and medium enterprises were applied. Interests in constructing sewerage system is also arisen by a consciousness of the inhabitants appearing from the need to improve the standard of living, necessity of protecting the natural environment values (the is Sieradowicki Landscape Park in the neighbourhood), liquidation of the arduousness related with septic sewage transportation and reduction of significant costs of treating of 1 cu.m of sewage where transporting is often an essential share.

The extension project of Business Incubator of Starachowice arises large interest of those people who intend to initiate their own businesses. Although in 2002 some new companies were introduced, some companies eager to join could not be introduced because of shortages of the room or storage facilities. There is quite similar situation in Ostrowiec Swietokrzyski. Many individuals interested in commencing their own businesses apply to the Local Development Agency S.A., established in April 2000 by Ostrowiec Commune to provide assistance for businessmen among others by granting the loans, conducting the trainings and business advising. The most common obstacle in initiating any activity by possible future businessmen are financing possibilities, lack of market knowledge and registration procedures.

The scheduled extension of Business Incubator of Starachowice and Business & Employment Activation Centre of Ostrowiec is a response to the needs of the inhabitants of north part of Swietokrzyski Region who expect support in first and most difficult period of conducting one’s own business activity. As assistance granted to newly established businesses is related among others with making available cheaper facilities for services or manufacturing, computer equipment, secretary services, meeting and training rooms as well as legal and finances advising services. Any granted support prepares new companies for self-sustained and long lasting operation under the market economy conditions.

d) in case a project is likely to have significant effects on the environment in another state the results of the transboundary consultation with those states effected by the project needs to be provided demonstrating that the procedure of article 7 of the EIA Directive. In addition, information indicating in what way the concerns of the designated consultees and concerned public have been taken into account will also need to be provided.

Not applicable

e) Evidence that the decision to grant or refuse development consent has been made available to the public by the competent authority, including the

? the content of the decision and conditions attached thereto,
? the main reasons and considerations on which the decision has been based,
? a description, where necessary, of the main measures to avoid, reduce and, if possible, offset the major adverse effects.

The development consent have not been issued yet.

Note : In relation to b), c) and d) these may be represented in the form of a statement, conclusion or certification by the competent environmental authorities describing and testifying that all obligation as described in the intends above have been followed.

2.4. When covered by Annex II of the EIA Directive has an Environmental Impact Assessment been carried out for this project?

Yes [X] No [ ]

- If yes include the necessary documents (see question 2.3.).
If no explain the reasons\textsuperscript{4} and give the thresholds, criteria or case by case examination carried out to reach the conclusion that the project has no significant environmental effects:

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

Use more space if necessary

Have the results of the determination whether a project listed in Annex II of the Directive requires a formal EIA or not (made by the competent authority) made available to the public?

Yes ☐  No ☐

If yes, on which date ___/___/____

\textsuperscript{4} The decision needs to be based on the procedure described in article 4.2, 4.3 and 4.4 and the screening criteria of Annex III of Council Directive 97/11/EC amending Directive 85/337/EEC.
1. Assessment of effects on sites of nature conservation importance

1.1. Is the project likely to affect sites of nature conservation importance (i.e. potential Natura 2000 sites)?

- Yes □ No X

- If yes - please go to question 1.2.

- If no - please fill out Annex I (Declaration by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

1.2 In this case an appropriate assessment according to art. 6(3) of the directive 92/43/EEC ("Habitats Directive") is obligatory.

1.2.1 Have this appropriate assessment been carried out?

- Yes □ No X

This appropriate assessment can take the form of an EIA according to Directive 85/337/EEC as amended by 97/11/EC. If this is not the case, please describe briefly the procedure carried out and include a non-technical summary of the impact study.

…………………………………………………………………………………………………………………………………………………………………………..

…………………………………………………………………………………………………………………………………………………………………………..

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1.2.2 Based on the results of the above appropriate assessment, will the project have a significant negative impact on a site of nature conservation importance?

- Yes □ No X

- If yes, please fill out Annex II (Information to the Commission according to Article 6(4) of the Habitats Directive. This Annex has to be signed by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

- If no, please fill out Annex I (Declaration by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

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5 For the purpose of the Pre-Accession instruments a site of nature conservation importance (= potential future Natura 2000 site) in candidate countries is a site falling under one or more of the following categories:

(a) sites, which have been identified by the competent national authorities as sites to be proposed for the Natura 2000 network as laid down in the Birds Directive (79/409/EEC) and Habitats Directive (92/43/EEC)

(b) sites listed in the latest inventory of Important Bird Areas (IBA 2000) for candidate countries or (if available) equivalent more detailed scientific inventories endorsed by national authorities

(c) wetlands of international importance designated under the Ramsar Convention or qualifying for such protection

(d) areas to which the Bern convention on the conservation of European Wildlife and Natural Habitats (Art. 4) applies, in particular sites meeting the criteria of the Emerald network

(e) areas protected under national nature conservation legislation
ANNEX I - Declaration by the authority responsible for sites of nature conservation importance
(= potential future Natura 2000 sites)
(EQUIVALENT TO Annex I(a) of the Cohesion Fund form)

Responsible authority: Voivodship Nature Conservation Office
Having examined\(^6\) the project application ..............................................
(titles) Economic Activation of the Industrial Centres of Starachowice and Ostrowiec Swietokrzyski
which is to be located at Starachowice and Ostrowiec communes locations
we declare that (tick the appropriate box):
\(\square\) The project is not likely to have significant effects on a site of nature conservation importance on
the following grounds:
Some 1 to 2% of the main sewers are located within the protected landscape area making an
outer surrounding of Sieradowicki Landscape Park (this refers to Kozi Ogon cape) that is not
presently included in the project of the NATURE 2000 European Ecological Network.
Some section of the Sieradowicki Landscape Park border is in with the route of sewer system
mains (the area of Kolonijki district and Wrzosowa street). The whole surface area of the park is
suggested to be included into the NATURE 2000 European Ecological Network. However, due to
the common boundary of the Projecy and park along small section, and with regard to the
charaker of the Project that does not make any typical ecological barrier, no negative impact of
the Project on the natural substance of the park is expected.
Therefore an appropriate assessment required by Article 6 (3) was not deemed necessary.
\(\square\) Following an appropriate assessment, according to Art. 6(3) of Directive 92/43/EEC, the project
will not have significant negative effects on a site of nature conservation importance.
Signed: ........................................
(Authority responsible for monitoring sites of nature conservation importance)
Official Seal:

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\(^6\) taking into account the requirements of Art. 6(3) of Directive 92/43/EEC