



Construction of an innovative plant for production of laminated glass components

**Quick appraisal of
major project application**

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European Commission DG REGIO

**Quick appraisal of major project
application:**

**Budowa innowacyjnego zakładu
produkcji podzespołów ze szkła
laminowanego**

21 February 2013

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***Construction of an innovative plant for
production of laminated glass
components***

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energy, ICT and knowledge economy investments**

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1 Project overview

The subject matter of the application is the investment of Pittsburgh Glass Works (Poland) Sp. z o.o. involving the establishment of a new production plant in which high-quality components from laminated glass will be produced on the basis of modern technological solutions not yet applied in the industry.

The project is based in the automotive industry. Its main objective is to create a new enterprise with its own production plant. As part of the project, an innovative production technology, not yet applied in Europe nor other parts of the world, will be implemented. The new project includes creation of the company's own Research and Development Department. Its role is to constantly modernize processes and products to meet growing demands of target customers. Introducing into the European market high-quality, innovative laminated car glass and creation of an R&D unit is the expected output of the project.

The investment will be carried out in Komorniki near Środa Śląska in the Lower Silesia region – a region of high importance for the automotive industry. Pittsburgh Glass Works claims the investment will contribute to further acceleration of economic development of the region.

Pittsburgh Glass Works (Poland) Sp. z o.o. belongs to the Pittsburgh Glass Works capital group. The sole shareholder of the Company (100% of shares) is Pittsburgh Glass Works, S.à.r.l. headquartered in Luxembourg and fully owned by KPGW European Holdco, LLC. The ultimate parent is Pittsburgh Glass Works LCC with headquarters in the USA, one of the biggest producers and pioneer in automotive glass industry.

The project should be operational since 2nd quarter of 2013. The annual production capacity of the production plant exceeding 1,2 mln glass products should be met within three years.

The Application for co-financing was submitted in 2010.

2 Appraisal approach

The main objective of the “Quick Appraisal” of this large project applying for EU co-financing is to verify how well the project has been planned and whether the application submitted to the Commission is compliant with the requirements established in the relevant regulations governing the use of EU funds.

The “Quick Appraisal” has been performed through a desk-based analysis and the assessment of the project application dossier. The appraisal approach is based on the following criteria:

1. Completeness of the application documentation submitted to the Commission, based on the requirements set in the relevant EU and local regulations;
2. Quality of the application submitted and of the project itself, based on an in-depth analysis of the project application dossier; among other aspects this quality assessment should verify the compliance and consistency of the application with relevant regulatory requirements and guidance established by the Commission and by local authorities.

The “Quick Appraisal” Report aims to support the European Commission in assessing:

- The quality of the application dossier;
- The value of the proposed project;
- The project’s consistency with EU policies and priorities;
- The project’s contribution to achieving the priorities and objectives of the Operational Programme.

Based on this report the European Commission should be able to verify whether:

- The project’s objectives are well defined and the project is technically sound;
- The project is worth co-financing;
- The public contribution is justified;
- The project is consistent with other EU policies.

Whenever possible the report suggests possible improvements to the application dossier or the project itself.

3 Completeness assessment

The completeness assessment consists in checking whether information provided in the project application dossier matches requirements set by the European Commission. The outcome of this assessment is presented in the completeness assessment checklist in Appendix 7.1.

It appears that the application dossier submitted to the Commission, regarding the project *Construction of an innovative plant for production of laminated glass components* is complete. No major elements are missing.

4 Quality assessment

This section of the “Quick Appraisal” aims to evaluate the quality of key elements of the application dossier submitted to the European Commission. It also involves checking the compliance of the application dossier with relevant regulatory requirements and its alignment with relevant guidance established by the Commission. The outcome of this assessment is presented in the quality assessment checklist provided in Appendix 7.2.

According to the evaluation performed, the following elements need to be outlined:

4.1 Context and project objectives

The project *Construction of an innovative plant for production of laminated glass components* is a greenfield investment executed by Pittsburgh Glass Works (Poland) Sp. z o.o. – a subsidiary company established especially for this purpose.

The objectives of the project are clearly set and in line with project objectives set in the Innovative Economy Operational Program 2007-2013. The project aims to create the most innovative plant producing laminated automotive glass in Europe. Additionally, it should seek to constantly upgrade and optimize the solutions applied through development of a Research and Development Department.

Section B.4.2. of the Request for confirmation of assistance contains a full and comprehensive technical description of the project’s technology and scope, as well as indicates key aspects of the project’s innovativeness.

The project is well presented with the responses to the application dossier set out in a clear manner as far as the following elements are concerned:

- Categorisation of project activity
- Compatibility and coherence with the Operational Programme
- Project description
- Project objectives and location.

The foreseen socio-economic benefits are likely to be attainable with the implementation of the project – not true:

The only measurable socio-economic benefit considered – i.e. indirect employment increase in the business environment, calculated as a sum of wages (or wage increase) for the potentially employed in the automotive industry – is disputable. This reservation will be further developed in chapter 4.6 of this report.

The Applicant described regional context effects of the project, such as influence on unemployment or wages. However, the assumed effects are unlikely to be reached. For calculation of indirect employment increase in the business environment a 4,8 rate of direct job-creation was applied. Therefore, new direct 672 jobs only in the project region are considered, which is highly doubtful. This reservation will be further developed in chapter 4.6.

All the most important socio-economic effects of the project have been considered in the context of the region, sector or country concerned – passed but with reservations:

All identified socio-economic benefits and most socio-economic costs are local by nature. Product transportation costs are considered internationally.

4.2 Project identification

The project of building a car glass production plant is well defined. The Applicant provided a complete description of the project scope that is coherent with project objectives. The project scope is consistent with the technology applied and the goals set for the product specification

The project is defined with appropriate quantified indicators – not true:

The socio-economic analysis requires re-examining of methodology applied and indicators calculated. This issue will be further developed in chapter 4.6 of this report.

The indirect effects of the project have been properly considered (or excluded if appropriate shadow prices are used) – not true:

Shadow prices are adjusted for labour cost (shadow wages).

It is assumed that 4,8 new jobs will be created in the economy as an indirect effect of every new job created directly by the project. This issue will be further developed in chapter 4.6.

4.3 Project timetable and maturity

The project phases have been clearly and correctly identified – not true:

The Project Timetable provided in the documentation lacks details or definitions of particular stages, especially regarding the last two stages: “Investment stage – final phase” and “Operational stage”. It is necessary to explicitly indicate the moment of planned commencement of production and sales. If this moment is identified with the “Operational stage” (beginning in QII 2013), it is incoherent with the financial model, according to which sales revenues are first recorded in 2012. Additional information is required.

The timetable spans a period of 11 years (2010-2020), which is by one year more than the 10 years’ period recommended by the European Commission. The reference period should end in 2019.

There is a discrepancy between the Gantt Chart provided as an attachment to the Request for confirmation of assistance and the timetable in the Section D.1. According to the first source, the “Investment stage – final phase” began in QII 2011. According to the latter, in July 2012. Apart from this error, the project implementation timeframe is realistic and reasonable.

Project Maturity is deemed to be correctly assessed by the Applicant. There are however some inconsistencies as far as financial aspects are concerned:

- The government designated subsidy specified in Section D.2.3. amounts to EUR 892 th, while in other parts of the Request for confirmation of assistance it amounts to EUR 894 th.
- The total amount of possible state aid specified in Section D.2.3. is EUR 20 353 164.81. This does not correspond to the numbers stated in further parts of the Request for confirmation of assistance, e.g. in Section G.1. the possible state aid amount is EUR 20 269 155.56.
- The amounts of aid expressed in EUR in Section D.2.3. were based on the currency rate effective as at the day when the first state aid was granted (from LSSE), i.e. 20 September 2010. The currency rate applied to the LSSE aid is not specified however. What is more, the currency rate applied should be calculated as the arithmetic mean of the monthly financial rates applied by the European Commission over the last six months prior to the month in which the request for funding is submitted. In further parts of the Request for confirmation of assistance, the latter method of currency rate calculation is applied.

4.4 Feasibility and options analysis

The application dossier contains sufficient evidence of the project's feasibility – not true:

Section C *Results of feasibility studies* presents all mandatory elements, including main conclusions, demand analysis and production capacity considerations. The feasibility study itself is attached. On the basis of information provided it can be concluded that project is feasible in following aspects:

- engineering aspect,
- institutional aspect,
- management aspect,
- implementation aspect,
- environmental aspect.

There are however inconsistencies between capacity and sales forecast. Moreover, as a consequence of incoherence of the provided financial analysis and unclear structure of the financial model, it is impossible to assess the project's financial and economic viability. These aspects will be developed throughout this Quick Appraisal Report.

The do-nothing scenario ('business as usual') has been analysed to compare the situations with and without the project – not applicable:

Since the project is a greenfield investment, it is independent and not directly related to any other activity. The do-nothing scenario is therefore a literal zero option and does need to be considered.

Other alternative feasible options have been adequately considered (in terms of do-minimum and a small number of do-something options) – pass with reservations:

Throughout the application dossier there is no definition of a reference option. Only one investment option is analysed while there is no proof that the option analysed is the best possible solution. The do-nothing scenario to compare the situations with and without the project has not been analysed either.

Some alternative options for the project implementation are however suggested in Sections C.1. and G.2. of the Request for confirmation of assistance.

- In the first case, three options are considered, varying in terms of location and scope of production, therefore they are difficult to compare. The feasibility study provides a qualitative analysis of these options and a comparison of capital expenditure, however fails to justify the values specified;
- In the latter options analysis (Section G.2.) it is claimed that without EU support the project would not be viable in such a location as Poland, thus glass production would probably be shifted to a new plant in North America. However, the arguments presented in support of the incentive effect are unsatisfactory; the choice of Poland instead of Canada fails to be logically justified.

Demand for the project outputs has been properly analysed and is and/or will be adequate and significant (long run forecasts) – not true:

The demand analysis is optimistic both in terms of growing demand for the automotive industry as a whole, for car components and in terms of Polish export. It does not however correspond to the sales forecast of the company's products, which is growing slower than the industry's expected rate of growth or even declining (by 0,1% in 2019). The sales volume and unit price forecast is based on the long-term agreement signed between Pittsburgh Glass Works with headquarters in the USA and the Company's major customer – Daimler. It is not stated however, how big a part of the purchase order is planned to be produced in Poland. Preferably, the sales

volume should be based on either market forecast or agreements signed by Pittsburgh Glass Works (Poland) Sp. z o.o. with headquarters in Poland.

Moreover, data provided in Chart 3 “Sales Forecast of Particular Products (in Units)” does not include category No 5 of car windows, included in the financial model. This product category seems to be included in the first product category (car glass, asymmetric PBV with rain sensor, non-acoustic), however, judging by the difference in the products’ unit price, these are not identical products.

According to Section C.1.2.3. of the Request for confirmation of assistance, the product plant’s annual capacity will amount to 1,2 mln automotive glass units, whereas, according to the sales volume forecast, this number is exceeded already in 2016. It should also be noted that in following years in financial model the sales volume is forecast to exceed the production capacity stated in Section C.1.2.3. of the Request for confirmation of assistance.

The incentive effect of the requested aid has been assessed and found to be significant (i.e. the proposed aid is necessary to produce a real incentive effect to undertake investments which would not otherwise be made in the area, or to ensure that the beneficiary undertakes (additional) investment in the region concerned) – pass with reservations:

In the Request for confirmation of assistance (Section G.2.) the Applicant declared that without Union assistance the project might be implemented somewhere else (e.g. outside Poland) or even might not be implemented at all. Union assistance should also accelerate the project’s implementation.

However, the arguments presented in support of the incentive effect are unsatisfactory. It is not indicated why the location in Hawkesbury (Option 2) is not chosen.

4.5 Financial analysis

The financial analysis was assessed both on the basis of Section E.1. of the Request for confirmation of assistance and the attached financial model. The analysis requires thorough re-examining. The financial and economic analyses seem to be incoherent with the financial model.

The financial model is constructed in an unclear and inconsistent manner, which makes it inconvenient to follow and to assess the results. The model is thus unreliable. Some examples of the model’s inconsistency include:

- A *Circular Reference Warning* displays in a dialog box when opening the file;
- Hard input data is not highlighted in any way throughout the model;
- Unit prices of two product categories increase according to the annual price growth rate and unit prices of three other product categories are hard input data and their growth rate is different – no justification is provided;
- Variable costs per unit of four product categories grow according to the inflation rate and one product category variable cost is hard input data – no justification is provided;
- Calculations are often applied to empty cells with no value and no header (e.g. Socio-economic benefits in the *Economic_Analysis_Inv* are calculated through adding i.a. empty cells);
- The *Sensitivity* sheet contains cells with inappropriate, circular-reference formulas and the *Recalculate all scenarios* button provides false results.

Apart from inconsistencies within the financial model itself, the model fails to support data provided in the Feasibility Study and the Request for confirmation of assistance. A basic discrepancy is with regards to the value of capital expenditure in the years 2010-2012. Lack of correspondence between these values makes it impossible to calculate eligible costs of the project which is the base for further calculation of union assistance.

Many parametric assumptions are adopted arbitrarily, without disclosure of an objective source. Macroeconomic projections prepared by the Ministry of Regional Development are mentioned but their use is very limited. In most cases they are replaced by the PGW's own assumptions. Justification for the following issues should be provided:

- No source of the USD/PLN exchange rate is provided. The exchange rate remains unchanged throughout the project's time horizon. Since hard input data is frequently provided in USD (e.g. cost items and sales unit prices), this issue is of high importance and relevant source of exchange rate assumptions should be provided.
- Total salaries (provided in current prices) decrease from one year to another (2014/2015) with the number of employees unchanged; thus average monthly salary per workplace decreases (in both constant and current prices) without any justification.
- The application dossier fails to provide commentary on the conditions of the loan the Applicant is said to receive from its parent company. Only a 7% interest rate is mentioned. Judging from the financial model, it seems that the capital repayment includes only a part of the borrowing granted. Capital repayment includes only the borrowing from 2011 and does not include the borrowing from 2010, which amounts to 70% of the total borrowing. It would be advisable to provide an appropriate justification for such calculation, preferably present details on loan conditions. Based on the data presented currently in the model it appears that the financial performance indicators underestimate the capital contribution of the Applicant in the project: a substantial part of the loan is contributed without reimbursement.

The determination of cash flows has been made in accordance with an incremental approach – not applicable:

As a greenfield investment, the project is not directly related to any other activities by GPW. The do-nothing scenario is therefore a literal zero option.

The choice of discount rate is consistent with the Commission's or Member States' guidance – pass with reservations:

Generally, calculations in the financial model are conducted in current prices and for the purpose of calculation of financial performance indicators the numbers are recalculated and provided in constant prices. Such operation is not faulty, however it would be advisable to provide an appropriate argumentation for such double calculation.

The choice of the project's time horizon is consistent with the values recommended per sector for the 2007-2013 period – not true:

The timetable spans a period of 11 years (2010-2020), which is by one year more than the 10 years' period recommended by the European Commission. As a result, the whole analysis, including financial ratios, should be recalculated. Among others, the residual value should be calculated for year 2019.

The main financial performance indicators have been calculated (FNPV(C), FRR(C), FNPV(K), FRR(K)) considering the right cash-flow categories – pass with reservations:

Having in mind all the reservations mentioned in this chapter, assessment of the main indicators of the financial analysis is as follows:

The financial analysis of the investment shows a negative FNPV/C without EU funding support:

- FNPV: EUR -2 428 th,
- FRR: 4.18%.

Looking into the project performance from the perspective of the national capital (private and public) assisted by EU grant, the return on invested capital is above the discount rate:

- FNPV/K: EUR 9 031 th;
- FRR/K: 9.98%.

Private partners in the project are expected to earn normal profits as compared with some financial benchmarks (if applicable) – pass with reservations:

No financial benchmarks are provided. Some benchmarks regarding “normally expected profitability” in terms of FRR(C) are presented in the Guide to CBA. Based on data concerning 64 projects in the area of industry and other productive investments from the 1994-1999 programming period, the Guide to CBA reads that the average FRR(C) was 19.60%.

If the project does not benefit from any form of state aid, the financial analysis demonstrates the existence of a funding gap and the need for EU assistance in order to make the project financially viable – not applicable:

In the Request for confirmation of assistance and in the attached feasibility study it is declared that the project is “on the verge of profitability”. Actually, given the negative FNPV(C) and FIRR(C) below financial discount rate, the project in itself appears unprofitable. It is however profitable from the national (K) and private capital (Kp) perspective when grants are included in the calculation. See also above remarks on financial performance indicators and their possible distortions due to the model’s deficiencies.

Poor financial performance in terms of (C) indicators is used as part of the proof of “incentive effect”.

If the project benefits from state aid, the requested EU grant has been properly calculated (the EU contribution may not exceed the maximum state aid allowed for a project) – not true:

Due to discrepancies between the financial model and the Request for confirmation of assistance, it is impossible to assess whether the requested EU grant has been properly calculated.

The total cost of the investment project in yeas 2010-2012 is EUR 52 390 738, at least in line with the financial model and Section G.1. of the Request for confirmation of assistance. This is however not in line with the corresponding value positions in Section H.1. of the Request, i.e. EUR 52 391 511.

Moreover, there is no calculated explanation for the value of EUR 20 269 155,56, which is said to be the amount resulting from the maximum intensity of state aid for the beneficiary (Section G.1. of the Request for confirmation of assistance).

According to the Regulation of the Council of Ministers of 13 October 2006 on the establishment of the map of regional aid (in force for the period of 2007–2013), the basic maximum intensity of regional public aid, namely percentage share of aid in costs eligible for this aid in Lower Silesia, amounts to 40%. According to Article 4 of the above mentioned Regulation, the maximum value of regional investment aid granted for a large investment project is calculated in accordance with formula:

$$I=R \times (\text{EUR } 50 \text{ mln} + 0,5 \times B + 0,34 \times C),$$

where:

- I – maximum value of regional investment aid granted for a large investment project;
- R – aid intensity;
- B – costs eligible for aid, above EUR 50 mln and below EUR 100 mln;
- C – costs eligible for aid, above EUR 100 mln.

Considering that costs eligible for aid amount to EUR 51 076 320 (according to chart in Section H.1. of the Request for confirmation of assistance), the maximum value of total regional investment aid granted for this project should not exceed EUR 20 215 264. This amount is however exceeded by EUR 53 891.

Discrepancies between the financial model and the cost distribution chart in Section H.1. of the Request for confirmation of assistance include:

- Row 4: Plant and machinery;
- Row 6: Publicity (there is no such category in the model's capital expenditure calculation)
- Row 8: Sub-TOTAL (incoherent also with costs in Section G.1.)
- Row 9: Total Project Costs not equal ineligible and eligible costs

Row 10: Total Project Costs do not equal the sum of ineligible and eligible costs.

If the project is a revenue generating project, the amount to which the EU co-financing rate applies has been identified in accordance with EU regulations (Art. 55 Reg. 1083/2006) – not applicable:

The project is a revenue generating project but is exempt from the general rules of Regulation (EC) No. 1083/2006 art. 55 due to its being subject to the rules on State aid. However, in the Feasibility Study this is wrongly interpreted and the Applicant states that the project is not a revenue generating project.

4.6 Economic analysis

The timetable spans a period of 11 years (2010-2020), which is by one year more than the 10 years' period recommended by the European Commission. Recalculation of the economic analysis ratios within the changed period may prove the project unprofitable from the socio-economic perspective.

In Section E.2.2. of the Request for confirmation of assistance details regarding major costs and benefits values of the economic analysis should be provided as discounted values, whereas the discount rate is not applied.

The cost-benefit analysis (CBA) demonstrates that the project yields a positive economic net present value considering its impact on the development of the area where it is to be implemented – pass with reservations:

Having in mind all the reservations mentioned in this Section, the main indicators of the economic analysis are as follows:

- ENPV: EUR 9 417 th,
- ERR: 8.56%,
- B/C ratio: 1.03

However, the major cost and benefit items included in economic welfare calculation are disputable, as described below.

The prices of inputs, including labour, have been considered gross of direct taxes – pass with reservations:

A minor discrepancy between the financial model and the Request for confirmation of assistance, regarding the rate of social security insurance contribution, has been noticed:

- rate of social security insurance contribution in Request for confirmation of assistance: 20%
- rate of social security insurance contribution in the financial model: 21,6%

Externalities have been included in the analysis – not true:

The only measurable economic benefit identified in the project is indirect employment increase in the business environment. The benefit has been calculated as a sum of wages (or wage increase) for the 672 potentially employed in the automotive industry.

According to the Guide to CBA this should not be considered a benefit. In fact, it is a cost of the companies employing new employees.

Externalities have been accounted for incorrectly. The environmental fee, calculated as economic cost, is a purely financial item (operating cost) and should not be included in the Economic cash flow.

The quality of assumptions justification is poor, especially as far as the justification of applying a 4,8 rate of direct job-creation is concerned. The rate is based on the number of jobs created directly by one job in a company producing components for automotive manufacturers in the US economy. However, this number seems irrelevant for the Polish market. The gap between economic performance of the US and Poland is too big to apply similar rates. Moreover, according to a report by the Polish Automotive Chamber, one job in the vehicles production market results in the creation of five jobs in the components manufacturers market. Basing on this methodology, it could be assumed that in the reverse case, one job in the components production industry should translate into creation of 1/5 job in the automotive industry. The contrary is suggested in the economic analysis. Indirect job creation is the only monetized economic benefit, therefore it is necessary to re-examine it.

4.7 Risk assessment

The choice of the critical project variables is consistent with the elasticity threshold proposed – pass:

Consistently with MRD Guidelines, variables are considered critical when the change of their value by +/- 1% results in variation of base NPV value by +/- 5%.

According to these criteria, only one project variable was identified as critical – change in operating costs. The risk analysis results are difficult to assess. In the financial model the *Sensitivity* sheet contains cells with inappropriate, circular-reference formulas and the *Recalculate all scenarios* button provides false results.

The tested range of changes in operating costs – the only critical project variable – was -/+10%, while some non-critical variables had changes of -/+20%.

Ways to minimise the level of optimism bias have been considered – not true**Risk mitigation measures have been identified and are adequate – not true**

4.8 Other evaluation approaches

The project is also not likely to have a significant macroeconomic impact. No alternative evaluation approaches, such as CEA or MCA, have been applied therefore to the economic analysis.

4.9 Consistency with EU policies and law

The project is consistent with relevant EU policies and law in the field of sustainable development, protection and improvement of the environment.

The project is consistent with EU competition policy and regulations and is not likely to generate competition distortions.

The project is not subject to EU public procurement regulations because the Applicant is a private entity.

The project is consistent with gender equality and anti-discrimination EU policies.

5 Overall project appraisal

5.1 Are the project objectives well defined and is the project technically sound?

The project objectives appear to be clear, well defined and technically sound.

5.2 Is the project worth co-financing?

The project might be worth co-financing as it contributes to promotion of innovativeness, job creation, improved quality of window screen and comfort of car drivers. The justification for that has however significant deficiencies in light of EC and national guidelines to cost-benefit analysis of investment projects applying for financial public assistance. See comments in chapter 4 of this report.

5.3 Is the public contribution justified?

As a consequence of incoherence of the provided financial analysis and unclear structure of the financial model, it is impossible to assess the project's financial and economic viability.

The financial model fails to support data provided in the Feasibility Study and the Request for confirmation of assistance. A basic discrepancy is with regards to the value of capital expenditure in the years 2010-2012. Lack of correspondence between these values makes it impossible to calculate eligible costs of the project which is the base for further calculation of the Union assistance.

Moreover, the justification provided on the basis of social and economic cost-benefit analysis is invalid.

5.4 Is the project consistent with other EU policies?

The project is consistent with EU policies and law in the field of sustainable development, protection and improvement of the environment. It is also consistent with EU competition policy and regulations. Finally, the project is consistent with gender equality and anti-discrimination EU policies.

6 Recommendations

6.1 Recommendations for the organisation responsible for project implementation

Substantial work is needed to improve the application dossier. The most important recommendations to Pittsburgh Glass Works (Poland) Sp. z o.o. as the organisation responsible for the project implementation are the following:

- Assure coherence between elements of the application dossier (in principle: the financial model, the Feasibility Study and the Request for confirmation of assistance).
- Make sure the calculation methodology in the financial model is clear and consistent, by addressing reservations made in chapter 4.5 of this report.
- Provide coherent cost calculations in the financial model and cost descriptions with clear classification of costs eligible for aid, constituting the base for further calculation of maximum value of state aid and the requested EU grant.
- Disclose the sources of data and other assumptions used in financial and economic analysis. Arbitrary values of parameters as well as undisclosed or unreliable sources limit the credibility of results.
- Identify socio-economic benefits of the project in accordance with relevant EC and national CBA guidelines (Guide to CBA, guidelines prepared by Ministry of Regional Development):
 - Indirect employment increase calculated as a sum of wages (or wage increase) of potential employees in the automotive industry should not be taken into account as project benefit.
 - Project operational costs, such as environmental fee, should not be included as economic costs.
- Meet the recommended 10 years' time horizon (i.e. 2010-2019).
- In quantifying and valuing external effects use generally accepted methodologies and reliable sources of data to the greatest possible extent.

6.2 Recommendations for the European Commission

In light of the elements above mentioned we believe that the quality of the application dossier is not satisfactory in its current form. The Commission should require a revised application dossier addressing the above remarks before taking a decision on the grant allocation.

7 Appendix: Quick Appraisal Checklists

7.1 Completeness assessment checklist

APPLICATION SECTION	ASSESSMENT	COMMENTS/REFERENCES
ADDRESSES AND REFERENCES		
Authority responsible for the application	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section A.1. of the Request for confirmation of assistance
Organisation responsible for project implementation	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section A.2. of the Request for confirmation of assistance
PROJECT PRESENTATION		
Title of project / project phase	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section B.1.1. of the Request for confirmation of assistance
Categorisation of project activity	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section B.2. of the Request for confirmation of assistance
Compatibility and coherence with the Operational Programme	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section B.3. of the Request for confirmation of assistance
Project description	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section B.4. of the Request for confirmation of assistance
Project objectives (and location)	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Project objectives: Section B.4.2.(c) and B.5 of the Request for confirmation of assistance Location: Section B.4.1.(a)
PROJET FEASIBILITY		
Demand analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section C.1.1. of the Request for confirmation of assistance
Options considered	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section C.1. and G.2. of the Request for confirmation of assistance
Summary of feasibility studies conclusions	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section C.1. of the Request for confirmation of assistance
Capacity considerations	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section C.1.2.3. and C.1.2.4. of the Request for confirmation of assistance
TIMETABLE		
Project timetable	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section D.1. of the Request for confirmation of assistance and Gantt Chart as attachment. The two sources are incoherent
Project maturity	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section D.2. of the Request for confirmation of assistance

COST-BENEFIT ANALYSIS		
Financial analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section E.1. of the Request for confirmation of assistance, financial model as attachment
Socio-economic analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section E.2. of the Request for confirmation of assistance, financial model as attachment
Risk and sensitivity analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section E.3. of the Request for confirmation of assistance, financial model as attachment
ANALYSIS OF ENVIRONMENTAL IMPACT		
Contribution to/respect of environmental sustainability	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.1. of the Request for confirmation of assistance
Consultation of environmental authorities	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.2. of the Request for confirmation of assistance
Environmental Impact Assessment	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.3. of the Request for confirmation of assistance
Assessment of effects on NATURA 2000/sites of nature conservation importance	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.4. of the Request for confirmation of assistance
Additional environmental integration measures	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.5. of the Request for confirmation of assistance
Cost of measures taken for correcting negative environmental impacts	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section F.6. of the Request for confirmation of assistance
Consistency with sectoral/ integrated plan and programme (in case of projects in the areas of water, waste water and solid waste).	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	This is not a project in the area of water, waste water or solid waste.
JUSTIFICATION FOR THE PUBLIC CONTRIBUTION		
Competition	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section G.1. of the Request for confirmation of assistance
Impact of EU assistance on project implementation	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section G.2. of the Request for confirmation of assistance
FINANCING PLAN		
Cost breakdown	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section H.1. of the Request for confirmation of assistance
Total planned resources and planned contribution from EU funds	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section H.2. of the Request for confirmation of assistance
Annual financing plan of EU contribution	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section H.3. of the Request for confirmation of assistance
COMPATIBILITY WITH EU POLICIES AND LAW		
Other EU financing sources	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section I.1. of the Request for confirmation of assistance.
IFI financing	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	N/A since not applying for IFI financing.
Existence of legal procedure for non-compliance with EU legislation	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section I.2. of the Request for confirmation of assistance
Publicity measures	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section I.3. of the Request for confirmation of assistance

Involvement of JASPERS in project preparation	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section I.4. of the Request for confirmation of assistance
Public procurement	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	N/A since public procurement is not included
Previous history of the recovery of assistance	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section I.5. of the Request for confirmation of assistance
ENDORSEMENT OF COMPETENT NATIONAL AUTHORITY		
Signed endorsement	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section J. of the Request for confirmation of assistance (attached document with signature)
ANNEXES		
Declaration by authority responsible for monitoring Natura 2000 sites/sites of nature conservation importance	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Attachment "15_12_2010_Natura2000-PGW"
Cost-Benefit Analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Included in the financial model – attachment "5_model+finansowy+i+ekonomiczny"
Technical sheets	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
Feasibility study (summary)	Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	Full Feasibility Study – attachment "4_Studium_wykonalnosci"
EIA non technical summary	Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
Copies of relevant decisions permits & other documents	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	<ul style="list-style-type: none"> • Transmit of the Application to The European Commission; • Environmental Documentation Pack; • Gantt Chart; • Opinion on the Project's Innovativeness; • Letter of intent from the Institute of Ceramics and Building Materials; • Opinions from the local Labour Office and the Municipality od Środa Śląska; • Opinions from Cooperating Companies; • Site manpower level summary report from PM Group; • Financial Tables.
Maps	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
Others (please provide detail)	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	

7.2 Quality assessment checklist

ASSESSMENT QUESTIONS	ASSESSMENT	COMMENTS/REFERENCES
CONTEXT AND PROJECT OBJECTIVES		
The social, institutional and economic contexts of the project are clearly described	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	
The project objectives are clearly defined	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Section B.4.2.(c) and B.5 of the Request for confirmation of assistance.

<p>The expected project benefits are identified and clearly defined in terms of socio-economic indicators</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The foreseen socio-economic benefits are likely to be attainable with the implementation of the project</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Comments in chapter 4.5. of the Quick Appraisal Report.</p>
<p>All the most important socio-economic effects of the project have been considered in the context of the region, sector or country concerned</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>The majority of the project's socio-economic aspects are considered have regional effects. Direct creation of new jobs (672 jobs) is also calculated on the regional level.</p>
<p>The project is coherent with the EU objectives of the Funds? (Art. 3 and Art. 4 Reg. 1083/2006 for the ERDF and CF; Art. 1 and Art. 2 Reg. 1084/2006 for the CF; Art. 1 and Art. 2 Reg. 1085/2006 for the IPA)</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The project is coherent with the overarching national strategy and priorities defined in the national strategic reference frameworks and the operational programmes (Art. 27 and Art. 37 Reg. 1083/2006 for the ERDF and CF, Art. 12 Reg. 1080/2006 for the ERDF)</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The means of measuring the attainment of objectives is indicated, and their relationship, if any, with the targets of the Operational Programmes is defined.</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Section B.5.2. of the Request for confirmation of assistance.</p>
<p>PROJECT IDENTIFICATION</p>		
<p>The project constitute a clearly identified self-sufficient unit of analysis</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The project is defined with appropriate quantified indicators</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>The socio-economic analysis requires re-examining of methodology and indicators used (Comments in chapter 4.5. of the Quick Appraisal Report).</p>
<p>The project's concept, outputs and capacity increase to the baseline are meaningful</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The indirect effects of the project been properly considered (or excluded if appropriate shadow prices are used)</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Shadow prices are adjusted for labor cost (shadow wages). However, no such adjustment is made for the calculation of wages in direct job creation (incorrectly considered as an economic benefit). Comments in chapter 4.5. of the Quick Appraisal Report.</p>
<p>The network effects of the project have been considered</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	
<p>The economic welfare calculation is based on a consideration of costs and benefits for all potentially affected parties</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>PROJECT TIMETABLE AND MATURITY</p>		
<p>The project phases have been clearly and correctly identified</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>An additional phase was added ("Investment stage – final phase"). Lack of details or definition of the phase, especially in comparison to the "Operational stage".</p>
		<p>11 years' perspective is taken into account, instead of the 10 years' perspective</p>

<p>The maturity of the project has been correctly assessed</p> <p>The project implementation timeframe is realistic and reasonable</p> <p>Dependencies and constraints have been properly taken into account in the project timetable</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>recommended by the European Commission.</p> <p>Discrepancy between the Gantt Chart (attachment) and the timetable in the Section D.1. of the Request.</p> <p>Comments in chapter 4.3. of the Quick Appraisal Report.</p>
FEASIBILITY AND OPTIONS ANALYSIS		
<p>The application dossier contains sufficient evidence of the project's feasibility (from an economic, engineering, institutional, management, implementation, environmental...point of view)</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>The provided results of economic and financial analyses prove the project feasible and viable. However, inconsistency and doubtful methodology applied do not prove the results trustworthy. For instance, the forecast sales volume exceeds the planned output capacity in the middle of the analysis period.</p> <p>Sufficient engineering, institutional, management, implementation, environmental evidence is provided.</p>
<p>The do-nothing scenario ('business as usual') has been analysed to compare the situations with and without the project</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	<p>As a greenfield investment, the project is independent and not directly related to any other investment. The do-nothing scenario is therefore a literal zero option.</p>
<p>Other alternative feasible options have been adequately considered (in terms of do-minimum and a small number of do-something options)</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Some alternative options for the project implementation are suggested in Sections C.1. and G.2. of the Request for confirmation of assistance. The feasibility study provides a qualitative analysis of these options and a comparison of capital expenditure, however fails to justify the values specified. In the latter options analysis (Section G.2.) it is claimed that without EU support the project would not be viable in such a location as Poland.</p> <p>Comments in chapter 4.4. of the Quick Appraisal Report.</p>
<p>The chosen technical solution(s) is/are appropriate and sustainable according to market and technological developments, future demand and capacity constraints, etc.</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>Demand for the project outputs has been properly analysed and is and/or will be adequate and significant (long run forecasts)</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Sales volume forecast based on an agreement between Pittsburgh Glass Works with headquarters in the USA and Daimler. The forecast is inconsistent with market forecast provided. Preferably, the sales volume should be based on either market forecast or agreements signed by Pittsburgh Glass Works (Poland) Sp. z o.o. with headquarters in Poland.</p> <p>Comments in chapter 4.4. of the Quick</p>

<p>The location of the investment is suitable and the local context is favourable to the project (i.e. there are no physical, social or institutional binding constraints that could threaten the project feasibility)</p> <p>Appropriate technology is available for the project implementation</p> <p>In the case of productive investments/R&D/energy, the relevance and impact on public infrastructures have been properly considered, e.g. necessary links to transport network (air, road/rail connections, etc.), links to other utilities, public sector responsibilities to provide "new services", etc.</p> <p>The incentive effect of the requested aid has been assessed and found to be significant (i.e. the proposed aid is necessary to produce a real incentive effect to undertake investments which would not otherwise be made in the area, or to ensure that the beneficiary undertakes (additional) investment in the region concerned)</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>Appraisal Report.</p> <p>Section G.2. of the Request for confirmation of assistance indicates that the project's location in Poland is a <i>sine qua non</i> condition of the project as such.</p> <p>No comment regarding necessary links to transport network.</p> <p>Section G.2. of the Request for confirmation of assistance indicates that. Union assistance is the decisive argument for Poland as the investment's localization. It should also accelerate the project's implementation.</p> <p>However, the arguments presented in support of the incentive effect are unsatisfactory. It is not indicated why the localization is Hawkesbury (Option 2) is not chosen.</p>
<p>FINANCIAL ANALYSIS</p>		
<p>Depreciation, reserves, and other accounting items which do not correspond to actual flows have been eliminated in the analysis</p> <p>The determination of cash flows has been made in accordance with an incremental approach</p> <p>The choice of discount rate is consistent with the Commission's or Member States' guidance</p> <p>The choice of the project's time horizon is consistent with the values recommended per sector for the 2007-2013 period¹</p> <p>The residual value of the investment has been calculated</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>As a greenfield investment, the project is not directly related to any other investments by GPW. The do-nothing scenario is therefore a literal zero option.</p> <p>Generally, calculations are conducted in current prices, whereas, for the purpose of the financial and economic analyses, the numbers are recalculated and provided in real values. The economic analysis should be conducted in real prices, therefore such a procedure is necessary. As for the financial analysis, such operation is not faulty, however there it finds no justification. It would be advisable to provide an appropriate argumentation for such double calculation.</p> <p>11 years' perspective is taken into account, instead of the 10 years' perspective recommended by the European Commission.</p> <p>However, the operational phase should last till year 2019 and this should be the year of calculating investments' residual value.</p> <p>Comments in chapter 4.6. of the Quick</p>

¹ 25 years for Energy, 30 years for Water and environment, 30 years for Railways, 25 years for Roads, 25 years for Ports and airports, 15 years for Telecommunications, 10 years for Industry, 15 years for Other services.

<p>A nominal financial discount rate been employed (in the case of using current prices)</p> <p>The main financial performance indicators have been calculated (FNPV(C), FRR(C), FNPV(K), FRR(K)) considering the right cash-flow categories</p> <p>The project's calculated financial rate of return is at an appropriate level to justify a potential EU contribution</p> <p>Private partners in the project are expected to earn normal profits as compared with some financial benchmarks (if applicable)</p> <p>If the project does not benefit from any form of state aid, the financial analysis demonstrates the existence of a funding gap and the need for EU assistance in order to make the project financially viable</p> <p>If the project benefits from state aid, the requested EU grant has been properly calculated (the EU contribution may not exceed the maximum state aid allowed for a project)</p> <p>If the project is a revenue generating project², the amount to which the EU co-financing rate applies has been identified in accordance with EU regulations (Art. 55 Reg. 1083/2006)³</p>	<p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	<p>Appraisal Report.</p> <p>Current prices are used, whereas, for the purpose of the financial analysis, the values are recalculated and provided in real values and a real financial discount rate is employed.</p> <p>However, the ratios cover an 11 years' perspective.</p> <p>FRR/C = 4,18% FRR/K = 9,98%</p> <p>Comments in chapter 4.6. of the Quick Appraisal Report.</p> <p>The project would benefit from state aid. The funding gap methodology does not apply then to determining the amount of EU assistance.</p> <p>Due to discrepancies between the financial model and the Request for confirmation of assistance, it is impossible to assess whether the requested EU grant has been properly calculated.</p> <p>Comments in chapter 4.6. of the Quick Appraisal Report.</p> <p>The project is a revenue generating profit but is exempt from the general rules of Regulation (EC) No 1083/2006 art. 55 due to its being subject to the rules on State aid.</p>
ECONOMIC ANALYSIS		
<p>The cost-benefit analysis (CBA) demonstrates that the project yields a positive economic net present value considering its impact on the development of the area where it is to be implemented.</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	<p>ENPV = EUR 9 417 th ERR = 8,56%</p> <p>However, the ratios cover an 11 years' perspective and there is a number of reservations to the basic assumptions made in valuing economic costs and benefits.</p> <p>Comments in chapter 4.6. of the Quick Appraisal Report.</p>
<p>The prices of inputs and outputs have been considered net of VAT and of other indirect taxes</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	

² A revenue-generating project means any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users or any operation involving the sale or rent of land or buildings or any other provision of services against payment (Article 55 of Council Regulation 1083/2006).

³ For revenue-generating projects, the maximum eligible expenditure is identified by Article 55(2) Regulation (EC) N. 1083/2006 as the amount "that shall not exceed the current value of the investment cost less the current value of the net revenue from the investment over a specific reference period". Such identification of the eligible expenditure aims at ensuring enough financial resources for project implementation, avoiding, at the same time, the granting of an undue advantage to the recipient of the aid (over-financing).

The prices of inputs, including labour, have been considered gross of direct taxes	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	For the purposes of economic analysis, costs of labor have originally been considered gross of social security insurance contributions. Social security contributions have then been eliminated as transfer payments. A minor discrepancy between the financial model and the Request for confirmation of assistance is described in chapter 4.6. of the Quick Appraisal Report.
Subsidies and pure transfer payments have been excluded from the analysis	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	A number of reservations to the assumptions in calculating externalities have been described for confirmation of assistance is described in chapter 4.6 of the Quick Appraisal Report.
Externalities have been included in the analysis, including environmental externalities (e.g. application of the polluter pays principle and assessment of effects on NATURA 2000 sites)	Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
Shadow prices have been used to reflect the social opportunity cost of the resources employed	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	In line with national CBA guidelines by Ministry of Regional Development (MRD): 5,5% in real terms for economic analysis (conducted in constant prices).
Sector-specific conversion factors been applied (in the case of major non-traded items)	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	However, the ratios cover an 11 years' perspective.
The appropriate shadow wages have been chosen in accordance with the nature of the local labour market	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	ENPV is positive.
The chosen social discount rate is consistent with the Commission's or Member States' guidance	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	
The main economic performance indicators have been calculated (ENPV, ERR and B/C ratio)	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	
If the economic net present value of the project is negative, there important non-monetised benefits to be considered	Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
RISK ASSESSMENT		
The choice of the critical project variables is consistent with the elasticity threshold proposed	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Consistently with MRD Guidelines, variables are considered critical when the change of their value by +/- 1% results in variation of base NPV value by +/- 5%.
The sensitivity analysis has been carried out variable by variable and possibly using switching values	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	However, in the financial model the results are difficult to assess due to inappropriate, circular-reference formulas in the <i>Sensitivity</i> sheet. <i>Recalculate all scenarios</i> button provides false results.
The expected value criterion has been used to evaluate the project performance	Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/>	Comments in chapter 4.7. of the Quick Appraisal Report.
Ways to minimise the level of optimism bias have been considered	Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
Risk mitigation measures have been identified and are adequate	Y <input type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
OTHER EVALUATION APPROACHES		

<p>If the project has been shown to have important effects that are difficult to assess in monetary terms, the opportunity to carry out an additional analysis, such as CEA or MCA, has been considered</p> <p>The choice of the additional analysis is suitable with the fields of application of CEA and MCA</p> <p>If a CEA has been performed, incremental cost-effectiveness ratios have been calculated to exclude 'dominated' alternatives</p> <p>If an MCA has been performed, the weights applied are consistent with the relative importance of the projects effects on society</p> <p>If the project is likely to have a significant macroeconomic impact, the opportunity to carry out an Economic Impact Analysis has been considered</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> <p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	
<p>CONSISTENCY WITH EU POLICIES AND LAW</p>		
<p>The project is consistent with relevant EU policies and law in the field of sustainable development, protection and improvement of the environment.</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The project is consistent with EU competition policy and regulations and is not likely to generate competition distortions</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>The project is consistent with EU public procurement regulations</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	<p>No public procurement is involved</p>
<p>The project is consistent with gender equality and anti-discrimination EU policies</p>	<p>Y <input checked="" type="checkbox"/> N <input type="checkbox"/> N/A <input type="checkbox"/></p>	
<p>If the project is in the field of industry, the project is in line with the objectives of the Europe 2020 Flagship Initiative “An Integrated Industrial Policy for the Globalisation Era” and may contribute to their achievement</p>	<p>Y <input checked="" type="checkbox"/> N <input checked="" type="checkbox"/> N/A <input type="checkbox"/></p>	<p>There is no mention of this Flagship Initiative. This does not mean that the project is not in line with it or will not contribute to the achievement of its objectives. It is however not possible to verify this aspect currently.</p>
<p>If the project is in the field of energy, the project is in line with the objectives of the Europe 2020 Flagship Initiative “A resource-efficient Europe” and may contribute to their achievement</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	
<p>If the project is in the field of ICT, the project is in line with the objectives of the Europe 2020 Flagship Initiative “A Digital Agenda for Europe” and may contribute to their achievement</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	
<p>If the project is in the field of the knowledge economy, the project is in line with the objectives of the Europe 2020 Flagship Initiative “Innovation Union” and may contribute to their achievement</p>	<p>Y <input type="checkbox"/> N <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>	

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