STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   1.1 Désirée Number: HU0009.01.02

   1.2 Title: Bihar Regional Enterprise Zone, phase II.

   1.3 Sector: Infrastructure

   1.4 Location:
      - Hungary
      - North Great Plain Region
      - Bihar Region

   1.5 Beneficiary:
      Association of Bihar Local Self-governments

2. Objectives

   2.1 Wider Objective(s):
      - The main goal of the Enterprise Zone is to make life conditions easier for the inhabitants of the 31 settlements, which are located within the Enterprise Zone. The main activity of the inhabitants is the production of different vegetables and fruits and the dairy husbandry (cows and sheep). The Enterprise Zone can help farmers organizing an agricultural extension group, ensuring the co-ordination of agricultural production, the supply of necessary inputs for production and the commerce of products.

      - The structural modernization of agricultural production, food processing and the enhancement of competitiveness along the borders of the Bihar Regional Enterprise Zone.

      - The level of unemployment within the cities of the region is 13%, which is higher than the national average level. The Enterprise Zone can create new jobs for the unemployed by building up a new structured agricultural production plant.

   2.2 Immediate Objective:

      The Enterprise Zone which includes 31 settlements stretches on a continuous, rather big area. An expert consultation network and a food processing unit will be established in order to support the economic activity of the SME’s which are already operating or will operate in the Enterprise Zone. The latter one will be set up in the Enterprise Zone but in locations settlements which dispose of the most favourable endowments.
Establishing a part of a food processing plant, based on the existing feasibility study, considering the cross-border production-integration possibilities

- a vegetable-fruit pre-processing plant
  - building up a regional vegetable-fruit producing-processing-refrigerating-packing infrastructure in Derecske
  - building up a regional vegetable-fruit processing-dehydrating technological unit in Bakonszeg
- a regional dairy collecting and processing plant
  - building up the infrastructure and acquiring the technology in Korösszakáll for the collection and processing of the smaller regional dairy producers’ products
  - building up the infrastructure and acquiring the technology in Berettyóújfalu for the collection and processing of the regional ewe-milk.

2.3 Accession Partnership and NPAA priority
The Accession Partnership defines the improvement of conditions for the creation and development of private enterprises with particular attention to small and medium-sized enterprises. The NPAA also mentions the improvement of competitiveness of production, the establishment of conditions for economical and export orientated production as its conceptual objectives, in the field of agriculture.

2.4 Contribution to National Development Plan
Not applicable.

2.5 Cross Border Impact
The agreement, made between the two counties adjacent to the border (Hajdú-Bihar on the Hungarian side and Bihor county on the Romanian side) states, that the vegetable-fruit processing capacities are going to be created in a way that processing and selling (partially Romanian and Western European markets) of the raw material and semi-processed goods coming from Romania can be accomplished. This programme is based on existing connections between Hungarian and Romanian enterprises.

Related to the dairy production, most importantly the ewe-milk production, the aim is to create a close co-operation with the Romanian farmers. This has been a tradition in shepherding for many years. During the collection and processing, similarly to the vegetable-fruit processing, a development is accomplished which serves the interest of the Romanian partners, can be considered a model to be realized on the other side of the border. According to the agreement between Bihor (Ro) and Bihar (Hu) counties, the Romanian accomplishment of the model will take place, as soon as the changes in the Romanian laws make it possible.

Within the Enterprise Zone the processing plants are all situated at a distance of less than 30 kms from the Romanian border (from Ártánd border crossing point).

The project in the Phare CBC 2000 programme is not simply open towards the Romanian economy, but also harmonise with the two political agreements (similarly to the Hungarian side, in Romania an enterprise zone and an agricultural industrial
park will be created, too), which include as their essential part the already mentioned project.

3. **Description**

3.1. Background and justification:
Bihar Region, which has historical connections with the similar Romanian region, consists of 38 settlements, with 100,000 inhabitants.

One of the characteristics of the Bihar Region is that basic infrastructure can be considered as being developed, but the productivity of region's economy is behind compared to the level of infrastructure. The reason for this is the low number of industrial factories, the partially obsolete technology, and in some areas the unfavourable soil conditions and agricultural plants in poor financial state.

In the Bihar Region the GDP per person is far below the county and national average, the average number of working enterprises is 1/3 of the national average (without the individual entrepreneurs).

The strategic importance of the region lies in its geography, namely that it is situated between Oradea and Debrecen, the two regional centres, and in a couple of years the border of the European Union will be here. The developed Hungarian economic and social conditions, the legal and environmental security, compared to the Romanian and Ukrainian conditions, make the region attractive for foreign investors.

The acquisition of the Enterprise Zone status and Industry Park title is particularly important. The value of the cross-border connections, and their potentials are remarkable.

This project supports the creation of the infrastructure and technological background necessary for the production of special goods belonging to the region's agricultural economy.

The project creates processing units which lead to integration, and influence the whole Bihar Region, and this way induce autocatalytic development.

3.2 Linked activities:
The economic development of the Bihar Region is accomplished within the framework of the Bihar Regional Enterprise Zone. Besides the Hungarian sources (Bihar county, Economic Development and Regional Development Fund with the support of the Ministry of Economics and the Ministry of Agriculture and Regional Development, the latter ones are in the phase of preparation of the contract) also the EU supports the development of the region's industry and infrastructure:

- The Phare CBC project Bihar Region economic development programme first phase (project number HU 9705-04-04) supports the development of the infrastructure of the Enterprise Zone, the road construction and the information centre for the Enterprise Zone. The accomplishment of the project is in progress.

- the SOP 97 programme supports the development of the Bihar Regional Industrial Park, which is at the moment in the phase of preparing the contract.
Bihor county, Romania will forward a project for the establishment of an Industrial Park on the other side of the border in the next programme year. The Bihar Regional Enterprise Zone and the newly established Industrial Park on the Romanian side will be in strong connection and will support mainly SME's to build up relations among each other.

The co-operation is further strengthened by the bilateral letter of intent between Bihor County (RO) and Hajdú-Bihar County (HU) considering Hungarian-Romanian cross-border economic development. The document includes the priorities of co-operation particularly the importance of setting up of enterprise zones and industrial parks. The letter of intent is signed by: the Prefect of Bihar County, the President of Bihar County and the President of Bihar County Chamber of Commerce on the Romanian side, and the President of Hajdú-Bihar County, the Mayor of Berettyóújfalu and the President of Hajdú-Bihar County Chamber of Commerce on the Hungarian side.

3.3 Results:
As a consequence of the integration activity, it helps the modernisation of the agricultural production:

- a vegetable-fruit pre-processing plant: the creation of 1200 t modern vegetable-fruit refrigerating unit, classifying-wrapping lines, and vegetable-fruit storing-dehydrating-cutting-wrapping parts and infrastructure.
- a regional dairy collecting and processing plant: providing the technology for the transportation, refrigeration, storage of (refrigerating-storing container, dairy truck) the milk by building up the infrastructure, and acquiring ewe-milk milking machine, ewe-milk refrigerators, establishing a milk processing plant with wrapping and processing lines, cheese ageing machines.

3.4 Activities:
- finalising execution plans by the end of April 2000
- preparing one tender for the construction works, and one tender for the supply, in which all the tasks concerning the project will be included
- making contracts with the entrepreneurs
- organisation of the executive works, employment of the engineer
- realisation of the investments
- receipt of the construction and the equipment, putting into operation
- organisation of the production according to the requirements of the capacities (integration work)

4. Institutional Framework

- The Bihar Enterprise Zone Manager Ltd. organises and implements the whole project and will become the operator of the establishments. The owners of the Bihar Enterprise Zone are the local authorities of the region and their development association. The Bihar Enterprise Zone Manager Ltd. is the operating group of the Association of the Bihar Local Authorities (BÖSZ). The realisation of the project takes place by including all the construction works in one tender and all the supplies in another tender.
The coordination between the works and supply part of the project is ensured also by the Bihar Enterprise Zone Manager Ltd.

The Bihar Enterprise Zone Manager Ltd. implements the Phare CBC project number HU 9705-0404, so they have experience in this field. No changes in the institutional frames are expected.

a) the “engineer” will be the Utiber Ltd., which is the engineer of the Phare CBC project number HU 9705-0404
b) the “employer” will be the Association of the Bihar Local Authorities
c) the owner and operator of the established investments and acquired equipment will be the Association of the Bihar local Authorities.

5. Detailed Budget

<table>
<thead>
<tr>
<th></th>
<th>Phare Support (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
</tr>
<tr>
<td>LOT 1 Works</td>
<td>1.313.850</td>
</tr>
<tr>
<td>LOT 2 Supplies</td>
<td>936.150</td>
</tr>
<tr>
<td>Total</td>
<td>2.250.000</td>
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</tbody>
</table>

6. Implementation Arrangements

6.1 Implementing Agency
The Ministry of Agriculture and Regional Development PHARE Regional Development Programme Management Unit
1016 Budapest
Gellérthegy u. 30-32.
Phone: +36/1-488-7171
Fax: +36/1-488-7188

6.2 Twinning
Not Applicable.

6.3 Non-standard aspects
The preparation of the tenders will take place under the regulation of the DIS handbook, according to the standard Phare practice. There will be no twinning components in the project.

6.4 Contracts
Two contracts are planned according to the 2 lots (see point 5) as follows:
- LOT 1.: February 2001, works contract, which includes the construction works
- LOT 2.: December 2001, supply contract, which includes vegetable-fruit processing and diary processing equipment.
7. Implementation Schedule

7.1. Start of tendering/call for proposals:


7.3 Project Completion: May 2002.

8. Equal Opportunity

The beneficiary of the project is an equal opportunity employer.

9. Environment

☐ The construction works are subject to the usual environmental impact assessment. The environmental impact assessments have been done and the documentation will be available by 15 May, 2000. One of the goals of the investment is to provide a level of the negative environmental effects lower than the level stated by the Hungarian and European regulations, by applying modern infrastructure and technology.

10. Rates of return

Financial rate of return:
vegetable-fruit processing: IRR=24%
diary processing: IRR=18%.

Economic rates of return will be calculated after completion of the project.

11. Investment criteria

11.1. Catalytic effect:
The project creates the base of the integration of agricultural production in the region. It highly increases the quantity and quality indicators of the present production.

11.2. Co-financing:
The Association of the Bihar Local Authorities will co-finance 25% of the total project cost.

11.3. Additionality
The Phare support will not displace any other financiers.

11.4. Project readiness and size:
Plans with permission for the construction works will be finalised by the end of April 2000. Feasibility studies are available. The value of the project is 3,000,000 Euro altogether. The amount of the Phare support is 2,250,000 Euro, so the proposal is in line with the criteria of minimal size of projects (2,000,000 Euro).

11.5. Sustainability:
The supported investments will be executed in harmony with the EU norms and standards, the regulations were taken into consideration during the planning process.

11.6. Compliance with state aids provisions
Not applicable.

11.7. Contribution to National Development Plan
The Preliminary National Development Plan identifies the region as being disadvantaged and the most significant natural resource is arable land. The project is in line with the investment promotion objective of the PNDP concerning the establishment and extension of production capacities suitable for modern high-quality products and the promotion and innovation in SME’s.

12. Conditions and sequencing
- The realisation of the investments is provided. The institutional base of the accomplishment of the project is provided by the Association of the Bihar Local Authorities.

- The phases of the accomplishment of the project are:
  - Creation of a vegetable-fruit producing-processing-refrigerating-wrapping establishment
  - Creation of a vegetable-fruit processing-dehydrating plant
  - The accomplishment of the infrastructure and acquirement of the technology needed for the collection and processing of milk from smaller dairy producers
  - Building up the infrastructure and acquirement of the technology needed for the collection and processing of ewe-milk.

- The main condition of a proper implementation of the project is that construction works for the processing units have to be completed by the time when the supply and installation of the necessary equipment takes place. The relevant deadlines are included in the annexes of the project fiche.
ASSOCIATION OF BIHAR LOCAL SELF
GOVERNMENTS
4100 Berettyóújfalu Dózsa Gy. street 17-19.
tel:0036 0654/402-300

Letter of Commitment

The Association of Bihar Local Self Governments contribute with the amount of 750,000 Euro as the own contribution of the project “Bihar Regional Entreprise Zone” second step for the implementation of the activities stated in the project fiche. The above-mentioned own contribution will be made available according to the time schedule of the project fiche.

Berettyóújfalu, 14 April 2000.

signature, stamp

MR SZEIFERT FERENC
President
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of program (including disbursement period) (compulsory)
4. Reference to feasibility /pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)
## ANNEX NO. 1.

### LOGFRAME PLANNING MATRIX FOR

#### INFRASTRUCTURE

<table>
<thead>
<tr>
<th>Project Number: HU-RO Phare CBC 2000-01-02</th>
<th>Project Title: Bihar Regional Enterprise Zone, phase II.</th>
<th>Contracting period expiry date: 31.12.2002</th>
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<td>Total Phare Budget 2,250,000</td>
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<tr>
<th>Wider Objectives</th>
<th>Indicators of Achievements</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Improving the life conditions of the inhabitants of the Bihar Enterprise Zone</td>
<td>Reduction of unemployment level in the Bihar Region</td>
<td>Implementing Agency Reports</td>
<td></td>
</tr>
<tr>
<td>The structure modernization of the agricultural production and food processing and the effective enhancement of the competitiveness of the near border Bihar Region Enterprise Zone.</td>
<td>New jobs available in agricultural production and food-processing</td>
<td>Regional Statistics</td>
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</tr>
<tr>
<td>Reducing the level of the unemployment in the cities of the region</td>
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<td>Labour Center</td>
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<td>Mayor's Office</td>
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<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievements</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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<tr>
<td>5</td>
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<tr>
<td>Establishing a food processing unit considering the cross-border production-integration possibilities (a vegetable-fruit pre-processing and a regional dairy collecting/processing plant)</td>
<td>The proportion of the vegetable-fruit processed in the region will increase</td>
<td>Implementing Agency Reports</td>
<td>The economic relationships over the Hungarian-Romanian border will improve</td>
</tr>
<tr>
<td></td>
<td>The proportion of the dairy products, vegetable-fruit processed in the region will increase</td>
<td>Regional Statistics</td>
<td>On the Romanian side laws will be passed for establishment of the enterprise zones, agricultural-industrial parks</td>
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<tr>
<td></td>
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<td>Farmers</td>
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<tr>
<th>Result of Projects</th>
<th>Indicators of Achievements</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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<tr>
<td>9</td>
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<tr>
<td>Modern vegetable-fruit refrigerating unit, classifying-wraping equipment, and vegetable-fruit storing-dehydrating-cutting-wrapping units are established</td>
<td>Complete construction and investment works</td>
<td>Implementing Agency Reports</td>
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<td>Acquisition of the equipment for the transportation, refrigeration, storage (refrigerating-storing container, dairy truck) of the milk by building up the infrastructure, and acquiring ewe-milk milking machine, ewe-milk refrigerators, establishment of dairy processing plant</td>
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<td>Reports of the concerned local and county governments</td>
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<thead>
<tr>
<th>Inputs</th>
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## DETAILED IMPLEMENTATION CHART

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<tr>
<td>LOT1 (Works)</td>
<td>[Diagram]</td>
<td>[Diagram]</td>
<td>[Diagram]</td>
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<tr>
<td>LOT2 (Supply)</td>
<td>[Diagram]</td>
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<td>[Diagram]</td>
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- **Planning**
- **Tendering and contracting**
- **Implementation and disbursement**
ANNEX NO. 3.

**CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME (EUR)**

<table>
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<tbody>
<tr>
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<tr>
<td><strong>Cumulative</strong></td>
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<td>2,250,000</td>
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<tr>
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<td>700,000</td>
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*Only for Phare support

N.B: 1 All contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of FM
2 All disbursements must be completed within 36 months of signature of the FM
ANNEX NO. 4.

Reference to feasibility /pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)

The environmental impact assessment has been prepared. The construction works will be in line with national and international environmental legislation. There will be no air or noise pollution by implementing the proposed technology. The proper handling of sewage is ensured. During the operation of the facilities no hazardous waste will be created. Feasibility studies are available.