1. Basic Information

1.1. Désirée Number: HU0105-08

1.2. Title: Connecting the Industrial Area of Debrecen to the National Road Network (Northern Great Plain)

1.3. Sector: Economic and Social Cohesion

1.4. Location: Hungary, North Great Plain Region,

2. Objectives

2.1. Overall Objective:
Increase economic and social cohesion by improved business related infrastructure and public utilities

2.2. Project Purpose:
• Better and safer access to the Debrecen Industrial Area and its catchment area.
• Increased economic activity in the Industrial Park of Debrecen.

2.3. Accession Partnership and NPAA priority
The objectives of the project are in line with the short- and medium-term objectives of the Accession Partnership, chapter on Internal Market, promotion of enterprise development and the fulfillment of the Copenhagen Criteria, development of a capacity to cope with competitive pressure. The implementation mechanism is indirectly contributing to the preparation of Hungarian central and regional authorities for the implementation of the Structural Funds.

2.4. Contribution to National Development Plan
According to the revised PNDP (2001) based on the regional development strategies the project reflects to one of the most important priorities of the region.”Increasing business competitiveness” and to the measure I.1.1 of “Establishment and development of industrial areas, logistic centres, incubation houses and industrial parks and their infrastructural development” (PNDP 2001, Chapter 5.5.2/I, priority I.1”).

The investment projects that will receive funding under the Economic and Social Cohesion component of Phare 2001, including the present one, were selected through the following procedure:

1. A letter was prepared and sent by National Agency for Regional Development to the Regional Development Agencies (RDA) and Regional Development Councils (RDC) of the target regions in July 2000, asking them to submit their project proposals for Phare funding to the NARD by 30 September 2000. Evaluation criteria for the project selection were also prepared and attached to this letter.

2. The RDCs have started the collection of regional project ideas for the Phare programme. The RDCs prepared and sent a letter to all organisations concerned, calling for submission
of project proposals according to the regional and national priorities described in the relevant regional and national plans.

3. The following organisations were contacted in the process:
   - The county development councils and agencies,
   - The municipalities of the bigger towns and cities with county rank of the region,
   - The small-regional associations, the mayors of all settlements, which are members of these associations
   - The managers of the sub-regional associations
   - The Regional Marketing Directorates
   - The Regional Tourism Board

4. A priority list was prepared for the collected project proposals based on the evaluation criteria previously provided by NARD. An expert committee whose members were selected by the RDCs prepared the priority list.

5. Based on the priority list of the project proposals, the RDCs selected the projects and submitted them to NARD.

2.5. **Cross Border Impact**

Not applicable

3. **Description**

3.1. **Background and justification**

According to the approved development plans of Debrecen city, Monostorpályi road is a feeder road of the south-eastern industrial area of the town. Because of the privatization process, the large state-owned companies along this road have split into 42 firms operating in the sectors of food processing, commerce and logistics. Because of increasing economic activities and the increased number of employees, traffic in the area has strongly increased and infrastructure must be adjusted to it.

The enterprises along the road employ thousands of people. Workplaces in the area ensure employment possibilities for about 13,000-16,000 persons. 70 per cent of the employees come from Debrecen and the other 30 per cent are from the surrounding agglomerations (from the south and east) who go to work daily. The commuter area of this zone is Debrecen city in the northwest and a 30-35 km region in the southeast.

The present average traffic is 9,100 vehicle units per day.

The Monostorpályi road is an urban secondary highway located in municipal area. The cross section of the road is too narrow (actual width of pavement: 6 m), consisting of 2x1 traffic lanes, basically without road markings. The load-bearing capacity of the pavement structure is inadequate; the surface of the pavement is wavy and cracked. Because of the bad pavement quality a 30 km/h speed limit is valid on most parts of the road. The drainage is not ensured, as a consequence in rainy weather 20-30 cm thick water layer covers the road. The public transport stops, pedestrian facilities situated on this road section do not meet the actual technical requirements, e.g. sidewalks only partly exist, at bus-stops there are no stop-bays.
No traffic possibilities are ensured for the significant bicycle traffic, separating it from the highway traffic.

According to the accident statistics, in the last three years the number of accidents has increased (21 accidents had happened in 1998, 25 in 1999 and 27 in 2000).

3.2. Linked activities

Financed by the Government in 1997-1999 (Phase I-II.), a section of the Secondary Main Road No.47 leading through Debrecen and its overpass were widened with 2 lanes. It is planned to further widen the section of Secondary Main Road No.47 in 2001 (Phase III.-IV.) leading out of town. The Government is financing the project. This road is connecting Debrecen with the national main road No. 4. The Monostorpályi road connects the industrial area with the Road 47.

The Local Government of Debrecen has a valid agreement with TRANSPED Ltd., the operators of the Industrial Park (Decree No. 213/1999) to further develop the infrastructure of the Industrial Park.

In addition, financed by the Hungarian government, the construction of M3 motorway towards the eastern part of the country has been initiated and is expected to be completed during autumn 2001. This would make the region accessible more rapidly, easily and safely from western direction.

3.3. Results

1. Monostorpályi road reconstructed and extended.
2. Traffic light system established.
3. Railway crossing adjusted.
5. Landscaping and terrain corrections completed as needed

In the framework of the above mentioned results the following effects are foreseen:

- develop road parameters for the road section in question which are in line with the Hungarian and EU standards
- increasing service level of the road
- the number of accidents with injuries are expected to decrease by 30 per cent after the reconstruction with special emphasis on the safer bicycle traffic possibilities
- increasing travelling comfort and roadworthiness
- bicycle traffic is expected to increase by 10 per cent after constructing the pedestrian and bicycle lane (due to the large number of commuters)
- deterioration of the road can be prevented by adequate drainage
- continuous traffic flow is forecasted to increase by 20 per cent due to drainage, also ensuring safer and better conditions for pedestrian and bicycle traffic
- during rush hours accessibility time should decrease by 20-25 per cent
- settlement of new enterprises
- the reconstruction shall not cause the deterioration of air quality, a low rate improvement is forecasted in consequence of the decreased accessibility time
- noise barriers are not planned since the improvement of the current and future traffic size and composition is not expected
- planting has favourable ecological effect
- waiting time will be reduced by 10-20 per cent after renovating the railway signalling installations
- the construction of bus stop bays and turning lanes shall reduce the number of distress conditions at overtaking

3.4 Activities:

All related to the Component I. will be carried out in the framework of one open tender. The other results will be achieved through open tendering financed by national sources.

_Component I._: The Monostorpályi road will be extended on a length of 3,500 meters to 2+2 lanes with 14 m width. 16,000 m² pedestrian and bicycle lane (width of 3.75 m) will be constructed complete with rainwater drainage on 4,655 meters.

A traffic light system including one road-rail crossing (20 traffic lights) and 2 road-road crossings (14 and 10 traffic lights) will be established.

_Component II._: The railway crossing on the industrial line connecting the Industrial Park to the station of Debrecen will be adjusted. The angle of the crossing will be increased from 23° to 45° and the level of the rails will be adjusted to the road surface.

_Component III._: The affected underground sewage system will be completed and modernised on a length of 992 metres with a capacity of 145 m³ per day. The relevant sections of the gas, heating, water and electricity networks will also be modernised.

4. Institutional Framework

The beneficiary and the Employer will be the Municipality of Debrecen. The Beneficiary will appoint a project manager with relevant experience in the management of Phare projects and the owner of the assets will be the Municipality of Debrecen.

The Local Government of Debrecen will provide tender documentation and supervision of the construction work. The Municipal Government of Debrecen will appoint a firm with relevant experience to act as Supervising Engineer before the award of the Works contract.

5. Detailed Budget (MEUR)

<table>
<thead>
<tr>
<th>Component I – Road reconstruction</th>
<th>Phare Support</th>
<th>National Co-financing</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support I</td>
<td>Institution Building IB</td>
<td>Total Phare (=I+IB)</td>
<td>Government</td>
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<tr>
<td></td>
<td>2.0</td>
<td>0</td>
<td>2.0</td>
<td>0.25</td>
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</table>
### Component II - Reconstruction of the railroad track

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</table>

### Component III - Public utilities

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<th>0.447</th>
<th>0</th>
<th>0.447</th>
</tr>
</thead>
</table>

**Total**

2.0 0 2.0 0.25 2.034 0 4.284

- National co-financing for component I. will be provided by the Ministry of Agriculture and Regional Development (€ 0.25 million) and the Municipality of Debrecen (€ 1.521 million).

- National co-financing for components II. and III. will be provided by the Municipality of Debrecen (€ 0.066 million and € 0.447 million, respectively).

- The Phare amount is binding as a maximum amount available for the project. Up to this maximum, the ratio between the Phare and national amount is also binding and has to be applied to the final net contract price.

### Implementation Arrangements

#### 6.1 Implementing Agency

The project will be implemented under the overall co-ordination of the Ministry of Agriculture and Regional Development, whose representative, Dr. Peter SZALÓ, Deputy Secretary of State, will be designated as PAO.

The Ministry of Agriculture and Regional Development, through its National Agency for Regional Development will be responsible for all aspects of tendering and contracting as well as administrative and financial matters of the implementation.

**Address:**

Ministry of Agriculture and Regional Development  
National Agency for Regional Development  
1016 Budapest, Gellértthegy u. 30-32.  
Phone: +36/1-488 7171  
Fax: +36/1-488 7165

#### 6.2 Twinning

Not applicable.

#### 6.3 Non-standard aspects

The rules of the Practical Guide for Phare, ISPA and SAPARD Contract procedures will be strictly followed.

#### 6.4 Contracts

All activities related to component I. will be carried out in the framework of one local open tender according to the relevant rules of the PRAG, in value of € 3.771 million, financed by Phare and national/local resources. The remaining results will be achieved through open tendering, according to Hungarian public procurement rules, financed by national resources.
7. Implementation Schedule

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component I – Road reconstruction</td>
<td>January 2002</td>
<td>September 2002</td>
<td>December 2003</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

Equal participation by women and men will be assured during project implementation and after project completion.

9. Environment

As a part of the plan for approval, the necessary Environmental Impact Study was completed on 15 February 2000. It indicates that the noise caused by heavier traffic might increase.

- The noise level resulting from traffic exceed the day limit with 2-7 dB at 52 buildings,
- The noise level resulting from traffic exceeds the night limit with 2.5-9.3 dB at 75 buildings.

The surroundings of the Monostorpályi road in these zones barely possess protective equipment (noise barrier, plants). The plants and fences of houses cannot be considered in noise protection and air protection.

Proper traffic management will be put in place to abate these effects. The Environmental Impact Study is available at the Office of the Municipal Government of Debrecen.

The tender dossier and the work contract will take into account the requirements of the Environmental Impact Assessment study.

10. Rates of return

Since the project will not directly generate income, the financial rate of return cannot be calculated. The preliminary feasibility study (commissioned by Debrecen City of County Rank Mayor’s Office (H-4024 Debrecen, Piac u. 20.) and drafted by EUROUT Mérnöki, Tanácsadó, Szervező és Kereskedelmi Kft. (EUROUT Engineering, Consulting, Organizing and Trading Ltd.) (Address: 1141 Budapest, Tihany tér 2) and covering the total (3500 m) length of the road) indicates that the project will have a number of positive effects:

- As a result of the reconstruction of a separate road for bicycles, traffic lights systems at the crossings and an extra traffic lane for stopping cars the number of accidents will decrease;
- As a result of the better accessibility the number of investors in the industrial park will increase;
- Environmental impact: faster transit will contribute to the improvement of the area’s environmental conditions;
- As a result of the improved road surface the noise pollution will ease;
- The project will result in the increasing number of enterprises in the area, thus improving the employment conditions of the city;
- The rising number of enterprises will result in the increased amount of local taxes, thus increasing the municipality’s revenue;
- The area concerned is of great importance for the city from an industrial and economic point of view, therefore the infrastructure development will probably result in the increase of trade and commerce (petrol stations, commercial units, etc.).

11. Investment criteria

11.1 Catalytic effect:

The project accelerates the economic development in Debrecen by the reduction of transaction costs of enterprises operating in the Industrial Park and thereby will have widespread effects on the regional economy.

Without Phare support project would be carried out much later.

11.2 Co financing:

- National co-financing exceeds 53 percent.
- National co-financing for component I. will be provided by the Ministry of Agriculture and Regional Development (€ 0.25 million) and the Municipality of Debrecen (€ 1.521 million), which represents 46% of the total planned costs for component I.
- National co-financing for components II. and III. will be provided by the Municipality of Debrecen (€ 0.066 million and € 0.447 million, respectively).

11.3 Additionality:

The Phare intervention does not displace other financiers, neither from the private sector and nor from IFIs.

11.4 Project readiness and Size:

The project complies with the Phare minimum project size requirements. Approved plans are available (Prepared by KELETTERV Ltd.), the Environmental Impact Study and preliminary feasibility study have been also completed. Construction permit was given dated on 13th September 2000 with Ref. No. 2337-10/2000. Tender documentation will be prepared until the signature of the Financing Memorandum.

Sustainability:

The supported investments are sustainable in the long term. All works will comply with EU norms and standard.

The long-term maintenance of the road will be ensured by the Municipal Government of Debrecen, as prescribed by Hungarian law.

11.5 Compliance with state aids provisions

All actions financed will respect the competition provisions of the European Agreement.
12. Conditionality and sequencing

No conditionality is foreseen; the sequencing is outlined in the implementation schedule.

The Authority gave the construction permit dated on 13\textsuperscript{th} September 2000 with Ref. No. 2337-10/2000. It can be found in the City Hall of Municipal Government of Debrecen.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
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
5. List of relevant Laws and Regulations
6. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc)
<table>
<thead>
<tr>
<th><strong>LOGFRAME PLANNING MATRIX FOR</strong></th>
<th><strong>Programme Name and Number</strong></th>
<th><strong>Monostorpályi Road</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project:</strong> Connecting the Industrial Area of Debrecen to the National Road Network</td>
<td><strong>Contracting Period Expires:</strong> November 2003</td>
<td><strong>HU0105-08</strong></td>
</tr>
<tr>
<td><strong>Total Budget:</strong> € 4.284</td>
<td><strong>Disbursement Period Expires:</strong> November 2004</td>
<td><strong>Phare Budget:</strong> € 2.0 Million</td>
</tr>
<tr>
<td><strong>Overall Objective</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase economic and social cohesion by improved business related infrastructure and public utilities</td>
<td><strong>Objectively Verifiable Indicators:</strong></td>
<td><strong>Source of Verification:</strong></td>
</tr>
<tr>
<td></td>
<td>- Income and employment growth in the project areas.</td>
<td>- Reports of the Central Statistical Office</td>
</tr>
<tr>
<td><strong>Project Purpose:</strong></td>
<td></td>
<td><strong>Assumptions:</strong></td>
</tr>
<tr>
<td>- Better and safer access to the Debrecen Industrial Area and its catchment area.</td>
<td>- Reduction of travel duration by 20-25%</td>
<td>- Functioning backward and forward linkages to other relevant business sectors</td>
</tr>
<tr>
<td>- Increase economic activity in the Industrial Park of Debrecen.</td>
<td>- Reduction of road accidents by 30%</td>
<td><strong>Objectively Verifiable Indicators:</strong></td>
</tr>
<tr>
<td></td>
<td>- Increase of the number of enterprises in the industrial park by 20%</td>
<td>- Traffic surveys</td>
</tr>
<tr>
<td></td>
<td>- Continuous traffic flow is forecasted to increase by 20 per cent</td>
<td>- Accident statistics</td>
</tr>
<tr>
<td></td>
<td>- Waiting time is reduced by 10-20% at railway crossing</td>
<td>- Statistics of the Industrial Park</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td><strong>Source of Verification:</strong></td>
<td><strong>Assumptions:</strong></td>
</tr>
<tr>
<td>- Monostorpályi road reconstructed and extended.</td>
<td>- Handing-over notes</td>
<td>- Continued interest on the part of business enterprises to settle in the Industrial Area</td>
</tr>
<tr>
<td>- Traffic light system established.</td>
<td></td>
<td>- Continued Government support to industrial activity in the project area.</td>
</tr>
<tr>
<td>- Railway crossing adjusted.</td>
<td></td>
<td>- Continuation of the positive business climate in Eastern Hungary.</td>
</tr>
<tr>
<td>- Underground sewage system completed and modernised.</td>
<td></td>
<td><strong>Activities</strong></td>
</tr>
<tr>
<td>- Relevant sections of gas, heating, water and electricity networks modernised.</td>
<td></td>
<td>Completion of plans, site preparation, tendering and conclusion of one local open tender according to PRAG, and two national contracts.</td>
</tr>
<tr>
<td>- Landscaping and terrain corrections completed as needed.</td>
<td></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Objectively Verifiable Indicators:</strong></td>
<td>- € 2.0 million of Phare support to be matched by co-finance contributions of € 2.284 million from the central and local budgets</td>
</tr>
<tr>
<td></td>
<td>All contracts carried out in time, and at the contracted level of quality including, in particular the construction of following:</td>
<td><strong>Source of Verification:</strong></td>
</tr>
<tr>
<td></td>
<td>3,500 m road with width of 14 m, 16,000m² pedestrian and bicycle lane (with width of 3.75 m), 44 traffic lights, 922 m sewage conduit with a capacity of 145 m³ per day, 4,655 m rainwater pipe,</td>
<td>- Project reports of the stakeholders</td>
</tr>
<tr>
<td></td>
<td><strong>Assumptions:</strong></td>
<td><strong>Preconditions:</strong></td>
</tr>
<tr>
<td></td>
<td>- High quality project management</td>
<td>- Feasibility study and other preparation studies have been completed</td>
</tr>
<tr>
<td></td>
<td>Co-finance contributions available</td>
<td>- All required permits have been granted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Institutional structure to implement and operate the project is in place</td>
</tr>
</tbody>
</table>
Annex No. 2.

Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S</td>
<td>O</td>
<td>N</td>
</tr>
<tr>
<td>Month</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction works</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Design (25%)
- Tendering and contracting (50%)
- Contract implementation and payments (100%)
Annex No. 3.

Cumulative contracting and disbursement schedule (€ Million)*

<table>
<thead>
<tr>
<th></th>
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<tr>
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<td>1.0</td>
<td>1.35</td>
<td>1.7</td>
<td>2.0</td>
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</tbody>
</table>

*) Phare contribution only
Annex No. 4

Reference to feasibility/pre-feasibility studies

Available studies and documentations:

Environmental Impact Study

Construction permit (dated on 13th September 2000 with Ref. No. 2337-10/2000.)

Preliminary Economic Feasibility study

For the development of Monostorpályi road a preliminary feasibility study was made in 2000 by EUROUT Engineering, Consulting, Organising and Trading Ltd (1141 Budapest, Tihany Sqr. 2). The study was made for the total length of the road (which is 3500 m) and can be found in the City Hall of Municipal Government of Debrecen.
Annex No. 5

List of relevant Laws and Regulations

1. Act XXI/1996 on Regional Development and Physical Planning;

Annex No. 6

Reference to relevant Government Strategic plans and studies


4. Hajdú-Bihar County Development Strategy (1999.)