1. Basic Information

1.1 Désirée Number: HU0105-09

1.2 Title: Development of the Industrial Park in Szolnok (Northern Great Plain)

1.3 Sector: Social and Economic Cohesion

1.4 Location: Hungary, North Great Plain Region,

2. Objectives

2.1 Overall Objective(s):

• The wider objective of the programme is to promote economic and social cohesion by investing into business-related infrastructure

• Increased competitiveness of the local economy in the region

2.2 Project Purpose:

• Creation of new workplaces in the region

• Enhancing the settlement of enterprises and suppliers in the area

• Improvement of infrastructural and operational conditions of the settled enterprises

2.3 Accession Partnership and NPAA priority

The project reflects medium-term environmental priorities stated in chapter 3.2 of the Accession Partnership and in the NPAA. 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 fostering the creation of private enterprises and SMEs. It contributes to the fulfilment 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”)

2.5 Cross Border impact: Not applicable.

3. Description
3.1. Background and justification

In 1999, the GDP/capita of the region North Great Plain was the lowest comparing to the national GDP. The unemployment rate of the region (10.1 %) shows significant lag behind the national average (7.0%).

One of the most important priorities of the region is increasing business competitiveness and creating employment. From the logistics point of view, Szolnok has central position. It is a public road junction between Romania and Yugoslavia and also a railway junction (as having the largest railway station in the country). It has a public harbour on the Tisza River and its airport will function as public airport in a short time. The city has considerable intellectual potential, too. It is hosting the Szolnok College for Economic Affairs. Significant R&D capacities are serving the enterprises of the region, most prominently those active in the chemical, food processing, paper, petroleum refining and manufacturing industries.

The Local Government of Szolnok has purchased the area of the industrial park in January 1999. The area was awarded the Industrial Park title by the Ministry of Economic Affairs in March 2000.

According to surveys carried out, more than 20 SMEs are engaged to settle in the area (documents are available at the Local Government of Szolnok). The settlement of SMEs will be ensured on an area of 12 ha. A big European car manufacturing company also showed serious interest in settlement. The available construction site for large enterprises is 13 ha. Altogether, 1300 work places will be created after completion of Phase I.

So far there have not been any infrastructural investments on the area concerned. Thus, infrastructural development is essential for the area in order to represent the background expected by enterprises.

The infrastructural development of the area on 121 hectares will be implemented in three phases:

1. Phase I.: construction of a special rainfall drainage system on 121 ha and infrastructural development on 39.2 ha (drinking water, sewage system, electricity, telecommunication and internal access roads)
2. Phase II: infrastructural development on a further 13.8 ha
3. Phase III: infrastructural development of the remaining 68.4 ha

In case of the settlement of large companies the implementation of Phase II. and III. can be accelerated. Sustainability of Phase II. and III. will be ensured by the incomes of selling 39.2 ha industrial site (see details in the feasibility study).

According to the estimations based on the number and type of interested enterprises as well as on the reports of the Infrastructure Department of the Ministry of Economics on Industrial Parks, at the end of Phase III. 16,000 new workplaces will be created in the area.

3.2 Linked activities

Phare resources under COP97 supported the development of Nyíregyháza, Debrecen, Berettyóújfalu, Jászfényszaru industrial park in the region.

The Szolnok Industrial Park has signed a Co-operation Agreement among Törökszentmiklós and Kunszentmárton Industrial Parks.
Local government funded canalisation works in the town. In the last 5 years a total 86,000 m
canalisation network has been constructed in Szolnok. In 1998 a sewage treatment plant has
been built that has a capacity to treat also the communal waste deriving from the future
industrial park.

Connecting to the objectives of the project and ensuring the sufficient implementation of the
regional development plan further developments and technical assistant activities will be
carried out in the region which depends on the financial opportunities for the next years of the
partners interested in the regional development.

3.3 Results

- Establishment of the Phase I. of the public utility construction of 39.2 ha industrial site
- Construction of the rainfall drainage system on 121 ha as a precondition for the
development of next phases

3.4 Activities

The project will be carried out in the framework of one open local works tender.

The following activities will be carried out:

39.2 hectares industrial site:

- Construction of 2 km connecting header pipe and 720 m internal header pipes
- Widening of 0.5 km long road to 23 m width
- 1.5 km long internal header road system with a width of 18 m, adequate to 2-lane
  truck traffic, according to international standards
- Communication development and access to the National Telecommunication
  Network (ISDN access and lines for request) in the area of the industrial park

Construction of the rainfall drainage system on 121 ha:

- 1,216 m main collecting pipe
- 8 ha reservoir and the connecting pipes

4. Institutional Framework

The ownership of the land will be with the local Government and the Management is ensured
through a Management company, the Szolnok Industrial Park and Logistical Centre LTD,
funded and 100 % owned by the local government.

The company has suitable capacity and relevant experience in the management of Phare
projects.

(a) The project manager and responsible engineer will be appointed by the beneficiary.
The “Employer” will be the Szolnok Industrial Park and Logistical Center LTD.

(b) The owner of the asset after project completion will be the Local Government of
Szolnok.
5. Detailed budget (MEUR)

<table>
<thead>
<tr>
<th>Activities</th>
<th>Phare Support</th>
<th>National co-financing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Institution Building</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support I</td>
<td>IB (=I+IB)</td>
<td></td>
</tr>
<tr>
<td>Construction Works</td>
<td>2.00</td>
<td>-</td>
<td>1.176</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>2.00</td>
<td>1.724</td>
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<td></td>
<td>-</td>
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<td>-</td>
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<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>4.90</td>
</tr>
</tbody>
</table>

Co-financing will include 59% of the total project budget, which will be provided from the following sources:

- Central National contribution is 24% (1.176 M EUR) provided by the Ministry of Economic Affairs as subsidy
- Local contribution provided by the local government is 35% (1.724)

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.

6. Implementation arrangements

6.1 Implementing Agency

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

The Ministry for Agriculture and Regional Development, through its National Agency for Regional Development (H- 1016 Budapest, Gellérthegy u. 30-32), will be responsible for all aspects of tendering and contracting as well as administrative and financial matters of the implementation.

Address: Ministry for Agriculture and Regional Development
National Agency for Regional Development
1016 Budapest, Gellérthegy u. 30-32.
Phone: 488-7171
Fax: 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**

The project will be carried through one work contract of the approximate value of 4.9 M€. The contract will include both Phare and Government contribution.

7. **Implementation schedule**

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Works</td>
<td>December 2001</td>
<td>August 2002</td>
<td>December 2003</td>
</tr>
</tbody>
</table>

8. **Equal opportunity**

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

9. **Environment**

The construction of the rainfall drainage system is a key priority of the European and Hungarian environmental policy. In 1999 the industrial park area regulation plan has been prepared to ensure environmental protection and sustainability by forcing the settling enterprises to comply with the relevant air pollution and sewage emission rules. The enterprises undertake to treat industrial wastewater and emit only communal waste. Since the industrial park will be in the surroundings of the town, there will be no additional air and noise pollution from industrial production or traffic.

In 1998 a sewage treatment plant has been built with a capacity to treat also the communal waste deriving from the future industrial park. With the introduction of the proposed biological treatment technologies, the ammoniac and phosphorous pollution of the adjacent sensitive aquifers is expected to stop.

Sustainability is ensured by complete integration of the industrial area into the surrounding natural environment.

The adequate background infrastructure establishes appropriate conditions for the environment-conscious economic development according to the principle of sustainability.

10. **Rates of return**

The feasibility study proved that the project will have an internal financial rate of return of 5.3 % for a period of 10 years. The economic rate of return will be 9.48 % for a period of 10 years.

11. **Investment criteria**

11.1 **Catalytic effect**
The project accelerates the economic development in the area with special respect to the business related infrastructure. Without Phare support, the project would take place much later.

11.2 Co-financing

Co-financing will include 59% of the total project budget, which will be provided from the following sources:

- Central National contribution, 1.176 M EUR, 24% of the total project cost, is provided by the Ministry of Economic Affairs as subsidy
- Local contribution, 1.724 MEUR, 35% of the total project cost, is provided by the local government

11.3 Additionality

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

11.4 Project readiness and size

The value of the project complies with the minimum project size requirements. The detailed economic feasibility study has been prepared. The tender documentation will be prepared according to the detailed implementation schedule of Annex 2.

11.5 Sustainability

The local government has established a company to manage the Industrial Park. The company will be responsible for the operation of the industrial park according to a business plan submitted and approved by the Ministry of Economic Affairs for five years after the completion of project activities.

The scope of the project is to attract enterprises. In that sense the land will be provided to the settling enterprises at a price below market. The selling of the land will provide funding to extend the Industrial zone. The ownership of the land will be with the local Government and the Management is ensured through a Management company funded and owned by the local government.

Sustainability of the project will be ensured by selling 39.2 ha industrial site (see details in the feasibility study). According to the estimations based on the number and type of interested enterprises, as well as on the reports of the Infrastructure Department of the Ministry of Economics on Industrial Parks, at the end of Phase III, 16,000 new workplaces will be created in the area.

11.6 Compliance with state aids provisions

All actions financed will respect the competition provisions of the European Agreement.

12. Conditionality and sequencing

Settlement of ownership arrangements between the local government and APV Rt. related to the land to be used for canalisation.

The sequencing is outlined in the implementation schedule.
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)
### Logical Framework Matrix

**Programme Name and Number:** HUU0105-09  
**Contracting period Expires:** November 2003  
**Disbursement Period Expires:** November 2004  
**Total Budget:** 4.9 MEUR  
**Phare Budget:** 2 MEUR

#### Overall Objectives
- To promote economic and social cohesion by investing into business-related infrastructure.  
- Increase competitiveness of the local economy in the region.

#### Objectively verifiable indicators
- Regional GDP/capita and employment growth reaches the national average

#### Source of Verification
- Central Statistical Office  
- County statistics and targeted statistical examinations

#### Project Purpose
- Creation of new workplaces in the region  
- Enhancing the settlement of enterprises and suppliers in the area  
- Improvement of infrastructural and operational conditions of the settled enterprises

#### Objectively verifiable indicators
- 1300 new work places created after phase I.  
- Settlement of 20 SMEs  
- Operational conditions of SMEs improved by 20% compared to the settlement at other sites

#### Source of Verification
- Local labour office statistics  
- Contract concluded between industrial park management and SMEs  
- County economic statistics

#### Assumption
- Growing interest of SMEs and bigger companies in settlement  
- Spread of new economic sectors in the region  
- Tax allowance policy of the city council towards the settled enterprises kept

#### Results
- Establishment of the Phase I of the public utility construction on the industrial site  
- Construction of the rainfall drainage system on 121 ha as a precondition for the development of next phases

#### Objectively verifiable indicators
- The construction works are carried out on time and facilities are operational by December 2003  
- 39.2 ha industrial site for rent  
- Canalisation provided on 121 ha

#### Source of Verification
- Reports of the construction company  
- IA/Regional Office progress reports  
- Reports of the Independent Engineer

#### Assumptions
- Co-financing available from the beneficiary.  
- Funding for the operation of the sewage treatment system is available as planned settlement of ownership arrangements relate to the land used for canalisation with APV Rt.

#### Activities

<table>
<thead>
<tr>
<th>Means</th>
<th>Source of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000 MEUR Phare funds</td>
<td>Project reports of the stakeholders</td>
<td>Industrial park management recruits and retains adequate staff</td>
</tr>
<tr>
<td>2,903 MEUR national and local co-financing</td>
<td>IA/Regional Office progress reports</td>
<td></td>
</tr>
<tr>
<td>Staff input from the IA and the RDA and from the Beneficiary.</td>
<td>Reports of the Independent Engineer</td>
<td></td>
</tr>
</tbody>
</table>

#### Preconditions
- Good quality tender documents ready and accepted by all parties by December 2001  
- Settlement of ownership arrangements related to the land used for canalisation with APV Rt.
Annex No. 2.

Detailed Implementation Chart

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

- Design (20%)
- Tendering and contracting (50%)
- Contract implementation and payments (100%)
Annex No. 3.

Cumulative contracting and disbursement schedule (MEUR)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
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<td>1.0</td>
<td>1.35</td>
<td>1.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>
Annex No. 4.

Reference to feasibility/pre-feasibility studies

- The Feasibility Study and Business Plan for the Industrial Park has been prepared (December 2000) and are available in the RDA of North Great Plain.
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

- Preliminary National Development Plan 2000
- Revised Preliminary National Development Plan 2001
- Northern Great Plain Regional Development Plan
- Széchenyi Economic Plan (2000)