1. Basic Information
1.1. Desiree Number: PL01.06.02.03
1.2. Title: Biala Podlaska Industrial district
1.3. Sector:
1.4. Location: Poland, Lubelskie Voivodship, town of Biala Podlaska

2. Objectives
2.1. Wider Objective(s):
To strengthen the social and economic cohesion of the Lubelskie Voivodship through development of the infrastructure stimulating the development of the SME sector.

2.2. Immediate Objectives:
Raising the competitiveness of the region through an improvement in the investment attractiveness of Biala Podlaska and the northern part of the Voivodship; Creating technical conditions for SME development in the region; Improving the flow of the cross-border communication system; Increasing the effectiveness of the utilisation of human resources and the economic potential of the town, in order to quick hasten the economic development in the region; Raising the attractiveness of the town and region to external investors, resulting in increased employment in the area.

2.3. Accession Partnership and NPAA priority:
The project responds to a medium term AP priority: developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives. It also corresponds with the NPAA priority "Regional and cohesion policy".

2.4. Contribution to Preliminary National Development Plan:
The PNDP has a priority “Strengthening development potential of regions and counteracting marginalisation of certain areas”. It will be implemented by means of several measures, including the development of infrastructure with sub-regional importance. Within the framework of the project, actions to deliver technical infrastructure for SMEs development will be taken. The project is also in line with the operational programme for the Lubelskie Voivodship. It will be implemented under the OP priority “Development of regional infrastructure”.

2.5. Cross Border Impact:
Not applicable

3. Description
3.1. Background and justification:
Some of the most problematical barriers hindering the sustainable development of the Lubelskie region are the low effectiveness and competitiveness of the economic structure of the Voivodship, and a low level of investment attractiveness. There is also a lack of utilisation of the potential resources of the large urban areas, (in particular the towns which, after administrative reform performed in 1999 have lost their voivodship status, such as Biala Podlaska). This has a visible influence on the collapse of their social and economic structure. On the other hand the region shows great developmental potential reflecting the profitable location, spatial layout of the communication network and equal arrangement of large urban areas throughout the region which are going to be major social and economic centres for regional development. The northern part (with a population of 310.000) is mainly agricultural, with over 60% of the population living in rural areas. The major urban economic centre is Biala Podlaska (with a population of 60.000), which also supports the main East-West cross-border area between Poland and Belarus, located on international routes E30 and E20 trunk line. Because of Biala Podlaska’s demographic and economic potential and its excellent communicational position (close to future EU border) the town may become one of the regional centres of co-operation with countries of the former Soviet Union. However, this requires a lot of additional infrastructure investments. An example of an activity making a key contribution in strengthening the developmental potential, activating an area and ultimately accelerating its economic development is the supply of infrastructural media assuring conditions for the start-up and development of SME’s, particularly in the industrial and service sector. The lack of such infrastructure is a fundamental barrier hindering development of the SME sector in Biala Podlaska. Presently there is also a lack of prepared properties for industrial and service SMEs. For the reasons mentioned above, the town authorities undertook the realisation of this project. This district is located in the north-eastern part of the town. The E30 (A2) international route (being the bypass for the town) forms the northern border of the area, which creates easy access for external traffic. At the present time this area is utilized in a chaotic way, several enterprises acting mainly in production and trade sectors (which employ over 100 people)
are placed there. The headquarters of the Regional Customs and Excise Administration are also located in this area. This project will help to activate unused parcels SME’s business activities (according to urbanisation plans of the town). Under the Phare ESC 2001 programme the 1st phase of the project will be realised. The main objective of the first phase is to provide the industrial depot district in Biala Podlaska with full infrastructure and vital access road (Pól nocna Street). Building the access road with full infrastructure media will provide excellent access to unused terrain, increase possibility of utilizing those parcels and vastly improve the communication flow in the area, what will result in increasing of its investment attractiveness. The project foresees building of technical infrastructure “under the roads”, whilst the costs of connections to the network will be the matter of entrepreneurs. As a result of the 1st phase of the project 12ha of investment sites will be made ready for use by the industrial and service sector. It is estimated that 18 new SMEs will arise, making places for at least 80 employees. Considering that the area is placed near the E30 (A2) international route and close to the Regional Customs and Excise Administration, it is foreseen that some of the new firms will be part of the sector of transit transport and custom services. A good confirmation of this forecast is the fact that several companies acting in the above mentioned sectors as well as in the warehousing and food-processing sectors were interested in setting-up their businesses in this district. The whole project consists of 3 implementation phases: the construction of the main access road (Pól nocna Street) with full infrastructure; the eastbound internal service roads with full infrastructure; the westbound access road (connecting the district with the residential ones); and additionally setting up an Enterprise Incubator in the properties belonging to the urban community of Biala Podlaska. The completion of the whole project is planned for 2008. The project is in accordance with the town’s urbanisation plan and regional development strategy, which were consulted with the local society.

3.2. Linked activities:
There are no activities connected to the project and involving either Phare or other sources of funding.

3.3. Results:
Immediate measurable results of the project’s (first phase) are: activation of a high standard investment area of 12ha meeting the requirements of SME; creation of about 18 new SME activities in the investment area; creation of 80 new job opportunities in the investment area; decrease in investment costs for SMEs by about 20%; decrease in the intensity of truck traffic in the central area of the town’s communication system by about 80 vehicles per 24 hours; reduction in journey times of approximately 7 minutes on average for 300 vehicles per 24 hours; preparation for the implementation of subsequent next phases of the project, resulting in the forming of development land covering an area of 28 ha; providing the infrastructure for 9 enterprises with over 100 persons employed.

3.4. Outputs:
The direct products obtained from the project: 1.25 km of road, of width 14 metres, with pavements on both sides and crossroads; street lighting along 1.25 km; an oil and sediment separator with a free flow of 160 litres per second; 220 metres of reconstructed telecommunications network; a water supply network of 0.74 km; a storm drainage system of 1.4 km.

3.5. Inputs:
Storm drainage system; Reconstruction of the water network; Reconstruction of the telecommunication network; Street lighting; Construction of the temporary road; Construction of the junctions on the Pól nocna Street; Construction of the Pól nocna Street.

4. Institutional Framework
The Beneficiary of the project will be the Municipality of Biala Podlaska. The Employer is the Municipality of Biala Podlaska, which will be responsible for the implementation of the project and constitute the Polish co-founder. Supervising engineer will be appointed within tender procedure. Investment owner after the project realisation: the Municipality of Biala Podlaska will become the main owner of the investment (being in overall ownership of 80.3% of the whole investment scheme), as well as the administrator of the road and pavements. In turn, in the case of water supply, sewerage and storm drainage, the administrator and final owner will be Wod-Kan Sp. z o.o.- company which is 100% owned by the municipal authorities. The investment will be conducted in compliance with the Decentralised Implementation System regulations – “Practical Guide to Phare, Ispa & Sapard contract procedures”. The project implementation will not result in any changes in the institutional framework mentioned above. The beneficiary possesses full project documentation with financial reports.
5. Detailed Budget (value in MEuro)

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Polish co-financing will be available.

6. Implementation Arrangements

6.1. Implementing Agency:
PAO: Vice - Minister in the Ministry of Regional Development and Construction, Wspolna 4 St., 00-926 Warsaw, phone: + 48 22 661 91 19, fax: + 48 22 661 91 45.
Implementing Agency: Polish Agency for Regional Development, Zurawia 4a St., 00-503 Warsaw, Phone:+48 22 629 28 88, Fax: + 48 22 627 22 46.

6.2. Twinning: not applicable
6.3. Non-standard aspects: Not applicable. DIS regulations will be followed.
6.4 Contracts:
Contract 1 (works): 2.94M€. Contract 2 (engineer): 0.06M€.

7. Implementation Schedule

7.1. Start of tendering/call for proposals: 01.01.2002
7.2. Start of project activity: 01.06.2002
7.3. Project Completion: Date of last payment - 15.11.2003

8. Equal Opportunity

Procedures related to employment during project implementation will be based on Polish law ensuring equal opportunities for all interested entities and physical persons irrespective of their sex, race and nationality. Participation of men and women in employment will be based on applied standards of the European Union concerning EOE (Equal Opportunity of Employment) which will be ensured in the official advertisement in the press at the time of recruitment of employees.

9. Environment

An appropriate, complex Environmental Impact Assessment for the project (taking on to account all aspects of environment) has been prepared in August 2000 and is available at the beneficiary’s office. It is in line with Polish law and EU Directive 85/337/EEC as amended by 97/11/EC and it reveals no adverse environmental impacts. Construction works during the realisation of the project may cause short-term problems for the environment in the areas of air protection and acoustic conditions, due to the engineering equipment. According to the prepared analysis, reference to protection against unsafe noise levels shows that the modernisation of Polnocna Street will have a beneficial impact on the acoustic climate of this district of the town. The completion of the project will improve the flow of traffic, decrease the traffic noise level and improve the conditions for journeys. According to the analysis of fume emissions to the atmosphere on a standard journey on Polnocna Street, the discharge to the atmosphere in the neighbourhood of the newly constructed road will keep within the requirements set out in law. The modernised infrastructure of the road will be environmentally friendly and improve socio-economic conditions in the town.

10. Rates of return

A completed feasibility study for the project was compiled in August 2000 and is available at the beneficiary’s office. The economic and financial analysis has taken into account all kinds of investment inputs, exploitation costs and estimated income obtained from the project. The analysis shows the following profitability indicators for the project:
FRR (financial rate of return) of 10.09%, calculated for a 9.71% discount rate
Internal economic indicators of profit, which has been calculated for a planned period of 20 years and on the condition that the fully expected income from investment will appear after 5 years of implementing the project are:
ERR (economic rate of return) 39.14%
ENPV (economic net present value) 1.979,759 EUR, calculated for a 9.71% discount rate.

11. Investment criteria

11.1. Catalytic effect:
Phare support will be conducive to the achievement of economic and social cohesion goals in the Lubelskie Voivodship; goals which could otherwise be attained only after a much more extended period of time and on a more modest and less efficient scale.

11.2. Co-financing:
The project demonstrates clear co-financing by the Polish partners.

11.3. Additionality:
The Phare project is not displacing other financing sources, especially from the private sector and IFI system, it is co-financing identified priorities and not taking the place of national resources.

11.4. Project readiness and size:
The project is ready for realisation. The beneficiary has complete technical documentation and financial costing. A feasibility study and environmental impact assessments have been carried out. Building permission will be issued in the 2nd quarter of 2001. Tender dossier will be prepared by November 2001.

11.5. Sustainability:
The project will contribute to the long term sustainable development of the region, as described in the Lubelskie Voivodship Operational Programme. After implementation, all maintenance costs related to the investments will be covered by the beneficiary.

11.6. Compliance with state aids provisions
All aspects of the project will be developed with respect to the state aid provisions of the Europe Agreement.

11.7. Contribution to the Preliminary National Development Plan
The project is in line with the Preliminary National Development Plan and will as such contribute to increased economic and social cohesion in the country and region.

12. Conditionality and sequencing
Co-funding of specific activities will be conditional on:
- co-financing of project by the beneficiary;
- maintaining timetable set in the programme;
- appropriate environmental impact assessments and feasibility studies conducted and accepted by the start of project implementation;
- completion of land acquisition before the start of tendering;
- obtaining building permission before the start of tendering;
- all tendering, contracting, reporting and monitoring conditions met;
- selecting contractor enable for proper realisation of works.

Benchmarks:
- Construction designs prepared by 3rd quarter of 2000
- Feasibility Study and Environmental Impact Assessment ready by the end of 2000
- Obtaining building permission by 2nd quarter of 2001
- Preparation of tender documentation by 01.12.2001
- Financing memorandum signed by end of 2001
- Resources earmarked for Phare co-financing of programme reach National Fund in January 2002
- Beneficiary contracts project activities by 01.06.2002
Annex 1: LogFrame Planning matrix for project

End Contracting: 15/12/2003 - End Disbursement: 15/12/2004

Project Number: Lubelskie – Biala Podlaska Economic Zone – p. 5

Project Title: Biala Podlaska Economic Zone

Wider Objective

Strengthening the social and economic cohesion of the Lubelskie Voivodship through development of the infrastructure stimulating the development of the SME sector.

Indicators of Achievement

Increase of regional GDP per capita. Decrease of unemployment rate in the region

Sources of Information

Main Statistical Office.

Assumptions and Risks

Stable growth of national economy; Continuing process of integration of Poland into EU; Risk-stagnation of national economy; Implementation of active forms of combating unemployment.

Immediate Objectives

Raising the competitiveness of the region through an improvement in the investment attractiveness of Biala Podlaska and the northern part of the Voivodship.

Indicators of Achievement

18 new enterprises operating after 2 years in the investment area along Północna Str.

Sources of Information

Statistical reports

Assumptions and Risks

Systematic realisation of strategic development plans for Biala Podlaska and the Lubelskie Voivodship.

Creation of technical conditions for SME development in the region.

Creating technical conditions for SME development in the region.

Improving the flow of the cross-border communication system.

Increasing the effectiveness of the utilisation of human resources and the economic potential of the town, in order to hasten the economic development in the region.

Raising attractiveness of the town and region to external investors, resulting in increased employment in the area.

Immediate Objectives

Strengthening the social and economic cohesion of the Lubelskie Voivodship through development of the infrastructure stimulating the development of the SME sector.

Indicators of Achievement

18 new enterprises operating after 2 years in the investment area along Północna Str.

Sources of Information

Main Statistical Office.

Assumptions and Risks

Stable growth of national economy; Continuing process of integration of Poland into EU; Risk-stagnation of national economy; Implementation of active forms of combating unemployment.

Results/Outputs

Creation of new SMEs

Creation of new jobs

Reduction in investment costs for SMEs

Reduction in heavy goods traffic in the centre of the city: technical infrastructure fitting of the area; reduction of journey time; provision of infrastructure for existing enterprises

Indicators of Achievement

18 new companies created within depot area; 80 new jobs created after project completion; reduction of about 20% reduction by about 80 vehicles per 24 hours; immediate activation of 12ha investment area; reduction by 7 minutes provision of infrastructure for 9 enterprises

Sources of Information

Information from municipal authorities Statistical reports Project documentation Evaluation and progress reports of project

Assumptions and Risks

Benchmarking good practice-location of familiar districts in other parts of town. Creation of additional aiding instrument for SME development (guarantee funds, entrepreneurial incubators)

Activities/Inputs

Construction of 1.25 km Północna Street with infrastructure: Storm drainage system, Reconstruction of water supply system, Reconstruction of telecommunications network, Street lighting.

Construction of temporary road, Construction of junctions on the Północna Street, Construction of Północna Street.

Annex 2-4: Cumulative implementation, contracting and disbursement schedule

End Contracting: 15/12/2003 - End Disbursement: 15/12/2004

Project Title: Biala Podlaska Economic Zone

Date of drafting: 12/2000


Total Budget Phare

3M€ 2,139M€

Date of drafting: 14.08.2000

Planning period: 2002-2003

Legend: D = design of sub-project / C = tendering and contracting / I  = contact implementation and payment

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Legend: D = design of sub-project / C = tendering and contracting / I  = contact implementation and payment
Annex 5: Summary of environmental impact assessment of the planned construction of Północna Street together with the infrastructure in Biała Podlaska.

The Environmental Impact Assessment for the project (taking account of all aspects of environment) has been prepared in August 2000 and is in line with Polish law and EU Directive 85/337/EEC as amended by 97/11/EC and it reveals no adverse environmental impacts.

The assessment of impact upon the environment of the planned construction of Północna Street together with the infrastructure in Biała Podlaska being the survey upon influence on the environment constitutes a supplementary document to the motion concerning Phare 2001 subsidy.

The study describes the scope of the planned construction, influence on the environment and its economic and social significance. The planned construction of Północna Street together with the infrastructure has been presented in the general programme for development strategy of the voivodship. Construction of the Północna Street together with the infrastructure will be the first stage of implementation of the programme entitled “Economic activation of terrain located in the industrial - depot district in Biała Podlaska”. Implementation of the project will consist in construction of the road together with the infrastructure leading to the Economic activation of terrain located in the industrial - depot district in Biała Podlaska – a regional centre of economic activity, and to the seat of the Customs Office being a regional institution. At present, the surface of Północna Street is not hardened, the section of the road from km 0 + 210 to km 0 + 384 is covered with reinforced concrete slabs. The cross-roads with Brzeska Street of bituminous surface constitutes the initial section of the planned road, the section from km 0 + 000 to km 0 + 370 of the planned street runs across the area of two – sided dispersed building development. The next section of the street runs across undeveloped area where the sanitary gutter and water disposal network is situated; the cross – roads with the state road no. 2 Warsaw constitutes the final section of the street.

Północna Street will be connected to the outlets of the local roads and will transfer the traffic to the state road no. 2 (E-30) and Brzeska Street. Implementation of the investment brings about potential influence upon the environment during the construction works, as well as changes the character of this influence due to the functioning of the street after completion of works.

Short – term disruptions of the environment in the scope of air preservation and acoustic conditions may appear during the works due to the building equipment employed. Those inconveniences will disappear after the works have been wound up. The analysis in the scope of environment protection against noise shows that modernisation of Północna Street will have a positive influence upon the acoustic conditions in this part of city. Implementation of the project will improve road traffic and reduce the level of noise, and generally improve the conditions on Północna Street.

The survey upon influence of the gas combustion process after modernisation of Północna Street in Biała Podlaska on the condition of atmosphere shows that the admissible concentration of pollutants in the air beyond the area of the street will comply with the adopted norms. Construction of the modern infrastructure at Północna Street will have a beneficial influence on the environmental, social, cultural and economic aspects of life in Biała Podlaska.

Północna Street will be connected to the outlets of the local streets and transfer the road traffic to the state road No 2 (E-30) and Brzeska Street. Implementation of the investment brings about potential influence upon the environment during the construction works, as well as changes the character of this influence due to the functioning of the street after completion of works. The influence will be beneficial.
The financial and economical analysis contained in the Feasibility Study were based on “Guide to Cost- Benefit Analysis of Major Projects in the context of EC Regional Policy” 1997 edition. The final result of the project, will be the road of 14 m. width and 1.25 km long, which is going to be facilitated with pavements and lighting on both sides as well as a water supply system, a sewage system, and a drainage system that are going to be 2.2 km long. The constructed road (Północna Street) with full infrastructure will serve an access to the industrial district in the town and to the Customs Office as well as will connect the ring road (E-30 road) with Brzeska Street being the main approach road into the town from eastwards. The whole land assigned for economic activity in the district covers 40 ha and makes up 0.9% of the whole town area (About 25 ha. of land belongs to the Municipality of Biała Podlaska). This attractive area with full engineering infrastructure assigned for investments may contribute to economic development in the northern part of the voivodship, the largest town of which is Biała Podlaska. Arranging the area and providing it for economic activity will make it possible to exploit the potential of the town found in both the very area and reserves of human resources.

As far as economic entities are concerned, 20% reduction in investment costs is the key effect of this undertaking. Due to this, approximately 18 new small and medium-size companies will be set up, which means creating 80 job vacancies. Furthermore, the project will allow for reduction in density of commercial vehicle traffic by 80 vehicles a day in the town centre, which will make a journey of 300 motor cars 7 minute shorter a day. Aggregately 33 hours are saved a day.

Financial analysis aims at projecting measurable values of costs and revenue as well as cash flow of the investment. The financial analysis takes into account the following items. First of all, time horizon of the investment has been determined in such a way as to match economic life of the investment. It has been determined long enough to present and expound on the related long-range influence. Secondly, actual year-on-year revenue and costs have been computed to arise after completion of the investment. Thirdly, social and economic revenue has been analysed and presented in measurable values. Finally, financial rate of return (FRR) and economic rate of return (ERR) of the project have been estimated.

The ratios presented in the financial analysis indicate feasibility of the project as well as advantages for the beneficiary and the local community. Financial rate of return (FRR) standing at 10.09% while the discount rate is 9.71% means that the internal rate of return of the project is a little bit higher than the applied discount rate. This means that in the case of economic investments (commercial ones), such projects would be qualified for implementation. Economic rate of return (ERR) is more important when reviewing the project. It is estimated to be at 39.14% (higher than the average rate for projects refinanced by the EU), which is much higher than the discount rate. Moreover, expected period of return (8.16 years) means that within 8 years and 2 months the project is going to generate cash flow that will provide for return of own funds appropriated by the Budget, indicating high effectiveness of the investment. For the purpose of a broader view, modified financial rate of return (MFRR) has been estimated to stand at 9.83% and it is, alike FRR, higher than the applied discount rate.

The project will contribute to creating conditions enabling to set up new companies and at the same time will increase employment and will subside the effects of unemployment. The investment will have a positive impact upon economic development and attractiveness of the northeastern part of the town. The construction of Północna Street will add a nicer view into the municipal landscape of this district of the town and will make the area assigned for investments develop economically. The planned works will make it necessary to cut down some of the trees around the street. After completion of the construction works, it is intended to complement biological environment surrounding the street.