1. **BASIC INFORMATION**

1.1. **CRIS Number:** 2002/000-580-06.27
1.2. **Title:** Pomorskie - Investment attractiveness Slupsk
1.3. **Sector:** Social and Economic Cohesion
1.4. **Location:** Poland, Pomorskie Voivodship, the city of Slupsk.

2. **OBJECTIVES**

2.1. **Overall objective**
Increase of social and economic cohesion of the Pomorskie voivodship through improvement of its transport infrastructure.

2.2. **Project purpose/Immediate objective(s)**
- Enhancement of investment attractiveness in Slupsk.
- Access to investment areas.

2.3. **Accession Partnership and NPAA priorities**
The project is designed to address issues related to the AP priority in economic and social cohesion policy related to the preparation for the implementation of regional programmes and Community Initiatives. The project in particular responds to the economic criterion identified in the AP concerning improving the competitiveness of the Polish economy. The project corresponds also to the NPAA priority "Regional policy and co-ordination of structural instruments".

2.4. **Contribution to the National Development Plan**
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and counteracting marginalisation of certain areas”. The priorities of this axis will be implemented by means of several measures including development and modernisation of infrastructure serving to strengthen competitiveness of the regions.

The project is compliant with the priorities of the Operational Programme of the Pomorskie Voivodship.

2.5. **Cross border impact:** N/A

3. **DESCRIPTION**

3.1. **Background and Justification**
Slupsk is situated in the north-western part of the Pomorskie Voivodship, at a distance of 130 km from Gdansk, 50 km from Bytów and Lebork, 18 km from Ustka and the Baltic Sea. In 2001, the number of inhabitants was 102,047. The area within the city administrative limits is 43 km$^2$. Until 1999 Slupsk was the capital of the former Slupskie Voivodship.

The main problem of the city is the rising unemployment rate. In 2001, the number of unemployed persons in the city was 10,340, an increase of 19.3% compared with 2000. The economic and social situation of the city can be improved and the unemployment rate can be reduced by attracting investors. This purpose will be served by an increase of the investment attractiveness of Slupsk through improvement of the transport infrastructure and reconstruction of the communication system servicing the industrial areas.
Improvement of the investment attractiveness of Slupsk will consist in a reconstruction of Poznanska Street, part of the National Road 21 directing traffic towards Poznan. Poznanska Street runs through the industrial areas situated in the southern part of the city.

The existing one-lane road with a degraded surface seriously impedes the traffic bound for Poznan. It is very difficult for heavy vehicles from businesses located in the vicinity of Poznanska Street to join traffic along Poznanska Street and transport out goods. Within a radius of 1 kilometre around the road there are about 500 business entities with 5800 employees. 12 ha of communal lands designated for services and industrial facilities are situated in the southern part. Recently, the city has reconstructed a section of National Road No 21 (Lutosławskiego Street) at a cost of approx. 7 million zlotys from its own budgetary funds. Reconstruction of Poznanska Street, which is the next stage in the reconstruction of National Road No 21, will attract investors to the areas designated in the city’s spatial development plan for services and industry.

Reconstruction of the road will have a positive environmental impact. In addition, it will improve access to the industrial quarters situated in the northern part of the city.

The investment activities connected with reconstruction of Poznanska Street will create favorable conditions for the development of small and medium-size businesses around the street, as well as in the whole city.

The development of SMEs in Slupsk is strongly supported by the city authorities and following institutions:

- Slupsk Trade and Industry Chamber of Commerce
- Slupsk Business Support Centre
- Slupsk Association of Economic Initiatives and
- Guarantee Fund for SMEs
- Loan Fund for SMEs
- all major banks.

Firms which have serious difficulties with traffic jams in Poznanska Street have officially applied to the City Board for the rebuilding and modernisation of this road to a 4 lane road, with 2 lanes in each direction.

“Energetyka Cieplna” Sp. z o.o. (Heating Energy Ltd.) employing 230 people has applied for the rebuilding of Poznanska Street on the grounds of planned development of the firm and adaptation of the heating plant to use ecological fuels such as wood chips. This is only possible when access for very large vehicles is made possible. Development of this firm will enable the creation of energetic forests cultivation in surrounding municipalities and creation of new jobs for its maintenance.

“PAGED”, which is a company located in the vicinity of Poznanska Street and connected with wood industry has applied for acceleration of the rebuilding of this street on account of big difficulties with the delivery of raw materials.

“Centrostal” S.A. (Slupsk branch), located on Poznanska Street, is a supplier of steel products and has applied for the rebuilding of Poznanska Street on the grounds of difficulties with the delivery of raw materials and the distribution of products because of traffic jams in Poznanska Street. “Centrostal” is the main supplier for customers operating in four poviat areas around Slupsk.

Because of the difficulty of using heavy goods vehicles for the delivery of raw materials and distribution of products, two plastic products manufacturers “Plast – Box” S.A. employing 200 people and “Curver Poland” S.A. employing 700 people have considered the possibility of moving outside the City of Slupsk. This would reduce the number of jobs in the southern industrial district in the vicinity of Poznanska Street by 900.

In the vicinity of Poznanska Street there is all the necessary technical infrastructure – substation with transformers 110/15 kV, heating company with facilities for heat distribution, sewage network, storm water drainage with rain water treatment plant, water supply network, power supply network, telecommunication network and natural
gas network. The City Board will reserve financial resources in the town’s budget for the year 2003 – 2004 for the development of the technical infrastructure of undeveloped areas designated for small and medium size enterprises along Poznanska Street. The rebuilding of Poznanska Street and development of technical facilities will facilitate the development of existing firms and the creation of new firms. Firm “Auto-Hak” has applied to the City Board with an inquiry about the possibility of buying industrial areas along Poznanska Street in order to develop the firm. Subsequent to reference in the local press to the planned improvement access to the industrial areas in the northern industrial district, including the rebuilding Poznanska Street, “Curver Poland” S.A. requested information from the City Board regarding the building limits and conditions of development of the land for new industrial areas. The rebuilding of Poznanska Street and the improvement of traffic flow will have an influence on business activities not only in this area, but also in other parts of the town. This should also create conditions for safeguarding existing jobs and for creating new jobs, estimated at the number of 700, mainly in services.

3.2. Linked activities
The reconstruction of Poznanska Street is a stage in the new communication link of Route 6 and Route 21, planned in the future as the little bypass road of Slupsk. The task named “The Little Bypass Road of Slupsk” has been included in the Provincial Contract, Priority III Development and Modernization of the Infrastructure Enhancing Competitiveness and Cohesion of Pomerania, Action 11 Investments in Technical and Social Infrastructure. The Contract includes also the task Construction of a Pilot Fish Auction in Ustka (Task 4 Priority I Laying Foundations of Innovative Sectors of Economy for Acceleration of Development and Increase of Competitiveness of Pomerania). The reconstruction of Poznanska Street will ameliorate communication with the fishing port in Ustka, thus facilitating development of distribution channels for small and medium-size businesses

3.3. Results
• Reconstructed road section enabling access to 12 ha of new investment areas.
• Improvement of access to industrial area with 500 existing firms of 5.800 employees.
• Shortening the time of travelling from Lutoslawskiego Street to Poprzeczna Street by 12 minutes.
• Shortening the time of traveling from Lutoslawskiego Street to Poprzeczna Street by 12 minutes.

3.4. Activities
It is planned to reconstruct (and modernise) Poznanska Street in Slupsk, running along the state Route 21 from Lutoslawskiego Street to Poprzeczna Street, into the standard classes Route G 1/4 and Route G 2/2, with a length of 1.16 km. The reconstruction includes modernisation of the northern roadway, construction of a new, southern roadway, construction of a roundabout with an inner radius of 11 m and an outer radius of 21 m (at the outlet of Koszalinska Street, on the little bypass road) and a roundabout with an inner radius of 9 m and an outer radius of 16 m at Poprzeczna Street. A pedestrian crossing, pavements, lighting, and drainage will be constructed. Bus bays will be provided. The road, within the section intended for reconstruction, has been designed for the traffic category KR-4.

4. INSTITUTIONAL FRAMEWORK
4.1 The beneficiary of the project will be the Gmina of Slupsk.
4.2 The Engineer / Project Manager will be appointed through a tender procedure organised by the Beneficiary in accordance with the Polish Public Procurement Law.
4.3 The owner of the facilities after project implementation will be:
- completed road will be owned by the State Treasury,
- the street drainage system will be owned by the Gmina of Slupsk,
- The City Board of Slupsk will be administrator of Route 21 within the length of Poznanska Street.

4.4 The investment will be executed according to the Decentralised Implementation System (DIS) - “Practical Guide to Phare, Ispa & Sapard contract procedures”

4.5 Implementation of the project will not lead to any changes in the institutional framework described above.

5. BUDGET

<table>
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<th>PHARE financing</th>
<th>National Co-financing</th>
<th>IFI’s</th>
<th>Total</th>
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<tr>
<td>Contract</td>
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<td>0.887</td>
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</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 3,065 MEUR. The cost of the employment of the Project Manager (0.087 MEUR) will be paid by the beneficiary. Co-financing will be available.

6. IMPLEMENTATION ARRANGEMENTS

6.1 Implementation Agency
PAO: Ms. Ewa Freyberg Undersecretary of State in the Ministry of Economy, Pl. Trzech Krzyzy 3/5, 00-507 Warsaw,
Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95.

6.2 Twinning: N/A.

6.3 Non-standard Procedures: N/A.

6.4 Contracts
Contract 1 (works): 2,978 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.087 MEUR (financed from Polish funds)

7. IMPLEMENTATION SCHEDULE


7.2 Start of project activity: 2nd quarter 2003.


8. EQUAL OPPORTUNITIES
Procedures related to the implementation of the project will be performed according to the law and will respect equal opportunities for all interested institutions and natural persons in spite of their sex, race and nationality. The employment of men and women will be based on applicable EU standards with reference to EOE (Equal Opportunity of Employment), which will be announced in official press advertisements during the recruitment procedures.
9. ENVIRONMENTAL IMPACT

The environmental impact report was drawn up in February 2002. The results of the "Environmental Impact Statement for Modernisation of Poznanska Street", drawn up in accordance with the EC Directive 97/11/EC of 3 March 1997, correcting the Directive 85/337/EEC on the environmental impact of some public and private projects, are as follows:

- the vibration level will be lower than without the reconstruction;
- social sewage will not be generated, and the rainwater will be drained off to the storm-water drainage system and, after treatment, discharged into the receiver i.e. the Slupia River;
- the soil will be protected against pollution during construction and operation;
- the noise level will be reduced to below 65 dB;
- the atmosphere cleanliness will be improved by the reduction of emissions.

The Environmental Impact Statement expresses a positive opinion on this investment.

10. RATES OF RETURN

The reconstruction of Poznanska Street will contribute to the rising attractiveness of investment areas in Slupsk, especially those located at Poznanska Street, and will indirectly increase the municipality budget receipts. The budget receipts will also be derived from the future real estate tax payments. The economic analysis shows that the planned investment is effective. The economic internal rate of return \( \text{EIRR} \) is 21.85%. The return on investment (at the discount rate of 12 %) will take place in 2012 i.e. in the eighth year after putting the investment into service. The net present value \( \text{NPV} \) and the efficiency factor \( \text{BCR} \) will amount to: \( \text{NPV} = 2.093876 \text{ EUR} \) and \( \text{BCR} = 1.998 \).

11. INVESTMENT CRITERIA

11.1. Catalytic Effect
The Phare support will be conducive to achieving economic and social cohesion goals in Pomorskie voivodship, which otherwise could be attained only in a more distant future and on a more modest and less efficient scale.

11.2. Co-financing
The project is co-financed by the Polish sources. The national contribution amounts to 29 % of the total project cost. - joint co-financing

11.3. Additionality:
The financial means transferred to the Beneficiary for the project implementation, covering the investment costs as they are planned within the project do not displace other financing sources, especially from the private sector and the IFI system; it is solely the co-financing of identified priorities and does not replace national resources.

11.4. Project readiness and size
The project will be ready for implementation, contracting and disbursement in accordance with requirements of Phare 2002 ESC programme. The feasibility study and report from environmental impact assessment have been prepared. The planning permit has been obtained. The acquisition of land for the investment has been completed. The Polish co-financing has been allocated.

11.5. Sustainability
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Pomorskie Voivodship. The investment is
sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Municipality of Slupsk.

11.6. **Conformity with state aid provisions**
All aspects of the project will be developed with respect to the state aids provisions of the European Agreement.

12. **CONDITIONALITY AND SEQUENCE**
The achievement of the project objectives is conditional upon the following assumptions:
- Realisation of the other objectives of the voivodship development strategy,
- Economy of the region will remain stable,
- Active promotion of the region in respect of its industrial attractiveness,

**Deadlines:**
- Construction designs prepared by – in hand
- Obtaining the building permit - the building permit has been obtained
- Preparation of tender documents by 1\textsuperscript{st} quarter 2003
- Signing the works contract by 2\textsuperscript{nd} quarter 2003
- Completion of the contract by 4\textsuperscript{th} quarter 2004

**Annexes:**
- Logframe planning matrix,
- Detailed Schedule of Implementation, Contracting and Disbursement,
## Annex 1. Logframe

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR:</th>
<th>Name and Number</th>
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<td><strong>06.27 Pomorskie - Investment attractiveness Slupsk</strong></td>
<td><strong>Contracting period expires: 30/11/04</strong>&lt;br&gt;<strong>Disbursement period expires: 30/11/05</strong>  &lt;br&gt;<strong>Total budget 3 065 M EURO</strong>&lt;br&gt;<strong>PHARE budget 2 178 M EURO</strong></td>
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### Overall Objective<br>Overall Objective<br>Overall Objective

| Increase of social and economic cohesion of the Pomorskie voivodship through improvement of its transport infrastructure | **Objective Verifiable Indicators**<br>- Increase of SME’s turnover | **Sources of Verification**<br>WUS<br>5 years after project completion<br>Marshall Office |

### Project Purpose (Immediate Objective)<br>Project Purpose (Immediate Objective)<br>Project Purpose (Immediate Objective)

| - Enhancement of investment attractiveness in Slupsk.<br> - Access to investment areas. | **Objective Verifiable Indicators**<br>- Increase in number of new SME’s by 20.<br> - Creation of 350 new jobs.<br> - Safeguarding of 900 existing jobs | **Sources of Verification**<br>Local Administration Data<br>2 years after project completion<br>By the Beneficiary | **Assumptions**<br>Realisation of the other objectives of the voivodship development strategy.<br>The assumption is that the economy of the region will remain stable. |

### Results<br>Results<br>Results

| - Reconstructed road section enabling access to 12 ha of new investment areas.<br> - Improvement of access to industrial area with 500 existing firms of 5.800 employees.<br> - Shortening the time of travelling from Lutoslawskiego Street to Poprzeczna Street<br> | **Objective Verifiable Indicators**<br>- 12 ha of investment area made available<br> - 1.16 km of road reconstructed according to the required standard.<br> - reduction in travel time by 12 minutes | **Sources of Verification**<br>Local authorities and Project Engineer reports.<br>Immediately after project completion.<br>Beneficiary. | **Assumptions**<br>Active promotion of the region in respect of its industrial attractiveness. |

### Activities<br>Activities<br>Activities

| - Reconstruction works of northern carriageway and construction of new southern and roundabout.<br> - Reconstruction and relocation of utility systems. | **Means**<br>- One contract for construction works. | **Assumptions**<br>Not identified | **Preconditions**<br>Decision of Municipality of Slupsk on project implementation |
### Annex 2-3 Implementation, Contracting and Disbursement Schedules

#### 06.27 Pomorskie - Investment attractiveness Slupsk

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**Contracting schedule***

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**Disbursement schedule***

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**Legend:**

- **D** = design of sub-projects
- **C** = tendering and contracting
- **I** = contract implementation and payment
  - *indicate sums in millions EURO incrementally*