1 BASIC INFORMATION
1.1. CRIS number; 2002/000-580-06.30
1.2. Title: Warminsko Mazurskie - Ilawa industrial zone development
1.3. Sector: ESC
1.4. Location: Poland, Warminsko Mazurskie Voivodship, Ilawa Town.

2 OBJECTIVES
2.1. Overall objective
Stimulation of investment attractivness of Ilawa town and poviat for SME sector through improving road accessibility

2.2. Project purpose/immediate objective(s)
- Attracting private investors to the Industrial Zone in Ilawa town
- Attracting tourist to visit the town and the region,

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

2.4. Contribution to National Development Plan
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and countering 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 Warminsko Mazurskie Voivodship.

2.5. Cross Border Impact: not applicable

3 DESCRIPTION
3.1. Background and justification
The town of Ilawa located over 22 square km is a poviat city situated by the Jeziorak lake in Warminsko-Mazurskie Voivodship. The biggest problem facing Ilawa town (34 000 inhabitants) and neighbouring countryside is a very high unemployment rate of 24,7% with the tendency to rise. The town authorities see the chance for the creation of new workplaces in wood-processing, furniture industry, building and tourism development. The town of Ilawa has a long tradition in these trades, including well qualified staff and good training center. Companies present at the local market are interested in investing in the town of Ilawa. Recently one of the international corporations expressed their interest in substantial extension of their business in the town.

The main obstacle in the development of new industrial zone in Ilawa is lack of adequate road infrastructure. During recent years the town authorities have been consistently creating new tourist and technical infrastructure. At the lake Small Jeziorak, recreational infrastructure was built including boulevards and cafes, and the area is still being developed. This investment was co-financed within the framework of RAPID and STRUDER funds. The town of Ilawa initiated the development of technical infrastructure including water supply, sewage, gas, telecommunication, lighting along Ostródzka (national road no 16) and Piaskowa streets. At present the new power supply line is being built financed entirely with local sources, the city is not able to cope with the financing of road works on larger scale. Modernization of national road no 16 (Ostródzka Street) together with - Piaskowa Street will improve the communication between the nearby railway siding and the new industrial zone and existing business area. Total of 55,2 ha of land is foreseen in the Urban Development Plan for the purpose of industrial-services development in this area, while 17,2 ha out of the total has been already developed and the firms already operate there. Stimulation of this area gives an opportunity for new investment and creation of new workplaces for the town of Ilawa and neighbouring communities (former State Agricultural Farms). The documentation preparation of the division of the industrial sites into the production and service plots is being prepared. The preparation will be finished this year. The town community will sell the investment sites on the discount prices, depending on the creation of the new places of work in a certain time.
Those investors, who create new places of work, will not be charged with the property tax for the period of 3 years. In 2003 the development works will be started. The sewage mains and water-supply system will be done at the expense of the Town Hall. The power – supply system will be done altogether with the local power plant and the future investors. The new industrial zone will cater for wood processing, furniture production, food processing and construction industries. The town commune is planning to create the economic activity zone on the presented development sites. The project in question is a 1st stage of Inner Eastern Ring-road construction of the town of Ilawa. We assume the continuity of the execution of the whole ring – road. The second part of the ring – road construction will be performed at the expense of the Town Hall and the European Union funds. We do not preclude the beginning of the execution of this part during the first part. The second part of the construction goes through the grounds of the multifunctional use. It means, the grounds already economically developed, the industrial grounds, where the new production and service plants arise and new development grounds of industry, service and residential use. The development grounds of the production and service and residential use cover the area of 25 ha, where 20 new SMEs may arise. The project is in line with the general development strategy of Warminsko-Mazurskie Voivodship to foster balanced sustainable economic growth by improving region attractiveness to private sector through providing access to improved transport infrastructure.

3.2. Linked activities
Modernization of the national road no16 in the city of Ilawa 1st stage.
The task is being implemented by Ilawa Town Council in the framework of the Voivodship commencement of works –IV quarter 2001. Completion according to programme of works III quarter 2002.
Road no 16 modernization 1st stage includes rebuilding of the road section on a length of approximately 1 km including underground services. Additionally within the framework of PHARE, STRUDER and RAPID programmes, from 1996 to 1998 the following projects were already implemented:
- bank of Jeziork lake development
- service and commercial site development located at (Andersa and Wojska Polskiego streets junction)

3.3 Results
- Improved traffic accessibility to the town,
- Road access to industrial zone situated along Inner Eastern Ring – road,
- Connection of railway siding with industrial zone through modernised Ostródzka street and Piaskowa streets.

3.4. Activities
For rebuilding of Ostródzka street (2nd stage of national road No 16 modernization) and 1st stage of construction of Small Eastern Ring-road, the following works are planned:
- Ostródzka street modernization of a section 0,243 km along with infrastructure rebuilding,
- roundabout construction in the intersection of Ostródzka and Piaskowa streets,
- Piaskowa street modernization, section 0,648 km along with infrastructure rebuilding
- flyover modernization over Poznan-Olsztyn railway (0,045 km)
- building of storm water drainage network
- construction of lighting system
- rebuilding of power, water-pipe line, sewerage, telecommunication and gas networks

4 INSTITUTIONAL FRAMEWORK
4.1 The beneficiary of the project will be Board of Ilawa Town
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 General Directorate of National Roads and Motorways and Board of Ilawa Town
4.4 The investment will be implemented 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 in MEUR

<table>
<thead>
<tr>
<th>Program Phare</th>
<th>Investment</th>
<th>IB</th>
<th>Phare total</th>
<th>National co-financing</th>
<th>IFI</th>
<th>Total</th>
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<td>2.4</td>
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<td>3.241 336</td>
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<tr>
<td>Total</td>
<td>2.4</td>
<td>2.4</td>
<td>0.841 336</td>
<td>3.241 336</td>
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</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 3,241,336 MEUR. The cost of the employment of the Project Manager will be paid by the beneficiary in amount of 0,044583 MEUR. Co-financing will be available.

6 Implementation Arrangements

6.1. Implementing 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: not applicable
6.3. Non-standard aspects: not applicable

6.4. Contracts
Contract 1 (works): 3,196753 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0,044583MEUR (financed by Polish funds)

7 Implementation Schedule
7.2. Start of project activity: II quarter, 2003
7.3. Project completion: III quarter, 2005

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
Evaluation of Environmental Impact Assessment for the planned project has been prepared by “Uslugi dotyczace ochrony powietrza Andrzej Jamiolkowski”. In the assessment, both the construction and service life stages have been examined and the following type of interaction has been taken into account:
- atmospheric air pollution,
- noise pollution,
- pollution of surface (Ilawka river) and underground waters,
- pollution by increased waste production,
- influence on natural plants and animals ,
- influence on on living conditions and people existence,
- changes in landscape,
- soil pollution.

10 Rates of Return
The Feasibility Study included economical and financial analysis of the project. Modernisation of Road no 16 and construction of Inner Eastern ring-road in the City of Ilawa for the purpose of economic stimulation” was performed in May 2001 by the Design Office “DROMOS” from Olsztyn. EIRR - (internal rates of capital return for this project amount to 18,29%).
FIRR –is not usually calculated for this types of projects
NPV coefficient = 19.5 thousand PLN for the interest rate=10%
11 INVESTMENT CRITERIA
11.1. Catalytic effect
The Phare support will be conducive to achieving economic and social cohesion goals in Warminsko - Mazurskie 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 26 % 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 Warminsko - Mazurskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Board of the Ilawa Town and General Directorate of National Roads and Motorways, Northern-East Branch in Bialystok

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

12 CONDITIONALITY AND SEQUENCING
Achievement of the project objectives depends on the following assumptions
- Successful implementation of other strategies of Voivodship development
- Stable regional economy
- Poviat and town efficient promotion policy to foster industrial attractiveness

Deadlines:
- Construction designs are prepared ready
- Obtaining the building permit until 4th quarter of 2002,
- the decision about the building permit no 18/2002 and no Il/2/02 dated on 29.03.2002.
- Preparation of tender documents until 1st quarter of 2003
- Signing the works contract until 2nd quarter 2003
- Completion of the contract until 3rd quarter of 2005

Annexes:
1. Logframe
2-3. Implementation, contracting and disbursement schedules
## Logframe

### Programme name and number
06.31 Warminsko Mazurskie - Ilawa industrial zone development

<table>
<thead>
<tr>
<th>Program name and number</th>
<th>Phare ESC 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires</td>
<td>30/11/04</td>
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<tr>
<td>Disbursement period expires</td>
<td>30/11/05</td>
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<tr>
<td>Total budget:</td>
<td>3,24 mln EURO</td>
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<tr>
<td>Phare budget:</td>
<td>2,40 mln EURO</td>
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</tbody>
</table>

### Overall objective
Stimulation of investment attractiveness of Ilawa town and poviat for SME sector through improving road accessibility

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased turnover of SME entities in poviat</td>
<td>WUS statistics and Marshall Office data</td>
</tr>
<tr>
<td>Reduced unemployment rate in Ilawa town</td>
<td>5 years after project completion</td>
</tr>
<tr>
<td>-</td>
<td>Marshall Office</td>
</tr>
</tbody>
</table>

### Project purpose (Immediate Objectives)
Attracting private investors to the Industrial Zone in Ilawa town

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
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<tbody>
<tr>
<td>Increased number of SME firms by 18</td>
<td>WUS and local authorities data</td>
</tr>
<tr>
<td>Increased number of workplaces by 209 pc</td>
<td>2 years after the project completion</td>
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<tr>
<td>-</td>
<td>the Beneficiary</td>
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### Results
- Improved traffic accessibility to the town,
- Road access to industrial zone situated along Inner Eastern Ring – road,
- Connection of railway siding with industrial zone through modernised Ostródzka street and Piaskowa streets,

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>New industrial zone of 55,2 ha open to traffic</td>
<td>local authorities and Project Engineer documents and reports</td>
</tr>
<tr>
<td>Modernised road section-0,9 km</td>
<td>directly after project completion</td>
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<tr>
<td>Modernized bridge 45 m long</td>
<td>the Beneficiary</td>
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<tr>
<td>Reduced travel time to industrial zone by 5 min</td>
<td>- poviat and town efficient promotion policy to foster industrial attractiveness</td>
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</table>

### Activities
- Ostródzka street modernization of a section 0,243 km along with infrastructure rebuilding,
- Roundabout construction in the intersection of Ostródzka and Piaskowa streets,

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
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<td>1 contract for road works</td>
<td>- the Town Board resolution – to implement the investment</td>
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### Preconditions
- the Town Board resolution – to implement the investment
### Annex 2-3 Implementation, contracting and disbursement schedules

**Date of drafting**: 23.01.2002 r.

**Planning period**: 01.2003 - 09.2005

#### 06.31 Warminsko Mazurskie - Ilawa industrial zone development

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<td>2,05</td>
<td>2,23</td>
<td>2,32</td>
<td>2,40</td>
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</table>

#### Budget Allocation

Cost Estimate in MEUR - 2,40

**Legend:**
- **D** = design of sub-projects
- **C** = tendering and contracting
- **I** = contract implementation and payment
- * amounts given cumulatively in mln EUR