1. BASIC INFORMATION
1.1. CRIS number: 2002/000-580-06.32
1.2. Title: Warminsko Mazurskie - Development Elblag Sea Port
1.3. Sector: ESC
1.4. Location: Poland, Warminsko-Mazurskie Voivodship, Elblag

2. OBJECTIVES
2.1. Overall objective:
Increase of SME investment and tourism attractiveness of the Elblag town by means of modernisation and development of the sea port’s infrastructure.

2.2. Project purpose / Immediate objectives:
1. Attracting investors to the sea port area as the site for future investments;
2. Attracting tourists to the unique in Europe sea port and the city of Elblag itself.

2.3. Accession Partnership and NPAA Priorities:
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 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 regions.

2.5. Cross-border impact: N/A

3. DESCRIPTION
3.1. Background and justification:
Elblag is the second largest city in the Warminsko-Mazurskie Voivodship, which has great economic and transportation potential, crucial for development and pace of changes in the region.
The city is situated in the north-western part of the Warminsko-Mazurskie Voivodship by the River Elblag, directly connected to the Vistula Lagoon and via water routes to the Baltic Sea. It borders with very attractive tourist areas situated on the Vistula Lagoon, such as Frombork, Tolkmicko, Braniewo and the Elblag’s Highland.
The economic development of the city is closely connected with its localisation and making use of the transportation system encompassing the sea and river connections of local, regional and international significance. The sea port of Elblag plays a significant role in this scheme. It encompasses both the land and the complex of berths and basins situated at both sides of the river over the distance of 4 km. Reactivation of the port in Elblag in the 1990s was an important factor towards activation of economy and development of economic activities. The water routes and the port facilities provided opportunities for numerous new companies, mainly from the SME sector which started their commercial activities. These activities are often connected with tourism and sailing. However, apart from the new opportunities for the SMEs sector, the port allows to keep employment and provides new opportunities for the industrial sector, mainly: an assembler of large-size metal constructions – EL METAL Ltd., a producer of large-size steel goods – Elzam Konstal Ltd., a constructor of small ships – Choren Design & Consulting, as well as various building and transportation companies (via water routes).
There is an increase in volume of the services provided by the port both for cargo and passenger traffic. Dynamic development of these services was observed in 1995-1998; from 1999 a certain fall in growth has been noticed, even though there is a stable level of demand for such services. These changes result from the condition of the national economy and influence of external markets, but also from the lack of good quality port infrastructure. In the years 1994-2001 the average yearly cargo traffic was 187 000 tons. The transported goods encompass mainly cargo in bulk, i.e. moulding sand – 19 100 tons (50%) and coal – 12 800 tons (34%) as well as 6 000 tons of steel constructions (16%). As far as passenger traffic both on marine and internal water routes is concerned, on average there
were 32 100 passengers, and in 2001 there was 32 600 passengers in total. The progress so far shows that there is a strong need for further development, especially regarding the enhancement of the port’s infrastructure. That is the background of the project.

The port area is presently not fully operational due to poor technical conditions and thus it is not commercially opened to all potential users, who could start their commercial activities there. In order to improve accessibility to the area the project is aimed at building public infrastructure managed by the City.

The City of Elblag possesses the area encompassing 154,8 ha. The project is located within this area, encompassing 5,0 ha. The area where the project is to be located, in Urban Development Plan of the town and in the “Development Strategy of Elblag 2001-2015” is foreseen as the area of new economic activity, especially regarding SME sector. There is a great interest in the area, which has crucial significance for economic development of the port, the City and the region. Building the shipment banks (cargo and landing area, and for passenger traffic), opened for business will increase investment attractiveness of this part of the City, but it will also improve accessibility to the port’s infrastructure for future investors and users.

Therefore, the City Board, supported by regional authorities, for many years have been working on rebuilding the infrastructure. Moreover the City Board in 1997 established the Board of the Sea Port in Elblag (communal port), a body responsible for management of the port facilities, development and modernisation of the port’s infrastructure.

The project will have a direct influence on improving investor’s accessibility to the total area of 5 ha, which belongs to the City of Elblag. The land will be let by the City to the business sector on preferential conditions (low charges). There are special assets of the area, especially important for economic and social development, including tourism on a regional scale. One of the assets of this area is its easy accessibility both from land and water, thanks to several projects implemented in its direct vicinity, i.e. newly built bridge over the Elblag River and access roads to it as well as modernisation of waterways connecting the sea port of Elblag with the ports of the Vistula Lagoon. Another asset of this area is its location in vicinity of tourist and natural attractions: The Vistula Lagoon, The Vistula Spit, Elblag’s Highland.

The project will be one of the elements of a consistent water transportation system: The Vistula Lagoon, Elblag-Ostróda Canal and The Great Masurian Lakes. Hence it will result in the increased tourists flow in the City.

The project will cover construction of the universal port terminal, development of yacht basin’s infrastructure and development of other accompanying technical infrastructure including access roads. There will be provided conditions for a more intensive development of the service sector, which is confirmed by great interest of companies intending to open their activities. It is estimated that 10 new companies will be established, and the employment will be increased by 95 people on average. At present, services related to sailing are provided in the BRYZA basin by companies such as Yachts Repairs Services, Cleaner (rubbish disposal), EL-PORT (tourism), Choren – Design & Consulting (production of sailing vessels), Nurwid (kayak rental). Thanks to implementation of the project there will be better conditions for development of other services such as storing of sailing boats after season, maintenance and repairs of equipment. This will result in a greater number of tourists interested in water sports, who otherwise wouldn’t stop in Elblag because of unsatisfactory port infrastructure. Thus, implementation of the project will definitely have a positive impact on creation of new SMEs and new workplaces.

3.2. Linked activities:
The project is a continuation of the activities already carried out on the area where the project is located. They include the following:
- construction of the bridge over Elblag River, financed from national resources, including the city budget; this construction is finished,
- access roads to bridge over Elblag River; the project is co-financed by Phare 2000 funds as well as national resources,
- development and modernisation of „BRYZA” – yacht basin’s infrastructure (1 loading berth has been reinforced); investment financed by national means.

The project is directly connected with a project entitled „Road Access to the Bridge Over Elblag River”, co-financed from funds of Phare 2000. Thanks to the project the investment value of the area
greatly increases. The project „Development and Modernisation of Public Infrastructure of The Sea Port in Elblag” is located in the direct neighbourhood of the bridge route based on the project „Road Access to Bridge Over Elblag River”. The newly built bridge over the river is adjacent to the port area, regarded as the area of intense economic development. Geographical location provides an opportunity for using its potential for the development of transit traffic and international economic co-operation concerning business done from the western Europe, i.e. the European Union countries to East Europe and the Baltic countries, namely via the Kaliningrad District of the Russian Federation.

3.3. Results:
The results of development and modernisation of Elblag sea port’s infrastructure will result in provision of adequate access to the sea port from water and land in general as well as:
1. Modernised port infrastructure of the sea port in Elblag including
   - hardened surface loading berth;
   - open and roofed storage areas (together with social facilities)
2. Improved infrastructure of the yacht basin „Bryza” including
   – enlarged mooring capacity of the yacht basin by 80 spaces (100% increase)
   – extended length of the reinforced berths to the total length of 271 m;
   – floating mooring platform for min. 36 vessels
3. Improved system of transport of cargo and passengers to and from the port’s terminal.
   - modernised roads 0.3 km long
   - Parking lots for heavy goods vehicles and passenger cars 1120 m².

3.4. Activities:
1. Construction and modernisation of the port’s infrastructure on the left side:
   – Construction of hardened surface storage area, open and roofed, totally 20 500 m²,
   – building a new reinforced berth (loading and unloading) 175 m long, servicing passenger ferries,
   – building communication and parking network in the terminal,
2. Development and modernisation of „Bryza” – yacht basin’s infrastructure on the right side,
   – building a new reinforced loading berth 95 m long, and modernising the existing one 200 m long,
   – building a floating mooring platform: 36 mooring spaces ,
   – modernisation of the slip 7 m long,
   – deepening of the basin to the depth of 2,5 m on the surface of 0,3 ha.
3. Development and modernisation of technical utilities and transport infrastructure
   – Modernisation of access roads to terminal 300 m long,
   – Building car parks for transportation and passenger vehicles: 1120 m²,
   – Extension works of the water and sewage installation: 100 m,
   – Installation of the rain water drainage: 500 m,
   – Water supply system: 400 m
   – Lighting 1000 m.

4. INSTITUTIONAL FRAMEWORK
4.1 The beneficiary of the project will be City of Elblag and The Board of the Sea Port in Elblag Ltd. (municipal company), responsible for the exploitation and maintenance of the final output of the investment
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 the City of Elblag
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 in MEUR

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The overall value of the investment including employment of the Project Manager will be 4.1 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0.2 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.
Implementing Agency: Implementing Authority for Phare Cross Border Co-operation Programme
Krucza 36 street, 00-522 Warsaw, Poland phone +48 22 695 99 10-11, fax +48 22 695 99 12-13

6.2. Twinning: N/A
6.3. Non-standards aspects: N/A
6.4. Contracts:
Contract 1 (works): 3.9 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.2 MEUR (financed from Polish funds)

7. IMPLEMENTATION SCHEDULE

7.1. Start of tendering / call for proposals: 1st quarter of 2003
7.2. Start of project activity: 4th quarter of 2003
7.3. Project completion: 3rd quarter of 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. ENVIRONMENT

The environmental impact assessment has been prepared as a special report entitled „Report on the investment undertaking’s impact on the natural environment” for the port terminal and “Environmental Impact Assessment” for the investment undertaking concerning modernisation and development of the infrastructure of BRYZA – yacht basin in Elblag.
The range of the report encompasses analysis of all potentially negative impacts of this enterprise on the surrounding nature.
According to the methodology presented in Polish law as well as the requirements of the Directive no. 85/337/EWG (with changes introduces by Directive of European Union Council no. 97/11/WE together with annexes II and III) – the process of assessment is based on many criteria. For the assessed investment they were established on the basis of the natural environment analysis and the way of planning the adjacent area, emphasising these elements where the impact will be the greatest.
Therefore the assessment encompasses the following elements:
– surface of the area, flora, ground and surface waters,
– atmospheric air,
– acoustic climate,
– landscape, natural environment values, material goods and cultural environment,
– people’s health and protection of the third parties’ interests.
The above reports confirm that the investment does not have any detrimental influence on the natural environment. Implementation of the investment does not carry any risks to the environment of accidental nature.
The conditions of using the natural environment will not be changed, because the investment will not cause any considerable changes both to the state of the natural environment on the adjacent area and the current way of using the area. Interests of the third parties and basic safety and health protection requirements will not be affected by this type of investment.
The final document: The environmental impact assessment for the port’s terminal will be submitted together with all the technical documentation.

10. RATES OF RETURN
A Feasibility Study including economic and financial analysis, has been prepared for the project. The documents are available at the Beneficiary’s and in the Board of the Sea Port in Elblag Ltd.
The basic indicators resulting from the economic and financial analysis:
- NPV – 1,511 mln PLN
- IRR – 12.28 %
- ENPV – 4,446.2 mln PLN
- EIRR – 16.59 % at discount rate 10 %
The relatively low financial profitability results from relatively low fees connected with using the port’s infrastructure. The purpose of setting such low fees is to encourage investors to locate their activities in the area of the port. This should lead to a greater economic development. Taking into account the financial benefits resulting from the implementation of the project, the project has positive financial benefits.
The financial analysis reveals that the main benefits from the investment will be significant for the society. The enterprise will have a positive influence on the economic development of the town; the number of investments in the town will increase; new workplaces will be created. This development is important for economic and social cohesion of Warminska-Mazurski region.

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 48.8 % 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 City Commune of Elblag.

11.6. Conformity with 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 if the project objective depends on the following assumptions:
- Implementation of the remaining elements of the development strategy of the city and region is secured
- Continuation of the policy favourable for SME, package of allowances and reduction
- The economy of region and the country remains stable.
- Development of co-operation with Baltic countries.
- Active promotion of the region, communes of the Vistula Lagoon area.
- It is assumed that the project financing will be granted
- Management and supervision of the project efficient and professional

Deadlines:
- Construction designs prepared until 3rd quarter 2002
- Obtaining the building permit until 4th quarter 2002
- Preparation of tender documents until 4th quarter 2002
- Signing the works contract until 2nd quarter 2003
- Completion of the contract until 2nd quarter 2005

Annexes:
- Annex 1 log frame
- Annex 2 - 3 Implementation, contracting and disbursement schedules
### Annex 1: Log frame

**LOG FRAME PLANNING MATRIX FOR:**

<table>
<thead>
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<th>Programme name and number</th>
<th>Phare 2002</th>
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<td>06.32 Warminsko Mazurskie - Development Elblag Sea Port</td>
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<td>Total budget: 4 100 000 EUR</td>
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</table>

**Overall objective:**

Increase of SME investment and tourism attractiveness of the Elblag town by means of modernisation and development of the sea port’s infrastructure.

**Objectively verifiable indicators:**

- Increase in the turnover of SME companies in Elblag
- Increase in revenues of Elblag town from tourism

**Sources of verification:**

Reports of WUS and GUS 5 years after project completion

**Assumptions:**

- Implementation of the remaining elements of the development strategy of the city and region will be secured
- Active promotion of the region, communes of the Vistula Lagoon area
- The economy of region and the country remains stable.
- Development of co-operation with Baltic countries.

### Project purpose

**Objectively verifiable indicators:**

- Increase in number of new SME entities by 10 PCs
- Increase of employment by 95 workplaces.
- Increase of cargo reloaded in the port up to 400 000 tons yearly, i.e. by 113 %.
- Increase of passenger traffic by 3000 passengers yearly (approx. 10%)  
- Increase of transport boats coming to the port by 560 vessels per year
- Increase of the number of vessels using the yacht basin by 240 average per year, i.e. by 100 %

**Sources of verification:**

Data of local administration, published statistics of WUS 2 years after project completion

**Assumptions:**

- Attracting investors to the sea port area as the site for future investments;
- Attracting tourists to the unique in Europe sea port and the city of Elblag itself.

### Results

**Objectively verifiable indicators:**

1. Modernised port infrastructure in the sea port in Elblag.
2. Improved infrastructure of the yacht basin „Bryza”
3. Improved system of transport of cargo and passengers to and from the port’s terminal

- Area of hardened loading berth of 175 m;
- Roofed storage area (together with social facilities) – totally 20 500 m²;
- Enlarged mooring capacity of the yacht basin by 80 spaces;
- Extended length of the reinforced berths to the total length of 271 m;
- Floating mooring platform for min. 36 vessels;
- Modernised roads of 0,3 km;
- Parking places and yards 1120 m².

**Sources of verification:**

Local authorities and Project Engineer reports directly after the project’s completion

**Assumptions:**

- Continuation of the policy favourable for SME, package of allowances and reductions

### Activities

**Means:**

1) Development and modernisation of the port’s infrastructure:

- Building hardened storage area - 20 500 m²,
- Building a new reinforced berth - 175 m long,
- Building communication and parking network in the terminal,

2) Development and modernisation of „Bryza” yacht basin’s infrastructure

- Building a new reinforced loading berth - 95 m, modernising - 200 m
- Building a floating mooring platform: 36 mooring spaces,
- Modernisation of the slip 7 m long,
- Deepening the basin to the depth of 2.5 m on the surface 0,3 ha.

3) Development and modernisation of 1 infrastructure:

- Modernisation of access roads to terminal 300 m long,
- Building car parks - 1120 m²,
- Extension works of the water and sewage installation: 100 m,
- Installation of the rain water drainage: 500 m,
- Water supply system: 400 m
- Lighting 1000 m.

**Budget of the project:**

1. Overall budget of the project: 4.1 MEUR
2. Means of the commune: 2.0 MEUR
3. PHARE support: 2.1 MEUR

**Assumptions:**

- It is assumed that the project financing will be granted
- Management and supervision of the project is efficient and professional

**Preconditions:**

- Decision of Local Authority concerning launching of the investment
Annexe 2-3: Implementation, contracting and disbursement schedules

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Budget Allocation
Cost Estimate in MEUR

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Legend:
D = design of sub-projects
C = tendering and contracting
I = contract implementation and payment)
* cumulative in MEUR, Phare sources