1. **Basic Information**
   1.1 CRIS Number: 2002/000-580-06.33
   1.2 Title: Zachodnio Pomorskie - SME development Koszalin
   1.3 Sector: ESC
   1.4 Location: Poland, Zachodniopomorskie Voivodship, Koszalin city.

2. **Objectives:**
   2.1. **Overall objective:**
   - Strengthening of the region of Koszalin investment attractiveness through improvement of transportation infrastructure and access to investment areas
   2.2 **Project purpose / immediate objective(s):**
   - Attracting prospective investors to Koszalin investment areas.
   - Creating the opportunities for development of SME companies and for establishing new jobs
   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 usunac and modernization of infrastructure used for enhancing competitiveness of Zachodniopomorskie Region
   The project is compliant with the priorities of the Operational Programme of the Zachodniopomorskie Voivodship.
   2.5. **Cross Border Impact:** N/A

3. **Description**
   3.1. **Background and justification:**
   The Project is the result of the implementation of the most important investment priority of the Zachodniopomorskie Voivodship specified in the Social - Economic Cohesion PHARE 2002-2003 Operational Program (Priority 1) consisting in extension and modernization of infrastructure used for enhancing competitiveness of the Voivodship. The elements of such strategy have been confirmed also by records of the Strategy of the Koszalin City Development until 2015. Immediate cause of the priority implementation is willingness to finish the long term city undertaking, i.e. constructing of the down-town ring road for city of Koszalin, which will significantly stimulate social-economic development of the region. Moreover this investment will improve the transportation arrangement of the city.
   The implementation of the final stage of this investment located in the Koszalin city centre (covered by the application below), will permit to increase transportation accessibility of the investment areas; it will also permit correct functioning of the route in the long-term run and short-term run. The most essential reason for realisation of the ring road construction is fact that this transportation solution will permit the access for potential investors and existing plants to many institutions of business character (Foundation of Innovation and Enterprise Centre, Chamber of Industry and Commerce in Koszalin, Guild of Various Handicrafts) and of educational character (e.g. Technical University of Koszalin). This will result in an improved transportation accessibility to these areas in the city where solutions of social-economic nature are generated, being valid not only for Koszalin but also for the whole region. The improvement of the access to that area assembling the economic and investment potential will stimulate creation of new SME companies and new workplaces.
   The completion of first stage of this investment will permit to enhance the investment attractiveness of Koszalin through conveying the transportation routes into the area of industrial and commercial enterprises being prepared in the Gdanska street, and into the area of the planned Science-Technology Theme Park (implementation of that project will be co-financed i.a. from fund within the Zachodniopomorskie Voivodship Contract.
   It is worthwhile to add that the economic development of this area depends directly on an execution of the priority task covered by the application. The decisions concerning the starting of several
investments in the area adjacent to the planned ring road (total surface of 217 ha) depend on the improvement of accessibility of those areas. At first stage the investment areas located in the near vicinity of the planned ring road will be made available, i.e. those at the Wojska Polskiego street - 3.5 ha (private property), Monte Cassino - 11.0 ha (property of the Koszalin city). Moreover, by the “closing” effect of the downtown ring road the transportation accessibility of the existing industrial quarters will be considerably improved, and thanks to it new investment areas at the Polczynska street – 11.5 ha and at the BOWID street - about 191 ha (property of: the Koszalin city, State treasury and in negligible part – private property) will be made available. The ownership of the said 191 ha of land is as follows:
- property of Koszalin city 40 %
- property of State Treasury 55 %
- property of private entities 5 %
The investment areas and the planned part of the national road will be provided with necessary facilities and supplies at the expense of the City. Potential investors will not bear any investment costs. The planned form of the investment areas disposal – sale.
Building of the planned ring road part will permit creation of 700 jobs in 40 new companies as well as favourable conditions for the development of small and medium business enterprises. Creation of the new jobs is planned to be achieved, among others, by commissioning of a Science-Technology Theme Park with Technology Implementation Centre at Raclawicka Street. At present a new part of the Technical University of Koszalin has been under construction at the Sniadeckich street. The released buildings of the relocated Technical University of Koszalin are being adapted for the Science-Technology Theme Park which is to constitute a link between the academic community and the industry. The said Centre shall offer rotary jobs first of all for graduates of the Technical University of Koszalin. It is estimated that out of all the people starting business enterprises with the assistance of the Centre at least 60 persons will create permanent jobs in their own companies; it is assumed that at a minimum 40 new enterprises will be established in this manner – being precursors of innovatory activities and know-how. In addition, in the Science-Technology Theme Park training courses for over 500 entrepreneurs shall be organized in the subject of new technologies and management methods. On completion of adaptation activities and after outfitting the rooms with necessary equipment and instrumentation the Science-Technology Theme Park will be delivered to an independent organizational entity. Next to the Science-Technology Theme Park a commercial-service centre is to be established (where 40 persons will be employed, but whether this investment turns out to be successful will depend on the declaration given by the authorities of the Koszalin City towards the private investor that building of the ring road will go on.
It is planned that in way of the “closed” ring road impact the Aquapark will be established, including the associated infrastructure, giving permanent employment for about 100 persons - at present the City has been considering offers from 2 investors whereas at Jana Pawla II street the entertainment-service-commercial centre will start functioning, generating about 500 workplaces – the investor being a partnership firm.
The visible effect of „closing” of the down-town ring road (including ready elements formed by the existing „Krakusa i Wandy” and Monte Cassino streets as well as Armii Krajowej avenue will be also more efficient driving along the national road no. E6 (planned as express road E28) connecting the aggregation of the three neighbouring cities of Gdynia, Sopot and Gdansk with Szczecin and Poznan. The effect of implementation of this investment will be also considerable relieving of the city centre through e.g. increasing the flow capacities of streets located in the near vicinity of the investment by min. 5% (these data result from elaboration ordered by the City of Koszalin), and also shortening of travel time from the housing quarters located in the northern part of Koszalin to the southern and western parts of Koszalin (industrial quarters of the city) through taking traffic off the main centre road. Implementation of the investment will also considerably reduce the degree of devastation of natural environment (by minimizing noise level and emission of exhaust gases), and it will also increase level of road safety in the centre of Koszalin City. The building project being elaborated will indicate possible places where at the cost of the City additional acoustic screens protecting against noise will be used. By implementing one lane of G class road covered by the presented application (1.7 km) the planned objective and the assumed results will be fully obtained.
Generally, implementation of the project will result in improved functionality, safety and clear organization of road traffic in Koszalin. First of all carrying out of this investment will permit or facilitate access to key areas intended for investment activity, which as a consequence will result in limitation of negative social-economic
phenomena, such as e.g. high unemployment rate. It will also stimulate the increase of competitiveness of this area in long-term perspective.

3.2 Linked activities:
The down-town ring road passing through the centre of Koszalin is a direct element of the national road no. 6 (Szczecin – Gdansk), whose section Nowogard – Goleniów has been rebuilt now based on co-financing from Phare Poland – Germany 2000 amounting to 2,73 MEUR and based on co-financing from Phare Poland – Germany 2001 amounting to 2,00 MEUR. Now the beneficiary (employer), i.e. General Directorate of Public Roads, North-Western Department has applied for co-financing of the III rd investment stage, i.e. section Nowogard-Goleniów (Phare Poland – Germany 2002). The application has been included by the Joint Regional Committee in the priority list of applications for co-financing within the scope of this program (Contribution of Phare amounts to 2,72 MEUR).

3.3. Results: As a result of this project the following effects will be obtained:
♦ Better road access to the investment areas of 217 ha and Research & Technology Park (Centre).
♦ Better road access to the Technical University of Koszalin,
♦ New road access of class G
♦ New bridge of class A

3.4. Activities:
♦ relocation and reconstruction of the existing underground utilities;
♦ construction of the designed new road structure of a length of 1.7 km
♦ construction of the bridge over Dzierzecinka river 16m long and 13 m wide

4. Institutional framework:
4.1 The beneficiary of the project will be City of Koszalin
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 City of Koszalin
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

<table>
<thead>
<tr>
<th>PHARE Support</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>IB</td>
<td>Total Phare</td>
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<tr>
<td>Project</td>
<td>2.0</td>
<td>-</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>2.0</td>
<td>-</td>
<td>2.0</td>
</tr>
</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 4.5 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0.135 MEUR. Co-financing will be available.

6. Implementation arrangements:
6.1. Implementing Agency:
PAO: 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 ul. Krucza 36, 00-522 Warsaw,
Phone:+48 22 695 99 10-11, Fax: + 48 22 695 99 12-13
6.2 Twinning: N/A
6.3. Non-standard procedures: N/A
6.4. Contracts:
Contract 1 (works): 4.365 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.135 MEUR (financed by Polish funds)

7. Implementation schedule:
7.2. Starting of the project: I st quarter of 2004
7.3. Completion of the project: III rd 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 irrespective 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
- Environmental impact assessment (EIA) of the investment was made in January 2002
- Report on this assessment is available in the Beneficiary’s (Employer’s) office
- The Project complies with all EU requirements regarding the natural environment protection and it presents no environmental threat. Its implementation will contribute i.a. to reduction of exhaust gases emission and noise level.

10. Rates of return
- Financial Internal Rate of Return (FIRR) is equal to 12.68%
- Economic internal rate of return (EIRR) is equal to 14.54%
- NPV (net present value) is equal to 14061408.02 PLN
- Feasibility study of the project was made in January 2002.

11. Investment criteria
11.1. Catalytic effect:
The Phare support will be conducive to achieving economic and social cohesion goals in Zachodniopomorskie 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 55.6% of the total project cost. - joint co-financing

11.3. Additionality:
Contribution of PHARE to co-financing of the investment will not eliminate or substitute other financing sources, especially from private investors; within the IFI system it is co-financing of specified priorities and it does not replace national sources.

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

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:
The achievement of project objective will be conditional upon:

- Active promotion of the macroregion regarding industrial attractiveness
- Implementation of other elements of the Strategy of the Zachodniopomorskie Voivodship Development.
- It is assumed that the regional economy will remain stable

Deadlines:
- Construction designs prepared until (date): IV th quarter of 2002
- Obtaining the building permit until (date): IV th quarter of 2002
- Preparation of tender documents until (date): I st quarter 2003
- Signing the works contract until (date): III quarter 2003
- Completion of the contract until (date): IV quarter 2005

LIST OF ANNEXES:

Annex 1: Logframe
Annex 2-3: Implementation, contracting and disbursement schedules
### Annex 1: Logframe matrix

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening of the region of Koszalin investment attractiveness through improvement of transportation infrastructure and access to investment areas</td>
<td>Increase of the turnover of SME companies in Koszalin city</td>
<td>How: Publications of GUS and WUS When: 5 years after project’s completion Who: Marshal Office of Zachodniopomorskie Voivodship</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project purpose/Immediate Objective</td>
<td>Objectively Verifiable Indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
</tr>
<tr>
<td>Attracting prospective investors to Koszalin investment areas. Creating the opportunities for development of SME and for establishing new jobs</td>
<td>Increase of new MSP (small and medium-size enterprises) by 40 PCs Increase of workplaces by 700 PCs</td>
<td>How: statistic data of WUS and UM in Koszalin When: 2 years after project completion By who: Beneficiary</td>
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<tr>
<td>Results</td>
<td>Objectively Verifiable Indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
</tr>
<tr>
<td>Road access to investment areas and Research-Technological Park (Centre), New G class access road, New A class bridge</td>
<td>access to 217 ha of investment areas Shortening of travel time to investment areas and to, Research-Technological Park (Centre) by 5 minutes 1.7 km of road, bearing capacity 115 kN “A” class bridge of 16 m long</td>
<td>How: Reports of :Local Authorities and reports and documents of Project Engineer When: directly after project’s realization completion Who: Beneficiary</td>
<td>Active promotion of the macroregion regarding industrial attractiveness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
<td></td>
</tr>
<tr>
<td>Relocation and reconstruction of the existing underground utilities; Construction of the designed new road structure 1.7 km long Construction of the bridge over Dzierzecinka river 16m long and 13 m wide</td>
<td>one contract for carrying out building-erection works Funds necessary for „closing” of the down-town ring road for Koszalin: 1. contribution of PHARE: 2 M EUR 2. local contribution (employer) - 2.5 M EUR</td>
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<tr>
<td>Preconditions</td>
<td>Decision of Local Authorities of Koszalin concerning undertaking of the investment.</td>
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## Annex 2-3: Implementation, contracting and disbursement schedule

06.33 Zachodnio Pomorskie - SME development Koszalin

<table>
<thead>
<tr>
<th>Date of Drafting</th>
<th>February 2002</th>
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<tr>
<td>Planning Period</td>
<td>January 2003 - September 2005</td>
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<table>
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<tr>
<td>I '03</td>
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(1) (2) (3)

### Implementation schedule

| D | D | C | C | I | I | I | I | I | I | I | I |

### Contracting schedule

2.0

### Disbursement schedule*

| 0.3 | 0.6 | 0.9 | 1.2 | 1.5 | 1.75 | 2.00 | 2.0 |

### Legend:

- D = preparation of sub-projects
- C = tenders and contracting
- I = realisation of contracts and payments
- * cumulative in M EUR, Phare sources

Budget Allocation Cost Estimate in millions EURO 2.00