1. **Basic Information**
1.1. **Desiree:** PL01.06.07.02
1.2. **Title:** Tourism development Busko Zdroj
1.3. **Sector:** ESC
1.4 **Location:** Poland, Swietokrzyskie Voivodship, Busko – Zdroj Town and Gmina.

2. **Objectives**
2.1. **Wider Objectives:**
To create conditions for achieving economic and social cohesion in Swietokrzyskie Voivodship, by upgrading environmental protection infrastructure

2.2. **Immediate Objectives:**
To improve attractiveness of the Gmina as a spa; To improve new investment potential and attractiveness in the Gmina for future development; To develop tourism, scale of therapeutic services and create new jobs in this sector.

2.3. **Accession Partnership and NPAA Priority:**
The project responds to the medium term priority identified in the Accession Partnership - 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 Preliminary National Development Plan:**
The PNDP has a priority “Strengthening development potential of regions and counteracting marginalisation of certain areas”. It will be implemented in line with the priorities of ecological policy of the State. Regional projects in waste management, protection against water and air pollution as well as water management shall have a priority as those contributing to the achievement of economic and social cohesion of the country. The project is also in line with the operational programme for the Swietokrzyskie Voivodship. It will be implemented under OP priority “Improvement of technical infrastructure as the basis of the economic activity aiming toward better use of local assets”.

2.5. **Cross Border Impact:** Not applicable

3. **Description**
3.1. **Background and Justification:**
Lack of proper sewage mains in the Gmina is a main reason for slowing down in economical development and main obstacles for new investments. Gmina has planed in the spatial development plan above 130 ha as a new investment area. At this moment it is noticeable interest in the new investment in the Gmina. Thanks to the Gmina promotion in the Internet and special programme presented by TV Polonia we have now new investment offers from the companies from Holland and Austria as well as from Polish investors. At this moment limited area which is furnished with the good sewage mains not allow us to respond in proper way to new opportunities. Most of the Gmina have been furnished with water main facilities. This situation caused an increased generation of wastewater, which often causes contamination of surface waters and soil. Contamination of surface waters and soil creates real hazard for healing waters on which health resorts is based. Our sanatoriums employ 1,500 employers directly and provide 1,000 places of employment in services of various branches. Negligence to take care of this issue is likely to liquidate the health resort in further prospect, and therefore creation of the unemployment. Implementation of this Project shall also allow to boom the tourist traffic and to develop tourist base. The city, as a health resort, accepts up to 50,000 visitors per year. Landscape and rest attraction contributes to large inflow of weekend tourists, particularly from Silesia. At present, wastewater treatment plant (WWTP) services 11,500 inhabitants of the city while remaining 7,000 inhabitants have no access to municipal WWTP facilities (parameters of purified sewage are: BOD5 3.75 mg/dm$^3$, total nitrogen 7.00 mg/dm$^3$). Operated WWTP meets EU Urban Waste Water Treatment Directive (91/271/EEC as it amended by Directive 98/15/EEC). Taking above into consideration, we assume that the implementation of this Project shall solve problems specified below, that is: Significant increase in the investment attractiveness of the Gmina and opportunity to respond to present investment offer; protection from contamination of healing waters; and contributes to more efficient utilisation of the WWTP capacity thus the index of economic efficiency of WWTP’s facilities shall be improved. Implementation of this Project corresponds with the objectives included in the „City and Commune
Development Strategy” and the „Świętokrzyskie Province Development Strategy”. Completed Project shall shift unfavourable situation of economic and social development. Already today there is an interest in investing in the sanatoriums, however investors need full guarantee of their further business operations. Development of the sanatorium facilities shall contribute to the growth of sanatorium-related employment and in the surrounding services. In further prospects, a limitation of unemployment and increase of society wealth shall take place.

3.2. **Project Linked Activities:**
Investment planned under the Project continue project supported by PHARE - INRED programme funds (50 000 Euro) consisting in completion of furnishing the city and commune of Busko Zdrój with water supply service facilities. Implementation of the PHARE - INRED programme made it possible to approach mandatory procedures and requirements in the implementation of investment projects to receiving institutions (beneficiaries).

3.3. **Results:**
Creation of 25 new businesses; organising of 160 new jobs, increase in number of health resort visitors of 5 per cent, increase an employment in therapeutic and tourism sector of 10%; enter new investment area of 130 ha, including business development sites for two new sanatoriums; 95% of city and spa water mining area will be covered by sanitation system; increase of number of households served by individual sewer treatment units by 1,131 pieces; increase of flow volume of WWTP by 1,140 m$^3$/day.

3.4. **Outputs:**
Extension of sewers main length by 38.9 km,

3.5. **Inputs:**
Construction of sewers mains for the city of Busko Zdrój and surroundings. Total cost of the project 3 673 000 Euro, including Phare support 2 200 000 Euro.

4. **Institutional Framework**
The Employer is the Board of Busko Zdrój City and Gmina. the Owner of completed wastewater mains will be Busko Zdrój Gmina, while the managing body at the stage of investment and exploitation will be - Community Utility of Busko Zdrój.

5. **Detailed Budget,** value in Euro

<table>
<thead>
<tr>
<th></th>
<th>PHARE financing</th>
<th>National co-financing</th>
<th>IFIs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>IB</td>
<td></td>
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<tr>
<td>Project</td>
<td>2 200 000</td>
<td>2 200 000</td>
<td>1 473 000</td>
<td>3 673 000</td>
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<tr>
<td>In total</td>
<td>2 200 000</td>
<td>2 200 000</td>
<td>1 473 000</td>
<td>3 673 000</td>
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</tbody>
</table>

Funds for the hiring of the Engineer (150 000 EURO) are included in the National co-financing, which 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 of the ‘Practical Guide to Phare, Ispa & Sapard contract procedures’ will be closely followed.
Not applicable

6.4. **Contracts:**
The total value of the project is 3 673 000 Euro. The project will be implemented under works contract, expected value of the works contract is 3 523 000 EURO, including PHARE resources 2 200 000 EURO. Additionally the contract with Engineer which total value is 150 000 EUR financed by Polish side will be signed.

7. **Time schedule for the implementation**

7.1. **Start of tendering / call for proposals:** 4th quarter of 2001
7.2. **Start of the Project Activity:** 1st quarter of 2002
7.3. **Project Completion:** 4rd quarter of 2003
8. **Equal Opportunities**
The Project assumes a principle of equal opportunities for men and women in both accessibility to using the Project and in its financing. This principle shall be observed at each stage of Project implementation.

9. **Environment**
According to the EIA study, available at the beneficiary’s office, implementation of the Project shall contribute to improving the condition of environment as refereed to the purity of surface waters, soil and protection of spa waters. Investment itself and used materials for construction will meet the Polish legal requirements as well as EU directive 97/271 and its amendment 98/15. Discharged wastewater will be treated by WWTP, which is a modern one with mechanical and biological phases and meets relevant EU directives. Monitoring of discharged treated water is provided by Voivodship Inspection for Environmental Protection from Kielce.

10. **Rates of Return**
A detailed feasibility study for the project has been prepared by EPRD Office for Economic Policy and Regional Development and is available at the beneficiary’s office. According to this study project is properly prepared from the legal and managerial point of view. Within the project it has been undertaken relevant activities to assure its proper socio-economical impact and it the same time to avoid any negative impact on environment. Financial examination shows that project is financially feasible and its implementation will bring significant economical improvement of the region potential. Period of return = 10 years. NPV(5%) = 40 479 734,35 PLN. IRR = 18%. Project has a complete economical justification.

11. **Investment Criteria**
11.1. **Catalytic Effect:**
Phare support will be conductive to achieving economic and social cohesion goals in the Swietokrzyskie Voivodship, which otherwise could 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 is co-financed 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 will be ready for contracting and disbursement (till the 4th quarter of 2001), as the project will meet all conditions for co-financing by the start of project implementation. Feasibility study and environmental impact assessment are completed.

11.5. **Sustainability:**
The project will contribute to the long-term sustainable development of the region, as described in the Swietokrzyskie Voivodship Operational Programme. After implementation, the beneficiary will cover all maintenance costs related to investments.

11.6. **Compliance with State Aid Provisions:**
All aspects of the project will be developed with respect to the state aids 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 as such will contribute to increase of economic and social cohesion of the country and region.

12. **Conditionality and Sequencing**
Conditioning: Completion technical designs in proper time, Obtaining require permissions and expertise, Contracting Construction Company capable of executing works in time. Sequencing: Employ supervising Engineer (I/2002), Tendering by the beneficiary and appointing the contractor (II/2002), Concluding a Project agreement with the contractor (II/2002), Commencing with Project implementation (III/2002), Commissioning of the completed investment project (3rd quarter of 2003).
Annex 1: Logframe planning matrix for project

| Date of drafting: | December 2000 |
| End Contracting: | 15/12/2003 - End Disbursement: 15/12/2004 |
| Project number: | Project title: Construction of sewers main in Busko Zdrój |
| Total 3.673 MEURO | Phare 2.2 MEURO |

### Wider objective

To create conditions for achieving economic and social cohesion in Swietokrzyskie Voivodship, by upgrading environmental protection infrastructure.

#### Indicators of Achievement

- Increase GDP per capita in the region,
- Reduction of unemployment rate.

#### Sources of information

Main Statistic Office, Statistic data in the region.

#### Assumptions and Risks

- Fast track growth of Polish economy,
- Implementation of active forms of combating unemployment,
- Unfavourable change of the State’s policy within health resort healing.

### Immediate Objectives

Improving economic and investment attractiveness, Increase of employment.

#### Indicators of Achievement

- 25 new businesses, 160 new employments within 5 years, Increase of number of health resort clients of 5%,
- Increase of local income by 10%.

#### Sources of information

Unemployment office, Municipal and Commune Utilities of Busko Zdrój, Sanatoriums.

#### Assumptions and Risks

- Scientific progress to eliminate sanatorium healing of Busko Zdrój profile,
- Decreasing of number of the sanatorium clients.

### Results/Outputs

Extension of sewers system in the city of Busko Zdrój, Enter new investment area, Business development sites for new sanatoriums, Number of new households connected.

#### Indicators of Achievement

- New sewers main length 38.9 km, 130 ha of new investment area, Sites for two new sanatoriums, 95% of city and spa waters mining area covered by sanitation system, increase of number of households served by individual sewer treatment units by 1,131 pieces, Volume treated wastewater up to 1140 m³/day.

#### Sources of information

Regional statistical data, Municipal and Commune Utilities of Busko Zdrój, Expert reports

#### Assumptions and Risks

- Significant growth of prices for treatment of sewer waters

### Activities/ Inputs

Implementation and clearing-up of investment of 38.9 km of sewer system in the city of Busko Zdrój and surroundings. Entire investment shall amount to 3,673,000 Euro (including 2,200,000 Euro from Phare)

---

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

| Date of drafting: | August 2000 |
| Construction of sewers main in Busko Zdrój | Planning period: 2002-2004 |
| | cost estimate Phare in MEURO |

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</table>

Legend: D = design of sub-projects / C = tendering and contracting / I = contract implementation and payment
Annex 5.1 ENVIRONMENTAL IMPACT ASSESSMENT STUDY (EXECUTIVE SUMMARY)

Busko-Zdrój Commune is located in South part of Swietokrzyskie Voivodship within Nidzianska Trough, on South slopes of Wójczańsko - Pinczowski Hump and Solecka Trough in its foot. 37 village districts enter into the composition; their inhabitants deal mainly with horticulture, pomiculture and agri-tourism.

Establishing of sewage main has been scheduled within the location of entire Busko-Zdrój Commune. The project has included North part of the town and locations of Radzanów, Skotniki Male, Skotniki Duże, Owczary and Wolica Sieslawska. South part of the town, together with locations of Owczary, Radzanów and Skotniki Duże, are located within a healing waters mining area. Busko is one of Polish major spa. Local community as early as from the oldest times has known healing waters of Busko and its surroundings. The deposits of sulfane / salt and brine iodobromide waters as well as beds of therapeutic mud’s are found in North part of the town.

Taking into account the territory configuration a natural and pressure sewage main with pumping stations was scheduled. Wastewater shall be discharged to street drains from where it shall flow to pumping stations via main sewers. From pumping stations wastewater shall be pumped to the existing wastewater treatment plant of the capacity of 9,500 m$^3$/d and reserve capacity of 3,500 m$^3$/d. The whole 39 km long sewage main shall be designed of PP and PVC pipes thus providing its tightness and high quality of the project.

The project’s investor is Busko-Zdrój City and Commune Office. Communal and Municipal Utility Association of Busko-Zdrój shall be in charge of project operation. The City Board applies for co-financing of the investment from pre-access Phare 2001 fund. The EU regulations require the infrastructure projects - waste water main projects to be supported with environmental impact appraisal (Directive No. 85/337/EC dated 27th June 1985).

According to local Polish laws, the waste water main is not included among projects particularly harmful to natural environment and health, neither to projects likely to deteriorate the natural environment condition (Official Legislation Gazette No. 93, item 589, the Regulation of the Minister of Environment Protection, Natural Resources and Forestry dated 14th July 1998) thus environmental impact appraisal is not required. Following the Directive No. 91/271/EC dated 21st May 1991 on municipal wastewater treatment plants, any agglomeration shall be furnished with a system of collective municipal waste water mains.

There is ten Civic Sewage Main Committees registered within the area in terms. All Committees have actively contributed to the extension of sewage mains in Busko-Zdrój Commune location. They arranged many meetings to agree upon the strategy of operations at the project implementation stage. On getting familiarised with the course of sewage main and location of the pumping station inhabitants expressed their opinions which had been further taken into account in technical documentation to the satisfaction of all parties.

Above described project is on accordance with Busko-Zdrój City and Busko-Zdrój Commune Spatial Development Conditions and Directions Study.

Implementation of the project shall contribute to closing down of sewage septic pits, which frequently used to contaminate surface and ground waters, and soil due to leakage. All volume of sewage shall be discharged to WWTP thus limiting uncontrolled discharges to surface waters and soil. The problems accompanying transportation of sewage by septic tanks shall be also reduced and so shall the costs. Costs of sewage transporting by septic tanks are much higher to costs related with fees for discharging wastewater to sewage main to WWTP.

In conclusion it shall be stated that establishing of sewage main shall contribute to improving surface and ground water quality. It shall improve the standard of living, and contribute to developing of tourism and accommodation base which are essential for the health resort. Owing to these activities the condition of natural environment in Busko and its surroundings shall be improved thus rising the Commune’s attractiveness within the region and on an international stage. The project shall protect the European unique mineral water, which are very valuable in healing of various diseases: rheumatic, locomotive and skin organs and circulation system.

The information presented above appears from detaily produced environment impact analysis of the designed Busko-Zdrój sewage main. The production was based on the following laws:

- the Regulation of the Minister of Environment Protection, Natural Resources and Forestry dated 14th July 1998 on the requirements to be met by environment impact appraisals for the project not included among particularly harmful for natural environment and health of people or projects likely to deteriorate the natural environment condition, or works to modify water relations (Official Legislation Gazette No. 93, item 590),
the Regulation of the Cabinet dated 19th May 1999 (Official Legislation Gazette No. 50, item 501) on the conditions of waste water discharging to waste water facilities being municipal ownership,
the Council Directive No. 85/337/EC dated 27th June 1985 on evaluating the environmental effects of some public and private undertakings,
Completion of the project shall not affect the environment negatively.

Annex 5.2 Summary of the Feasibility Study for Construction of sewers main in Busko Zdrój

Aim of the investment
The investment aims at increasing attractiveness of the area of Busko Zdrój to potential investors, improving sanitary condition of the town, protecting of subsoil and underground (healing) water against household and industrial pollution, developing the rural area of the gmina, and creating a new town image - a place friendly to both its inhabitants and resort visitors.

Involvement of the institutions
Management Board of Gmina Busko Zdrój
Al. Mickiewicza 10
28-100 Busko Zdrój
tel.: (041) 378 24 55
E-mail: Urzad@umig.busko.pl

Location of the project
The project is supposed to be executed in the south-east Poland in Swietokrzyskie Province. The project is going to be executed in the area of gmina Busko Zdrój; in the northern part of Busko and in the area of the villages south of the town: Owczary, Skotniki Duże, Skotniki Małe, Radzanów, Wolica Sieslawska. A collective sewage system is intended to be built in this area. Gmina Busko Zdrój is located in the southern part of Swietokrzyskie Province in the Ponidzie region. The gmina covers the area of 248.16 km². Busko Zdrój is a powiat town. The town is situated 50 km south of Kielce and 80 km north off Cracow.

Influence of the investment on social and economic development
The sanitation infrastructure, which will come into being with the execution of the project, will perform two basic functions, e.i.: protective for the natural environment and stimulating economical development of the area under the investment. Influence of the investment on the living standard of the inhabitants in the area cannot be denied. Comfort of life will increase and value of developed areas will go up, on average, by 30 %. The social analysis has proved that the inhabitants from the areas under project are vividly interested in executing the investment and participate in expenditure (building house sewers). It testifies to strong social support of activities like that. Considering the fact that the designed investment is partly situated in rural areas, the increase in the value of developed areas and higher comfort of life of the inhabitants are factors which are bound to revive the market of lands belonging to individual owners and bring about financial benefits from selling these lands.

As a result of the execution of the investment 38.9 km of sewage network will be built supplying the needs of 1131 individual terminals in the area of the gmina. It is estimated that the network will supply the needs of about 7000 inhabitants of gmina Busko Zdrój. The investment will encourage the economic stimulation of the inhabitants in Busko Zdrój and villages: Owczary, Skotniki Duże, Skotniki Małe, Radzanów and Wolica Sieslawska. Moreover, it is already noticeable that outer and foreign investors are interested in executing investment of health resort, recreational and tourist nature in the gmina.

In connection with the investment the gmina authorities have fixed new investment grounds with 130 ha total area which are presented in the specification below.
<table>
<thead>
<tr>
<th>Kind of development</th>
<th>Place</th>
<th>Area in ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanatorium</td>
<td>Busko Zdrój</td>
<td>14</td>
</tr>
<tr>
<td>Tourist Service</td>
<td>Radzanów</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Busko Zdrój</td>
<td>2</td>
</tr>
<tr>
<td>Production and</td>
<td>Skotniki Male</td>
<td>5</td>
</tr>
<tr>
<td>services</td>
<td>Radzanów</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Kawczyce</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Wolica</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Skotniki Duże</td>
<td>1</td>
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<tr>
<td></td>
<td>Radzanów</td>
<td>1</td>
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<tr>
<td></td>
<td>Wolica</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Busko Zdrój</td>
<td>20</td>
</tr>
</tbody>
</table>

Moreover, the gmina authorities have planned additional activities aiming at better use of the investment as a catalyst of economic development, e.g.: installing other supply systems in the areas mentioned above, developing existing water reservoirs (Radzanów), improving the quality of existing walking tracks and fixing and building cycling tracks.

In connection with these activities the authorities of gmina Busko Zdrój assume that 25 new economic subjects will come into being within 5 years after completing the investment. It is assumed that within this period of time there will be 160 new full-time jobs including 100 in the designed sanatorium. The gmina authorities anticipate increase in the population and the number of visitors.

The designed construction of the intercepting sewer will enable better use of the attractive for tourists and away from the town rural areas which may make an alternative source of income for considerable number of gmina inhabitants.

**Conclusions from the financial analysis**

On the basis of the financial analysis the following conclusions can be drawn:

The actualised net profit value (NPV) and inner refund rate (IRR) are calculated with 5% discount rate and are respectively:

\[
    \text{NPV} = 40\,479\,743.63\,\text{zł}
\]

\[
    \text{IRR} = 18\%
\]

NPV means that within the whole period of functioning the project will eventually bring the source of income allowing both a refund of the preliminary expenditures, making profits on the assumed level (equal to the assumed discount rate) and ensuring safety margin in the form of surplus of the incomes.

IRR is a border rate with a current value of the future incomes being equal to the invested expenditures. This standard specifies the maximum percentage that can be paid by the project for using the means (assuming that all the indispensable means will be lent) if it is to regain the invested means and operation costs born within the period of the functioning.

Current economic net profit value (ENPV) and economic refund rate (ERR)

\[
    \text{ENPV in the examined project is } 23\,132\,336.54\,\text{zł, while ERR } 14\%.
\]

ENPV and ERR quantities specify social profitability of the investment. Similarly to IRR and NPV it can be said that the discussed enterprise brings more social and economical benefits than costs.

Taking into account the foregoing calculations the investment can be considered efficient both in financial and social respects.