1. **Basic Information**

1.1. **Desiree Number:** PL01.06.07.04

1.2. **Title:** Water treatment plant for Ponidzie region

1.3. **Sector:** ESC

1.4. **Project Location:** Poland, Swietokrzyskie voivodship, gminas of Nowy Korczyn, Bejsce and Kazimierza Wielka

2. **Objectives**

2.1. **Wider Objective:**
To enhance the socio-economic cohesion of Swietokrzyskie voivodship by the development and modernisation of infrastructure related to natural environment protection.

2.2. **Immediate Objectives:**
To create conditions conducive to business investment and eliminate limitations resulting from the lack of potable water. To establish new possibilities for investing in non-agricultural businesses, particularly those based on rehabilitation using sulphur spring water; To improve a health of the inhabitants by providing a good quality potable water.

2.3. **Accession Partnership and NPAA priority:**
The project responds to a 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 also corresponds 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". This will be implemented in line with the priorities of the state environmental policy. Regional projects in waste management, protection against water and air pollution and water management are to take priority as those contributing to economic and social cohesion in Poland. The project also accords with the operational programme for Swietokrzyskie voivodship. It will be implemented under the OP priority “Improvement of technical infrastructure as the basis of economic activity aiming for better use of local assets”.

2.5 **Cross Border Impact** Not applicable

3. **Project Description**

3.1. **Background and Justification:**
The NIDA 2000 regional water system is an undertaking entailing construction of a bank water intake on the River Nida, a Water Purification Plant (WPP) and a mains water supply system. The water supply for most of the region’s inhabitants comes from shaft wells providing water of very poor consumption parameters, and, in many locations, already contaminated mainly by nitrates and nitrites. Considering the limited water volumes and deteriorating quality, NIDA 2000 Association grouping nine gminas have made investments in water supply within their areas of operation to allow for re-use by connecting to a source of mains water supply to the River Nida. This project is the only possibility of supplying the region with water treated for consumption. The gminas of the Association have 70,000 inhabitants, of which 55,000 use collective water supply systems. Continuous monitoring by the sanitary authority show that water supplied via the present main does not comply with conditions specified for potable water as regards both chemical composition and biological parameters. The region to be supplied by the system is well known in Swietokrzyskie Voivodship and Poland as a sulphurous spring area used by a Spa for rehabilitation (mainly in gmina Solec Zdrój). However, full use of such a local asset can not be made because of the very limited resources of the potable water needed in large amounts at such rehabilitation units. Meanwhile, a number of businesses and services are taking the opportunity to base future development on the existing natural springs. New springs with the highest sulphur level known in Europe have been tapped recently. A new WPP is thus one of the key elements in the further development of the region on the basis of its natural assets. Association of gminas has a numerous declarations and letter of interest in investing in sanatoriums and related services. Water will also be supplied to gmina with capital of Kazimierza Wielka, well known local city as an industrial and service centre for the region. In the same time it is also known as a city with highest water price in the Swietokrzyskie region. New water supply system will significantly enter new business opportunity to serve the entire region and improve the living standards in that area., limit unemployment rate and increase society health. The region covered by this project is located only 40 km from Krakow and less than 70 km from Slask agglomeration. Because of such location it is a major supplier of goods and...
services for the needs of mentioned cities. Such assets like spa waters and unpolluted area (main problem at Slask) are the main reason for growing in number population of new comers interested in building their homes in one of the Associated gminas. Such a migration is planned to be used as a one of the main springs for future development. Despite growing population of middle class its is seen as a new opportunity for development of services required by such group. It is obvious that without proper drinking water supply such development plan can not be implemented. New investment declarations (new sanatoriums), growing number of applicants for home construction sites for middle class from Kraków and Slask were the major arguments in decision making process concerning new WPP. This should create the solid base for development of new job positions, new SME’s and other economic and social development opportunities indicated in the immediate objectives and results of this project.

3.2. Linked activities:
The Project is a continuation of the Phare project entitled “NIDA 2000 - production of altitude and situation plans and the concept of water supply for the Nowy Korczyn regional water system”. Under it, surveying base maps were drawn up for gminas scheduled to be provided with water supply facilities and a conceptual programme for water mains was among items prepared. The project was implemented in 1997-98. The present proposal would also continue a Phare project on the construction of the River Nida water intake, for the gminas of Stary Korczyn and Nowy Korczyn. The project was put into effect in June 2000. The entire system for furnishing individual gminas with water mains (i.e. pipe sections, directions of water distribution and retention tanks) so far introduced is aimed at eventual connection to a common water intake on the Nida River and the WPP scheduled under this Project. Gminas associated in the union are running it own investment schemes to be connected to new WPP (Solec Zdrój, Koszyce).

3.3. Results:
Connection of 20,000 (57% of the gminas population) inhabitants of gminas Nowy Korczyn, Bejsce, Kazimierza Wielka to high quality potable water ensuring compliance with the directive 98/83/EC on drinking water; Creation of 30 new SME’s, 10 new investments based on therapeutic wells; Creation 350 new jobs; 15 new job positions at Water Purification Plant; Up to 250 SME’s supplied with high quality water; Increase the length of water supply system by 25 km; Ensuring conditions for connecting up to 70,000 inhabitants in future; Improvement quality of drinking water, and improvement of living standards for the inhabitants (decrease a number of illnesses related to water quality by 30%).

3.4. Outputs:
Water Purification Plant of the capacity 6000 cu.m/day; Main pipe of Water supply system of 25 km.

3.5. Inputs:
Sup-project No. 1: WPP of capacity 6000 m³/day, supplied via the newly constructed bank water intake on the River Nida.
Sub-project No. 2: Mains of water supply system from the WPP to the existing water systems in the gminas of Nowy Korczyn, Bejsce, and Kazimierza Wielka, of total length 25 km.
7.10 million EUR would be needed (for two sub-projects) to construct the WPP and the mains of water supply, including the costs of supervising engineer.

4. Institutional Framework
The Nowy Korczyn - NIDA 2000 regional water supply system has been brought into operation by the NIDA 2000 Association grouping nine gminas (Kazimierza Wielka, Bejsce, Koszyce, Opatowiec, Nowy Korczyn, Solec-Zdrój, Pacanów, Lubnice, Olesnica). The Association is now proceeding with the establishment of a management unit wholly owned by NIDA 2000 (via members of the management boards of the individual gminas), which will be responsible for contracting, investment management and operating it in future (employer and owner). Beneficiary of the investment will be gminas united in Association. An Engineer will be employed to supervise and manage the investment.

5. Budget, value in Euro

<table>
<thead>
<tr>
<th>Phare support</th>
<th>Investment</th>
<th>IB</th>
<th>Total Phare</th>
<th>National co-financing</th>
<th>IFIs</th>
<th>TOTAL</th>
</tr>
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<td>300 000</td>
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<td>Sub-project 1</td>
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<td>1 050 000</td>
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<td>4 350 000</td>
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<tr>
<td>Sub-project 2</td>
<td>1 220 000</td>
<td></td>
<td>1 220 000</td>
<td>1 230 000</td>
<td></td>
<td>2 450 000</td>
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<tr>
<td>Total</td>
<td>4 520 000</td>
<td></td>
<td>4 520 000</td>
<td>2 580 000</td>
<td></td>
<td>7 100 000</td>
</tr>
</tbody>
</table>
Project No. 1: Water Purification Plant. Project No. 2: Mains of Water Supply. Co-financing funds will be available.

6. Implementing 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 followed.

6.4. Contracts:
Total value of the project is 7 100 000 EURO, including Phare 4 520 000 EURO.
Two contracts for construction works will be concluded:
Contract No. 1: Water Treatment Plant 4 350 000 Euro, including 3 300 000 Euro from Phare
Contract No. 2: Nowy Korczyn and Kazimierza Wielka Water Supply Mains 2 450 000 Euro, including 1 220 000 Euro from Phare. Additionally the contract with Engineer which total value is 300 000 EUR financed by Polish side will be signed. According to the implementation schedule investment of Water Purification Plant and on water mains will start in different time and according to Association agreement water mains will be co-financed (by payments to the budget of the Association) by gminas involved that way it was decided to plan two independent contracts.

7. Implementation Schedule

7.1. Start of Tendering / Call for Proposals:
Sub-project No. 1: 30th January 2002
Sub-project No. 2: 30th September 2002

7.2. Start of Project Activity:
Sub-project No. 1: 1st April 2002
Sub-project No. 2: 1st January 2003

7.3. Project Completion:
Sub-project No. 1: 30th December 2003
Sub-project No. 2: 30th October 2003

8. Equal Opportunity

With reference to the nature of the immediate objectives, implementation of the Project with equal opportunities is indispensable in employing the highly-qualified technical staff allowing for continuity of production, and quality evaluation of the treated water. The issue of equal opportunities of employment shall be taken into account at each stage of project implementation.

9. Environment

For the investments to be implemented under this project, an Environmental Impact Assessment Study (in accordance to the EU directives 85/337 and 97/11) is available at the beneficiary’s office. Planned investment have been analysed from the point of view of the construction side and used technology and its impact on water, air, soil, acoustic and aesthetic aspects, etc. Planned process of works, machinery and materials are according to Polish regulation on construction and health safety as well as environmental aspects. Produced water will meet requirements of EU Directive 80/778 EEC and 98/83 EC and on drinking water for human consumption.

10. Rate of Return

The NIDA 2000 Association has “Investment Feasibility Study” on “NIDA 2000 regional water system” programme, available at the beneficiary’s office. According to this analysis planed under this project investment on Water Purification Plant of capacity 6000 cu. M/ day and 25 km of water supply pipe are feasible on economical as well as social aspects. Calculated indicators are as follows: NPV (5%) = 6 611 213,46 PLN. IRR = 7%. ENPV (5%) = 43 923 397,04 PLN. ERR = 16%. The water supply system will be partly subsidy by gminas, so financial rate of return is relatively low, but taking into account social benefits the project is quite profitable.
11. Investment Criteria
11.1. Catalytic Effect:
Phare support will be conducive to achieving economic and social cohesion goals in Swietokrzyskie voivodship; goals which could otherwise only be attained after a much more extended period and on a more modest and less efficient scale.

11.2. Co-financing:
The project is to be 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 its Size:
The project will be ready for contracting and disbursement, as the sub-projects will meet all conditions for co-financing by the start of project implementation. The feasibility studies and environmental impact assessments were updated before the end of 2000.

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, all maintenance costs related to investments will be covered by the beneficiaries

11.6. Compliance with State Aid Provisions:
All aspects of the project will be developed with respect to the state aid provisions of the European Agreement

11.7. Contribution to the Preliminary National Development Plan:
The project accords with the Preliminary National Development Plan and as such will contribute to the increased economic and social cohesion of the country and region

12. Conditionality and Sequencing
Co-funding of specific activities will be conditional on:
- co-financing of project by the beneficiary;
- maintaining timetable set in the programme;
- appropriate environmental impact assessments and feasibility studies conducted and accepted by the start of project implementation;
- obtaining building permission before the start of tendering;
- all tendering, contracting, reporting and monitoring conditions met;
- selecting contractor enable for proper realisation of works.

Benchmarks:
- Feasibility Study and Environmental Impact Assessment prepared in December 2000
- Preparation of tender documentation by December 2001 (sub-project 1) and July 2002 (sub-project 2)
- Beneficiary contracts project activities by April 2002 (sub-project 1) and January 2003 (sub-project 2).
- Works finished by December 2003 (sub-project 1) and October 2003 (sub-project 2).
## Annex 1: Logframe planning matrix for project

<table>
<thead>
<tr>
<th>Details</th>
<th>Date of drafting</th>
<th>December 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project number:</td>
<td>Project title: Constructing of Water Purification Plant for Ponidzie region</td>
<td>Budget, in total: 7.10 MEUR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Phare in total: 4.52 MEUR</td>
</tr>
<tr>
<td>Wider objective</td>
<td>Indicators of Achievement</td>
<td>Sources of information</td>
</tr>
<tr>
<td>To enhance economic and social cohesion of Swietokrzyskie voivodship through development of infrastructure related to natural environment protection.</td>
<td>Reducing unemployment</td>
<td>Central Statistical Office data, Support of Polish Government and funds institutions involved with environment protection</td>
</tr>
<tr>
<td>Immediate Objectives</td>
<td>Indicators of Achievement</td>
<td>Sources of information</td>
</tr>
<tr>
<td>• Creation conditions conducive to business investment and eliminate limitations resulting from the lack of potable water.</td>
<td>- increase of employment by 350</td>
<td>• Statistical data, • Unemployment office data</td>
</tr>
<tr>
<td>• Establishing possibilities for investing in non-agricultural businesses, particularly those based on rehabilitation using sulphur spring water,</td>
<td>• creation of small and medium-sized enterprises - 30 units</td>
<td>• Medical statistics • Sanitary and Veterinary Services</td>
</tr>
<tr>
<td>• Improving a health of the inhabitants</td>
<td>• 10 new investments related to therapeutic waters</td>
<td>• Environmental protection reports</td>
</tr>
<tr>
<td>Results/Outputs</td>
<td>Indicators of Achievement</td>
<td>Sources of information</td>
</tr>
<tr>
<td>• Connection of 20,000 inhabitants of gminas Nowy Korczyn, Bejsce, Kazimierza Wielka to high quality potable water supply.</td>
<td>• WPP of capacity 6000 cu.m/day</td>
<td>• Reports of the investments, • Water quality monitoring reports.</td>
</tr>
<tr>
<td>• Increase the length of water supply system by 25 km.</td>
<td>• Main water supply pipe of 25 km,</td>
<td></td>
</tr>
<tr>
<td>• Ensuring conditions for connecting up to 70,000 inhabitants in future.</td>
<td>• 20 000 inhabitants (57% of the gminas population) using supplied water</td>
<td></td>
</tr>
<tr>
<td>• Improvement quality of drinking water and improvement of living standards</td>
<td>• 15 new jobs at WPP</td>
<td></td>
</tr>
<tr>
<td>• WPP capacity of 6,000 m3/day.</td>
<td>• up to 250 SME’s supplied with high quality water</td>
<td></td>
</tr>
<tr>
<td>Activities/Inputs</td>
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<td></td>
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</table>

Construction of WPP with capacity 6000 m³/day: 4,350,000.00 Euro
Construction of 25 km water mains for 2,450,000 Euro
Total value of the project is 7,100,000 Euro, including 4,520,000 Euro from Phare

PL01.06.07.04 Water purification plant Ponidzie – p.5
## Annex 2-4: Cumulative implementation, contracting and disbursement schedule

**Constructing a Water Purification Plant for Ponidzie region**

**Planning period:** 2002 – 2004

| Date of drafting: | Dec.2000 |

### Budget Allocation

<table>
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<tr>
<th>Cost Estimate (in MEURO)</th>
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<thead>
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### Implementation schedule

- D = design of sub-project
- C = tendering and contracting
- I = contact implementation and payment

<table>
<thead>
<tr>
<th>Implementatio n schedule</th>
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<td>Disbursement schedule</td>
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<td>1.22</td>
<td>1.82</td>
<td>2.82</td>
<td>3.82</td>
<td>4.52</td>
</tr>
</tbody>
</table>

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

The subject of this production is an environmental impact of the designed water purification plant (WPP) uptaking water from Nida River 6,000 m$^3$/d, to supply the demand of Nowy Korczyn - Nida 2000 Regional Water Supply Main. The investor for the project thereto is NIDA 2000 Inter-communal Association with its seat in Solec Zdrój. The Nida 2000 Association has been funded to supply potable water for the inhabitants of eight communes located within Nowy Korczyn area.

The proposed WPP is located on right bank of Nida River on the section running between Stary and Nowy Korczyn. The distance from Wisła Riverbed is some 1.5 km North-East. A levee crosses the location of proposed area in its North part, with a base width of some 15 m the lot is flat with minor local inclinations. On the location, in its North - East part in recent years a water intake was established situated immediately by riverside, i.e. at North side outside the levee.

There is existing access road to the location site by an unpaved road from Stary Korczyn side. In the area of proposed WPP location the site is not developed and without trees. Trees are found in immediate vicinity of the river. The areas at South and East side of the location are cultivable lands and belong to private owners.

The access road services both WPP and water intake. The location of access road from a levee side is justified with a need of obtaining a free non-developed space within flood protecting plants (a 50.0 m wide strip) according to specific regulations.

Arrangement of the building structures within the lot, particularly their order, is determinate with process operation requirements related with water purification process, beginning from the river intake and ending with purified water reservoirs. The development issues, including location within Nadnidzianska Landscape Zone, also have essential influence on spatial arrangement. Due to proximity of the levee, principal routes of underground pipelines are designed in North part of the lot. With regard to development conditions, the designed WPP architectonic form should meet specific spatial and functional requirements, in particular:

- process operation requirements defined in a branch production,
- adopting the development to soil and water conditions, including variable ground water level,
- allowance for specific spatial requirements related with the proximity of Nida River ecological environment.

Basic functional arrangement of the complex: main process building (MPB) and purified water reservoir (PWR) was designed in an axial lay-out along East - West line.

Surface water uptaken from Nida River features with small concentration of compounds that cause building up of sludge’s in reject water. In the WPP’s process operation, a coagulating agent of 30 mg/dm$^3$ of aluminium sulphate solution was designed. In simple terms, subsequent to hydrolysis aluminium sulphate shall be transferred to sludge’s in form of aluminium hydroxide together with absorbed organic compounds. Reject water collected in settling tank of usable volume of some 300 m$^3$ shall flow by a gravity to a 50 m$^3$ retention reservoir for reject water pumping station and then to Nida River by weirs. Concentration of impurities in reject water shall not exceed maximum permissible contaminant indicator values prescribed for sewage discharged to soil and water in Appendix No. 2 to the Regulation of the Minister of Environment Protection, Natural Resources and Forestry dated 5th November 1991 on the classification of water and conditions to be met by sewage discharged to waters and soil (Official Legislation Gazette No. 116, paragraph 503).

The designed Nowy Korczyn - Nida 2000 WPP process operation is an optimum one and complies with the provisions of UE and Polish regulations on using surface waters for potable water supply.

The production has been developed basing the following legal acts:

- the Council Directive No. 85/337/EC dated 27th June 1985 on evaluating the environmental effects of some public and private undertakings,

As appears from the detail analysis of impact of the designed WPP on surface waters, earth, ambient air, noise and landscape, the designed project shall not impact the specified environment components in a harmful manner.
Annex 5.2 Feasibility study – executive summary

1. Project Description
The project under discussion in the present study consists in the construction of a water purification plant (WPP) at the existing intake on the Nida river. The WPP – following the completion of the project – shall supply water to the municipalities of Nowy Korczyn, Bejsce, Kazimierza Wielka, Sołec Zdrój, Koszyce, Opatowiec. The purification plant has been designed and shall be implemented in a modular manner. The project assumes the construction of the WPP module of 6,000 m³/24 hours’ capacity. The implementation of the WPP modules shall enable the successive inclusion of subsequent customers and the prospective reaching – following the connection of all the municipalities – of the intake and WPP capacity of up to 22,500 m³/24 hours. The above assumptions are based on the prepared concept of the area under discussion being connected to the water main, and have been the subject of a complex feasibility study. Parallel to the WPP construction, the "NIDA 2000" regional water main shall be constructed to supply water to the municipalities of the above-mentioned Association.

2. Project Objectives, Results and Products
The objective of the project is the creation of the conditions for social and economic development as well as the elimination of limitations resulting from the scarcity of drinking water. This objective shall be realised through a complex solution to the water supply problem concerning over 20 thousand inhabitants of the above-mentioned municipality members of the Association.

The project economic analysis demonstrates that the project implementation shall bring about the following results, in its direct impact on the region:

⇒ Within 5 years of the project completion, the number of SME sector businesses shall increase by 4%. It has been assumed that during that period of time at least 30 new SME businesses will have been established.

⇒ By the year 2008, 350 new work places will have been created, including specialised (full-time) seasonal workers who will offer their services in sanatorium, medicinal and recreational fields.

⇒ 70% of foodstuff production businesses which utilise water for technological purposes shall improve their output quality.

⇒ Over 20,000 inhabitants of the four associated municipalities shall obtain good quality drinking and household water.

⇒ A decrease in the associated municipality inhabitants' contagious disease incidence rate, related to the drinking water quality, shall also be a long-term result.

Project implementation products shall be the following investment projects:
♦ the constructed WPP facility, fully equipped and mechanised to allow for the Nida water to be treated at 6,000 m³/24 hours;
♦ 25 km of the "NIDA 2000" regional water main transfer network, supplying the treated water to the municipalities members of the Association.

3. Documentation Arrangements
The feasibility study is based on the prepared concept of the WPP construction and implementation project. The documentation has been developed by Tech-San "STOLICA". The company has undertaken to develop the complete project documentation of the WPP construction by the second quarter of the year 2001, in accordance with the contract concluded with the Investor.

4. Investment Costs
The cost of the entire project will amount to EURO 7,100,000 including:
Engineering supervision cost for the project – (EURO 300,000)
WPP construction cost will amount to – EURO 4,350,000
Water main construction cost – EURO 2,450,000

5. Results of Conducted Analyses
The realisation of the planned project within 5 years shall result in the following:

1) The establishment of 30 new SME businesses in the region, which will generate ca. 350 new work places.
2) Supplying the inhabitants of the four municipalities (directly within the scope of the project) with good quality water, as well as the creation of favourable conditions for further construction of water mains.
3) The most significant economic efficiency ratios for the investment project as well as the project's impact on the region's social and economic developments, these being:
   ➢ (NPV (5%) = PLN 6,611,213.46) – net financial discounted (present) value
The positive NPV, at the assumed discount rate of 5 %, has a positive value, which signifies that - as a result - the project will bring a flow of income, which shall allow both to recover the initial outlay, to generate profits of the assumed volume (equal to the assumed discount rate) and provide a safety margin in the form of income surplus.

The ENPV and ERR figures testify to the social profitability of the investment project. Like in the cases of IRR and NPV, it may be stated that the social and economic benefits of the project at issue are due to exceed the costs.

4) Considering the above calculations, it is to be stated that the investment project at issue is effective, both in financial and social terms.

The feasibility study has been conducted in accordance with Polish regulations, including – among others – building law, legal regulations pertaining to environmental protection, water law, Municipal Self-Government Act, Public Finances Act, the Civil Code and the Commercial Code.

The study has been based on the EU legal regulations pertaining to the preparation of feasibility studies and financial analyses for infrastructural investment projects as well as project implementation procedures with the Phare fund co-financing.