1. Basic Information
1.1. CRIS Number: 2002/000-580-06.17
1.2. Title: Malopolskie - Economic development Brzesko
1.3. Sector: ESC
1.4. Location: Poland, the Malopolskie Voivodship, Brzesko gmina

2. Objectives
2.1. Overall Objective:
Increase in the social and economic cohesion of the Malopolskie Voivodship by the creation of conditions for development of entrepreneurship.

2.2. Project purpose/ Immediate objective(s):
- increasing the investment attractiveness of the region
- improving the conditions for SMEs’ activities;
- Improvement of environmental conditions

2.3. Accession Partnership and NPAA priorities
The project is designed to address issues related to the AP priority in economic and social cohesion policy related to the preparation for the implementation of regional programmes and Community Initiatives. The project in particular responds to the economic criterion identified in the AP concerning improving the competitiveness of the Polish economy. The project corresponds also to the NPAA priority “Regional policy and co-ordination of structural instruments”

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.
The project is compliant with the priorities of the Operational Programme of the Malopolskie Voivodship.

2.5. Cross-Border Impact: N/A

3. Description
3.1. Background and justification
The Brzesko Gmina is located in the central part of intensive economic development zone. It covers an area of 102.6 km², with a population of 35 thousand inhabitants. The attractiveness of this gmina as a place to live has been proved by the positive migration balance observed here for several years.
The structure of industry was dominated by “large – scale industry” employed the majority of the gmina inhabitants. Together with cutbacks in large companies occurring due to the restructuring processes, an increase in unemployment is observed (the unemployment rate in the years 1999-2001 increased from 12.7% to 15.9%).
At the same time an increase of the economic activity of the inhabitants of Brzesko is observed. During the past 3 years the number of businesses has increased by 19%, which confirm the favourable investment conditions of this area.
New business entities are mainly located in the urbanised part of Brzesko Gmina on its north. Presently a need for the areas prepared for the new investment, equipped with infrastructure has been observed. Therefore to keep the economic development level, the gmina must stimulate other areas to allow the continuation of the growth in the number of business enterprises and to reduce unemployment. Such areas are located in the southern part of the city. Brzesko Gmina in order to encourage its development has built a by-pass and a sewage treatment plant so far. The favourable investment conditions in the southern part of Brzesko are confirmed by the location of the Okocim Brewery, being the most important company in the city, and of approx. 50 SMEs on this area (trade, production, transport, construction, and tourist companies). The most significant of them include: Chemiplast, Mark1, Prokom,
Fabryka Baniek – Northstar (Northstar Christmas Ball Plant), Ceramik – Nowy Sacz branch, Koba, Olimp, Myjnia, Ekspozycja i Handel Stolarka, Eurogum, Auto- Gaz, Bank Spółdzielczy and others.

Therefore, Gmina of Brzesko has decided to develop the existing economic zone by next 30 ha that will be an object of the current Project. This area is located at the crossing of main transport routes in the direction East – West (international road No 4, Kraków – Przemysl), and North – South (the road Kielce – Nowy Sacz). The area is crossed by the planned A4 Motorway with a communication node:
- exit to Brzesko,
- exit to the road in the southern direction – Slovakia
- exit to the road in the northern direction Kielce – Warszawa

The Project comprises the areas earmarked in the Gmina Urban Development Plan for economic activity. The project implementation will allow to diminish the shortage of investment caused by the lack of sewerage system for 95 hectares of investment areas located at 4 sites (with areas of 22.12 hectares, 12.50 hectares, 3 hectares and 57.50 hectares respectively) Each of the sites comprises areas with investments already carried out (total of 65 hectares) and new areas (total of 30 hectares, including 12.82 hectares belonging to the gmina) that will be made available for investment. The structure of ownership is varied, the areas are owned by the gmina, companies and persons. The areas on which the investment will be carried out are urban and rural areas with low class of soil. They are fitted with full technical infrastructure, except for sanitary sewage system. Therefore it is necessary to build the main network system, linking the new investment areas with the sewage treatment plant. The improvement of the investment attractiveness will be facilitated by the creation of a network of good local roads having access to the main communication routes. It will comprise the construction of the new road and the modernisation the existing ones (by their broadening and strengthening of the pavement and curves). Fees for using facilities are set every year by the local government and are the same for all entities operating in the gmina. There is a lot of interest among investors for the area belonging to the gmina. This land will be leased to the investors. Funds obtained in this way will contribute to the gmina budget. As many as 35 companies have already declared interest in running an activity on the area.

Moreover, the Project will contribute also to the development of the already existing economic zone on the south. Companies located there discharge their sewage to the old sewage pumping station, or to their own cesspools. The sewage pumping station due to its poor technical conditions is planned to be close down. This causes a danger to the further functioning of companies using the sewage pumping station, and it is also the reason for environmental pollution due to leaky cesspools. Sewage from the existing and planned investments on this area will be discharged to the existing sewage treatment plants via the sewage pumping plant built in 1998. Thanks to the planned main sewage network under the Project, linking the new economic zone with the sewage treatment plant, there will be possibility to increase the utilisation of this sewage pumping plant from 12% to 75%.

Creating new business entities and broadening the scope of activity of the existing ones will create opportunities for establishing new work-places not only for the inhabitants of the gmina, but will also be a chance for the people from surrounding areas. It is thus necessary to build the technical infrastructure: sewer system, local road network connected to the regional and local road systems.

Thanks to sanitary regulations, the Project implementation will not only stimulate the creation of new work places. It will allow the existing companies threatened with the consequences resulting from not complying with the existing regulations to continue their activity.

The implementation of the project will also have a favorable influence on the maintenance and improvement of the condition of the natural environment through the improvement of the water purity of the Uszwica River. The river has particular economic importance resulting from the fact that it is the main source of water for business entities on this area (good quality of water conditions the production by the Okocim Brewery that employs approx. 1,000
employees, Fabryka Naczyn Blaszanych, a producer of cans for the brewery employs 1,500 employees.

3.2. Linked Activities
For several years, the Gmina has been working on the implementation of the technical infrastructure. In 2001, a new waste treatment plant in Sterkowiec Zajazd was opened, working for the northern part of the Brzesko gmina. Currently, the Gmina plans to spend significant funds on furnishing the new investment areas with the necessary technical infrastructure, relating to the construction of a sewerage system.

The activities aimed at improving the communication accessibility:
- In 2001 a bypass of Brzesko was opened, resulted in the activation of the surrounding areas, especially next to its exit to Kraków.
- The project of modernisation of the surface of the A4 road, Kraków – Tarnów is implemented within the ISPA programme.
- The project for the Construction of a Road Bridge over the Vistula River in Górka that will result in communication accessibility of the route Nowy Sacz – Kielce is implemented within the Regional Contract.

3.3. Results
- 30 ha of new land developed for investment by SMEs, ca. 65 ha already used by businesses that will obtain the possibility to be connected to the sewerage system;
- Increased length of the sewerage system network by 45 km;
- Providing 70% of the southern part of the gmina with the sewerage system;
- Increase in the capacity of local roads, facilitation of access to service zones - the construction of ca. 0.5 km new access roads along with the construction of entrance and exit lanes at main roads and the modernisation of ca. 5 km of local roads.

3.4. Activities
-- Construction of 45 km of sewage network and pumping stations;
- Construction of ca. 0.5 km new access roads along with entrance lanes and modernisation of ca. 5 km local roads;

4. Institutional Framework
4.1. The beneficiary of the project will be the Brzesko Gmina

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 Brzesko Gmina

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>Investment support</th>
<th>Institution Building</th>
<th>Total Phare</th>
<th>National Co-financing</th>
<th>International financial institutions</th>
<th>TOTAL</th>
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<tr>
<td>Project</td>
<td>3,421</td>
<td>3,421</td>
<td>1,266</td>
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<td>4,687</td>
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<tr>
<td>TOTAL</td>
<td>3,421</td>
<td>3,421</td>
<td>1,266</td>
<td></td>
<td></td>
<td>4,687</td>
</tr>
</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 4,687 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0,140 MEUR. Co-financing will be available.
6. Implementation Arrangements

6.1. Implementation Agency
PAO: Ms Ewa Fryberg Undersecretary of State in the Ministry of Economy, Pl. Trzech Krzyzy 3/5, 00-507 Warsaw, Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95.

6.2. Twinning: N/A
6.3. Not-standard aspects: N/A

6.4. Contracts
Contract 1 (works): 4,547 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0,140 MEUR (financed from Polish funds only)

7. Implementation Schedule
7.1 Start of tendering / call for proposals: fourth quarter 2002
7.2 Start of project activity: second quarter 2003
7.3 Project completion: third quarter 2005

8. Equal Opportunities:
Procedures related to the implementation of the project will be performed according to the law and will respect equal opportunities for all interested institutions and natural persons in spite of their sex, race and nationality. The employment of men and women will be based on applicable EU standards with reference to EOE (Equal Opportunity of Employment), which will be announced in official press advertisements during the recruitment procedures.

9. Environmental impact:
Environmental Impact Assessments for the project have been produced by “EKO-LEX” pursuant to the requirements of the Polish and European Union laws (Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment).
The Environmental Impact Report is available at the headquarters of the beneficiary.
The analysis has proved as follow:
- The phase of investment implementation would potentially impact the environment by the construction works.
- The adopted designs regarding technology of the construction and technical devices protecting a collector assure no influence of the investment on the environment and human’s health during operation of the collector.
- During the operation of the sewage system would appear waste products – 5 m$^3$ per year.
- It has not been proved that there are any negative effects on fauna and flora.
- There is no necessity to establish a restricted area around the construction regarding regulations of the environment protection law.
- The adopted design enable to limitate the possibility of the appearance of serious breakdowns and in case of any, to neutralize its effects.

10. Rates of return:
The feasibility study together with the financial and economic analyses has been conducted by “EKO-LEX”.
The feasibility study is available at the headquarters of the beneficiary.
The results of the financial and economic analysis:
- For the analysis the cost of capital on the level of 8% was assumed (the percentage represents the rate of return of 10-years state bonds with a fixed interests;
- IRR-15.5 %; NPV$(8\%) = 2.511$ million zl.
  - NPV$(5\%) = 4.385$ million zl; NPV$(10\%) = 1.602$ million zl; NPV$(15\%) = 102$ thousand zl
- Period of return – 8 years;
- Period of forecast: 2003 – 2018;
- The 15-years period of detailed forecast has been taken due to the period of realisation of investment (3 years) and a long useful life of constructed tangible assets.

\[
\text{Coefficients} \quad \text{ERR} = 34.1\%
\]

\[
\begin{array}{l}
\text{ENPV}_{(5\%)} \quad - \quad 9,473 \text{ million zl}; \\
\text{ENPV}_{(8\%)} \quad - \quad 6,792 \text{ million zl}; \\
\text{ENPV}_{(10\%)} \quad - \quad 5,453 \text{ million zl}; \\
\text{ENPV}_{(15\%)} \quad - \quad 3,136 \text{ million zl}
\end{array}
\]

11. Investment Criteria.

11.1. Catalytic Effect
The Phare support will be conducive to achieving economic and social cohesion goals in Malopolskie 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 27 % 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 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 Malopolskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Gmina of Brzesko

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

12. Conditionality and Sequencing
Conditionalties and Assumptions:
- Implementation of other elements of the Voivodship development strategy, and especially creation of convenient conditions for SME operation; active marketing of the area’s attractiveness
- Stability of the region’s economy
- Lack of uncontrolled waste disposal
- Implementation of other tasks in the area of waste management in the Vistula Basin
- Environmental cooperation of SMEs and inhabitants (e.g. construction of sewer connections by all waste-producing units)
- Obtaining of Phare ESC funds
- Timely and reliable execution of works

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

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

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR:</th>
<th>Programme name and number</th>
<th>PHARE 2002 ESC</th>
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<tbody>
<tr>
<td><strong>06.17 Malopolskie - Economic development Brzesko</strong></td>
<td><strong>Contracting period expires 30/11/04</strong></td>
<td><strong>Disbursement period expires 30/11/05</strong></td>
</tr>
<tr>
<td><strong>Overall objective</strong></td>
<td><strong>Objectively verifiable indicators</strong></td>
<td><strong>Sources of verification</strong></td>
</tr>
<tr>
<td>- Increase in the social and economic cohesion of the Malopolskie Voivodeship through creation of conditions for SME development</td>
<td>- Decrease in regional unemployment rate</td>
<td>- Report of the Voivodeship Self-Government Authorities based on GUS (Central Statistical Office) and WUS (Voivodeship Statistical Office) Statistics, and analyses made 5 years after Project completion</td>
</tr>
<tr>
<td>Project purpose (Immediate Objective)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Increasing the investment attractiveness of the region</td>
<td>- Creation of 70 new and development of 50 existing enterprises</td>
<td>- Report by the Brzesko Gmina made 2 years after Project completion, based on the data from: REGON, Gmina Office, WUS, Poviat Starost, qualitative surveys, WIOS w in Cracow.</td>
</tr>
<tr>
<td>- Improving the conditions for SMEs’ activities;</td>
<td>- 280 sustainable new work-places</td>
<td>- Implementation of other elements of the Voivodeship development strategy, and especially creation of convenient conditions for SME operation</td>
</tr>
<tr>
<td>- Improvement of environmental conditions</td>
<td>- Improvement of water quality from Class II to Class I</td>
<td>- Stability of the region’s economy</td>
</tr>
<tr>
<td>Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Developed land for SME investments</td>
<td>- 30 ha of new land developed for investment by SMEs, ca. 65 ha already used by businesses that will obtain the possibility to be connected to the sewerage system</td>
<td>- Active marketing of the area’s attractiveness</td>
</tr>
<tr>
<td>- Increased length of sewerage system network</td>
<td>- Construction of 45 km of sewerage system network</td>
<td>- Development of activities supporting SMEs at gmina level</td>
</tr>
<tr>
<td>- Decrease in quantities of untreated waste</td>
<td>- Providing 70% of the southern part of the gmina with the sewerage system</td>
<td>- Environmental cooperation of SMEs and inhabitants (e.g. construction of sewer connections by all waste-producing units)</td>
</tr>
<tr>
<td>- Increase in the capacity of local roads, facilitation of access to service zones</td>
<td>- Construction of ca. 0.5 km new access roads along with entrance lanes and modernisation of ca. 5 km local roads</td>
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<tr>
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<tr>
<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
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<tr>
<td>- Construction of 45 km of sewage network and pumping stations</td>
<td>One contract for construction-and-assembly works</td>
<td>- Obtaining of Phare ESC funds</td>
</tr>
<tr>
<td>- Construction of ca. 0.5 km new access roads along with entrance lanes and modernisation of ca. 5 km local roads</td>
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<td>- Timely and reliable execution of works</td>
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<tr>
<td>Preconditions</td>
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Annex 2-3: Implementation, contracting and disbursement schedules

06.17 Malopolskie - Economic development Brzesko

<table>
<thead>
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<th>Date of drafting</th>
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<td>Implementation schedule</td>
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<td>C/I</td>
<td>I</td>
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<tr>
<td>Disbursement schedule *</td>
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</table>

Legend:
D = design of sub-projects
C = tendering and contracting
I = contract implementation and payment
* amounts in EUR millions, cumulative