1 BASIC INFORMATION
1.1. CRIS number: 2002/000-580-06.20
1.2. Title: Podkarpackie - Tourism and SME development Zagórz
1.3. Sector: ESC
1.4. Location: Poland, Podkarpackie voivodship, Sanok poviat, Zagórz gmina, town of Zagórz

2 OBJECTIVES
2.1. Overall objectives
Improvement of investment and tourism attractiveness through construction of environmental protection infrastructure.

2.2. Project Purpose (Immediate objectives)
1. Stimulation of creation of new SMEs entities
2. Attracting new investments in tourism infrastructure

2.3. Accession Partnership and NPAA priority
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 responds in particular to the economic criterion identified in the AP concerning improving the competitiveness of the Polish economy and upgrading of skills in particular in eastern border regions. The project corresponds also to the NPAA priority "Regional policy and co-ordination of structural instruments".

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 of and modernisation of infrastructure serving to strengthen competitiveness of regions.
Project is compatible with the priorities of The Operational Program for the Podkarpackie Voivodship.

2.5. Cross border impact: N/A

3 DESCRIPTION
3.1. Background and justification
The Gmina of Zagórz (13,000 inhabitants) is located in the south-east of Podkarpackie Voivodship. Through the gmina runs the geographical border between the Bieszczady and Lower Beskid Mountains (along Oslawa river), and the town of Zagórz is an entrance gate into the Bieszczady Mountains. Zagórz is visited by around 100,000 tourists from Poland, Ukraine and Slovakia every year. Bieszczady region due to its unique natural and landscape advantages (e.g. Bieszczady National Park, which is on the UNESCO biosphere reservation list) is one of the most attractive areas for tourists. Bieszczady region borders with Ukraine and Slovakia. In Zagórz there is a crossing of the main railway lines and roads leading to these countries, which is one of the assets of the town. Zagórz is well known for its historical monuments especially for ruins of the cloister – fortified fortress of Carmelite monks.

Podkarpackie voivodship is underdeveloped and threatened by structural unemployment. Its south-eastern part, including Zagórz gmina, is at the moment in a difficult socio-economic condition. This is demonstrated by all development indicators in comparison with the average values of these indicators for Podkarpackie voivodship (high unemployment rate at 20%, level of living standards lower than average and the lowest number of SME enterprises per 1,000 inhabitants). At the same time together with Lesko and Ustrzyki Dolne, Zagórz is one of the largest socio-economic centres in this part of the voivodship. At the beginning of nineties the Company “Zaslaw”, producing trailers and employing 2,500 people was in operation. The difficult restructuring process has lead to creation of 16 new firms in place and with the infrastructure of the former “Zaslaw” Company. The new companies employ from several to two hundred people. In total there are 700 people working here, which makes the area one of the largest industry centres in south-eastern part of the voivodship.

Zagórz, apart from sewerage collection and treatment infrastructure, is relatively well equipped with other technical infrastructure. In the area of direct project influence there are 57 ha of spare grounds
for investments and 20,000 m² of spare production area. The gmina of Zagórz owns 27 ha of the investment grounds and 1,500 m² of the production area. They are prepared for sale.

The main barrier to development of the region and described above 3 neighbouring zones is lack of a sewage treatment plant and a sewage collection system infrastructure in the Zagórz region, which is the major factor lowering significantly competitiveness and investment attractiveness of the town and gmina. The town of Zagórz is the only one in the voivodship which does not have the sewage treatment plant and the sewage system infrastructure. The implementation of the project will strengthen the process of development of industrial centre in Zagórz enabling creation of 15 new SME’s on the bases of existing resources within the areas proposed for development. In Zagórz up to now 20 new firms were established including companies with investors from the European Union. At present lack of the proper sewage collection and treatment infrastructure has brought about economic stagnation and escape of prospective investors.

Additionally project implementation will stimulate development of tourism industry in this one of the most attractive regions of Poland, both for national and international tourists. The project will help protect from pollution the upper San and Oslawa rivers and further water supplies for Sanok town and for Sanok and Zagórz poviat. It will be also an important element of protection of the underground water sources.

Project implementation will lead to:
1. Keeping of existing jobs in the region,
2. Creation of around 100 additional jobs places in the existing firms,
3. Creation of around 15 new SMEs, which will employ around 100 people,
4. Decrease of natural environment pollution, which is the key factor for the tourism development in Bieszczady.

### 3.2. Linked activities

Under the Phare INRED Programme the following projects were implemented “Building the sewage system network together with the sewage treatment plant for the Komncza town” with total budget 619,797 EUR and the grant from Phare 55,162 EUR and a second project “The network of sewage system network in Dlugie town, Zarszyn gmina” with total budget 182,960 EUR and the grant from Phare 91,480 EUR.

Under the Local Grant Scheme from Phare 99 the following project is under construction “Sewage system network for Komancza village – II stage” with total budget 886,344 EUR and the Phare grant 192,042 EUR.

In December 2001 the Town and Gmina Lesko started to built the sewage treatment plant for Lesko town using the financial sources from National Found for Environmental Protection and the Water Management (NFOSiGW) with total budget 7,000,000 PLN.

### 3.3. Results

1. Investment area of 57 hectares equipped with sewage connected to STP.
2. New sewage treatment plant for the town and gmina Zagórz with ultimate capacity of 1,300 m³ per day.
3. The sewage network for the northern part of Zagórz with the length of 13.1 km, and 2 pump stations.
4. Improvement of the cleanliness of the water discharged to the Oslawa river

### 3.4. Activities

Project covers building the sewage treatment plant in Zagórz and the sewage system network for the northern part of the town.

It is planed to build the sewage treatment plant using the reinforced concrete technology. The plant is planed for its ultimate capacity of 1,300 cubic metres per day. It will be a mechanical and biological sewage treatment plant with the active sediment and with removal of the biogenic compounds. The proposed project will include two treatment lines 650 cubic metres per day each. The technical documentation includes a technical solution which will allow to add two new treatment lines with the same parameters (for the future needs), but they will not be done under this project.

The main buildings of the sewage treatment plant will be:
1) Sewage pumping station - the reinforced concrete chamber with size of 2.1 x 5.74 metres.
2) Sand separator - the reinforced concrete 2 x 2 metres.
3) Bio-rector, with intake levelling tank of the capacity of 243 cubic metres, phosphate stripping tank with the capacity of 45 cubic metres, nitrate stripping chambers with capacity of 85 cubic metres and 476 cubic metres, the secondary sedimentation tank with the area of 46 square metres, and the storage tank –of the sediment condensate.

4) Sewage tanker discharge point

5) Storage of the dewatered sludge.

6) Grit storage

7) The technical building (one l storey, size of 39 x 6 m), which will include: the blowers chamber, the station of the sediment dewatering, the electric power distribution, the room for the electric generator, the social and sanitary room, the small site workshop, with store and the gas heaters room.

The system of sewage network covers the northern part of Zagórz town. It will be constructed using PCV pipes, only parts with excessive slopes will be constructed with PE pipes.

The sewage network will be gravitational except of limited section where the pump station and the pressure sewage system will be applied.

The scope of the gravitational sewage network is as follow:
- ∅ 0.200 m - 9.9 km,
- ∅ 0.250 m - 0.8 km,
- ∅ 0.400 m - 0.6 km,
- ∅ 0.150 m (connections) - 1.1 km,
- manholes and inspection chambers 573 units,
- the connection chambers - 48 units.

The scope of the pressure sewage network are 2 pressurised pipelines ∅ 0.090 m with the length of 0.7 km with two pumping stations.

The project will be implemented under one works contract with contractor selected in the international tender procedure.

4 Institutional framework

4.1. The beneficiary of the project will be Zagórz Gmina

4.2. The Engineer/Project Manager of the project will be appointed through a tender procedure according to the Public Procurement Law

4.3. The owner of the facilities after project implementation will be Zagórz Gmina.

4.4. The project will be implemented according to the Decentralised Implementation System (DIS) as set out in “Practical guide for Phare, ISPA and SAPARD contract procedures”.

4.5. The implementation of the project will not lead to any changes of the institutional framework described above.

5 Budget in MEUR

<table>
<thead>
<tr>
<th></th>
<th>Phare Support</th>
<th>National co-financing</th>
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<td>2.150</td>
<td>0 2.150</td>
<td>0.736</td>
<td>2.886</td>
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</table>

The overall value of the investment including employment of the Project Manager will be 2.886 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0.083 MEUR. Co-financing will be available.

6 Implementation arrangements

6.1. Implementing Agency

PAO: Ms. Ewa Freyberg Undersecretary of State in the Ministry of Economy,
Pl. Trzech Krzyzy 3/5, 00-507 Warsaw,
Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95.
Implementing Agency: Implementing Authority for Phare Cross Border Co-operation Programme Krucza 36 street, 00-522 Warsaw, Poland phone +48 22 695 99 10-11,

6.2. Twinning: N/A

6.3. Non-standard aspects: N/A

6.4. Contracts

Contract 1 (works): 2,803 MEUR (including Phare funds) - joint co-financing

Contract 2 (Engineer): 0,083MEUR (financed from Polish funds only)

7 Implementing schedule

7.1. Start of tendering / call for proposals
1st quarter 2003

7.2. Start of project activity
3rd quarter 2003

7.3. Project completion
3rd quarter 2005

8 Equal opportunities

Procedures concerning the implementation of the project will be done according to the legal roles with the assurance of the equal opportunities for all institutions and people regardless of sex, race or nationality. The employment of man and woman will be based on the European Union standards used in the Equal Opportunities of Employment, and it will approved by the official announcement in local newspapers during the competition of employment of new workers.

9 Environmental impact

The report concerning environmental impact assessment of the project on the environment was prepared by: Mgr inż. Zygmunt Kaluza and Dr inż. Jan Szpakowski.

The report states that the planed project is environmental friendly, resulting in an improvement in the quality of surface and underground waters.

Planed sewage treatment plant will not exceed permitted levels for sewage concentration, air pollution, noise and outdoor.

The report was prepared in accordance with the Act of environmental protection (Dz. U. Nr 62, pos. 627) from the 27th April 2001 and the requirements of European Union, directive 85/337/EWG from 27 June 1985 superseded by directive 97/11/UE from 3 March 1997.

10 Rates of return

The feasibility study, which includes the economic and financial analysis, was done by the Rzeszow Regional Development Agency. The analysis of the feasibility study shows that project is effective, taking into consideration all the assumptions; the NPV (for 8% interest rate) was estimated at 743,110,00 PLN, ENPV at 2,608,770.00 PLN, FIRR 11% and the EIRR 15 %. All indicators show the efficiency of the investment. EIRR shows the real profit rate of the investment during its realisation and exploitation. The decision concerning starting of the investment will be taken on the base of positive result of economic analysis. The indicators showed above are much higher than those usually assumed for that kind investment, what shows that the investment is profitable.

11 Investment criteria

11.1 Catalytic effect

The Phare support will be crucial in achieving economic and social cohesion goals of the Podkarpackie voivodeship, 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 sources. The national contribution amounts to 25.5% 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
Project is ready for the realisation and expenditure according to the Phare 2002 programme and it possesses all the necessary technical documentation. The “Feasibility study” and the environment impact assessment of the investment are done. There are the decisions concerning “Conditions of constructions designs and valid building permission”. The land that will be used for the investment is in 100% owned by beneficiary. For the investment we have all necessary administrative permissions. The national financial sources were agreed by the resolution of the Management Board of Zagórz Town dated 24 January 2002 concerning the financial support for the investment called “Building the sewage treatment plant in Zagórz together with sewage system network” under Phare 2002 programme.

11.5 Sustainability

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

11.6 Compliance with state aids provisions

All aspects of the project will be developed with respect to the state aids provisions of the Europe Agreements.

12 Conditionality and sequencing

Achievement of the project objectives depends upon the following assumptions:

Realisation of all of the elements of the Regional development strategy for Podkarpackie Voivodship.

Realisation of all activities of the water and sewage economy in basin rivers of: Oslawa (sewage system in Komancza) upper San (sewage system in Lesko).

Active promotion of sub-region as a tourism and investment attractive spot.

Deadlines:

- Preparation of tender documents until 1st quarter 2003
- Signing the works contract until 3rd quarter 2003
- Completion of the contract until 3rd quarter 2005

Annexes:

1. Logframe matrix.
2-3. Implementation, contracting and disbursement schedule.
## LOGFRAME PLANNING MATRIX

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Phare ESC 2002</th>
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<td>Contracting period expires</td>
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<td>Disbursement period expires</td>
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<td>Total budget:</td>
<td>2.886 MEUR</td>
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<tr>
<td>Phare budget:</td>
<td>2.150 MEUR</td>
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</table>

### Overall objective
**Improvement of investment and tourism attractiveness, through construction of environmental protection infrastructure.**

**Objectively verifiable indicators:**
1. Increase in gmina’s income from tourism
2. Increase in the turnout of SME’s operating in the gmina of Zagórz

**Sources of verification:**
How: GUS and WUS statistics
When: 5 years after project completion
By whom: Marshal Office

### Project purpose (Immediate Objectives)

1. **Stimulation of creation of new SMEs entities**
2. **Attracting new investments in tourism infrastructure**

**Objectively verifiable indicators:**
1. Increase in new SMEs by 15 PCs.
2. New jobs created - 200 PCs
3. Increased hotel beds availability by 150 PCs.

**Sources of verification:**
How: data from WUS Zagórz Town and Gmina.
When: 2 years after completion of the project.
By whom: Beneficiary

**Assumptions:**
Realisation of all elements of the Regional development strategy for Podkarpackie Voivodeship.
Realisation of all activities of the water and sewage economy in basin rivers of: Oslawa (sewage system in Komancza) upper San (sewage system in Lesko).

### Results

1. **Investment area (57ha) equipped with sewage connected to STP.**
2. **New sewage treatment plant for Zagórz town and gmina**
3. **The sewage network for northern part of Zagórz together with two pump stations.**
4. **Improvement of the cleanliness of the water discharged to the Oslawa river**

**Objectively verifiable indicators:**
1. New STP 1,300 m³ per day capacity.
2. 2,450 m³ per day waste water cleaned up to parameters: BZT: 15 mg O₂ per litre, N₌: 15 mg N per litre, P₃: 1.5 mg P./litre.
3. Sewage system network of 13.1 km
4. Achievement of II class of water cleanness in upper San river

**Sources of verification:**
How: data from Zagórz Town and Gmina.
When: directly after the project completion.
By whom: Beneficiary

**Assumptions:**
Active promotion of sub-region as the tourism and investment attractive spot.

### Activities

**Sewage pumping station chamber size:**
- chamber size of 2.1x5.74 metres
- Sand separator - the reinforced concrete 2 x 2 metres
- Bio-rector, with intake levelling tank of 243 cubic m.
- Phosphate stripping tank capacity of 45 cubic metres
- Nitrate stripping chambers capacity of 85 cubic metres
- 476 cubic metres
- Secondary sedimentation tank storage tank - of the sediment condensate.
- The technical building (one I storey, size of 39 x 6 m): blowers chamber, sediment dewatering, electric power distribution, room for the electric generator, the social and sanitary room, the small site workshop, with store and the gas heaters room. The system of sewage network covers the northern part of Zagórz town. It will be constructed using PCV pipes, only parts with excessive slopes will be constructed with PE pipes.
- The sewage network will be gravitational except of limited section where the pump station and the pressure sewage system will be applied.

**Gravitational sewage network:**
- manholes and inspection chambers 573 units, the connection chambers - 48 units.

**Means:**
One contract for the construction and assembly works.

**Preconditions**
- The Resolution of Zagórz Town to implement the project.
Annex 2-3 Implementation, contracting and disbursement schedules

<table>
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Legend:
D = project preparation
C = adjudication by tender and contracting period
I = realisation of contracts and payment
* in MEUR increasing