1 – Basic information
1.1. CRIS number: 2002/000-580-06.34
1.2. Title: Zachodnio Pomorskie - SME development Bialogard
1.3. Sector: ESC
1.4. Location: Poland, Zachodniopomorskie voivodship, Bialogard.

2 - Objectives
2.1. Overall objectives:
• Increase in investment attractiveness of the town of Bialogard and the region through provision of water supply and access to sewage
• Increase in tourism attractiveness of Parseta river basin
2.2. Project purpose/immediate objective(s):
• Creation of favourable conditions for development of SMEs
• Increase in the number of participants at sports and cultural events in Bialogard region

2.3. Accession Partnership and NPAA priority
The project responds to the medium term priority identified in the AP: “Developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives”. It corresponds also with the NPAA priority "Regional and cohesion policy".

2.4. Contribution to the National Development Plan
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and counteracting marginalisation of certain areas”. The priorities of this axis will be implemented by means of several measures including development and modernisation of infrastructure serving to strengthen competitiveness of regions.

2.5. Cross Border Impact: N/A

3 – Description
3.1. Background and justification
Traditionally, the Bialogard town performed a function of a local trade and industrial centre in the region. In this economic branch, a great number of the town inhabitants found places of employment. However, economic transformation led to bankruptcy of a lot of trade and industrial firms in the town. Recently, it is observed a great rate of unemployment – estimates between 33 and 37%. Despite the problems with the transformation, the economy has been gradually adapting itself to the new economic conditions.

The project responds to the long-term plans of a town policy which have been focused on infrastructure preparation to the sustainable economic development /appendix „Strategy .....”/. Prior to this project the town was able to build a sewage-treatment plant and a great part of sewerage system in the town. These activities were realized owing to significant financial contribution obtained from the EU /STRUDER II programme/.

The economic development of the region is difficult when the elementary infrastructure conditions are not fulfilled. These conditions especially are: access to water and sewerage system. The lack of the water purification plant causes serious fluctuations in water supplies to the commercial users. This fact causes jeopardises the manufacturing process in many companies existing in the region and the town. It leads also to threat of employment and slows down the economic development.

Insufficient water and sewerage infrastructure makes difficult the sustainable economic development at the regional level. The lack of the provision of technical infrastructure causes obstacles to creation of new industrial companies. Due to the unreliable water supply and its inadequate quality, the economic development of the town and the region is significantly limited. Recently, the significant problems with water supply to the companies located in the town have just appeared /see letter in the attachments/. It makes difficult to maintain the existing in the town workplaces: As an example of the seriousness of the situation Switala International”, OSM, is closing down a big bottling plant due to the insufficient and unpredictable water supply.
The area, where the water purification plant is to be located, is equipped with the infrastructure necessary for this investment realisation.

The project realisation will allow creating 3 new firms in the town and 6 in the region. The planned investments in the town: two trade and service centres /the Kolobrzeska and Polczynska streets and the surrounding area of Asnyka and Dabrowszczakow streets/ and especially the company of ecofuel, demand greater amount of delivered water and its adequate quality in comparison with the quality which is offered recently. In the town is to be created a Business Incubator, whose general purpose is to create new workplaces for the unemployed through supporting for starting up and expanding of existing, small businesses. In the area of the Business Incubator, 40 new workplaces will be created. The setting up of another new firms depends also on this project realization.

The area, designed for 2 trade centres construction, is located next to a big housing estate. The company of ecofuel production is to be located in an industrial area of Bialogard. The building plot, where the company will be built, borders on a fuel warehouse, which possesses its own railway siding.

The areas under the 2 trade centres building and the company of ecofuel production are equipped with the infrastructure essential for the investment realisations.

The project will posses a significant influence on the improvement of the town investment attractiveness. It will improve as well conditions of functioning of existing companies, which owing to the project will be able to increase the production and employment. The project will allow forming new companies, which will create new work places. The realisation of large economic investments in the town could generate creation of further new firms. It will be created more profitable conditions for other potential investors. The planned setting up the new companies will lead to creation 175 new work places in the town /2 trade centres, ecofuel production, Switala International company/ and 120 new ones in the region /6 firms of pre-processing of raw material for ecofuel production/. It will influence positively on saving 100 existing workplaces /Switala International company, food industry/. The new firms created owing to the project implementation will be located in the industrial and service areas of the town. The project will allow to supplement the existing infrastructure in these areas.

Bialogard town has also great opportunities in development of specialist tourism connected with using the Parseta river basin virtues. The improvement of technical infrastructure will make possible the development of touristic initiatives especially in the specialist tourism branch which concerns, beside angling, also cycling, canoeing and hiking. The improvement of water quality will have a significant influence on the development of these disciplines. Within the Bialogard region, on the Parseta river, every year approx. 20 angling events take place /many at the interregional level/. Approx. 500 persons participate in these competitions. Besides, in the area of Bialogard and surroundings there are 20 other sports and cultural events at the regional, national and international levels. In these events, approx. 2 000 persons participate every year. The important element of these events is promotion of tourist virtues of the town and surroundings.

Recently, the tourist development meets many obstacles as follows: insufficient developed tourist infrastructure /catering industry, beds/, unsatisfactory condition of environment. It is assumed that the project realization will influence on elimination of these obstacles and will lead to the improvement of tourist virtues of the town and surroundings. It will cause also the increase in the number of participants of these events in the town and surroundings.

It is planned that the project realization will allow to increase in the number of employees in tourist service by approx. 50 persons, will influence positively on the participants’ number of tourist events by approx. 250 persons and sports and cultural events by approx. 300 persons.

The adequate level of provision of technical infrastructure in the areas designated for economic purposes and for tourist activities is a condition of sustainable economic development in the town and the region.

3.2. Linked activities

With connection with the water purification plant construction, a further activity will be realisation of water-pipe network with exchange of an old system (approx. 60 %). Every year the Company of Water Management and Water Sewage Disposal in Bialogard, does the exchange of the old water-pipe network and builds a new system /approx. 500 m/ by means of its own sources. As an example
the activities connected with pursuance of the sewer system in the area of Asnyka, Dabrowszczakow and nearby streets,
The construction of the mechanical and biological sewage-treatment plant (completed in 1998 was cofinanced by the PHARE CBC Programme with value of 1,179,859 PLN), modernisation of a main sewage intermediate pumping station P-3. The sewage-treatment plant possesses reserve for sewage reception from the areas non-canalised yet in the Bialogard area and the area of nearby 9 villages from the Bialogard County.
In 2000-2001 the following activities were performed concerned sewerage:
- Sewer system construction in the area of Krakowska street under the programme Phare Struder 2 (2.54 km of sewage network was done, completed in 2000). The total cost of the investment 630,448 PLN, within the Phare grant of 212,860.00 PLN,
- Building of a main sewer by Asnyka street - 328 running metres (total cost of 125,920 PLN – within the country budget 37,300 PLN), completed in 2000,
- Building of sewer system in the area of Chopina street - 843 metres (total cost of 275,300 PLN within the country budget 180,000 PLN), completed in 2001.

3.3. Results:
After the investment completion the following areas equipped with purified water supply and sewage will be available to investors
• in the town itself – 5.9 ha,
• outside of the town for industrial use: 93.39 ha and services: 26.50 ha
• new water purification plant with water intake for the Bialogard town with capacity of up to 414 m³/h,
• sewage system in the area of Asnyka, Dabrowszczakow and nearby streets approx. 4300m long
These results will help with arrangement of water management and sewage disposal in Bialogard.

Implementation of the project will promote achievement of the following goals:
- Creation of the Business Incubator,
- Securing of approx. 100 existing workplaces,

3.4. Activities:
The project embraces following activities:
1. Construction of the water purification plant with the water intake -
Phase I embraces realization of following buildings and installations:
• Technological building;
• Technology of the water purification plant;
• Power building;
• Reaction tank;
• Clean water tank;
• Sedimentation tank of washings;
• Replacement of deep-well pumps.
Phase II embraces realisation:
• Pipes for raw water;
• Access roads to wells, fencing;
• Land development.
2. Construction of the sewer system in the area of Asnyk, Dabrowszczakow and nearby streets in Bialogard -
The activities which will be performed:
• Sewer system for the area of Asnyk street /13 streets/,
• Reconstruction of existing gravel surface, asphalt pavement and prefabricated pavement surfaced roads.

4 – Institutional framework
4.1 The beneficiary of the project will be Bialogard town
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 Bialogard town.
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 – Detailed budget in MEUR

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<th>Institution Building IB</th>
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</table>

The overall value of the investment including employment of the Project Manager will be 5.859 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of approx 0.154 MEUR. Co-financing will be available.

### 6 – Implementation arrangements

#### 6.1. Implementing Agency:

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

Implementing Agency: Implementing Authority for Phare Cross Border Co-operation Programme ul. Krucza 36, 00-522 Warsaw,
Phone:+48 22 695 99 10-11, Fax: + 48 22 695 99 12-13

#### 6.2. Twinning: N/A

#### 6.3. Non-standard aspects: N/A

#### 6.4. Contracts

Contract 1 (works): 5.705 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.154 MEUR (financed by Polish funds)

### 7. Implementation schedule

#### 7.1. Start of tendering/call for proposals

a/ The project manager:
Date of preparation of the tender documents: 4th quarter of 2002
Date of starting the contracting process: 1st quarter of 2003

b/ The water purification plant with the water intake and the sewer system construction in the area of Asnyka, Dabrowszczakow and nearby streets:
Date of preparation of the tender documents: 4th quarter of 2002
Date of starting the contracting process: 1st quarter of 2003

#### 7.2. Start of project activity

a/ The project manager:
Expected date of entering into the contract: 1st quarter of 2003

b/ The water purification plant with the water intake and the sewer system construction in the area of Asnyka, Dabrowszczakow and nearby streets:
Expected date of entering into the contract: 2nd quarter of 2003

#### 7.3. Project completion

The expected date of the last payment for the last contract:

a/ The project manager: 3rd quarter of 2004

b/ The water purification plant with the water intake and the sewer system construction in the area of Asnyka, Dabrowszczakow and nearby streets: 3rd quarter of 2004

### 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
The EIAs documents required for undertakings realised under this project have been prepared /as appendixes to the project/.

a/ The water purification plant with the water intake:
The planned water purification plant with the water intake will be located in the area 69 of Debczyno village within the 1\textsuperscript{st} region of the water intake in indirect, external protection. The technology of the water purification plant is based on aeration process and filtration with rapid filters. The water purification plant has got a high level of automation and computer steering. From the attached to this project analysis of the investment influence on particular environmental elements /like water, soil, air, human health etc/, follows that the planned investment will not influence negatively on the particular elements of environment and will not threaten it. The modernisation of the water purification plant and the water intake will assure the town inhabitants the water delivery with quality that meets all the EU and Polish standards /nowadays, water does not meet these norms/. The modernisation will assure as well the water delivery in sufficient amount and without any breaks. It has been expected by the local society for many years and now becomes the main life standard in the town.

b/ The sewer system construction in the area of Asnyka, Dabrowszczakow streets and nearby streets:
The planned investment of the sewer system construction meets the conditions of:
- Directive 85/337 EEC of 27 June1985,
- the Polish government decisions on the Polish implementation process to the EU structures in the range of environmental protection,
- Strategy for Zachodniopomorskie Voivodship until the year 2015.
After this investment completion, the sewer system will receive sewage from 333 individual houses where live 1998 persons.
The amount of sewage produced within this area, according to the technical project, is approx. 300 m\textsuperscript{3}/d.
Most of the existing individual houses in this area were built before 1945. These buildings and the buildings built after 1945 did not posses links to the municipal sewer system. Sewage is accumulated in septic tanks at the capacity of 0.2 m\textsuperscript{3} to 1.0 m\textsuperscript{3}.
Only a part of sewage is disposed to the sewage-treatment plant. There is putrescible sewage with a high index of BzT5 and ChZT.
The significant part of sewage (difficult to estimate) is infiltrating to the ground, underground waters and to drain system. The sewage in the further process is infiltrating to the Lisnica river (tributary of the Parseta river) after that to Parseta and finally to the Baltic Sea.
After the investment completion, immediate and significant improvement of water and ground purity will take place within the Asnyk street area.
Moreover, some ecological effects will appear as follows:
- improvement of work stability on the sewage-treatment plant /recently it has got a reserve/,
- stopping with putrecible sewage disposal to the sewage-treatment plant,
- improvement of water purity in the Parseta river and in the Baltic Sea,
- elimination of hydrogen sulphide emission, odoriferous substances and pathogenic bacteria emitted from the domestic septic tanks,
- elimination of pollution made by cesspool emptiers during sewage disposal to the sewage-treatment plant /pollution from combustion engines/.
Furthermore, will appeal the improvement of economic effects in the Waterworks and Sewerage Company in Bialogard and decrease in exploitation costs of the individual houses.
For that reason this planned undertaking deserves social and authority acceptance.

10 – Rates of return
The feasibility studies required for undertakings realised under this project have been prepared /as appendixes to the project/.

In the aim of the investment profitability analysis, the elementary indexes of profitability were calculated: financial rate of return and internal rate of return.
The water purification plant:
The results of the economic analysis:

NPV /for rate of discount 10%/ - 490,271 PLN
IRR - 12.06%
ENPV /for rate of discount 10%/ - 5,086,180 PLN
ERR - 27.98%

Amortisation time – 8.2 years.
When the supporting funds are available the benefits predominate the costs.
It means that all the costs will return from social and economic point of view.
As we can see from the Internal Rate of Return index, the present value of NPV will be negative for the rate of discount more than 15%.
Economic cost results with ERR=27.98%>10% should be perceived as a great benefit for Poland and the European Union. Financial analysis –cost/benefit – is positive when supporting funds are available.

The sewer system in the area of Asnyka, Dabrowszczakow and nearby streets:
The results of the economic analysis:

NPV /for rate of discount 15%/ – 5,522,300PLN
IRR – 18.93%
ENPV /for rate of discount 15%/ – 4,792,100PLN
ERR – 18.77%

The presented above Internal Rates of Returns indicate such values, because during calculations the actual economic and financial situation of Bialogard and Poland were taken into consideration.

11 – Investment criteria
11.1. Catalytic effect
The Phare support will be conducive to achieving economic and social cohesion goals in Zachodniopomorskie voivodship, which otherwise could be attained only in a more distant future and on a more modest and less efficient scale.

11.2. Co-financing
The project is co-financed by the Polish sources. The national contribution amounts to 66% of the total project cost.
The Beneficiary will secure the project co-financing at the level of 66%. Such a high level of financing is caused by the fact that this investment is considered utmost priority for the town economy. The Beneficiary has been preparing to its realisation for long time. The contribution of the Beneficiary includes: loan from National Found for Environmental Protection and Water Management, credit and its own means. - 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 acquisition of land for the investment has been completed. 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 Zachodniopomorskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Bialogard town.

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

**12 – Conditionality and sequencing**

Achievement of the project objectives is conditional upon the following assumptions:

- Realization of the other elements of the Strategy of Voivodship Development
- Realization of the other tasks of water management and sewage disposal in the Parseta river basin
- Active promotion of the region to the prospective investors and tourists
- Funds for the project secured and allocated
- Project management and supervision efficient and professional
- Unexpected geological conditions and archaeological findings
- Weather conditions

Deadlines:

- Construction designs prepared until (30\textsuperscript{th} Nov. 2002): 4\textsuperscript{th} quarter of 2002
- Obtaining the building permit until (30\textsuperscript{th} Nov. 2002): 4\textsuperscript{th} quarter of 2002
- Preparation of tender documents until (30\textsuperscript{th} Nov. 2002): 4\textsuperscript{th} quarter of 2002
- Signing the works contract until (1\textsuperscript{st} Apr. 2003): 2\textsuperscript{nd} quarter of 2003
- Completion of the contract until (30\textsuperscript{th} Sept. 2004): 3\textsuperscript{rd} quarter of 2004

Annexes:

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

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<tr>
<th>Logframe project matrix</th>
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<td><strong>Contracting period expires: 30/11/04</strong></td>
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<td><strong>Total budget:</strong> 5.9 M EUR</td>
<td><strong>Phare budget:</strong> 2.0 M EUR</td>
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### Overall objective:
- Increase in investment attractiveness of the town of Bialogard and the region through provision of water supply and access to sewage
- Increase in tourism attractiveness of Parseta river basin

### Objectively verifiable indicators:
- Increase in the turnover of the local SME companies in Bialogard town and in the region

### Sources of verification:
- How: statistical data of Local and Regional Statistic Units and WUS
- When: 5 years after the project completion
- Who: Zachodniopomorskie Administration Office

### Project purpose:
- Creation of favourable conditions for development of SMEs
- Increase in the number of participants at sports and cultural events in Bialogard region

### Objectively verifiable indicators:
- Increase in number of permanent work places in town by 215 and in the region by 120 and 50 places seasonal.
- Increase in the number of SMEs in Bialogard by 3 firms and in the region by 6 firms.
- Increase in the number of tourists visiting the town by approx. 550 persons per year

### Sources of verification:
- How: Data of local administration
- When: 2 years after the project completion
- By whom: the beneficiary

### Assumptions:
- Realization of the other elements of the Strategy of Voivodship Development
- Realization of the other tasks of water management and sewage disposal in the Parseta river basin
- Active promotion of the region to the prospective investors and tourists

### Results:
- Areas with purified water supply and sewage available to investors in the town and outside of the town for industrial use: and services:
- New water purification plant in Bialogard town Sewage system in the area of Asnyka, Dabrowszczakow streets.

### Objectively verifiable indicators:
- 5.9 ha+: 93.39 ha +26.50 ha of investment areas equipped with water supply
- Production capacity of potable water of EU s quality tandards of 414 m3/h
- Approx. 4.3 km of sewerage system

### Sources of verification:
- How: Report from local water authorities and contract engineer
- When: Directly after the project completion
- Who: the beneficiary

### Assumptions:
- Funds for the project secured and allocated
- Project management and supervision efficient and professional

### Activities:
- *The water purification plant with the water intake: 2 phases:*
  - Phase I embraces realization of following Technical building:
    - Technology of the water purification plant;
    - Power building:, Reaction tank:, Clean water tank;
    - Sedimentation tank of washings;
    - Replacement of deep-well pumps.
  
  - Phase II embraces realisation:
    - Pipes for raw water; Access roads to wells, fencing;
    - Land development.

- Construction of the sewer system in the area of Asnyk, Dabrowszczakow streets in Bialogard
- Reconstruction of existing gravel surface, asphalt pavement and prefab. Slab surfaced roads

### Means:
- One contract for works, and supply of technological equipment including commissioning

### Assumptions:
- unexpected geological conditions and archaeological findings
- Weather conditions

### Preconditions:
- Bialogard Authorities decision to implement the project
## Annexes 2-3: Implementation, contracting and disbursement schedules

**06.34 Zachodnio Pomorskie - SME development Bialogard**

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### Budget Allocation Cost Estimate in MEUR

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### Legend:
- D = preparation of sub-projects
- C = tenders and contracting
- I = realisation of contracts and payments
- * cumulative in MEUR, Phare sources