1.- BASIC INFORMATION
1.1. CRIS number: 2002/000-605-06.03
1.2. Title: Stimulation of Economic Development in Lubartów
1.3. Sector: ESC
1.4. Location: Town and Commune of Lubartów, Lubelskie Voivodship, Poland

2.- OBJECTIVE
2.1. Overall objective:
Increase of social and economic cohesion of the Lubelskie voivodship by the support of technical infrastructure development with the view to stimulate SMEs growth
2.2. Project purpose / Immediate objectives:
• enhancement of investment attractiveness for outward investments in the Lubelskie Voivodship;
• creating better development conditions for small and medium size enterprise in the region
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 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 Preliminary 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 Lubelskie Voivodship, in particular with the priority No 2, i.e. “Rejuvenation of economic base of towns”.

3.- DESCRIPTION
3.1. Background and justification:
One of the most important measures that has been undertaken in Lubelskie Voivodship at both regional and local level is the support of basic infrastructure influencing local and regional economic development.

The beneficiary of this project is the town and commune of Lubartów working within a legal framework of Association of Town and Municipality of Lubartów. These two administrative units are inhabited by 34,000 people and with the territory equal to 172.8 km² are located in close proximity to Lublin – the capital city of the Lubelskie region. In recent years Lubartów with its suburban areas has been gradually turning into a satellite town of the emerging Lublin Conurbation. This fact has been confirmed in the Regional Development Strategy which assumes Lubartów as one of the four satellite towns around Lublin to play a crucial role in taking over some of the economic and urbanisation tasks from the congested and overpopulated Lublin Agglomeration. It is expected that this function will be further enhanced due to the planned international airport near Niedzwiada (7 kilometres to the north of Lubartów). The location of the airport has been already approved by the Ministry of Transport and presently the detailed technical and financial analyses are underway.

In addition, Lubartów is located strategically along the National Road No S-19. This road is one of the main transport connections in eastern part of Poland, linking northward Lublin with Bialystok and further to the border crossings with Lithuania and southward via Rzeszów to the border crossings with Slovakia and Hungary. The impact of S-19 road on the economic development of Lubartów municipality has been considerable and will be even greater as soon as the construction of the ring road is completed with the accompanying infrastructure of access roads. The ring road, which is the investment task of the General Direction of National Roads and Motorways in Warsaw, is to be completed by the end of 2003 and the accompanying access road will be constructed by the Lubartów Municipality by the end of 2002 (under the regional contract funds available for the years 2002-3). Another section of S19 road will be also modernised in the nearby city of Lublin. It has been envisaged that at the length of 2,5 km long a
section of S19 route running through in the northern parts of Lublin in the direction of Lubartów will be upgraded under Phare 2001 and 2002 Social and Economic Programme.

The local authorities of Lubartów and neighbouring communes are fully aware of their strategic location and in view of the possible investment prospects have undertaken an ambitious plan to modernise the existing technical infrastructure and extend it to new business areas. This long-term investment programme is part of the Lubartów Development Strategy, primarily aimed at improving investment attractiveness of the whole municipality and providing best possible conditions for SMEs development. Some elements of the investment programme have been already realised from the town’s own funds, the other will be shortly implemented with the help of external funding (e.g. Phare 2000 Small Grant Scheme to regenerate the City Centre of Lubartów).

At present about 2700 SMEs operate in the area of Lubartów and its suburbs. Bearing in mind the favourable location of Lubartów as well as its development prospects, the number of companies operating in this area is far from satisfactory. It is partly due to the badly developed technical infrastructure and difficulty in access to new business sites. Many of the existing firms are located in the areas insufficiently equipped with water provision and sewerage collection system. Naturally, the problems with access to basic infrastructure increase the companies operating costs, make them less competitive on the market and pose extra dangers for the environment (e.g. water waste is collected in cesspools instead of being directed to the underused sewage treatment plant in the city).

Therefore, under this project proposal, the local authorities of Lubartów, in order to remove the above mentioned development barriers faced by SMEs and extend the business activity to new sites, intend first of all to support the development of municipal infrastructure in the areas situated along the S-19 route and the currently constructed city ring road (see the attached map). According to the local spatial development plan these areas have been earmarked for green field investments and business development. The modernisation and provision of extra water and sewerage infrastructure in these areas will complete the investment activities undertaken by construction of the ring road and access road and thus make available large areas for business development. Moreover, it is estimated that the financial resources committed to the provision of the missing infrastructure will speed up the process of implementation of the adopted investment plan of the Municipality by at least 5 years.

The proposed project consists of three business related investments in water supply and sewage collection infrastructure:

- Development of water supply and sewerage treatment infrastructure in the existing industrial depot and traditionally economic areas of Lubartów and its south - eastern suburbs. The so called Eastern Collector construction in Lubartów will result in removing development barriers in existing industrial depot – a location place of a number of strategically important companies for local and regional labour market (e.g. Gizet – Heat Production Plant, Meat Processing Plant, a few bakeries, Roto-Frank windows producer, Plastic Processing Plant, Glass Works, etc.)

- Modernisation of water intake together with the installation of water monitoring system in the area of industrial depot in Lubartów. Water intake will handle both industrial depot and new business areas located on the territory of the whole Municipality. Higher standard of water will result in new agro-food processing enterprises. The Association is in the possession of letters of intention from businessmen interested in locating their firms there. Neighboring Agricultural Wholesale Market in Elizówka is the important factor for such businesses location and development.

- Development of water supply and sewerage treatment infrastructure in the future industrial depot situated (according to the provisions of Local Spatial Plan) along Lubartów ring-road (section of S-19 road) in order to create new investment areas. This infrastructure investment will result in removing business development barriers in the areas of 40 ha located around the constructed ring-road of Lubartów. With the construction works of the ring-road coming to an end, one can observe a growing interest of investors in locating their business in these areas. For instance, only in the current year, the Town Office Of Lubartów has issued five location permits for new investments (e.g. Polygraph Works, Paper Wholesale Market, LPG gas station. etc.)

It is estimated that the provided water and sewerage infrastructure will approximately service the area of 20 km$^2$, providing easier access to about 350 major companies located predominantly in the
existing industrial depot. As many as 117 ha of new business sites will be made available due to the project implementation, with at least 50 new SMEs to be established within two years after the project completion. This will lead to the preservation of at least 1200 of existing jobs and creation of at least 250 new ones. It is assumed that the new businesses will be rapidly developing in such economic sectors as: food processing, services related to trade, transport, repairs and storage as well as various forms of tourism development.

Apart from the expected beneficial impact of the project on the social and economic conditions of the Lubartów region and its vicinities, the proposed investments will also remarkably contribute to the more efficient use of the existing sewage treatment facilities (growth of sewage treated by the plant from 48% to 69%) followed by liquidation of 300 cesspools used both by inhabitants and companies. This should lead to the improvement of the quality of waters in the Wieprz River, that, in terms of surface water distribution, is regarded the main river in the region. Pure waters in the Wieprz River with its rich natural and landscape values will provide excellent opportunities for development of various forms of tourism (including water sports, agrotourism, etc.).

It is expected that all these factors put together should contribute to the achievement of the wider and immediate objectives of this project.

3.2. Linked activities:
The Project is linked with other project that applies for Phare 2000 ESC Small Infrastructure Grants co-financing. The title of the project is Revitalization of City Centre in Lubartów. Its immediate objective aims to support technical infrastructure of the city centre and old town market in order to attract and retain inwards investments as well to promote domestic and international tourism development.

3.3. Results:
The direct measurable results of the project:

- completion of water supply and sewerage collection infrastructure on the area of 2,000 ha (20km²)
- 117 ha (30%) from 350 ha designed for investment in Local Spatial Plan will be connected to new infrastructure
- availability of 117 ha of areas for immediate business development
- easier access of 350 companies to the provided water and sewerage infrastructure
- establishment of at least 50 new SMEs
- preservation of at least 1200 jobs and creation of 250 new ones (in two years after the project completion)
- increase of the quantity of treated sewerages to 1300m³ per day,
- increase of effectiveness of existing sewerage treatment plant by 22%.
- creation of favourable conditions for the multifunctional development of Lubartów city as one of the satellite towns of Lublin Agglomeration
- creation of administrative capacity required for adopting the acquis communautaire in the field of sewerage treatment and water supply management (directive 85/337/WEG),

3.4. Outputs:
a. Construction of 5000m long main sanitary collector, Ø0.60m, Ø0.50m and Ø0.40 –0.20m in diameter.
b. Construction of 3616m long sanitary collector, Ø0.20m - Ø0.25m in diameter as well as water supply system, 1240m long, Ø100mm, Ø150m in diameters located next to town bypass.
c. Modernization of water intake and water monitoring system installation in the industrial depot
d. Construction of 6950m long sanitary collector, Ø0.25m, Ø0.20m, Ø0.16m in diameters located in Lucka, along to National Road No S-19 which is to be connected to the main sanitary collector described in point a.
e. Construction of 9119m long sanitary collector, Ø0.25m, Ø0.20m and Ø0.16m in diameters located in Lisów, next to Firley Lake.

4. – INSTITUTIONAL FRAMEWORK
4.1 The beneficiary of the project will be Town and Municipality of Lubartów
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 Town and Municipality of Lubartów
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</th>
<th>Institution Building IB</th>
<th>Total Phare (I+IB)</th>
<th>National Co financing</th>
<th>IFIs</th>
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<td>3,611</td>
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<td>-</td>
<td>2,600</td>
<td>1,011</td>
<td>-</td>
<td>3,611</td>
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</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 3.611MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0,2 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, fax +48 22 695 99 12-13

6.2. Twinning: n.a.
6.4. Contracts:
Contract 1 (works): 3.411 MEUR - joint co-financing
Contract 2 (engineer): 0,2 MEUR

7. - IMPLEMENTATION SCHEDULE
7.3 Project completion: 3rd quarter of 2005.

8. EQUAL OPPORTUNITY
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 assessment (Polish and English version) is prepared. Main conclusions of the document are presented in Annex 3 attached to the Project fiche. Project fulfils the regulations of the directive 85/337/EWG.

10. - RATES OF RETURN
Feasibility study contains the results of economic appraisal of the Project. Main conclusions of the document is presented in Annex 3 attached to the Project fiche. Calculated economic effectiveness indicators amounts to: ERR=12.898%, ENPV=1,516.63 thousand € with the assumption that discount rate equals to 5.50% and exchange rate 1€=3.95 PLN

11. - INVESTMENT CRITERIA
11.1. Catalytic effect
The Phare support will be conducive to achieving economic and social cohesion goals in Lubelskie 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 28% of the total project cost.

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 Lubelskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Town and Municipality of Lubartów.

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

11.7. Contribution to the Preliminary National Development Plan
The project is in line with the priorities of the Preliminary NDP and as such will contribute to increase of economic and social cohesion of the country and region.

12. - CONDITIONALITY AND SEQUENCING
Project will be conditional on:
- Assumed stable domestic economy
- Active promotion of macrorregion within the scope of tourist / industrial attractiveness
- Favourable weather conditions
- Project supervision and management is efficient and professional
- Assumed all financing available

Deadlines:
- Construction designs prepared – 3rd quarter 2002
- Obtaining the building permit until (date) 4th quarter 2002
- Preparation of tender documents until (date) 1st quarter 2003
- Signing the works contract until (date) 3rd quarter 2003
- Completion of the contract - 3rd quarter 2005

Annexes:
Annex no 1: Project Logframe.
Annex no 2: Implementation, contracting and disbursement schedule.
ANNEX No 1:

**PROJECT LOGFRAME**

<table>
<thead>
<tr>
<th>Project: Stimulation of Economic Development in Lubartów</th>
<th>Programme name and number: Phare 2002 ESC</th>
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<tbody>
<tr>
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<td>Contracting period expires: 30/11/04</td>
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<td>Disbursement period expires: 30/11/05</td>
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<td>Total budget: 3,611,000€</td>
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<td></td>
<td>Phare budget: 2,600,000 €</td>
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**Overall Objective**
- Increase of social and economic cohesion of the Lubelskie Voivodship by the support of technical infrastructure development that will stimulate SME development.

**Objectively verifiable indicators**
- Increase of SME's turnover

**Sources of verification**
- How: published statistics from WUS
- When: immediately before and 5 years after project completion
- By whom: beneficiary

**Immediate Objective**
- Enhancement of investments attractiveness for outward investments;
- Creating new development conditions for small and medium size enterprises;

**Objectively verifiable indicators**
- Increased number of new operating enterprises in the region by 50
- Easier access of 350 enterprises to new infrastructure
- Number of work places created by the investment 250
- Preservation of at least 1200 existing jobs

**Sources of verification**
- How: direct surveys in the project area and statistics from WUS.
- When: immediately before commencement, immediately after completion and 5 years after completion of the project
- By whom: beneficiary

**Results:**
- New investment areas with sewerage facilities
- Reduction of contamination of surface water and improvement of River Wieprz purity.
- Modernization of water intake and water monitoring system installation in the industrial depot.

**Objectively verifiable indicators**
- -117 ha new investment area with 24685 m sewerage facilities
- 1240m new water supply network
- 1300m³/day- sewerage treated;
- Elimination of 300 cesspools
- Increase of effectiveness of existing sewerage treatment plant by 22%

**Sources of verification**
- How: local authorities' reports, completed contract documents
- When: immediately after the project completion.
- By whom: beneficiary

**Assumptions**
- Assumed stable domestic economy.
- Favourable weather conditions
- Project supervision and management is efficient and professional

**Activities**
- Construction of the designed infrastructure: Sewerage, water supply network as well as water intake modernization.

**Means**
- One contract for the works amounts to 3,411,000€

**Assumptions**
- Assumes all financing available

Decision of Regional Steering Committee to undertake the new investment dated 23rd of January 2002
### ANNEX No 2 Cumulative implementation, contracting and disbursement schedule

**Stimulation of Economic Development in Lubartów**

<table>
<thead>
<tr>
<th>Date of drafting</th>
<th>February 2002r.</th>
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<td>Planning period</td>
<td>2003 – 2005</td>
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#### Budget allocation cost estimate Phare M€

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<th>I ’04</th>
<th>II ’04</th>
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<th>IV’05</th>
</tr>
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<tbody>
<tr>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
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<td>VI</td>
<td>VII</td>
<td>VIII</td>
<td>IX</td>
<td>X</td>
</tr>
</tbody>
</table>

#### Implementation schedule

| D/C | I | I | I | I | I | I | I | I | I |

#### CONTRACTING SCHEDULE

| 2.6 |

#### Disbursement schedule*

| 0.3 | 0.6 | 0.9 | 1.0 | 1.7 | 2.1 | 2.3 | 2.6 | 2.6 |

#### Legenda:

- **D** = design of sub-contracting
- **C** = tendering and contracting
- **I** = contract implementation and payment
- *cumulative in MEUR, Phare sources*