1. Basic information
1.1. CRIS Number: 2002/000-605-06.05
1.2. Title: Economic development of the Nowy Sacz subregion
1.3. Sector: ESC
1.4. Location: Poland, the Malopolskie Voivodeship, Poviat Nowy Sacz, Town of Nowy Sacz and Nawojowa Gmina

2. Objectives
2.1. Overall objective:
Increase of social and economic cohesion of the Malopolskie voivodeship by creation of the conditions for business development and the improvement of environmental conditions

2.2. Project purpose / Immediate objective(s)
- The improvement of the investment conditions in the town of Nowy Sacz and in the Nawojowa Gmina
- The improvement of the attractiveness of the subregion to tourists
- The 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 countering 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 Voivodeship.

2.5. Cross border impact: N/A.

3. Description
3.1. Background and justification:
The Nowy Sacz subregion is located in the southern part of Malopolskie Voivodeship. This area is among the least developed in Malopolska and face the problems of high unemployment (unemployment rate 20.1%, voivodeship average 13%) and increasing difficulties with the restructuring of the industry. Business activity is low here, particularly in the rural areas – the entrepreneurship indicator of 45 businesses for 1,000 inhabitants is one of the lowest in the voivodeship (the voivodeship average being 71). There are significant differences between the rural areas and the town of Nowy Sacz where this indicator is much higher – 90 businesses/1000 inhabitants. Moreover, between 1998 – 2000 the dynamics of creating new companies slowed down noticeably (107,5) and was well below the average for the whole voivodeship (110.4). It pertained in particular to production enterprises – dynamics 98,4 (voivodeship 101,6). The economic slowdown caused the unemployment rate to grow rapidly (growth index 193, compared to an analogous value of 160 for the voivodeship in this period).

The town of Nowy Sacz is the major urban centre of the region and it also provides workplaces for the inhabitants of the surrounding areas. There are many medium-size enterprises, including well-developed companies as: Fakro (the producer of roof windows), Optimus (one of the most important computer firms) Carbon (the most important Polish producer of electrodes). Those firms employ in total around 1900 employees at the area covered by that project. The town is also an academic centre at the grammar and graduate levels (two institutions for higher education).

The project comprises of the liquidation of the barriers in the technical infrastructure that create an obstacle to the economic development overall of the area of 149,5 hectares which has been designated exclusively for the industrial production and services in the plan of the spatial development. This area is located in the town of Nowy Sacz and in the Nawojowa Gmina and is easily accessible from the Brzesko-Krynica national road through the municipal road network. The large quantity of land earmarked...
for investment makes the area very attractive for investors, particularly because of location within a big town ensures a constant and effective market for products. The attracted investments will generate a significant number of new workplaces, which will make it possible to stop the soaring rate of unemployment from rising further.

The project encompasses the area of 106.5 hectares of the areas already invested in and the area of 43 hectares of new investment areas. The property structure of those areas is diverse, the areas belong to the gmina as well as to companies and private owners. About 300 various business operate at the area. The barrier for development for the existing facilities which operate their own small treatment plants, often built in the 1970s, is the inability to meet the requirements concerning the quality of the treated sewage, which in consequence leads to the closure of their manufacturing departments. The planned investment will considerably contribute to the reduction of the costs of the operation of SME in this area. The reason for this is the fact that taking away sewage is five times more expensive than removing it with the use of a sewerage system. Companies and individual businessmen have declared that if they are able to connect to the sanitary sewerage system, they will increase their output, which in turn will maintain 3,500 already existing workplaces as well as it will create about 600 new workplaces.

The creation of new workplaces is guaranteed also by the investors who are interested in the location of their own industrial plants at the new investment areas well-equipped in complete technical infrastructure.

All others facilities are now available in this new area but the only one of the technical barrier is the lack of sewage system. The costs of building their own sewage treatment plant and operating them in the future discourage the great majority of potential investors. The construction of the main network will allow in the future other new enterprises to be connected.

The cost of the project covers the construction of a main trunk sewers meaning main lines of transfer. Connecting those trunk sewers to industrial areas will requires the trespass through industrial areas, green areas and the construction areas. The commune has a consent of the land owners to carry out the investment through the areas. The trunk sewers under construction will be in future connected with sewer network serving areas at the range of trunk sewers. There are public buildings (camp of the high schools and schools) and residential households at that area. But from the economic point of view, proposed design of the sewage network is optimal. Therefore costs and range of the project is optimal and cannot be changed because it must serve investment areas and as an effect of the project there is expected to establish about 150 SME. The connection to the main trunk sewer will be made by companies operating at this area. The construction of main trunk sewer that will be connected to the already existing ones leading to the existing sewage treatment plant.

Beneficiary of that project is not planning to introduce special pricing policy at the area. The way of introducing fees and taxes will be the same as it was for many years meaning: fees and taxes for using all facilities are set every year by the local government and are identical for all entities operating in the gmina and gmina’s industry areas will be for rent. The price of rent will be established by open tender or auction. Funds obtained in this way will contribute to the gmina’s budget.

Projects aimed at stopping the degradation of the natural environment and improving the environmental conditions are necessary. The number of visitors to the Nowosadeckie area is falling every year (26,000 in 1999, 19,000 in 2000). Many tourists choose the nearby Slovakia, where both the technological and the tourist infrastructure are better developed. Good influence of that project on the environment will enable the Polish investor meaning the town of Nowy Sacz and the Nawojowa Gmina gain low interest loan from the Voivodeship Fund for Protection of Environment. The loan will constitute part of the beneficiary’s share in the budget of the project.

The improvement of environmental conditions will be accomplished through properly organising the sewage management within the town and the adjacent gmina. A well-developed network of sanitary sewerage will improve the quality of ground and underground water. This should improve the tourist attractiveness of the whole region.

3.2. Linked activities

The development of the higher education system (2 higher education institutions) provides high qualified staff for the economic entities.

The bypass extension will facilitate access to the areas covered by the project.

A programme of water and sewage management has been implemented for many years in the Nowosadeckie Subregion. The principal activities in this domain are:
- start of operation (by the Swedish company PURAC) of the modern mechanical, biological and chemical sewage treatment plant in 1996; the facility was 51% financed by the town, the remaining funds were a loan from the National Fund for Environmental Protection and Water Management (NFOSiGW), a subsidy from the central state budget
- the construction of 56 km of sanitary sewerage and 76 km of general-purpose sewerage by 2002,
- start of operation of a modern municipal waste dump serving also the sewage treatment plant in 1998.

Because of the principal industrial areas of Nowy Sacz are located in the southern part of the town (and the sewage treatment plant is in the northern part), the residential districts were the first to be connected to the treatment plant. Already 50% of the inhabitants of our town (ca. 45,000) use the sanitary sewerage system. The sewers are being further extended up the Dunajec and Kamienica rivers. The trunk sewers already constructed make it possible to start connecting the principal industrial districts to the system.

3.3. Results
- ca. 149.5 hectares of fitted areas used for industrial production and available for investment
- the decrease in the quantity of contaminants penetrating into ground water in the area where the construction of the sewerage system is planned – the decrease in the quantity of untreated sewage by 1,350 m³/day
- additional sewage treated by the Nowy Sacz treatment plant (the increase in the utilisation of the treatment plant from 75% to 90%).

3.4. Activities
The performance of construction and assembly work concerning sanitary sewerage, including:
- the construction of 8,800 metres of "A" and "B" trunk sewers and an 2,270 metre-long an extension of the sewerage network within the area of the town of Nowy Sacz, at the main industrial districts: Biegonice, Sawada, Helena and Wólki
- the construction of 5,838 metres of sanitary sewerage in the Nawojowa Gmina together with its connection to the "A" trunk sewer in Nowy Sacz
- the reconstruction of the road surface above the constructed sewerage system
- the rebuilding of 1,2 km of Ogrodowa street

4. Institutional framework
4.1 The beneficiary of the project will be the town of Nowy Sacz and the Nawojowa Gmina. According to the agreement concluded, the town of Nowy Sacz will be the commissioning party.
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:
   a. within the town of Nowy Sacz, the owner will be "Sadeckie Wodociagi" Sp. z o. o. (a waterworks utility company 100% owned by the town),
   b. within the area of the Nawojowa Gmina, the sewerage network will be the property of the 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></th>
<th>Phare Support</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment support</td>
<td>Institution Building</td>
<td>Total Phare</td>
<td>National Co-financing</td>
</tr>
<tr>
<td>Project</td>
<td>3,456</td>
<td>3,456</td>
<td>1,344</td>
<td>4,800</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,456</td>
<td>3,456</td>
<td>1,344</td>
<td>4,800</td>
</tr>
</tbody>
</table>
The overall value of the investment including employment of the Project Manager will be 4,8 MEUR. The cost of the employment of the Project Manager will be paid by beneficiary in amount of 0,144 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
6.3. Non-standard aspects: N/A
6.4. Contracts
Contract 1 (works): 4,456 MEUR - joint co-financing
Contract 2 (engineer): 0,144 MEUR

7. Implementation schedule
7.2. Start of project activity: 3rd quarter of 2003
7.3. Project completion: 1st quarter of 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
The environmental impact assessment for the project was produced by the ProGeo company in February 2002 pursuant to the requirements of the Polish and European Union laws (Annex 4.1 contains an abstract of the report).
The report states that the facility conforms to all environmental protection requirements.
The routes of the planned trunk sewers in Nowy Sacz and Nawojowa do not conflict with the local spatial development plans for these administrative units.
The analysis of the environmental impact of the planned trunk sewers has shown that the scope and the scale of the potential environmental threats, which emerge primarily at the construction stage, are very small and can be diminished through the use of modern construction equipment.
There will be no negative impact during the operation of the system. The operation of the trunk sewer network will significantly improve the environmental conditions, eliminating the pollution caused by sanitary sewage.
Taking into account the lack of significant negative impact on the environment and the aim of the investment, the conclusion is that the planned investment qualifies for implementation.

10. Rates of Return
The feasibility study was produced by ProGeo in February 2002 (Annex 4.2 contains an abstract of the report).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Units</th>
<th>Total investment</th>
</tr>
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<tbody>
<tr>
<td>The results of the financial analysis</td>
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<td></td>
</tr>
<tr>
<td>FIRR</td>
<td>%</td>
<td>6.73%</td>
</tr>
<tr>
<td>NPV r = 4%</td>
<td>EURO</td>
<td>1 718 484</td>
</tr>
<tr>
<td>NPV r = 10%</td>
<td>EURO</td>
<td>2 500 242</td>
</tr>
<tr>
<td>PB r = 4%</td>
<td>YEARS</td>
<td>6years 2 months</td>
</tr>
<tr>
<td>PB r = 10%</td>
<td>YEARS</td>
<td>8 years 2 months</td>
</tr>
<tr>
<td>PB r = 10%</td>
<td>YEARS</td>
<td>&gt;10years</td>
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<tr>
<td>The results of the economic analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EIRR</td>
<td>%</td>
<td>18.6 %</td>
</tr>
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</table>
11. Investment Criteria

11.1. Catalytic effect
The Phare support will be conducive to achieving economic and social cohesion goals in Malopolskie voivodeship, 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 Malopolskie Voivodeship. The investment is sustainable and does not require any further expenditure apart from the ongoing technical maintenance on the part of the Nowosadecki Poviat and the town of Nowy Sacz.

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
Conditionalities & Assumptions:
- The implementation of the remaining elements of the Malopolskie Voivodeship Development Strategy, particularly the creation of favourable conditions for the development of the SME sector; active marketing and promotion activities directed at investors
- No uncontrolled sewage dumps
- The implementation of the remaining sewage management projects in the Dunajec drainage area
- Proper water and sewage management within the drainage area of the Dunajec upriver of Nowy Sacz
- Favourable atmospheric and hydrological conditions
- Efficient tendering procedures
- The contractor performing the work in a reliable manner and in conformity with the schedule

Deadlines:
- Construction designs prepared until: 1st quarter of 2002
- Obtaining the building permit until: 2nd quarter of 2002
- Preparation of tender documents until: 4th quarter of 2002
- Signing the works contract until: 1st quarter of 2003
- Completion of the contract until: 1st quarter of 2005

Annexes:
Annex 1 Logframe
## Annex 1: Logframe

### LOGFRAME PLANNING MATRIX FOR:

**Economic development of the Nowy Sacz subregion**

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Phare ESC 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires:</td>
<td>30/11/04</td>
</tr>
<tr>
<td>Disbursement period expires:</td>
<td>30/11/05</td>
</tr>
<tr>
<td>Total budget:</td>
<td>4,800 MEUR</td>
</tr>
<tr>
<td>Phare budget:</td>
<td>3,456 MEUR</td>
</tr>
</tbody>
</table>

#### Overall Objective

The strengthening of the social and economic cohesion of Malopolskie Voivodeship through the creation of the conditions for business development and the improvement of environmental conditions

- **Objectively Verifiable Indicators**
  - the decrease of unemployment rate
  - increase of SME's turnover

- **Sources of Verification**
  - The reports based on WUS (Voivodeship Statistical Office), and GUS (Central Stat. Office), 5 years after the completion of the project by Marshall Office

#### Project Purpose/Immediate Objectives

- The improvement of the condition for investment in the region
- The improvement of the attractiveness of the subregion to tourists
- The improvement of environmental conditions

- **Objectively Verifiable Indicators**
  - the increase of 600 workplaces
  - preservation of 3500 workplaces
  - the creation of ca. 150 SME enterprises
  - number of tourists visiting the area of Nowy Sacz at the level of 19,000 per year
  - the sanitary indicators of the water in the Kamienica and Dunajec rivers corresponding to water purity class III (currently the water is not classified)

- **Sources of Verification**
  - The report of the authorities of the Town of Nowy Sacz and the Nawojowa Gmina based on the data from business registers, the Urzad Miasta (Town Office), the Urzad Gminy (Gmina Office) and qualitative surveys, produced 2 years after the completion of the project

- **Assumptions**
  - The implementation of the remaining elements of the Malopolskie Voivodeship Development Strategy, particularly the creation of favourable conditions for the development of the SME sector
  - No uncontrolled sewage dumps
  - The implementation of the remaining sewage management projects in the Dunajec drainage area

#### Results

- **Objectively Verifiable Indicators**
  - ca. 149.5 hectares of investment areas with access to utilities
  - the increase in the length of the sewerage network by 16.9 km
  - Reduction in untreated waste by ca. 1350 m³/day
  - the increase of the utilization of the sewage treatment plant in Nowy Sacz from 75% to 90%

- **Sources of verification**
  - The report based on the data from the Project Engineer's final report, immediately after the completion of the project by the Beneficiary

- **Assumptions**
  - Active marketing and promotion activities directed at investors
  - Proper water and sewage management within the drainage area of the Dunajec upriver of Nowy Sacz

#### Activities

<table>
<thead>
<tr>
<th>Means</th>
</tr>
</thead>
</table>

- **Assumptions**

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7
| The performance of construction work of sanitary sewerage, including: | One contract for the performance of construction and assembly work | - Favourable atmospheric and hydrological conditions
- Efficient tendering procedures
- The contractor performing the work in a reliable manner and in conformity with the schedule

| – the construction of 8,800 metres of "A" and "B" trunk sewers and an 2,270 metre-long extension of the sewerage network within the area of the town of Nowy Sacz in the Zawada, Helena and Wólki districts |
| – the construction of 5,838 metres of sanitary sewerage in the Nawojowa Gmina together with its connection to the "A" trunk sewer in Nowy Sacz |
| – the reconstruction of the road surface above the constructed sewerage system |
| – the rebuilding of 1.2 km of Ogrodowa street |

- Preconditions

- The resolutions of the Nowy Sacz Town Council and the Nawojowa Gmina Council concerning the implementation of the project
- Agreement between local government organs concerning the implementation of the project
## Project: The Economic development of the Nowy Sacz subregion through the construction of the municipal infrastructure

| Date of drafting | 28. 01. 2002 |
| Planning period | 01.2003-09.2005 |

### Budget Allocation Cost

| Estimate in MEUR: | 2.92 |

### Implementation schedule

<table>
<thead>
<tr>
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<th>Q4 02</th>
<th>Q1 03</th>
<th>Q2 03</th>
<th>Q3 03</th>
<th>Q4 03</th>
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<td>(1) I</td>
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<td>(7) VII</td>
<td>(8) VIII</td>
<td>(9) IX</td>
<td>(10) X</td>
<td>(11) XI</td>
</tr>
</tbody>
</table>

#### Contracting schedule*

| 3.456 | 3.456 |

#### Disbursement schedule*

| 0.340 | 1.740 | 2.790 | 3.456 | 3.456 |

### Legend:

- D = design of sub-projects
- C = tendering and contracting
- I = contract implementation and payment

* amounts in EUR millions, cumulative