1. Basic information:
1.1. CRIS number: 2002/000-605-06.06
1.2. Title: Development of the industry and services area in Kolonowskie
1.3. Sector: Social and Economic Cohesion
1.4. Location: Poland, Opole Voivodship, Strzelce Opolskie district, Kolonowskie Gmina

2. Objectives:
2.1. Overall objective
Reinforcement of social and economic cohesion in the Opole Voivodeship through development of investment areas.

2.2. Project purpose/immediate objective
• Creation of developmental conditions for the SME sector in Kolonowskie through the availability of developed land (8.45 ha) for new investment projects – enabling creation about 250 new workplaces.
• Access to the sewer system for existing entities - access to sewers for 5 existing companies placed in investment area, enabling development and creation of 140 new, additional workplaces.
• Implementation of the project will make it possible to connect a 60m wide stretch of land to the sewage system planned, which gives a total area of 85.8 ha.
• Improvement of water quality in the Mala Panew River with the aim of developing a recreation area along river.

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 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 marginalization 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 Opole Voivodship.

2.5. Cross Border Impact – not applicable

3. Description
3.1. Background and justification
Kolonowskie has a population of 7,214 people. The community is located in industrialised and urban zone of Opole Voivodeship, 35 km from the City of Opole and 50 km from the Upper Silesian Industrial District located in the Silesia Voivodeship. One of the community’s assets is its transportation accessibility due to its proximity to the A-4 highway and to the Fosowskie railroad node of national importance. A characteristic feature of the community is the preponderance of forested areas (over 70 % of the total area of 8,631 hectares). The forests around Kolonowskie are located in a protected landscape area and therefore may serve to boost the recreational potential of the area.

The foundation of the town of Kolonowskie (in 1780) was closely tied to the development of heavy industry in the Mala Panew River Valley (the Kolonowskie community is one of four industrial regions in the Opole Voivodeship defined in the provincial development strategy as the Ozimek-Zawadzkie region). In 2000, the Executive Board of the Community decided, that the Board’s priority will be the sustainable economic development of the Community. This need has become especially acute due to the decrease in the number of workplaces in heavy industry in the region by almost 10 thousand over the past 12 years. The collapse of heavy industry in neighboring communities has made worse the social and economic situation in the Kolonowskie community. It has resulted in, among other things, worsening demographics due to emigration, especially of youth. The City Council in Kolonowskie, cognisant of these facts, defined the “development of industry and services in selected investment areas” as the main strategic goal of the community development strategy passed in 2000.

There are currently 5 operating businesses employing 335 people in the 24-hectare industry and services development zone. These companies plan to increase employment up to 475 (140 new
workplaces) by the end of 2005. The Kolonowskie community owns a total of 8.46 hectares in the considered area. Assuming that ultimate employment on the land to be developed will be similar to that in presently operating business, an additional about 250 workplaces should be created. These will chiefly be small and medium-sized enterprises in the metals and construction materials branches, using the highly-qualified, former employees of steelworks in Zawadzkie and Ozimek as well as the local natural resource-wood. The existing local urban development plans foresee also a possibility for location small service businesses along the planned sanitary collector, especially in Staniszcze Małe.

The main development barrier in the Kolonowskie community is the lack of sanitary sewers and sewage treatment plant. Inspection and control conducted by the Provincial Environmental Protection Inspectorate in Opole show that the largest number of businesses that significantly pollute the Mala Panew River are located in the Kolonowskie city and community. The Mala Panew River recharges the Turawskie Lake – a main tourist center for the Opole Voivodeship and the large agglomerations of the Silesia Voivodeship. The river pollution leads to a reduction in tourist traffic in the lake area and, consequently, to further jobs losses. Increasing the purity of waters of the Mala Panew River will make it possible to dynamically manage the recreation development zone located along the collector. The community’s average own revenue per capita does not exceed 60 % of the average revenues per capita in Poland. This project is the most crucial element of the “Detailed program for construction of a sewage treatment plant and sanitary sewers for Kolonowskie Town and Community “, and local economic development, and its completion will create opportunities for construction of a sewage collection network for other areas of the community after 2005, including, inter alia, the area of the second industry and services development area (40 hectares) located in the Opolska street in Kolonowskie.

The rules for sale and lease of land for investment purposes are regulated by the Real Estate Management Act. According to that law, the sale or lease of land should take place through public tender procedures.

In the Kolonowskie community, tender procedures for sale or lease of land for investment purposes are organized in the form of offer tenders. The criteria for selection of an offer include, apart from price, a declared date for completion of an investment and a declared number of new workplaces.

Upon completion of the tender, in order to protect themselves against dishonest offers, the Board of the City and Community in Kolonowskie usually signs a notary contract with the potential investor on the lease of land for a maximum of 2 years with a promise of final sale of land after the investor has demonstrated its intention to meet the declared date of investment completion.

3.2. Linked activities
The Executive Board of the Kolonowskie City and Community, together with the Council for Economic Initiatives of its creation, has developed a development program for the community. As part of this plan, action has been taken to attract investors by offering them tax incentives on selected areas of the industry and services development zone. In the 1990s, the water supply and telephone networks were modernized in the industry and services development zone to which this project pertains. In 1999, the grade of the nearby transit highway Ozimek – Zawadzkie (located at a distance of 300 m) was changed from a “district road” to a “provincial road” and the highway was widened over the stretch Zawadzkie–Kolonowskie. Presently, negotiations are being conducted with a consortium of gas supply companies on bringing a natural gas supply network to the industry and services development zone.

The existing paper mill is currently building its own chemical sewage treatment plant that is designed to treat sewage generated by the enterprise down to urban sewage parameters so that it may be discharged into the municipal sanitary sewers. Other firms, which located investments in the zone: car manufacturer, a firm producing packaging for the food industry and the construction industry, paper company, declare their interest and promise increasing the employment level by over 140 workplaces. Plans for the future:
- full investment of investors of the industry and services zone in Kolonowskie for example promotion of the community has led to interest in construction of:
- a light metal construction plant by a company with foreign capital. It is anticipated that the plant will ultimately offer 75 workplaces,
- waste processing plant, which plans to employ, at the initial development stage, 5 people.
- provision of utilities to and launching of a second zone allocated for the development of industry and the service sector in the area of the Fosowskie railway junction,
- creation of full infrastructure for the development of tourism and recreation,
- stimulation of economic activities of the population,
- continuation of the active promotion of the gmina.

3.3. Results of the project

- municipal sewage treatment plant with a capacity of 600m$^3$/day expandable to 900m$^3$/day in Staniszcze Male including necessary infrastructure (0,4km of access road, 0,4km of water supply system, transformation station, telephone line)
- sanitary collector from the sewage treatment plant in Staniszcze Male including a distribution network and connections of 11 existing businesses in Staniszcze Male and Staniszcze Wielkie to the industry and services development zone in Kolonowskie connection of 5 existing businesses and min. 5 new SMEs 3 years after completion of the project, plus road repair after completion of construction.

3.4. Activities

Activity I – Construction of the municipal sewage treatment plant with a capacity of 600m$^3$/day expandable to 900m$^3$/day in Staniszcze Male including necessary infrastructure (0,4km of access road, 0,4km of water supply system, transformation station, telephone line)
Completion period: 2003-2004
Total cost: 0.962 million EURO

Activity II – Construction of a sanitary collector from the sewage treatment plant in Staniszcze Male to the industry and services development zone in Kolonowskie including a distribution network and connections in a portion of the villages of Staniszcze Male, Staniszcze Wielkie and Kolonowskie, plus road repair after completion of construction.
Scope:
- collector $\Phi$250 - 400 PCV - 8,0 km
- street channels $\Phi$200 - 250 PCV - 6,3 km
- pumping stations - 5
- river (Mala Panew) under-crossing - 1
- connections $\Phi$150 PCV - 4,54 km
Completion period: 2003 - 2005
Total cost 2.652 million EURO

4. Institutional framework

4.1 The beneficiary of the project will be Executive Board of the City and Community of Kolonowskie
4.2 The Engineer/ Project Manager will be appointed through a tender procedure organised by the Beneficiary in accordance with the Polish Public Procurement Law.
4.3 The owner of the facilities after project implementation will be the Executive Board of the City and Community of Kolonowskie.
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>Investments</th>
<th>Institution building</th>
<th>Total Phare</th>
<th>National co-financing</th>
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<td>1.795</td>
<td>3.795</td>
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</table>

The overall value of the investment including employment of the Project Manager will be 3.795 MEUR. Beneficiary in amount of 0.181 MEUR will pay the cost of the employment of the Project Manager. 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 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 – not applicable
6.3. Not-standard aspects: N/A
6.4. Contracts
Contract 1 (works): 3.614 MEUR - joint co-financing
Contract 2 (engineer): 0.181 MEUR

7. Implementation schedule
7.2. Start of project activity: II quarter 2003
7.3. Project completion: III quarter 2005

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

9. Environment
Raw sewage load and pollution concentration balance

<table>
<thead>
<tr>
<th>No.</th>
<th>Pollution indicator</th>
<th>Raw sewage</th>
<th>Treated sewage</th>
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<td>6.8kgP/day</td>
<td>5gP/m&lt;sup&gt;3&lt;/sup&gt;</td>
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</table>

1. The planned investment, involving construction of sanitary sewer collector and a sewage treatment plant for Kolonowskie, is environmentally friendly. At the same time, it will enable dynamic development of the industrial zone and the service sector.
2. Expected emission levels are not anticipated to exceed permitted levels.
3. The design solutions conform to standards applied in such installation.
5. It is planned that at the end of 2005, as many as 430m<sup>3</sup> of sewage from the existing undertakings will be collected and treated, out of that from businesses - 280m<sup>3</sup>/d (65.1%).

10. Rates of return
- FNPV (for 5%) = - 0.86 MEUR
- FIRR = 2.7%
- ENPV (for 5%) = 20.76 MEUR
- EIRR = 36.5%
(for details see attached „Financial and socio-economic benefit-cost analysis”).

Financial ratios:
25 years – time scale
5% - discount rate
134,51 euro - revenue per capita in the Opole voivodeship
3,795.00 – investment expenditure
0.7 euro – sales price of 1m³ of sewage

11. Investment criteria
11.1. Catalytic effect:
The Phare support will be conducive to achieving economic and social cohesion goals in Opole 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 47.3 % of the total project cost: 17.39% own Gmina’s resources, 28.99 % Voivodeship Found For Environment Protection, 0.92 Gmina’s Found For Environment Protection.

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 program. 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 (land for the investment is owned by the beneficiary). The Polish co-financing has been allocated. The building permit will be obtained until the 31.12.2002

11.5. Sustainability:
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Opole Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the Executive Board of the City and Community of Kolonowskie

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
Conditionality and assumptions:
• completion of other elements of the Development Strategy for the Opole Voivodeship for 2000-2015
• active promotion of investment areas in the Kolonowskie community
• ensuring water purity in the upper part of the Mala Panew River by neighbouring communities
• construction of connections to the sewage system

Deadlines:
• Construction designs prepared until IV quarter 2002
• Obtaining the building permit until IV quarter 2002
• Preparation of tender documents until the half of IV quarter 2002
• Signing the works contract until III quarter 2003
• Completion of the contract until IV quarter 2005

List of attachments:
1. Completed log-frame matrix
2. Detailed project implementation schedule
3. Detailed contracting and expenditures schedule
Attachment 2 – 3: Schedule for implementing, contracting and disbursement (in million EURO)

<table>
<thead>
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<th>Date of drafting</th>
<th>18 February 2002</th>
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* Denotes estimated amounts.
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<td>Total budget: 3,795,000 EURO</td>
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### Overall objective

Reinforcement of social and economic cohesion in the Opole Voivodeship through development of investment areas.

- Increase of yearly turn-over of SMEs from the area covered by the project
- Decrease of unemployment

### Objectively verifiable indicators

- 8.46 ha of developed land for new industrial and services investment projects
- Creation about 250 new workplaces in new business entities.
- Creation of 140 new workplaces in existing businesses.
- Maintenance of 335 existing workplaces in the development zone.
- 5 existing businesses connected to the sewer system in the development zone and 11 existing businesses in Staniszcz Male.
- About 5 new SMEs (list of intent).
- Achievement of II river purity class in the area of the Kolonowskie community

### Sources of verification

- Published statistical data from the Main Statistical Office (GUS) and Tax Office (Urzęd Skarbowy - US), collected by the Marshal Office of the Opole Voivodeship after 5 years from the date of completion of the project,
- Local administration data, 3 years after completion of the project, beneficiary
- Data from the Environmental Protection Inspector in Opole, 3 years after completion of the project, beneficiary

### Assumptions


### Project purpose/immediate objective

- Creation of developmental conditions for the SME sector in Kolonowskie through the availability of developed land for new investment projects
- Access to the sewer system for existing entities
- Improvement of water quality in the Mala Panew River

- 8.46 ha of developed land for new industrial and services investment projects
- Creation about 250 new workplaces in new business entities.
- Creation of 140 new workplaces in existing businesses.
- Maintenance of 335 existing workplaces in the development zone.
- 5 existing businesses connected to the sewer system in the development zone and 11 existing businesses in Staniszcz Male.
- About 5 new SMEs (list of intent).
- Achievement of II river purity class in the area of the Kolonowskie community

### Sources of verification

- Local administration data, 3 years after completion of the project, beneficiary
- Data from the Environmental Protection Inspector in Opole, 3 years after completion of the project, beneficiary

### Assumptions


### Results

- Municipal sewage treatment plant in Staniszcz Male including necessary infrastructure
- Sanitary collector from the sewage treatment plant in Staniszcz Male to the industry and services development zone in Kolonowskie

- Capacity of 600m³/day expandable to 900m³/day
- 0.4km of access road, 0.4km of water supply system, transformation station, telephone line
- Sanitary collector, 8 km long
- Street channels, 6.3 km long
- 5 pump stations
- 1 river crossing (under) Mala Panew
- Connections, 4.54 km long

### Sources of verification

- Reports of local authorities directly, after completion of the project, beneficiary

### Assumptions

- Active promotion of investment areas in the Kolonowskie community

### Activities

1. Construction of sewage treatment plant in Staniszcz Male including necessary infrastructure (0.4 km of access road, 0.4 km of water supply system, transformation station, telephone line)
2. Construction of sanitary sewers, including:
   - Sanitary collector, 8 km long
   - Street channels, 6.3 km long
   - 5 pump stations
   - 1 river crossing (under) Mala Panew
   - Connections, 4.54 km long
   - Road repair after completion of construction

### Means

One contract for construction and installation activities

### Assumptions

Construction of connections to the sewage system

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Preconditions: Resolution of the City Council in Kolonowskie No. XXXIV/202/02 of 19.01.2002 on a multi-year investment plan