Standard Summary Project Fiche
Project Number LT 01.10.02

1. Basic Information
1.1 Désirée Number:
1.2 Title: Water Supply, Sewerage Systems and Waste Water Treatment Plant in Kazlu Ruda
1.3 Sector: Business Related Infrastructure
1.4 Location: Kazlu Ruda, Marijampole region, Lithuania

2. Objectives
2.1 Overall Objective(s):
The overall objective of this 2.667 MEUR cohesion project, which has a national co-financing contribution of 0.667 MEUR is strengthened economic and social cohesion in Marijampole region. The project will contribute to implementation of the environmental Aquis in Lithuania.

2.2 Project Purpose:
The purpose of the project is economic growth and development in the town of Kazlu Ruda due to an improved business access infrastructure including the town’s water supply, and wastewater collection and treatment systems.

2.3 Accession Partnership and NPAA priority
The project addresses the medium-term AP objective of preparing for the implementation of a regional development programme and Community initiatives; improving the administrative structures, in particular clarifying allocation of responsibilities on regional policy issues; organising the budgetary system and its procedures according to structural funds standards, including appraisal and evaluation.

The project is also consistent with the medium-term environmental AP priorities to continue implementation of the environmental Acquis according directive specific pre-defined timetable in nature protection, air, water and industrial related directives.

The project contributes to achieving the 2002-2003 NPAA objectives specified in chapter 3.22.4 on Water Protection. Priority will be given to the most expensive EU requirements with high priority allocated to investment projects in the water protection sector. The objective set in the chapter’s water sector is to implement the investment projects in towns with more than 2000 population equivalent before 2015.

2.4 Contribution to National Development Plan
The project contributes to implementation of the following general aims of the National Development Plan:
• To reduce social and economic disparities among the Lithuanian regions by improving the conditions for the social and economic development in the economically least developed regions in Lithuania
• To increase economy competitiveness
To strengthen the growth of the real GDP and employment rate and to raise living standards in order to align them with those of the better developed European states.

The project supports the objectives of the National Development Plan to achieve higher environmental quality standards and to minimise the harmful impacts of economic development activities concerning water quality and wastewater treatment. All the relevant EU environmental legislation will be implemented in this project. In particular the Directives:

- Drinking Water Directive 98/83/EC
- Urban Wastewater Treatment Directive 91/271/EEC as amended by 98/15/EC
- Sewage Sludge Directive 86/278/EEC.

More specifically, the project contributes to achievement of the following targets in the water sector:

- Improve the quality of drinking water in Kazlu Ruda town so that the iron concentration is lowered.
- Increase connection rate up to total 90% of the population of Kazlu Ruda to the public water supply network;
- Reduce health risks and improve living standards;
- Reduce the pollution of water bodies, soil and groundwater in Kazlu Ruda by improving waste water treatment and sewerage system in line with requirements of the Urban Wastewater Treatment Directive 91/271/EEC and Sewage Sludge Directive 86/278/EEC.
- Connect additional users to sewage collection networks in line with the requirements of Urban Wastewater Treatment Directive 91/271/EEC.
- Contribute to the achievement of EU and HELCOM requirements for wastewater collection and treatment including, in particular, the Sewage Sludge Directive 86/278/EEC.

2.5 Cross Border Impact

The project has a potential cross-border impact since Lithuanian waters drain into the Baltic Sea.

3. Description

3.1 Background and justification:

The proposed project is undertaken to contribute to the development of Kazlu Ruda district and, more generally, of Marijampole Region with a view towards reducing the development gaps between Lithuania and the EU average, and among the different Lithuanian regions.

The relatively recent nature of Lithuania’s economic upswing means that the accumulated wealth of the country, in terms of its physical infrastructure, is still considerably lower than in the European Union. Yet, the economic growth is increasing the need for certain types of public infrastructure, notably for environmental facilities and non-urban access roads. Substantial investment is required, particularly in water and wastewater treatment, to meet Lithuania’s obligations under relevant EU Directives.

In Soviet times Kazlu Ruda was an important industrial town, however many industrial plants were shut down in early 90’s after the collapse of the USSR. During
the last decade unemployment became very acute for the region, reaching a rate of 13%, and this is more than country's average. The start of small and medium-size business activities, and development of tourism and recreation are the basis for an economic growth in the region thus solving the unemployment and other social problems.

The municipality of Kazlu Ruda recognises that the poor quality of potable water and absence of proper treatment facilities for urban wastewater has been an important impediment for settling new industries in the town.

Facilities for removal of iron from the drinking water were upgraded in 1997. Yet, no investments were made to renovate the piping of the water supply network. Water quality at consumers tap did not change significantly due to a high content of iron deposited in the tubes of water supply network. Reconstruction of water supply network will reduce water losses by 10-15%. Renovation of drinking water supply network will improve water quality, reduce risk of contamination, reduce operational and maintenance costs and improve effectiveness of existing system.

No major investments in sewerage collection systems were done since 1975. Investments are needed to renovate the sewerage network and reduce infiltration of groundwater. Renovation of sewerage collection system will enable to comply with the requirements of the Urban Waste Water Treatment Directive 91/271/EEC. The sewerage system developed will be designed for the collection of sewerage water solely, not rainwater.

The Kazlu Ruda wastewater plant was built in 1975 with a capacity of 50,000 m³/month: far too large for a small town of only 8,000 inhabitants. The existing plant is old and outdated and the treatment of wastewater does not comply with the wastewater treatment standards. Insufficiently treated wastewater is discharged into the small river Jure. After the project the Kazlu Ruda waste water treatment plant will comply with the requirements for sensitive areas established in the Urban Waste Water Treatment Directive 91/271/EEC and requirements of the Sewage Sludge Directive 86/278/EEC.

Even though it is not required by the Drinking Water Directive 98/83/EC extension of the public drinking water supply network is a very important part of the project in terms of cost-effectiveness. The higher number of inhabitants supplied will improve cost recovery and affordability of the investments. Extension of the water supply network will also act as a catalyst for development of business activities: potable water will be supplied to the market place and a number of existing enterprises.

The project will be implemented taking into account the polluter pays principle as repayment of the loan component, as well as operational and maintenance costs will be covered by user fees. Preliminary calculations made by Kazlu Ruda Water Company show that the planned investments would increase water and wastewater tariffs by 20%, which is acceptable from the affordability point of view. Payments by one inhabitant for water and wastewater amount to approximately 1.4% from average disposable income per capita now.

3.2 Linked activities:

The development of wastewater treatment facilities at Kazlu Ruda will complement the other measures of Phare 2001 promoting economic and social cohesion in Marijampole Region and compliance with the EU environmental standards. It will
help unlock the development potential of the region’s SMEs at key sites of industrial, commercial and tourism activity.

With a view to previous Phare projects, linked activities can be found especially in the field of environmental protection:

- Technical Assistance to Support the Process of Integration in the Environmental Sector, 1998. Phare project No. 96-1272.00.


- The National Environmental Financing Strategy is just finalised. The Strategy lists environmental investment projects and provides timetable for their implementation. The project was carried out under Danish bilateral assistance.

- Technical Assistance to the Special Preparatory programme for Structural Funds, 2000. Phare project LI9803.03.01

3.3 Results:

Kazlu Ruda water supply, sewerage networks and wastewater treatment brought to standards that comply with the environmental Acquis, namely Urban Waste Water Treatment Directive, Sewage Sludge Directive and Drinking Water Directive. Works include construction of new and renovation of existing water supply and sewage pipes and reconstruction of wastewater treatment plant.

3.4 Activities:

The project will be carried out through two international works tenders covering the following activities:

- Reconstruction of urban waste water treatment plant with a total capacity of approximately 700 m$^3$/day, including sludge handling facilities;
- Laying and renovation of approximately 4,000 metre water supply pipes;
- Laying and renovation of approximately 7,000 metre sewage pipes. The sewerage system developed will be designed for the collection of sewerage water solely, not rain water.

4. Institutional Framework

The project is fully supported by the Government of Lithuania; and it will be included into the 2002 Lithuanian Public Investment Programme (PIP).

Kazlu Ruda district municipality will take overall responsibility for the implementation of the project as the Employer for works contract. Technical supervision of the Works contracts will be performed by adequately trained, certified and competent professionals to be nominated by the municipality before the commencement of the works.

The Kazlu Ruda municipal company “Kazlu Rudos komunalininkas” will continue to be the operator of the water supply, wastewater collection and treatment system. Water and wastewater system infrastructure is under the ownership of Kazlu Ruda municipality at present, and it will remain the owner of the extended and improved system, at which the project is aimed.
A horizontal Steering Committee (SC) for all Phare 2001 ESC projects, chaired by the Ministry of Finance, will be set up. The SC will be linked to the SC for Phare 2000 ESC and will ensure close coordination between the measures and activities implemented under both programmes.

5. **Detailed Budget (€ Million)**

<table>
<thead>
<tr>
<th></th>
<th>Phare Support</th>
<th>National Cofinancing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Institution</td>
<td>Total Phare (=I+IB)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support</td>
<td>Building</td>
<td></td>
<td>IFI</td>
</tr>
<tr>
<td>Works</td>
<td>2.0</td>
<td>2.0</td>
<td>0.667</td>
<td>2.667</td>
</tr>
<tr>
<td>Total</td>
<td>2.0</td>
<td>2.0</td>
<td>0.667</td>
<td>2.667</td>
</tr>
</tbody>
</table>

The Phare amount is binding as a maximum amount available for the project. The ration between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

An amount not exceeding 5 percent of the total project budget can be used for project supervision activities.

6. **Implementation Arrangements**

6.1 **Implementing Agency**

The CFCU will be the Implementing Agency and will be responsible for contracting and overall financial management of the funds.

The PAO will be the Director of the CFCU, Mr. Zilvinas Pajarskas, Ministry of Finance, Room 204, J. Tumo-Vaizganto 8a/2, LT-2600 Vilnius. Tel: +370 2 791487, 226621, fax: +370 2 225335, e-mail: cfcu@takas.lt

6.2 **Twinning**

Not applicable

6.3 **Non-standard aspects**

PRAG rules will be strictly followed.

6.4 **Contracts**

Two separate works tenders for (1) reconstruction of the wastewater treatment plant and (2) laying and extension of drinking water supply and sewerage networks for the total value of € 2.667 million (including national co-financing - € 0.667 million).

7. **Implementation Schedule**

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazlu Ruda water supply, sewage collection systems</td>
<td>2Q/02</td>
<td>4Q/02</td>
<td>3Q/04</td>
</tr>
<tr>
<td>Kazlu Ruda wastewater treatment plant</td>
<td>1Q/02</td>
<td>2Q/02</td>
<td>3Q/04</td>
</tr>
</tbody>
</table>
The implementation of the project depends on weather conditions, the most suitable construction period being May-November.

8. Equal Opportunity

Equal participation through project implementation and after project completion by women and men will be assured. Women’s participation will be measured by exact statistical data and reports provided by the operating organisation.

9. Environment

The project will be carried out in full respects of all valid environmental regulations. All the relevant EU environmental legislation will be implemented in this project. All works and the quality of the wastewater emission to the river Jure will comply with national and EU norms and standards.

The pollution of river Jure and consequently of river Nemunas and the Baltic Sea will be reduced, the number of accidents in the water supply and sewage collection system minimized.

10. Rates of return

Experience with other similar projects in Lithuania shows that the financial rate of return usually is not less than 5%, which is acknowledged to be an acceptable rate for such type of environmental projects. The cost-effectiveness will be further explored and adequately documented, and the usual financial rates of return calculation will be carried out in the phase of the detailed feasibility study, which will be finalised under PHARE PPF-LI.9917.01.

11. Investment criteria

11.1 Catalytic effect:

The project will greatly enhance the development opportunities in and around Kazlu Ruda.

11.2 Co-financing:

As the project will be included into the Public Investment Programme, 25% of project value will be paid from the loan financing with the State as a guarantor. Taking into account social condition and size of the town, higher than 25% loan financing is not feasible.

11.3 Additionality:

The Phare intervention does not displace other financiers, but complements the existing financial scheme and hastens the implementation of the project.

11.4 Project readiness and Size:

The project complies with minimum project size requirements.

Preparation of feasibility study, environmental impact assessment, detailed design and tender dossier will be financed under the Project Preparation Facility. Project will be ready for funding after all the supporting documents are prepared.

11.5 Sustainability:
The supported investments are sustainable in the long term; all construction works will comply with EU norms and standards and are in line with EU environmental policy, which has been considered in planning process.

Operational and maintenance costs, as well as repayment of the loan component will be covered by user fees. For increase in water tariffs see section 3.1.

11.6 Compliance with state aids provisions

Investment will respect the state aids provisions of the Europe Agreement and national legislation.

11.7 Contribution to National Development Plan

The project complies with the priorities of the NDP:

- This project is included into Kazlų Ruda Municipality Structure Strategic Guidelines that was approved by the Council of the Municipality on 20 November, 2001 and will be used as integral part of NDP.
- To reduce social and economic disparities among the Lithuanian regions by creating favourable conditions for business development in one of the economically least developed regions in Lithuania;
- Thereby to increase economy competitiveness of the target region.
- To raise income and employment and to improve the living standards in order to align them with those of the better developed European states

12. Conditionality and sequencing

The Feasibility study must be ready and approved by all parties including the Commission services.

The ratio between the Phare funding and national contribution is fixed so as to consider the Phare funding indicated under this fiche the maximum amount. Lithuania commits itself to (1) either ensure extra funding or (2) accept that some funds might be lost depending on the outcome of the feasibility study.

No payments will be done under this project before the feasibility study (applying same rules as required by ISPA for financing and technical preparations) and the environmental impact assessment studies are ready and approved.

Project beneficiaries must provide adequate proof of the availability of funds for the required co-finance contribution and for the subsequent operation and maintenance.

The key milestones of the project implementation are:

- Preparation of design and tender documents and their approval by the EC Delegation.
- Appointment of Engineer and local personnel
- Launch of open international tenders
- Evaluation of proposals and selection of winner
- Start of activities and advance payment
- Approval of interim payment certificates and paying of invoices
- Taking-over of the plant and final payment
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. Reference to feasibility /pre-feasibility studies.
5. List of relevant Laws and Regulations
### Annex 1

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
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<tr>
<td><strong>Project:</strong> Water supply, sewerage systems and wastewater treatment plant in Kazlu Ruda</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme Name and Number</th>
<th>National Phare Programme 2001 Economic and Social Cohesion LT 01.10.02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting Period Expires</td>
<td>3Q/03 Disbursement Period: Expires 3Q/04</td>
</tr>
<tr>
<td>Total Budget:</td>
<td>€ 2.667 Million</td>
</tr>
<tr>
<td>Phare Budget:</td>
<td>€ 2.0 Million</td>
</tr>
</tbody>
</table>

#### Overall Objective:
Economic and social cohesion in Marijampole region

#### Objectively Verifiable Indicators
Regional GDP/capita and rate of employment grows faster than national average

#### Source of Verification
Reports of the concerned local and county governments

#### Project Purpose
Economic growth and development in the town of Kazlu Ruda due to an improved business access infrastructure including the town’s water supply, and wastewater collection and treatment systems

#### Objectively Verifiable Indicators
- Number of Marijampole start-up SMEs grows faster than in comparable regions
- Investment grows faster than in comparable regions
- Kazlu Ruda water supply and wastewater systems comply with environmental standards set by the Acquis.

#### Source of Verification
Reports of Kazlu Ruda municipality and Water Supply company.

#### Assumptions
Continuing demand of new enterprises to settle in Kazlu Ruda

#### Results
Kazlu Ruda wastewater treatment plant upgraded and water supply and sewerage networks renovated and brought to standards that comply with the environmental Acquis.

#### Objectively Verifiable Indicators
- Wastewater quality meets the requirements of EU-standards.
- Sludge treatment is carried out at the wastewater plant in line with EU-standards.
- Drinking water quality to meet EU standards for iron.
- Reduced infiltration of groundwater into canalisation network by 20%.

#### Source of Verification
Handing over notes Minutes on the trial operations

#### Assumptions
- Local funds for operation and maintenance available when required.
- Target population uses the improved water supply and sewage facilities

#### Activities
The project will be carried out through two separate international works contracts (1) renovation of wastewater treatment plant, (2) renovation and laying of water supply and sewage pipes.

- Urban Waste Water Treatment Plant renovated with a total capacity of approx. 700 m³/day
- Approx. 4,000 metre water supply pipes laid and renovated
- Approx. 7,000 metre sewage pipes laid and renovated

#### Means
Phare contribution of 2 M€ to be matched by a Lithuanian co-finance contribution totalling 667,000 €

#### Source of Verification
- Adoption of the work by the State Construction Works Approval Commission
- Minutes on the trial operations

#### Assumptions
- Competent project management assured.
- Inflation during implementation period will not upset the project budget

#### Preconditions –
- Feasibility study ready and approved
- Competent project management in place
- Studies, plans and construction licences available
- Local co-finance provided
### Detailed Implementation Chart for the Project

Wastewater Treatment Plant, Sewage and Drinking Water Systems of the Town of Kazlu Ruda

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>O</td>
<td>N</td>
<td>D</td>
<td>J</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>M</td>
<td>A</td>
<td>M</td>
</tr>
<tr>
<td>Renovation of UWWTP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renovation and extension of drinking water and sewerage networks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Planning**
- **Tendering and contracting**
- **Implementation and disbursement**
### Cumulative Phare Contracting and Disbursement Schedule for the Project (€ Million)

<table>
<thead>
<tr>
<th>Date</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30/06</td>
<td>30/09</td>
<td>31/12</td>
<td>31/03</td>
</tr>
<tr>
<td>Contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total contracting (cumulative)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td>0.2</td>
<td>0.5</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Total disbursement (cumulative)</td>
<td>0.2</td>
<td>0.5</td>
<td>0.8</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**Annex 3**
Annex 4

Reference to feasibility /pre-feasibility studies.

Available studies and permissions:

- Detailed design for reconstruction of urban wastewater treatment plant in Kazlu Ruda. Prepared in 1996.
Annex 5

List of relevant Laws and Regulations

All the relevant EU environmental legislation will be implemented in this project. In particular the Directives:

- Council Directive 86/278/EEC on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture (Sewage Sludge Directive);

Relevant national laws and regulations in the wastewater treatment sector as well as environmental monitoring, research and information management and public investment sectors:

- Republic of Lithuania. Environmental Protection Law (Vilnius, 21 January, 1995, as amended by 28 May, 1996);
- Republic of Lithuania. Law on Environmental Impact Assessment (Vilnius, 15 August 1996 as amended by 18 April, 2000);
- Republic of Lithuania. Law on Environmental Pollution Tax (Vilnius, 13 May, 1999);
- Republic of Lithuania. Law on Enterprises (Vilnius, 8 May, 1990, as amended 31 August, 2000);
- Republic of Lithuania. Law on Water (Vilnius, 21 October, 1997 as amended 5 July, 2000);
- Republic of Lithuania. Law on Environmental Monitoring (Vilnius 20 November, 1997);
- Revised State Environmental Monitoring Programme (1998);
- Ministry of Environment. Waste Water Pollution Standards, LAND 10-95 (Vilnius 10 April, 1996);
- Ministry of Environment. Standards for use of Sewage Sludge in Agriculture, LAND 20-96 (Vilnius 6 December, 1996);