Standard Summary Project Fiche  
Project Number LT 01.10.03

1. Basic Information

1.1 Désirée Number:

1.2 Title: Water supply and waste water collection system development in Kretinga

1.3 Sector: Business Related Infrastructure

1.4 Location: Kretinga, Klaipeda region, Lithuania

2. Objectives

2.1 Overall Objective(s):

The overall objective of this 4 MEUR environmental infrastructure project, which has a national co-financing contribution of 1 MEUR, is strengthened economic and social cohesion in Klaipeda region. The project will contribute to implementation of the environmental Acquis in Lithuania.

2.2 Project Purpose:

The purpose of the project is economic growth and development in the town of Kretinga 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 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.

2.4 Contribution to National Development Plan

The project was included into Kretinga Master Plan (General Development Plan) approved by the Council of Municipality on 31th of May 2001 and will be a part of the 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 Kretinga town so that the iron concentration is lowered.
• Increase connection rate up to total 90% of the population of Kretinga to the public water supply network;
• Reduce health risks due to poor quality of drinking water and improve living standards;
• Reduce the pollution of water bodies, soil and groundwater in Kretinga in line with the Urban Wastewater Treatment Directive 91/271/EEC as amended by 98/15/EC and EU 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 Kretinga district and, more generally, of Klaipeda Region with a view towards reducing 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.

Kretinga town is situated in Western Lithuania, just 15 km from the coast of the Baltic Sea. The Akmena River passes through the town. Coastal zone of the Baltic Sea is a resort area, and is extensively used for tourism and recreation.
After the collapse of the USSR, many industrial plants in Kretinga were shut down. Due to this, unemployment in the district has significantly increased during the last decade. Small and medium-size business activities and development of tourism and recreation is one of the most promising ways to achieve better development in this area. The quality of potable water, and the collection and treatment of wastewater are recognized as important factors for the development of the business activities and tourism in Kretinga town.

Kretinga town has 22,300 inhabitants. The wastewater collection system in the town was installed in the early 1970s and has not been extended since then. At present, the wastewater collection system covers only 53% of the town's population. Connection of the housing area near Akmena river to the municipal sewerage network is of particular importance as non-collected and untreated wastewater is polluting the river. Extension of the sewerage network to improve the coverage of population carried out during the project 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 rain water. In Lithuania rainwater collection systems are build separately from sewage collection systems in order to avoid the overloading of sewerage system and WWTP. Therefore, Kretinga municipality envisages lying few kilometers of separate system for collection of rainwater in addition to sewerage collection extension. The rainwater collection systems shall be extended in those areas of town where extension of sewage collection and potable water supply utilities are planned to be carried out during the project.

Kretinga urban wastewater treatment plant does not have nitrogen and phosphorus removal facilities. Therefore it does not comply with the requirements of the Urban Waste Water Treatment Directive. Reconstruction of the urban wastewater treatment plant carried out during the project will enable to comply with the requirements of the Urban Waste Water Treatment Directive for sensitive areas and the Sewage Sludge Directive.

The drinking water supply system in Kretinga town is functioning since mid-1980’s. No investment projects were carried out to connect additional inhabitants to the drinking water supply network. Currently 77% of inhabitants of Kretinga town receive water from the central water supply. Drinking water supplied to the consumers is of poor quality and iron concentration in the water supplied is as high as 1 mg/l, which is 5 times the standard of the Drinking Water Directive 98/83/EC. In addition high content of iron decreases quality of drinking water in respect to a number of other indicator parameters such as colour, odour, taste, and turbidity. The Drinking Water Directive 98/83/EC regards iron as an indicator parameter only, however industry and households often complain about the high iron content.

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. Provision of potable water along with extension of sewerage network is regarded as most rational and cost-effective solution in densely populated areas. Besides laying of potable water supply pipes to the same ditches as sewerage pipes will enable considerable savings.

Cold water and wastewater user fee for population and industries in Kretinga town amounts to respectively 1.80 and 2.10 Litas per m$^3$. The same tariffs for all user groups mean that there is no cross-subsidisation. According to the statistics from Kretinga water company, one person in Kretinga pays on average approximately 4.5
Litases per month for water or 1.05% of the average Lithuanian disposable income per capita per month. 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 show that the cost increases caused by the planned investments would not have a significant impact on the affordability ratio. Moreover, it is expected that as bigger number of dwellings will be connected to water supply and sewerage networks, operating costs per consumer might even decrease.

Extension of wastewater collection and water supply systems would enable to provide drinking water supply and wastewater collection services to approximately 6,000 inhabitants in the southern part of the town, improve the quality of potable water and waste water treatment services. An important impediment for the development of services and settling new Lithuanian industries in the town would be removed thus the project will make the existing industries more competitive and make the town more attractive for new investments.

3.2 Linked activities:

The development of water supply system and wastewater collection facilities at Kretinga will complement the other measures of Phare 2001 promoting economic and social cohesion in Klaipeda district 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 currently being 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:

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

3.4 Activities:

The project will be carried out through two international works tenders covering the following activities:
• Laying of approximately 10,200 metre sewage pipes connecting 6,000 inhabitants\(^1\) to the waste water treatment plant;
• Laying of approximately 8,810 metres pipes for water supply network providing potable water to 6,000 inhabitants;
• Reconstruction of urban wastewater treatment plant and installation of nitrogen and phosphorus removal.
• Building an iron removal plant

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).

Kretinga district municipality will take overall responsibility for the implementation of the project acting 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 Kretinga Municipal Water Company 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 Kretinga municipality at present, and it will remain the owner of the extended and improved system.

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>Investmen t Support</td>
<td>Institution Building</td>
<td>Total Phare (=I+IB)</td>
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</tr>
<tr>
<td>Works</td>
<td>3.0</td>
<td>3.0</td>
<td>1.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>3.0</td>
<td>3.0</td>
<td>1.0</td>
<td>4.0</td>
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</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.

\(^1\) Number of inhabitants provided in the section 3.4 is based on results of survey. Approximately 85% of inhabitants living in the areas concerned were willing to connect to drinking water supply and sewerage networks. It is expected that the number will increase after detailisation of the project.
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 waste water treatment plant and (2) layering and extension of drinking water supply and sewerage networks, and construction of iron removal plant for the total value of € 4 million (including national co-financing – € 1 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>Kretinga water supply and wastewater collection infrastructure</td>
<td>1Q/02</td>
<td>2Q/02</td>
<td>2Q/04</td>
</tr>
<tr>
<td>Kretinga wastewater treatment</td>
<td>1Q/02</td>
<td>2Q/02</td>
<td>2Q/04</td>
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</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 Akmena and consequently of the Baltic Sea will be reduced, the number of accidents in the water supply and sewage collection system minimized.

The initial environmental screening was completed in 1999 and an environmental impact report finished at the end of 2000. Documents are available from the Kretinga municipality and Regional Environmental Protection Department in Klaipeda.
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 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 Kretinga.

11.2 Cofinancing:

As the project will be included into the PIP, 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 detailed 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. Preliminary technical design is available at Kretinga municipality.

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 preliminary assessment of tariff increase 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 Master Plan (Municipality Infrastructure Development for 2001-2004) for Kretinga Municipality that was approved by the Council of the Municipality on 31 May, 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 this 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
LOGFRAME PLANNING MATRIX FOR

**Programme Name and Number**
National Phare Programme 2001 Economic and Social Cohesion LT 01.10.03

**Contracting Period Expires**
3Q/03

**Disbursement Period Expires**
3Q/04

**Kretinga Water**

<table>
<thead>
<tr>
<th>Project: <strong>Water supply, sewerage systems and waste water treatment plant in Kretinga</strong></th>
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<tbody>
<tr>
<td><strong>Overall Objective:</strong> Economic and social cohesion in the Klaipeda region</td>
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<tr>
<td><strong>Project Purpose</strong> Economic growth and development in the town of Kretinga due to an improved business access infrastructure including the town’s water supply, and wastewater collection and treatment systems</td>
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<tr>
<td><strong>Results</strong> Kretinga water supply and sewerage networks expanded and brought to standards that comply with the environmental Acquis.</td>
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<tr>
<td><strong>Activities</strong> The project will be carried out through two separate international works contracts (1) reconstruction of wastewater treatment plant, (2) renovation and laying of water supply and sewage pipes.</td>
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<td><strong>Preconditions –</strong></td>
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</table>
## Detailed Implementation Chart for the Project

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
<tr>
<td>Month</td>
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<td>N</td>
<td>D</td>
<td>J</td>
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<tr>
<td>Reconstruction of UWWTP</td>
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<tr>
<td>Drinking water supply, sewerage network extension, iron removal plant</td>
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### Design

### Tendering

### Implementation
Cumulative Phare Contracting and Disbursement Schedule for the Project (€ Million)

Water supply, sewerage systems and wastewater treatment plant in Kretanga

<table>
<thead>
<tr>
<th>Date</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
<tr>
<td></td>
<td>30/06</td>
<td>30/09</td>
<td>31/12</td>
<td>31/03</td>
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<tr>
<td><strong>Contracting</strong></td>
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<tr>
<td>Works</td>
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<tr>
<td>Total contracting (cumulative)</td>
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<tr>
<td><strong>Disbursement</strong></td>
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<tr>
<td>Works</td>
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<td>Total disbursement (cumulative)</td>
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Annex 4

Reference to feasibility /pre-feasibility studies.

Available studies and permissions:


The studies are available at Kretinga municipality.
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);