1. Basic Information
1.1. Désirée Number: PL0008.01.06
1.2. Title: Warmia-Mazury - Small scale infrastructure investments
1.3. Sector: Private sector development
1.4. Location: Warminsko-Mazurskie Voivodship, Poland.

2. Objectives
2.1. Wider objective:
The wider objective of the project is to strengthen the economic and social cohesion of the Warminsko-Mazurskie Voivodship with Poland as well as EU average through activation of rural and town communities.

2.2. Immediate objectives:
The immediate objectives of the project include:
- development and modernisation of existing infrastructure in selected towns and rural communities, what will have significant impact on the enhancing the investment attractiveness of the whole region for industrial and service businesses,
- facilitate more balanced economic growth across the region,
- improvement of the quality of the environment and promotion of the environmentally sustainable growth by providing potential investors with access to water supply and waste treatment facilities, and reducing the pollution level of Mazurian lakes.

2.3. Accession Partnership and NPAA Priority
The project responds to the medium term priority identified in the Accession Partnership – developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives. The project realisation directly contribute to achievement of the goals of the Poland’s regional policy in the pre-accession period described in the chapter “Regional and Cohesion Policy” of the NPAA.

2.4. Contribution to the Preliminary National Development Plan
“Support for areas threatened by marginalisation” is one of the priorities designed for implementation of the development axis 6 of the Preliminary National Development Plan. Within the framework of this priority, foreseen are activities targeted at revitalisation of the economic basis of the cities as a tool for enhancing growth potential of the region as well as an instrument for restructuring and development of surrounding rural areas.

In accordance with PNDP the restructuring of the areas with low level of social economic development (GDP per capita) and urban centres which lost their former economic base should include provision of environment related infrastructure specially in the field of water supply and sewage treatment.

Taking into account limited possibilities for co-financing of larger projects by the impoverished municipal and rural communities PNDP foresees realisation of the priority by means of the small grants funds. In line with the PNDP principles only projects which form indispensable part of the regional development strategy and in which commitment of local communities is visible will be financed under this project. The proposed project of revitalisation of the economic basis of the selected town and rural communities in Warmia and Mazury Voivodeship is complementary to larger infrastructure investment, SMEs development and human resources development measures proposed under PNDP and voivodship Operational Programme.

The improvement of the basic infrastructure in selected towns and rural communities will have significant impact on their attractiveness as places to live and work and open up economic opportunities for inward investment.

The project corresponds therefore to both the Preliminary National Development Plan and the operational programme for the Warminsko-Mazurskie voivodship. It will be implemented under the OP priority “Multifunctional development of rural areas and small towns”.

3. Description
3.1. Background and justification:
A general socio-economic overview of the Warmia and Mazury region is contained in Warminsko-Mazurski Voivodship Outline Operational Programme for Regional Development. The main features of the region include:
- A low level of GDP per capita,
- The highest level of unemployment in the country,
• An under-average share in employment in agriculture, however with concentration of social exclusion problems in selected localities around former state owned farms,
• An relatively developed urban structure, however facing problems of loosing their former economic base,
• A relatively underdeveloped physical infrastructure in comparison to the rest of the country, but including efficient transit corridors, access to the main cities and small scale local infrastructure especially in the area of transport, water and sewage system facilities,
• Underdevelopment of functions of the regional centre,
• Limited industrial and service base.
The proportion of SMEs as compared with large enterprises is also lower than the Polish average, indicating underdevelopment of this sector, especially evident in rural communities. Small towns and rural areas are characterised by largely inadequate communal infrastructure, in particular as far as sewage and waste management is concerned. This situation has a negative impact on job opportunities, the pollution levels, and so on the tourist attractiveness of the region, with its main tourist attraction - Mazurian lakes.
On the basis of the draft regional development strategy in the OP, a number of priorities for immediate regional action have been identified in order to foster social and economic development and overcome peripherality and backwardness problems. Realisation of priorities will enable region to improve the transport links between the rest of country and within its area, assist in promoting inward investment and development of SMEs outside the agriculture sector as well will provide training, lifelong learning and expanding educational skills of the selected population groups.
All project activities will be implemented with the use of the project impact assessment guidelines developed for the Phare 2000 Economic and Social Cohesion Programme by the Implementing Agency. These will include comparative benchmarking analyses of beneficiaries and non-beneficiaries, in order to gather statistically significant data for future programming exercises.

3.2. Linked activities:
Several projects have been carried out within the borders of Warminsko-Mazurskie voivodship under the previous PHARE programmes. These included:
• PL9207 STRUDER – 44 projects, totalling 7 700 000 EUR, of which 3 900 000 EUR from Phare,
• PL9509 RAPID – 29 projects, totalling 5 300 000 EUR, of which 1 880 000 EUR from Phare,
• PL9609 STRUDER 2 – 16 projects, totalling 1 550 000 EUR, of which 580 000 EUR from Phare.
Investment projects will be carried out under Phare 99 “Regional development in Mazury and Podkarpacie regions” to be launched this year.
In the area of regional development, the Warminsko-Mazurskie voivodship is a beneficiary of INRED programme (PL9706) and Special Preparatory Program for Structural Funds (PL9808) under the action “Elaboration of an Objective-1 type Operational Programme for Olsztyn”.

3.3. Results:
• SMEs using new/improved infrastructure
• new SMEs created and existing SMEs developed
• jobs created or safeguarded
• sites for business investment prepared
• Rural tourism developed as alternative source of income for local farmers
• Pollution level reduced in rivers and lakes
• Higher tourism development potential of the targeted communities through new infrastructure and lower pollution levels of Mazurian lakes and rivers

3.4. Activities:
The project involves provision of small grants (50,000 euro minimum) towards the co-financing of the costs of local business related municipal infrastructure projects in the target areas of local transport and water and waste management, and provision of business sites.
The operations to be financed under the scheme will be selected by the Regional Steering Committee, headed by the Marshal of the Voivodship and comprising the representatives of regional and local administration, economic and social partners, representative of PAO and regional PAO.
Grants will be awarded to the operations meeting the following selection criteria:
• Investment projects financed must respond to the priorities of the Preliminary National Development Plan, the Outline of Operational Programme for the Voivodship and the Regional Development Strategy.
• Each operation must have a significant impact on socio-economic situation of the area and be complementary to existing infrastructure
• Quantified results of each operation linked with business activities (e.g. an increased number of existing SMEs using new infrastructure, creation of new SMEs, creation of new workplaces, number of sites prepared for business investment, etc.) must be demonstrated.
• Each operation application shall include a feasibility study and environmental impact assessment.

The Phare grant will cover up to 75% of the public participation in the net investment costs, with the minimum grant amount of EURO 50,000. The grants will be used for co-financing of construction or modernisation of facilities owned by the local authorities or other entities from the public utilities sector. The direct recipient of the grant will be always the gmina authorities, who will be responsible for contracting the works and supplies, and for fulfilling all the requirements linked with receiving the grant. The principles for grant schemes will apply as laid down in the Financing Memorandum.

4. Institutional framework
The Warmia-Mazury region is one of the 16 voivodships within the new administrative structure introduced in Poland on 1 January 1999. It encompasses 19 powiats and 116 gminas (local communities). On the regional level, the self government authorities (Sejmik as the regional parliament and the Voivodship Board as the executive body) establish the strategy for the region’s development, whereas the Voivode is the representative of the central government, responsible inter alia for transferring budgetary funds to the self-government authorities on the regional, powiat and gmina level. The gmina is the basic administrative unit with wide competencies, including developing and implementing strategies and programmes for local development. One of the key responsibilities of the gmina authorities is the creation of local conditions conducive for economic and business development, in particular through the provision of relevant local technical infrastructure.

In line with this administrative set up, the gminas will be the beneficiaries of the individual sub-projects.

5. Detailed Budget:

<table>
<thead>
<tr>
<th>Beneficiary gmina</th>
<th>Investment support</th>
<th>IB</th>
<th>Total Phare</th>
<th>National co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>2700000</td>
<td>0</td>
<td>2700000</td>
<td>900000*</td>
<td>0</td>
<td>3600000</td>
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</table>

*Polish co-financing will amount to at least 25% of the total net investment projects costs.

6. Implementation arrangements
6.1. Implementing Agency
PAO: Undersecretary of State at the Ministry of Regional Development
Implementing Agency: Polish Agency for Regional Development

6.2. Non-standard aspects
For any grant schemes foreseen under this project, the principles of these grant arrangements will follow the principles laid down in the Financing Memorandum for grant schemes.
DIS manual will be followed and FIDIC rules will be applied

6.3. Contracts: it is expected that around 20 grant contracts will be signed.

7. Implementation schedule:
7.1. Investment sub-projects selected: 15 September 2000
7.2. Sub-project specifications ready: 15 October 2000; start of tendering: 1 November 2000
7.3. Start of project activity: 1 March 2001
7.4. Project completion: 30 September 2003

8. Equal opportunity:
Specific provisions for guaranteeing equal opportunity of access to activities, employment and other benefits resulting from the project implementation will be included. Gender related indicators will be gathered and monitored throughout the projects implementation to ensure that corrective steps can be taken at an appropriate moment in the projects life cycle, and will be included in the project impact assessment guidelines benchmarks, developed for the purpose of ensuring a full comparative assessment of the efficiency and effectiveness of the measures introduced in the project.

9. Environment:
Environment impact assessments will be made for all investment projects. The scope and specific requirements of the assessments will be based on EU regulations, in the light of each individual case and in
view of, inter alia, their nature, size and location.

10. Rates of return:
All projects supported under the scheme will be analysed from the point of view of their long term effect on sustainable growth in the region and longer term business planning (when appropriate); only projects clearly demonstrating in their feasibility studies competitive economic rates of return (including not only commercial but also social value added) will receive support.

11. Investment criteria:
11.1. Catalytic effect
Phare support will be conducive to achieving economic and social cohesion goals in the Warmia-Mazury region, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale.

11.2. Cofinancing
The project will be co-financed by the Polish partners.

11.3 Additionality
The Phare project will not displace other financing sources, especially from the private sector and IFI system, it will co-finance identified priorities and not taking the place of national resources.

11.4. Project readiness and size
The projects will be ready for tendering by 1 November 2000.

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Warmia-Mazury Voivodship Operational Programme. After implementation, all maintenance costs related to investments will be covered by the beneficiaries.

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

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

12. Conditionality and sequencing:
Co-funding of specific sub-projects will be conditional on:

• co-financing of sub-project costs through local authorities and other beneficiaries;
• maintaining timetable set in programme;
• appropriate environmental assessments and feasibility analyses conducted and accepted as confirming sub-project viability by the start of project implementation;
• all tendering, contracting, reporting and monitoring conditions met.

Benchmarks:
• Investment projects selected by 15 September 2000 and tendered by 1 November 2000
• Financing memorandum signed by end of 2000
• Resources earmarked for Phare co-financing of programme reach National Fund in January 2001
## Warmia-Mazury - Small scale infrastructure investments

### Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Date</th>
<th>14.03.2000</th>
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</thead>
<tbody>
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<td>Period</td>
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<td>Project Title</td>
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<td>Indicators of Achievement</td>
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<tr>
<td>The wider objective of the project is to strengthen the economic and social cohesion of the Warminsko-Mazurskie Voivodship with Poland as well as EU average through activation of town communities</td>
<td>Increased level of economic development of rural areas in the Warminsko-Mazurskie Voivodship as compared to other regions of Poland, as well as EU average; Increased level of income in rural areas in the Warminsko-Mazurskie Voivodship as compared to other regions of Poland, as well as EU average; Reduced levels of water and soil pollution of rural areas in the Warminsko-Mazurskie Voivodship as compared to other regions of Poland, as well as EU average.</td>
</tr>
<tr>
<td>Immediate Objectives</td>
<td>Indicators of Achievement</td>
</tr>
<tr>
<td>development and modernisation of existing infrastructure in selected cities, what will have significant influence on the enhancing the investment attractiveness of the whole region for industrial and service businesses, facilitate more balanced economic growth across the region, improving competitiveness of selected locations through improvement of the quality of local roads serving as access ways to developing industrial sites improvement of the quality of the environment and promotion of the environmentally sustainable growth by providing potential investors with access to water supply and waste treatment facilities, and reducing the pollution level of Mazurian lakes.</td>
<td>Reduced migration level in targeted communities, as compared to similar communities not receiving assistance; Higher level of economic development of targeted communities, as compared to similar communities not receiving assistance; Higher investment level in housing and business in targeted communities, as compared to similar communities not receiving assistance; Higher level of income from tourism in targeted communities, as compared to similar communities not receiving assistance; Reduced unemployment level in targeted communities, as compared to similar communities not receiving assistance; Reduced level of water and soil pollution in targeted communities, as compared to similar communities not receiving assistance.</td>
</tr>
<tr>
<td>Results of Project</td>
<td>Indicators of Achievement</td>
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Local population availing of improved infrastructure in the area of sewage and waste treatment; Local businesses using new infrastructure; SME development in targeted communities; Employment increase in targeted communities; Conditions created for housing and business investment; Development of tourism in targeted communities, including rural tourism as alternative source of income for local framers; Reduction of waste treatment costs in targeted communities; Increased utilisation of existing waste treatment plants in targeted communities; Enhanced environment protection in targeted communities and areas affected by waste produced in those communities.

Number of existing SMEs using new infrastructure; number of new SMEs created; number of jobs created/safeguarded; number of sites prepared for housing and business investment; number of tourists visiting the targeted communities, as compared to previous data; level of cost reduction of waste treatment in targeted communities; level of utilisation rate of existing waste treatment plants, as compared to previous data; level of pollution in Mazurian lakes and rivers, affected by new infrastructure, as compared to previous data; pollution level of drinking water supply points, affected by new infrastructure, as compared to previous data; level of soil pollution in targeted communities, as compared to previous data.

Local statistics
Local authorities reports
Reports from waste treatment plants benefiting of assistance
Reports from institutions involved in environment protection

Local budgets in position to co-finance investments
State budget co-financing investments according to plans
Local and regional development priorities remain unchanged
Contractors available to implement works and supplies planned in time and with proper quality

Inputs

Grants towards the co-financing of the costs of community scale infrastructure projects in the areas of water supply and sewage systems, local transport and business sites provision.

Annex 2: Cumulative implementation, contracting and disbursement schedule

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