1. **Basic Information**

1.1. **Désirée Number:** PL0008.02.06
1.2. **Title:** Podlaskie - Small scale infrastructure investments
1.3. **Sector:** Private sector development
1.4. **Location:** Podlaskie Voivodship, Poland

2. **Objectives**

2.1. **Wider objective:**
The wider objective of the project is to strengthen the economic and social cohesion of the Podlaskie Voivodship with Poland as well as EU average through strengthening its competitiveness and developing endogenous potential for growth.

2.2. **Immediate objectives:**
The immediate objectives of the project include:

- development and modernisation of existing infrastructure in small cities and selected rural gminas, which have significant influence on the enhancing the investment and business location attractiveness of the whole region,
- improving competitiveness of selected locations through improvement of the quality of local access roads serving as indispensable complement to national as well regional road network,
- facilitate more balanced economic growth across the region,
- improvement of the quality of protection of the environment and promotion of the environmentally sustainable growth.

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 social and economic activation of the most remote areas of the country in order to include them in the national processes of development.

In accordance with PNDP the investment in the areas with low level of social economic development (GDP per capita), above average employment in agriculture and weak network of urban centres should include provision of basic business related infrastructure in the rural areas and small towns especially in the field of environment protection and transport.

Taking into account limited possibilities for co-financing of larger projects by the poorest municipal and rural communes 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 co-financed under this project. The proposed project counteracting marginalisation of the Podlaskie voivodship territory 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 areas 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 goals of the Preliminary National Development Plan and the operational programme for Podlaskie voivodship. It will be implemented under the OP priority “Support for endogenous potential of development of the region – technical infrastructure”.

3. **Description**

3.1. **Background and justification:**
A general socio-economic overview of the Podlaskie Region is contained in Podlaskie Voivodship Outline Operational Programme for Regional Development. The main feature of the region include:

- A low level of GDP per capita,
- An above average share in employment in agriculture,
• A weak urban structure,
• A relatively underdeveloped physical infrastructure in comparison to the rest of the country, 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
• An underdevelopment of functions of the regional centre,
• A limited industrial and service base.
On the basis of 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 the region to improve the transport links between the rest of the country and within its area, assist in promoting inward investment and development of SMEs outside the agriculture sector as well as will provide training, lifelong learning and expanding educational skills of the selected population groups.
As defined in the OP, the particular problem of the region is very limited economic opportunities for significant proportion of the population living in small towns and rural areas. The absence in many localities of the basic infrastructure providing business sites, good quality drinking water and gas, preserving environment and providing access to regional and national network results in high rate of migration, very low attractiveness to the outside investors and has negative impact on social and economic cohesion of the region and the country as a whole.
To tackle this problem and in line with the principle of fostering environmentally sustainable development of the region under OP priority “Support for endogenous potential of development of the region – technical infrastructure” the local infrastructure development project has been proposed.
Realisation of the project will create foundations for future private non-agriculture investment - industrial as well tourism - in selected localities thus contributing to overall social and economic development of the population of the whole region.
An increased attractiveness of local communities as investment locations together with complementary projects realised under Podlaskie OP will have significant impact on overcoming peripherality problems of the region. At the same time the measure integrates the needs of economic growth with issues of sustainability, as the selected infrastructure projects will directly build on and enhance the strengths of the region - a largely conserved natural environment and a multi-cultural heritage.
The facility designed under this project is an important component of the region’s strategic approach to generate growth through building on the internal potential existing in the region, which remains untapped due to lack of access to important infrastructure.
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:
A number of small infrastructure projects have been carried out within the borders of Podlaskie voivodship under previous Phare programmes. Waste water treatment plants in Sejny and Stare Juchy were built within the framework of Phare Baltic Sea Region 96 and 97 (360 000 EUR). Small infrastructure projects related to environment, transport, development of business sites and tourist infrastructure were carried out under:
- PL9207 STRUDER - 10 projects, totalling 2.7 mln EUR, of which 1.4 mln EUR from Phare,
- PL 9609 STRUDER 2 – 14 projects, totalling 2.9 mln EUR, of which 0.79 mln EUR from Phare
- PL 9509 RAPID – 8 projects, totalling 1.7 mln EUR, of which 0.72 mln EUR from Phare
Under the regional development programmes, the Podlaskie voivodship is a beneficiary of Phare Special Preparatory Programme for Structural Funds (PL9808), supporting the preparation of regional development strategies. Regional Objective 1-type operational programme will be drawn up under Phare 99 “Regional development in Mazury and Podkarpacie regions”.

3.3. Results:
SMEs connected to new/improved sewage and waste treatment, and water supply facilities; SMEs using upgraded roads and streets; new SMEs created; jobs created/safeguarded; sites for business and housing investment made available; river pollution levels reduced; sewage treatment plants constructed/modernised; sewage systems constructed; water supply systems constructed; gas supply systems constructed; roads and streets upgraded.

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.
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 ECU 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.

### 4. Institutional framework

The Podlaskie region is one of the 16 voivodships within the new administrative structure introduced in Poland on 1 January 1999. It encompasses powiats and 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></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>2 900 000</td>
<td>0</td>
<td>2 900 000</td>
<td>967 000*</td>
<td>0</td>
<td>3 867 000</td>
</tr>
</tbody>
</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

#### 6.3. Non-standard aspects

The project will be implemented as a grant scheme. The Phare grant will cover up to 75% of public participation in net investment cost, with a minimum grant amount of 50,000 Euro.

For all grant schemes, whose procedures and formats are not covered by the current DIS Manual, the implementation arrangements will follow the principles for such schemes as laid down in the Financing Memorandum.

#### 6.4. Contracts

it is expected that around 20 grant agreements 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 have been 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) have been qualified to receive support.

11. **Investment criteria:**
11.1. **Catalytic effect**
Phare support will be conducive to achieving economic and social cohesion goals in the Podlaskie 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**
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 project is ready for contracting and disbursement, as the sub-projects will meet all conditions for co-financing by the start of project implementation.

11.5. **Sustainability**
The project will contribute to the long term sustainable development of the region, as described in the Podlaskie Voivodship Operational Programme. Future maintenance and operating costs 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 the Preliminary 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;
- 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
**Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT**

<table>
<thead>
<tr>
<th>Date</th>
<th>11.04.2000</th>
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<tbody>
<tr>
<td>Period</td>
<td>2001-2003</td>
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<td>Budget</td>
<td>2.9 M€</td>
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**Podlaskie - Local infrastructure investments**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Budget</th>
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</thead>
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<tr>
<td></td>
<td>Podlaskie - Local infrastructure investments</td>
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<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>The wider objective of the project is to strengthen the economic and social cohesion of the Podlaskie Voivodship with Poland as well as EU average through strengthening its competitiveness and developing its endogenous potential for growth.</td>
<td>Increased level of economic development of local communities in Podlaskie Voivodship as compared to other regions of Poland, as well as EU average; Increased level of income in Podlaskie Voivodship as compared to other regions of Poland, as well as EU average; Reduced development gap between Podlaskie Voivodship and other regions of Poland and EU</td>
<td>Statistical information Expert studies and analyses Regional Government reports</td>
<td>Stable macro-economic situation Process of integration with EU not delayed or interrupted Government policy in its regional and rural development aspects not dramatically changed</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
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<tbody>
<tr>
<td>Development and modernisation of existing infrastructure in small cities and selected rural gminas which have significant influence on the enhancing the investment and business location attractiveness of the whole region, through the introduction and modernisation of basic water supply and sewage disposal infrastructure; Improving competitiveness of selected locations through improvement of the quality of local access roads serving as indispensable complement to national as well regional road network, Facilitate more balanced economic growth across the region, Improvement of the quality of protection of the environment and promotion of the environmentally sustainable growth.</td>
<td>Higher level of economic development of targeted communities, as compared to similar communities not receiving assistance; Higher investment level in business 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 migration 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>
<td>Local and regional statistics Case studies Local authorities reports Reports from institutions involved in environment protection</td>
<td>Terms of trade for agricultural supplies and products remain relatively stable Conditions for running economic activity remain relatively stable No new sources of environment pollution in the region</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Results of Project</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
local businesses using new infrastructure; SME development in targeted communities; Employment increased in targeted communities; Conditions created for business investment; Development of tourism in targeted communities, including rural tourism as alternative source of income for local farmers; 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.

**Inputs**

- Grants (50,000 euro minimum) towards the co-financing of the costs of community scale infrastructure projects

**Annex 2: Cumulative implementation, contracting and disbursement schedule**

<table>
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<th>Podlaskie - Local infrastructure investments</th>
<th>Budget allocation cost estimate Phare</th>
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