1. Basic Information
1.1. Désirée Number: PL0008.03.05
1.2. Title: Lubelskie - Renovation of old town of Lublin
1.3. Sector: Tourism
1.4. Location: Lubelskie voivodship, Poland

2. Objectives
2.1. Wider objective:
The wider objective of the project is to strengthen the economic and social cohesion of the Lublin voivodship through development of metropolitan functions of its capital city.

2.2. Immediate objectives:
The immediate objectives include:
- improving the conditions for private investments in the area of the Old Town;
- promoting investments in the city and attracting business to Lublin;
- improving the conditions for tourism development in the city and the region as a whole;
- developing the city infrastructure and hence consolidating the Old Town’s status as one of the important examples of the European settlement network (cultural heritage);
- introducing new urban standards for environmental protection.

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. It corresponds also with the NPAA priority “Regional and cohesion policy”.

2.4. Contribution to the Preliminary National Development Plan
The urban areas tend to be centres of regional economic growth. Therefore “Development of metropolitan functions of selected cities” has been identified as one of the measures under the PNDP’s priority “Strengthening development potential of regions and counteracting marginalisation of certain areas”. In order to increase the role of voivodship capitals as centres of regional, national and European significance, activities aiming at enlargement and modernisation of technical and social infrastructure shall be realised, especially in the regions lagging behind in the development, where metropolitan areas are the main centres of growth. The project is in line with both the Preliminary National Development Plan (to be annexed to the NPPA) and the operational programme for the Lubelskie voivodship. The latter has a priority „Development of infrastructure of regional importance”, under which the project will be implemented.

3. Description
3.1. Background and justification:
The Lubelskie Voivodship Outline of Operational Programme has identified a number of priority projects in the area of developing regional level infrastructure, important from the point of view of achieving cohesion and development goals. The project has been developed in order to directly address the priorities identified in the Lubelskie Voivodship Outline of Operational Programme of the more effective utilisation of the region’s own resources and attraction of external resources into the region, through developing key areas with regionally significant growth potential and hampered by existing structural problems, which can significantly impact on regional competitiveness understood as the ability to generate income and jobs.
One such area has been identified as the tourism oriented Old Town quarter of Lublin, the provincial capital. The project has been designed, so as to achieve synergy between a number of goals and objectives. The investment in the public infrastructure and renovations will create the conditions for the development of the area, in particular for business development, and at the same time respecting its historical character. With this development important city level issues, stemming from the process of inner city decay, will be addressed – including increased inner city employment levels, safety, quality of life, environment protection. At the same time the Lublin Old Town is a regional level resource, and its fuller utilisation (through attracting tourists, investors, generating tourism related businesses) will also begin to address the question of defining regional level “products”, with which the Lublin region will enter into the issues of comparative regional competitiveness – in this case related to tourism and inward investment.
The project is a continuation of “Revitalisation Strategy for the Old Town in Lublin” started in 1995 As the result of this strategy implementation almost 60% of the Old Town infrastructure has already been
modernised, with the city’s own financial resources. The current project refers to the remaining 40% of the Old Town’s infrastructure; its implementation will allow to complete the City of Lublin effort to provide public infrastructure conducive for private business investment and economic development of this area.

There are two main aspects of the project: business development and tourism development. Modernisation of the Old Town technical infrastructure will improve the conditions for existing SMEs, and at the same time, create conditions for attracting new investments. As public opinion polls show, businesses located in the area of the Old Town are constrained mainly by poor infrastructure and facilities and by difficult access for clients. The modernisation of the main City centre street – Krakowskie Przedmiescie - resulted in renovation of 70% of private historic buildings along that street and in increasing the number of businesses operating there by 100%. The total business effectiveness, due to improved access and better quality of space, increased by estimated 200%.

The project responds as well to the need to enliven the area of the Old Town and is an important part of the process of creating improved conditions for tourism development. Lublin is one of the main tourist attractions of the region. The renovated Castle Square, cultural centre ‘Brama Grodzka – Teatr NN’ and the Chapel - listed as UNESCO World Heritage sites – now benefit from parking areas easily accessible from the intersection of National Routes Nr 17 and 19 leading through Lublin (Warsaw - Zamosc to Ukraine, and Rzeszow – Bialystok to Lithuania) and attract significant numbers of tourists. The average number of visitors to the Old Town, coming to the area from within the and from the region, Poland and abroad has increased since 1995 by 250%. Renovation of the remaining part of the Old Town public infrastructure is necessary to ensure sustainable tourism attractiveness of this area.

The streets proposed for renovation under the project form a crucial part of the whole Old Town area, providing vehicle access to the pedestrian part of the quarter and leading to main tourist and cultural attractions of the Old Town; Kowalska and Narutowicza streets are at the same time important shopping streets in the area. As a result of the infrastructure modernisation and the street arrangement, to be implemented under the project, the number of visitors and tourists to the area is expected to increase by 30% to 50%. The project will also directly lead to the development of expanded tourist services and businesses along the renovated streets.

3.2. Linked activities:
The project of this kind – revitalisation of the city inner areas – has not been undertaken under the Phare programme in the Lubelskie voivodship. As indicated in the previous paragraph, the modernisation activities in the Old City in Lublin have been carried out entirely from internal resources. Nevertheless, the voivodship benefited from several Phare programmes related to infrastructure provision, including PL 9609 STRUDER 2, PL 9601 and PL 9705 Eastern Border programmes.

Under the regional development programmes, the Lubelskie voivodship is a beneficiary of Phare Special Preparatory Program for Structural Funds (PL9808) programme as well as World Bank projects 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:
The direct measurable project results:
- completion of modernisation of the Old Town’s infrastructure (currently advanced in 60%);
- 2,670 inhabitants benefiting from the modernised and constructed sanitary sewers system;
- traffic capacity of the Narutowicza street increased by 10%;
- rain water penetrating into the sewage treatment plant decreased by 50%;
- establishment of new businesses along the renovated Old Town streets: 50 small and 1 medium sized enterprise;
- better conditions for existing 150 businesses, increase in their business efficiency by at least 30%, due to better quality of their facilities and easier access for clients;
- number of jobs created within the project (renovating companies) – 100, as the result of the project (indirectly, in newly created SMEs and tourist services) – 250, and further increase by 25 jobs per year;
- 30% to 50% increase in the number of visitors and tourists;
- developing business – creating better conditions for existing SMEs (modernised infrastructure, easier access) and stimulating the establishment of new ones (infrastructural conditions attracting new investments);
- increasing investment levels in new businesses, building on the current trend of opening small shops and restaurants on the ground floors of the buildings;

3.4. Activities:
The project involves reconstruction of the infrastructure of the following Old Town streets and squares: Jezuicka St., Gruella St., Dominikanska St., Rybny Square, Olejna St. and Szambelanska St. Narutowicza St. (the part extending from Moscickiego St. to Bernardynska St., including Wolnosci Sq. and Kapucynska St.), Królewska St., Kowalska St.

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.

4. Institutional framework
The direct project beneficiary will be the gmina of Lublin (self-government of Lublin, the Department of City-Planning), which will be responsible for the project management and Polish co-financing.

The gmina Lublin will act as an Employer and will be the owner of the assets after project completion. The Engineer will be selected in an open tender procedure.

FIDIC rules will be applied and a clear distinction will be made between the Employer and the Engineer, the latter to be contracted on the basis of a competitive procedure.

5. Detailed Budget:

<table>
<thead>
<tr>
<th>Infrastructure and pavement of the Old Town streets and squares</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 250 000</td>
<td>-</td>
<td>2 250 000</td>
<td>775 200</td>
<td>-</td>
<td>3 025 200</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>2 250 000</td>
<td>2 250 000</td>
<td>775 200*</td>
<td></td>
<td>3 025 200</td>
<td></td>
</tr>
</tbody>
</table>

Polish co-financing of the project will come to 25% of total costs, and it will include the administrative and management costs related to the implementation of the project; Phare financing will cover 75% of public project costs.

* local participation (gmina’s)

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. Twinning: n.a.

6.4. Contract
In order to implement the project an open international tender will be organised, and it is planned to enter into one contract: Infrastructure of the Old Town streets and squares – 2 250 000 euro

All works will be tendered and contracted according to DIS manual and FIDIC rules.

7. Implementation schedule:
7.2. Start of project of activity: Project activities will start in September 2001.
7.3 Project Completion: The completion of the contract is planned for September 2003.

8. Equal opportunity:
Procedures related to employment during project implementation will be based on Polish law ensuring equal opportunity for all interested entities and physical persons irrespective of their sex, race and nationality.

Participation of men and women in employment will be based on applied standards of the European Community concerning EOE (Equal Opportunity of Employment) which will be ensured in the official advertisement in press at the recruitment of employees.

9. Environment:
An appropriate Environment Impact Assessment has been prepared.

Because of the nature of the project a report on the influence on the environment prepared in line with Polish regulations has not been required. It is estimated that the implementation of the project will bring the following benefits regarding environmental protection:

- decreasing the amount of fumes as a result of liquidating a number of coal based heating systems in the...
area of the Old Town – reduction of the air pollution estimated by 2.5 Mg/year;

- reduction of the soil and underground water pollution from untreated sewage and drainage leaks;
- reducing the traffic disturbances through more fluent pass and the better surface – and thus the level of noise is expected to vary form 57.9 dB to 63.1 dB, when now it is seriously above the normative level (max 65 dB);
- securing the construction of the buildings along the streets against damages caused by the erosions from the leaks and by the resonance from traffic.

10. Rates of return:
The economic and financial analysis of the project has been prepared. 
Main economic indicators:
- NPV (net present value) – 69 503 euro
- IRR (internal rate of return) – 25%

11. Investment criteria:
11.1. Catalytic effect
Phare support will be conducive to achieving economic and social cohesion goals in the Lublin region, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale. The execution of the project will expedite the reconstruction of the neglected area of the Old Town in Lublin, aiming at transforming this area into the place of which the city and its citizens can be proud of. As a result private capital will become involved in the process, investing the financial resources in the apartment buildings which will be provided with electricity, central heating, water supply, etc. It will also make the city services and the cultural offerings more attractive, which is essential for the promotion of the tourist industry in Lublin and the region.

11.2. Cofinancing
The project demonstrates clear co-financing by the Polish partners. The project will be financed from the resources of the civic government in Lublin. The Polish resources will cover 25 % of all necessary expenditures.

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

11.4. Project readiness and Size
The feasibility study and environmental impact assessment have been concluded. The technical designs will be completed by 30 June 2000. Land acquisition for all components is completed. Construction permissions are expected to be issued after 28 July 2000.

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Lubelskie voivodship Operational Programme; The Lublin city guarantees securing the financial resources for the conservation and exploitation of all facilities included in the project.

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

11.7. Contribution to the Preliminary National Development Plan
The project is in line with the priority of 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 activities will be conditional on:
- Completion of project preparation
- co-financing of project by the beneficiary;
- maintaining timetable set in the programme;
- all contracting, reporting and monitoring conditions are met.
Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT

<table>
<thead>
<tr>
<th>Date</th>
<th>11.04.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
<td>2001-2003</td>
</tr>
<tr>
<td>Project Number</td>
<td>Project Title</td>
</tr>
<tr>
<td>Budget</td>
<td>2,25M €</td>
</tr>
</tbody>
</table>

<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 Lublin voivodship through development of metropolitan functions of its capital city.</td>
<td>Increased economic growth in the region; Regional competitiveness understood as the ability to generate income and jobs increased; Decreased development gap between the Lubelskie voivodship and other regions</td>
<td>Progress report on the implementation of Preliminary National Development Plan</td>
<td>General growth rate and economic development of Poland and the voivodship will be maintained</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Progress report on Poland’s application for membership of the European Union</td>
<td>Polish Government meeting the obligations included in the strategic documents i.e. NPAA &amp; AP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>the modernisation and development of the indicated area of the city; creating the core conditions for business development in Lublin; improving the conditions for private investments in the area of the Old Town; improving quality of life in the city promoting investments in the city and attracting business to Lublin; developing the city infrastructure and hence consolidating the Old Town’s status as one of the important examples of the European settlement network (cultural heritage); introducing new urban standards for environmental protection.</td>
<td>Tourists and city inhabitants more attracted to the area. Quality of the life in the area improved; Business developed investment levels in new businesses increased, building on the current trend of opening small shops and restaurants on ground floors of buildings</td>
<td>Project progress reports Reports of institutions involved Reports on audits at the beneficiary institutions</td>
<td>Effective co-operation of institutions engaged in the project implementation Voivodship authorities strongly determined to support development of the region Meeting the timetable set for each of the sub-projects</td>
</tr>
</tbody>
</table>

<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>
Finishing the modernisation of the Old Town infrastructure (currently advanced in 60%); New pavement on the area of 23,742 square meters; Sewage system from "150 to " 250 mm - combined length 1,600 m; Drainage system from "200 to "250 mm - combined length 2,186 m; Water supply system from "100 to "300 - combined length 1,313 m; Gas piping from "100 to "150-combined length 370m; Power and lighting network-combined length 4.479m; 200 meters of the trolley-bus power line; 6,500 square meters of the trees and green areas; 2,670 inhabitants benefiting from the modernised and Constructed sanitary sewers system 10% increase of the Narutowicza St. traffic capacity; rain waters penetrating into the sewage treatment plant decreased by 50%; 50 small, 1 medium size new enterprises established; Better conditions for existing 150 businesses; Efficiency of existing SMEs increased by 30%; 100 jobs created within the project (renovating companies); 250 jobs created as long-term result of the project (indirectly, in newly created SMEs and tourist services), further increase by 25 jobs per year; 20 contracts for small renovating companies in year 2000, further increase by 5 per year; 30% to 50% increase in number of visitors and tourists: Reduction of the soil and underground water pollution from untreated sewage and drainage leaks; Reducing the traffic disturbances through more fluent pass and the better surface – and thus the level of noise is expected to vary form 57,9 dB to 63,1 dB, when now it is seriously above the normative level (max 65 dB); Securing the construction of the buildings along the streets against damages caused by the erosions from the leaks and by the resonance from traffic.

Progress indicators: compliance with project duration and rate of completion; Quantity indicators: metres of finished facilities; Old Town infrastructure (including sanitary system of sewers, rain sewers system, waterworks, new pavements, gas piping, power and lighting network) constructed, modernised and fully operational; Number of residents in the vicinity of the renovation area; Number of businesses setting up in the area; Value added generated in local businesses after 3 years; Number of jobs created and maintained after one and three years, including held by women; Pollution levels

Inputs: Construction works

<table>
<thead>
<tr>
<th>Project documentation</th>
<th>Reports of institutions involved</th>
<th>Reports on audits at the beneficiary institutions</th>
<th>Official publications and statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High level of services provided by contractors</td>
<td>Effective co-operation among institutions involved in the project implementation</td>
<td>Potential visitors benefit from the facilities supported by the project</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Renovation of old town of Lublin</th>
<th>Date of drafting</th>
<th>Planning period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>01-2001 – 09.2003</td>
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<table>
<thead>
<tr>
<th>Subprojects</th>
<th>Implementation chart (by quarters)</th>
<th>Budget allocation cost estimate Phare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED</td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td>D</td>
<td>C</td>
</tr>
<tr>
<td>Contracting</td>
<td>2,25</td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td>0,34</td>
<td>0,9</td>
</tr>
</tbody>
</table>

03.05 Lubelskie - Renovation of old town of Lublin / 6
Annex 3
Feasibility Study and Environment Impact Assessment

Feasibility Study
The feasibility study of the project has been prepared by “EKO-GEO Geology & Environmental Protection” on 10th April 2000.
Financial analysis has shown that for the adopted assumptions NPV is EUR 69 503 and IRR is 25%

Environment
For the purpose of Phare funding an appropriate Environment Impact Assessments have been prepared by “EKO-GEO Geology & Environmental Protection” in March 2000.
It is estimated that the execution of the project will bring the following benefits regarding environmental protection:
• reduction of the soil and underground water pollution from untreated sewage and drainage leaks;
• reducing the traffic disturbances through more fluent pass and the better surface – and thus the level of noise is expected to vary form 57,9 dB to 63,1 dB, when now it is seriously above the normative level (max 65 dB);
• securing the construction of the buildings along the streets against damages caused by the erosions from the leaks and by the resonance from traffic.
The Project as a whole will have a positive impact on the cultural and aesthetic environment of the city centre and, also, for public health in terms of promotion the positive recreation models.
The negative environmental impacts refer only to the usual, temporary disturbances during the construction works.