03.06 Lubelskie - Small scale infrastructure investments

1. Basic Information
1.1. Désirée Number: PL0008.03.06
1.2. Title: Lubelskie - Small scale infrastructure investments
1.3. Sector: Private sector development
1.4. Location: Lubelskie voivodship, Poland

2. Objectives
2.1. Wider objective:
The wider objective of the project is to establish conditions for achieving economic and social cohesion of Lubelskie voivodship by activities aimed at activation of communities threatened by marginalisation in predominantly rural areas.

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 will 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 contributes 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 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.

Taking 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 fund. In line with the PNDP principles only projects which form an 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 counteracting marginalisation of the Lubelskie voivodship territory is complementary to larger infrastructure investment, SME development and human resources development measures proposed under PNDP and the 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 will open up economic opportunities for inward investment. Within the framework of the measure, activities targeted at activation of rural areas and towns will be carried out.

3. Description
3.1. Background and justification:
The PNDP and Lubelskie Voivodship Preliminary Operational Programme note a number of factors strongly influencing the possible future development scenarios of this strongly rural region, including:
- low level of GDP per capita,
- above average share in employment in agriculture,
- weak urban structure with only one major urban centre (Lublin),
- uncompetitive farming as dominating economic activity in the region (outside of the main cities);
- risk of a deepening gap and loss of regional level cohesion between the growth areas (Lublin) and the marginalised rural areas and small towns, threatened with significant losses in population levels;
- identified priority in the development of the rural areas and small towns - creating new sources of income, especially through establishing conditions conducive to the establishment of new and
development of existing small and medium enterprises in the communities.  
The project is directly related to the identified priorities in the development of small towns of the region, as a way for maintaining regional cohesion and establishing the local infrastructure standard which will be used as a base for further economic development as the whole region begins to compete more strongly for growth.  
The key issue negatively influencing the establishment of new and development of existing small and medium enterprises in areas threatened by low growth is lack of basic infrastructure necessary for conducting effective business activities, in particular in the main priority areas: local transport, water and waste management, and business site creation. This poses a serious threat for the communities concerned, as SMEs are the only potential source of jobs and income for the local population, and the levels of business creation and growth in rural areas remain low, due to a significant degree to the insufficient technical infrastructure available in these gminas, as compared to bigger towns and cities. The project aims at reducing this barrier. Realisation of the project will create foundations for future private non-agriculture investment - industrial as well tourism - in chosen localities thus contributing to overall social and economic development of the population of the whole region.  
All project activities will be implemented with the use of the project impact assessment guidelines developed for the Phare 2000 ESC Programme by the IA. These will include comparative benchmarking analyses of beneficiaries and non-beneficiaries 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 Lubelskie voivodship under PL 9609 STRUDER 2 programme. These were 9 projects, totalling 1,4 mln EUR, of which 0,42 mln EUR from Phare.  
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:  
• SMEs using new or modernised infrastructure;  
• sites/buildings made available for business investment;  
• SMEs investing in targeted communities;  
• jobs available during investment projects implementation;  
• jobs created/safeguarded;  
3.4. Activities:  
The project involves provision of small grants (at least 50,000 euro) 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.  
4. Institutional framework  
The Lubelskie region is one of the 16 voivodships within the new administrative structure introduced in Poland on 1 January 1999. It encompasses 24 powiats and 213 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>4320000</td>
<td>4320000</td>
<td>1440000*</td>
<td></td>
<td></td>
<td>5760000</td>
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</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

6.2. **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 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.

6.3. **Contracts:** it is expected that about 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 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.

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 take 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 Lublin 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 self-government 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
## Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT

<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 establish conditions for achieving economic and social cohesion of Lubelskie voivodship by activities aimed at activation of communities threatened by marginalisation in predominantly rural areas.</td>
<td>Increased level of economic development of predominantly rural areas in the Lubelskie region as compared to other regions of Poland, and EU average; Increased level of income in predominantly rural areas in the Lubelskie region as compared to other regions of Poland, and EU average; Reduced levels of water and soil pollution of rural areas in the Lubelskie region as compared to other regions of Poland and EU average; Reduced migration level in predominantly rural areas in the Lublin region as compared to other regions of Poland and EU average; Reduced unemployment level in rural areas in the Lublin region as compared to other regions of Poland and EU average.</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>
</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>Development and modernisation of existing infrastructure in small cities and selected rural gminas, which will 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.</td>
<td>Higher efficiency of infrastructure in the areas of local transport and water and waste management in 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 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>
</tr>
</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 improved infrastructure; SME development in targeted communities; Employment increase in targeted communities; Conditions created for business investment; Development of rural tourism as alternative source of income for local farmers; Enhanced access of inhabitants of targeted communities to local and regional centres with the use of modernised roads; 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.

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
<th>Inputs</th>
<th>Outputs</th>
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<tbody>
<tr>
<td>Grants (50,000 euro minimum) towards the co-financing of the costs of community scale infrastructure projects in the area of transport, sewage and waste management, gas supply and business sites provision</td>
<td>number of existing SMEs using new/modernised infrastructure; number of new SMEs created; number and level of new investments by SMEs in targeted communities, number of jobs created/safeguarded; number of sites prepared for business investment; number of farmers involved in rural tourism as alternative source of income; 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 rivers and water reservoirs, affected by new infrastructure, as compared to previous data; pollution level in landscape parks and natural reserves, as compared to previous data; level of soil pollution in targeted communities, as compared to previous data.</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Lubelskie - Small scale infrastructure investments</th>
<th>Date of drafting</th>
<th>Planning period</th>
<th>Budget allocation cost estimate Phare</th>
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<tbody>
<tr>
<td>PLANNED</td>
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<td>4.32 M€</td>
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<tr>
<td>Disbursement</td>
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<td>4.32</td>
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<tr>
<td>0.1, 0.2, 0.3, 0.5, 0.7, 1.5, 2.7, 3.8, 4, 4.2, 4.32</td>
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