05.05 Slaskie – Small scale infrastructure investments

1. Basic Information
1.1. Désirée Number: PL0008.05.05
1.2. Title: Small Scale Infrastructure investments - Slaskie Voivodship
1.3. Sector: Private sector development
1.4. Location: Poland - Slaskie Voivodship

2. Objectives
2.1. Wider objective:
The wider objective of the project is to establish conditions for increasing business opportunities in rural areas of the region and strengthen economic and social cohesion of Slaskie voivodship through activation of communities threatened by marginalisation in predominantly rural and isolated border areas.

2.2. Immediate objectives:
The immediate objectives of the project include:
• development and modernisation of existing infrastructure in selected small town communities what will have significant influence on the enhancing the investment and business location attractiveness of the whole region,
• facilitate more balanced economic growth across the region,
• promotion of the environmentally sustainable development through construction and modernisation of basic infrastructure in the area of sewage systems and waste treatment.

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 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 rural areas of the country in order to include them in the national processes of development.
In accordance with PNPD 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 infrastructure in small towns especially in the field of environment protection and transport. The project corresponds therefore to both the Preliminary National Development Plan and the operational programme for the Slaskie voivodship. It will be implemented under the OP priority “Multifunctional development of rural areas”.

3. Description
3.1. Background and justification:
As described in the Preliminary National Development Plan and Slaskie Voivodship Preliminary Operational Programme, the development and restructuring effort in the Slaskie Voivodship outside the areas dominated by its industrial heritage is influenced by a number of significant factors, including:
• relatively poorly developed infrastructure in relation to the core urban centres especially in the area of transport, water and sewage system facilities
• limited work opportunities outside agriculture sector,
• urgent need for the development of non-agricultural jobs and businesses - especially in tourism and cross-border co-operation,
• high levels of soil pollution.
All too often the Slaskie voivodeship is associated solely with its industrial, city centred problems. Significant development issues affect a major part of the population and human/economic potential of the region concentrated in small towns, marginalised by their geographic location, social status and power which is uncompetitive as compared to the industrial power base in the region, and further affected by the administration reforms, in which these communities lost their immediate voivodship level representation in the smaller former voivodships under the new and larger regional administrative structures.
The SME sector is the only potential source of new jobs in these communities; the ratios of SME creation and development however remain low, thus creating an important obstacle in reducing the disparities between the gminas concerned and the industrial part of the new voivodship. A major barrier for business development in these areas is often lack of basic technical infrastructure, in particular in the area of sewage systems and waste treatment. Therefore a dedicated grant scheme addressing these specific needs and the concerned gminas financing capacity is deemed to be of paramount importance, if the Phare regional programme is to support them in re-addressing the development inequalities, rather than enhancing them by supporting instruments that only the richer communities can afford.

The project actions together with complementary activities undertaken under the OP will create foundations for industrial and tourism investment in targeted gminas and hence will have a significant impact on the social and economic development of the whole region, creating conditions for more balanced, environmentally friendly pattern of growth.

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 Slaskie voivodship under previous Phare programmes. These included:

- **PL9207 STRUDER - 21 projects, totalling 6.8 mln EUR, of which 3.5 mln EUR from Phare**,  
- **PL 9609 STRUDER 2 – 4 projects, totalling 0.8 mln EUR, of which 0.3 mln EUR from Phare**,  
- **PL 9509 RAPID – 10 projects, totalling 2.6 mln EUR, of which 0.97 mln EUR from Phare**,  
- **EU Flood Damage Reconstruction Programme – 30 projects, of which 7.5 mln EUR from Phare and 34 mln PLN from Polish resources**

Under the regional development programmes, the Slaskie voivodship is a beneficiary of Phare INRED (PL 9706) and Special Preparatory Programme for Structural Funds (PL9808), supporting the preparation of regional development strategies and Objective 1-type operational programme.

### 3.3. Results:

- SMEs using new infrastructure;  
- new SMEs created;  
- jobs created or safeguarded;  
- sites prepared for business investment;  
- sewage systems constructed;  
- waste treatment plants constructed;  
- gas supply systems constructed;  
- water supply systems constructed;  
- local roads constructed/modernised;  
- reduced river pollution levels;  
- development of rural tourism as alternative source of income for local farmers;  
- higher investment promotion potential of the targeted communities;  
- higher SME participation in local and regional economy - input into local and regional product, turnover, investments;  
- cost reduction of waste treatment in targeted communities;  
- better utilisation of existing waste treatment plants.

### 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 EUR 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 Slaskie region is one of the 16 voivodships within the new administrative structure introduced in Poland on 1 January 1999. It encompasses 36 powiats and 166 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 Co-financing</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>TOTAL</td>
<td>4 320 000</td>
<td></td>
<td>4 320 000</td>
<td>1 440 000*</td>
<td>0</td>
<td>5 760 000</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

6.2. 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. DIS manual will be followed and FIDIC rules will be applied. In the last case, clear distinction between the employer and the engineer will be made, and the engineer will be contracted through the competitive procedure. For any individual projects for which the Phare contract will not exceed 300,000 euro, these will be operated as a grant scheme, for which the provisions of the Financing Memorandum will apply.

6.3. Contracts: around 20 grant contracts are expected to 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 Slaskie 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 will be ready for contracting and disbursement by end 2000.

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Slaskie 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;
• 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 ready for tendering by 1 November 2000.
<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>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
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</tbody>
</table>
| **The wider objective of the project is to establish conditions for achieving economic and social cohesion of Slaskie voivodship by activities aimed at activation of communities threatened by marginalisation in predominantly rural and isolated border areas.** | Increased level of economic development of rural areas in the Slaskie Voivodship as compared to other regions of Poland, as well as EU average; Increased level of income in rural areas in the Slaskie 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 Slaskie Voivodship as compared to other regions of Poland, as well as EU average. | • Statistical information  
• Expert studies and analyses  
• Regional Government reports | • 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 |

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
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<tbody>
<tr>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
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</table>
| • Development and modernisation of existing infrastructure in selected rural communities what will have significant influence on the enhancing the investment and business location attractiveness of the whole region.  
• Facilitate more balanced economic growth across the region.  
• Promotion of the environmentally sustainable development through construction and modernisation of basic infrastructure in the area of sewage systems and waste treatment. | 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 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 level of water and soil pollution in targeted communities, as compared to similar communities not receiving assistance. | • Local and regional statistics  
• Case studies  
• Local authorities reports  
• Reports from institutions involved in environment protection | • 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 |

<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 increase in targeted communities;
• Conditions created for business investment;
• Development of 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.

Annex 2: Cumulative implementation, contracting and disbursement schedule

<table>
<thead>
<tr>
<th>Small Scale Infrastructure Slaskie Voivodship</th>
<th>Date of drafting</th>
<th>Planning period</th>
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<tbody>
<tr>
<td>Implementation chart (by quarters)</td>
<td>Date of drafting</td>
<td>Planning period</td>
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<tr>
<td>PLANNED</td>
<td>Date of drafting</td>
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<td>Implementation</td>
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<td>Disbursement</td>
<td>Date of drafting</td>
<td>Planning period</td>
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<tr>
<td>Inputs</td>
<td>Date of drafting</td>
<td>Planning period</td>
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</tbody>
</table>

Grants (50,000 euro minimum) towards the co-financing of the costs of community scale infrastructure projects in the area of sewage and waste management, water and gas supply, local transport and business sites provision.

<table>
<thead>
<tr>
<th>Implementation chart (by quarters)</th>
<th>Budget allocation cost estimate Phare</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>EUR million</td>
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<tr>
<td>Implementation</td>
<td>C/I</td>
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<tr>
<td>Contracting</td>
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<tr>
<td>Disbursement</td>
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