Project No: LE9808.02

Title: Development of water services in four Latvian towns - Jaunjelgava, Ainazi, Saulkrasti and Plavinas (JASP).

1. Location

- 1. Jaunjelgava municipality, Jaunjelgava, Latvia
- 2. Ainazi municipality, Ainazi, Latvia
- 3. Saulkrasti municipality, Saulkrasti, Latvia
- 4. **Plavinas municipality**, Plavinas, Latvia

2. Project Objectives

Wider Project objectives:

- increase in living standard by improvement of water services;
- improvement of environmental situation and diminishing of health risks;
- fulfillment of national standards, Community Directives and international obligations;
- overall increase of business activity by infrastructure development.

Specific Project objectives:

- improvement of water services accessibility, quality and security;
- reduction of pollution load to the Daugava river and Baltic sea,
- decrease in number of water caused diseases;
- increase in possibilities for recreation and tourism development.
- improvement of water companies efficiency.

National Programme for European Integration

<u>Priority 3</u>: The approximation/alignment of Latvian laws with those of the Community (acquis). Timetable for inclusion is in the short and medium term.

Accsession Partnership

<u>Short-term</u>: - Environment - Planning and commencement of implementation of programmes and strategies. <u>Medium-term</u>: - Environment - emphasis on water and waste water.

3. Description, project components & inputs

The project covers four small towns – Jaunjelgava (population 2260 inhabitants), Plavinas (4170 inhabitants), Ainazi (1100 inhabitants) and Saulkrasti (5500 inhabitants). These four municipalities are prioritized in the *Public Investment Program* and State Program 800+ - "Development of Water Services in Latvian Towns". Project includes general rehabilitation and extension of existing water supply and sewerage facilities.

There is existing infrastructure in each town which requires to be modernized, extended, upgraded and generally improved.

Comprehensive Feasibility studies co-financed by Swedish and Finnish governments and prepared by consultant companies RUST VA-PROJECT (Sweden) and SOIL AND

WATER (Finland) are available in English and Latvian. Tender Documents were financed by the Delegation of the EC in Latvia and prepared by TEBODIN (Netherlands). Tender was launched by European Commission and evaluated according to the Phare DIS rules.

Works comprise design, preparation, supply, installation, construction, testing and commissioning of water and sewage facilities in the municipalities:

- rehabilitation of well-heads including installation of water meters;
- extention of water distribution network, including new pipelines, valves, house connections and meters;
- replacement of parts of existing water distribution network;
- construction of water reservoir;
- reconstruction of iron removal plants;
- extension and reconstruction of sewage networks, including pipelines, house connections and manholes;
- construction of waste water pumping stations and pressure pipelines;
- redesign and refurbishment of existing waste water treatment plants.

Financing of waste water components in Ainazi and Saulkrasti is included in Latvian proposal for Phare CBC - 98 program.

Essential part of project is capacity building of the local companies. Project implementation will raise work efficiency of municipal enterprises and qualification of local specialists. It is anticipated that the institutional strengthening component will be financed and implemented by the Swedish International Development Agency (SIDA). SIDA has expressed interest to support this project and discussions on TORs are in the final stages. It will include twinning arrangements with similar municipalities and water companies in Sweden, as well as support from consulting companies for training issues. Institutional strengthening part of the project will include overall company management, project management, accounting, billing and specific technical issues.

Expected results and outputs

- Project implementation will raise efficiency, quality and safety of water services according to the National and Community norms and standards.
- The following structures and systems will be designed, constructed and supplied with equipment:

Jaunjelgava

Water supply

- Constructed new water distribution pipelines;
- Rehabilitated water distribution network;
- 20 valves installed in water distribution network;
- Constructed water reservoir and booster pumping station.

Waste water

- Existing sewers inspected and rehabilitated;
- Constructed new sewers;
- Constructed new house connections;
- Constructed new wastewater treatment plant.

Ainazi

Water supply

- Rehabilitated and upgraded 5 wells;

- Upgraded 2 water treatment and pumping stations;
- Extended and rehabilitated network;
- Constructed 85 new house connections;
- Supplied hardware and software for mapping of wells and water networks, Finalized network mapping.

Saulkrasti

Water supply

- Rehabilitated and upgraded 7 wells;
- Extended and rehabilitated network;
- Constructed 50 new house connections;
- Supplied hardware and software for mapping of wells and water networks, Finalized network mapping.

Plavinas

Water supply

- Installed and calibrated 2 flow meters at water intakes;
- Improved Riga street iron removal plant;
- Installed water meters to the 48 house connections;
- Constructed 50 new house connections (including water meters).

Waste water

- Central area connected to the biological treatment plant;
- Constructed 70 new house connections;
- Rehabilitated pumping station and biological treatment plant.

4. Institutional Framework

Employer in the project will be the Ministry of Environmental Protection and Regional Development, particularly Mr. Z. Bruvers, Program Officer, Director of Investments Department. Investment Department and it's CFT (Contracts Facilitation Team) will be responsible for overall project co-ordination and management.

Project is part of State Program 800+. There is special PIU established in the State Projects Agency *Vides projekti* which is managing all projects under this program on daily basis.

Project will be implemented in accordance with FIDIC contracting rules, therefore *Employers Representative* will be special team of supervision engineers working on site.

7. Budget (mil. ECU)

	Investment Phare National	Instit. building SIDA (Planned)	Investment Phare CBC (Planned)	Recipient (state budget)	IFI*	TOTAL
		(Thunned)	n/a		n/a	
Jaunjelgava	0,959	0.230		0,065		1.254
Ainazi	0,532	0.230	0.500	0,108	n/a	1.37
Saulkrasti	0,425	0.230	0.500	0,195	n/a	1.35
Plavinas	0,784	0.230	n/a	0,106	n/a	1.12
TOTAL	2,700	0.920	1.000	0,474		5.094

? - Implementation practice of State Program 800+ - Development of Water Services in Latvian Towns shows, that loan financing in municipal water projects is feasible in towns with more than 10 thousands inhabitants. For emergency - rehabilitation projects in small (up to 5 thousands) and economically weak municipalities the main financing source (approximately 90%) should be grant. IFIs are not interested in financing of many small projects because of too high management costs. The optimal financing source for packages of such projects is Phare program combined with local financing and national project management capacity. Local PIP sources can not cover all rehabilitation needs of many municipalities and local budgets at the moment are too small and not able to finance infrastructure development projects.

6. Implementing Arrangements

Technical Implementation and Contractual & Financial Implementation:

This will be the responsibility of the Ministry of Environmental Protection and Regional Development **Ziafrids Brûvers** PO Investments department Director

Zigfrids Brûvers, PO, Investments department, Director

7. Implementation Schedule

Feasibility Study completed - March 1997.
Tender Dossier for Turn Key project completed - October 1997.
Open tender launched - October, December 1997.
Tender Evaluation - March 1998.
Project implementation could start immediately when funds becoming available.
Duration of the Project is 20 months. Complettion of the project is experted to be June 2000. Successful tenderer will execute works simultaneously in four towns because the scope of work is similar and project has certain time limits.

8. Equal Opportunity

The main criteria in Tender process for the staff evaluation are professional qualification and experience in similar assignments but not their sex or age. There is equal opportunity for both - men and women.

9. Environment

The Feasibility Studies includes also environmental impact assessment. The conclusion is that implementation of the project has a positive environmental impact. Rehabilitation of existing (Plavinas) and construction of new (Jaunjelgava) waste water treatment plants will lead to the compliance with the effluent standards defined by the national environmental authorities and Community water quality standards. New connections to the sewerage network will stop effluence of untreated waste water into Daugava river and Baltic sea. Rehabilitation and extension of water network and sewers will raise hygienic standard and decrease threats to the public health. Local and regional environmental and administrative authorities took part in project preparation and all solutions are approved by them.

10. Rates of return

Financial _____5_% (average for 4 towns) Economic internal rate of return _____%

The estimation of economic benefits driven by the extension of water and sewerage facilities in the four small towns should be re-calculated because different consultants in studies are using different calculation models and results are not comparable.

Benefits include the improvement of hygienic conditions of inhabitants, reduction of pollution load to the Baltic Sea and Daugava river, increase of tourism activities in the area, pre-conditions for the economic development of the mentioned municipalities and general improvements of municipal companies efficiency.

The Feasibility Studies carried out by the Finnish company "Soil and Water Ltd." and Swedish company "Rust" has identified all financial aspects (income statement, balance sheets, cash flows and demand projections). These figures are available in the Feasibility Study Reports.

11. Investment Criteria

1) <u>Catalytic</u>: The project will assist in the adaptation of Latvian infrastructure to the Community *acquis* and Community Directives (Directives on Drinking water, Urban waste water, Surface water, Fish water, Ground water, Bathing water and proposed Water Framework Directive).

2) <u>Cofinancing</u>: Project will be co-financed by local funding sources. SIDA has expressed interest to finance institutional strengthening component in the 4 towns. It will improve economical and management situation of the enterprises, optimise metering, billing and tariffs policy. Municipalities will participate in project supervision and monitoring.

3) <u>Additionality</u>: Phare intervention will not displace other financiers as none have been identified for this present project, apart from that described in (2) above.

4) <u>Project Readiness and Size</u>: The project has already been tendered under the Phare procurement rules and regulations and using FIDIC design/construct conditions of contract. The project could commence within one month of approval of funding, if re- tendering is not required.

5) <u>Sustainability</u>: Focus of attention has been given to the sustainability of the project (institutional strengthening component). Only simple and cheep in operation and

maintenance solutions are proposed for this project.

6) <u>Competition</u>: All actions of the project will respect the competition provisions of the European Agreements. Contractor was selected in open tendering process in EU member states and Phare countries.

7) At the moment Phare assistance is the only possibility to improve critical situation in water services infrastructure of 4 small Latvian towns

13. Conditionality and Sequencing

In parallel to project implementation Latvia should develop approximation and implementation strategies for water and waste water sectors.

- Since tender is already evaluated, there are no special pre-conditions needed for the project to be launched. Project is ready for implementation. If for some reason Project should be re-tendered, it can be done immediately after signing of Financial Memorandum.
- The project shall constitute an integrated part in a long-term development plan for the waste and water treatment in Latvia
- Co-financing from national budget to ensure sustainability of the project.
- If full financing package from Phare is not available, priority order of sub-projects is the following:

- Jaunjelgava waste water component;

- Plavinas waste water component;
- Ainazi water supply component;
- Jaunjelgava water supply component;
- Saulkrasti water supply component;
- Plavinas water supply component.

LOGFRAME PLANNING IN JAUNJELG	Contracting period expires: 31.10.00	Date of drafting: April 1998 Disbursement period expires: 31.10.01		
Project Number LE9808.02			Total Budget:5,094(MECU)	Phare contribution: 2,7 (MECU)
Wider Objective	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
 Improvement of environmental situation in accordance with Community standards; Rising of living standard by improvement of water services. 	 Reduced pollution; Decreased number of water caused diseases. 	 Monitoring data; Statistical reports. 	The political intention municipalities remains	of the Government and s unchanged
Immediate Objectives	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
 Improvement of water and waste water services; Training of personnel 	 Operational facilities are in place; Quality of drinking water and treated waste water complies with Community norms and standards; Decreased number of customer's complaints. 	 Contract documents; Monitoring the construction; Official reports; Monitoring data; Final acceptance certificate. 	 Supply and construction Weather conditions; Support from municipation Sufficient funds made 	on delays; alities; available.
Outputs	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
 Operational water and sewage facilities in the municipalities. Trained personnel 	 Physical presence of facilities and equipment; Improvement of companies economical situation. 	Official reports;Final inspection	 Bad construction; Equipment not installe 	ed or functioning
Inputs	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
 Sufficient labor force; High quality materials and equipment; Experts; Support from municipalities 	 Good quality of workforce; Meeting deadlines; Smooth project management; No personnel problems 	 Official records; Inspection reports; Physical evidence of constructions. 	 Sufficient funds made Financial viability of co 	available; ompany selected.

DETAILED COST BREAKDOWN (based on 1998 prices) - LE 9808.02					C	Date of Drafting	April 1998	April 1998.	
Planning Per.							31.10.98-	31.10.98-31.10.00	
Project Title Development of water services in Jaunjelgava, Ainazi, Saulkrasti and Plavinas									
Sub-Projects	Budget Allocation. Cost Estimate (ECU) TOTAL							TOTAL	
	Ph	Phare National - 98 Phare CBC - 98			SIDA	State Budget			
	Design	Materials	Construct.	Design	Materials	Construc	t.		
Jaunjelgava									
Water supply	17 500	69 500	343 000						430 000
Waste water	19 000	83 000	338 500					65 000	505 500
Institutional Strength.							230 000		230 000
Ainazi									
Water supply	19 000	179 500	285 000						483 500
Waste water				6 500	79 000	375 000		108 000	568 500
Institutional Strength.							230 000		230 000
Saulkrasti									
Water supply	19 000	159 500	206 500						385 000
Waste water				20 000	100 000	330 000		195 000	645 000
Institutional Strength.							230 000		230 000
Plavinas									
Water supply	12 000	61 000	163 000						236 000
Waste water	9 000	69 500	403 500					106 000	588 000
Institutional Strength.							230 000		230 000
Base Cost	95 500	622 000	1 739 500	26 500	179 000	705 000			4 761 500
Contingencies 10%	9 500	61 500	172 000	2 500	17 500	69 500			332 500
TOTAL	105 000	683 500	1 911 500	29 000	196 500	774 500	920 000	474 000	
TOTAL		2 700 000			1 000 000		920 000	474 000	5 094 000

IMPLEMENTATION SCHEDULE OF THE PROGRAMME - LE 9808.02 Date of Drafting							
Planning Period							
Programme Title	gramme Title Development of Water Services in Jaunjelgava, Ainazi, Saulkrasti and Plavinas						
Projects Sub-Projects		Budget Allocation Cost Estimate					
	I Oct 98-Mar 99						
					0.959		
Jaunjelgava	C, I	l	l		0.000		
Ainazi	C, I	I	I	I	0.532		
Saulkrasti	C, I	Ι	Ι	I	0.425		
Plavinas	C, I	I	Ι	I	0.784		
Total Programme					2.7 MECU		
Legend D = Design of sub-pro C = Tendering and co I = Contract implement	oject ontracting entation and payment						

COMMITMENT (CONT	RACT) SCHEDULE	Date of Drafting	April 1998				
				Planning Period	31.10.98-31.10.00		
Programme Title	Development of wat	er services in Jaunjel	lgava, Ainazi, Saulkra	asti and Plavinas			
Projects Sub-Projects	Ex	Budget Allocation Cost Estimate					
		PLANNED					
	I	П	ш	IV			
	Oct 98-Mar 99	Apr 99-Sep 99	Oct 99-Mar 00	Mar 00-Sep 00			
One contract only*	2.7	2.7	2.7	2.7	2.7		
Total Programme	2.7				2.7 MECU		

* - There will be one contract in the Project, works will be executed simultaneously in four towns because the scope of work is similar and project has certain time constrains.

DISBURSEMENT (PAYMENT) SCHEDUL 2898.02 Date of Drafting						98		
				Planning Period	31.10.98	8-31.10.00		
Programme Title	Development of Wate	r services in Jaunjelgav	va, Ainazi, Saulkras	ti and Plavinas				
Projects Sub-Projects	Disbu	Budget Allocation Cost Estimate						
		PLANNED						
	I	П	ш	IV		MECU		
	Oct 98-Mar 99	Apr 99-Sep 99	Oct 99-Mar 00	Mar 00-Se	o 00			
Advance payment (15%)	0.405	0.405	0.405	0.405		0.405		
Interim payments	0.270	0.945	1.890	1.890		1.890		
Contingencies				0.270		0.270		
Retention payment (5%)				0.135'	e	0.135		
Total Programme	0.675	1.350	2.295	2.700		2.700		

* Retention payment should be paid one year after commissioning of the Project

ANNEX 5 LE 9808.02

Project is a part of State Investment Programme <u>800+ Water supply and sewerage of Latvian</u> <u>towns</u>. Development of 800+ Strategy and Programme Implementation Unit was funded by Phare.

Separate project for institutional strengthening in the mentioned municipalities is under development in co-operation and with financial support from the SIDA (Swedish International Development Agency).

Financing of the waste water components of the Project in Ainazi and Saulkrasti is included in the Latvian proposal for the EU Phare CBC - 98 program.

In 1998 Public Investment Programme financing (0.474 MECU) is allocated for the project.

ANNEX 6 LE 9808.02

Project Feasibility Studies prepared by Finish company "Soil and Water" and Swedish company "RUST" are available in MEPRD in Latvian and English languages. Studies include economic and financial appraisal as well as EIA.