

Draft description of the flow of funds in the proposed Odra River Basin Flood Protection Project (ORFPP)

I. General information about the project

The project is Odra River Basin Flood Protection Project (ORFPP). The Project is financed from the grant funds from the European Union Cohesion Fund, by the loan from International Bank for Reconstruction and Development (IBRD), the loan from Council of Europe Development Bank (CEB) and Polish Government funds. The Project comprises from the following **Components**:

- **Component A: Construction of Raciborz Dry Polder**
- **Component B: Flood Protection Improvements in Wroclaw City Water System (WWS)**
- **Component C: Institutional Development, Monitoring and Evaluation and Technical Assistance**
- **Component D: Project Management, Technical Assistance and Training**

Procurement of contracts for works, goods and services is conducted by implementing agencies.

The other institutions carrying out the Project are: Ministry of Finance, Ministry of Administration and Digitization, Ministry of Environment, National Water Management Authority, Project Coordination Unit, Voivode of Lower Silesia.

II. The role of institutions carrying out the Project in financial system

- **European Union Cohesion Fund** – on the local level is administered by the National Fund for Environmental Protection and Water Management. According to the agreements signed with implementing agencies the grant from EUCF is EUR 167,910,000 million.
- **The IBRD**
The IBRD extended the Loan to the Government of Poland for Odra River Basin Flood Protection Project. The Bank put at the Borrower's disposal the Amount of EUR 140,100,000 million upon the terms and conditions set forth in the Loan Agreement of May 11, 2007.
- **The CEB**
The CEB extended the Loan to the Government of Poland for Odra River Basin Flood Protection Project. The Bank put at the Borrower's disposal the Amount of EUR 204,900,000 million upon the terms and conditions set forth in the Loan Agreement of May 11, 2007.
- **Government of Poland** and local institutions finance the part of the Project from the budgetary funds, in the share provided for in the agreements with foreign co-financing institutions. Current allocation is EUR 199,180,000 million
- **Ministry of Finance** administers the funds.
Regarding the IBRD's funds Ministry of Finance holds the **Special Account**. At request of Ministry of Administration and Digitization, the Ministry of Finance applies for the funds to the IBRD in allotments necessary for financing the particular

part of expenditures.. The IBRD transfers the funds from the Loan Account to the Special Account.

At request of Ministry of Administration and Digitization the Ministry of Finance withdraws the funds from the Special Account to be transferred to implementing agencies as advance payments.

- **Ministry of Administration and Digitization** coordinates the whole Project through the **Office of Natural Disaster Recovery** and the local office - **Project Coordination Unit**.
- **Ministry of Environment** is be responsible for approving the accounting documentation of implementing agencies submitted by PCU together with the request for advance payment. MOE after approving the documentation applies to the Ministry of Administration and Digitization
- **National Water Management Authority** is responsible for transferring the funds to the Regional Water Management Authorities (RZGW's)
- **Project Coordination Unit** supervises the flow of funds in the Project. PCU is responsible for financial management of the Project, in particular PCU prepares the application for withdrawal from the Loan Account, requests for payments for implementing agencies, gathers all the financial data and generates the reports. PCU submits the reports to IBRD and CEB as well as to the local institutions.
- **Voivode** is responsible for transferring the funds to the Regional Amelioration Authority (DZMiUW)
- **Implementing agencies** are as follows:
 - Regional Water Management Authority (RZGW) in Wroclaw
 - Regional Water Management Authority (RZGW) in Gliwice
 - Regional Amelioration Authority in Wrocław (DZMiUW)
 - Institute for Meteorology and Water Management (IMGW)

Implementing agencies procure the goods, works and services necessary for proper implementation of the Project. Agencies operate on the basis of advance payments. Agencies apply for advance payments to PCU. After receiving the advance payment agencies settle the payments and account them for in PCU.

III. IBRD financing

1. Procurement of contracts for works, goods and services is financed according to the Loan Agreement, Disbursement Handbook, IBRD Project Financial Manual and other instructions of IBRD.

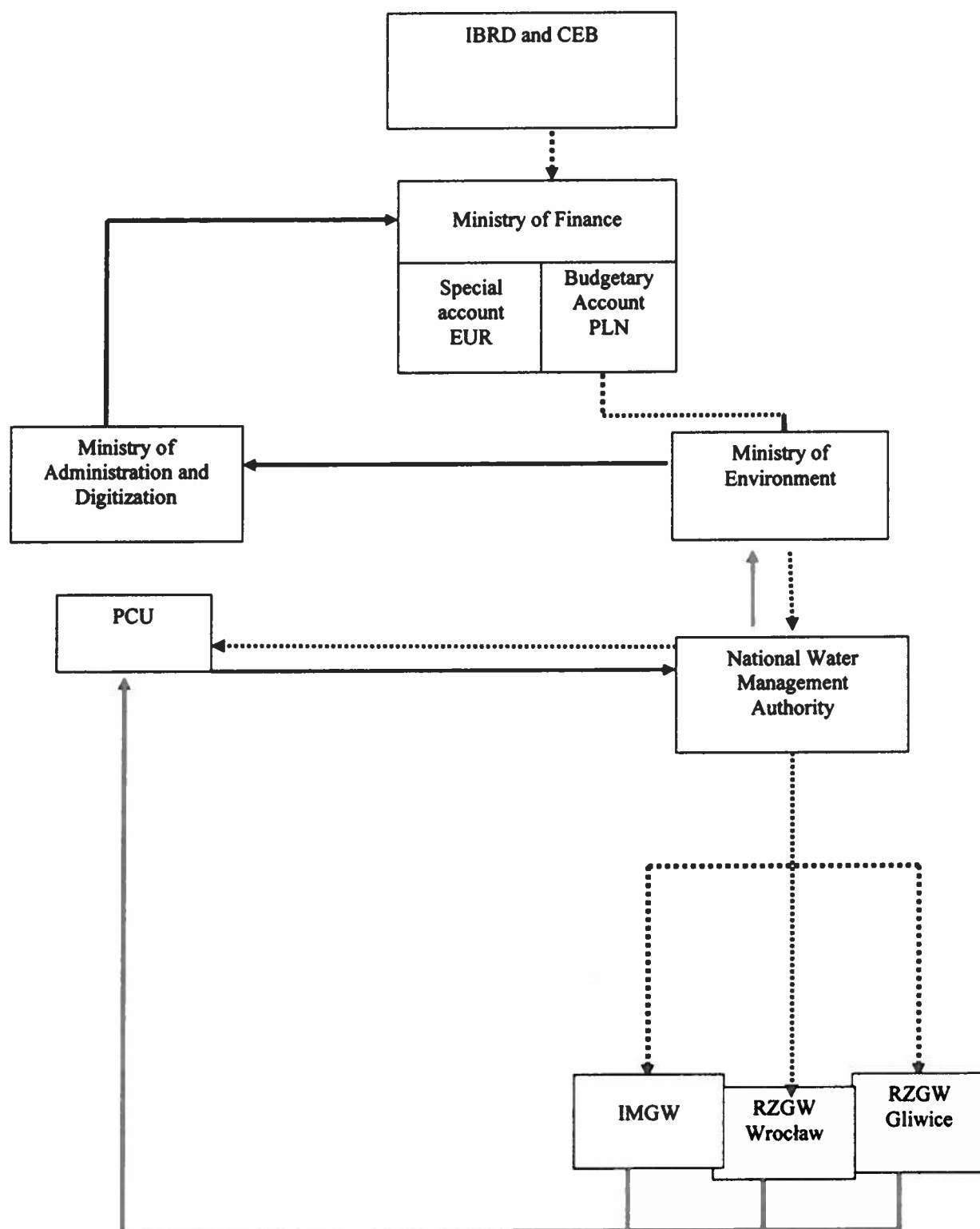
The Loan Agreement sets forth the following **Categories** of items:

- Works
- Resettlements
- Goods
- Consultants services
- Operating expenditures

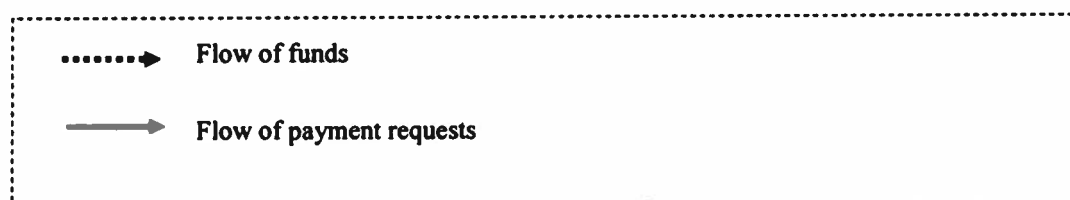
The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category, and the percentage of expenditures for items so to be financed in each Category:

	Category	Amount of the Loan Allocated (Expressed in Euro)	% of Expenditures to be financed
(1)	Works		
	(a) under Part A.1 of the Project	27,000,000	85 %
	(b) under Part B of the Project	31,000,000	85 %
	(c) under Part C.5 of the Project	4,000,000	100 %
(2)	Resettlement costs under Part A.2 of the Project	30,000,000	70 %
(3)	Goods	10,000,000	100 %
(4)	Consulting services		
	(a) under Part A.3 of the Project	7,000,000	70%
	(b) under Part B.4 of the Project	3,600,000	50%
	(c) under Part C and D of the Project	10,000,000	100%
(5)	Incremental operating costs	2,000,000	100%
(6)	Unallocated	15,500,000	
	TOTAL	140,100,000	

2. Flow of funds chart – government units



3.



3. Flow of funds chart – selfgovernment units

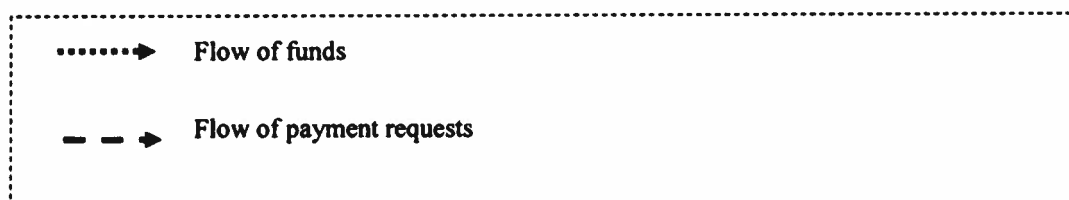
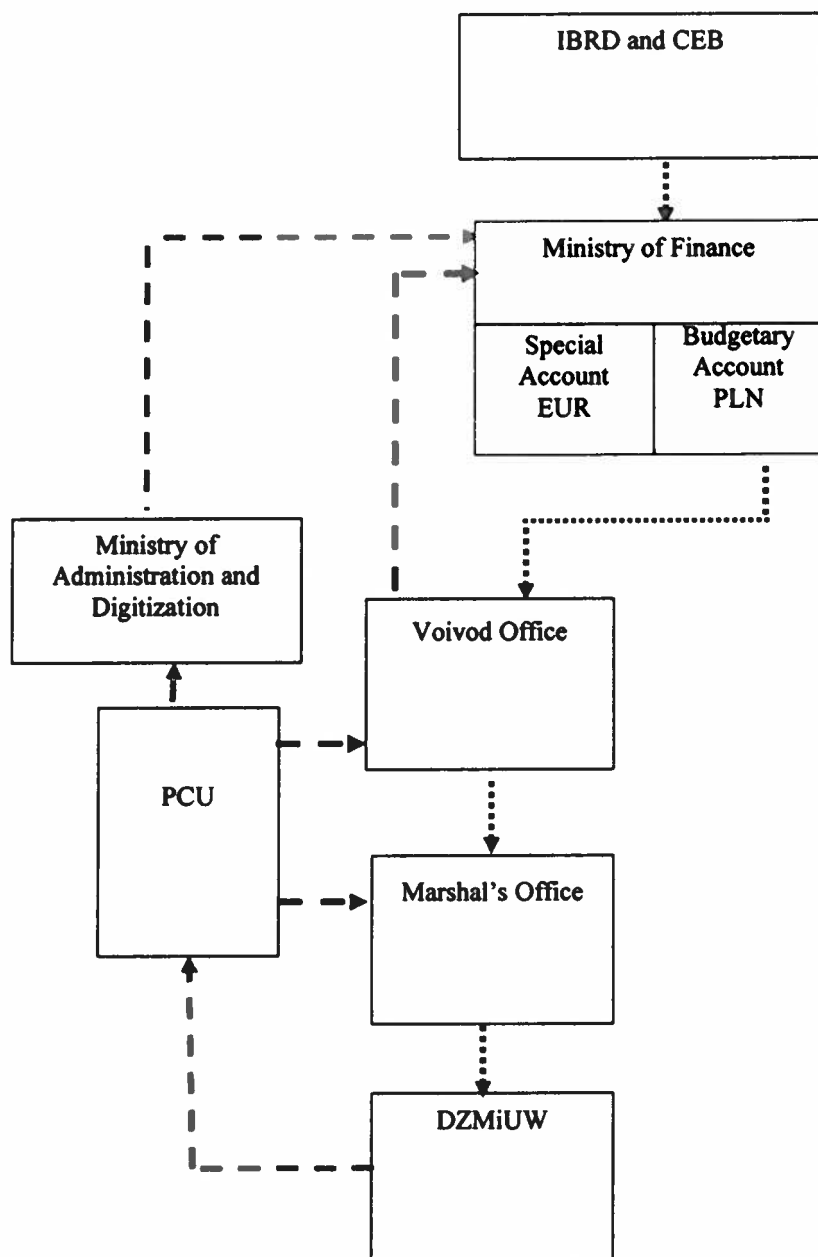


Table 1: Cost Estimates and Financing Plan (Million Euros)

Project Component	Total Cost	GOP	World Bank	EU Cohesion Fund	CEB ^{g/}	Total Financing
<u>A. Raciborz Dry Polder</u>						
A1 Construction costs	137.4		27.4	80.0	30.0	137.4
A2 Resettlement costs	64.9	29.3	35.6			64.9
A3. Design and construction supervision	16.0		7.0		8.1	16.0
Sub-Total A	218.3	29.3	70.9	80.0	38.1	218.3
<u>B. Wroclaw Floodway System</u>						
B1 Rehabilitation of levees & channel Protection	55.9		8.4		47.5	55.9
B2 Retaining walls, channel widening, hydraulic Structures	121.5		18.5	50.0	53.0	121.5
B3 Widawa channel improvements	43.2		6.5		36.7	43.2
B4 Design, construction supervision, admins.	20.0		3.0		17.0	20.0
B5 Resettlement Costs	13.3	0.7	0.0		12.6	13.3
Subtotal B	253.9	0.7	36.4		166.8	253.9
<u>C. Improving Flood Management, Monitoring & Evaluation, and Supervision of EMP & RAP</u>						
C1. Emergency preparedness and improved flood management.	4.9		4.9			4.9
C2. Flood forecasting (SMOK)	9.5		9.5			9.5
C3 Flood management strategy and assistance On additional project preparation.	5.0		5.0			5.0
C4 M&E of project impact and supervision of EMP and RAP	3.0		3.0			3.0
C5 Environment Management Plan Works	4.6		4.6			4.6
Subtotal C	27.0		27.0			27.0
<u>D. Project Management, Technical Assistance Training</u>						
D1. Project management	4.0		4.0			4.0
D2 Technical assistance and training	1.8		1.8			1.8
Subtotal D	5.8		5.8			5.8
Total	505.0	30.0	140.1	130.0	204.9	505.0

^{g/} Council of Europe Development Bank.