

**THE COOPERATION PROGRAMME BETWEEN SWITZERLAND AND REPUBLIC OF
POLAND**

ADDENDUM No 3

TO

PROJECT AGREEMENT

CONCERNING THE GRANT FOR

**THE PROJECT KIK/61 "REPLACEMENT OF GROUP, EXCHANGER-BASED
HEATING SUBSTATIONS WITH INDIVIDUAL HEATING SUBSTANTIONS AND
MODERNIZATION OF HEAT DISTRIBUTION NETWORK IN WARSAW CAPITAL
CITY'S HIGH-DENSITY MULTI-FAMILY HOUSING AREAS WHERE PERMISSIBLE
AIR POLLUTION LEVELS ARE EXCEEDED" SIGNED ON 9 MAY 2012
HEREINAFTER REFERRED TO AS THE „AGREEMENT”**

BETWEEN

SWITZERLAND

REPRESENTED BY

THE SWISS STATE SECRETARIAT FOR ECONOMIC AFFAIRS (SECO)

AND

THE REPUBLIC OF POLAND

REPRESENTED BY

**THE MINISTRY OF DEVELOPMENT AS THE NATIONAL COORDINATION UNIT
(NCU)**

TOGETHER REFERRED TO AS THE "CONTRACTING PARTIES"

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Article 1

Project Prolongation and Project Main and Optional Activities

1.1. According to the Article 20.1 of the Agreement, the Agreement shall be amended as follows in paragraphs below.

1.2. Article 2.5. shall be replaced by the following:

"2.5. The Project Agreement shall be implemented based on all Annexes to the Final Project Proposal and the Project Change Request causing Addendum No 3 to the Project Agreement."

1.3. Article 3.1. shall read as follows:

"3.1. The estimated total cost of the Project amounts to CHF 31 929 938 [thirty one million nine hundred twenty nine thousands nine hundred thirty eight Swiss Francs]. The estimated eligible cost of the Project amounts to CHF 31 929 938 [thirty one million nine hundred twenty nine thousands nine hundred thirty eight Swiss Francs]."

1.4. Article 3.4 shall read as follows:

"3.4. The Grant shall cover a maximum of 33,2877 % of the total eligible cost of the Project in Swiss Francs. The NCU shall ensure the timely provision of the co-financing of a minimum 66,7123 % of the total eligible costs of the Project in Swiss Francs".

1.5. After Article 3.4 shall be added Article 3.4a in following wording:

"3.4a. The Grant for activity referred to in point II.2.3 of the updated Budget (annex 3) shall cover 48,4464 % of the total eligible costs of this activities in Swiss Francs. This percentage shall never be exceeded during the Project implementation. The NCU shall ensure the timely provision of the co-financing of 51,5536 % of the total eligible costs of these Project activities in Swiss Francs by domestic sources."

1.6. After Article 3.4a shall be added Article 3.4b in following wording:

"3.4b. The Grant for other activities referred to in the updated Budget (annex 3) shall cover 30 % of the total eligible costs of these activities in Swiss Francs. This percentage shall never be exceeded during the Project implementation. The NCU shall ensure the timely provision of the co-financing of 70 % of the total eligible costs of these Project activities in Swiss Francs by domestic sources."

1.7. Article 3.9. second sentence shall read as follows:

"Eligibility of costs for reporting, auditing and evaluation ends 2,5 months after the Project's physical completion."

1.8. Article 3.10. shall be replaced by the following:

"3.10. Before completion of the project the Contracting Parties shall agree mutually on the use of any unutilized portion of the Grant, subject to provisions of Article 3.11 below."

1.9. After Article 3.10, shall be added Articles 3.11 in following wording:

"3.11. The amounts resulting from the project savings and exchange rate gains might be utilized by the Executing Agency for the additional activities stipulated in the updated Budget (Annex 3)."

1.10. Article 5.3 shall be replaced by the following:

"5.3. For all public tenders above the threshold of CHF 500'000 that are necessary to implement any of the main and optional additional activities defined in the updated budget (Annex 3), the following documents shall be submitted to Switzerland for information at the latest 20 calendar days before commencement of tendering and 20 calendar days after the signing of the contracts, respectively:

- the English translation of the Terms of Reference of the tender documents,**
- the legal and technical opinion on the tender documentation,**
- the whole set of tender documents in Polish,**
- the English translation of the contract.**

The Swiss side may request only part of these documents."

1.11. Article 6.5. shall be replaced by the following:

"6.5. The Implementation Agreement referred to in Art. 6.4. shall state that in any case the Project will not receive the Swiss co-financing which is higher than the maximum Grant amount indicated in Art. 3.2."

1.12. Article 6.6. shall be deleted.

1.13. Article 8.3 first sentence shall read as follows:

"The Project Completion Report is due not later than 130 days after the end of the Project completion meaning no later than 22 October 2017 for this Project and the final Reimbursement Request must have been received by Switzerland not later than 14 December 2017".

1.14. Article 9.4 second sentence shall read as follows:

"The conclusions and recommendations shall be transmitted to Switzerland together with the Project Completion Report by the NCU at the latest 130 days after the termination of the Project, it means not later than 22 October 2017".

1.15. Article 22.2 shall read as follows:

"22.2. The physical scope of the Project shall be implemented in 57 months, starting on 1 July 2012 and ending on 31 March 2017. The project completion date – 14 June 2017 corresponds with the final date for the eligibility of costs for reporting, auditing and evaluation".

1.16. After Article 22.2 shall be added Article 22.3 in the following wording:

"22.3. The deadlines mentioned in Article 8.3, 9.4 and 22.2. are the ultimate time limits. They take into consideration the estimated date of completion of possible optional additional activities as mentioned in the Project Change Request and in the updated Budget mentioned in art. 2.5 above. However the NCU strives to have the deadlines respected according to the activities that are actually implemented, thus these ultimate time limits might be shortened accordingly unilaterally by the NCU."

- 1.17. The updated Budget (Annex 3 to the Agreement) and the updated Project Logframe (Annex 4) shall read as follows in the Attachments to this Addendum.

Article 2

Special Arrangement to facilitate the Achievement of the Project Objective in the Final Phase of Project Implementation

- 2.1. According to the Article 20.1 of the Agreement, the Agreement shall be amended as follows:

- 2.2 After Article 8.4 shall be added Article 8.5 in the following wording:

"8.5. The implementation of planned and additional activities, the information on improvement of outputs and outcomes as well as any adjustment to the project shall be set out by the Executing Agency in subsequent Interim Reports, Annual Reports and the Project Completion Report".

- 2.3. The Articles 20.2. and 20.3. shall be replaced by the following:

"20.2 The total amount of the Swiss contribution to the project, the project objectives, as well as the minimum co-financing by the Polish party and the deadlines of eligibility of costs set in the Framework Agreement shall be respected in any case.

20.3 The provisions of Article 20.1 do not apply to the modifications specified hereafter:

In first priority, the Polish party shall concentrate its efforts on the implementation of the main activities and subsequently of the optional additional activities mentioned in the updated budget attached to this Addendum. The NCU is responsible and also authorized by the Swiss party to take all necessary measures to implement and safeguard the optimal achievement of the project's objectives. This includes necessary adjustments imposed by unforeseen circumstances. In case of doubt, the NCU may consult the Swiss party.

During this last project implementation phase or at project completion, the NCU is entrusted to retroactively increase the Swiss co-financing to the maximum amount as stated in the Framework Agreement Article 5.4 for the activities implemented after the signing of this Addendum under the condition that all measures were taken i) to use all project savings within the project's objectives as defined in the logframe in Annex 4 to this Project Agreement, ii) to mobilize Polish resources, iii) and that the Swiss party approves it by exchange of letters. In this case provisions of Art. 3.4, 3.4a and 3.4b of the Project Agreement do not apply any more".

Article 3

- 3.1. This Addendum constitutes an integral part of the Agreement.

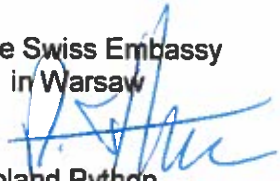
3.2. This Addendum shall enter into force on the date of its signing by the Contracting Parties.

3.3. This Addendum was done in two authentic copies in the English language.

Attachments: 1) The updated Budget (Annex 3 to the Agreement)

2) The updated Project Logframe (Annex 4 to the Agreement)

For the Swiss Embassy
in Warsaw



Roland Python
Director of the Swiss Contribution Office
in Poland

16. December 2015

For the Ministry of
Infrastructure and Development



Magdalena Iwanicka
Deputy Director of Department
of Assistance Programmes

17. 12. 2015

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Simplified Project Budget: KIK-61 SPEC

Amounts in PLN		2012	2013	2014	2015	2016	2017	CALCULATED COST	%
I	PROJECT MANAGEMENT (administrative and financial management costs)	264,399	919,138	1,629,791	1,149,536	1,227,260	183,852	4,779,926	4.89%
1.1	Personnel (salaries)	261,374	867,069	1,003,337	1,114,754	1,190,000	172,478	4,629,012	3.89%
1.2	Others (materials, etc.)	2,935	37,069	26,454	32,182	37,260	11,074	141,914	0.12%
II	Investments	208,183	9,949,844	17,549,600	25,431,026	53,518,024	7,639,720	112,841,879	94.72%
2.1 a	Construction of 308 individual substations with liquidation of 42 group substations	0	5,241,754	5,078,139	37,65,984	5,648,978	0	19,734,855	16.55%
2.1 b	Construction of 498 individual substations with liquidation of 65 group substations	0	7,187,400	3,107,509	10,473,659	15,710,788	0	30,010,895	25.19%
2.2	Construction of 29 225.0 m of high-parameter district heating network and decommissioning of 45 116.3 m of low-parameter	290,181	4,036,150	9,384,020	11,191,784	16,787,678	0	41,687,825	34.99%
2.3	Construction up to 6 211 m of the district heating network supplying heat to the areas where group substations are decommissioned, and the district heating network within the housing estates, with connections to residential buildings	0	0	0	0	14,370,580	7,035,720	21,406,300	17.97%
III	Services	87,432	203,269	153,940	232,179	248,658	81,118	947,942	6.89%
3.1	Contract engineering	7,500	180,000	189,581	217,000	210,700	73,672	811,453	0.68%
3.2	Designer's supervision	0	2,452	0	21,096	25,100	7,444	56,692	0.05%
3.3	Tender documentation	1,913	20,937	3,060	21,902	32,855	0	79,797	0.07%
3.4	Other costs	0	0	0	0	0	0	0	0.00%
IV	Promotion, information, awareness raising	387,383	48,228	62,400	143,244	198,252	24,818	467,919	9.41%
4.1	Websites	14,600	0	0	12,605	17,100	2,108	46,613	0.04%
4.2	Information boards	7,400	1,493	28,396	39,904	49,100	10,737	137,060	0.12%
4.3	Markings on installations	0	0	0	0	0	0	0	0.00%
4.4	Information and education campaign	87,413	46,742	9,500	38,708	58,052	0	161,255	0.14%
4.5	Press releases	0	0	0	25,834	27,000	11,751	64,585	0.05%
4.6	Book, leaflets, posters, gadgets	8,000	0	4,504	23,993	38,990	0	77,507	0.07%
4.7	Other costs	0	0	0	0	0	0	0	0.00%
V	Financial audits	687,246	11,687,486	18,796,381	28,948,985	54,128,965	7,328,984	138,737,794	108.9%
TOTAL NON-ELIGIBLE COSTS		0	0	0	0	0	0	0	0%
TOTAL PROJECT COSTS (eligible and non-eligible)		93,728	13,767,486	18,798,761	30,989,065	84,756,963	7,328,984	119,137,794	100%

The 15% rule according to the Project Agreement applies to the categories (activities) marked with the Roman numerals.

The preferable completion data of the main activities stipulated above is March 2017

The project will be divided into 17 reporting periods covering 2 months duration:

1. July 2012 - December 2012
2. January 2013 - March 2013
3. April 2013 - June 2013
4. July 2013 - December 2013
5. January 2014 - March 2014
6. April 2014 - June 2014
7. July 2014 - September 2014
8. October 2014 - December 2014
9. January 2015 - March 2015
10. April 2015 - June 2015
11. July 2015 - September 2015
12. October 2015 - December 2015
13. January 2016 - March 2016
14. April 2016 - June 2016
15. July 2016 - September 2016
16. October 2016 - December 2016
17. January 2017 - March 2017

Scenarios of additional activities to be implemented under the project in case further savings are identified - according to the ICIJ letter

No	Activity	Estimated cost in PLN	Estimated date of completion
1	Construction up to 909 m of the district heating network supplying heat to the areas where group substations are decommissioned, and the district heating network within the housing estates, with connections to residential buildings	5348700	not later than 31.03.2017

In case an additional activity is going to be implemented, the management costs are to be increased proportionally, if justified.

Spreads Distribution	
20.8%	1,451,277.84
30.8%	1,929,763.69
30.8%	4,7974.28
20.8%	37,881,751.23
20.8%	8,929,486.89
20.8%	9,063,262.89
20.8%	13,969,847.38
40.8%	18,378,978.73
20.8%	249,382.48
20.8%	347,638.87
20.8%	17,887.89
20.8%	2,938.18
20.8%	1,697,853.89
20.8%	13,982.30
20.8%	42,182.80
20.8%	88,374.80
20.8%	18,778.59
20.8%	23,292.19
20.8%	27,000.30
20.8%	28,664,614.81

Simplified Project Budget: KIK-61 SPEC

Amounts in CHF
Exchange rate: 1 CHF (2015,2016) = 3,7615 PLN

	2012	2013	2014	2015	2016	2017	CALCULATED COST	%
I PROJECT MANAGEMENT (administrative and financial management costs)	79'244	271'412	281'249	304'915	336'251	48'798	1'311'669	4.11%
1.1 Personnel (salaries)	76'364	261'949	274'070	296'159	316'362	45'854	1'272'958	3.99%
1.2 Others (materials, etc.)	880	5'463	7'179	8'556	9'889	2'944	38'911	0.12%
II Investments	87'000	2'926'297	4'996'726	6'781'933	13'961'991	1'870'456	30'783'497	94.39%
2.1 a Construction of 308 individual substations with liquidation of 42 group substations	0	1'534'520	1'318'592	1'001'192	1'501'769	0	5'356'093	16.77%
2.1 b Construction of 498 individual substations with liquidation of 65 group substations	0	209'374	855'406	2'784'490	4'176'735	0	8'026'005	25.14%
2.2 Construction of 29 229,0 m of high-parameter district heating network and decommissioning of 45 116,3 m of low-parameter	87'000	1'182'400	2'422'722	2'975'351	4'463'028	0	11'130'504	34.86%
2.3 Construction up to 6 211 m of the district heating network supplying heat to the areas where group substations are decommissioned, and the district heating network within the housing estates, with connections to residential buildings	0	0	0	0	3'820'439	1'870'456	5'690'895	17.81%
III Services	2'561	59'994	40'600	61'991	71'422	21'948	238'133	0.81%
3.1 Contract engineering	2'249	53'036	39'735	50'400	56'015	19'586	221'021	0.69%
3.2 Designer's supervision	0	736	0	5'768	6'673	19'79	15'156	0.05%
3.3 Tender documentation	312	6'222	865	5'823	8'734	0	21'956	0.07%
3.4 Other costs	0	0	0	0	0	0	0	0.00%
IV Promotion, information, awareness raising	11'472	14'079	11'878	34'082	50'979	6'544	132'927	0.42%
4.1 Websites	4'377	0	0	3'404	4'547	560	17'888	0.04%
4.2 Information boards	2'219	435	8'134	18'609	13'053	2'800	37'310	0.12%
4.3 Markings on installations	0	0	0	0	0	0	0	0.00%
4.4 Information and education campaign	2'471	13'635	2'496	10'791	15'435	0	44'318	0.14%
4.5 Press releases	0	0	0	6'968	7'178	3'124	17'170	0.05%
4.6 Book, leaflets, posters, gadgets	2'405	0	1'255	6'910	10'366	0	20'936	0.07%
4.7 Other costs	0	0	0	0	0	0	0	0.00%
V Financial audits	0	0	0	8'204	13'806	0	22'010	0.07%
TOTAL ELIGIBLE COSTS	180'227	5'271'772	4'951'281	7'179'236	14'641'999	1'947'260	31,929,938	100%
TOTAL NON-ELIGIBLE COSTS	0	0	0	0	0	0	0	0%
TOTAL PROJECT COSTS (eligible and non-eligible)	180'227	5'271'772	4'951'281	7'179'236	14'641'999	1'947'260	31,929,938	100%

The 15% rule according to the Project Agreement applies to the categories (activities) marked with the Roman numerals.

The preferable completion date of the main activities stipulated above is March 2017

The project will be divided into 17 reporting periods covering 2 months duration:

- 1. July 2012 - December 2012
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- 9. January 2015 - March 2015
- 10. April 2015 - June 2015
- 11. July 2015 - September 2015
- 12. October 2015 - December 2015
- 13. January 2016 - March 2016
- 14. April 2016 - June 2016
- 15. July 2016 - September 2016
- 16. October 2016 - December 2016
- 17. January 2017 - March 2017

Statistics of additional activities to be implemented under the project in case further savings are identified - according to the NCU letter

No	Activity	Estimated cost in CHF	Estimated date of completion

max. value of the grant (CHF):

10'628'745.86

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<p>Construction up to 500 m of the district heating network supplying heat to the areas where group substations are decommissioned, and the district heating network within the housing estates, with connections to residential buildings</p> <p>1. In case an additional activity is going to be implemented, the management costs are to be increased proportionally, if justified.</p>	<p>1'421'773</p>	<p>not later than 31.03.2017</p>
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Logframe of the project POK-61

Replacement of group, exchanger-based heating substations with individual heating substations and modernization of heat distribution network in Warsaw Capital City's high-density multi-family housing areas where permissible air pollution levels are assessed

Priority of achievement / Outcome of Intervention	Key Indicators	Baseline	Target	Key Assumptions / Risks of Subactivities
Is to improve energy efficiency and reduce emissions particularly of greenhouse gases and hazardous substances in Warsaw	Contribution to reduced morbidity rate related to respiratory diseases			Regional/municipal statistics Evaluation survey
Outcome 1 Energy transmission losses limited	Percentage rate of reduction of the overall length of the heat distribution network Reduction of the overall length in meters of the heat distribution network	0	30 83%	Project documentation Regional/municipal statistics Air monitoring reports in the target area On-site measurements
Outcome 2 Energy efficiency improved	Energy savings in GJ/a on piping Energy savings in GJ/a on substations Energy savings in GJ/a on substation Reduction in GJ/a of energy consumption per 1 building	0	48417.4 26187.8 84185.7 184 58	
Outcome 3 Emissions of pollutants reduced	Reduction in % of pollutant emissions CO ₂ SO ₂ NO _x PM ₁₀	0	15 025 844 58 384 28 768 1 834	
Outcome 4 Consumption of conversion fuels reduced	Reduction of consumption of the conversion fuel - coal in %	0	8 795	
Outcome 5 Thermal water saved	Reduction of heating in %	0	8800 000	
Output 1 (per subactivity) Per subactivity: 1, 2, 3, 4, 5	Subactivity description	Baseline	Target****	
Output 1 Duct type heat distribution piping replaced with newly built pre-insulated district heating network	Number of meters of the duct type network decommissioned Length in meters of renovated pre-insulated heat distribution piping	0	51327.3 35440.0	Project documentation On-site measurements Assumptions: Improved system and sets of SPEC staff enforce the metropolitan heat distribution network Justified shortening the length of the heat distribution network will contribute to a positive environmental impact The overall length of the heat distribution network to be built will not differ significantly when the detailed technical documentation is prepared The length of current low parameter heating network and the length of network decommissioned, to be reused, and scheduled to be built will not differ significantly when a complete technical and legal documentation is prepared
Output 2 Group substations replaced with individual substations	Number of group substations decommissioned Number of individual substations in total and by a district installed: Mokotów Włocławek Praga Południe Zoliborz Śródmieście Stolica	0	101 808 204 122 173 81 43 182	Project documentation On-site measurements Assumptions: Individual substations are properly used and maintained by trained SPEC staff The number of the buildings to be connected to the municipal district heating network via new individual substations will not change significantly
Output 3 Installed automated heat demand control	Number of individual substations fitted with automated control systems	0	808	Project documentation On-site measurements Assumptions: Individual substations are properly used and maintained by trained SPEC staff The number of the buildings to be connected to the municipal district heating network via new individual substations will not change significantly
Output 4 Promoted energy efficiency	Number of conferences Number of conferences participants Number of monthly meetings with target groups Number of meetings participants Number of information and promotional materials published Number of copies of the guide book distributed Number of posters copies exposed	0	2 100 58 763 30 2 000 100	Project documentation Lists of participants On-site control Assumptions: Residents, managers of homeowner associations and representatives of housing cooperatives are properly informed, trained and attracted by benefits of the implemented network
Output 5 Promoted weatherproofing	Number of training courses on weatherproofing Number of trainees	0	60 785	Project documentation Lists of participants On-site control Assumptions: Residents, managers of homeowner associations and representatives of housing cooperatives are properly informed, trained and attracted by benefits of the implemented network
Activities (per subactivity)	Activities	Assumptions: Innovative technological solutions are available and applied Procurement rules (particularly regarding quality criteria) are properly applied		
List of activities for output 1	1.1 To remove, adapt and utilize duct type district heating piping 1.2 To set up pre-insulated piping	Human resources: Personnel of the EA Financial resources: the Swiss-Polish Cooperation Programme and the Executing Agency		
List of activities for output 2	2.1 To decommission group substations 2.2 To install individual substations			
List of activities for output 3	3.1 To install automated heat demand control system			
List of activities for output 4	4.1 To organize and deliver information and promotional activities			
List of activities for output 5	5.1 To promote weatherproofing			
<p>*) The figures and data included in the logframe (at impact, outcome, output and activity level) were established based on the described assumptions and reflect the objectives of the project as defined at the beginning of its implementation phase. Target values may, for justified reasons, be modified during the project implementation. Logframe adjustments of any kind can be proposed (via IFCU to SCO/SEC) at any point during project implementation, and come into effect after SCO/SEC's written non-objection. The reasons of modifying a value shall be mentioned in the corresponding annual report at the output level and in the Project Completion Report at the level of outcome. An updated logframe should be attached to R, if necessary.</p> <p>**) These (impact) indicators do not need to be reported on in Interim and Annual Reports and are provided for information only. The Achievement of these indicators does not constitute the obligation with the Project Agreement or Project Implementation Agreement and will not be required by the parties.</p> <p>***) On the outcome indicators the Executing Agency reports on project completion and if possible at midterm.</p> <p>****) Targets should be met by the end of the project.</p>				

[Additional results to be delivered under the project in case further savings are identified:

Activity no	Activity	Output(s)	Contribution to the Outcome
1	Construction up to 808 m of the district heating network supplying heat to the areas where group substations are decommissioned, and the district heating network within the housing estates, with connections to residential buildings	Complementary with Output 1 Duct type heat distribution piping replaced with newly built pre-insulated district heating network. Length in meters of renovated pre-insulated heat distribution piping (target): additional 808 meters No increase of the Output indicator value (baseline)	Outcome indicators value to be assessed upon the approval of additional items

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