1. Basic Information

1.1 Désirée Number: HU0109.01

1.2 Title: Development of the road connection between the city of Balassagyarmat and the Slovak border

1.3 Sector: Cross-border Co-operation (CBC)

Improvement of Cross-border Transport Infrastructure (Priority 1, Measure 1 of the Joint Programming Document)

1.4 Location: Balassagyarmat

Region of Northern Hungary  Banská Bystrica kraj
Nógrád County  Velky Krtis okres
Hungary  Slovakia

2. Objectives

2.1 Wider Objective:
Increase cross border economic and social co-operation and improve living conditions by developing infrastructure

2.2 Project Purpose

- Decrease the level and the harmful effects of transit traffic in the city of Balassagyarmat.
- Enhance the cross border traffic of passengers and goods by ensuring better and safer traffic conditions

2.3 Accession Partnership and NPAA priority

The objectives of the project are in line with the short- and medium-term objectives of the Accession Partnership, chapter 3.2 on balanced harmonisation of transport development. The same applies to the relation of the project to the NPAA, which covers the transport development objectives in its chapter 4.5 and the quality of life aims in chapter 6.1.

2.4 Contribution to National Development Plan

According to the revised PNDP (2001), based on the regional development strategies, the project reflects to one of the most important priorities of the region: Priority 2: "Productive sector development” measure 6 of “Improvement of accessibility of the region” (PNDP 2001, Chapter 5.5.1, priority 2).

2.5 Cross Border Impact

As a result of the long lasting isolation by the state border, the transport network in the border area is underdeveloped in comparison with the national
average. This fact is especially obvious if we are considering the border crossing structures. Therefore, the development of the cross-border accessibility is recognised as one of the main bottlenecks of the future development of the concerned border regions. In short term “Improvement of Cross-border Transport Infrastructure” is identified as one of the most important measure of the Joint Programming Document (JPD) which was elaborated and approved by all competent regional and national institutions.

According to the Joint Programming Document, one of the main bottlenecks of the development of the border region and the cross-border connection is the lack of suitable infrastructure and especially the weak cross-border accessibility. Consequently, the missing adequate road connection is one of the most important elements to be developed in the very near future.

In local level, the serviceability of the Industrial Park, operating at the edge of the town of Balassagyarmat (and being of interest to the Slovaks), is highly determined by the way of access. It is important to connect the Industrial Park to the border via a road which leads outside the downtown area. The improved accessibility obviously contributes to more favourable conditions for the development of the border region. As an effect of the more advantageous circumstances, the number of enterprises and the level of employment are expected to increase. The recent circumstances also affect disadvantageously the spare-time and tourist traffic between Hungary and Slovakia.

Since the Slovakian-Hungarian relations continuously develop in the border area and the traffic passing through Balassagyarmat increases (particularly the freight traffic), it is becoming more important to solve the culminating traffic-organisation and environmental protection problems in the downtown (Main road No. 22) and along the road leading to the border crossing station. The present situation creates serious stress in the traffic, which impedes both the economic co-operation and the environmental conditions in the border area.

As a result, the project is expected to improve the traffic conditions, make the border crossing easier and more comfortable and decrease the freight traffic in the city centre of Balassagyarmat.

The objective of the project corresponds with the objective of the Ipoly/Ipel Union created for cross border co-operation and Euroregions including the affected Hungarian and Slovakian regions (Ipoly Euroregion, Neogradiensis Euroregion). The project assists the regional and infrastructure development and environmental efforts.

The same measure will apply to the project to be implemented on the Slovakian side of the border region: II/587 Plešivec – State Border between Hungary and the SR, Stage I.

3. Description

3.1 Background and justification:

The present conditions of road No. 22 and No. 2204 do not satisfy the requirements of the dynamically increasing cross-border freight traffic
The road section between the downtown and the border (Mikszáth út) is running through a 900 metres long zone, with its both sides overbuilt by private houses. A 900-metre-long section of road No2204 is running through an area densely built by private residential houses. The road No. 22 is running through downtown between monumental buildings protected by the national or the local authorities for preservation. The roads cannot be widened because of the building density, furthermore the widening of roads would not provide solution for the question of increasing load of the environment. The rate of truck traffic flow is steadily increasing at the border cross (in 1990 it was only 4.3%, in 1995 it was 9.8%, in 2000 it was 18.2% of the total traffic).

The congested lorries and trucks waiting for Slovakian custom clearance occupy the traffic lanes in the densely in-built residential area, close to the city centre. The inhabitants often complain because of this problem. The trucks disturb the peace of the residential area with noise, air pollution and vibration and cause parking problems in the city.

The planned parking area and the construction of a new road section is the solution for the problems caused by the waiting trucks. Both component of the project contribute to the planned project of road No. 22, by-passing Balassagyarmat to be constructed in the future.

After the accession of both countries to the EU, the border crossing point "will be closed down". The regional office of the VPOP (customs authority) plans to use regularly the truck parking lot as a control place for internal customs clearing control. It will provide a comfortable parking place to the waiting vehicles when the trucks are restricted from traffic (prohibition at the week-ends). The truck drivers' required resting period is strictly controlled (since the number of accidents caused by falling asleep is increasing). The parking place near to the border provides proper resting place.

The difficult conditions of border traffic and environmental problems at Balassagyarmat have negative effects on business investments. Due to the missing appropriate road infrastructure, exploitation and development of the local Industrial Park is not sufficient. Easier and more comfortable accessibility of the border will attract Slovakian business partners to the Industrial Park and economic co-operation will be enhanced.

### 3.2 Linked activities:

The planned project constitutes an integral part of the future project of Balassagyarmat by-pass construction, in accordance to Balassagyarmat City Development Plan and the National Spatial Development Plan.

All tasks are included in the project to be accomplished (e.g. traffic engineering, plantation).

The establishment of the Balassagyarmat Industrial Park was financed from the national budget (economic development fund and regional development fund operated by the Ministry of Economy and Ministry of Agriculture and Regional Development) and from own sources of the municipality. One of the main criteria for selection of the site for the industrial park was the possible accessibility of the Slovakian partners. There is already a
considerable interest from Slovakian business partners and it is expected to be one of the most important development factors in the near future.

3.3 Results:

- Road parameters at the sections concerned are adjusted to Hungarian and EU standards.
- Standard of the services provided by the road leading to the border crossing improves.
- Travelling comfort and safety improve
- Border crossing for vehicles gets easier and more comfortable
- New junctions ensure safe pedestrian and bicycle connections.
- The transit freight traffic ceases in a part of the city centre.

3.4 Activities:

- Construction of parking places for 30 trucks, with suitable water drainage and junction to be constructed
- Construction of 1.7 km road section with new alignment secondary road with standard parameters (pavement width 7.5 m, formation width 11 m), with drain by ditch at both sides.

The 1.7 km new road to be constructed throughout this project is an integral (but independent) part of the planned Balassagyarmat by-pass road.
- Construction of 3 new junctions (Hétvezér út "T" junction with emergency lane, standard roundabout junction of bypassing section and road marked 2204 (Mikszáth út), junction of track parking place to Mikszáth út)
- Construction of an underpass for pedestrians and bicycles (this structure is constructed below the bypassing road section for the purpose of dividing the pedestrian-cyclist traffic)
- Construction of junction at Hétvezér út with standard parameters to lead the traffic back to the existing road No 22 toward the Industrial Estate (it will function as intermediate town junction after the completion of the bypass.)
- The Designs for Approval are completed.
- The State-owned construction sites are available and the Municipality ensures the non State-owned sites (letter of commitment attached).
- The obtaining of the construction permits is in progress.
- Tender documents will be prepared between 15 April and 15 June 2001.

4. Institutional Framework

The road section with new route and the road No. 2204 are part of the national road networks owned by the Hungarian State.

The Ministry of Transport and Water Management on behalf of the Hungarian State exercises the proprietor’s rights. On behalf of the Ministry of Transport and Water Management, the Employer is the National Road Management and Co-ordination Directorate (1024 Budapest, Fényes Elek u. 7-13).
The management, maintenance and development of public roads are in the responsibility of the National Road Management Public Corporations owned by the Ministry of Transport and Water Management. Compulsory tasks of the National Road Management Public Corporations related to road management and maintenance are regulated by the Road Management Regulations.

State Public Roads included in this project are managed and maintained by the National Road Management Public Corporation of Nógrád County.

The independent Engineer of the project will be appointed by the Employer.

The responsibilities related to the investment are as follows:

Owner: Hungarian State, Ministry of Transport and Water Management

Managing authority (Beneficiary): National Road Management Public Corporation of Nógrád County

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support (EUR)</th>
<th>Investment Support (I)</th>
<th>Institution Building (IB)</th>
<th>Total Phare (I+IB)</th>
<th>National Co-financing</th>
<th>International Financial Institution</th>
<th>Total (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works contract (EUR)</td>
<td>1 800 000</td>
<td>-</td>
<td>1 800 000</td>
<td>600 000</td>
<td>-</td>
<td>2 400 000</td>
</tr>
<tr>
<td>Total (EUR)</td>
<td>1 800 000</td>
<td>-</td>
<td>1 800 000</td>
<td>600 000</td>
<td>-</td>
<td>2 400 000</td>
</tr>
</tbody>
</table>

The Phare and national co-financing commitments are tax excluded net amounts. The Beneficiary ensures the necessary 600,000 EUR national co-financing.

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national amount is also binding and has to be applied to the final contract price.

6. Implementation Arrangements

6.1 Implementing Agency

The project will be implemented under the overall co-ordination and supervision of the Ministry of Agriculture and Regional Development, whose representative, Dr. Péter Szaló, Deputy Secretary of State, will be designated as PAO.

The Ministry for Agriculture and Regional Development, through its Phare Implementing Agency (National Agency for Regional Development, H- 1016 Budapest, Gellértbehgy u. 30-32, Phone: 36-1-488-7171, Fax: 36-1-488-7188), will be responsible for all aspects of tendering and contracting as well as administrative and financial matters of the implementation.
6.2 Twinning
   Not applicable

6.3 Non-standard aspects
   The rules of the Practical Guide will be strictly followed.

6.4 Contracts
   One construction works contract is expected to be concluded in accordance with the rules stipulated in the above mentioned Practical Guide.

7. Implementation Schedule

7.1 Start of tendering / call for proposals
   The Designs for Approval is completed.
   The state-owned construction sites are at disposal, and the Municipality ensures the non state-owned sites will also be at disposal when required (letter of commitment).
   Tender documents will be prepared between September 2001 and December 2001.
   After the approval of the Tender Documentation by the EU Delegation the Invitation to Tender will be issued.

7.2 Start of project activities
   The contract is expected to be concluded by June 2002 (depending on the preparation and approval of tender documentation and tender report).

7.3 Project Completion
   The project is expected to be completed by 31 December 2002. (implementation work can be completed within eight months)

8. Equal Opportunity
   Equal participation by women and men will be assured during project implementation and after project completion.

9. Environment
   Environmental Impact Study and environmental approval are not required directly in the Environmental Law (and its executive decree). The relevant environmental authorities however, did prescribe the preparation of an environmental analysis in the Designs for Approval resulting in an Environmental Impact Study.

   The Environmental Impact Study for the whole bypassing section of road No. 22 (which includes the actual project) is completed as part of the Designs for
The major environmental effects laid down in the study are as follows:

- The environmental impacts of the investment to the affected zones (i.e. ground, waters, air, flora and fauna, built environment) are expected to be non-dangerous and will not exceed the limits laid down in the relevant regulations.
- The noise and air pollution in the city centre actually exceeds the legal emission limits, and if the project is postponed it is expected that these harmful effects will increase.
- After the accomplishment of the project the polluting environmental impacts in the city centre will decrease under the legal emission limit values considering the long-term traffic estimation too.

10. Rates of return

Internal rate of return (IRR): 12.2 %\( (t =20 \text{ years}) \)

The internal rate of return shows the discount rate that equates the net present value of the expected cash outflows with the present value of the expected inflows.

As the result of the NPV calculation, the discounted revenues will amount to the discounted investments in 9 years.

Feasibility study:
Detailed study based on traffic census was prepared in 1993 for bypassing Balassagyarmat and adequate accessing of the border. Based on the study started the planning, and the plans for approval were completed in accordance with that. The updated feasibility study is available at the National Road Management Public Corporation of Nógrád County.

11. Investment criteria

11.1 Catalytic effect:

Public road investments promote the further establishment of new businesses in the area concerned. The reduction of accessibility time and the safer conditions of road traffic contribute to the emergence of new industrial, manufacturing and service sector activities. The accomplishment of the project contributes to better exploitation and further development of the Industrial Park in Balassagyarmat, ensuring easy access for Slovakian enterprises.

Increasing value of real estate properties alongside the old road due to decreasing traffic and pollution.

Phare support has a catalytic effect on the actions connected to the accession and considered as priorities. Without Phare support, development of the interregional connections of the region would be slower and effective co-
operation with the regions across the border would take place at a considerably later date.

11.2 Co-financing:
Besides the financing from PHARE CBC, 25 percent of the whole investment is covered by the Beneficiary. Funding is provided out of the Road Maintenance and Development Fund which is part of the Hungarian State Budget.

11.3 Additionally:
Phare grants shall not displace any other financial resources.

11.4 Project readiness and size:
The Designs for Approval (with the environmental part) are completed.
The construction sites are at disposal (the Municipality ensures the non State-owned sites).
Tender documents will be prepared between September and December 2001.
Based upon the quantities of Designs for Approval, project costs amount to 2 400 000 EUR.

11.5 Sustainability:
The planned investment complies with Hungarian and EU norms and standards and is in line with EU sector policy acquis.
Based on the environmental part of the plans for approval the environmental impacts of the project will not exceed the limits laid down in the relevant regulations.
State Public Roads included in this project are maintained by the National Road Management Public Corporation of Nógrád County.

11.6 Compliance with state aids provisions
Public road investments as the main tool of transport infrastructure development are in line with the State aids provisions of the Europe Agreement.

12. Conditionality and sequencing
- The Municipality ensures the construction sites will also be at disposal by the time the Financing Memorandum is signed

Tender documents will be ready by the time the Financing Memorandum is signed.
Annexes to project Fiche

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. Reference to feasibility/pre-feasibility studies
5. Letter of commitment related to the own contribution
6. List of relevant laws and regulations
7. Reference to relevant Government strategic plans and studies
### ANNEX 1

<table>
<thead>
<tr>
<th>Wider objectives</th>
<th>Indicators of achievement</th>
<th>Sources of information</th>
<th>Assumptions and risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase cross border economic and social co-operation and improve living conditions by developing infrastructure</td>
<td>• Increase of the regional GDP in the cross border regions.</td>
<td>• Development plan of national road network</td>
<td>• The government aids will come continuously to the underdeveloped regions in accordance with its assistance policy.</td>
</tr>
<tr>
<td>• Increase in employment in the small region.</td>
<td>• Increase in employment in the small region.</td>
<td>• Manual of KSH (Central Statistic Bureau)</td>
<td></td>
</tr>
<tr>
<td>• Number of Hungarian-Slovakian joint companies will increase.</td>
<td>• Number of Hungarian-Slovakian joint companies will increase.</td>
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<tr>
<td>• Number of installed Slovakian enterprises in the Balassagyarmat Industrial Park will increase.</td>
<td>• Number of installed Slovakian enterprises in the Balassagyarmat Industrial Park will increase.</td>
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<tr>
<td>• Decreased number of respiratory health problems in the region</td>
<td>• Decreased number of respiratory health problems in the region</td>
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</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>• Enhance the cross border traffic of passengers and goods by ensuring better and safer traffic conditions</td>
<td>• Noise and air pollution resulting from the traffic decrease by 40 percent in the city centre.</td>
<td>• Environmental Impact Assessment for Balassagyarmat by-pass</td>
<td>The aids flowing into the region affect the economy as a catalyst.</td>
</tr>
<tr>
<td>• Decrease the level and the harmful effects of transit traffic in the city of Balassagyarmat</td>
<td>• Noise and air pollution resulting from the traffic decrease by 40 percent in the city centre.</td>
<td>• Traffic examination</td>
<td></td>
</tr>
<tr>
<td>• Vibration decreases by 60 percent on the road section leading to the border.</td>
<td>• Vibration decreases by 60 percent on the road section leading to the border.</td>
<td>• Environmental part of plans of approval</td>
<td></td>
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<tr>
<td>• Casualty accidents statistics decrease by 25 percent.</td>
<td>• Casualty accidents statistics decrease by 25 percent.</td>
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<tr>
<td>• The straight-line speed equivalent (SSE) from downtown to the border will be reduced by 20%.</td>
<td>• The straight-line speed equivalent (SSE) from downtown to the border will be reduced by 20%.</td>
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<tr>
<td>• The blocking effect on the through-passing traffic will be reduced by 80%.</td>
<td>• The blocking effect on the through-passing traffic will be reduced by 80%.</td>
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<tr>
<td>• Conditions of the local and pedestrian traffic will be improved</td>
<td>• Conditions of the local and pedestrian traffic will be improved</td>
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</tr>
<tr>
<td>Results/Outputs</td>
<td>Indicators of achievement</td>
<td>Sources of information</td>
<td>Assumptions and risks</td>
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<tr>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
</tr>
<tr>
<td>• Road parameters at the sections are adjusted to Hungarian and EU standards</td>
<td>• Parking lots for 30 trucks</td>
<td>Designs for Approval</td>
<td>The conditions in the region are adequate for the new enterprises. The inclination for investing in Hungary does not decrease. Adequate labour is available for new enterprises settling down in the region.</td>
</tr>
<tr>
<td>• Standard of services provided by the road leading to the border crossing improves.</td>
<td>• 1,7 km road section with new alignment</td>
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<tr>
<td>• Border crossing for vehicles gets easier and more comfortable</td>
<td>• 1 roundabout junction</td>
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<tr>
<td>• New junctions ensure safe pedestrian and bicycle connections</td>
<td>• 1 underpass for pedestrians and bicycles</td>
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<td>• The transit freight traffic ceases in the city centre.</td>
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<tr>
<td>Activities</td>
<td>Inputs</td>
<td>Sources of information</td>
<td>Assumptions and risks</td>
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<tr>
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</tr>
<tr>
<td>• Construction of parking places for 30 trucks, with suitable water drainage and junction to be constructed</td>
<td><strong>1,800 MEUR</strong> Phare support with <strong>0,600 MEUR</strong> contribution by the Beneficiary</td>
<td></td>
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</tr>
<tr>
<td>• Construction of 1,7 km road section with new alignment secondary road with standard parameters (pavement width 7,5 m, formation width 11 m), with drain by ditch at both sides.</td>
<td>• The Designs for Approval are completed. Construction sites are at disposal.</td>
<td></td>
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</tr>
<tr>
<td>• Construction of 3 new junctions (Hétvezér út &quot;T&quot; junction with emergency lane, standard roundabout junction of bypassing section and road marked 2204 (Mikszáth út), junction of track parking place to Mikszáth út)</td>
<td>• The tender documentation will be prepared December, 2001</td>
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<tr>
<td>• Construction of an underpass for pedestrians and bicycles (this structure is constructed below the bypassing road section for the purpose of dividing the pedestrian-cyclist traffic)</td>
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<tr>
<td>• Construction of junction at Hétvezér út with standard parameters to lead the traffic back to the existing road No 22 toward the Industrial Estate</td>
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ANNEX 2
Detailed implementation chart

<table>
<thead>
<tr>
<th>Month</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accomplishment</td>
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</table>

- Preparing of Tender Documentation
- Tendering and contracting
- Implementation and disbursement
ANNEX 3
Cumulative Contracting and disbursement schedule (MEUR)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting</td>
<td>0</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Disbursement</td>
<td>0</td>
<td>0.787</td>
<td>1,400</td>
<td>1,800</td>
</tr>
</tbody>
</table>
Detailed study based on traffic census was prepared in 1993 for bypassing Balassagyarmat and adequate accessing of the border. The traffic census was updated in January 2001.

The study and the plans for approval were prepared by Tetthely Kft. on behalf of the National Road Management Public Corporation of Nógrád County.

The study analysed in every respects of the possibility of bypassing Balassagyarmat and decreasing the traffic in the city centre. The expectable traffic and the modifications were examined with models.

After analysing the possibilities (in the respects of regional planning, city development, environmental impacts and public road management) the optimum solution was accepted.

After accepting the study, preparation of plans for approval was started, in accordance with that.

The feasibility study is available at the National Road Management Public Corporation of Nógrád County.

The Environmental Study prescribed by the Environmental Inspectorate is part the Designs for Approval. The document was prepared by Tetthely Kft. on behalf of the National Road Management Public Corporation of Nógrád County in May 2000.
National Road Management Public Corporations declared in a statement that he arranges the provision of the local co-financing of the subjected project. In the statement it is declared that 25% of the total project cost is provided and available on the account of the Ministry of Transport and Water Management at the Hungarian State Treasury. (statement attached).
ANNEX 6
List of relevant laws and regulations

Act LIII. of 1995 on the general rules of protection of the environment

Act LXXVIII. of 1997 on the formation and protection of the built environment
Decree 15/2000 (XI.16.) of Ministry of Transport and Water Management on the authorisation of
construction, application and cessation of roads
the regulation of national public road management
• Balassagyarmat City Development plan
• National Development Plan
• Road Network Development Programme of the Northern Hungary Region
• National Main Road Network Development Plan

The project fits in the Balassagyarmat by-pass to be constructed in the future in accordance with the city development plan, which is a part of the region’s tasks drafted in the National Development Plan. The Balassagyarmat bypass is contained in the planned by-pass roads in the National Development Plan. (Chapter A, Annex 1, Paragraph 3)

The road network development programme of the Northern Hungary region (presently under co-ordination phase at councils of region development) and the national main road network development plan contains the accomplishment of Balassagyarmat by-pass road (prepared by UVATERV Rt.).