1. Basic Information:
1.1. Desiree Number: PL0005.03
1.2. Title: Border crossing in Dorohusk
1.3. Sector: Administration
1.4. Location: Poland, Dorohusk, on the Polish-Ukrainian border.

2. Objectives:
2.1. Wider objectives: Adjustment of Poland’s Eastern border to EU requirements
2.2. Immediate objective: Improve/upgrade border crossing operations, including:
   a. the reduction of the waiting time at the border
   b. enhancement of the performance of customs clearance procedures
   c. the increase of the safety of the future eastern border of the UE with regard to:
      • veterinary and phyto-sanitary, as well as sanitary and standardisation controls on the border
      • fighting with cross border crime - especially the smuggling of goods and people, customs fraud
   d. the improvement of work conditions of customs officers
   e. the improvement of the social conditions for all the users of the border crossing
2.3. Accession Partnership (AP) and the National Programme for the Adoption of the Acquis (NPAA)
priority: This project is in line with the Accession Partnership’s medium term objectives:
   transportation – the adjustment of the acquis to the road transportation standards and the necessary investment as part of the trans-european transportation system;
   justice and internal affairs – the provision of a more efficient border safety system;
   agriculture – the enforcement of veterinary and phytosanitary requirements for the future Union border.
2.4. Cross-border impact: The road border crossing in Dorohusk is one of the most important on the Polish-Ukrainian border next to the crossings in Medyka and Hrebenne. It is situated on national route No.82 Warsaw-Lublin-Chelm-Dorohusk that constitutes the shortest route between Warsaw and Kiev. The route is part of the new system of Polish express ways, which is in the development stage. In Dorohusk the route is intersected by a North-South local road Dubienka-Dorohusk-Wlodawa.

3. Description:
3.1. Background and justification: On October 1st 1992 the Road Border Crossing in Dorohusk was opened for the international traffic. It is both a passenger and cargo crossing which takes up an area of 12.5 ha, of which 3.2 ha constitutes hardened surface. It operates non-stop 24 hours a day, and is located approximately 600 meters away from the border bridge on the Bug river along route No.82 running across Ukraine via Kovel-Luts’k-Zhitomir to Kiev. Due to the heavy traffic on the Polish Ukrainian border there were very often several days long queues on this border crossing, especially for the cargo traffic.
   In the year 2000 the construction of another bridge on the river Bug is being planned within the range of the border crossing. The existing bridge will be used for outgoing traffic (hence the necessity of extending the border crossing). The planned bridge will serve the northern platform (incoming traffic) and will be mainly financed by the state budget.
3.2. Linked activity: The border crossing in Dorohusk received already 1 EURO m from the Integrated Eastern Border Phare ’97 Programme. These funds were allocated for the construction of a special control building, which is under construction and will be operational in the 3rd quarter of this year. There have been also purchased the X-ray equipment for luggage scanning – EURO 0.2 m, funded from the Phare 1996 Programme which is operational at this border crossing. Within the Phare programme 1999 the amount of EURO 4 m was earmarked for modernisation of the access road leading to the bridge in Dorohusk. This task which is coordinated by the Ministry of Transport is currently in the tendering stage.
3.3 Results The implementation of the project will improve the traffic on the road border crossing in Dorohusk. The number of possible customs clearance lines will double, which will result in achievement of assumed capacity of 6000 vehicles a day (for one-way traffic on the outgoing side). As far as the traffic is concerned it...
will be free from collision in both incoming and outgoing directions and thus will enable significant improvement of traffic safety. Construction of new buildings will secure optimal working conditions for border service workers especially for veterinary and phytosanitary check, which will bring improvements in border operations and reduce waiting time for passenger cars and lorries. The sanitary conditions for both border service workers and travellers will be improved considerably. New parking places, sanitary and catering facilities, banking and shipping services will also be created. Moreover, as the consequence of the extension of the road border crossing in Dorohusk, a new ring-road in Okopy will be built. The implementation of the project will enhance development of the trans-border co-operation and economic development of the region. The project will contribute significantly to the improvement and upgrading of Poland’s border management operations.

3.4 Activities:

Contract 1
Covers earthwork. The construction of an embankment along with slope strengthening. The border crossing in Dorohusk is situated on wetlands (meadows) in the broads of the Bug river. The construction of an embankment (with condensed layers) of the capacity about 60,000 cubic meters is being planned. Capacity buildings along with necessary equipment:
- a veterinary and phytosanitary check-point building with a usable area of min. 250 square meters.
- a warehouse building for the Customs Office with a usable area of min. 215 square meters.
- a dispatching and banking building with a usable area of min. 205 square meters.
- land development (sewage system, rain drainage system, electrical system),
- roads and car parks of about 39,000 m2.

4. Institutional framework
The following institutions are responsible for the project implementation:
- The Implementing Authority for the Phare Border Co-operation Programme (Implementing Agency)
- The Governor of the Lubelskie Voivodship (Employer and future owner on behalf of the State Treasury)
- The Board of the Lublin Road Border Crossings in Chelm (Engineer)

5. Detailed budget

<table>
<thead>
<tr>
<th>Phare 2000 funding</th>
<th>Investment (I)</th>
<th>IB</th>
<th>Phare total (=I+IB)</th>
<th>Poland</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1</td>
<td>3.0</td>
<td>-</td>
<td>3.0</td>
<td>1.0</td>
<td>-</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>3.0</td>
<td>-</td>
<td>3.0</td>
<td>1.0</td>
<td>-</td>
<td>4.0</td>
</tr>
</tbody>
</table>

The Polish authorities have assured that the Government cofinancing is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose each year, or directly through the budget of the relevant Ministry.

6. Implementation arrangements.
6.1 Implementing Agency: The Implementing Authority for Phare Cross Border Co-operation Programme; Krucza 36 Street; 00-522 Warsaw; phone +48 (0)22 695 99 10-11; fax: +48 22 695 99 12-13; e-mail: Phare@wwpwp.it.pl
Project Authorising Officer (PAO): Under-secretary of State in the Ministry of Interior and Administration, S. Batorego 5 Street; 02-591 Warsaw, phone +48 (0)22 621 03 91; fax: +48 22 849 52 13, e-mail: wydzei@die.mswia.gov.pl

6.2 Non-standard aspects: n.a.
6.2. Contracts:
One international open tender will be carried out.
Contract = EURO 4.0 m

7. Project implementation schedule

7.1 Start of tendering process: 4th quarter of 2000
7.2 Start of project implementation: 2nd quarter of 2001
7.3 Project completion: 2nd quarter of 2003
8. Equal opportunity:
Appropriate professional qualifications rather than gender or age will constitute the criteria for employment evaluation and selection responsible for the project implementation and progress. The implemented project will serve the entire community regardless of gender and age.

9. Environment:
The increase of the capacity of the border crossing and consequent elimination of long queues will significantly lower environmental degradation. It will be achieved thanks to both the reduction of fuel emission and littering of the adjacent area. All area facilities are equipped with sewage systems which direct the sewage to the nearby sewage treatment plant. All the planned facilities will be connected to the existing sewage system. The design has received a preliminary positive environmental impact assessment. The document is available in the beneficiary office.

10. Rates of return:
The conducted analysis of economic profitability of the project ‘The extension of the southern platform of the Road Border Crossing in Dorohusk’ is available at the beneficiary.
Financial Internal Rate of Return (FIRR) - 44.7 %
Economic Rate of Return (ERR) - 70.8 %

11. Investment criteria.
11.1. Catalytic effect:
The implementation of the project will constitute a catalytic factor contributing to the economic development of the region. It will also enable the completion of the construction of the border crossing, which will contribute to the fulfilment of the Republic of Poland’s EU accession requirements.
11.2. Co-financing:
The extension of the border crossing is mainly financed by the state budget. Up to now, the total expenditure of EURO 6.2 m has been spent.
11.3. Additivity:
Phare financial aid constitutes complementary funds, which will enable the completion of the entire investment.
11.4. Project readiness and size:
There is a developed concept for the extension of the border crossing, all legal matters have been settled and technical designs have been prepared.
11.5. Sustainability:
The applied technologies and equipment will ensure the long-term operation of the border crossing according to the EU standards. Operation and maintenance costs will be covered by the Governor of the Lubelskie Voivodship (state budget).
11.6. The compliance with state aid: n.a.
The project constitutes part of the integrated development strategy as defined in The Strategy for the Integrated Border Management by the Ministry of Internal Affairs and Administration, January 2000 (Strategia Zintegrowanego Zarzadzania Granica – MSWiA) and The Strategy for the Development of the Lubelskie Voivodship developed by the Town and Country Planning Office in Lublin, September 1999.

**Appendix 1: logframe**

<table>
<thead>
<tr>
<th>Programme title and number:</th>
<th>Date: 03/2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Number:</td>
<td>Total budget (MEUR): 4.00</td>
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</tbody>
</table>

**Intervention logic**

<table>
<thead>
<tr>
<th>Objectively verifiable indicators:</th>
<th>How, when and by whom indicators will be measured</th>
<th>Assumptions and risk factors:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wider objective:</strong></td>
<td>- adjustment of Poland’s border management operations and JHA requirements improvement of safety conditions in the region. - socio-economic development of the region</td>
<td>5 years after the completion of the project annual reports issued by the State Statistical Office (GUS) and the Voivodship Statistical Office (WUS)</td>
</tr>
<tr>
<td><strong>Immediate objective:</strong></td>
<td>- improvements in the road border crossing operations.</td>
<td>Waiting time reduction: - 20% for passenger cars. - 20% for lorries. - service quality adjusted to the EU standards.</td>
</tr>
<tr>
<td><strong>Outputs:</strong></td>
<td>- objective shape of the platform. - full infrastructure for the outgoing traffic.</td>
<td>the achievement of the assumed capacity (6000 vehicles/day) for one-way traffic on the outgoing side.</td>
</tr>
<tr>
<td><strong>Inputs:</strong></td>
<td>- the construction of the embankment, and slope strengthening. - the construction of the phytosanitary buildings, warehouses for the CustomsOffice.</td>
<td>Contract 1 – earthwork (embankment, slope strengthening) capacity buildings.</td>
</tr>
</tbody>
</table>

**Annex 2: Cumulative implementation, contracting and disbursement schedule**

| Date of drafting | 06.04.2000 |
| Planning period | 01.2001-09.2003 |
| Budget allocation | |

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Implementation</strong></td>
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<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disbursement</strong></td>
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<td>0.5</td>
<td>0.6</td>
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<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td><strong>3.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

03.03 Border crossing in Dorohusk / 4
Appendix 4

The relation to financial analysis/the pre-feasibility study and environment impact.

Performed financial analyses of enterprise's feasibility concern the period of its realisation, thus availability of necessary funds and future utilisation of the thoroughfare; in other words the provision of funds for its operation. The analyses were made on the ground of the prepared technical documentation and simulation of costs borne during operation of the thoroughfare. The purpose of the present analysis is to prove the feasibility of this enterprise from financial point of view. Its result are basic discount indexes of enterprise's profitability: NPV, FIRR and EIRR.

The following data was assumed for calculations:

- Costs of realisation:
  ⇒ total investment expenditures EUR 4,000,000.- (the whole investment expenditures origin from grants, thus in calculation capital costs were not taken into consideration),
  ⇒ the Time Schedule for spending of funds is presented below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Year of project's realisation</th>
<th>Amount [EUR million]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001</td>
<td>1.97</td>
</tr>
<tr>
<td>2</td>
<td>2002</td>
<td>1.63</td>
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<tr>
<td>3</td>
<td>2003</td>
<td>0.40</td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>4.00</td>
</tr>
</tbody>
</table>

- Costs of operation of the thoroughfare [EUR/year]
  ⇒ personal costs 81 500 EUR/year
  ⇒ costs of energy 47 500 EUR/year
  ⇒ costs of current repairs 9 250 EUR/year
  ⇒ water 6 000 EUR/year
  ⇒ cleaners 4 700 EUR/year
  ⇒ transport of wastewater 7 100 EUR/year
  ⇒ consumables and stationery 7 600 EUR/year
  ⇒ other (taxes, telephones) 12 400 EUR/year

**Total costs 176 050 EUR/year**

Direct costs related to operation of the thoroughfare are covered from the Vovivode's funds. The Voivode defines the budget every year in necessary amount. This amount is set out at such a level that current activity of the thoroughfare is possible and hence financial economic indexes calculated on this ground are defined at the minimal level which secure current activity of a company and are not the real economic picture of the project. Thus, at calculations of FNPV and FIRR revenues of the Custom Office resulting from sale of goods seized in criminal proceedings, sale of origin certificates and custom duties are taken into consideration.

In 1999 traffic at the thoroughfare was the following:
⇒ passenger cars: 704,026 pcs.
⇒ buses: 10,937 pcs.
⇒ trucks: 103,369 pcs.
⇒ persons: 2,558,600 persons

It is foreseen that realisation of this project and also other activities will result in the following increase of traffic up to the following parameters:
⇒ passenger cars: 1,200,000 pcs.
⇒ buses: 17,000 pcs.
⇒ trucks: 190,000 pcs.
⇒ persons: 4,500,000 persons

In economic analysis of the enterprise the following indexes of effectiveness were calculated:
1. **FNPV** – Financial net present value was calculated as the value obtained by discounting, separately for every year, of the difference between money incomes (revenues) and expenses (expenditures) through the whole period of object's existence, at the specified level of the discount rate. The period of operation was assumed as 20 years and the discount rate of 10%.

FNPV = 31 823 PLN

2. **FIRR** – Financial internal rate of return was calculated as the real income rate obtained from the investment during its whole economic life. Thus, the internal rate of return is the such discount rate for which the net present value (NPV) is equal to 0. FIRR takes into consideration only "clean" financial flows, without external advantages resulting from realisation of the project.

For the assumptions described above FIRR is of 44,7 %

3. **EIRR** – Economic internal rate of return was calculated using the same algorithm as for FIRR taking into consideration external advantages resulting from realisation of the project.

For the described assumptions EIRR is of 70,8 %

**Conclusions**

Calculated indexes of economic effectiveness of the enterprise shows feasibility and justness of realisation of the project. Value of the index of financial present value (FNPV) is greater than zero and is of 31 823 PLN; value of financial internal rate of return (FIRR) is of 44,7 % and value of EIRR is of 70,8 %; all these indexes show high profitability of the enterprise. Summarising - the described enterprise is characterised with the high economic effectiveness.

**The impact on environment**

The planned investment will not pose any significant risk to the natural environment. The application of interceptors and retention ponds within the rain drainage system will make it impossible for polluting substances from vehicles such as oil and grease to infiltrate the soil. The increase of the border crossing capacity will eliminate the queues of vehicles awaiting passport control on the road running through the towns of Okopy and Dorohusk, which will significantly reduce both noise pollution generated by engines and fuel emission. Littering of the roadsides will be significantly reduced. It is necessary to conduct overall traffic measurement and local environmental monitoring after the project has been implemented. It is to be expected that due to vehicle replacement both in Poland and Ukraine (new technologies) and the use of ecological fuel, the environmental conditions and noise pollution levels will be better than nowadays.