1. Basic Information
1.1. Désirée Number: PL0008.01.03
1.2. Title: Modernisation of road 16 around Olsztyn
1.3. Sector: Transport
1.4. Location: Poland - Warminsko-Mazurskie Voivodship

2. Objectives
2.1. Wider objective:
The wider objective of the project is to create the conditions for achieving greater economic and social cohesion of the Warmia-Mazury region through the development of regional level infrastructure necessary to reach growth targets in selected regional priority areas.

2.2. Immediate objectives:
The immediate objectives include:
• increasing the attractiveness of the region’s administrative and business centre to current and potential investors, leading to marked increases in investments;
• creation of new jobs related to improved transport channels;
• increased safety of travel;
• decreased level of pollution related to congestion;
• increased tourism related income in the region.

The immediate objectives of the project result directly from the regional priorities as defined in the Warmia and Mazury Preliminary Operational Programme with respect to the development of regional level infrastructure, resulting in upgrading access to areas and locations in the region, and guaranteeing appropriate value added to the regional or local economies.

2.3. Accession Partnership and NPAA Priority
The project responds to the medium term priority identified in the Accession Partnership – developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes as well as Community Initiatives. It corresponds also with the NPAA priority “Regional and cohesion policy”.

2.4. Contribution to the Preliminary National Development Plan
Transport infrastructure plays a key role in efforts to reduce regional disparities in economic performance. Therefore one of the priorities for the country’s cohesion policy identified in the Preliminary National Development Plan annexed to NPAA) is “Integration of the Polish economy through modernisation and enlargement of transport networks”. Since the activities under the priority are concentrated on transport infrastructure located in the Transeuropean Networks, these shall be complemented by the actions carried out in the regions, contributing to the achievement of economic and social cohesion of the country. They have been described under the priority “Strengthening development potential of regions and counteracting marginalisation of certain areas”. One of the proposed measures under the priority is “Development and modernisation of infrastructure serving to strengthen competitiveness of the regions”. It defines co-financing of regional transport infrastructure as a principal element of building endogenous potential development and regional competitiveness. The PNDP mentions also measures focusing on development of metropolitan functions of selected cities (priority 4.6.1.b), including investment in transport infrastructure. The project is therefore in line with both the Preliminary National Development Plan and the operational programme for Warminsko-Mazurskie Voivodship. The latter identifies “Development of the infrastructure above local level” as one of the priorities. The project in Olsztyn will be carried out under this priority.

3. Description
3.1. Background and justification:
Much emphasis has been put in the Warminsko-Mazurskie Voivodship Outline of Operational Programme on the need to support the development of regional level infrastructure, as a pre-condition for attaining growth targets in regional cohesion. One of the key aspects which has been identified is development of the transport routes, necessary for accessing markets by the businesses located in the region, for attracting new investors and businesses, creating jobs and diversifying the economic base of the region, which is located peripherally in relation to the main transport routes of Poland.

With only limited resources at its disposal a number of priority projects were selected for implementation, including the project around Olsztyn. The city is the most important regional investment location, therefore
the modernisation of the road will raise attractiveness of the city for businesses, influencing the competitive-
ess ratios of this location as compared to other regions. Increased transport capacity, decreased bottlenecks and shortened transport times and costs, as well as increased safety on roads and greater accessibility to ma-

or tourism areas influenced the selection of this project for priority action. The project will have positive

effect on the quality of life in Olsztyn urban area by decreasing the level of pollution resulting from conges-
tion.

Road No. 16 is of national and regional importance. It is the only regional East-West route connecting the
most important regional centres located in north-eastern part of Poland (Suwałki, Augustów, Elk, Mrągowo, Olsztyn, Ilawa, Ostróda, Elblag, Grudziądz), and linking into the North-South routes. It provides the basic regional transport channel mainly for businesses, as the main North-South routes leading to major markets for the regional economy are located at the western and eastern edges of the Voivodship, and are connected by this road. Furthermore it channels important tourist flows, especially from Germany, as the backbone to which local North-South roads are connected.

Road No. 16 is on the list of roads under the programme of adaptation to European standards prepared by the

The investment is intended to affect socio-economic cohesion of Warmia and Mazury in two important as-
cpects:

- the project is designed to eliminate a transport bottleneck which because of its geographic location has a
  regional rather than local impact, thereby reducing travelling times, costs and constraints on business and
  – in the long term – leading to increased productivity of regional industry;
- the project aims to increase accessibility and mobility between regions, as the road sections under the
  project include two sections which will directly feed traffic into the planned future Olsztyn by-pass; while one section - which in the future will be used by traffic entering the city along route 16 – addresses
  the issue of the marginalisation of Olsztyn, by upgrading its direct link to transregional transport chan-
nels.

It is planned, that the future Olsztyn by-pass will link the following roads: Northern direction – road No. 51
to border crossing to Kaliningrad (annual average daily traffic – 6500), Eastern direction – road No. 16 to
Augustów, connection to Via Baltica (present annual average daily traffic – 9200), Southern direction –
routes No. 53 and No. 51 to Szczytno (present annual average daily traffic – 3800) and Warsaw (present an-
nual average daily traffic – 9900) respectively, Western direction – No. 16 to Grudziądz (present annual av-
erage daily traffic – 7400), connection to planned Motorway A1. Within the scope of the project one section
of the road No. 16 feeds traffic into the planned by-pass from Western direction (Naglady-Olsztyn section).
The second section feeds traffic from the Eastern direction both to the planned by-pass and to the city of
Olsztyn (Wojtowo-Olsztyn section). The third section (Sielska Street) is the first section of the planned
West-North by-pass of the city center, which will channel the traffic to the city of Olsztyn and to road No.
51 heading to Kaliningrad.

The project planning has been based on the assumption that in the first phase of the by-pass construction
those sections of the communication layout of the city will be targeted, which being a part of the future by-
pass currently suffer from the heaviest traffic. An immediate goal is to improve the travel safety conditions. With this in view it was decided to start the whole investment programme with construction projects along
those sections of the roads, which channel the traffic through the city of Olsztyn in the East-West directions.
The road, on the 3 sections proposed for modernisation, is characterised by narrow carriageways with weak
pavement and bridge structures, large numbers of non-standard road bends limiting traffic capacity, shortage
of town and village bypasses, and of grade-separated intersections. In the city of Olsztyn traffic velocity is 24
km per hour and 40-50 km per hour on the other 2 sections proposed for the modernisation (outside the city).
In the tourist season the traffic increases by ca. 50%, which results in congestion and numerous accidents.

The feasibility study prepared for the project has confirmed its feasibility and viability on the basis of a proj-
ect-specific appraisal. The project has been included for implementation by the regional authorities within
the developing Warmińsko-Mazurskie Voivodship regional development strategy, as exemplified in the
Phare 2000 exercise by the detailed provisions of the region’s Preliminary Operational Programme.

3.2. Linked activities:
Several transport projects have been carried out within the borders of Warmińsko-Mazurskie voivodship
under the previous PHARE programmes. These included:
- PL9207 STRUDER – 7 projects, totalling 545 000 EUR, of which 295 000 EUR from Phare,
- PL9509 RAPID – 3 projects, totalling 554 000 EUR, of which 219 000 EUR from Phare,
- PL9609 STRUDER 2 – 3 projects, totalling 354 000 EUR, of which 91 000 EUR from Phare,

It is assumed that transport projects will be also carried out under Phare 99 “Regional development in Ma-
zury and Podkarpacie regions”.
In the area of regional development, the Warminsko-Mazurskie voivodship is a beneficiary of INRED programme (PL9706) and Special Preparatory Program for Structural Funds (PL9808) under the action “Elaboration of an Objective-1 type Operational Programme for Olsztyn”.

3.3. Results:
• Increased numbers of investors seeking investment opportunities in locations whose accessibility has been upgraded through project.
• Increased flow of tourists to region, travelling on upgraded road to tourist destinations.
• Improvement of domestic and international transit conditions in the direction of Baltic countries.
• Transport flows increased without decreases in the quality of life in the adjacent local communities.
• Reduction of air pollution (exhaust gases emission) by nearly 200% and noise pollution from the motor vehicle traffic, in effect of significant improvement in traffic fluency.
• Reduction of accident rate by 250%.
• Travelling time on the 3 sections decreased by 270%.

3.4. Activities:
The following activities are planned:
a/ modernisation of Naglady-Olsztyn section of the road No. 16 (8.63 km long);
b/ modernisation of Sielska street in Olsztyn city (1.32 km long);
c/ modernisation of Olsztyn-Wojtowo section of the road No. 16 (3.75 km long).
Activities a/ and c/ of the project will lead to the modernisation of the existing road to the standards of technical class III, with carriageway 7 m wide, hard shoulders 2x2.0 m. wide, road crown 12.0 m. wide, with upgrading of bearing capacity to axle load 100 kN, strengthening of bridge structures, correction of level bends and reconstruction of intersections. Activity b/ (in the urban section) will be carried out along the section from km 1+817.95 (Klosowa Street) to km 3+140.00 1.32 km long, forms the 1st stage of the modernisation plan for the full route of road No. 16 through Olsztyn, totalling 4.8 km. Further stages will be implemented in the future with Polish funding.
All project activities will be implemented with the use of the project impact assessment guidelines developed for the Phare 2000 Economic and Social Cohesion Programme by the Implementing Agency. These will include comparative benchmarking analyses of beneficiaries and non-beneficiaries, in order to gather statistically significant data for future programming exercises.

4. Institutional framework
On behalf of the State Treasury the manager and administrator of national road No. 16 is the General Directorate of Public Roads, Olsztyn Office (Beneficiary - owner). The General Directorate of Public Roads, Olsztyn Office reports to the Ministry of Transport and Maritime Economy. Along the urban sections of the road the manager is the Olsztyn Town Office (Beneficiary - owner). The Olsztyn Town Office reports to the Town President.
For the project the Beneficiaries have selected the General Directorate of Public Roads, Olsztyn Office to act as the Employer under FIDIC rules. A clear distinction will be made between the Employer and the Engineer, the latter to be contracted on the basis of a competitive procedure.

5. Detailed Budget (mln EURO):

<table>
<thead>
<tr>
<th></th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section Naglady - Olsztyn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sielska street</td>
<td>5.580</td>
<td></td>
<td>5.5803</td>
<td>5.88</td>
<td>-</td>
<td>11.460</td>
</tr>
<tr>
<td>Olsztyn - Wojtowo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CONTRACT</td>
<td>5.580</td>
<td></td>
<td>5.580</td>
<td>5.88</td>
<td>-</td>
<td>11.46</td>
</tr>
</tbody>
</table>

The financial input of the Polish side will consist of the General Directorate of Public Roads and regional self-government inputs of the Warminsko-Mazurskie Voivodeship and Olsztyn Town. It will include operational and administrative costs related to the implementation and management of the project.
Financial input of several parties into the project implementation is expected to be as follows:
Polish co-financing will be fully provided from the public sources, as described above. Appropriate planning steps have been taken, so as to guarantee these levels of financing from the local, regional and central budgets, so as to ensure the co-financing for the full implementation of the assignment.

6. Implementation arrangements

6.1. Implementing Agency
PAO: Undersecretary of State at the Ministry of Regional Development
Implementing Agency: Polish Agency for Regional Development

6.2. Twinning: n.a.
6.4. Contracts
One contract is planned for the project, totalling 5.583 million euro.

7. Implementation schedule:
7.3 Project Completion: September 2003.

8. Equal opportunity:
Procedures for the project implementation will be based on Polish law ensuring equal opportunity for all interested entities and physical persons irrespective of their sex, race and nationality. Participation of men and women in employment will be based on applied standards of the European Community concerning EOE (Equal Opportunity of Employment), which will be assured in the official advertisement in press during recruitment of employees.

9. Environment:
Three environment impact assessments were prepared separately for each component of the project. They have shown several advantages of the proposed solution. The following benefits for the natural environment are expected as a result of the project’s implementation:

- reduction of air pollution by nearly 200% and related reduction in noise pollution from the motor vehicle traffic, as a result of significant improvement in traffic fluency;
- reduction of accident rate by 250%;
- partial redirection of traffic outside the urban development and localities situated at national road No.16;
- introduction of a series of “green belts” to form noise barriers and exhaust gas uptake along Sielska Street.

10. Rates of return:
The feasibility study for the project has been prepared as of the end of December 1999. For an investment project in road transport infrastructure development it demonstrates relatively high internal rates of return (for the section Naglady-Olsztyn: 48%, Olsztyn-Wojtowo: 35% and for Sielska street – average ca 50%).

11. Investment criteria:
11.1. Catalytic effect
Phare support will be conducive to achieving economic and social cohesion goals in the Warmsko-Mazurskie Voivodship, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale. PHARE assistance will result in significant acceleration of the upgrading programme for road No.16 to the European standards, which has been postponed owing to shortage of funds.

11.2. Co-financing
The project demonstrates clear co-financing by the Polish partners. The funds of PHARE 2000 Programme will constitute one of the several sources of project financing. Co-financing of the project by the Polish side...
is assured at the level of above 50% which comprise participation of central government and local and regional self governments.

11.3 Additionality
The Phare project is not displacing other financing sources, especially from the private sector and IFI system, it is co-financing identified priorities and not taking the place of national resources.

11.4. Project readiness and size
The project will be ready for contracting and disbursement, as the planned activities will meet all conditions for co-financing by the start of the project implementation. State of preparation for contracting allows to plan the implementation of works starting by mid-2001, with completion in 2003. The year 2000 will be used for execution of preparatory tasks and works.

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Warminsko-Mazurskie Voivodship Operational Programme. The infrastructure developed under the project will be used in line with the description included in the project and maintained in the long term. Maintenance of reconstructed sections is assured by the General Directorate of Public Roads Olsztyn Office, and for the urban section by Olsztyn city.

11.6. Compliance with state aids provisions
All aspects of the project will be developed with respect to the state aids provisions of the Europe Agreement.

11.7. Contribution to the Preliminary National Development Plan
The project is in line with two priorities of the Preliminary National Development Plan and as such will contribute to increase of economic and social cohesion of the country and region.

12. Conditionality and sequencing:
Co-funding of specific activities will be conditional on:
- maintaining timetable set in the programme;
### Annex 1: LOGICAL FRAMEWORK MATRIX FOR THE PROJECT

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Road No.16</th>
<th>Date of drafting</th>
<th>Period</th>
<th>Total Phare Budget of the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>07.03.2000</td>
<td>2001-2003</td>
<td>5.58 million EUR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Wider Objective</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Sources of Information</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The wider objective of the project is to create the conditions for achieving greater economic and social cohesion of the Warmia and Mazury region through the development of regional level infrastructure necessary to reach growth targets in selected regional priority areas.</td>
<td>the density of roads of good quality moving towards the national average</td>
<td>experts reports, statistical data on the level of economic development in the region</td>
<td>continuing growth of national economy, ongoing process of the integration with the EU, ongoing financing of the project from the Polish side</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Immediate Objectives</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Sources of Information</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the attractiveness of the region’s administrative and business centre to current and potential investors, leading to marked increases in investments; Creation of new jobs related to improved transport channels; Increased safety of travel; Decreased level of pollution related to congestion; Increased tourism related income in the region.</td>
<td>lengths and density of the sections of modernised (of good quality) road number and value of new investments number of car accidents after one year number of new work places created E.S.S. traffic flow after one year total journey time saved by users after one year number of houses suffering from pollution</td>
<td>statistical data, experts reports</td>
<td>maintaining timetable set in the programme; all contracting, reporting and monitoring conditions are met; preparatory actions for proceeding with the construction works in the urban section finalised; the project implementation requires the preparation of a Contact plan with local social groups and obtaining opinions at every stage of design with respect to environment, hygienic and sanitary conditions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Results of Project</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Sources of Information</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased numbers of investors seeking investment opportunities in locations whose accessibility has been upgraded through project. Increased flow of tourists to region, travelling on upgraded road to tourist destinations. Improvement of domestic and international transit conditions in the direction of Baltic countries. Transport flows increased without decreases in the quality of life in the adjacent local communities. Reduction of air pollution (exhaust gases emission) by nearly 200% and noise pollution from the motor vehicle traffic significant improvement in traffic fluency. Reduction of accident rate by 250%. Travelling time on the 3 sections decreased by 270%.</td>
<td>density of roads of good quality number of people / value of goods passing the border using the destined area number of tourists arriving to the region number of car accidents number of new work places created pollution levels average travel speeds</td>
<td>statistical data, experts reports</td>
<td>changes in the policy towards the foreign investments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Inputs</strong></th>
<th><strong>Indicators of Achievement</strong></th>
<th><strong>Sources of Information</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Annex 2: Cumulative implementation, contracting and disbursement schedule**

<table>
<thead>
<tr>
<th></th>
<th>Date of drafting</th>
<th>Planning period</th>
<th>Budget allocation cost estimate Phare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>07.03.2000</td>
<td>01-2001- 12.2003</td>
<td>5.58 M€</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.58</td>
</tr>
<tr>
<td>Contracting</td>
<td>D</td>
<td>C</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>I</td>
<td>5.58</td>
</tr>
<tr>
<td>Disbursement</td>
<td>5,583</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0,837</td>
<td>1,794</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,58</td>
</tr>
<tr>
<td></td>
<td>3,409</td>
<td>5,024</td>
<td>5,58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annex 3

Feasibility Study
1. Three feasibility studies were prepared separately for each component of the project. Two of them for component 1 and 2 has been prepared in January 2000 by „DROMOS” Road & Bridge Design and Consulting Office Ltd. The third one considering component 3 of the project was prepared in March 2000 by Euro-Alians Design Office in Gdansk.
2. Indexes related to the Phare co-financing for the period of 20 years have been calculated:
   - IRR for Naglady - Olsztyn section: 48.84%,
   - IRR for Sielska street for three parts of the street: 48.09%, 36.96%, 67.21%
   - IRR for Olsztyn - Wojtowo section: 76.68%.
   Considerably high IRR for the project mainly results from very low quality of the surfaces of the sections which have been proposed for modernisation. The project will also generate significantly high benefits/costs ratios (from 2.5 to 7.5 for different sections of the road no. 16).
3. The beneficiaries will not be able to make this investment if Phare does not provide financing (section Olsztyn - Wojtowo is shorter, than the section originally planned to be financed: Olsztyn - Barczewo).
4. Main benefits:
   - decrease in number of accidents (and costs): 250%
   - travelling time on the 3 sections decreased by 270%
   - vehicles operation and maintenance costs decreased by 6.7%
   - exhaust gases emission reduced by near 200%.

Environment
Three environment impact assessments were prepared separately for each component of the project. The following profits for natural environment are expected in the effect of the project implementation:
- reduction of pollution and noise from the motor vehicle traffic, in effect of significant improvement in traffic fluency;
- reduction of accident rate;
- partial redirection of traffic outside the urban development and localities situated at national road No.16.

Waste materials used for the modernisation of the road will be directed for recycling or final utilisation.
The Sielska Street investment will have in general positive impact on the environment, in particular it definitively increase a safety conditions for the inhabitants of the houses along the street. On the other hand due to the increase of the flow of traffic its arduousness will obviously increase. The several measures are proposed in the study to improve the situation including arrangements of a series of “green belts” to form noise barriers and exhaust gas uptake along Sielska Street and development of the plan of promotional/information events addressed to the inhabitants of Sielska Street.