1. Basic Information
1.1. Désirée Number: PL0008.02.03
1.2. Title: Modernisation of road 61
1.3. Sector: Transport
1.4. Location: Podlaskie Voivodship, Poland

2. Objectives

2.1. Wider objective:
The wider objective of the project is the creation of conditions conducive towards achieving greater economic and social cohesion of the Podlaskie Voivodship, through the development of regional level infrastructure necessary to reach growth targets in selected regional priority areas.

2.2. Immediate objectives:
The immediate objectives therefore include:
- increasing the attractiveness of the region as a location for investments, leading to increased volumes of investments in services and production;
- increasing levels of foreign trade activities based in region;
- creation of new jobs related to improved transport channels;
- increased safety of travel;
- increased tourism related income in the region.

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”. They have been described under the priority “Strengthening development potential of regions and countering 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 project is therefore in line with both the PNDP and the operational programme for the Podlaskie Voivodship. It will be implemented under the OP priority “Support for endogenous potential of development of the region – technical infrastructure”.

3. Description

3.1. Background and justification:
Among the main areas targeted by the regional authorities is the development of key road communication links:
- increasing the competitiveness of the region and its communities as investment locations,
- providing growth opportunities to businesses, and
- developing tourism

One of the most important transport routes in the region is road no.61 on the axis Warsaw - Suwałki / Baltic States. This road is of interregional character, forming one of the most important road system links in Podlaskie Voivodship. The section Grajewo-Rajgród, presents at present the greatest traffic problems along this road, as significant levels of transit traffic are recorded. In view of this the actions designed under this project are an important component of the region’s strategic approach to generating growth, through building on the internal potential existing in the region, which remains untapped due to the lack of access to important infrastructure.

The road No.61 is a link to the Via Baltica. This link will conduct the traffic to local industrial zones situated around Lomza and Grajewo as well as flow of tourists visiting Augustow Lakes Region and Suwałki (located in the vicinity of Suwalski Landscape Park and Wigierski National Park) and areas between Biebrzanski National Park and Narwianski National Park.
Upgrading of this road to West European standards is included in the strategic programmes of the Polish Ministry of Transport and Maritime Economy. The upgrading of this road will directly lead to increasing the competitiveness of the region, providing growth opportunities to business and developing tourism in the main tourist regional spots.

The traffic volume on this section of the road has increased from about 4000 vehicles/day (1995) to about 6000 vehicles/day (January 2000) with a very high share of heavy vehicles. The importance of the road No 61 for the regional business community has led to its identification, among others within the Development Strategy of Lomza and of other local communities, as the main transport axis along which industry and business is and will be developing. Along this road some of the main regional industries are located, including:

- food industry (“PEPEES” SA in Lomza);
- wood industry (Production-Trade Enterprise “LFM” Ltd. in Lomza, “Demark” Furniture Production Plant in Lomza, Chipboard Production Plant SA in Grajewo);
- engineering industry (machines, equipment, parts and components for food industry, agriculture and forestry - “Zakrem” Production-Service Work Cooperative in Grajewo).

On the other hand it has been assessed that the improvement of this transport route would directly affect the readiness of new investors to locate or further develop their business in the region.

The section of the road planned for modernisation under this Phare project will make it possible to finalise the programme for upgrading the transport route from Lomza to Augustow, as the other two sections of this road are being modernised through the World Bank projects No 51.1 (1999 – 2000) and No 51.2 (2000 – 2001).

3.2. Linked activities:
A number of infrastructure projects have been carried out within the borders of Podlaskie voivodship under previous Phare programmes. Waste water treatment plants in Sejny and Stare Juchy were built within the framework of Phare Baltic Sea Region 96 and 97 (360 000 EUR). Small infrastructure projects related to environment, transport, development of business sites and tourist infrastructure were carried out under:

- PL9207 STRUDER - 10 projects, totalling 2,7 mln EUR, of which 1,4 mln EUR from Phare,
- PL 9609 STRUDER 2 – 14 projects, totalling 2,9 mln EUR, of which 0,79 mln EUR from Phare
- PL 9509 RAPID – 8 projects, totalling 1,7 mln EUR, of which 0,72 mln EUR from Phare

Under the regional development programmes, the Podlaskie voivodship is a beneficiary of Phare Special Preparatory Programme for Structural Funds (PL9808), supporting the preparation of regional development strategies. Regional Objective 1-type operational programme will be drawn up under Phare 99 “Regional development in Mazury and Podkarpacie regions”.

3.3. Results:
- Modernisation of national road No 61 on section Grajewo – Rajgród - 17.594 km.
- Increase of numbers of investors seeking investment opportunities in locations whose accessibility has been upgraded through project
- Increase of the flow of tourists to region, travelling on upgraded road to tourist destinations.
- Decrease of the accidental rate by an estimated 25 – 30 %.
- Improvement of traffic conditions and safety, together with shortening of travelling time
- Increase of average speed from 70 km/h at present to 90 km/h after modernisation.

3.4. Activities:
The Phare Programme will co-finance:
Modernisation of national road No.61 on section Grajewo – Rajgród from km 213 + 062 to km 230 +656 (17.594 km) with the following scope:

- carriageway broadening to the width of 8.00 m (7.00 + 2x0.50) and 9.00m in urban sections, together with construction of sidewalks;
- strengthening of pavement to axle load of 100 kN;
- adaptation to the parameters of GP (Main Thoroughfare);
- execution of traffic safety elements.

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
The manager and administrator of national road No. 61 is the General Directorate of Public Roads, North-
Eastern Division in Bialystok, who will act as Employer according to FIDIC rules. The General Directorate of Public Roads, North-Eastern Division in Bialystok reports to the Ministry of Transport and Maritime Economy.

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:

<table>
<thead>
<tr>
<th></th>
<th>Investment Support</th>
<th>Institutio n Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing *</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernisation of Grajewo – Rajgród section, 17.594 km long</td>
<td>3.80</td>
<td>-</td>
<td>3.80</td>
<td>2.10</td>
<td>-</td>
<td>5.90</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3.80</strong></td>
<td><strong>3.80</strong></td>
<td><strong>2.10</strong></td>
<td><strong>5.90</strong></td>
<td></td>
<td><strong>5.90</strong></td>
</tr>
</tbody>
</table>

*Polish co-financing includes administrative costs related to the management of the project.*

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 foreseen for the project.

7. Implementation schedule:

7.1. Start of tendering/call for proposals: December, 2000
7.2. Start of project of activity: August, 2001
7.3 Project Completion: June, 2003

8. Equal opportunity:

Procedures used in project implementation will be based on the 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 at the recruitment of employees.

9. Environment:

The Environmental Impact Assessment is carried out by Zaklady Ekspertyz Ochrony Srodowiska “AREO” in Bialystok and will be prepared according to European Union Directive No. 85/337/EEC of June 27, 1985 at the end of April.

Based on the Environmental Impact Assessment for the modernisation of the neighbour distance of the national road 61 the following effects are expected for the natural environment as result of the project implementation:

- reduction of pollution and noise from motor vehicle traffic, in effect of significant increase in its fluidity
- reduction of accident rate
- improvement of environmental aspect of road surroundings
- improvement of the neighbour places inhabitants living conditions.

10. Rates of return:

The Economic Appraisal of the project was prepared by the General Directorate of Public Roads North-Eastern Division in Bialystok in March 2000, as the annex to the Feasibility Study prepared in 1996.

The internal rate of return (IRR), equal to 25.8%, was calculated for a period of 20 years. Net Present Value,
at the discount rate 12% amounts to 10,320,000 PLN.

11. Investment criteria:
11.1. Catalytic effect
Phare support will be conducive to achieving economic and social cohesion goals in the Podlaskie Voivodship, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale. The PHARE assistance will accelerate the deadline of project implementation commencement.

11.2. Cofinancing
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. The project is assured with Polish side co-financing at the level of 35%.

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

11.4. Project readiness and size
The project is ready for contracting and disbursement, as the planned activities will meet all conditions for co-financing by the start of project implementation (full readiness for implementation of works will be achieved in the 4th quarter of 2000).

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Podlaskie Voivodship Operational Programme. In the strategic programme of Ministry of Transport and Maritime Economy, road No.61 will be along its total length adapted to the European standards in the temporal horizon of 2015. This task is included in strategic regional programmes for the nearest years. The project implementation does not require any additional expenditure. On completion of the project the funds for its maintenance will be provided from the state budget through the General Directorate for Public Roads, Białystok Division.

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 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:
• completion of the environmental impact assessment to EU standards
• maintaining timetable set in the programme;
• all land procurement accomplished until 1st quarter of 2001;
• all contracting, reporting and monitoring conditions are met.
<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of the conditions for achieving economic and social cohesion of the Podlaskie Voivodship through upgrading the regional capacity for endogenous and sustainable growth</td>
<td>the level of GDP and GDP per capita in the region moving towards the national average</td>
<td>statistical reports on the level of economic development in the region</td>
<td>continuing growth in the national economy and continuing process of the integration with the EU</td>
</tr>
<tr>
<td></td>
<td>the density of roads of good quality moving towards the national average</td>
<td>statistical data on the level of economic development in the region</td>
<td>ongoing financing of the project from the Polish side</td>
</tr>
</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>increasing the attractiveness of the region as a location for investments, leading to increased volumes of investments in services and production; increasing levels of foreign trade activities based in region; creation of new jobs related to improved transport channels; increased safety of travel; increased tourism related income in the region.</td>
<td>lengths and density of modernised (of good quality) roads number and value of new investments number of car accidents number of new work places created</td>
<td>statistical data experts reports project monitoring</td>
<td>feasibility studies and environment impact assessments accepted as basis for project co-financing by Phare; co-financing of project by the beneficiary; maintaining timetable set in the programme; all contracting, reporting and monitoring conditions are met</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernisation of national road No 61 on section Grajewo – Rajgród - 17.594 km. Increase of numbers of investors seeking investment opportunities in locations whose accessibility has been upgraded through project Increase of the flow of users, including foreign trade based transport through region. Increase of the flow of tourists to region, travelling on upgraded road to tourist destinations. New jobs created. Decrease of the accidental rate by an estimated 25/30 %. Improvement of traffic conditions and safety, together with shortening of travelling time for passenger and freight traffic on important transit route in the directions of Lithuania and other Baltic countries; transport time through area measurably shortened. Increase of average speed from 70 km/h at present to 90 km/h after modernisation. Transport flows increased without decreases in the quality of life in the adjacent local communities and not detrimental to environment.</td>
<td>length of road modernised – number of km number of new investors traffic volume 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 average speed</td>
<td>statistical data experts reports project monitoring</td>
<td>changes in the policy towards the foreign investments co-financing of project by the beneficiary; maintaining timetable set in the programme; all contracting, reporting and monitoring conditions are met</td>
</tr>
</tbody>
</table>

| Inputs | |
|--------| |
| Construction | |
Annex 2: Cumulative implementation, contracting and disbursement schedule

Podlaskie – Road 61

<table>
<thead>
<tr>
<th>Date of drafting</th>
<th>Planning period</th>
</tr>
</thead>
</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>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>D</td>
<td>D</td>
<td>CI</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>3,8</td>
</tr>
<tr>
<td>Contracting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,8</td>
</tr>
<tr>
<td>Disbursement</td>
<td>0,57</td>
<td></td>
<td>1,52</td>
<td></td>
<td>2,47</td>
<td></td>
<td>3,42</td>
<td></td>
<td>3,8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annex 3
Summary of the feasibility study
The Economic Appraisal of the project was prepared by the General Directorate of Public Roads North-Eastern Division in Bialystok in 1996. The Appraisal refers to the modernisation of national road No.61 on section Grajewo – Augustów from km 212+038 to km 230+004 (40.996 km).
The annex to the Economic Evaluation for the Grajewo – Rajgród Section (from km 212+945 213+062 to km 230+656) was prepared in March 2000. The Economic Evaluation – Annex was prepared with the World Bank’s HDM (Highway Design and Maintenance Standards Model) 1995 version.
The economic analysis of the project has shown the following figures of economic indicators:
- internal rate of return IRR = 25.8 %
- net present value NPV = 10 320 000 PLN (0,12)
- benefit cost ratio B/C 1.81

Summary of the Environmental Impact Assessment
The Environmental Impact Assessment for the modernisation of the national road No. 61 on section Grajewo – Rajgród is carried out by Zaklady Ekspertyz Ochrony Srodowiska “AREO” in Bialystok and will be prepared according to European Union Directive No. 85/337/EEC of June 27, 1985.
On the basis of the Environmental Impact Assessment for the modernisation of the neighbour distance of the national road No. 61 on section Grajewo – Netta from km 235 +160 to km 239 +950, which has been prepared by the AERO sc. the following effects are expected:
• reduction of pollution and noise from motor vehicle traffic, in effect of significant increase in its fluidity
• reduction of accident rate
• improvement of environmental aspect of road surroundings
• improvement of the neighbour places inhabitants living conditions