1. Basic Information
1.1. Désirée Number: PL0008.03.04
1.2. Title: Lubelskie – Modernisation of the Road 698
1.3. Sector: Transport
1.4. Location: Lubelskie Voivodship, Poland

2. Objectives
2.1. Wider objective:
The wider objective of the project is to strengthen the economic and social cohesion of the Lublin region by creating the conditions for the sustainable growth of a predominantly rural and small town Voivodship threatened by marginalisation and stagnation.

2.2. Immediate objectives:
The immediate objectives include:
- more effective utilisation of the region’s own resources and attraction of external investors into the region;
- creating better transport links between the border crossings in the northern and southern parts of the Voivodship;
- improving access of the northern part of region to the south and the main East-West and crossborder routes;
- creating conditions for increased investments in the northern and border corridor area, resulting from business opportunities stemming from proximity to border crossings and the improved transport routes;
- channeling crossborder traffic through the designated area.

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 shall also contribute to achievement of medium term priority under justice and home affairs, defined as implementation of integrated border strategy. 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 (to be 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 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 project is therefore in line with both the PNPD and the operational programme for Lubelskie voivodship. It will be implemented, along with the Bug river project, under the priority “Development of infrastructure of regional importance”.

3. Description
3.1. Background and justification:
The Lubelskie Voivodship Preliminary Operational Programme has put much emphasis on the need to support the development of core regional level infrastructure, as a pre-condition for the more effective and sustainable utilisation of existing resources and attraction of new resources from outside of the region. This is of special relevance to the development of the northern part of the region and along the corridor lying parallel to the national border. This area is characterised by significant underdevelopment, loss of population levels, over-dependence of the local economies on small scale farming. On the other hand long term and significant development opportunities exist for this area, stemming from the border location and proximity to major East-West routes, and specialist / traditional tourism development. The modernisation will take place along a 20.877 km long section of the Voivodship road No.698 between Janów Podlaski and Krzyczew (from km 66 + 993 to km 87 + 870), which is the first stage of the reconstruction of the whole North-South transport route lying parallel to the Eastern border of Poland – “Nadbuзanka route” (211.3 km). Besides its important economic role for the region, it has a strategic meaning for border control, traffic management and border protection. As a road governed by the voivodship self-government, the route No. 698 is not included in the Government’s transport investment plans, but it has been identified as a priority project in the Lublin Voivodship regional development strategy and Preliminary Operational Programme. The modernised road No. 698 with the voivodship road No 816 form an important communication route which links the area and the border crossing in Terespol and
Kukuryki with the northern direction (Bialystok and Suwalki, Kaliningrad, Baltic States). The present poor technical condition of Voivodship road No. 698 results in the traffic by-passing it during travel to the near-by border crossings with Belarus and the Ukraine, which results in overloading of other roads in the area (chiefly road No.2). Modernisation of the Janów Podlaski - Krzyczew section, constituting at present the largest obstacle for traffic, will help in the effective utilisation of the whole road, thereby directly impacting on creating the conditions for the development of the areas involved. Janów Podlaski is one of the main economic centres in the area concerned. Four of the most important regional companies (food processing, building materials, internationally acclaimed horse stud-farm), co-operating with a number of small firms and farmers in the region are located in Janów Podlaski and its surroundings. There are a number of small firms co-operating with Ukrainian partners or selling their products to that market. Improved transport conditions will facilitate communication between Janów Podlaski and the border crossings in Terespol and Kukuryki, and will stimulate business co-operation, reduce costs of transport and increase its effectiveness. Alongside the road No.698 there are located important historic and places of interest to tourists. Easier access to these places for tourists will stimulate the development of tourism services, which will lead to the creation of a number of new SMEs and new job creation. Additionally the project is connected with the development taking place with respect to the leisure area of Okuninka, included in the separate subproject within Phare 2000 (preservation of the waters of the Bug River). The modernisation of voivodship road No. 698 is a first step towards developing this potential, and one of the priority tasks identified in the draft Strategy of Lubelskie Voivodship, under development by the Lubelskie Voivodship self-government.

3.2. Linked activities:
Several transport projects have been carried out within the borders of Lubelskie voivodship under previous Phare programmes. The border-crossing in Dorohusk was modernised under programmes Eastern Border PL 9601 (200 000 EUR) and PL 9705 (1 million EUR). Access road to the border crossing in Slawatycze received support from the resources of Eastern Border PL 9601 programme (1.3 million EUR). Development of duty terminal in Kukuryki-Korosczyn was co-financed from the same programme (over 1 million EUR). Small transport projects were also implemented under Phare PL 9609 STRUDER 2. These included two projects, totalling 143 000 EUR, of which 70 000 EUR from Phare.
Under the regional development programmes, the Lubelske voivodship is a beneficiary of Phare Special Preparatory Program for Structural Funds (PL 9808) programme as well as World Bank projects 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 Podkarpackie regions”.

3.3. Results:
The direct measurable results of the project:
- significant improvement of traffic safety through broadening of road pavement, reconstruction and modernisation of 5 non-standard (level) bends and 8 intersections,
- decrease of the number of accidents and their costs by 25%,
- increase (estimated at 50%) of the average speed of the travel by car (V_{ped}) to 70 km/h and speed of other vehicles up to 61 km/h (about 40% increase), which result in the increase in traffic capacity,
- decrease of the annual costs of car exploitation by 5%,
- total journey time saved by users (at forecasted traffic levels for 2000, calculated for vehicles) will be 225 h/day (up till 2020 by 24%) and costs of drivers’ work will decrease by 22%,
Other results of the project implementation:
strengthening of road transport infrastructure, necessary for economic and tourism related development of the northern border area of Lubelskie Voivodship; significant improvement of road traffic conditions, including transit traffic, from the border crossings Terespol, Kukuryki, Slawatycze, Dorohusk and Zosin (75% - transport of people and 25% - transport of goods); measurable impact on transborder co-operation achieved as compared to comparable non-supported areas; new initiatives (business, other) directly linking Polish operators with their counterparts in the Belarus and the Ukraine established in supported areas; statistically significant increase of tourism and other overnight stays, connected with specialist tourism (Janów Podlaski - renowned for its Arab stud stables), traditional tourism (including weekend stays from Warsaw based tourists), and transborder traffic in the areas affected through the project; statistically significant reduction of harmful impact of road traffic on environment.

3.4. Activities:
The modernisation of the road section under the present project will be the first stage of the programme for modernising road No. 698, which together with the Voivodship road No. 816 connects along the North-South axis the border-crossings in Terespol, Kukuryki, Slawatycze, Dorohusk and Zosin, and also – through Janów Podlaski – with the border-crossings in the North-East of Poland.
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 project beneficiary and the Employer under FIDIC rules will be the Voivodship Road Administration office in Lublin, which is the administrator of road No. 698 and which will be responsible for the projects implementation and Polish co-financing.
A clear distinction will be made between the Employer and the Engineer, the latter to be contracted on the basis of the competitive procedure.
Voivodship Marshal’s Office in Lublin will be the owner of the assets after project completion.

5. Detailed Budget:

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>Poland*</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.80</td>
<td>-</td>
<td>2.80</td>
<td>1.00</td>
<td>-</td>
<td>3.80</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.80</td>
<td>-</td>
<td>2.80</td>
<td>1.00</td>
<td>-</td>
<td>3.80</td>
</tr>
</tbody>
</table>

* The amount of 0.4 million EUR from the Polish co-financing will be used to cover administrative costs of the project, including costs of the tender documentation and of the contract with the independent Engineer.

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 of 2.8 million EURO is foreseen for the project.

7. Implementation schedule:
7.2. Start of project of activity: Project activities will start in July 2001.
7.3 Project Completion: The completion of the project is planned for June 2003.

8. Equal opportunity:
Procedures related to employment during 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 ensured in the official advertisement in press at the recruitment of employees.

9. Environment:
Environmental impact assessment (Polish and English version) is prepared for the 1st section of the road (from km 66+993 to km 72+800). The report for the remaining section of the road (from km 72+800 to km 87+870) will be ready by April 2000. It is assumed that the modernisation of Voivodship road No.698, through improvement of road traffic fluency, will reduce emission of exhaust gasses by 20% (costs will be reduced by 10%) and through construction and reconstruction of sidewalks in developed areas and modernisation of drainage (in this construction of rain water sewerage) will improve environment protection in the immediate road surroundings. Total costs of users and the environment will be reduced by 12%.

10. Rates of return:
The results of economic appraisal of modernisation of voivodship road No 698 Siedlce_Losice-Konstantynów-Terespol from km 66+993 to km 87+870 (Janów Podlaski – Krzyczew) have show that the project is effective. IRR (internal rate of return) equals to 42,098%; NV (net value) equals to 2 802 294 PLN (663 767 EUR*); NPV (net present value) at the discount rate 12.56% equals to 445 034,57 PLN (105 413,47 EUR*)

* 1 EUR = 4.2218 (annual mid-rate for 1999)
Considering the impact of costs reduction on the NPV, decrease in the costs of exploitation of the investment by 5% results in profitability of the investment which fulfils the condition, where NPV = 0.

11. Investment criteria:

11.1. Catalytic effect
Phare support will be conducive to achieving economic and social cohesion goals in the Lublin region, which otherwise could be attained only after a much more extended period of time and on a more modest and less efficient scale. The implementation of the project will be a stimulating factor for economic and tourism related development of the peripheral border area, which at present is seriously lagging behind in development, as compared to the central and western areas of the country. Thanks to the resources obtained from the Phare programme the project will be completed by the end of the year 2003. The implementation of the project will facilitate the development of business sectors and the trade exchange with Ukraine and Belarus.

11.2. Co-financing
The project demonstrates clear co-financing by the Polish partners. The PHARE component constituting 74% of total project cost, i.e. 2.8 M€. The Polish financing covers 26% of total project cost, i.e. 1.0 M€.

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 feasibility study and the environmental impact assessment for the 5,15 km long section are already concluded. The environmental impact assessment for the remaining section will be completed in August 2000. The total technical documentation will be completed in August 2000. Acquisition of land to widen the road will be completed in the period September – October 2000. Construction permission will be obtained by the end of 2000.

11.5. Sustainability
The project will contribute to the long term sustainable development of the region, as described in the Lubelskie Voivodship Operational Programme. The investment is sustainable and does not demand further expenditure, apart from the ongoing technical maintenance of the modernised roads, which will be easier than under present conditions and which will be provided from the funds of the Lubelskie Voivodship self-government resources.

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 NDP 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:
- finalisation of environment impact assessment;
- environment impact assessment 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.
**Annex 1: LOGFRAME PLANNING MATRIX FOR PROJECT**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Lubelskie – Road 698</th>
<th>Date of drafting</th>
<th>Total Budget</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>08.03.2000</td>
<td>2.8 M€</td>
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<table>
<thead>
<tr>
<th>Period</th>
<th></th>
<th></th>
<th>2001-2003</th>
<th></th>
</tr>
</thead>
</table>

<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>The wider objective of the project is to strengthen the economic and social cohesion of the Lublin region by creating the conditions for the sustainable growth of a predominantly rural and small town Voivodship threatened by marginalisation and stagnation.</td>
<td>level of GDP and GDP per capita in the region moving towards the national average / density of roads of good quality moving towards national average</td>
<td>Experts reports / Statistical data on level economic development in the region</td>
<td>continuing growth in the national economy; continuing process of the integration with the EU; 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>more effective utilisation of the region’s own resources and attraction of external investors into the region; creating better transport links between the border crossings in the northern and southern parts of the Voivodship; improving access of the northern part of region to the south and the main East-West and crossborder routes; creating conditions for increased investments in the northern and border corridor area, resulting from business opportunities stemming from proximity to border crossings and the improved transport routes; channeling crossborder traffic through the designated area</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>finalisation of appropriate feasibility study and environment impact assessment and confirming sub-projects viability; feasibility study and environment impact assessment accepted; 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 of Project</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>broadening of carriageway to the width of 7m on the length of 20.870 km, strengthening of bearing capacity to axle load of 80 kN, reconstruction of 6 bridges and 11 culverts through enlarging their length and adapting them to the new carriageway width, construction of sidewalks on section 5.2 km long and reconstruction on section 0.3 km long, significant improvement of traffic safety through broadening of road pavement, reconstruction and modernisation of 5 non-standard (level) bends and 8 intersections, decrease of the number of accidents and their costs by 25% , increase (estimated at 50%) of the average speed of the travel by car (V_{p,k}) to 70 km/h and speed of other vehicles up to 61 km/h (about 40% increase), which result in the increase in traffic capacity, decrease of the annual costs of car exploitation by 5%, total journey time saved by users (at forecasted traffic levels for 2000, calculated for vehicles) will be 225 h/day (up till 2020 by 24%) and costs of drivers’ work will decrease by 22%, increase in accessibility ESS = 65, improvement of road drainage along total section, in this construction of rain water sewage system within the area of Janów Podlaski town; Strengthening of road transport infrastructure, necessary for economic and tourism related development of the northern border area, significant improvement of road traffic conditions, including transit traffic, from the border crossings Terespol, Kukuryki, Slawatycze, Dorohusk and Zosin (75% - transport of people and 25% - transport of goods), measurable impact on transborder co-operation achieved as compared to comparable non-supported areas, new initiatives (business, other) directly linking Polish operators with their counterparts in the Belarus and the Ukraine established in supported areas,</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 introduction of visas for the citizens of Ukraine and Belorus the economic situation in Ukraine and Belorus</td>
</tr>
</tbody>
</table>
statistically significant increase of tourism and other overnight stays, connected with specialist tourism (Janów Podlaski - Arab stud stables), traditional tourism (including weekend stays from Warsaw based tourists), and transborder traffic in the areas affected through the project, statistically significant reduction of impact of road traffic on environment.

**Inputs**
preparation of technical design and bidding documents, modernisation of the road section between Janów Podlaski and Krzyczew (ca 20.9 km long), supervision of construction works.

| Annex 2: Cumulative implementation, contracting and disbursement schedule |
|-------------------------------------------------|-----------------|
| Lubelskie – Road 698                           | Date of drafting | 08.03.2000 |
| Planning period                                | Planning period | 01-2001 - 06.2003 |
| Subprojects                                    | Budget allocation|               |
|                                                | cost estimate    |               |
| PLANNED                                        | Phare            |               |
| D                                              | D                 | C               | I               | I               | I               | I         | I         | I         | I       | I       | I       | I       | 2,8 |
| Contracting                                    | 2,8               |                 |                 |                 |                 |           |           |           |         |         |         |         |     |
| Disbursement                                   | 0,42              | 1,12            | 1,82            | 2,52            | 2,8             |           |           |           |         |         |         |         |     |
Annex 3
Reference to feasibility / pre-feasibility studies

Feasibility Study
The feasibility study was prepared by in April 2000. The scope of the project covers the following elements:
1. Modernisation of the road and adaptation of its parameters to standard parameters compulsory for voivodship roads:
   - broadening of carriageway to the width of 7.0 m,
   - strengthening of bearing capacity to axle load of 80 kN,
   - reconstruction of 6 bridges and 11 culverts through enlarging their length and adapting them to the new carriageway width,
   - construction of sidewalks on section 5.2 km long and reconstruction on section 0.3 km long.
2. Improvement of traffic conditions and safety through broadening of road pavement, reconstruction and modernisation of 5 non-standard (level) bends and 8 intersections.
3. Improvement of road drainage along total section – construction of rain water sewage system within the area of Janów Podlaski town.

The economic and financial analysis of the project have been prepared. The analysis has shown that for the adopted assumptions the internal revenue rate IRR is 42,098 % and the net present value NPV (at the discount rate of 12.56%) is PLN 445 034,57 (EUR 105 413,47). Such indicators constitute an acceptable value for both: the investors and the users of the project of this type.

Natural environment
The road is situated within the Protected Landscape Area upon the Bug River or makes the border of the Landscape Park Podlasie Gap of the Bug River. An appropriate environmental impact assessment for the first section of the road (from km 66+993 to km 72+143) has been prepared. It is assumed that the modernisation of the voivodship road no. 698, through improvement of road traffic fluency, will reduce emission of exhaust gasses by about 20% (costs of emission of exhaust gasses will be reduced by 10%) and through construction or modernisation of drainage (rain water sewerage) will improve environment protection in the immediate road surroundings. The improvement of road traffic fluency and capacity will result in further decrease in emission of noise, which at the moment does not exceed permissible values. Total costs of users and the environment will be reduced by 12 %.

Based on the assessment it is stated that the investment will not make any serious interference on the areas environmentally protected. The Environmental Impact Assessment, prepared by “EKO-GEO” Geology and Environment Protection” mgr inz. /M.Eng/ Anna Majka-Smuskiewicz in October 1999 is conformable to Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment.