1. Basic information
1.1. Désirée Number: PL01.06.02.04
1.2. Title: Ring road of Lublin
1.3. Sector:
1.4. Project location: Poland, Lubelskie Voivodship, Lublin

2. Objectives
2.1. Wider Objective: To strengthen the economic and social cohesion of Lubelskie Voivodship through the provision of transport infrastructure.
2.2. Immediate Objectives:
   Enhancing investment attractiveness of Bursaki-northern economic activity complex of the city of Lublin; Improvement of traffic safety; Increase of traffic flow vehicles by 80% after 5 years (now 1062 vehicles per hour); Improvement of environmental conditions; Improvement of transport accessibility of the region.
2.3. Accession Partnership and NPAA priority:
The project responds to the AP medium term priority: developing national policy for economic and social cohesion and preparing for the implementation of regional development programmes. It also corresponds 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 of PNDP is “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 also in line with the operational programme for the Lubelskie Voivodship. It will be implemented under the OP priority “Development of regional infrastructure” and will aim at upgrading access to areas and localities in the region, allowing for the creation of added value within the regional and local economy.
2.5. Cross-border Impact: not applicable

3. Description
3.1. Background and Justification:
Aleja Spółdzielczości Pracy street is the main route leading from Lublin northwards to Lubartow and Białystok. This route is of critical importance to regional transport within the Lublin Agglomeration and Lubelskie Voivodship, and comprises part of National Route S19 linking Białystok, Lublin and Rzeszów, the major centres of Eastern Poland, with increasing importance in the international transport between Lithuania, Poland, Slovakia and Hungary. A significant increase in traffic comes from the location of the new investments in the area. The growing importance of the Bursaki business area, with the development of one of the two wholesale centres of regional importance in Lublin also results in increasing traffic. This road is also extensively used by trucks transporting domestic waste from the Lublin Agglomeration to the dumpsite in Rokitno. This dumpsite is of regional importance and according to the plans will be further extended and modernised. The application for ISPA funding has been submitted. The project aims to be part of a major improvement of the whole S19 National Route (as the main road along the eastern border of Poland), starting from the most crowded and economically-vital section. The lack of bus stop bays, number of accident-prone crossroads, and parameters of a 10.5 m wide, two-direction street of surface resistance below 80kN per axle all attest the necessity for technical improvements in a road of this importance. Traffic measurements in peak hours show 1062 vehicles per hour, of which 10% are heavy trucks and buses. In the next 5 years a 80% increase in traffic is expected. The part of Aleja Spółdzielczości Pracy between the crossroads with Zwiazkowa and Smorawinskiego Streets requires the most urgent investment due to the heaviest traffic. The strong tendencies of economic development in the adjacent areas are exemplified by significant extension of the wholesaling centres. Further development, especially the SMEs sector depends on the improved accessibility of these areas. Another significant factor influencing the attractiveness of
the area is the decision of the town authorities to develop a project on water supply and sanitary sewerage network which is actually being performed and will be completed within the next 2 years.

3.2. Linked activities:
The Project is not linked directly with the other Phare project in the region, but as an element of the City of Lublin transport system the improvement is partly related to the Phare ESC 2000 project of modernisation of the Old Town streets.

3.3. Results:
11.5 ha new investment areas accessed; 10 new enterprises established and 100 jobs created after 2 years in the investment areas accessed from the road; Decrease of accidents by 51.5% after 1 year (from 73 to 35); Improving access to existing businesses on the area of 24 ha; Construction of national road S19; Increase of ESS from 12 km/h to 40 km/h; Modernisation of 2 junctions; Reduction of journey time by 7 minutes; Improvement of road quality; Enhancement of load capacity from 80kN/axle to 115kN/axle; Improved access to business activity and new investment areas.

3.4. Outputs:
1700 m of modernised road of four lanes with divided traffic directions, combined with modernised underground infrastructure, with technical parameters according to EU standards (115 kN per axis)
464 m of local access street for the development area; two existing crossroads modernised with traffic lights; two new crossroad with traffic lights constructed; new bus-stop bays with shelters for passengers; pavements for pedestrians and green belts along the road; new street lights.

3.5. Inputs:
1700 m road construction with modernisation of underground infrastructure; modernisation of two crossroads and construction of one cross-road with 464 m service street; new street lighting; new bus-stops construction of new pedestrian pavements and arrangement of green space framing the street.

4. Institutional Framework
The Beneficiary of the project is the Town Board of Lublin. The employer is the Town Board of Lublin. Supervising engineer will be appointed within tender procedure. Investment owner after project realisation is the City of Lublin. The investment will be conducted in compliance with the Decentralised Implementation System regulations – “Practical Guide to Phare, Ispa & Sapard contract procedures”. The project implementation will not result in any changes in the institutional framework described above.

5. Detailed Budget value in MEuro

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Investment</th>
<th>IB</th>
<th>Total Phare</th>
<th>National Co-financing</th>
<th>IFIs</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>2.59</td>
<td></td>
<td>2.59</td>
<td>3.01</td>
<td>0</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>2.59</td>
<td>0</td>
<td>2.59</td>
<td>3.01</td>
<td>0</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Polish co-financing will be available.

6. Implementation Arrangements
6.1. Implementing Agency:
PAO: Vice - Minister in the Ministry of Regional Development and Construction, Wspolna 4 St., 00-926 Warsaw, phone: + 48 22 661 91 19, fax: + 48 22 661 91 45.
Implementing Agency: Polish Agency for Regional Development, Zurawia 4a St., 00-503 Warsaw, Phone:+48 22 629 28 88, Fax: + 48 22 627 22 46.

6.2. Twinning: not applicable
6.3. Non-standard aspects: Not applicable. DIS regulations will be followed.
6.4. Contracts:

7. Implementation Schedule
7.1 Start of tendering/call for proposals: 1st quarter of 2002
7.2. Start of project activity: 2nd quarter of 2002
7.3. Project completion: 3rd quarter of 2004
8. Equal Opportunity
Equal opportunities terms for men and women will be respected at every stage of project implementation and after its termination.

9. Environment
The environmental impact report (prepared in accordance to Council Directive 97/11/EC of 3 March 1997) is complete and available at the beneficiary’s office. The improvement of the road surfaces and better-flowing traffic should bring a reduction in the present negative impact of the road on the environment: the relative acoustic disturbance is expected to drop by 5 dB. The level of air pollution is not expected to change with the increasing traffic capacity.

10. Rates of Return
IRR=6.83 % - ERR=38.00 % - ENPV=6.801.453,07 EUR. The financial and economic analysis were based on “Guide to Cost-Benefit Analysis of Major Projects”. The feasibility study is available at the beneficiary’s office.

11. Investment Criteria
11.1. Catalytic Effect:
Phare support will be conducive to the achievement of economic and social cohesion goals in Lubelskie Voivodship; goals which could otherwise only be attained after a much more extended period of time and on a more modest and less efficient scale

11.2. Co-financing:
The project is co-financed by the Polish partners.

11.3. Add tionality:
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 by the start of project implementation. The feasibility studies and environmental impact assessments are ready.

11.5. Sustainability:
The project will contribute to the long term sustainable development of the region as described in the Lubelskie Voivodship Operational Programme. After implementation all maintenance costs related to investments will be covered by the beneficiary.

11.6. Compliance with State Aid Provisions:
All aspects of the project will be developed with respect to the State Aid 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 an increase in the economic and social cohesion of the country and region.

12. Conditionality and Sequencing
Co-financing of specific activities will be conditional on:
• co-financing of project by the beneficiary;
• appropriate environmental impact assessments and feasibility studies conducted and accepted by the start of project implementation;
• completion of land acquisition before the start of tendering;
• obtaining building permission before the start of tendering;
• all tendering, contracting, reporting and monitoring conditions met;
• selecting contractor enable for proper realisation of works.

Benchmarks:
• Construction designs prepared by February 2001
• Preparation of tender documentation by 4th quarter of 2001
• Resources earmarked for Phare co-financing of programme reach National Fund in January 2002
• Beneficiary contracts project activities by 2nd quarter of 2002
Annex 1: Logframe planning matrix for project

End Contracting: 15/12/2003 - End Disbursement: 15/12/2004

Date of Drafting: December 2000
Planning period: 2002 – 2004

Project Number:  
Project title: Ring road of Lublin

Total Budget: 5 600 000 euro
PHARE: 2 590 000 euro

<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>Strengthening economic and social cohesion of the Lubelskie voivodship through improvement of transport infrastructure</td>
<td>Increase of regional GDP per capita</td>
<td>Main Statistical Office</td>
<td>Fast track growth of Polish economy</td>
</tr>
<tr>
<td></td>
<td>Decrease of unemployment rate</td>
<td></td>
<td>Implementation of active forms of combating unemployment</td>
</tr>
<tr>
<td>Immediate Objectives</td>
<td>Indicators of Achievement</td>
<td>Sources of Information</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td>Enhancing investment attractiveness of Bursaki-northern economic activity complex of the city of Lublin</td>
<td>10 new enterprises established after 2 years in the investment areas accessed from the road; 100 new jobs created after 2 years in the investment areas accesses from the road</td>
<td>Beneficiary data</td>
<td>Local development in region continued</td>
</tr>
<tr>
<td></td>
<td>Decrease of accidents by 51.5% after 1 year (from 73 to 35); Increase of traffic flow of vehicles by 80% after 5 years (now 1062 vehicles per hour); Unchanged air pollution despite traffic increase</td>
<td>Gmina data</td>
<td>EU integration process continued</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Voivodship Statistical Office</td>
<td>Transport seen as a priority in the development strategy for the City of Lublin.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expert reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Police data</td>
<td></td>
</tr>
<tr>
<td>Results/Outputs</td>
<td>Indicators of Achievement</td>
<td>Sources of Information</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td>Construction of national road</td>
<td>1.7 km of national road constructed; 2 new junctions constructed, 2 existing junctions modernised; Reduction of journey time by 7 minutes; Increase of ESS from 12 km/h to 40 km/h; Enhancement of load capacity from 80kN/axle to 115kN/axle; 11.5 ha new investment areas accessed; improved access to existing businesses on 24 ha</td>
<td>Experts reports</td>
<td>Small allocation for new investment in Lublin</td>
</tr>
<tr>
<td>Modernisation and construction of junctions</td>
<td></td>
<td>Beneficiary data</td>
<td></td>
</tr>
<tr>
<td>Reduction of journey time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of road quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved access to business activity and new investment areas</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Activities / Inputs: 1700 m road construction with modernisation of underground infrastructure; modernisation of two crossroads and construction of one cross-road with 300 m service street; new street lighting; new bus-stops construction of new pedestrian pavements and arrangement of green space framing the street.

Annex 2-4: Cumulative implementation, contracting and disbursement schedule

End Contracting: 15/12/2003 - End Disbursement: 15/12/2004

Date of drafting: December 2000
Planning period: 2002 – 2004

Cost estimate: 5.6M€
Phare: 2.59 M€

<table>
<thead>
<tr>
<th>PLANNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV'01</td>
</tr>
<tr>
<td>I</td>
</tr>
<tr>
<td>Implementation</td>
</tr>
<tr>
<td>Contracting</td>
</tr>
<tr>
<td>Disbursement</td>
</tr>
</tbody>
</table>

Legend: D = design of sub-project / C = tendering and contracting / I = contact implementation and payment
Annex 5 Feasibility Study Summary
Feasibility Study is a supplement to the application for Phare 2001 funds and contains economic and financial analysis including social aspects found in the project „Modernisation of the northern inlet of the road S-19 to the city ring road in Lublin”.
The financial and economical analysis were based on “Guide to Cost- Benefit Analysis of Major Projects”.
Financial analysis aims at projecting measurable values of costs and revenue as well as cash flow of the investment. The financial analysis takes into account the following items. First of all, time horizon of the investment has been determined in such a way as to match economic life of the investment. It has been determined long enough to present and expound on the related long-range influence. Secondly, actual year-on-year revenue and costs have been computed to arise after completion of the investment. Thirdly, social and economic revenue has been analysed and presented in measurable values. Finally, financial rate of return (FRR) and economic rate of return (ERR) of the project have been estimated.
The ratios presented in the financial analysis indicate that the cash flow generated by the project ranks the investment of modernisation of the northern inlet of the road S-19 to the city ring road in Lublin as above an average one as far as such types of projects financed with the European Union funds are concerned.
Financial rate of return (FRR) standing at 6.83% while the discount rate is 9.71% means that the internal rate of return of the project is a little bit lower than the applied discount rate and at the same time higher than zero. This means that in the case of economic investments (commercial ones), such projects would be disqualified for implementation. Economic rate of return (ERR) is more important when reviewing the project. It is estimated to be at 38.00% (higher than the average rate for projects refinanced by the EU), which is much higher than the discount rate. For the purpose of a broader view, modified financial rate of return (MFRR) has been estimated to stand at 8.41% and it is, alike FRR, lower than the applied discount rate, however higher then zero, and should be interpreted likewise.
The ratios presented in the financial analysis indicate feasibility of the project as well as advantages for the beneficiary and the local community.
The investment will help to make the city more active and to improve its economic significance by means of improvement of communication and access to the new areas under investments. PHARE subsidy is necessary for successful performance within the limits of projected funds and period. Lack of the subsidy would cause hampering of the works or necessity of financing of the project with funds assigned for other investments.

Projected budget and funding sources (Euro)

<table>
<thead>
<tr>
<th></th>
<th>PHARE funding</th>
<th>Co-financing by the City budget</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>2 590 000</td>
<td>3 010 000</td>
<td>5 600 000</td>
</tr>
</tbody>
</table>

Funding schedule by years (Euro)

<table>
<thead>
<tr>
<th>Period of implementation</th>
<th>PHARE 2001</th>
<th>City budget</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>825 000</td>
<td>903 000</td>
<td>1 728 000</td>
</tr>
<tr>
<td>2003</td>
<td>1 030 000</td>
<td>1 204 000</td>
<td>2 234 000</td>
</tr>
<tr>
<td>2004</td>
<td>735 000</td>
<td>903 000</td>
<td>1 638 000</td>
</tr>
<tr>
<td>Total</td>
<td>2 590 000</td>
<td>3 010 000</td>
<td>5 600 000</td>
</tr>
</tbody>
</table>

Financial ability of Investor (Municipality of Lublin)
The Municipality of Lublin is able to realise the planned investment within the projected budget for the period of 2002-2004 in the scope of its own share in planned investment. The income of the Municipality systematically increases which results in a rise of available funds to be utilised for investment. Assuming 46,3% share of PHARE 2001 in project modernisation of the northern inlet of the road S-19 to the city ring road in Lublin indebtedness of the Municipality of Lublin will not increase.

Financial and economical analysis. Rates of return.
The financial and economical analysis were based on “Guide to Cost- Benefit Analysis of Major Projects”.
The following items have been used in order to prepare financial and economical analysis:
- time limit adopted for projected cash flow has been specified for 20 years from the moment of taking over the of investment by user
- the cash flow projection does not include inflation rate
- the discount rate has been estimated at the level of 9.7%
- 1 EUR = 4 PLN
- new businesses along the road will be organised after termination of investment – the optimal number will be achieved in 5 years after termination
- the predicted number of new businesses was estimated on the base of the data from existing (functioning) section of the road.

<table>
<thead>
<tr>
<th>RATIOS</th>
<th>Data for the road sector in EU (according to “Guide to Cost…..”)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>minimum</td>
</tr>
<tr>
<td>FRR Financial Rate of Return</td>
<td>6.83%</td>
</tr>
<tr>
<td>MFRR Modified Financial Rate of Return</td>
<td>8.41%</td>
</tr>
<tr>
<td>FNPV Financial Net Present Value</td>
<td>-2 302 231.07 PLN</td>
</tr>
<tr>
<td>FNPV</td>
<td>- 575 557.77 EUR</td>
</tr>
<tr>
<td>ERR Economic Rate of Return</td>
<td>38.00%</td>
</tr>
<tr>
<td>ENPV Economic Net Present Value</td>
<td>27 205 812.27 PLN</td>
</tr>
<tr>
<td>ENPV</td>
<td>6 801 453.07 EUR</td>
</tr>
</tbody>
</table>

Annex 6 Summary of environmental impact assessment

SUMMARY to the assessment entitled The Survey upon the Impact on the Environment of the Modernisation of Al. Spółdzielczości Pracy in Lublin (S-19 state road) on the Section from Smorawinskiego St. to the Cross-Roads with Do Dysa St. Taking Into Consideration the Construction of the Extension of Zwiszkowa St. from the Cross-Roads with Al. Spółdzielczości Pracy to the Cross-Roads with Bazylianówka St. together with the Infrastructure.

The present assessment being a survey of impact upon the planned modernisation constitutes a supplemental document to the motion for the subsidy to be granted from Phare 2001 programme.

The assessment presents the scope of the planned modernisation, its influence upon particular components of the environment, as well as its social, cultural and economic significance.

The aim of the Investment, i.e. modernisation is:
⇒ adapting the section of S-19 road to the European standards,
⇒ adapting the communication network of the city to the increasing traffic and transit,
⇒ improvement of the attractive side of the area of the northern economic activity of the city including the Elizówka market,
⇒ improvement of the road safety at the entrance to the city,
⇒ improvement of the environmental conditions.

The assessment presents the current conditions of land development near S-19 road, influence of the planned modernisation in the stage of its implementation and operation, benefits for the users and environment arising from the Investment.

As a result of modernisation the parameters of the road will be improved, the road will be widened up to 14 m, the condition of the road surface will be improved, longitudinal grade line will be reduced, traffic conditions and road capacity will be improved, traffic jams in the area of the cross-roads will be reduced. The above mentioned improvements will reduce the noise emitted by the vehicles. In spite of the projected increase of the traffic intensity, the modernisation will reduce the influence of the road upon the atmosphere.

In the course of implementation of the investment short-term disruptions for the environment may occur in the scope of preservation of the atmosphere and acoustic conditions arising from the operation of the building equipment.

Implementation of the Investment will improve the communicational access to the area at both sides of the road. The project will allow better organisation of transport on the transit routes used for exporting goods to the countries of the Eastern and Southern Europe giving the solid economic basis for the operation of the market in Elizówka. The Investment will reduce unemployment rate both at the implementation stage and in the operation stage (it is estimated that thanks to the Investment 250 new
posts will be set up). And finally, the project will improve the safety conditions on the road (the number of road accidents will be reduced to 50%).

Assessment of influence of the aforesaid Investment has been prepared pursuant to the Polish regulations for the environmental protection, as well as the Directives of the European Community Council, such as:

- **80/779/EWG dated 15th July 1980** concerning the admissible concentration of sulphur dioxide and molecules in the air (with further amendments),
- **85/203/EWG dated 7th March 1985** concerning the admissible concentration of nitrogen dioxide (with further amendments),
- **82/884/EWG dated 3rd December 1982** concerning the admissible concentration of lead in the atmosphere (with further amendments),
- **92/72/EWG dated 21st September 1992** concerning air pollution with lead.

The above directives have been taken into consideration in the analysis of influence of the Investment upon the atmosphere.


Applying the above directive, the public has been provided with some information on the Investment in order to be given the opportunity to express its opinion before the Investment has been launched.