1. **Basic Information**

1.1. **Desiree Number:** PL01.06.03.02

1.2. **Title:** Construction of a by-pass in Piotrków Trybunalski – First Stage

1.3 **Sector:** ESC - Infrastructure

1.4 **Location:** Poland, Łódzkie voivodship, gmina of Piotrków Trybunalski

2. **Objectives**

2.1. **Wider Objective:**
Strengthening economic and social cohesion of the Łódzkie voivodship through improvement of transport infrastructure

2.2. **Immediate Objectives:**
- Enhancing investment attractiveness of the Piotrków gmina
- Improvement of traffic safety
- Improvement of transport accessibility of the region

2.3. **Accession Partnership and NPAA priority:**
The investment conforms to the objectives set out in the Accession Partnership and particularly in the NPAA Programme. The project responds to medium term priorities identified in the AP – development of national policy aimed at the enhancement of the economic and social cohesion and preparation for the introduction of regional development programmes. The objectives of the investment project are: the economic development of the region and adaptation of the transport infrastructure to international standards. The expansion and modernisation of the transport routes in Poland are regarded as priority tasks by the Polish Government. It is anticipated that an improvement in the technical conditions of roads will have a favourable impact on the protection of the natural environment.

It also corresponds with the NPAA priority "Regional and cohesion policy".

2.4. **Contribution to Preliminary National Development Plan:**
Transport infrastructure plays a key role in the efforts to reduce regional disparities in the economic performance. Therefore one of the priorities of the country’s cohesion policy identified in the Preliminary National Development Plan (annexed to NPAA) is the “Integration of the Polish economy through modernisation and enlargement of transport networks”. Since the activities under the priority are concentrated on transport infrastructure included in the trans-European networks, they shall be complemented by actions carried out in the regions, contributing to the enhancement of economic and social cohesion of the country. They have been described under the priority “Strengthening the development potential of regions and counteracting the marginalisation of certain areas”. One of the proposed measures under this priority is the “Development and modernisation of infrastructure aimed to increase the competitiveness of the regions”. It defines co-financing of regional transport infrastructure as a principal element of building indigenous potential development and improving regional competitiveness. The PNĐP also provides for measures focusing on the development of metropolitan functions of selected cities (priority 4.6.1b), including investments in the transport infrastructure.

The project is therefore in line with both the Preliminary National Development Plan and the Operational Programme for Łódzkie voivodship.

2.5. **Cross Border Impact:** not applicable

3. **Description**

3.1. **Background and justification:**
Piotrków Trybunalski is one of the biggest economic centres in the region and one of the two main (in addition to Łódz) transport junctions in the voivodship (five national roads, including expressways, bound North – South and East – West).

Underdeveloped transport infrastructure is an obstacle to utilisation of existing economic potential. Improvement of this infrastructure will be decisive factor for enhancing investment attractiveness of the city and will stimulate socio-economic development. The construction of a by-pass and the improvement of an access road crossing Piotrków will improve the transport connections within the region as well as the interregional connections. The by-pass will make it possible to reduce the level
of noise and air pollution in town. It will stimulate the business activity in the Gmina of Piotrków Trybunalski (aggregate area of ca. 67 km2) directly related to the road infrastructure. Realisation of the first stage of the by-pass will improve access to the recreational areas near the Pilica River and business areas in the west part of the city (see the map), which will enhance the attractiveness of that areas in terms of investments. In-coming traffic flow from Wroclaw, Belachatów, Lódź, Czestochowa and Katowice will go directly to industrial quarter, passing round the city of town. Improvement of accessibility to industrial areas in the west and east part of the town (connected in this way with roads of regional importance) will allow to safeguard existing and create new jobs. It will stop as well process of outflow of operating in Piotrków firms, which are not satisfied with the conditions of road infrastructure; additionally, will be created proper climate for new investments. At the moment first investors expressed an interest of starting new businesses in areas adjacent to the project (see annex 5 and 6). Road No 12, covering Sulejowska Street is also the main route of weekend trips of Lódź inhabitants to Pilica River and Sulejowski artificial lake. In this way new stretches of by-pass will increase number of tourists and enhance economic development in tourist sector.

The construction of a by-pass is the main investment of the Piotrków Trybunalski Gmina in the next 10 years. The construction of a by-pass (First and Second Stages) and the improvement of an access road are contemplated by the voivodship development strategy and in the five-year Investment Plan of the Piotrkow Gmina (2000 - 2005). The project submitted here is the first stage of that Project; its second stage scheduled to take place by the end of 2005. The third stage and completion of the by-pass scheduled to take place in second five-year Investment Planning Period. The Gmina of Piotrków Trybunalski has already acquired land for the first stage of the investment project and is seeking land needed for implementation of its second stage (already acquired 60%). In order to enhance the attractiveness of the areas near Pilica, the “Pilica Program” was prepared with the objective of improving the quality of water in the Pilica River. At the present moment, preparation for land acquisition for third stage has started.

Construction of by-pass finally contribute to:
- acquisition of additional investment areas (about 100 ha),
- decrease of accidents on the by-pass by 35 %,
- reduction of journey time through Piotrków by 20 minutes,
- decrease of fumes and noise in the city by 40 %.

3.2. Linked activities:
The development of transport infrastructure in Łódzkie voivodship included the implementation in recent years of several road investments of great importance for the improvement of the transport pattern. Those tasks were or are presently financed from Phare funds. The local authorities also prepare and carry out information campaigns concerning the new investment opportunities within the area of the gmina, entailing the by-pass and the recreational areas alongside the Pilica River.

3.3. Results:
- Construction and modernisation of national road
- Improvement of road quality
- Improvement access to investment areas
- Increase of the Gmina Budget income

3.4. Outputs:
Construction of a 0.9 km long bypass, modernisation of a 0.6 km arrive street

3.5. Inputs:
Construction works valued 4 613 333 Euro, including Phare support 3 460 000 Euro.

4. Institutional Framework
? The Beneficiary of the project is Municipality Office of Piotrków Trybunalski
? The Employer - Municipality Office of Piotrków Trybunalski
• Supervising engineer will be appointed within tender procedure.
? Investment owner after project realisation - Municipality Office of Piotrków Trybunalski
? 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 Euro

<table>
<thead>
<tr>
<th>Phare Support</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Institution Building</td>
<td>Total Phare</td>
<td>National co-financing</td>
<td>IFIs</td>
</tr>
<tr>
<td>Project</td>
<td>3 460 000</td>
<td>0</td>
<td>3 460 000</td>
<td>1 153 333</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>3 460 000</td>
<td>0</td>
<td>3 460 000</td>
<td>1 153 333</td>
<td>0</td>
</tr>
</tbody>
</table>

Polish co-financing includes costs of hiring of supervising engineer - 150 000 Euro.

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 of the “Practical Guide to Phare, Ispa & Sapard contract procedures” will be closely followed.

6.4. Contracts: The total value of the project is 4 613 333 Euro. The project will be implemented under works contract, expected value of the works contract is 4 463 333 EURO, including PHARE resources 3 460 000 EURO. Additionally the contract with Engineer which total value is 150 000 EURO financed by Polish side will be signed.

7. Implementation Schedule:

7.1. Start of tendering/call for proposals: 1st quarter 2002
The planning documentation for the project is complete. The tender documentation will be ready in December 2001. The environmental impact assessment as well as the financial and economic analysis has been also completed.

7.2. Start of project activity: 1 July 2002

7.3. Project Completion: 31 September 2004

8. Equal Opportunity

The implementation of the contract ensures equal participation of women and men in the project of both on the stage of investment preparation, and during its implementation. The design and construction works will be awarded by tender, the criteria of which are solely the tenderer’s experience and offered financial conditions. The participation of men and women would be based on the adopted EU standards, which provide for equal employment opportunities. The planned tasks ensure the participation of women, particularly during the design stage and supervision of the project.

9. Environment

The EIA was prepared in 2000 according to the EU 85/337 Directive. It includes in the main and most significant elements of the environment:

- Geological environment,
- Soils and ground water,
- Elements of landscape and plant cover,
- Protection of atmospheric air,
- Coping with noise,
- Water and sewage facilities.

In the implemented analysed, solutions are proposed which are aimed at minimising the negative impact of the investment on the natural environment. Analysis indicated necessity of making outflows of rainwater to sewer system, erecting noise screens in certain areas and protecting trees – monuments of environment. These solutions will be included during modernisation and construction works.

10. Rates of return
The financial and economic analysis was prepared in 2000. – IRR = 23.39 %
(taking into consideration social effect: ERR = 31.07 %)

11. Investment criteria
11.1. Catalytic Effect:
The Phare support will be conducive to achieving economic and social cohesion goals in Lódzkie Voivodship, which otherwise could be attained only in a more distant future and on a more modest and less efficient scale.
11.2. Co-financing: The project is co-financed by the Polish partners.
11.3. Additionality:
The Phare project shall not other financing sources, especially from the private sector and IFI system, it is the co-financing of identified priorities and does not replace national resources.
11.4. Project readiness and size:
The project will be ready for contracting and disbursement as it will meet fulfil conditions for co-financing by the start of project implementation;

11.5. Sustainability:
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Lódzkie Voivodship. After completion, all maintenance costs related to the investment will be covered by the beneficiary.
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 National Development Plan:
The project is in line with the Preliminary National Development Plan and as such will contribute to the increasing of economic and social cohesion of the country and the region.

12. Conditionality and sequencing:
Co-funding of specific activities will be conditional on:
• co-financing of project by the beneficiary;
• maintaining timetable set in the programme;
• 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:
• Financing memorandum signed by end of 2001
• Construction designs prepared by November 2001
• Preparation of tender documentation by December 2001
• Beneficiary contracts project activities by June 2002
### Annex 1: Logframe planning for project

<table>
<thead>
<tr>
<th>Date of drafting:</th>
<th>August 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>End Contracting:</td>
<td>15/12/2003</td>
</tr>
<tr>
<td>End Disbursement:</td>
<td>15/12/2004</td>
</tr>
<tr>
<td>Planning period:</td>
<td>2002-2004</td>
</tr>
<tr>
<td>Project number:</td>
<td></td>
</tr>
<tr>
<td>Project title:</td>
<td>Construction of a by-pass in Piotrków Trybunalski</td>
</tr>
<tr>
<td>Total Budget MEUR</td>
<td>4.613333</td>
</tr>
<tr>
<td>Phare MEUR:</td>
<td>3.46</td>
</tr>
</tbody>
</table>

#### Project
**Number:**

**Title:** Construction of a by-pass in Piotrków Trybunalski

**Total Budget:** MEUR 4.613333

**Phare MEUR:** 3.46

#### Wider Objective
Strengthening economic and social cohesion of the Lódzkie voivodship through improvement of transport infrastructure

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of regional GDP per capita</td>
<td>Statistical data of GUS (Central Statistic Office)</td>
<td>Fast track growth of Polish Economy</td>
</tr>
<tr>
<td>Decrease of unemployment rate</td>
<td></td>
<td>Implementation of active forms of combating unemployment</td>
</tr>
</tbody>
</table>

#### Immediate Objective
**Enhancing investment attractiveness of the areas**
**Improvement of traffic safety**
**Improvement of transport accessibility of the region**

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 new enterprises established after 2 years in the investments areas accessed from the road and in the Pilica area</td>
<td>Statistical data of Voivodship</td>
<td>Economical increase of the state and region</td>
</tr>
<tr>
<td>350 new jobs created after 2 years by firms located at the investments areas accessed from the road and in the Pilica area</td>
<td>Statistical data of the Municipality Office</td>
<td></td>
</tr>
<tr>
<td>Safeguarding of at least 150 existing jobs</td>
<td>Regional Labour Office reports</td>
<td></td>
</tr>
<tr>
<td>Decrease of road accidents by 35% after 1 year (from 60 to 39 annually)</td>
<td>Municipality annual reports</td>
<td></td>
</tr>
</tbody>
</table>

#### Results/Outputs
**Construction and modernisation of national road**
**Improvement of road quality**
**Improved access to investment areas**
**Increase of the Gmina Budget income**

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of a 0.9 km long bypass and modernisation of a 0.6 km arrive street</td>
<td>Statistical data of the Municipality Office</td>
<td>Delays in contract procedures</td>
</tr>
<tr>
<td>Enhancement of load capacity from 80 kN/axle to 115 kN/axle</td>
<td>Municipality annual reports</td>
<td>Divergence concerning project organisation, co-ordination and management</td>
</tr>
<tr>
<td>210 ha of investment areas accessed</td>
<td>Expert reports</td>
<td></td>
</tr>
<tr>
<td>Increase tax from investment areas accessed from the road (0.3 km²) by 50% in the first year of the Project implementation</td>
<td>Police data</td>
<td></td>
</tr>
</tbody>
</table>

#### Activities/ Inputs
- Modernisation of Sulejowska Street on a section of 0.6 km
- Construction of a 0.9 km long bypass of Piotrków Trybunalski – category S2/2
  Construction works valued 4 613 333 Euro, including Phare support 3 460 000 Euro.
Annex 2-4: Cumulative implementation, contracting and disbursement schedules

<table>
<thead>
<tr>
<th></th>
<th>Date of Drafting:</th>
<th>Planning Period:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of a by-pass in Piotrków Trybunalski</td>
<td>August 2000</td>
<td>2002-2004</td>
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</table>

<table>
<thead>
<tr>
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<th>IV '01</th>
<th>I '02</th>
<th>II '02</th>
<th>III '02</th>
<th>IV '02</th>
<th>I '03</th>
<th>II '03</th>
<th>III '03</th>
<th>IV '03</th>
<th>I '04</th>
<th>II '04</th>
<th>III '04</th>
<th>IV '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation schedule</td>
<td>D</td>
<td>C/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>(1)</td>
</tr>
<tr>
<td>Contracting schedule</td>
<td>3.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Disbursement schedule</td>
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<td>0.33</td>
<td>0.66</td>
<td>0.99</td>
<td>1.32</td>
<td>1.65</td>
<td>1.98</td>
<td>2.31</td>
<td>2.72</td>
<td>3.46</td>
<td></td>
<td></td>
<td>(3)</td>
</tr>
</tbody>
</table>

Legend:
D = design of project
C = tendering and contracting
I = contract implementation and payment

Cost estimate Phare in MEURO

Legend:
D = design of project
C = tendering and contracting
I = contract implementation and payment
Municipality of Piotrków Tryb.
Within the last few years, on several occasions, representatives of such companies as Piocel sp. z o.o. (limited liability company) and Drescher Polska sp. zo.o., have directly approached Mr. Mayor and the employees of the Municipality Office with their requests and questions considering communication routes between the industrial area and the national highways. The present state of the system makes the provision of our current service impossible and hampers development of our businesses. This situation also systematically results in decreasing number of our clients and effects certain economic changes in our profit and loss accounts. Ultimately, it may make us move our businesses to more attractive locations. The planned route of the north ring road would provide a better communication system in this part of our city.

On behalf of the businesses which are the members of the Regional Chamber of Commerce, we request the Municipality to intensify the project actions, which are to facilitate the construction of the ring road as soon as possible. Such an approach will be beneficial for both the local businesses and the city itself: its centre will be relieved from transit traffic, and the conditions of the service provided to the clients at the customs office will improve significantly.

ANNEX NO. 5.1 - CONCLUSIONS OF THE ENVIRONMENT IMPACT ASSESSMENT
The evaluation of an impact of the project on natural environment is compliant with the binding regulations set by the European Union and Polish authorities. The study is in conformity to provisions of the local land-use plan, the feasibility study and the traffic study. This evaluation concerns 2 sections of roads situated within administrative borders of Piotrków Trybunalski, which constitute the subjects of the project.

The most essential conclusions of the evaluation are presented in the table below:

<table>
<thead>
<tr>
<th>SUBJECT OF THE ANALYSIS</th>
<th>CONCLUSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air pollution</td>
<td>The maximum thirty-minute and average daily concentration of main indices of atmospheric air pollution does not exceed the values of standards permissible presently and in prospect of 2015 and does not require the establishment of insulating green belts.</td>
</tr>
<tr>
<td>Noise level</td>
<td>The by-pass creates endangerment for the acoustic climate. The presently registered sound level exceeds the permissible level, which provides grounds for undertaking protective measures against noise. In certain areas erecting acoustic screens of a height of no less than 3 m and effectiveness of approximately 7 dB is necessary. Moreover, it is necessary to provide insulating green belts and plant trees along the road.</td>
</tr>
<tr>
<td>Water sources</td>
<td>The modernisation of the road does not constitute any danger to environment of ground waters, irrespective of the method of drainage. The investment will not affect the waters of the Bugaj Reservoir, provided surface water is drained to the rainfall sewage system.</td>
</tr>
<tr>
<td>Other</td>
<td>Investment is located in the area of not great value of natural landscape. The area is not subject to legal protection of nature. There are no archaeological stands or historical monuments on the site.</td>
</tr>
</tbody>
</table>

To sum up, the investment will bring about evident benefits for the town, including improvement in traffic safety, travelling comfort and, as a target, the elimination of transit traffic from the town centre and, consequently, reduction of the emission of noise and air pollution in the old historic part of the town.
ANNEX NO. 5.2 - CONCLUSIONS OF THE ECONOMIC AND FINANCIAL ANALYSIS

1. The project conforms to the strategic objectives of the regional development policy set forth in the Strategy of Łódzkie Voivodship Development.

2. The project is in line with the Preliminary National Development Plan and the Operational Programme of the Łódzkie Voivodship which indicates as one of priorities „Development of infrastructure necessary to improving conditions for running business activity in the Voivodship”.

3. Indispensable studies have been implemented to enable the commencement of the process of the project implementation. A conceptual plan of road and bridge solutions was prepared, as well as an evaluation of impact of the project on the environment, and the financial and economic analysis.

4. An investor's cost estimate was prepared. Costs of investment do not vary from the average costs for road and bridge undertakings. No untypical solutions were applied which could increase the project costs.

5. The project is planned to begin in July 2002.

6. The analysis of financial abilities of self-government indicates that the project realization is feasible.

The total cost of the project estimated in the amount of 4.61 million Euro is provided to be realized according to the following schedule:
- Phare support - 3.46 million Euro,
- national co-financing - 1.15 million Euro.

The cost of the Polish side would be covered by:
- Municipality Office of Piotrkow Trybunalski - 0.58 million Euro,
- State budget - 0.57 million Euro.

The Municipality Office has at its disposal financial means and an appropriate staff to ensure keeping the assumed deadlines.

The Municipality Office of Piotrków has at its disposal means to allow land acquisition for the project in conformity to the programme for project implementation. Works connected with acquisition of land for first stage have been completed.

Costs connected with the exploitation and maintenance shall be born by the Municipality Office.

7. The study of economic effectiveness was carried out on the basis of:
   - Temporary Instructions for Evaluation of Economic Effectiveness of Road and Bridge Works in compliance to recommendations of the World Bank,
   - Traffic forecast,
   - Input data, i.e.:
     - Cost of undertaking in conformity to preliminary Investor’s Cost Estimate
     - Assumed deadlines for implementation and planning of inputs – in a division into investments, current maintenance and current overhauls.
     - Technical data: length of section, the existing and planned transverse cross section, condition of pavement, statistics of accidents on sections included by the analysis.

The method of calculating financial and economic effectiveness is a comparative method, based on a comparison of the difference between costs and profits of two alternatives:
   - alternative [0] without investments,
   - alternative [I] with investments.

In the case of the financial analysis, a comparison was made of investment inputs with profits from the implementation of the investment. Profits in the financial analysis result from a decrease in travel costs, usage of vehicles, road accidents and environment protection for travellers sand vehicles on the main route. On the other hand, the economic analysis, apart from profits from the financial analysis, took additionally into consideration profits of the remaining traffic participants in other traffic relations connected with the planned investment. Moreover, calculated was the increase in value of lands connected with implementation of investment, analysed was the impact of the investment on employment, economic development etc.

The internal return rate amounts to 23.39%, which indicates the necessity of implementing the construction.
Annex 6 - List of letters of intent and offers - Construction of a by-pass in Piotrków Trybunalski – First Stage

1. Offer of Commerical Development Poland Sp. z o.o.- for establishing restarant, hotel, petrol-station
2. Offer of Projprzem S.A. for establishing bussines in such sector as: trade and services
3. Offer of NCC Real Estate Administration sp. z o.o. for establishing logistic centre
4. F.M. Logistic – E.E.V. sp. z o.o.- for establishing logistic centre
5. TON Agro S.A. - for establishing trade-centre, petrol-stations
6. Offer of Jolanta i Helmut Wilmes for establishing restarant, trade, car service
7. Piocel sp. z o.o. for development custom's agency
8. Offer of Arthur Andersen for establishing bussines in such sector as: industrial and services
9. Offer of McDonald’s - for establishing restarant
10. Offer of Budimex for establishing logistic centre, house-construction
11. Offer of REWE - for establishing trade-centre
12. Offer of Obi - for establishing trade-centre