1. **Basic Information**
1.1. **Desiree Number:** PL01.06.03.03
1.2. **Title:** Eastern ring road for the city of Kutno and modernisation of national road No. 60
1.3. **Sector:** ESC - Infrastructure
1.4. **Location:** Poland, Łódzkie voivodship, gmina of Kutno

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

2.2. **Immediate Objectives:**
Creation of 500 new jobs (after 2 years); Enhancing investment attractiveness of the Kutno gmina; Improvement of traffic safety; Improvement of environmental conditions.

2.3. **Accession Partnership and NPAA priority:**
The investment conforms to the objectives set out in the Accession Partnership and particularly in the NPAA. 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: 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 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 PNDP 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 project is also in line with the Operational Programme for Łódzkie voivodship, which indicates “Development of infrastructure necessary to improving conditions for running business activity in the Voivodship” as one of the priorities.

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

3. **Description**
3.1. **Background and justification:**
Kutno, the capital city of the Kutnowski Poviat, is one of the biggest and most important cities in the Łódzkie Voivodship. It is located in the Voivodship’s northern part and plays an important role as a sub-regional economic centre. It is represented by a developed industrial structure, which require good connection with the existing road and railway systems of international importance. The city has a diverse offer of educational services (it houses two academic schools, which also educate young people from the Mazowieckie and Kujawsko – Pomorskie Voivodships. It has strong economic and social impact not only on the Kutnowski Poviat (887 km2), but also on the neighbouring poviat towns. Kutno houses major offices and institutions such as the National Insurance Office, and Tax Office, which are unavailable in other neighbouring poviat towns. Kutno has a population of 50 000 (45% of the Kutnowski Poviat population). Most inhabitants are at the pre-working and working age. This age structure is one of the reasons of the current situation on the regional labour market. The unemployment rate in Kutnowski Poviat is approximately 21,4%, which constitutes one of the highest unemployment rate in the Łódzkie Voivodship. 48,97% of unemployed are long-term unemployed where nearly 65% are women. Unemployed youth constitute 57% of all unemployed. The statistics on unemployment indicated that between 1998-2000 the level of unemployment rate by the end of March was 150% above the national
average, and according to a Regulation of the Council of Ministers, this was a reason for recognising the Kutnowski Poviat as particularly vulnerable to high structural unemployment. This situation provides new businesses with a range of economic instruments which facilitate running business. These instruments include income tax relieves, financial help in paying employees’ travelling costs, financing of training for the unemployed, loans for business start-ups, and co-financing wages of new employees. However, a prerequisite for economic development of the Region is ensuring efficient communication system in the northern section of the Łódzkie Voivodship. The main sectors of business activities in Kutno are transport and logistics. Their development requires improvement of transportation routes within the region and better road connections with other regions. However, all types of business activities, especially small and medium enterprises, which constitute over 90% of all enterprises in Kutno acting in the area of commerce, services, construction and production, depend on existing transport infrastructure (see annex 5). Its improvement achieved due to the project’s implementation will improve distribution of goods, reduce costs of running business, and ultimately have a significant impact on improving competitiveness of our businesses. It will attract also new investors. Thus, new jobs will be created and existing ones will be safeguarded. Kutno plays an important role in the Voivodship’s communication system. It houses one of the most important road and railway junctions in the Central Poland. This is where the roads of international (No 2 – Western Europe – Byelorussia - Russia), national (No 60 - Łódz- Plock-Bialystok), regional (No 702 - Łódz-Kutno) and local importance cross. Railway joining Western Europe with Russia runs through the city. National road No 60, which is a subject matter of this project, and its extension towards Łódz – regional road No 702, constitute one of the communication routes which ensures territorial cohesion in the Voivodship. They link the Region’s capital city with the areas that under the administrative reform of 1999 have been included in the Voivodship’s territory. Construction of Kutno’s eastern ring road within the system of the national road No. 60 and its modernisation on the section linking Kutno with Region’s borderlines, will facilitate road connection with northern part of the Voivodship: Łódz – Kutno – Plock direction, and then Warminsko-Mazurskie Lake District and Pomerania direction. Therefore, the project is of regional and inter-regional importance. Road No. 60 links with the national road No 2 within administrative borders of the city, which leads heavy traffic (density of the traffic coming from the north-east direction is approx. 650 vehicles per hour). The ring road will move this traffic away (it particularly concerns transit) from the city’s centre to its outskirts, and relieve Kutno’s present communication system. Modernising the section of road No. 60 will help in lowering the number of accidents (46 between 1996-1999), and increase safety and smoothness of traffic. National road No. 60 is the main route for the transport of chemicals manufactured in the Plock’s petrochemical works to the Łódzkie Voivodship, and the ring road will move this traffic away from residential areas, which will also improve safety of road users and Kutno’s citizens. City’s authorities emphasise its location and potential of its communication infrastructure, and therefore they focus on developing the city’s sphere of transport and undertake these activities that will make Kutno more attractive to investors, attract them to set up their businesses here, and ultimately provide new jobs. The planned ring road in Kutno will stimulate city’s economic development, especially by better management and utilisation of the areas in its vicinity. New grounds for investment will be soon made available (approx. 28 ha), which will facilitate development of services related with road infrastructure (logistic centres, car parks, petrol stations, service stations, and bars), and also manufacturing firms. Even now we have observed an increased interest in the areas located near the route of the planned ring road (e.g. Unifi, Getraco). There are also businesses which have already decided on locating their premises in this region, and purchased ground (Intermarche, French company). Construction of the ring road and modernisation of the link between roads No. 60 and 2 will also significantly improve access to the investment grounds already existing in this part of Kutno. By adopting its Act of 1998, the City Council has had the Kutnowski Agricultural and Industrial Park founded in the eastern part of the city, near the national road No. 2. The Park is 370 ha large, and 32 Polish and foreign capital companies operating in metal, mechanical, construction, and pharmaceutical sectors, have already started up their business in the Park and on the grounds between its borders and the planned ring road. At present, over 130 ha are utilised, and the remaining parts are being gradually equipped with technical facilities, and then transferred to investors. One of the biggest railway junction with a good cargo reloading facility is another strength of Kutno. At present, the city’s authorities cooperate with the sea ports in Gdynia and Gdansk in order to build a terminal of intermodal (combined) transport, which would include a customs office and a phytosanitary unit. Communication access from the Voivodship and the rest of the country to Kutno is a prerequisite for a success of this concept, and it will be met via implementation of this project. Therefore, it can be stated that implementation of this project will bring significant positive results for economic development of the Kutnowski Poviat and the Łódzkie Voivodship.
3.2. **Linked activities:**
The project is linked to the tasks, which have already been executed:
- between 1999–2000, approx. 7 km long section of the regional road No. 702, which is an extension of the national road No. 60 (towards Łódź), was modernised;
- on the area of Łódzkie voivodship (comprising of Łódzkie, Piotrkowskie and Sieradzkie previous voivodships), under STRUDER 2 and RAPID programmes 16 road projects of total value over 1 million Euro (including Phare funds of 0.60 million Euro) were developed.

3.3. **Results:**
Improved access to investment areas (28 ha); Improvement of road quality (technical parameters of the road); Enhancement of load capacity from 80 kN/axle to 115 kN/axle; Reduction of journey time between Łódź and Plock by 15 minutes; Improvement of transport accessibility of the region; Enhancement of road capacity – increase of ESS from 69.6 km/h to 78.1 km/h; Reduction of air pollution in the city – reduce concentration of carbon oxide, nitrogen oxides, lead, and hydrocarbons by 80%.

3.4. **Outputs:**
Construction of the ring road, which will be 3.039 km long, consist of two lanes, which will be 7 m wide, and have hard shoulder, which will be 2 m wide; modernisation of a section of the national road: 11.67 km long, direction - Kutno – Voivodship’s border.

3.5. **Inputs:**
Construction works valued 8 000 000 Euro, including Phare support 5 950 000 Euro.

4. **Institutional Framework**
The Beneficiary of the project is General Directorate of Public Roads, Western Branch, Łódz Office and Municipality Office of Kutno. The Employer - General Directorate of Public Roads, Western Branch, Łódz Office. Supervising engineer will be appointed within tender procedure. Investment owner after project realisation - General Directorate of Public Roads. The investment will be conducted in compliance with the Decentralised Implementation System regulations and “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>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare</th>
<th>National co-financing</th>
<th>IFIs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>5 950 000</td>
<td>0</td>
<td>5 950 000</td>
<td>2 050 000</td>
<td>0</td>
<td>8 000 000</td>
</tr>
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<td>5 950 000</td>
<td>0</td>
<td>5 950 000</td>
<td>2 050 000</td>
<td>0</td>
<td>8 000 000</td>
</tr>
</tbody>
</table>

Polish co-financing will be available and includes costs of hiring of supervising engineer.

6. **Implementation arrangements**

6.1. **Implementing Agency:**
PAO: Vice-Minister at the Ministry of Regional Development and Construction
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 and “Practical Guide to Phare, Ispa & Sapard contract procedures” will be closely followed.

6.4. **Contracts:** The project will be implemented under works contract, expected value of the works is 7 600 000 Euro, including Phare resources 5 950 000 Euro. Additionally the contract with Engineer which total value is 400 000 Euro financed by Polish side will be signed.

7. **Implementation Schedule:**

7.1. **Start of tendering/call for proposals:** 1st quarter 2002

7.2. **Start of project activity:** 3rd quarter 2002

7.3. **Project Completion:** 3rd quarter 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 participation of men and women would be based on the adopted EU standards, which provide for equal employment opportunities. The design and construction works will be awarded by tender, the criteria of which are solely the tenderer’s experience and offered financial conditions.

9. Environment
Assessment of environmental impacts has been prepared in line with the procedures laid down in the EU Directives No. 85/337 and No. 97/11. It has indicated that the investment will be beneficial in the regional scale, and move the transit traffic away from the city. Administration of the remedies proposed under this project and recommended in order to reduce impacts of noise and pollution emitted in the atmosphere will limit adverse impact of investment. EIA is available at the beneficiary’s office.

10. Rates of return
Economic analysis and Feasibility Study of the project is available at the beneficiary’s office. Estimated level (based on conceptual assumptions) of IRR: 20-27%.

11. Investment criteria
11.1. Catalytic Effect:
The Phare support will be conductive 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 (land acquisition is in final phase, according to the adopted Kutno development strategy in the city budget for the year 2001 there are financial resources for acquisition all needed grounds)
- obtaining building permission before the start of tendering;
- all tendering, contracting, reporting and monitoring conditions met;
- selecting contractor capable of proper realisation of works.

Benchmarks:

- Financing memorandum signed by end of 2001
- Land acquisition by September 2001
- Construction designs prepared by October 2001
- Preparation of feasibility study and economic analysis by 30 April, 2001
- Preparation of tender documentation by November 2001
- Building permission obtained by October 2001
### Annex 1: Logframe planning for project

<table>
<thead>
<tr>
<th>Project number</th>
<th>Project title</th>
<th>Total Budget MEUR</th>
<th>Phare MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Construction of eastern ring road for the city of Kutno and modernisation of the national road No. 60</td>
<td>8.00</td>
<td>5.95</td>
</tr>
</tbody>
</table>

#### Wider Objective

<table>
<thead>
<tr>
<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 Łódzkie voivodship through improvement of transport infrastructure</td>
<td>Increase of regional GDP per capita, Decrease of unemployment rate</td>
<td>Statistical data of GUS (Central Statistic Office), Fast track growth of Polish Economy, Implementation of active forms of combating unemployment</td>
</tr>
</tbody>
</table>

#### Immediate Objective

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing investment attractiveness of Kutno</td>
<td>20 new enterprises established after 2 years in the investments areas with good access to the road, 500 new jobs created after 2 years by firms located at the investments areas with good access to the road, Decrease of road accidents by 35% after 1 year, Decrease of carbon oxide by 80% after 1 year (from 10400 mg/m³ to 2080 mg/m³), Decrease of lead by 80% after 1 year (from 1,3 mg/m³ to 0,26 mg/m³), Decrease of nitric oxide by 80% after 1 year (from 156 mg/m³ to 31,2 mg/m³), Decrease of hydrocarbons by 80% after 1 year (from 4550 mg/m³ to 910 mg/m³), Decrease of noise by 12% after 1 year (from 72,7 dB to 64,5 dB)</td>
<td>Statistical data of Voiwodship, Statistical data of the Municipality Office, Regional Labour Office reports, Municipality annual reports, Expert reports, Evaluation reports, Police accident statistics, Economical increase of the state and region, Co-operation of institutions included in implementation of the project, Sustainable interest of firms to run business activity in Kutno, Creation of favourable conditions for business activity in the city</td>
</tr>
</tbody>
</table>

#### Results/Outputs

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved access to investment areas</td>
<td>28 ha of investment areas accessed, Construction of a 3,039 km long ring road and modernisation of a 11,67 km of national road, Enhancement of load capacity from 80 kN/axle to 115 kN/axle, Reduction of journey time by 15 minutes, Increase of ESS from 69,6 km/h to 78,1 km/h, Reduction of exhaust gases by 80%</td>
<td>Statistical data of the Municipality Office, Municipality annual reports, Expert reports, Statistical data of police, Transport firms data, Delays in contract procedures, Divergence concerning project organisation, co-ordination and management, Selecting contractor capable of proper realisation of works</td>
</tr>
</tbody>
</table>

#### Activities/ Inputs

Construction of a 3,039 km long eastern ring road of Kutno; Modernisation of national road on a section of 11,67 km; Construction works valued 8 000 000 Euro, including Phare support 5 950 000 Euro.

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

| Date of Drafting: | February 2001 |
## Construction of eastern ring road for the city of Kutno and modernisation of the national road No. 60

### Planning Period:

<table>
<thead>
<tr>
<th>2002-2004</th>
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### Cost estimate

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<thead>
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<th>Phare in MEURO</th>
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### Implementation schedule

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<th>IV '02</th>
<th>I '03</th>
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<th>III '03</th>
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### Contracting schedule

<table>
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<th>C</th>
<th>I</th>
<th>I</th>
<th>I</th>
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### Disbursement schedule

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<th>2.7</th>
<th>3.8</th>
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<th>5.95</th>
<th>5.95</th>
<th>5.95</th>
<th>5.95</th>
</tr>
</thead>
</table>

### Legend:

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

## Annex 5

List of the businesses and institutions supporting their activities, which have approached Kutno’s authorities with a request of having the communication system improved by constructing the ring road, and which perceive the project of having the ring road constructed and making new land available for investment as a factor of economic development.

1. Regional Chamber of Commerce in Kutno – consists of 50 members which run their business activity in the city (incl. Exdrob SA, Kongskilde Polska, Polmos SA, Polfa SA, Schomburg Polska)
2. Regional Development Agency in Kutno
3. Nijhof-Wassink - transport
4. POLSAD – transport and spedition
5. Przedsiebiorstwo Panstwowej Komunikacji Samochodowej w Kutnie - transport
ANNEX NO 5.1 - CONCLUSIONS OF ENVIRONMENT IMPACT ASSESSEMENT
Carried out within the framework of the analysis estimation of the air pollution and of the noise level caused by the vehicles traffic, as well as analysis of the proposed choice of construction solution, show the considered investment will not deteriorate the existing state of the environment, which is proven by the data in the table below:

<table>
<thead>
<tr>
<th>SUBJECT OF THE ANALYSIS</th>
<th>CONCLUSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background of the air pollution</td>
<td>Maximum average concentration for the whole day and for every 30 minutes of the main pollution indices (CO, NOx, PB, CnHm) in the forecast year 2015 will not exceed norms already admissible at the edge of the carriageway, and despite foreseen substantial traffic volume increase would be comparable to the present concentration. No protective measures are required.</td>
</tr>
<tr>
<td>Noise level</td>
<td>The magnitude of the equivalent sound level in the external environment on the buildings’ fronts in the least favorable forecast year (2005) exceeds the admissible level, therefore silent road surface were proposed to protect the acoustic climate.</td>
</tr>
<tr>
<td>Underground water sources</td>
<td>The bypass doesn’t collide with the existing underground water sources. Grassy roadside ditches were recommended as a means for surface drainage of the bypass.</td>
</tr>
<tr>
<td>Greenery</td>
<td>The trees of the common type, situated ca. 4 m from the edge of the carriageway, will be cut down. The cost was taken into account in the investment cost analysis.</td>
</tr>
</tbody>
</table>
ANNEX NO. 5.2 - CONCLUSIONS OF ECONOMIC ANALYSIS

1. The project is compliant with:
   - the strategic goals of the policy of Strategy of Development of Lódz Voivodship
   - Priority of Partnership for Accession (AP)
   - National Program of Development for Accession (NPPC)

   The project of the bypass construction is approximate to the policy priority covered by the National Development Program (NPR), titled „Increasing development potential and counteracting against marginalisation of certain areas”.

2. The project takes into account resolutions of the National Program of Development for Poland’s Accession to the European Union in the scope of adjusting Poland’s road system to the requirements of the EU.

3. The project is in line with the Operational Programme of the Lodzkie Voivodship, which indicates “Development of infrastructure necessary to improving conditions for running business activity in the Voivodship” as one of the priorities.

4. The technical documentation of the project has been prepared according to the technical and constructional regulations and norms in force.

5. The land purchase will be concluded till September 2001.

6. The construction permits will be obtained till October 2001.

7. The investment is planned to begin in July 2002.

8. The cost analysis of the individual tasks was prepared on the basis of the investor cost estimates. They should not increase after concluding the tender.

9. The analysis of the self-governments’ financial abilities indicates that the execution of the project is fully feasible. The total cost of the project, evaluated at 8 MEUR is planned to be borne as follows:
   - PHARE participation in the project - 5,95 MEUR
   - beneficiaries’ participation in the project - 2,05 MEUR

   The costs of the Polish side (beneficiaries’) would be covered by:
   - General Directorate of Public Roads, Western Branch, Lódz Office - 1,55 MEUR
   - Municipality Office of Kutno – 0,50 MEUR

   The above mentioned institutions confirmed possession of the adequate resources.

10. The analysis of economic effectiveness of the project was carried out on the basis of the “Temporary Instruction of the Evaluation of the Economic Efficiency in Roads and Bridges Projects” prepared by the Road and Bridge Research Institute. The methodology described in the Instruction takes into consideration guidelines of the World Bank and consist in consideration in two variants:
    - with the investment i.e. with a new road,
    - without the investment i.e. with the existing road

   of costs related to:
   - roads (investment and maintenance)
   - costs borne by the road users, i.e. accidents cost, passengers and drivers time cost, vehicle exploitation costs etc.

   In both variants cost of renovation, prophylactic repairs and routine maintenance during the analysis period, i.e. 20 years, is considered.

   The economic analysis shown the investment is effective, i.e. IRR= 26,78% is higher than the marginal minimal profit rate.