1. Basic information:
1.1 Desiree Number: PL01.03.05
1.2 Title: Road Border Crossing in Hrebenne
1.3 Sector: Administration
1.4 Location: Poland

2. Objectives:
2.1. Wider objectives: Adjustment of Poland's Eastern border to EU requirements
2.2. Immediate objective: Improve/upgrade border crossing operations, including: the reduction of the waiting time at the border; enhancement of the performance of customs clearance procedures; the increase of the safety of the future eastern border of the EU with regard to veterinary and phyto-sanitary and fighting with cross border crime - especially the smuggling of goods and people, customs fraud; the improvement of work conditions of customs officers; the improvement of the social conditions for all the users of the border crossing

2.3. Accession Partnership and the National Programme for the Adoption of the Acquis.
This project is in line with the Accession Partnership's medium term objectives: transportation - the adjustment of the road transportation standards to the acquis and the necessary investment as part of the trans-european transportation system; justice and internal affairs - the provision of a more efficient border safety system; agriculture - the enforcement of veterinary and phyto-sanitary requirements for the future Union border

2.4. Cross Border Impact:
Realisation of the project will positively influence development of the Polish and Ukrainian societies both in the economy and culture thanks to development of cross border co-operation. New institutions such as a Regional Development Agency, a Chamber of Economy, centres of economy infrastructure (which will hold fairs, promotion events, festivals) will be conducive to it.

3. Description:
3.1. Background and justification:
The road border crossing at Hrebenne was opened for international traffic in 1992. It is both a passenger and cargo crossing which occupies an area of 3.02 ha, of which 2.0 ha constitutes hardened surface. It operates non-stop 24 hours a day, and is located along route No.17 Warsaw-Lublin-Lvov. Implementation of the project will make the forecasted capacity of the crossing possible and will eliminate existing queues and will operate according to European external border crossing standards. In the year 2000 border crossing traffic was as follow: Passenger cars 702,801; Lorries 35,759; Coaches 20,671; Passengers 2,771,138. At present, due to the limited capacity of the road border crossing in Hrebenne, the waiting time is up to ten of hours.

3.2. Linked activities:
In the year 2000 from the Lublin Voivodship’s budget the amount of 0.13 MEUR was allocated for modernisation of roads and other areas; construction of a 2-box garage; delivery and construction of 2 weigh-bridges and preparation of the ground; project of an optical-fibre line Belzec-Hrebenne

3.3 Results
The implementation of the project will significantly improve the traffic on the Road Border Crossing in Hrebenne. Realisation of works included in the project will constitute the basis for further modernisation and development of the border crossing to secure optimal working conditions for border service workers especially for veterinary and phyto-sanitary check, which will bring improvements in border operations and reduce waiting time for passenger cars and lorries. Development and modernisation of the border crossing will result in achievement of assumed capacity of 3,000 vehicles a day. The sanitary conditions for border service workers, drivers and travellers will be improved considerably. New parking places, sanitary and catering facilities, banking and shipping services will also be created. Moreover, in connection with development of the road border crossing in Hrebenne road traffic safety in the outgoing direction will be significantly improved. Assumed waiting time will be reduced by 20%. Traffic safety will be improved significantly. The implementation of the project is expected to bring immediately 120 new work places. The project will contribute significantly to the improvement of the cross border co-operation and economic development of the region.

3.4 Activities:
One contract including earth-works, hardening of the area and construction of the capacity buildings is
expected to be signed, including: building of the layer condensed embankment – 120,000 m³; area levelling and slope hardening – 114,000 m²; main building for the Customs Office and Border Guard – useable area 2,500m²; phtho-sanitary and veterinary check-point building – useable area 800m²; roofing over the customs areas – area 4,000m²; fitting of the area: telephone lines, electric lines, sanitary facilities, land improvement. Contract value is 8M€. It is envisaged that during the implementation of the project the border-crossing will be operational based on the existing infrastructure. The first stage of the project execution will be the building of the layer condensed embankment, area levelling and slope hardening. It will be followed by the construction of the above mentioned buildings, starting from the main building for the Customs Office and Border Guard, followed by the phtho-sanitary and veterinary check-point building and roofing over the customs areas. At the end of the investment the area will be fitted with telephone lines, electric lines and sanitary facilities. At that time necessary equipment will be purchased from the sources not covered by this project so that the new buildings are operational for the relevant border services as soon as possible (no equipment for the border services will be funded by Phare).

4. Institutional framework:
The following institutions are responsible for the project implementation: the Authorities Implementing the Phare Border Co-operation programme; the Governor of the Lublin Voivodship (employer and future owner on behalf of State Treasury); Board of the Lublin Road Border Crossing in Chelm

5. Detailed budget.

<table>
<thead>
<tr>
<th>Phare funding</th>
<th>Investment</th>
<th>Institution Building</th>
<th>Phare total</th>
<th>Poland’s Co-financing</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>6.0</td>
<td>- 6.0</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
<td>8.0</td>
</tr>
<tr>
<td>Total</td>
<td>6.0</td>
<td>- 6.0</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
<td>8.0</td>
</tr>
</tbody>
</table>

The Polish authorities assure that co-financing is available through the reserve budget foreseen specially by the Ministry of finance for this purpose each year or directly through the budget of the relevant Ministry.

6. Implementation arrangements.
6.1. Implementing authorities: (The Implementing Authorities for the Phare Cross Border Co-operation Programme (Władza Wdrażająca Program Współpracy Przygranicznej „Phare”), Director, Mrs Grazyna Weclewiska, Krucza 36 Street; 00-522 Warszawa; phone +48 (22) 695 99 10/11; fax: +48 (22) 695 99 12/13; e-mail: Phare@wwpwp.it.pl

Project Authorising Officer (PAO) Mr. Piotr Stachanczyk, Under-secretary of State in the Ministry of Internal Affairs and Administration; S.Batorego 5 Street; 02-591 Warsaw, phone: +48 (22) 621 03 91, fax: +48 (22) 849 52 13; e-mail: wydzei@die.mswia.gov.pl

6.3. Contracts:
One international open tender will be carried out. Contract value - 8.0 MEUR

7. Project implementation schedule
Start of the tendering process: 4th quarter of 2001
Start of project implementation: 2nd quarter 2002
The completion of the project: 3rd quarter 2004

8. Equal opportunities
Appropriate professional qualifications rather than gender or age will constitute the criteria for employment evaluation and selection responsible for the project implementation and progress. The implemented project will serve the entire community regardless of gender and age.

9. Natural environment
The increase of the capacity of the border crossing and consequent elimination of long queues will significantly lower environmental degradation. It will be achieved thanks to both the reduction of fuel emission and littering of the adjacent area. All area facilities will be equipped with sewage systems connected to the nearby sewage treatment plant. All the planned facilities will be connected to the
existing sewage system. The design has received a preliminary positive environmental impact assessment. The document is available at the beneficiary’s office.

10. Profitability rates
The conducted analysis of economic profitability of the project „Extension and Modernisation of the Road Border Crossing in Hrebenne“ is available at the beneficiary.
Financial Internal Rate of Return (FIRR) – 15,4%
Economic Rate of Return (ERR) – 33,2%
The feasibility study has been conducted by the state government: The Strategy for the Integrated Border Management by the Ministry of Internal Affairs and Administration in January 2000

11. Investment criteria
11.1. Catalytic actions:
The implementation of the project will constitute a catalytic factor contributing to the economic development of the region. It will also enable the completion of development of the border crossing, which will contribute to the fulfilment of the Republic of Poland's EU accession requirements.

11.2. Co-financing:
Development of the Border Crossing is financed by the state budget. Poland’s part of the undertaking is 2 MEUR, which covers 25% of the total budget.

11.3. Additionality:
Phare financial aid constitutes complementary funds, which will enable the completion of the entire investment. Phare funds do not eliminate other financing sources.

11.4. Project readiness and size:
There is a developed concept for the extension of the border crossing, all legal matters have been settled and technical designs have been prepared. The total project expenditure amounts to 8,0 MEUR, at the Phare programme contribution of 6,0 MEUR.

11.5. Sustainability:
The applied technologies and equipment will ensure the long term operation of the border crossing according to the EU standards. Operation and maintenance costs will be covered by the Governor of the Lublin Voivodship (state budget).

11.6. The compliance with the state aid.
The investment does not infringe the Association Treaty in the section concerning state aid.

11.7. contribution to National Development Programme.

12. Conditionality and sequencing (risk factors).
- the tender documents will be ready in the 1st quarter of 2002,
- the contract will be signed by mid - 2002,
- the beneficiary will have at his disposal qualified personnel, who will be able to efficiently carry out the project. The realisation of the contract 3rd quarter 2002 –3rd quarter 2004,
- the operational functioning of the crossing will be financed from the State Budget.
- Taking into consideration the fact that the modernisation of the border crossing facilities is taking place simultaneously on both the Polish and on the Ukraine sides, it would be helpful to allocate European aid funds for the purpose of modernising the infrastructure on the Ukraine side to take advantage of the opportunity presented to assure the proper functioning and management of the installations on both sides of the border.
- The Polish side co-operate with the Commission and the Ukrainian side in the development of joint controls notably in the framework of this investment
The start and realisation of the investment process does not require the fulfilment of additional conditions.
## Appendix 1: Logframe

**Programmes title and number:**
End Contracting: 15/12/2003 - End Disbursement: 15/12/2004
Total budget (MEUR): 8.0
Phare budget: (MEUR): 6.0
Date: 01/2001

<table>
<thead>
<tr>
<th>Wider objectives</th>
<th>Objectively verifiable indicators</th>
<th>Measurable indicators</th>
<th>Assumptions and risk factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>adjustment of Poland’s eastern border to the EC standards economic and social development of the region</td>
<td>GDP increase per capita in the voivodship unemployment rate decrease crime rate decrease</td>
<td>5 years after the completion of the project annual reports issued by the State Statistical Office (GUS) and the Voivodship Statistical Office (WUS)</td>
<td>Stable development of the area and favourable macroeconomic conditions Efficient operations of the Border Guard.</td>
</tr>
<tr>
<td>Immediate objectives</td>
<td>Improvements in the road border crossing operations</td>
<td>Waiting time reduction: - 20% for passenger cars - 20% for lorries - service quality adjusted to the EU standards.</td>
<td>1 year after the completion reports issued by the Border Guard (Straz Graniczna) and the Voivodship Statistical Office (WUS)</td>
</tr>
<tr>
<td>Outputs:</td>
<td>Objective shape of the platform full infrastructure for the outgoing traffic</td>
<td>the achievement of the assumed capacity of 3,000 vehicles/day</td>
<td>Traffic measurements conducted immediately after the completion of the project. Reports issued by the Border Guard (Straz Graniczna)</td>
</tr>
<tr>
<td>Inputs:</td>
<td>Construction of the embankment and slope strengthening, fitting of the area buildings for Customs Office and Border Guards</td>
<td>1 contract – earth-works (embankment, slope hardening), capacity buildings</td>
<td>The continuation and the completion of the development of the border crossing. The purchase of the equipment necessary for the increased traffic</td>
</tr>
</tbody>
</table>

**Intervention logic:**

**Objectively verifiable indicators:**

**Measurable indicators:**

**Assumptions and risk factors:**

### Annex 2: Implementation, contracting and disbursement schedule:

**Date:**

**Planning period:**

**Budget allocation:**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Implementation</td>
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<td>I</td>
<td>I</td>
<td>1</td>
<td>I</td>
<td>I</td>
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<tr>
<td>Contracts</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Disbursement</td>
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<td>1.0</td>
<td>1.2</td>
<td>1.8</td>
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<td>4.0</td>
<td>5.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>
Appendix 4.
The relation to financial analysis/the preliminary feasibility study.
Performed financial analyses of enterprise’s feasibility concern to the period of its realisation, availability of necessary funds and future utilisation of the thoroughfare; in other words the provision of funds for its operation. The analyses were made on the ground of the prepared technical documentation and simulation of costs born during operation of the thoroughfare. The purpose of the present analysis is to prove the feasibility of this enterprise from financial point of view. Its result are basic discount indexes of enterprise’s profitability: NPV, FIRR and EIRR.

The following data was assumed for calculations:
Costs of realisation:
⇒ total investment expenditures 8,000,000 EUR (the whole investment expenditures origin from grants, thus in calculation capital costs were not taken into consideration),
⇒ the Time Schedule for spending of funds is presented below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Year of project's realisation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2002</td>
<td>1.35</td>
</tr>
<tr>
<td>2</td>
<td>2003</td>
<td>2.95</td>
</tr>
<tr>
<td>3</td>
<td>2004</td>
<td>3.70</td>
</tr>
<tr>
<td>4</td>
<td>total</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Costs of operation of the thoroughfare [EUR/year]
⇒ personal costs 49,700 EUR/year
⇒ costs of energy 46,300 EUR/year
⇒ costs of current repairs 23,300 EUR/year
⇒ water 4,600 EUR/year
⇒ cleaners 2,800 EUR/year
⇒ transport of wastewater 1,800 EUR/year
⇒ consumables and stationery 8,600 EUR/year
⇒ other (taxes, telephones) 5,300 EUR/year
**Total costs** 142,400 EUR/year

Direct costs related to operation of the border crossing are covered from the governor's funds. The governor defines the budget every year in necessary amount. This amount is set out at the such level that current activity of the border crossing is possible and hence financial economic indexes calculated on this ground are defined at the minimal level which secure current activity of a company and are not the real economic picture of the project. Thus, at calculations of FNPV and FIRR revenues of the Customs Office resulting from sale of goods seized in criminal proceedings, sale of origin certificates and custom duties are taken into consideration.

In the year 2000 traffic at the thoroughfare was the following:
⇒ passenger cars 702,801 pcs
⇒ lorries 35,759 pcs
⇒ buses 20,671 pcs.
⇒ passengers 2,771,138 people

It is foreseen that realisation of this project will result in the following increase of traffic up to the following parameters
⇒ passenger cars 1,000,000 pcs.
⇒ lorries 60,000 pcs
In economic analysis of the enterprise the following indexes of effectiveness were calculated:

1. **FNPV** - Financial net present value was calculated as the value obtained by discounting, separately for every year, of the difference between money incomes (revenues) and expenses (expenditures) through the whole period of object's existence, at the specified level of the discount rate. The period of operation was assumed as 20 years and the discount rate of 10%.

   
   FNPV = 7,356 EUR

2. **FIRR** - Financial internal rate of return was calculated as the real income rate obtained from the investment during its whole economic life. Thus, the internal rate of return is the discount rate for which the net present value (NPV) is equal to 0. FIRR takes into consideration only "clean" financial flows, without external advantages resulting from realisation of the project.

   For the assumptions described above FIRR is of 15.4%.

3. **EIRR** - Economic internal rate of return was calculated using the same algorithm as for FIRR taking into consideration external advantages resulting from realisation of the project.

   For the described assumptions EIRR is of 33.2%.

**Conclusion:**

Calculated indexes of economic effectiveness of the enterprise shows feasibility and justness of realisation of the project. Index of financial present value (FNPV) is greater than zero and is of 7,356 EUR; value of financial internal rate of return (FIRR) is of 15.4% and value of EIRR is of 33.2%. All these indexes show high profitability of the enterprise.

Summarising - the described enterprise is characterised with the high economic effectiveness.

**Impact on the environment:**

The planned investment will not pose any significant risk to the natural environment. The application of interceptors and retention ponds within the rain drainage system will make it impossible for polluting substances from vehicles such as oil and grease to infiltrate the soil.

The increase of the border crossing capacity will eliminate the queues of vehicles awaiting Customs Control will significantly reduce both noise pollution generated by engines and fuel emission. Littering of the roadsides will be significantly reduced.

It is necessary to conduct overall traffic measurement and local environmental monitoring after the project has been implemented. It is to be expected that due to vehicle replacement both in Poland and Ukraine (new technologies) and the use of ecological fuel, the environmental conditions and noise pollution levels will be better than nowadays.