1. Basic information
1.1. CRIS Number: 2002/000-580-06.24
1.2. Title: Podlaskie - Modernisation Road N°61
1.3. Sector: ESC
1.4. Location: Poland, Podlaskie Voivodship, poviat of Augustow

2. Objectives
2.1. Overall Objective:
Increase of social and economic cohesion of the Podlaskie Voivodship through the improvement of transport infrastructure, stimulating development of the Small and Medium Business Sector.

2.2. Project purpose/ Immediate objective(s):
The immediate objectives of the project are determined directly by the regional priorities defined in the Operational Programme of the voivodship and relate to the development of regional infrastructure essential for the overcoming of the existing barriers and improving the accessibility of certain areas and localities important for the competitiveness of the region and business development. These objectives include:
- Enhancing attractiveness of investment areas
- Enhancing tourism attractiveness of the region
- Improved accessibility to the national market and indirectly to the markets of the Baltic States.

2.3. Accession Partnership and NPAA Priority:
The project is designed to address issues related to the AP priority in economic and social cohesion policy related to the preparation for the implementation of regional programmes and Community Initiatives. The project responds in particular to the economic criterion identified in the AP concerning improving the competitiveness of the Polish economy and upgrading of skills in particular in eastern border regions. The project corresponds also to the NPAA priority "Regional policy and co-ordination of structural instruments".

2.4. Contribution to National Development Plan:
The project is in line with the sixth axis of the Preliminary NDP, which is “Strengthening development potential of regions and counteracting marginalisation of certain areas”. The priorities of this axis will be implemented by means of several measures including development and modernisation of infrastructure serving to strengthen competitiveness of the regions. The project is compliant with the priorities of the Operational Programme of the Podlaskie Voivodship.

2.5. Cross Border Impact:
N/A

3. Description
3.1. Background and justification:
The regional authorities identified the development of major traffic routes as a key task aimed at the improvement of the competitiveness and attractiveness of the region and increasing volume of investments in respective gminas. It will improve conditions for the development of business and tourism activities. It will create new jobs.

National road No 61 is located on the axis Warsaw-Suwalki / Baltic States and is one of the most important routes in Podlaskie voivodship. It is a road of interregional and indirectly of international importance and forms a link to Via Baltica route. For this reason, the actions envisaged under this project are an important component of the region’s strategic approach to generating growth, by drawing on the indigenous potential of the voivodship, which remains untapped due to the lack of access to the most attractive tourist areas (Augustow – Suwalki Lake District) as well as providing access to the border crossing with Lithuania. At the moment, the section Barszcze-Netta presents the most serious traffic problems as it carries significant volumes of transit and tourist traffic. Badly deteriorated pavement condition and sections with some technical parameters outside acceptable ranges make it impossible to travel safely and comfortably. Limited capacity prevents increased traffic flow and is a restriction for local business.

Implementation of the project will make an increased number of tourists visiting local attractive areas possible and consequently it will stimulate development of the Small and Medium Business sector (particularly in the tourist service sector). It will create some permanent and seasonal new jobs. This is
especially important due to high unemployment in the poviat of Augustow (the project location), which was 20% at the end of 2001, compared with an average of 15,1% for the voivodship.

The Municipality of Augustów foresees 4 ha made available for investment. 50% of the area belongs to the Municipality and 50% to a cooperative society. The activities’ plan of Bargłów designates about 15 ha areas for services.

The realization of the project in connection with other projects under application on the same route, within the PHARE 2000 and 2001 Programmes and The World Bank’s projects, will facilitate the solving of the transportation problem of the whole road No 61 and improve traffic conditions from Warsaw to Augustow (and farther to the Baltic states). The project is also connected with the project: “Promotion and development of the Augustow Canal” (co-financed with PHARE 2000 Programme). This cumulation of resources will be beneficial for better effectiveness.

3.2. **Linked Activities:**
The project is a direct continuation of previously realised activities, with co-financing from various aid funds:
- section Grajewo–Rajgród from km 213+062 to km 230+656; expected implementation under the PHARE ESC 2000 Programme, 2002-2003; the works contract agreement signed on 29 March 2002, currently under implementation;
- section Szczuczyn–Grajewo from km 198+270 to km 211+379; expected implementation under Phare ESC 2001 Programme, planned realisation: 2002-2004, expected investment cost: 32,8 mln PLN;
- section Piatnica–Stawiski from km 153+565 to km 175+370, completed in 2000, co-financed by the World Bank, with investment value of 28,2 mln PLN including the share of World Bank of 56,1%;
- section Stawiski–Grajewo from km 175+745 to km 186+480 and from km 212+791 to km 213+062, completed, co-financed by the World Bank, with investment value of 13,2 mln PLN including the share of World Bank of 56,1%.

The project is also connected with the project: “Promotion and development of the Augustow Canal” (co-financed with PHARE 2000 Programme). The tender dossier currently is waiting for the endorsement of the EC Delegation.

3.3. **Results:**
- Increase of the influx of tourists coming to Augustow Lake District by 5%
- Reduction of journey time between Barszcze and Netta by 20%
- Improvement of road quality – increase of load capacity from 80 kN/axle to 100 kN/axle.
- Improvement of access to about 20 ha of the investment areas

3.4. **Activities:**
Modernisation of road No 61, section Barszcze – Netta from km 235+173,50 to km 247+805 (12.632 km), will consist of:
- Increasing the load capacity of the road to 100 kN/axle
- Improvement of road geometry
- Widening the carriageway to 7.0+2*0.5 m (on sections where the present road width is 7.0 m).

4. **Institutional framework**
4.1. The Beneficiary of the project will be: General Directorate for National Roads and Motorways, North-Eastern Division in Bialystok.
4.2. The Engineer / Project Manager will be appointed through a tender procedure organised by the Beneficiary in accordance with the Polish Public Procurement Law.
4.3. The owner of the facilities after project implementation will be: General Directorate for National Roads and Motorways, North-Eastern Division in Bialystok.
4.4. The investment will be executed according to the Decentralised Implementation System (DIS) - “Practical Guide to Phare, Ispa & Sapard contract procedures”
4.5. Implementation of the project will not lead to any changes in the institutional framework described above.
5. Budget in MEUR

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<tr>
<th></th>
<th>Phare Support</th>
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<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>IB</td>
<td>Total Phare</td>
<td>National co-financing</td>
<td>IFI</td>
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<tr>
<td>Project</td>
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<td>-</td>
<td>2.9</td>
<td>2.8</td>
<td>-</td>
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<tr>
<td>Total</td>
<td>2.9</td>
<td>-</td>
<td>2.9</td>
<td>2.8</td>
<td>-</td>
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</tbody>
</table>

The overall value of the investment including employment of the Project Manager will be 5.7 MEUR. The cost of the employment of the Project Manager (0.3 MEUR) will be paid by the beneficiary. Co-financing will be available.

6. Implementation Arrangements

6.1. Implementing Agency:
PAO: Ms. Ewa Freyberg Undersecretary of State in the Ministry of Economy, Pl. Trzech Krzyzy 3/5, 00-507 Warsaw, Phone: + 48 22 693 40 09, Fax: + 48 22 629 68 95.

6.2. Twinning: N/A.

6.3. Non-standard aspects: N/A.

6.4. Contracts:
Contract 1 (works): 5.4 MEUR (including Phare funds) - joint co-financing
Contract 2 (engineer): 0.3 MEUR (financed from Polish funds only)

7. Implementation Schedule

7.2. Start of project activity: 3rd quarter, 2003
7.3. Project completion: 2nd quarter, 2005

8. Equal Opportunities
Procedures related to the implementation of the project will be performed according to the law and will respect equal opportunities for all interested institutions and natural persons in spite of their sex, race and nationality. The employment of men and women will be based on applicable EU standards with reference to EOE (Equal Opportunity of Employment), which will be announced in official press advertisements during the recruitment procedures.

9. Environmental Impact
The environmental impact assessment concerning the modernisation of national road No 61 from km 235+173,50 to km 247+805 has been prepared for the following sections and is available at the beneficiary’s office
for Bargłów municipal section from km 239 + 750 to km 242 + 500
for section Barszcze – Bargłów from km 235 + 173,5 to km 239 + 750
for section Bargłów – Netta from km 242 + 500 to km 247 + 805
The most important environmental impacts are:
• Quality deterioration of storm-water draining from the road surface – construction of retention and sedimentation reservoirs or sewage pre-treatment is expected as a protective measure (on the basis of monitoring after completion);
• Negative impact of exhaust gases on the quality of air, soil, forests and environmental space – protection of the adjacent area with greenery is expected to overcome the problem (on the basis of monitoring after completion);
• Extension of the noise area – replacement of windows and protection with greenery is anticipated (on the basis of monitoring after completion).

10. Rates of return
The economic appraisal of the project was prepared in 1996 and was updated in October 2000, and is available at the beneficiary’s office. The following effectiveness indicators were calculated using HDM:
Economic Internal Rate of Return (EIRR) = 28,3%
Net Present Value (NPV) = 7,49 million PLN.
Benefit/Cost Ratio B/C = 1,77.
11. Investment criteria
11.1. Catalytic effect:
The Phare support will be conducive to achieving economic and social cohesion goals in Podlaskie 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 sources. The national contribution amounts to 49,1% of the total project cost. - joint co-financing

11.3. Additionality:
The financial means transferred to the Beneficiary for the project implementation, covering the investment costs as they are planned within the project do not displace other financing sources, especially from the private sector and the IFI system; it is solely the co-financing of identified priorities and does not replace national resources.

11.4. Project readiness and size:
The project will be ready for implementation, contracting and disbursement in accordance with requirements of Phare 2002 ESC programme. The feasibility study and report from environmental impact assessment have been prepared. The planning permit has been obtained. The acquisition of land for the investment has been completed. The construction permit has been obtained. The Polish co-financing has been allocated.

11.5. Sustainability:
The project will contribute to the long-term sustainable development of the region, as described in the Operational Programme for Podlaskie Voivodship. The investment is sustainable and does not require any further expenditures apart from the ongoing technical maintenance on the part of the General Directorate for National Roads and Motorways, North-Eastern Division in Bialystok.

11.6. Conformity with state aid provisions:
All aspects of the project will be developed with respect to the state aids provisions of the European Agreement.

12. Conditionality and sequencing
The achievement of project objective will be conditional upon:

- Stability of regional economy
- Realisation of the rest of the elements of the Operational Programme of the region
- Active promotion of the region regarding tourist attractiveness

Deadlines:
- Construction designs prepared by 4th quarter, 2001
- The construction permit has been obtained
- Preparation of tender documents by 1st quarter, 2003
- Completion of the contract by 2nd quarter of 2005.

Annexes:
1 – Logframe planning matrix for project
2-3 Implementation, contracting and disbursement schedule
### Annex 1: LOGFRAME PLANNING MATRIX FOR:

**06.24 Podlaskie - Modernisation Road N°61**

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Phare ESC 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires:</td>
<td>30/11/04</td>
</tr>
<tr>
<td>Disbursement period expires:</td>
<td>30/11/05</td>
</tr>
<tr>
<td>Total Budget:</td>
<td>5,7 MEUR</td>
</tr>
<tr>
<td>PHARE Budget:</td>
<td>2,9 MEUR</td>
</tr>
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</table>

#### Overall Objective
Increase of social and economic cohesion of the Podlaskie voivodship through the improvement of transport infrastructure, stimulating development of the Small and Medium Business Sector.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of SME’s turnover.</td>
<td>How: Publications of WUS</td>
</tr>
<tr>
<td></td>
<td>When: 5 years after completion of the project</td>
</tr>
<tr>
<td></td>
<td>Who: Local Government Office of Podlaskie Voivodship</td>
</tr>
</tbody>
</table>

#### Project Purpose/Immediate objective(s)
- Enhancing attractiveness of investment areas
- Enhancing tourism attractiveness of the region
- Improvement of accessibility to the national market and indirectly to the markets of the Baltic States

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of new Small and Medium Business enterprises by 4</td>
<td>How: Reports of Voivodship Statistical Office and data of Local Government</td>
<td>Stability of regional economy</td>
</tr>
<tr>
<td>40 new jobs</td>
<td>When: 2 years after completion of the project</td>
<td>Realisation of the rest of the elements of the Operational Programme of the region</td>
</tr>
<tr>
<td>Increase of the influx of tourists by 5% to the region</td>
<td>Who: Beneficiary</td>
<td></td>
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#### Results
- Reduction of travel time on Barszcze – Netta section
- Modernized road with better standards
- Improved access to the investment areas

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>About 20 ha of accessible investment areas</td>
<td>How: Reports of General Directorate for National Roads and Motorways</td>
<td>Active promotion of the region regarding tourist attractiveness</td>
</tr>
<tr>
<td>Reduction of travel time by 20%</td>
<td>When: directly after completion of the project</td>
<td></td>
</tr>
<tr>
<td>12,632 km of modernized road</td>
<td>Who: Beneficiary</td>
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<tr>
<td>Increase of load capacity from 80 kN/axle to 100 kN/axle</td>
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<tr>
<td>Widening of the road by 1m</td>
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#### Activities
- Construction of designed infrastructure
- Increase of load capacity of the road to 100 kN/axle
- Improvement of road geometry
- Widening of road carriageway

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>PHARE budget – 2,9 MEUR</td>
<td>It is assumed that financing of the programme will be provided</td>
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<tr>
<td>State budget – 2,8 MEUR</td>
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<tr>
<td>One Contract for Road Works</td>
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#### Preconditions
GDNRM’s decisions regarding realisation of the project.
## Annex 2-3: Implementation, contracting and disbursement schedule

### 06.24 Podlaskie - Modernisation Road N°61

**Date of drafting:** January 2002  
**Planning period:** 2002 - 2005  
**Estimated budget (in MEUR):** 2.9

### Implementation schedule

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Legend: D – design of sub-projects / C – tendering and contracting / I – contract implementation and payment

### Contracting schedule

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### Disbursement schedule

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Legend: D – design of sub-projects / C – tendering and contracting / I – contract implementation and payment