

FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "**THE COMMUNITY**"

on the one part, and

The Government of the *Czech Republic*, hereinafter referred to as "THE RECIPIENT"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 6th August 1997 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: ***CZ01.01 to CZ01.10 inclusive***
Title: **2001 Phare National Programme for the Czech Republic**
Duration: **Until 31/10/2003**

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **65,4** MEUR hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until **31/10/2003** subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT, which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is **31/10/2004**. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds, which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

for the COMMUNITY:

*European Commission Delegation in the Czech Republic
Pod Hradbami 17
160 00 Praha 6
Czech Republic
Tel: +4202-2431 2835
Fax: +4202-2431-2850*

for THE RECIPIENT:

*Ministry of Finance of the Czech Republic
National Aid Co-ordinator,
Letenska 15
118 10 Praha 1
Czech Republic.*

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at Prague
Date 19 June 2001

Done at Prague
Date 19 June 2001

for THE RECIPIENT

for THE COMMUNITY

Tomáš Potměšil

Ramiro Cibrián

The Deputy-Minister of Finance
of the Czech Republic

Head of the Commission Delegation

Encl.

1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)

ANNEX C – SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the Phare 2001 programme will depend on the Government's commitment, as described in the individual project fiches.

The overall objectives of the programme are to help the Czech Republic fulfil the Copenhagen and Madrid criteria for membership, which are:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union;
- the conditions for its integration through the adjustment of its administrative structures, so the European Community legislation transposed into legislation is implemented effectively through appropriate administrative and judicial structures.

In addition, the programme has the objective to ensure that Structural Funds can be implemented on accession in accordance with EU policy and procedures, with maximum impact on economic and social cohesion.

Objective 1 Participation in EC Programmes and European Environmental Agency

CZ01.01.01 Phare contribution towards the Czech Republic's participation in EC Programmes and the European Environmental Agency: This project provides for Phare co-financing towards the Czech Republic's participation in 2002 in Leonardo da Vinci II, Socrates II, Youth, Fiscalis, Culture 2000 and SAVE. It also provides for the co-financing of the Czech Republic's participation in the European Environment Agency. Both co-financing and participation will take place on the basis of the relevant Association Council Decisions.

Objective 2 Political Criteria

CZ01.02.01 Strengthening the Civil Society Sector in the Czech Republic: This project addresses both a short-and medium-term Accession Partnership (AP) priority. The project aims to strengthen the development of civil society and a sustainable non-profit sector in the Czech Republic and to promote the development of democracy at local, regional and national levels, with specific support to be provided to disadvantaged groups and the fight against discrimination. The project will be implemented through three grant schemes, which will support activities in the area of civil society (indicatively 38% of the total allocation), development of democracy (indicatively 20%) and support to disadvantaged groups and human rights (indicatively 35%) respectively. A maximum of 7% of the overall project allocation can be used to cover grant scheme operating costs. The project should result in improved sustainability of civil society organisations (CSOs) by means of their increased professionalism, including strategic plans for future successful fundraising, the development of PR and training of CSO professionals. The project should also lead to CSO capacity to implement the Structural Funds at all levels, better integration of disadvantaged groups - the Roma community in particular – in the wider sense, with specific focus on participation in the decision-making process at regional and local levels and employment initiatives. The project is conditional on timely submission and approval by the Commission of the grant implementation arrangements (see also under Section 6) and the provision of matching funding.

Objective 3 Transport

CZ01.03.01 Application of EC Directives to the Czech Railway Sector: This twinning project addresses a medium-term AP priority. The project aims to ensure the application of EC Directives pertaining to the railway sector (91/440/EC, 95/18/EC, 95/19/EC), including the forthcoming EU legislative package on the revitalisation of railways in the European Union. The project will also aim to take on board the lessons learnt from Member State experience with railway restructuring to date. The results of the twinning and technical assistance support provided by this project should include proposals to create equal conditions for access to the railway infrastructure by means of drafting a new charging methodology, to improve the relationship between the railway operator and the infrastructure manager, proposals for a solution to alleviate the existing debt burden of the Czech railway sector on a sustainable basis, and the implementation of a comprehensive HRD programme, including both personnel management and employee training. They should also include proposals to improve the relevant organisational and managerial structures, including modifications to information technology currently in place, and proposals for a comprehensive PR strategy, focused on both the employees directly concerned and the general public. The project is conditional on the clarification of the method to pursue the transformation of the railway sector in the Czech Republic, to be laid down in the future Act on the Transformation of Czech Railways, approval of the relevant amendments to the implementing regulations of the Railways Act, adequate preparations of Czech Railways for the implementation of the project and a proposal to use the outputs of the relevant Phare MCTP and US TDA studies.

Objective 4 Internal Market

CZ01.04.01 Legislative and institutional framework for Tax/Customs Administration: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with both institutional and legislative requirements of the relevant taxation and customs acquis, including the transitional VAT regime. This project, which is a follow-up to the related twinning project financed under the 2000 programme (CZ9903.01.02), should result in draft proposals for legislation that would remain to be introduced in order to comply with the acquis related to indirect taxes, including the transitional VAT regime, proposals to ensure the appropriate organisational structures are in place for an adequate collection of VAT and excise duties, including internal staff instructions, and relevant staff trained accordingly. The project will also provide for proposals for measures that should be taken to enable the Czech customs authorities to co-operate within the TARIC system. The project is conditional on future draft legislation being fully compatible with the relevant acquis.

CZ01.04.02 New Concept of Regulation of Accountancy and Application of IAS: This project addresses a both a short- and medium term AP priority. The project aims to introduce a new concept of legislative regulation concerning accountancy in line with the relevant acquis in general, and established International Accountancy Standards (IAS) in particular. The project should result in proposals for a new legal status of the accountancy profession in the Czech Republic, proposals for new standards as concerns the status, role and content Czech national accountancy, proposals for the introduction of IAS standards and suggestions to resolve the outstanding issue relating to the separation of accountancy and taxation, within the framework of preparations of a new draft Accountancy Act and secondary regulation. The project will be implemented by means of comprehensive training and technical assistance to be provided by specialists in the field.

CZ01.04.03 Strengthening Market Surveillance of Pharmaceutical and Medicinal Products: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with the acquis as concerns the regulation of the quality, safety and efficacy of human medicinal products in the Czech Republic. The project should result in the relevant functional regulatory systems for marketing authorisations, market supervision and pharmacovigilance fully established. It should also result in the strengthening of the management system of the Czech State

Institute for Drug Control (SUKL) and implementation of an adequate quality inspection system. Support under this twinning project will include advice as regards regulation, procedures, and management, and training by relevant experts from the Member States.

CZ01.04.04 Enforcement of Intellectual Property Rights: This project addresses a medium-term AP priority. The project aims to ensure full compliance with the acquis as concerns the protection and enforcement of intellectual property rights in the Czech Republic, including at the borders. The project foresees both training and the development of the appropriate IT systems. Training will include the drafting of the appropriate methodology, programme and materials and the actual tuition of all parties directly concerned, including workshops. The equipment to be supplied – both hard and software – will be integrated into an Information Centre located at the Industrial Property Office (IPO), allowing for the collection, processing and exchange of relevant data, thereby facilitating IPR enforcement. The project is conditional on Czech co-financing for the supplies, adequate staffing of both the IPO and the Centre, and full co-operation of the parties concerned within the framework of the relevant Steering Committee.

CZ01.04.05 Enforcement of the Economic Competition Acquis: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with the acquis as concerns the enforcement of EC economic competition law. The project should result in full compatibility of Czech competition (anti-trust) and state aid law and the relevant decision-making processes, and Competition Office staff adequately trained. Activities as concerns anti-trust will include an analysis of current competition law, advice on implementation and enforcement, advice and support for staff working on cartel investigations and the design and implementation of training programmes. As concerns state aid, activities to be financed under this project include advice on the enforcement of the State Aid Act, drafting of guidelines related to secondary legislation and strategic guidelines on the development of state aid policy, advice on the enforcement of financial procedures and controls and co-operation on the state aid inventory. Training will also be included in this second component. The anti-trust and state aid components of this project should benefit from one PAA each, plus added short-term expertise. As the project should serve to follow-up twinning assistance provided under CZ9808, its financing under Phare is conditional on satisfactory outputs of this particular project.

CZ01.04.06 Effective functioning of the Electricity Spot Market Operator: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with the acquis as concerns the internal energy market and Directive 96/92/EC in particular. The project should result in the newly established electricity spot market operator being fully operational and capable of carrying out its duties in line with the acquis. Phare support should enable the operator to settle and clear the trade in electricity and organise the relevant spot market, prepare the relevant secondary legislation to be proposed to the Energy Regulatory Authority, develop comprehensive and integrated procedural manuals and ensure adequate HRD within the market operator. Support will be provided by means of a comprehensive twinning and training package, and is conditional on the effective establishment of the market operator by the end of 2001.

Additional work should be done by the Czech Government, outside the immediate framework of the current Phare programme and the activities described under this Objective. Within this context the Commission expects progress in the following key area:

Improvement of the Czech macro-economic situation and business environment: Measurable indicators of progress include a reduction in the budget deficit, the adoption and implementation of a medium-term fiscal strategy, the approval of a proposal for comprehensive pension reform, drafting of a complete list of outstanding state guarantees including the medium-term projection of the losses of the off-budget institutions, a sizeable increase in the percentage of bankruptcy judgements made by the courts compared to the cases brought before them, completion of the privatisation of Komerční Banka, a noticeable decrease of bad loans and an increase in the supply of credit to the private sector, adoption and implementation of prudential regulations, adoption of the new law on securities increasing the regulatory and enforcement powers of the Securities Commission and decisions to

improve co-ordination of activities by the agencies involved in the implementation of the SME development strategy and implementation of legislation on court executors.

Objective 5 Agriculture

CZ01.05.01 Improvement of Veterinary Inspection: This investment project addresses both a short-and medium-term AP priority. The project aims to complete the institutional structures required to ensure the supervision of veterinary activities to protect consumers against threats resulting from animal diseases and unhealthy food, in line with the relevant acquis. The project is directly linked to Institution Building supported under existing Phare financed projects in 1998 and 2000 and involves the purchase of technical equipment allowing for the modernisation of the veterinary training centre, laboratory equipment allowing for acquis-compatible diagnostics to be carried out as concerns consumer health protection and animal diseases, and IT equipment so as to complete the State Veterinary Inspection's information system. The project is conditional on Czech co-financing.

CZ01.05.02 Building CAP/EAGGF Structures; Integrated Rural Development (EC1257/99): This twinning project addresses both a short-and medium-term AP priority. The project aims to prepare and implement all measures required to comply with the acquis relevant to integrated rural development within the framework of CAP implementation (Council Regulation 1257/99, Commission Regulation 1750/99, Council Regulation 1260/99). The project should result in the relevant Sectoral Operational Programme and the Rural Development Programme and other related programming documents revised and adapted to post-SAPARD CAP assistance, including a map outlining the eligible geographical zones and trans-national co-operation required to participate in the LEADER initiative. This also includes the preparation of appropriate instruction materials for all parties to be directly concerned by the implementation of the CAP Guarantee Fund. The project should also cover the comprehensive transformation of the SAPARD Agency, together with the intervention agency, into a new institution capable of administering payments under the CAP Guarantee Fund. Finally, the project should set up effective methods of monitoring and evaluation for all relevant programming documents, including the establishment of a list of programme specific indicators of priorities and measures. The project should benefit from the assistance of two twinning experts, with one focusing on programming and legislative adaptations as required, and the other Pre-Accession Advisor concentrating on the necessary institutional administrative restructuring. The project is conditional on the SAPARD Agency being fully operational, co-operation between the ministries of agriculture and regional development confirmed by a Joint Committee, and all relevant legislation in place. The appropriate regional structures should also be in place, further to the relevant legislation.

CZ01.05.03 Building CAP Structures; IACS: This twinning project addresses a medium- term AP priority. The project includes an investment component and aims to ensure full compliance as concerns the structures required for the establishment of an operational direct subsidies system (Integrated Administration and Control System – IACS) under the CAP (EC 3887/92, EC 1257/99). The project is linked directly to work under CZ00.05.01 (Preparation for the adoption and implementation of the CAP; IACS) and should result in the implementation of an operational IACS control and monitoring system, with the necessary administrative support systems for aid applications in place, in line with the relevant acquis. This would involve staff at the relevant institutions - at both central and local level - trained adequately, and a comprehensive system of land use categorisation prepared and tested. This should include the drafting of a new law on direct subsidies. The project also includes allocations to strengthen the capacity of the relevant photogrammetry capacity of the Czech Office for Surveying, Mapping and Cadastre COSMC), and the Farm Accountancy Data Network (FADN) through the purchase of the relevant equipment. The latter component is directly linked to Phare Project CZ98.09.02.01 (Harmonisation and Development of the FADN in the Czech Republic). The project requires long-term assistance from a Member State expert, plus additional short-term expertise and supply of equipment, and is conditional on co-financing of the investment component and sufficient progress made, both by the Czech side and within the framework of the 2000 project.

CZ01.05.04 Strengthening the Capacity of the Phyto-sanitary Sector: This twinning project addresses a medium- term AP priority. The project includes an investment component and aims to ensure full compliance with the acquis related to plant health-harmful organisms and plant protection products (EC/2000/29, 91/414/EEC, 97/57/EEC). The project is directly linked to support provided under Phare project CZ00.05.03 (Strengthening the Central Regulatory Capacity for Plant Protection) and related to CZ99.03.02.01 (Strengthening the Institutional and Administrative Capacity of the State Phyto-sanitary Sector – SPA) and should provide for a comprehensive analysis of progress achieved to date and training of SPA and NIPH specialists responsible for the evaluation of plant protection products, to be co-ordinated by a long-term expert from a Member State. In addition, the project should ensure the relevant specialised division and laboratories in Brno are capable of carrying out their tasks as concerns registration/authorisation of plant protection products in line with the acquis. It should also allow the two specialised diagnostic laboratories of Prague and Olomouc, and the main points of entry into the Czech Republic - Ruzyně Airport and Slovak border - to implement the necessary phyto-sanitary diagnostic methods of harmful organisms in accordance with the relevant acquis. The latter two results should be achieved by means of the supply of specialised equipment. The project is conditional on Czech co-financing of the investment part of the project

Additional work should be done by the Czech Government, outside the immediate framework of the current Phare programme and the activities described under this Objective. Within this context the Commission expects progress in the following key area:

Establishment of the basic institutional structure required for preparations of CAP implementation: Measurable indicators of progress include the completion of restructuring of the Ministry of Agriculture in accordance with the output of Phare twinning project CZ98/IB/AG/01, accreditation of the SAPARD Agency and NF and start of satisfactory implementation of the SAPARD plan, establishment of the Classification Agency, completion of the establishment of the basic system for the identification and registration of cattle as part of the IACS, completion of the organisational, technical and financial requirements for the establishment of the State Agriculture Intervention Fund on the basis of SAIF legislation in force since August 2000, including recruitment of staff, and the establishment of new functions for the regional offices of the MoA.

Objective 6 Environment

CZ01.06.01 Equipment for the Monitoring of Air Pollutants (96/62/EC et al): This investment project addresses a medium-term AP priority. The project aims to ensure full compliance with framework Council Directive 96/62/EC on ambient air quality assessment and management, and daughter Directive 99/30/EC establishing a framework for Community action in the field of ambient air quality management and other EC legislation concerning ambient air quality. The equipment supplied under this project will ensure the regular ambient air quality monitoring network in the Czech Republic is comprehensive and fully compatible with these Directives as concerns the principal components to be measured and the measuring and modelling techniques to be used. The project is directly related to the investment component of project CZ00.05.03 (Institutions for permitting and Monitoring in the Air Quality Sector) and builds on CZ98.02.01 (Implementation/Investment Strategies for EC Air Directives). The project is conditional on Czech co-financing of the relevant equipment and the New Clean Air Act entering into force by the end of 2001.

CZ01.06.02 Implementation of the Water Framework Directive: This twinning project addresses a short-term AP priority. The project includes an investment component and aims to ensure full compliance with Directive 2000/60/EC establishing a framework for Community action in the field of water policy - the water framework Directive – and other EC legislation concerning water protection. The project should have a number of important outputs; it should provide for an analysis and assessment of the implementation plan for the water framework Directive in the Czech Republic, including consideration of the institutional arrangements required by it; preparation of relevant draft secondary legislation; development of draft manuals describing methodologies and procedures for

river basin management planning and permitting and enforcement procedures, and the development of environmental monitoring systems. The twinning part of the project should cover the analytical components of river basin management planning, the regulatory provisions of the Directive, environmental monitoring and assessment requirements and practical implementation of the Directive. Additional short-term expertise will be provided, as well as limited directly related investment (analysis and monitoring equipment). The project is conditional on the satisfactory results of related project CZ99.03.04 (Implementation Strategies for EC Water Directives), the preparation of a draft implementation plan and the appropriate institutional arrangements have been made, and co-financing of the investment component.

Additional work should be done by the Czech Government, outside the immediate framework of the current Phare programme and the activities described under this Objective. Within this context the Commission expects progress in the following key area:

Unequivocal allocation of responsibilities in the environmental sector: Measurable indicators include decisions on competencies for clearly identified parts of the environmental acquis, taking into account the impact of overall administrative reform on the implementation and monitoring of environmental legislation. These decisions should be accompanied by an inventory of tasks at each administrative level within all relevant ministries, in particular the ministries responsible for health and agriculture. Decisions should be backed up by a relevant comprehensive training strategy covering the entire environment acquis, and a Directive-specific investment strategy.

Objective 7 Justice and Home Affairs

CZ01.07.01 Judiciary Reform and Court Management: This twinning project addresses a short-term AP priority. The project aims to improve the efficiency of the Czech court system and the performance of the Czech judiciary. The project is part of sustained efforts financed by Phare to improve the Czech judicial system, which has benefited from targeted assistance over a number of years, and 1998 and 2000 in particular. The twinning and training package proposed should lead to detailed proposals for additional reforms of the judiciary, based on a comprehensive analysis of progress achieved to date, proposals for a revision of the internal structure and operating rules of the courts - to be applied to any court - focusing in particular on case management, and the elaboration of alternative models for judicial self-administration within the context of judicial reform. Effective co-operation by the partners concerned, in particular the Ministry of Justice and the Supreme Court is essential if this important project is to achieve its goals. Although the main beneficiary of the project is the Supreme court, which is an independent judicial institution with no direct influence on the formulation of legislative proposals, the Commission expects the results of this project to be visibly reflected in further efforts to reform the judiciary in the Czech Republic.

CZ01.07.02 Justice Information Network: This investment project addresses a short-term AP priority. The project aims to improve the functioning and performance of the courts and State Attorneys' offices. The project foresees the purchase of equipment to allow for a comprehensive improvement in the functioning of the Supreme Court, the High Court, Regional and District Courts, the Supreme State Attorney's Office, High State Attorneys Offices, and Regional and District State Attorneys Offices, through the establishment of a fully compatible sector data network. The project is part of the IT Justice Sector Strategy for 2001-2005, linked to Phare institution building support provided under 1998, 1999 and 2000 programmes and is conditional on Czech co-financing

CZ01.07.03 Improving the Professional Level of the Czech Prison Service: This twinning project addresses a short-term AP priority. The project aims to ensure compliance with recommendations from the Council of Europe (No. R(87)3 as concerns prison management. The project should result in a sustainable upgrading of professionalism within the Czech prison service and improved management capacity. The project involves comprehensive training and awareness raising for prison management as concerns its knowledge of European human rights standards as laid down in various international and European acts and conventions, prison service management, management of administrative units

and the development of a sustainable vocational training programme. The project is conditional on sustained efforts by the Czech authorities to transform the Czech penitentiary system and maintain the momentum of judicial reform leading to penal reform. In parallel to this project, the Commission expects the Czech authorities to pursue a sustainable policy of upgrading Czech prison infrastructure.

CZ01.07.04 Development of Border Control, Migration and Asylum Policies: This twinning project addresses a short-term AP priority. The project aims to ensure compliance with the *acquis* as concerns border control enforcement and EU migration and asylum policies. The project includes two components, strengthening border control and prevention of illegal immigration, and the development of an asylum policy. As for the first component, this should result in improved border controls through better trained Alien and Border Police Service staff, increased efficiency of this Service's decision-making, management and document verification functions and an improved exchange of information with the neighbouring states concerned. The asylum component should - within the framework of the relevant National Action Plan - result in the establishment of *acquis* compatible asylum- and appeals procedures by the provision of training of staff and representatives of the legal community and the setting-up of a country of origin system. The project is conditional on the satisfactory outcome of previous and related Phare financed projects, notably under the 1998 and 1999 programmes.

CZ01.07.05 Introduction of the EFQM Model in the Czech Police: This twinning project includes an investment component and addresses a short-term AP priority. The project aims to establish the European Foundation for Quality Management (EFQM) system within the Czech police service, including the investigation service, thereby improving its efficiency and service delivery. The project should result in the comprehensive establishment of the EFQM system, including instructions for high-and medium level police management, the uniform application of the quality system, certification of EFQM instructors, quality assessors trained and quality offices installed down to the level of the police directorates, the development of quality improvement action plans, the completion of self-assessment exercises, the introduction of the Czech Police Quality Award and membership of EFQM. The project is to follow up assistance provided under related Phare twinning project CZ98/IB/JH/02 and will be implemented by means of a twinning and training package. It is conditional on the Ministry of the Interior taking a decision to introduce the EFQM introduction plan developed within the framework of the aforementioned project.

CZ01.07.06 Improving the Fight against Corruption and Economic Crime: This twinning project includes an investment component and addresses a short-term AP priority. The project aims to help the Czech law enforcement institutions to increase their efficiency and effectiveness in their fight against corruption, fraud and serious economic crime. The project is part of sustained efforts financed by Phare to improve the fight against different sorts of white-collar crime, which have benefited from targeted assistance over a number of years, 1998, 1999 and 2000 in particular. Taking account of activities undertaken within the framework of the Government's Programme for the Fight against Corruption, it should ensure the development and implementation of a comprehensive strategy to combat corruption and economic crime by means of better co-operation, improved exchange of information and training of the parties directly concerned, notably the Police Service for Combating Corruption and Major Economic Crime (SPOK) and the Bureau of Investigation (BoI), but also the Ministries of Justice, Interior, Finance, the Securities Commission, the Czech National Bank, the banking association and Security Information Service. The training component will focus in particular on the transfer of know-how as concerns the latest investigative and analytic technologies and techniques to the Financial Analytical Unit (FAU), State Prosecutors detectives, investigators, analysts and other specialists in the field. The project is conditional on Czech co-financing of the supplies component and satisfactory results of related projects financed under the 1998 and 1999 programmes and progress in the implementation of the relevant 2000 project.

CZ01.07.07 Improving the Fight against Violent and Organised Crime: This twinning-light project includes an investment component and addresses a short-term AP priority. The project aims to improve the effectiveness of law enforcement in its efforts to fight against violent and organised crime. The project should result in improved technical and personnel skills of the Czech police, and the Institute of Criminalistics in Prague (ICP) and the National Headquarters against Forgery in particular. The twinning-light component of this project should ensure a continuation of the Quality Assurance System within the ICP being developed under twinning project CZ99/IB/JH/03 and the upgrading of the skills-level of the technical-analytical unit of the National Headquarters against Forgery. The supplies component should ensure the provision of DNA sequencer equipment within the framework of establishing a specialised DNA laboratory within the ICP, professional gunshot residue examination and analysis, secure data transfer with forensic laboratories and non-destructive testing of evidence. It should also allow for the special technical-analytical unit of the National Headquarters against Forgery to be adequately equipped. The project is conditional on Czech co-financing of the supplies and satisfactory implementation of the aforementioned Phare project.

Additional work should be done by the Czech Government, outside the immediate framework of the current Phare programme and the activities described under this Objective. Within this context the Commission expects progress in the following key area:

Judicial Reform Package approved and implementation started: This touches on all aspects of the package of reforms adopted by the Government in February 2000, aimed to deal with the administration and structure of the courts, the independence of the judiciary and training, as well as complete re-codification of the criminal and commercial codes. Progress will be measured in terms of the improvements in the functioning of the courts at all levels, i.e. increased speed and turnover of cases, increased efficiency of working methods (judges gaining technical and personnel support and wasting less time carrying out administrative tasks themselves), a reduction in the number of complaints against members of the judiciary (whether for slowness or corruption), an increase in both scope and availability of training for judiciary (language skills, expertise in terms of the acquis, corruption and economic crime expertise). In terms of measuring improvement of the performance of all law enforcement institutions (police, investigators, special units such as the FAU and SPOK, prosecutors, courts), progress will be measured by a reduction in the length of time between the filing of a case and the final decision, a reduction – if not elimination – of cases requiring the enforcement of previous court decisions, and an improved ratio of numbers of personnel in police, prosecutors and courts to the number of successful prosecutions per year.

Objective 8 Employment and Social Affairs

CZ01.08.01 Equal Treatment for Men and Women: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with the acquis on equal treatment of men and women, as concerns the application, enforcement and monitoring by the relevant institutional structures and systems. The project should provide for a thorough assessment of the equal opportunities situation in the Czech Republic and the elaboration of proposals to establish the appropriate institutional framework, based on best-practice analysis and including an Appeals Body, and ensure adequate numbers of staff at the institutions most directly concerned are trained in gender policy implementation, on a sustainable basis. The twinning package provides for both a long-term expert from a relevant Member State institution and short-term expertise. The amended Labour Code, effective as from 1 January 2001, provides the legislative framework for the implementation of gender policies in labour relations.

CZ01.08.02 Testing the Preparedness for the Application of EC Social Security Legislation: This twinning project addresses a medium-term AP priority. The project aims to ensure full compliance with the EC social security acquis, as laid down in Council Regulations 1408/71/EEC and 574/72/EEC. The project is complementary to support provided under the Consensus III programme and should ensure the Czech Social Security Administration is able to perform its tasks in line with

common practice in the Member States. Activities to be undertaken within the framework of this project should result in medium-term projections for the Social Insurance Agency following external evaluation, comprehensive recommendations concerning the organisation of work of the relevant institutions in the Czech Republic, establishment of health and social care service standards in line with the EFQM model as applied to public health insurance, and relevant staff fully trained for the implementation of social security legislation, in particular as concerns migrant workers. The project is conditional on the relevant amendments to the State Social Support Act being in force by January 2002.

Objective 9 Administrative Capacity

CZ01.09.01 Management and Control of EU Funds and National Budget Resources/Preparation for EDIS: This twinning project addresses a short-term AP priority. The project aims to ensure the efficient management, monitoring and control of EU funds, Own Resources and public funds at central and regional level, and prepare for Extended Decentralisation (EDIS), in compliance with the *acquis* (1266/99). The project should result in a satisfactory self-assessment based on a well-defined system for managing funds with full internal rules of procedure, clear institutional and personal responsibilities, a separation of powers avoiding the risk of conflict of interest in procurement and payment, and personnel with adequate training as concerns auditing skills and experience, language skills and training in the implementation of Community programmes. Regarding EDIS, the output of the project should also include a detailed description of the management and control cycle within the national administration “audit trail”. The audit at the end of the project should confirm that the Czech authorities are able to carry out effective internal controls, including and independent audit function, and an effective accounting and financial reporting system, meeting internationally accepted auditing standards, and the existence of a reliable national financial control system. Beneficiaries of this project will be the NAO, NAC all Phare Implementing Agencies and all other intermediaries involved in the management of EU funds. The project should follow-up assistance provided under Phare project CZ99.03.01.01 and should take account of the outputs of CZ99.05.01.02 as concerns Own Resources and CZ00.04.05 as concerns public procurement.

CZ01.09.02 Training for Auditors of the Supreme Audit Office: This twinning project addresses two short-term AP priorities. The project includes an investment component and aims to strengthen the Supreme Audit Office’s external control functions so as to be comparable to the capacity of the Member States’ supreme audit institutions. The project should ensure Supreme Audit Office (SAO) staff are fully competent to carry out attestation and performance audits according to INTOSAI Auditing Standards and European Implementing Guidelines. The project will involve traineeships for SAO auditors, practical workshops, pilot studies, the supply of special auditing software and the relevant training. The project is conditional on the approval of the SAO Development Plan, the Audit Plan for 2002 and the adoption of new internal directives, which should be fully compatible with the aforementioned standards.

CZ01.09.03 Establishment of a Framework for Effective Territorial Self-Government at Regional and Local Level: This twinning project includes an investment component and addresses both a short-and medium-term AP priority. The project will be implemented on a pilot-project basis in three selected NUTS III regions, and aims to establish the framework required for effective territorial self-government at regional and local level, including the mechanisms for the enforcement of the *acquis*. The project should ensure a comprehensive analysis of standing legislation and the capacity of existing local and regional authorities, with ensuing recommendations and proposals as regards the shape of regional and local structures and the mechanisms required for adequate enforcement of the *acquis*. It should also lead to proposals for amendments to the laws on municipalities, regions and support to regional development, recommendations for good practice as concerns regional governance, including HRD, and a communication strategy to familiarise Czech citizens with decentralised public administration. The investment component should provide for IT equipment allowing for effective communication by the newly established regional authorities with their citizens. The project is conditional on Czech co-financing for the investment part.

CZ01.09.04 ‘Twinning Light’ Reserve: A modest allocation has been set aside to allow for the mobilisation of twinning-light support that may be needed to address priorities that emerge in the course of access negotiations or accession preparation during the lifetime of this programme. Sectors that could benefit from this Institution Building support include Justice and Home Affairs, Internal Market, Agriculture and any other acquis-related projects in sectors relevant to the Objectives of this programme. The detailed programming of this support, and the preparation of the project fiches relevant to each self-contained activity, will be subject to the approval of the Head of the Czech Republic Team in Brussels and the Head of Delegation in Prague.

Additional work should be done by the Czech Government, outside the immediate framework of the current Phare programme and the activities described under both Objectives 9 and 10. Within this context the Commission expects progress in the following key area:

Civil Service Reform approved and implementation started: Measurable indicators of progress include the adoption of a Civil Service Act providing a basis for an independent and stable public administration, as well as a start with its implementation, a decision to establish a Civil Service Office and Central Training Center, a decision to develop a central system for uniform training of state officials and the establishment of clear systematic mechanisms to ensure the implementation of objectives across government. In terms of decentralisation, progress will be measured by a definition of responsibilities of the national, regional and local levels of Government, a decision to put the financing and staffing of the decentralisation process on a stable and sustainable footing, a decision on the status of public servants working for regional and municipal assemblies and the drafting of homogeneous selection criteria for the recruitment and remuneration of regional assembly staff.

Objective 10 Economic and Social Cohesion

CZ01.10.01 Development of an Industrial Zones Strategy: This project addresses a medium-term AP priority. This institution building project aims to develop a strategy for the establishment of industrial zones in the Czech Republic, further to a regional assessment of the North Moravia region on a demonstration-project basis, combining greenfield and brownfield development. The project should involve a survey of sites and buildings available or under preparation in the region of North Moravia, an evaluation of future demand for land and buildings, and an assessment of market failure that Government intervention would need to address, to be presented in a comprehensive strategy report, which should outline the plan for the target region and offer a methodology to be used for replication throughout the Czech Republic. The project should take account of EU competition and state aid rules and provide proposals for the Czech Government to expand the regional strategy of Industrial Zone Development to the national level.

CZ01.10.02 Brownfield Regeneration Strategy: This project addresses a medium-term AP priority and is closely related to the above project CZ01.10.01. The project aims to develop a strategic approach to kick-start the regeneration of brownfield sites in the Czech Republic and make them attractive to public and private investment. On the basis of preparatory work carried out under the country’s largest brownfield project to date (Vitkovice), Phare assistance will help start a strategic process of selecting, documenting, marketing, regenerating and re-using brownfield land that is currently derelict and of little economic value. By the end of the project, a total of five demonstration sites in the regions of North Moravia and North Bohemia will have been fully prepared for successful application for development funding. The brownfield regeneration strategy resulting from this project should serve as a model for replication throughout the Czech Republic.

Both projects CZ01.10.01 and CZ01.10.02 are conditional on the provision of sufficient CzechInvest input, especially as concerns staff, and a clear commitment of the regions concerned to their objectives and implementation.

CZ01.10.03 Finalising of Structures and Measures to increase the Absorption Capacity at National and Regional level: This project addresses a medium-term AP priority. The project aims to ensure that the Czech Republic has the appropriate skills and expertise among a sufficient number of regional and central level officials and regional project developers in order to enhance the capacity of the regions to generate and implement development projects. The project will target two key issues: it will address the emerging and urgent need to address the existing absorption and development capacity problems by targeting ‘hands-on’ support to development agents and potential project promoters on the ground, and it will address the ongoing need to develop skills and competence among persons to be involved in relevant managing, monitoring and payment authorities at both central and regional level. The first issue should be addressed as a two-stage activity, the first stage of which should arrive at an Action Plan for each NUTS II region focused on an agreed selection of intervention areas, and based on an inventory of relevant partners to be included in a comprehensive database. The second stage of this activity should be devoted to the actual implementation of the Action Plan, resulting in approximately 10 concrete project proposals for each region, which should satisfy the requirements of the Structural Funds and be in line with the NDP and relevant ROP priorities, and which should be proposed for Phare co-financing under the 2003 programme. As for the second issue, the project should ensure the development and application of an adult learning methodology for the Structural and Cohesion Funds, the development and application of a recognised accreditation system, and the actual establishment of a core pool of Structural and Cohesion Funds trainers. The project is conditional on the establishment of operational Regional Councils, Regional Development Committees and their support bodies according to the Support to Regional Development Act, and the availability of Czech co-financing at the start of its implementation.

CZ01.10.04 Small-scale Business-related Infrastructure in NUTS II North-West Bohemia, Ostrava & Central Moravia: This investment (grant scheme) project addresses a medium-term AP priority. The project aims to prepare for Structural and Cohesion Funds implementation by testing a grant scheme to promote economic and social cohesion in the North-West Bohemia, Ostrava and Central Moravia NUTS II regions. The regions selected and priorities to be addressed by this project are based on the National Development Plan, as submitted to the Commission by the Czech authorities in January 2000, and the relevant Regional Operational Programmes included in annex to this document. This grant scheme is aims to improve access to the area in general and develop business sites and industrial zones, thereby attracting new industrial activity and diversifying the regional economy and stimulating employment. The minimum size of contracts to be financed under this grant scheme is €0.6 million (Phare contribution). The project is conditional upon Czech co-financing and the elaboration by the Czech side of detailed operational guidelines for the scheme, to be submitted for approval by the Commission prior to implementation and within 6 months after signature of the Financing Memorandum.

All investment projects which, according to the rules stipulated in Directive 85/337/CEE, as amended by Directive 97/11, require an Environmental Impact Assessment, should be the subject of an Environmental Impact Assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned directive.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

5. BUDGET

No.	OBJECTIVE/Project			Total Phare
CZ01.01	PARTICIPATION IN EC PROGRAMMES AND EEA			7,22
CZ01.01.01	Participation in Fiscalis, Leonardo da Vinci II, Socrates II, Youth, Culture 2000, SAVE and the European Environmental Agency			
CZ01.02	POLITICAL CRITERIA			3,00
CZ01.02.01	Strengthening the Civil Society Sector in the Czech Republic			
CZ01.03	TRANSPORT			2,00
CZ01.03.01	Application of EU Directives to the Czech Railway Sector			
CZ01.04	INTERNAL MARKET			6,50
CZ01.04.01	Legislative and Institutional Framework for Tax/Customs Administration			
CZ01.04.02	New Concept of Regulation of Accountancy and Application of IAS			
CZ01.04.03	Strengthening Market Surveillance of Pharmaceutical and Medical Products			
CZ01.04.04	Enforcement of Intellectual Property Rights			
CZ01.04.05	Enforcement of the Economic Competition Acquis			
CZ01.04.06	Effective Functioning of the Electricity Spot Market Operator			
CZ01.05	AGRICULTURE			8,28
CZ01.05.01	Improvement of Veterinary Supervision			
CZ01.05.02	Building CAP/EAGGF Structures; Integrated Rural Development (EC1257/99)			
CZ01.05.03	Building CAP Structures; IACS			
CZ01.05.04	Strengthening Capacity of the Phyto-sanitary Sector			
CZ01.06	ENVIRONMENT			5,10
CZ01.06.01	Equipment for the Monitoring of Air Pollutants (96/62/EC et al)			
CZ01.06.02	Implementation of Water Framework Directive			
CZ01.07	JUSTICE AND HOME AFFAIRS			13,25
CZ01.07.01	Judiciary Reform and Court Management			
CZ01.07.02	Justice Information Network			
CZ01.07.03	Improving the Professional Level of the Czech Prison Service			
CZ01.07.04	Development of Border Control, Migration and Asylum Policies			
CZ01.07.05	Introduction of the EFQM Model in the Czech Police			
CZ01.07.06	Improving the Fight against Corruption and Economic Crime			
CZ01.07.07	Improving the Fight against Violent and Organised Crime			
CZ01.08	EMPLOYMENT AND SOCIAL AFFAIRS			1,75
CZ01.08.01	Equal Treatment for Men and Women			
CZ01.08.02	Testing the Preparedness for the Application of EC Social Security Legislation			
CZ01.09	ADMINISTRATIVE CAPACITY			4,75
CZ01.09.01	Management and Control of EC Funds and National Budget Resources/Preparation for EDIS			
CZ01.09.02	Training for Auditors of the Supreme Audit Office			
CZ01.09.03	Establishment of a Framework for Effective Territorial Self-Government at Regional and Central Level			
CZ01.09.04	'Twinning light' Reserve			

CZ01.10	ECONOMIC AND SOCIAL COHESION			13,55
CZ01.10.01	Development of an Industrial Zones Strategy			
CZ01.10.02	Brownfield Regeneration Strategy			
CZ01.10.03	Finalising of Structures and Measures to increase the Absorption Capacity at National and Regional Level			
CZ01.10.04	Small-scale Business-related Infrastructure in NUTS II North-West Bohemia, Ostrava & Central Moravia			
TOTAL				65,40

6. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures¹. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have the overall responsibility for the financial management of Phare funds. He shall ensure that Phare rules, regulations and procedures pertaining to procurement, reporting and financial management, as well as Community state aid rules, are respected, and that a proper reporting and project information system is functioning. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the national Financial Control Authority. The NAO shall maintain a financial reporting system for all Phare funds.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Czech Republic on 12 October 1998. Funds will be transferred following requests from the NAO.

A distinction should be made between the payments concerning the participation in Community Programmes and Agencies and the payments concerning the other sub-programmes. However, only one bank account will be opened at the National Fund.

Community Programmes and Agencies: A single advance will be made to the National Fund to cover the full amount of the Phare part of the financial contribution for participation in Community Programmes and Agencies. This advance will be made, following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred after the entry into force of the Decision establishing the terms and conditions for participation in that programme. If there is a delay in the entry into force of some of the Association Council Decisions, the payment to the National Fund maybe divided into two or more tranches so that 100% of the funds necessary for the programmes in force can be transferred immediately.

The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission's Directorate General responsible for the programme concerned and within the deadlines requested.

¹ Taking into consideration the rules set down in the annex of Council Regulation 1266/1999.

Other Sub-Programmes: A payment of **up to 20%** of the funds to be managed locally* will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Four Replenishments will be made of **up to 20%** of the funds to be managed locally* or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget* has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget* in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed*. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

Implementing Agencies will be responsible for projects as follows:

No.	Project	Implementing Agency	Ministries or Institutions with a technical role	Project type
CZ01.01.01	Participation in EC Programmes and EEA	NA	Relevant line-ministries	NA
CZ01.02.01	Strengthening the Civil Society Sector in the Czech Republic	Czech Civil Society Development Foundation) (NROS	-	1
CZ01.03.01	Application of EC Directives to the Czech Railway Sector	CFCU	Ministry of Transport/Czech Railways	2 (TW)
CZ01.04.01	Legislative and Institutional Framework for Tax/Customs Administration	CFCU	Ministry of Finance	2 (TW)
CZ01.04.02	New Concept of Regulation of Accountancy and Application of IAS	CFCU	Ministry of Finance	2
CZ01.04.03	Strengthening Market Surveillance of Pharmaceutical and Medicinal Products	CFCU	State Institute for Drug Control (SUKL)	2 (TW)
CZ01.04.04	Enforcement of Intellectual Property Rights	CFCU	Industrial Property Office (IPO)	2 & 3
CZ01.04.05	Enforcement of Economic Competition Acquis	CFCU	Economic Competition Office	2 (TW)
CZ01.04.06	Effective Functioning of the Electricity Spot Market Operator	CFCU	Ministry of Trade and Industry	2 (TW)
CZ01.05.01	Improvement of Veterinary Supervision	CFCU	Ministry of Agriculture/State Veterinary Administration	4

* excluding the amount foreseen for the Community Programmes and Agencies

* excluding the amount foreseen for the Community Programmes and Agencies

			(SVA)	
CZ01.05.02	Building CAP/EAGGF Structures; Integrated Rural Development	CFCU	Ministry of Agriculture	2 (TW)
CZ01.05.03	Building CAP Structures; IACS	CFCU	Ministry of Agriculture	2 & 3 (TW)
CZ01.05.04	Strengthening Capacity of the Phyto-sanitary area	CFCU	Ministry of Agriculture/State Phyto-sanitary Administration (SPA)/Ministry of Health/National Institute of Public Health/National Reference Centre for Pesticides in Prague (NIPH)	2 & 3 (TW)
CZ01.06.01	Equipment for the Monitoring of Air Pollutants	CFCU	Ministry of the Environment/Czech Hydrometeorological Institute (CHMI)	4
CZ01.06.02	Implementation of Water Framework Directive	CFCU	Ministry of the Environment/Ministry of Agriculture	2 & 3 (TW)
CZ01.07.01	Judiciary Reform and Court Management	CFCU	Ministry of Justice/Supreme Court	2 (TW)
CZ01.07.02	Justice Information Network	CFCU	Ministry of Justice	4
CZ01.07.03	Improving the Professional Level of the Czech Prison Service	CFCU	Ministry of Justice/Prison Service	2 (TW)
CZ01.07.04	Development of Border Control, Migration and Asylum Policies	CFCU	Ministry of the Interior/Police Presidium	2 (TW)
CZ01.07.05	Introduction of EFQM Model in the Czech Police	CFCU	Ministry of the Interior/Police Presidium	2 & 3 (TW)
CZ01.07.06	Improving the Fight against Corruption and Economic Crime	CFCU	Czech Police/Ministry of the Interior/Ministry of Justice/Ministry of Finance/financial and law enforcement institutions	2 & 3 (TW)
CZ01.07.07	Improving the Fight against Violent and Organised Crime and Anti-	CFCU	Ministry of the Interior/Police Presidium	2 & 3 (TL)
CZ01.08.01	Equal Treatment for Men and Women	CFCU	Ministry of Labour and Social Affairs	2 (TW)
CZ01.08.02	Testing the Preparedness for the Application of EC Social Security Legislation	CFCU	Ministry of Labour and Social Affairs/Ministry of Health/Czech Social Security Administration/General Health Insurance Company	2 (TW)
CZ01.09.01	Management and Control of EU	CFCU	Ministry of Finance	2 (TW)

	Funds and National Public Resources/Preparation for EDIS			
CZ01.09.02	Training for Auditors of the Supreme Audit Office	CFCU	Supreme Audit Office	2 (TW)
CZ01.09.03	Establishment of a Framework for Effective Territorial Self-government at Regional and Local Level	CFCU		2 (TW)
CZ01.09.04	‘Twinning light’ Reserve	CFCU		2 (TL)
CZ01.10.01	Development of an Industrial Zones Strategy	CFCU	Ministry of Industry and Trade	2
CZ01.10.02	Brownfield Regeneration Strategy	CFCU	Ministry of Industry and Trade	2
CZ01.10.03	Finalising the Structures and Measures to Increase the Absorption Capacity at National and Regional Level	CFCU		2
CZ01.10.04	Small-scale Business-related Infrastructure Grant Scheme for NUTS II North-West Bohemia, Ostrava & Central Moravia	Centre for Regional Development (CRD)		1

NB: 1 = projects providing for grant schemes; 2 = IB projects; 3 = projects providing for limited supplies or works directly related to IB and justified by the limited nature of the IB-needs to be covered; 4 = pure Investment projects

The National Fund (NF) will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

In most projects other ministries or institutions play an important technical role. The organisation playing the lead technical role is indicated in the table above. These organisations will have the responsibility for designing, selecting and monitoring the projects, while the Implementing Agency will assist in all these tasks, playing particular attention to the principles of good project design and implementation and Phare procurement and payment rules.

A separate bank account, denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the Practical Guide. For grant schemes, whose procedures and formats are not covered by the current Practical Guide, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- the procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through

selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.

- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.
- The ex ante approval of the Commission (Delegation in Prague) will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex post control of the EC Delegation.
- The implementation of the selected projects through the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations in the Practical Guide. The decentralised system established for CBC small projects is to be applied to all such contracts below 300.000 EUR (or any increased threshold to be fixed by EC Headquarters for small project funds under CBC programmes). Tenders and contracts above this threshold will be presented to the EC Delegation for ex ante approval. The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present financing memorandum.

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

The final deadline for signature of contracts and twinning covenants is 31 October 2003. However, in order to ensure that projects are implemented as quickly as possible, all tender dossiers (or, where applicable, grant schemes, requests for services or contract dossiers) must be submitted to the Commission within 6 months of signature of the FM, except for project CZ01.09.04 (Twinning light reserve). Specifications will be reviewed by independent experts within the framework of twinning, where possible and appropriate. Any project for which the relevant documents are not submitted within the deadline specified will be cancelled and the money made available for reallocation. The first consolidated draft of twinning covenants must be submitted to the EC Delegation within 3 months of the Delegation's notification to the Member States of their selection as twinning partner. Failure to meet this deadline can result in the recirculation of the relevant project fiche. If funds are reallocated to a new project, the tender dossier (or other documents as applicable) must be submitted to the Commission within 3 months of the re-allocation decision or by 31 May 2003, whichever is the earlier. The legal duration of all projects will expire by 31 October 2004. All disbursements must be made by 31 October 2004.

Any funds not used by the expiry date of the programme will be recovered by the Commission.

All tender dossiers (or other documents as applicable) must be accompanied by a logframe matrix, in order to demonstrate the relevance, feasibility and sustainability of the final project design.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency

before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

7. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) has been established. It includes the NAO, the NAC and the Commission. The JMC meets at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC is assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

8. ANTI-FRAUD MEASURES, AUDIT AND EVALUATION

All financing memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96 dated from November 11, 1996, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission's discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

9. VISIBILITY/PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are at the Annex "Visibility/Publicity".

10. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of the Czech Republic, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

ANNEX D – VISIBILITY/PUBLICITY

INFORMATION AND PUBLICITY FOR THE PHARE, ISPA AND SAPARD PROGRAMMES OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are :

- Art. 32 of Regulation (EEC) No 4253/88, as amended by Regulation (EEC) No 2082/93, Official Journal of the European Communities No L193/20, 31 July 1993;
- Commission Decision of 31 May 1994; Official Journal of the European Communities No L 152/39, 18 June 1994.

Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

- (a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following :

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million :

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, ISPA or SAPARD :

- measures to make potential beneficiaries and the general public aware of Phare, ISPA or SAPARD assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.

4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, ISPA or SAPARD Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, ISPA or SAPARD Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, ISPA or SAPARD should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.

Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Phare, ISPA or SAPARD Programmes, applicant countries shall ensure that the following information and publicity measures are complied with :

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part-financing together with a mention of the relevant Programme (Phare, ISPA or SAPARD).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.