

FINANCING MEMORANDUM¹

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: *CZ2002/000-282.01 to 282.09 inclusive*
Title: *2002 Phare National Programme for the Czech Republic*
Duration: *Until 31/10/2004*

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **78,5** 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 **31/10/2004** 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 **31/10/2005**. 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

¹ The Financing Memorandum structure is as follows : 1. the coverpages with the references to the country concerned, amount and authority to sign, 2. Annex A of the Framework Agreement; 3. Annex B of the Framework Agreement; Annex C –Special Conditions (the text of the adopted financing proposal starting from **Description and Objectives** onwards; and Annex D 'Visibility/Publicity.

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*

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

for THE RECIPIENT
Ms Hana Heidlerová
National Aid Co-ordinator

Done at Prague
Date

for THE COMMUNITY
Ramiro Cibrián
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 AND DESCRIPTION

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the Phare 2002 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.

Objective 1 Participation in EC Programmes and EC Agencies

2002/000-282.01.01 Participation in EC Programmes and EC Agencies. This project provides for Phare co-financing of the total entry ticket towards the Czech Republic's participation in Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Multi-annual Programme for Enterprises and Entrepreneurs, Media Plus, IDA II, E-content, Customs 2002 and European Environment Agency. Both co-financing and participation will take place on the basis of the relevant Association Council Decisions.

Objective 2 Political Criteria

2002/000-282.02.01 Long-term Sustainability of Civil Society Development: This project addresses an Accession Partnership (AP) priority. The project aims to ensure the long-term sustainability of the civil society sector in the Czech Republic. The project consists of two grant schemes, plus an allocation of 7% to cover the costs incurred by the Implementing Agency, NROS - the Czech Civil Society Development Foundation – in the running of the two grant schemes. The first grant scheme should serve to fund activities that aim to strengthen the financial sustainability of Czech civil society organisations and NGOs in the wider sense by helping successful applicants to implement their fundraising plans, and should cover approximately 70 percent of the total project allocation. The second grant scheme should help finance training activities aimed at mobilising private, corporate and public philanthropy, including fundraising skills, preparations for CSO involvement in future Structural Funds and awareness raising. The allocation for this second grant scheme should cover approximately 25 percent of the total project budget. The individual grant size for both schemes can vary between 10.000 and 100.000 Euro. Details of both grant schemes will be submitted to the Commission Delegation for approval prior to implementation. Implementation of this project should take account of the outputs of relevant activities financed under Access 99 and 2000.

2002/000-282.02.02 Fight Against Marginalisation of Senior Citizens: This project addresses a political priority and aims to improve the active participation and involvement of pensioners and senior citizens in general in the Czech Republic in society by funding activities that improve their access to information, communication and education, and by awareness raising, in particular as concerns the effects and consequences of EU accession on the target group concerned. The project should be implemented by means of a grant scheme, which should cover approximately 85 per cent of the project allocation, and a technical assistance contract that should lead to the issuing of information material aimed to inform the target group about the challenges and opportunities of accession, and an allocation of 7% to cover the costs incurred by the Implementing Agency, NROS - the Czech Civil Society Development Foundation – in the running of the grant scheme. Details of the grant scheme will be submitted to the Commission Delegation for approval prior to implementation. Implementation of this project should take account of the outputs of relevant activities financed under Access 99 and 2000.

Objective 3 Transport

2002/000-282.03.01 Application of Directive 2001/16/EC on the Inter-Operability of Railways: This technical assistance project addresses an AP priority, and aims to ensure the Czech Republic's railway system's integration into the trans-European railway network by applying Directive 2001/16/EC on the inter-operability of the trans-European conventional railway system, as well as Directive 96/48/EC on the inter-operability of the trans-European high-speed railway system. The project should focus in particular on the State administration, railway undertakings, infrastructure managers and the railway industry as such, and should fund activities such as advice on the draft legislation and institutional structures required to ensure compatibility with the relevant acquis, an assessment of the state of preparedness of Czech railways to implement this acquis, and assistance in verification testing. The project should also provide for system design allowing for the creation, integration, application and introduction of TSI (technical specifications for inter-operability) in the Czech railway system, and the relevant awareness raising.

Objective 4 Internal Market and Economic Criteria

2002/000-282.04.01 Introduction and Management of a Global Automated System for Frequency Spectrum Monitoring – GASFSM: This supplies project addresses an AP priority and aims to ensure compatibility of the Czech spectrum monitoring system with that used within the EU, thereby allowing the Czech Telecommunications Office (CTO) to contribute to and exchange information with the international system of monitoring stations. The project should result in the upgrading of the technical facilities required (GASFSM), improved capacity to process the data obtained by means of the provision of specialised software – Enlargement of Software for Frequency Spectrum Management (ESFSM) - and the relevant CTO staff trained and skilled to ensure spectrum monitoring is carried out in full compliance with the acquis. The project is complementary to project CZ00.03.03 and is conditional on Czech co-financing for the supplies component.

2002/000-282.04.02 Design and Establishment of a State Treasury System: This twinning, technical assistance and supplies project addresses an AP priority and aims to establish a comprehensive and integrated State Treasury System within the Czech Ministry of Finance so as to allow this institution to perform its public finance and control functions in line with the requirements of EU Membership and the provisions of the Act on Budgetary Rules. The project should result in the introduction of a model of the State Treasury as a functionally and legally coherent system for the effective management and control of the public finance sector, the application of the concept of Treasury Single Account (TSA), the modernisation of the execution of the State budget and publicly managed funds, improved monitoring and management of public revenues and expenditures, public sector debt strategy financial planning, and public asset and liability management. The project should also provide for improved co-operation between central and regional level public finance management, and includes the provision, design and application of relevant integrated IT (Information Technology). The project will reflect the relevant EU, World Bank, SIGMA, OECD and bi-lateral recommendations issued to date and conditional on Czech co-financing for the supplies component.

2002/000-282.04.03 Capital Markets Legislation and Regulation: This twinning, technical assistance and supplies project addresses an AP priority and aims to improve capital market transparency and effective surveillance in line with the relevant acquis, and Directives 93/22/EEC, 2001/34/EC, 2000/31/EC, 89/298/EEC, 89/592/EEC, 98/26/EC, 93/6/EEC, 97/9/EC and 85/611/EEC in particular. The results of this project should include legislative proposals and recommendations to ensure compliance and improve implementation of the acquis as concerns a central securities depository, securities settlements and financial clearing, reflecting an in-depth assessment in light of Directive 85/611 EEC (Undertakings for Collective Investment in Securities) and the Lamfalussy Report. The project should also provide for legislative, technical and organisational proposals to improve the supervision of trans-border financial transactions and e-business, and a new concept and related measures ensuring the clearing and settlement system is based on the principle of delivery versus payment, to be achieved through the single central securities depository. The project is complementary to project CZ00.03.02 in that it should continue to support and strengthen the improvement of market surveillance, enforcement of capital market regulation and market transparency. Furthermore, it forms an extension of the Phare support for the acquisition and development of software relevant for the effective electronic surveillance of the markets and is conditional on Czech co-financing for the supplies component.

2002/000-282.04.04 Application of IAS/IFRS to Unlisted Companies: This technical assistance project addresses an AP priority and aims to extend the application of acquis-compliant accountancy rules in general and International Accountancy Standards (IAS) and International Reporting Standards (IFRS) in particular to unlisted companies, thereby underpinning ongoing substantial changes to Czech accounting legislation and the accounting system. This training-the-trainers project will take account of developments under project CZ01.04.02 and should result in the correct application of IAS by a substantial number of Czech unlisted companies and individual accounts, including IAS-compliant

financial statements, increased transparency and comparability and ensuing increased confidence by foreign investors in the Czech business environment. The project should lead to the development of an IAS training model that can be used throughout the Czech Republic in the medium-to-long term future.

2002/000-282.04.05 Insurance Supervision: This twinning project addresses an AP priority and aims to ensure full compliance with the relevant acquis, and the Solvency Directive, Intermediaries Directive and Conglomerates Directive in particular, and the adequate implementation thereof by the Office of State Supervision of Insurance and Pension Funds (ISA). Building on the outputs of project CZ9808.02.01.02, this project should result in the assessment of and proposals for appropriate legislation, and proposals for improved supervision of financial conglomerates, insurance intermediaries, solvency and MTPL (Motor Third Party Liability), and enhanced consumer protection. As regards the ISA, the project should result in recommendations and proposals to strengthen its direct supervisory and on-site inspection function and to improve the transparency of its operations and its co-operation with its EU counterparts. Outputs of this project could include proposals for the restructuring of the ISA, if and where appropriate, and the relevant (re-)training of ISA staff.

2002/000-282.04.06 Implementation of IT Strategy for the Customs Administration: This technical assistance and supplies project addresses an AP priority and aims to help implement and complete the IT strategy of the Czech Customs Administration, so as to allow for an efficient and effective exchange of computerised data between the EC and the Czech Republic as required by EU Membership. The technical assistance should analyse the IT needs of the Czech Customs Administration and draw up appropriate technical specifications, which may require purchase of the relevant supplies through a Direct Agreement, subject to approval of the EC Delegation. The project will take account of developments under project CZ01.04.01 and should result in the acquisition and implementation of a Data Warehouse system and the relevant analytical tools, the centralized implementation of risk analysis functions, satisfactory capacity of the customs administration to compute customs/tax duties in compliance with EU/TARIC rules and the implementation of Web-based applications complementing the Customs Declaration System. The project is conditional on Czech co-financing for the supplies component.

2002/000-282.04.07 Implementation of EU Payment Systems Standards: This technical assistance project addresses an AP priority and aims to ensure full compliance with the acquis as concerns payment systems, and Directives 97/05/EC and 98/26/EC, and Recommendations 87/598/EEC and 88/590/EEC in particular. This train-the-trainers project should result in the drafting and issuing of an EU Payment Systems Standards Manual and a substantial number of Czech National Bank and commercial bank payment system officers, specialists, managers and trainers fully trained in the application of payment standards as applied in the EU, and include the design of a model training programme and relevant material to be used throughout the Czech Republic in the medium-to-long term future. Phare assistance to this project is conditional on substantial co-financing by the beneficiaries.

2002/000-282.04.08 Action Plan for the Implementation of INTRASTAT Statistics: This twinning and technical assistance project addresses an AP priority and aims to develop an Action Plan for the application of Intra-Community Trade Statistics - INTRASTAT – and strengthen the relevant strategic planning and management capacity within the Czech Statistical Office (CZSO). The project should result in the establishment of the Action Plan, including the relevant strategic planning, methodology and time-schedule for the implementation of INTRASTAT, with the appropriate CZSO staff fully trained to carry out the plan, including data processing and publishing skills, allowing for INTRASTAT to be fully operational on accession. The project includes an allocation for the development of relevant software, allowing for the preparation and verification of the data collection and processing system, the setting up of a register of firms and the creation of the processing chain required to run a pilot survey. The project is conditional on Czech co-financing for the supplies component.

2002/000-282.04.09 Continuation of Supplier Linkage and Upgrading Programme: This twinning and technical assistance project addresses an AP priority and aims to boost the capacity of Czech Small-and Medium-sized Enterprises (SMEs) to produce to standards required by foreign manufacturers. The project builds on the outputs of pilot project CZ9902, by applying the lessons learned and experience gained for the electronics sector in this regard to five additional sectors of Czech manufacturing industry, using European Foundation for Quality Management (EFQM) methodology. The five additional sectors should be selected by means of a separate project funded under the Phare CZ9916 Project Preparation Facility. The project should result in a measurable increase in the use and value of domestically produced components by multi-national companies established in the Czech Republic and an increased number of Czech companies successfully competing for global contracts from foreign manufacturers. At a lower level, the project's results should include the selection of companies to benefit from this project, the establishment / upgrading of a verifiable supplier database, the provision of initial business reviews, the design of short-term low cost improvement plans and second business reviews, self-help training and development plans for the sectors concerned, a core body of trained mentor supervisors/monitors so as to allow the outputs to be sustainable, and the establishment of a comprehensive after-care programme.

2002/000-282.04.10 Establishment of a Public Health Financial Management System: This twinning and supplies project addresses an AP priority and aims to establish the institutional framework required for effective and efficient financial management of the public health system in the Czech Republic. The project should result in the introduction and sustainable implementation of modern forms of measuring efficiency and quality of health care, using standard Diagnosis Related Group (DRG) clinical classification throughout the public health system, to ensure a more efficient use of public insurance funds and include staff required skills acquisition through training-the-trainers and the supply of relevant equipment. Taking account of preparatory work already underway, the project should focus on the comprehensive application of DRG methodology as used in several Member States in their respective National Reference Centres (NRCs). The project is conditional on Czech co-financing of the supplies component and the timely adoption of relevant legislation, which should provide for the establishment of such a NRC or an institution with identical responsibilities.

2002/000-282.04.11 Strengthening of the State Energy Inspectorate: This twinning and training project addresses an AP priority and aims to strengthen the administrative capacity of the State Energy Inspectorate (SEI), so as to ensure full compliance with the relevant acquis, and Directives 97/76/EEC and 96/61/EC in particular. The project should result in proposals and recommendations for legislative and organisational changes that would allow for energy audits, electricity and heating co-generation and territorial planning to be performed to an acquis compatible standard. Particular focus will be put on skills development of relevant staff, and by the end of the projects a substantial number of SEI inspectors should be able to perform duties required under the acquis, such as inspections, monitoring and supervising of energy auditors, the cost division in heat and electricity co-generation procedures, the composition of prices for central heating and regional and local energy plans.

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, 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

2002/000-282.05.01 Improvement of Border Veterinary Controls: This works project addresses an AP priority and aims to ensure animal health and food hygiene inspection procedures and border checks at Prague Ruzyne airport are fully in line with the relevant veterinary acquis. The project should result in the construction of long-term border veterinary inspection and clearance facilities, including unloading areas, examination areas with facilities for the restraint of animals, laboratory and storage rooms and separate sections for live animals on what will be an outer border of the EU. The project is conditional on Czech co-financing, and the provision of all the necessary permits and plans by the deadline for tender submission (see Section 6).

2002/000-282.05.02 Strengthening Food Safety Policy: This twinning, technical assistance and supplies project addresses an AP priority and aims to implement the principles of the Commission's White Paper on Food Safety of January 2000. The project should result in the establishment of a comprehensive food safety control system covering the entire food chain. In particular, it should result in a significant strengthening of the administrative capacity of the Czech Agriculture and Food Inspectorate, to be confirmed by its ISO 9001:2000 certification. The project should also lead to proposals and recommendations for relevant legislative, structural and organisational changes that may be required so as to ensure the project's purpose, and should include the provision of relevant equipment allowing for adequate data collection and analysis, interconnection with the relevant systems in the EU and rapid alerts, and the provision of information to the public. The project is complementary to related support provided under Phare programmes 1998 and 2001 and conditional on Czech co-financing of the supplies component.

2002/000-282.05.03 Application of EU Quality Standards System: This twinning-light and supplies project addresses an AP priority and aims to ensure the Czech classification agency can carry out its duties under the SEUROP acquis as concerns the application of quality standards for agricultural supplies. The project should result in the agency being fully capable of organizing and supervising the classification of animal carcasses and implementing EU quality standards and classification systems for carcasses of pigs, cattle and sheep at slaughterhouses. The supplies component of the project should ensure the agency can determine the quality of meat in full compliance with the acquis, and is conditional on Czech co-financing. The project as a whole is conditional on the adoption of the required legislation for the establishment of the classification agency.

2002/000-282.05.04 Strengthening Special Diagnostic Methods in Phyto-Sanitary Administration – Plant Health: This twinning project addresses an AP priority and aims to ensure that the central regulatory and technical capacity of the State Phyto-sanitary Administration is in full compliance with Directive 2000/29 concerning plant health-harmful organisms. The project should result in staff working at two specialised semi-central diagnostic laboratories based in Prague and Olomouc respectively being fully trained to be able to use the new phyto-sanitary diagnostic methods of harmful organisms as prescribed by the above acquis. The project is complementary to support provided under Phare in 1999, 2000, and the supplies provided under Phare 2001 in particular.

2002/000-282.05.05 Improving BSE Detection Capacity: This supplies project addresses an AP priority and aims to ensure full compliance with Regulation 999/2001. The project should result in the relevant testing institutions in the Czech Republic being capable to carry out BSE tests and related activities to a standard required by the Regulation. The project should take the form of two Direct Agreements with providers of the relevant BSE test kits specified in the Regulation, so as to ensure the three Czech laboratories concerned are fully equipped to carry out their duties under the acquis as effectively, efficiently and economically as possible. The project is conditional on Czech co-financing and the fact that this investment only concerns the start-up phase and will be decreasing over time, i.e.

should further Phare funding be granted under 2003, this will be markedly less than the allocation under this 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 Common Agricultural Policy (CAP) implementation, including the Agriculture and Rural Development sectoral operational programme: Measurable indicators of progress include the completion of restructuring of the Ministry of Agriculture (MoA) in accordance with an Action Plan reflecting the output of Phare twinning project CZ98/IB/AG/01, accreditation of the SAPARD Agency and National Fund (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 Integrated Administration Control System (IACS), completion of the legislative, organisational, technical and financial requirements for the establishment of the State Agriculture Intervention Fund (SAIF) 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

2002/000-282.06.01 Implementation of the Acquis at Regional Level: This twinning and supplies project addresses an AP priority and aims to ensure acquis compliant implementation of Directives relating to CITES and nature protection, environmental accidents, chemical substances and waste management, and water and air protection at regional level. The project should result in the relevant staff working in the environment departments of the 14 newly established NUTS III regions having the adequate skills to carry out their responsibilities under the acquis. Particular outputs should be a comprehensive assessment of the administrative and institutional capacity of the Regional Authorities and proposals for structural, organisational and management changes, where required and appropriate. The project also foresees the purchase of IT equipment that would allow these 14 Authorities to carry out their duties effectively and efficiently, in particular as concerns the issuing of environmental permits, and access to and dissemination of acquis-specific information. The supplies component is conditional on Czech co-financing.

2002/000-282.06.02 Environmental Impact Assessment: This twinning and supplies project addresses an AP priority and aims to ensure full compliance with the acquis as concerns the assessment of the effects of certain public and private projects on the environment, and Directives 85/337/EEC and 97/11/EC in particular. The project should ensure the full transposition of the acquis including Strategic Environment Impact Assessment (SEA) Directive 2001/42/EC, as well as its practical implementation. To this end a strategy to enable the Ministry of Environment to carry out its responsibilities as concerns co-ordination and supervision of environmental assessment procedures should be developed. In addition, permitting procedures for both the Ministry and regional authorities should be elaborated and a monitoring strategy for the regional authorities designed. The project should clarify the links between the EIA and the development consent procedure under Czech legislation, including the obligations deriving from the Czech Nature Protection Act related to the granting of waivers, as well as the provisions of Article 6 of the Habitats Directive 92/43/EC. The implementation of this project should take account of the outputs of the relevant SEA project financed under CZ9916. The supplies component should allow the Ministry's regional branches to carry out their duties as concerns implementation and transposition as foreseen under the above two Directives, and is conditional on Czech co-financing.

2002/000-282.06.03 Implementation of NATURA 2000: This technical assistance and supplies project addresses an AP priority and aims to ensure full compliance with the acquis as concerns the management of NATURA 2000 sites as required under Directives 92/43/EEC (Habitats) and 79/409/EEC (Birds). The project should result in the development and issuing of practical guidelines

for the management of NATURA 2000 sites, the relevant protected area staff and management adequately trained in the technical and practical managerial skills required by the NATURA acquis, and greater awareness among the local communities concerned of the value of nature conservation and the purpose of NATURA sites. An additional output of the project should be the establishment of a mechanism allowing for a regular exchange of NATURA related information between the Visegrad countries and the creation of a specific Website. The project is conditional on agreement by the Commission to the respective NATURA sites two months after signature of the Financing Memorandum. The supplies component is conditional on Czech co-financing.

2002/000-282.06.04 Equipment for the Waste Management Centre: This supplies project addresses an AP priority, is complementary to project CZ00.05.02 and aims to ensure full compliance with the acquis as regards waste treatment, and Directives 91/689/EEC (hazardous Waste), 96/61/EC (IPPC), 86/278/EEC (sewage sludge), 96/59/EC, 99/31/EC (landfills) and waste resulting from a variety of chemical substances. The project should result in the Centre for Waste Management (CWM) having the capacity required to carry out independent analyses of hazardous waste, including sewage sludge from Wast Water Treatment Plants (WWTPs) and PCBs, in compliance with the acquis. The supplies should allow the Centre to equip its laboratories so as to carry out sampling and analysis activities of chemical components, substances and ions of sewage sludge and mineral oil pollution. The project is conditional on Czech co-financing and unequivocal clarifications as concerns the allocation of responsibilities between the Centre for Waste Management and the Czech Environmental Inspectorate in the area of waste, and the allocation of responsibilities between the CWM and the Ministry of Agriculture as concerns soil analysis.

2002/000-282.06.05 Reinforcement of IPPC Implementation: This twinning project addresses an AP priority, is complementary to project CZ00.05.01 and a proposed twinning light project under the Phare 2001 budget, and aims to ensure full compliance with the acquis as concerns Integrated Pollution Prevention and Control (IPPC). The project should result in the setting up of an integrated permitting mechanism and permitting review procedures, the establishment of the practical interrelation of Environmental Management System (EMS) with IPPC permitting and enforcement, improvement in the information exchange on BAT (Best Available Techniques) in accordance with the IPPC acquis, an assessment of the practical application of advanced integrated procedures, the development of an integrated charging system for IPPC and adequate skills for all relevant staff involved in the application of IPPC procedures, BAT application and related responsibilities.

2002/000-282.06.06 Financing Tools to Implement the Acquis in the Environment Sector: This twinning project addresses an AP priority and aims to contribute to the establishment of an acquis compliant financing strategy in selected environment sectors. The project should result in a pipeline of projects (for two exemplary regions) which need to be implemented in order to achieve full compliance with the environment acquis in the water, waste and air sectors. The pipeline should be comprehensive, so that if all projects are completed, installations in the selected regions comply with the acquis in the above sectors. The pipeline should be based on an assessment of the existing infrastructure and the establishment of an inventory of actions required for acquis compliance. Thus, the pipeline should be based on a bottom-up need assessment, and prioritised. A number of representative pilot projects should be selected so as to undertake a detailed financial analysis of costs and benefits, as well as potential financial sources. The experience thus gained should be disseminated to all other regions of the Czech Republic.

Implementation of the above projects should take account of the outputs of relevant activities financed under Access 99 and 2000.

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. The system of licensing and permitting facilities should reflect an integrated approach.

Objective 7 – Justice and Home Affairs

2002/000-282.07.01 Improvement of Border Protection: This twinning light and supplies project addresses an AP priority and aims to ensure compliance with the acquis as concerns border control enforcement. The project is complementary to project CZ01.07.04 and should result in measurable improvements in the organisation of checks at the borders, the fight against illegal immigration and the detection of false and forged travel and identity documents. The project is conditional on Czech co-financing of the supplies component and satisfactory implementation of CZ01.07.04.

2002/000-282.07.02 Schengen Action Plan and Information System – Part II: This twinning and supplies project addresses an AP priority and aims to transpose the Schengen acquis and further develop the National Schengen Information System Centre (NSIS) and the communication centre enabling the Czech police to co-operate with police services in other Member States. The project is a follow-up of project CZ00.07.02 and should result in significant advances as concerns compatibility with the Schengen acquis of the Police IT Centre, all relevant staff having been trained and equipped to operate the NSIS, and the establishment of an acquis compatible communication network with all relevant operational units in the field, with staff trained to operate the relevant IT technology. The project is conditional on Czech co-financing of the supplies component and satisfactory implementation of CZ00.07.02.

2002/000-282.07.03 Financial Intelligence and Confiscation of Proceeds from Crime: This twinning and supplies project addresses an AP priority and aims to implement the Czech Government's Strategy on Combating Organised Crime by strengthening the capacity of the relevant Czech police services to carry out investigations, gather intelligence and seize and confiscate proceeds from criminal activities. This project is complementary to project CZ01.07.06 and CZ00.07.02. The project should result in 100 police specialists, including detectives, investigators and state prosecutors skilled in the latest techniques as concerns the application of relevant international law and procedures, criminal intelligence gathering, investigations, undercover operations, seizure of proceeds from crime, freezing of assets, etc., and the design of a comprehensive training programme to ensure the training provided is sustainable. The project should take account of relevant recommendations made by the Financial Action Task Force and EUROJUST. The supplies component of the project should provide for the necessary equipment required to increase the success rate of investigations, undercover operations, criminal and financial intelligence and surveillance. The project is conditional on Czech co-financing of the supplies component.

2002/000-282.07.04 Justice Information Network – Part II: This supplies project addresses an AP priority and aims to complete the establishment of the Justice Information Network in compliance with the IT Justice Sector Strategy for 2001-2005. This project is the second step of a process launched under project CZ01.07.02 and should result in measurable improvements in 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 completion of a mutually compatible sector data network (including the information about prosecuted persons). The project is linked to Phare institution building support provided under 1998, 1999 and 2000 programmes,

complementary to support provided under the 2001 programme and conditional on Czech co-financing.

2002/000-282.07.05 Upgrading of the Probation and Mediation Services: This twinning and supplies project aims to improve the Czech criminal justice system and accelerate criminal proceedings by upgrading the Probation and Mediation Service (which participates in the conflict resolution between victims and offenders). The project should result in a measurable and sustainable increase in the skills levels of Probation and Mediation Service staff and the Service being sufficiently and adequately equipped for its staff to carry out their duties effectively. Outputs should include proposals and recommendations as concerns the application of modern standards and best practice, and the structure and organisational set-up of the Service, the design of a comprehensive training package to ensure the skills acquired can be disseminated and built upon in the future, plus the setting up of a quality information system compatible with judiciary and enabling effective communication between different Service centres and HQ. The project is conditional on Czech co-financing of the supplies 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:

Judicial Reform Package approved and implementation started: This touches on all aspects of the new package of reforms adopted by the Government early 2001, 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 (Financial Analytical Unit of the Ministry of Finance) and SPOK (Police specialised unit dealing with economic crime and corruption), 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, Social Affairs and Health

2002/000-282.08.01 Strengthening the Capacity of the Public Health Administration: This twinning and supplies project addresses an AP priority and aims to ensure full implementation and enforcement of the public health acquis that falls under the responsibilities of the Czech Public Health Administration (PHA). The project should result in the PHA being capable of implementing, supervising and enforcing the main areas of public health that fall under its responsibilities, including food safety, occupational health, surveillance and control of communicable diseases, objects of common use-cosmetics, toys and environmental health. In concrete terms this should include proposals and recommendations in the legislative, structural and organisational field including human resource management, proposals for reform at both central and regional levels and the establishment of a modern Public Health Information System, enabling the rapid collection and dissemination of relevant data. Comprehensive and sustainable training of PHA staff in the specific skills required under the acquis concerned is a key component of this project, the supplies component of which is conditional on Czech co-financing. Implementation of this project should take account of the outputs of relevant activities financed under Access 99 and 2000.

2002/000-282.08.02 EQUAL Initiative: This technical assistance and grant scheme project addresses an AP priority and aims to ensure the Czech Republic is fully prepared to participate in the EQUAL Initiative upon accession. EQUAL operates in 4 Actions, with Action 1 being the completion of the constitution of so-called Development Partnerships (DPs) consisting of at least two participating organisations and the finalisation of their respective programme of activities. Action 1 should be completed by mid-April 2002 and be financed entirely by the Czech side. This project should result in the completion of the remaining Actions 2, 3 and 4. Phare co-financing of Action 2 should result in the full implementation by selected DPs of their respective work programmes, Action 3 should result in the establishment of national and international thematic networks of projects, the dissemination of best practice and expertise and use of new practices and findings from individual projects in the policy process at local or national level, and Action 4 should result in the establishment of the necessary implementing infrastructure allowing for training in the management of international partnerships, monitoring, evaluation, etc. as per the requirements set by the Commission for participation in EQUAL. Project components for Actions 2 and 3 should be implemented by means of grant schemes, with Phare co-financing per scheme not exceeding Euro 375.000 for Action 2 and Euro 200.000 for Action 3 and Action 4 by the provision of technical assistance. Action 4 is to run in parallel to Actions 2 and 3, the Phare funding for which is conditional on Czech co-financing. Implementation of this project should take account of the outputs of relevant activities financed under Access 99 and 2000.

2002/000-282.08.03 Preparation of the National Action Plan on Social Inclusion: This twinning and technical assistance project addresses an AP priority and aims to complete the preparations of the Czech National Action Plan on Social Inclusion, with a view to future participation in the European Strategy on Social Inclusion. The project should result in a comprehensive package of proposals and recommendations within the framework of a National Strategy for the Development of Social Services further to a thorough analysis of current Member States' policies on social inclusion, the establishment of a training policy and training programmes for Czech social services providers with an emphasis on life-long learning, the introduction of social services standards and quality assessment within the Czech social services and the creation of an independent statistical module compatible with the methodology of the European system of unified social protection statistics. Implementation of this project should take account of the outputs of relevant activities financed under Access 99 and 2000.

2002/000-282.08.04 Creation of Training Capacity of the Czech Social Security Services/Social Insurance Agency: This twinning-light and supplies project addresses an AP priority and aims to ensure a sustainable strengthening of the capacity of the Czech Social Security Services (CSSA) and the Social Insurance Agency (SIA) to carry out their duties under the ongoing reforms of the pension and sickness insurance system. The project is complementary to project CZ01.08.02 and should result in the establishment of structures and procedures that would allow the CSSA/SIA to do their work to a standard that is comparable to the work done by similar bodies in the Member States, and proposals and recommendations for the establishment of a sustainable training capacity within the CSSA/SIA, including a comprehensive training programme, skilled trainers and a fully operational national training centre, the equipment and training materials for which Phare should help finance. The supplies component of this project is conditional on Czech co-financing.

Objective 9 Administrative Capacity

2002/000-282.09.01 Quality Improvement of HRD Management within Central Administration: This technical assistance project addresses a political priority and aims to secure sustainable improvements in the quality of management of Human Resource Development (HRD) within three pilot ministries, being the Ministry of Labour and Social Affairs (MoLSA), the Ministry of Industry and Trade (MIT) and the Ministry of Justice (MoJ). The Civil Service Office (CSO) and the Institute for State Administration (ISA) should also be involved in this project, which should result in the establishment and certification of Quality Management Systems at the relevant departments within the three pilot-ministries and the CSO and ISA, the completion of comprehensive strategies for the

implementation of Total Quality Management in place in these five institutions, and a model strategy prepared ready for implementation throughout the central state administration.

2002/000-282.09.02 Generic Training System for Officials of Territorial Self-Governing Bodies:

This technical assistance and supplies project addresses a political priority and aims to establish and implement a new and improved generic system of training for public sector employees at the level of self-governing bodies. The project should result in new training programmes for civil servants at the level of the regions and municipalities being fully established, implemented and monitored. It should also provide for the full establishment of the mechanism for the delivery of the training (regional training centres in each of the regions and accreditation of independent bodies to deliver the training). The technical assistance should supply advice to the Ministry of Interior, the regions and selected pilot municipalities, while the supply of equipment should go to training centres to be established in the region for the purpose of training civil servants at the level of the regions. The supplies component of this project is conditional of Czech co-financing.

2002/000-282.09.03 '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 preparations for accession during the lifetime of the 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 Terms of Reference relevant to each self-contained activity, will be subject to the approval of the Head of EC 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 Objective 9. 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.

2. BUDGET

| No. | OBJECTIVE/Project | IB | INV | Total Phare |
|------------------------|--|-------------|-------------|--------------|
| 2002/000-282.01 | PARTICIPATION IN EC PROGRAMMES AND EC AGENCIES | 7.94 | 0.00 | 7.94 |
| 2002/000-282.01.01 | Participation in Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Multi-annual Programme for Enterprises and Entrepreneurs, Media Plus, IDA II, E-content, Customs 2002 and the European Environment Agency | | | |
| 2002/000-282.02 | POLITICAL CRITERIA | 3.00 | 0.00 | 3.00 |
| 2002/000-282.02.01 | Long-term Sustainability of Civil Society Development | | | |
| 2002/000-282.02.02 | Fight Against Marginalisation of Senior Citizens | | | |
| 2002/000-282.03 | TRANSPORT | 0.70 | 0.00 | 0.70 |
| 2002/000-282.03.01 | Application of Directive 2001/16/EC on the Inter-Operability of Railways | | | |
| 2002/000-282.04 | INTERNAL MARKET AND ECONOMIC CRITERIA | 8.70 | 9.58 | 18.28 |
| 2002/000-282.04.01 | Introduction and Management of a Global Automated System for Frequency Spectrum Monitoring – GASFSM | | | |
| 2002/000-282.04.02 | Design and Establishment of a State Treasury System | | | |
| 2002/000-282.04.03 | Capital Markets Legislation and Regulation | | | |
| 2002/000-282.04.04 | Application of IAS to Unlisted Companies | | | |
| 2002/000-282.04.05 | Insurance Supervision | | | |
| 2002/000-282.04.06 | Implementation of IT Strategy for the Customs Administration | | | |
| 2002/000-282.04.07 | Implementation of EU Payment Systems Standards | | | |
| 2002/000-282.04.08 | Action Plan for the Implementation of INTRASTAT Statistics | | | |
| 2002/000-282.04.09 | Continuation of Supplier Linkage and Upgrading Programme | | | |
| 2002/000-282.04.10 | Establishment of a Public Health Financial Management System | | | |
| 2002/000-282.04.11 | Strengthening of the State Energy Inspectorate | | | |
| 2002/000-282.05 | AGRICULTURE | 2.90 | 9.45 | 12.35 |
| 2002/000-282.05.01 | Improvement of Border Veterinary Controls | | | |
| 2002/000-282.05.02 | Strengthening Food Safety Policy | | | |
| 2002/000-282.05.03 | Application of EU Quality Standards System | | | |
| 2002/000-282.05.04 | Strengthening Special Diagnostic Methods in Phyto-Sanitary Administration – Plant Health | | | |
| 2002/000-282.05.05 | Improving BSE Detection Capacity | | | |

| | | | | |
|------------------------|---|--------------|--------------|--------------|
| 2002/000-282.06 | ENVIRONMENT | 3.70 | 3.74 | 7.44 |
| 2002/000-282.06.01 | Implementation of the Acquis at Regional Level | | | |
| 2002/000-282.06.02 | Environmental Impact Assessment | | | |
| 2002/000-282.06.03 | Implementation of NATURA 2000 | | | |
| 2002/000-282.06.04 | Equipment for the Waste Management Centre | | | |
| 2002/000-282.06.05 | Reinforcement of IPPC Implementation | | | |
| 2002/000-282.06.06 | Financing Tools to Implement the Acquis in the Environment Sector | | | |
| 2002/000-282.07 | JUSTICE AND HOME AFFAIRS | 2.98 | 15.67 | 18.65 |
| 2002/000-282.07.01 | Improvement of Border Protection | | | |
| 2002/000-282.07.02 | Schengen Action Plan and Information System – Part II | | | |
| 2002/000-282.07.03 | Financial Intelligence and Confiscation of Proceeds of Crime | | | |
| 2002/000-282.07.04 | Justice Information Network – Part II | | | |
| 2002/000-282.07.05 | Upgrading of the Probation and Mediation Services | | | |
| 2002/000-282.08 | EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH | 1.58 | 5.87 | 7.45 |
| 2002/000-282.08.01 | Strengthening the Capacity of the Public Health Administration | | | |
| 2002/000-282.08.02 | EQUAL Initiative | | | |
| 2002/000-282.08.03 | Preparation of the National Action on Social Inclusion | | | |
| 2002/000-282.08.04 | Creation of Training Capacity of the Czech Social Security Services | | | |
| 2002/000-282.09 | ADMINISTRATIVE CAPACITY | 2.09 | 0.60 | 2.69 |
| 2002/000-282.09.01 | Quality Improvement of Human Resources Management within Central Administration | | | |
| 2002/000-282.09.02 | Generic Training System for Officials of Territorial Self-Governing Bodies | | | |
| 2002/000-282.09.03 | ‘Twinning light’ Reserve | | | |
| TOTAL | | 33.59 | 44.91 | 78.5 |

3. IMPLEMENTATION ARRANGEMENTS

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures².

² taking into consideration the rules set down in the annex of Council Regulation 1266/1999

The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the *DIS Manual* and other instructions of the Commission, and that all contracts are being prepared in accordance with the *Practical Guide for PHARE, ISPA and SAPARD*.³ 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 NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the PHARE funds. He shall ensure that the PHARE rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a reporting and project information system is functioning. **This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity.** The NAO shall have the full overall accountability for the PHARE funds of a programme until the closure of the programme.

b.) Project size

All pure investment projects will be greater than 2 M€.

c.) Contracting and disbursement deadline

All contracts must be concluded by 31/10/04. All disbursements must be made by 31/10/05.

The final deadline for signature of contracts and twinning covenants is 31 October 2004. 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 the following projects: 2002/000-282.04.02, 2002/000-282.04.03, 2002/000-282.04.06, 2002/000-282.05.02, 2002/000-282.08.01, where the deadline is maximum 12 month after the signature of the Financing Memorandum (for reasons of sequencing) and except for project 2002/000-282.09.03 (Twinning light reserve). Technical Specifications will be reviewed by independent experts within the framework of twinning, where possible and appropriate. Any project or its part for which the relevant documents are not submitted within the deadline specified will be cancelled and the money made available for reallocation. Such cancelled funds shall be allocated to another project of project no later than 12 months after the signature of the Financing Memorandum. 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 a decision by the Commission to re-circulate the relevant project fiche. If funds are reallocated to a new project or activity, 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 2004, whichever is the earlier.

d.) Recovery of Funds

Any proven irregularity or fraud discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

³ The Practical Guide has replaced section F ("Procurement") of the DIS Manual

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission's approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

- (a) reduce or cancel any advance;
- (b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

e.) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Czech Republic in December 1998⁴. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Czech National Bank.

aa) Transfer of Funds to the National Fund

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,

⁴ All candidate countries signed the MoU for the establishment of the National Fund in December 1998.

* excluding the amount foreseen for the Community programmes

highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Two replenishments will be made of up to 30 % of the funds to be managed locally* and the final payment of up to 20% or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 5% of the budget* has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 35% of the total budget* in force has been disbursed. The final third replenishment will be paid when 70% of the total budget* in force is disbursed. Exceptionally the NAO may request an advance payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no replenishment may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

The National Fund 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. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the establishment of the National Fund.

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.

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.

cc.) Transfer of Funds to the National Fund for Participation in 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 when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be 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 programmes concerned and within the deadlines requested.

dd.) Interest

In principle, all bank accounts⁵ 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.

f.) Implementing Agencies will be responsible for sub-programmes as follows:

| No. | Sub-Programme | Implementing Agency | Ministries or Institutions with a technical role |
|-----------------|--|---|--|
| 2002/000-282.01 | PARTICIPATION IN EC PROGRAMMES AND AGENCIES | N.A. | Relevant line ministries |
| 2002/000-282.02 | POLITICAL CRITERIA | NROS | - |
| 2002/000-282.03 | TRANSPORT | CFCU | Czech Railways |
| 2002/000-282.04 | INTERNAL MARKET AND ECONOMIC CRITERIA | CFCU | MoF, MIT, SEI, CTO, CZSO, CNB |
| 2002/000-282.05 | AGRICULTURE | CFCU, except for 2002/000-282.05.01 for which the IA is the Centre for Regional Development (CRD) | MoA, SVA, CAFI, CAA |
| 2002/000-282.06 | ENVIRONMENT | CFCU | MoE |
| 2002/000-282.07 | JUSTICE AND HOME AFFAIRS | CFCU | MoJ, MoI, Police Presidium, MoF |
| 2002/000-282.08 | EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH | CFCU, except for 2002/000-282.08.02 for which the IA is the National Training Fund (NTF) | MoLSA, CSSA/SIA, MoH |
| 2002/000-282.09 | ADMINISTRATIVE CAPACITY | CFCU | MoI, MoLSA, Govt. Office |

g.) Environmental Impact Assessment (EIA) and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive⁶ are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive.

⁵ in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

⁶ DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997

If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented⁷.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive⁸ must be documented⁹.

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.

h.) Special rules for certain components for the programme

Twinning

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.

Grant schemes

For grant schemes whose procedures and formats are not covered by the current DIS rules, 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-ante 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 € (or any increased threshold to be fixed by EC Headquarters for small project funds under CBC programmes). Tenders and contracts above this

⁷ in **Annex EIA** to the corresponding investment project fiche

⁸ DIR 92/43/EEC; OJ 206/7; 22.7.1992

⁹ in **Annex Nature Conservation** to the corresponding investment project fiche

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.

4. MONITORING AND ASSESSMENT

Project implementation will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission. The JMC will meet 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 will be assisted by Monitoring Sub-Committees (MSC) which 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

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

5. AUDIT AND ANTI-FRAUD MEASURES

a.) By the Candidate Countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and effective treatment of suspected cases of fraud and irregularities.

Irregularity shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them.

Fraud shall mean any intentional act or omission relating to:

- (i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,
- (ii) non-disclosure of information in violation of a specific obligation, with the same effect,
- (iii) the misapplication of such funds for purposes other than those for which they are originally granted .

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94¹⁵.

¹⁵ OJ L 253; 7.10.00; p. 5-14

In particular, all suspected cases of fraud and irregularities as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularities or related measures to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

b.) By the Commission

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 audits by 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 may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96¹⁴.

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.

6. 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 set down in the Annex "Visibility/Publicity". (*enclosed*)

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of 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.

¹⁴ OJ L 292; 15.11.1996; p. 2-5

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:

- Regulation (EEC) 1159/2000 Official Journal of the European Communities No L130/30, 31 May 2000;
- Commission Decision of 31 May 1994; Official Journal of the European Communities No L 152/39, 18 June 1994.

Specific provisions concerning ISPA are included in:

- Commission Decision of 22nd June 2001, Official journal of the European Communities No L.182/58

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.