

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: *CZ2003/004-338.01 to 338.08 inclusive*

Title: *2003 Phare National Programme for the Czech Republic-Part I*

Duration: *Until 31/10/2005*

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **€ 38.5 million** 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 **31/10/2005** subject to the provisions of this 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 **31/10/2006**. 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

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.

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*

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

Zdeněk Hrubý

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 2003 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 to consolidate compliance with 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 Political Criteria

CZ2003/004-338.01.01 Improvement of Long-Term Opportunities for Roma: This (grant scheme) project aims to improve access for Roma in three priority areas: employment, education and housing. The results of the project should be increased employment for Roma, an increase in their skills levels and improved quality of the living space in Roma neighbourhoods. This should be achieved by providing re-qualification courses, the establishment of innovative approaches to create enterprises, including community development initiatives with active participation of minorities, and the development and/or establishment of community centres respecting the quality standards of social services in regions with a high minority concentration. Furthermore, long-term educational programmes, which could be followed-up with financing under the European Social Fund, should be developed in order to upgrade management skills of managers of Roma and non-Roma Civil Society Organisations. Also, long-term educational programmes should be developed in secondary and higher education, which should lead to increased success rates for Roma in entrance examinations. In the field of housing, the project should result in improved local public spaces, which is to be achieved by means of community initiatives and the creation of attractive "safe places" within Roma neighbourhoods so as to de-stigmatize/de-ghettoize neighbourhoods with large Roma populations. The project should be implemented by means of a grant scheme, plus an allocation of 7 % to cover the management costs incurred by the Implementing Agency, NROS - the Czech Civil Society Development Foundation, and an allocation of 0,5 % to cover costs of Assessors/Evaluation Committee responsible for appraising grant applications. The minimum Phare contribution to a grant project will be € 30.000, the maximum contribution € 50.000.

Objective 2 Internal Market and Economic Criteria

CZ2003/004-338.02.01 Czech Trade Inspection – Strengthening Market Surveillance, including the Rapid Alert System: This twinning-light, technical assistance and supply

project aims to ensure full compliance of the Czech market surveillance of non-food products with the relevant acquis, and Directives 92/59/ECC and 2001/95/EC and Regulation 339/93/ECC in particular. The project should result in strengthened organisational structures at the Czech Trade Inspection (CTI) in the field of general product safety inspections and cross-border inspection of potentially dangerous products. The project should provide for the development of market surveillance plans, systematic and coherent efforts to increase consumer awareness of product safety issues, which include the involvement of consumer non-governmental organisations, as well as sustainable and relevant training for staff at the Ministry of Industry and Trade (MIT) and the CTI. It should also provide for improved exchange of information between MIT, CTI, and customs administrations. The implementation of the project should take into account the results of the peer review conducted in October 2000, the Monitoring Report on chapter 23, and is conditional on Czech co-financing for the supply component.

CZ2003/004-338.02.02 Implementation of EC Directives on Energy Efficiency: This twinning and technical assistance project aims to improve the quality of the statistics of renewable energy sources and to ensure full compliance with the relevant acquis, and Directive 2001/77/EC and Council Recommendation 88/349/EEC in particular. Furthermore, it aims to facilitate and accelerate the introduction of energy conservation and use of environmentally sustainable technologies in buildings and to analyse compatibility of the Czech legislation on energy efficiency with EU legislation. The project should result in a functional data collection system on renewable energy sources at the Energy Statistics Unit in the Ministry of Industry and Trade, and trained staff, enabling them to use new methods of renewable energy sources data collection. The project should also provide a market segment analysis on energy performance in buildings, including a study about actual energy efficiency in selected public buildings, selected tools for improvement of energy efficiency to the required level and a system of financing from public and private funds. The project is complementary to projects CZ00.04.04 and CZ2002/000-282.04.11 and should be implemented in close co-operation with the Energy Regulatory Office, the Czech Statistical Office and the State Energy Inspectorate.

CZ2003/004-338.02.03 Capital Markets – Central Depository of Securities: This technical assistance and supply project aims to ensure the functionality and transparency of the Czech capital market according to EU and international standards, and Directives 2002/47/EC, 98/26/EC and recommendations of the Lamfalussy Report on securities settlement systems in particular. It should also ensure increased efficiency and effectiveness of the supervisory body, the Securities Commission, in order to improve the protection of investors. The project is a follow-up of project CZ2002/000-282.04.03, which should provide a new concept and related institutional arrangements based on the principle of “delivery versus payment” and be the basis for the assessment of technical needs done under this project. This project should result in a fully functioning system of unified settlement of securities, based on the principle “delivery versus payment” in the framework of the Central Depository, and in trained management and other relevant staff on the IT support system of settlement. The supply component is conditional on Czech co-financing and satisfactory progress in the implementation of the project referred to above.

CZ2003/004-338.02.04 Strengthening the Czech Banking Sector - Application of Basle II: This twinning-light and technical assistance project aims to strengthen the capacity of the commercial banking sector to implement advanced methods of risk management in compliance with Basle II, New Capital Accord in particular, in order to enhance the stability of the banking sector in the Czech Republic. The Basle Committee intends to finalise the New Capital Accord during 2003, and the Accord should be effective as from 2006. During the three years prior to 2006, banks and supervisors should adapt and develop necessary systems and processes in conformity with the standards of the New Capital Accord. The results of this project should include an overall study defining appropriate criteria for banks’ internal rating

systems in compliance with Basle II, the drafting and issuing of manuals covering inter-alia the performance of banking supervision under new conditions under the New Capital Accord and relevant EU Directives, an assessment of the internal rating system of banks, an assessment of credit risk management systems and the assessment of methods and models for operational risk quantification and the incorporation of these methods into the overall operational risk management process. Crucially, this project should provide for training of a substantial number of Czech commercial banks top managers, specialists from respective departments and Banking Supervisors from the Czech National Bank in the new methodologies based on Basle II. Phare assistance is conditional upon co-financing of the training component by the end-beneficiaries.

CZ2003/004-338.02.05 Strengthening the Capacity of the Czech Statistical Office: This technical assistance and supply project aims to strengthen the administrative capacity of the Czech Statistical Office (CZSO) so as to allow it to comply with Commission Decision No 97/281. The project should result in the development of a new information technology (IT) and dissemination strategy for efficient and rational data collection, data processing and dissemination, taking into account demands for data quality, data safety and data production, and improved data availability in line with the above Decision. This project should also provide detailed technical specifications of software needed for central data collection, processing and dissemination, and training of CZSO staff in using this new equipment. The second component of this project is the purchase of new hardware, software and other equipment for data processing and dissemination. This project builds on the results of a Phare 2002 TA project that should develop technical specifications for the supplies component and provide input for the TA component of this particular project. As such, it is complementary to project CZ2002/00-282.04.08, which should also result in the revision of the CZSO's strategic plan. The revised strategic plan should be available in 2003 and its adoption is a precondition for the development of a new IT and dissemination strategy under this project and the purchase of the relevant supplies. A further precondition for implementation of the second component under this project is the completion of the new CZSO's headquarters building by end of 2003, and Czech co-financing of the equipment.

CZ2003/004-338.02.06 Strengthening Public Procurement Enforcement: This twinning project aims to ensure the implementation of a comprehensive public procurement system in the Czech Republic in line with the acquis. The project is complementary to project CZ00.04.05 and conditional on its satisfactory implementation and the adoption of an acquis-compatible Act on Public Procurement and Surveillance of Procedures for the Award of Contracts by the start of its implementation at the latest. It should ensure improvements to the public procurement system in the Czech Republic, covering all relevant legal, procedural, monitoring, remedial and performance supervision and administrative capacity aspects so as to allow for the satisfactory implementation of the new Act, and guarantee an effective, non-discriminatory and transparent public procurement environment in compliance with the acquis and EU Member States' best practice. The Commission reserves the right to cancel the 2003 project at any stage if the above conditionalities are not met.

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 should be made as regards the management of public finance, in particular by addressing the high and rising mandatory and quasi-mandatory government expenditures, reforms of social expenditure, such as pension and health care schemes, a more decisive approach towards selling of bad assets of the Czech Consolidation Agency to private investors, strengthening the legal framework and facilitating access of SMEs to finance, liberalisation of the

telecommunications market and strengthening the regulatory framework in the telecommunication and postal sector.

Objective 3 Agriculture

CZ2003/004-338.03.01 Improvement of the State Veterinary Administration Laboratory Network: This supply project aims to ensure full compliance with EU food safety policy and the relevant acquis. This project should support the State Veterinary Administration (SVA) as part of an integrated crisis management system to ensure effective administrative and laboratory diagnostics structures, including market surveillance, to enable information exchange on food safety with other state surveillance bodies and improved information provided for the public. The project should provide modern laboratory equipment for the State Veterinary Institutes in Prague, Jihlava, and Olomouc, and for the USKVBL (Institute for State Control of Veterinary Bio-preparations and Medicaments) in Brno, enabling these institutes to comply with EU diagnostic and testing standards for the verification of meat, meat products and living animals, and to comply with all relevant hygienic limits, including detection of presence and determination of portion of organic and non-organic residues, and safety and quality control of imported medical products for animals from third countries. In addition, the project should provide equipment to improve and extend the current information system of the SVA with EU RAPID partners, the Czech Agri-Food Inspection and other state surveillance bodies, in order to obtain information more promptly. The project is a follow-up of project CZ2002/000-282.05.02 and should finalise the harmonisation process. The implementation of the project is conditional on Czech co-financing and the satisfactory implementation of the above project.

CZ2003/004-338.03.02 Strengthening Food Safety Policy – Animal Feed: This twinning-light and supply project aims to finalise the implementation of the Commission White Paper on Food Safety of January 2000, and the relevant acquis, and Directives 99/29/EC, 2002/32/EC, 95/53/EC and 95/69/EC and Regulation 178/2002/EC in particular. The project should result in the strengthening of consumer protection in the Czech Republic by means of improvements in the administrative capacity of the Central Institute for Supervising and Testing in Agriculture (CISTA) and provide for training in management, effective implementation of the acquis, development of analytical methods and training of laboratory staff. Furthermore the project should provide partial modernisation and adjustment of the existing IT system, and improvement of the CISTA laboratory equipment enabling higher sample and wider scope of analytical techniques focusing on undesirable substances and contaminants with high risk to the food chain. This project is complementary to project CZ2002/000-282.05.02 and conditional on satisfactory progress in the implementation of this particular project, close co-ordination with previous Phare projects and on Czech co-financing of the supplies component.

CZ2003/004-338.03.03 Strengthening Institutional and Administrative Capacity in the Phytosanitary area: This technical assistance and supply project aims to strengthen and complete the central regulatory capacity and the appropriate technical capacity of the State Phytosanitary Administration (SPA), in order to enable full implementation of the acquis in the field of plant health harmful organisms (Directive 2002/29/EC) and testing of plant protection products (Directive 91/414/EC). This project should ensure that the division of diagnostics in Olomouc is fully prepared and able to perform its tasks in the field of testing biological properties of plant protection products from the day of accession and the central laboratory in the same town can implement the main rules of good laboratory practice, as well as to fulfil quarantine requirements, monitor harmful organisms and transfer important information to all Member States. It should also ensure the transfer and collection of technical data for registration of plant protection products at the SPA, and provide equipment for SPA diagnostic laboratories for testing bacterial diseases of potatoes according to the recommendations provided under project CZ9903.02. This project is complementary to

projects CZ01.05.04 and CZ2002/000-282.05.04 and conditional on their satisfactory implementation and close co-ordination and on Czech co-financing.

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:

Common Agriculture Policy (CAP): further strengthening of administration structures for the implementation of the CAP and harmonisation of the veterinary legislation, adoption of the framework law and technical legislation in particular. Particular attention should be paid to resource allocation with the MoA as regards the implementation of the IACS system, in line with outputs of previous and current Phare-funded projects.

Objective 4 Environment

CZ2003/004-338.04.01 Integrated and Planned Enforcement of Environmental Law: This twinning and supply project aims to strengthen environmental protection in the Czech Republic by further improvement of the capacity of the Czech Environmental Inspectorate (CEI), in order to fulfil EU minimum criteria for environmental inspection at central, regional and local level. This project should result in the establishment of a strategic plan for the CEI, training of trainers and CEI staff in strategic planning, and building up a new network and monitoring system for environmental enforcement. In addition, this project should provide assistance for the establishment of clear competencies on environmental enforcement between the central, regional and local level, which will start in 2003 as part of the administrative reform in the Czech Republic, and equipment for CEI headquarters in Prague and 10 regional offices and the headquarters in Prague. The project is complementary to project CZ9811.01, CZ00.06.01-03 and CZ2002/000-282.06.01, 06.02 and 06.05. The implementation of the project is conditional on Czech co-financing of the supply component and the satisfactory implementation of the above projects.

CZ2003/004-338.04.02 Environmental Information and Management System (CENIA): This twinning project aims to strengthen the information and reporting system in the environmental sector in compliance with the relevant acquis, and Directive 90/313/EEC and 91/692/EEC and Council Regulation 1210/90 in particular. The project focuses on the establishment of the Czech Environmental Information Agency (CENIA) and the building up of a framework for Community actions in the field of reporting and information provision. It should result in the development of a centralised environmental data model, including management of data for reporting purposes, and the implementation of a public information and consultation mechanism. The project is complementary to project CZ01.09.04-01.

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:

Finalise transposition of the Environmental acquis: as regards horizontal legislation, water quality, waste nature protection and IPPC, ensuring the provision of the necessary financial means, as well as further strengthening of the administrative capacity at the regional and local level.

Objective 5 Justice and Home Affairs

CZ2003/004-338.05.01 Judicial Academy and Co-operation in Criminal Matters: This twinning and supply project aims to enhance the functioning of the Judicial Academy by strengthening and harmonising the educational and career system in the justice sector and to improve mutual assistance in criminal matters, within the wider framework of increased

efforts to fight terrorism post September 11 and the development of the European Arrest Warrant. The results of the project should be the definition and development of a training system and further education of lower and middle ranking personnel in the justice sector, the installation of a database, that collects information about offered education services and learning materials, and the establishment of inter-active distance teaching facilities. Furthermore, the necessary technical facilities should be provided for the hearing of witnesses via video-conference according to Article 10 of the Convention of Mutual Assistance in Criminal Matters between Member States of the European Union. The implementation of this project is conditional on satisfactory implementation of project CZ00.07.05 and on Czech co-financing of the supply component.

CZ2003/004-338.05.02 Fight against Money Laundering: This supply project aims to strengthen the efficiency at the Financial Analytical Unit (FAU) of the Ministry of Finance, which is responsible for the co-ordination of actions against money laundering. The project should result in improved electronic communication between all bodies involved in combating money laundering and the proceeds of drugs-related crime and the newly unified specialised police service for combating crime and corruption in particular. The implementation of the project will require further updating of the current information system of the FAU in order to ensure a reliable IT environment for encrypted communication. The project should result in a simpler, faster and safer transfer of data between the FAU and police, prosecutor's offices, tax and customs administration, Securities Centre, Securities Commission, Banking Supervision and Banking Association. The project is a follow-up to 1998, 1999, 2000 and 2001 Phare projects and conditional on their satisfactory implementation. It is also complementary to the 2000 Phare multi-beneficiary Drugs Programme, which focused inter alia on the electronic encrypted connection between Financial Intelligence Units. The Ministry of Finance is responsible for close co-operation between FAU and all involved bodies. The implementation of this project is conditional on close co-operation, and co-ordination with previous projects, as well as on Czech co-financing of the supply component of this project.

CZ2003/004-338.05.03 Combating Fraud against EU Financial Interests and Financial Crime: This twinning and supply project aims to strengthen the implementation of the Czech strategy on combating organised crime by further improving the administrative and co-operation capacity of the Unit for Combating Corruption and Major Economic Crimes, Office of Financial Crime and Protection of State, Office of Service of Criminal Police and Investigation of the Police Presidium of the Czech Republic, as well as Supreme and High State Prosecutor Offices. The project should ensure improved working and technical conditions for Czech police officers working on the detection of financial crimes involving the abuse of non-cash monetary instruments, further promotion of co-ordinated multi-agency actions by law enforcement institutions in combating financial crime and frauds against EU financial interests, and the establishment and promotion of police co-operation with European partner agencies (OLAF, Europol, Eurojust etc.). This project is a follow-up to 1998, 1999, 2000, 2001 and 2002 projects and conditional on their satisfactory implementation and close co-ordination with these projects, as well as on Czech co-financing of the supply component of this project.

CZ2003/004-338.05.04 Strengthening the Fight against Trafficking in Human Beings: This twinning and supply project aims to strengthen the capacity of law enforcement bodies to combat trafficking in human beings and organised prostitution. Further to a detailed evaluation of existing policies to be carried out within the framework of this project, the project should result in recommendations for improved policy formulation and implementation, to be confirmed by the establishment of a specific governmental strategy on combating trafficking in human beings, focusing especially on the trade in women and children and organised prostitution. The results of this project should include the establishment of a network for the production, collection and distribution of relevant statistics

and research with and to all relevant bodies, which should allow for an exchange of expertise and experience with other Member States. It should also provide for manuals for specialised police services and alien and border police, including indicators of trafficking related crime, collection and dissemination of counter-trafficking intelligence, and the protection of victims. Finally, the project should provide for sustainable training for officers of the special units within the Czech criminal police and for all competent law enforcement agencies, and improved technical capacities of the Czech criminal police in line with those of EU Member States. The supply component of this project is conditional on Czech co-financing.

CZ2003/004-338.05.05 Schengen Information System: This supply project aims to finalise the building-up of the Czech national Schengen Information System in line with Regulation 2424/2001, Council Decision 2001/886/JAI and Commission Communication (720) 2001. The project should result in an improved IT infrastructure used by alien and border police, mainly through reconfiguration of the existing communication nodes of Zlin, Brno and Ostrava. This project is complementary to project CZ98.10.01, CZ99.04.01, CZ00.07.02 and CZ2002/000-282.07.02. The implementation of this project is conditional on close co-ordination with the 2002 project, as regards needs assessment and technical specification, and on Czech co-financing.

Objective 6 Employment, Social Affairs and Health

CZ2003/004-338.06.01 Information System for Administration of Free Movement of Persons: This twinning, technical assistance and supply project aims to support the creation of a centralised information system of migrating persons after EU accession. This project is part of the Czech Social Security Administration (CSSA) strategy on “Integrated system for management and administration”, which is based on three strategic objectives: 1) transformation of CSSA into a Social Insurance Agency, 2) substantial improvement in administration of pension and sickness insurance, suitable improvement in the management and administration of the CSSA, including upgrading of its information system, and 3) creation of professional prerequisites at CSSA to accomplish the tasks related to the EU accession, and should result in the establishment of a fully operational database system of migrating persons, which should collect and process data from some 120 contact points in the Czech Republic and be linked to and fully compatible with partner institutions in all EU Member States. The project is linked to 1999 CONSENSUS III programme, project CZ00.03.03, CZ01.08.02 and CZ2002/000-282.08.04 and conditional on their satisfactory implementation and on Czech co-financing of the supply component.

CZ2003/004-338.06.02 Preparation of the Labour Market and Social Protection Information Systems: This twinning, twinning-light, technical assistance and supply project aims to strengthen the capacity of the Ministry of Labour and Social Affairs IT system needed to ensure the efficient administration of social protection issues at the central, regional and municipal level. The project should result in an operable national employment service (EURES) structure, which should facilitate the free movement of workers within the European Economic Area, and in a fully compatible and functioning data link to the European System of Social Protection Statistics (ESSPOS). The project includes the purchase of essential equipment, and the provision of the relevant training. The project is conditional on Czech co-financing of the supply component.

CZ2003/004-338.06.03 Completion of Institution Building for Labour Inspection: This twinning and supply project aims to ensure sufficient capacity within the Ministry of Labour and Social Affairs (MoLSA) and the Czech Occupational Safety Office (COSO) so as to allow these institutions to enforce occupational health and safety standards in line with the relevant acquis. At the time of drafting, MoLSA is preparing a draft Act on Labour Inspection, which according to the legislative plan of the Government, should be submitted to the Government by the summer of 2003. The draft Act and the analysis of managing methods

on safety and health protection at work in EU Member States should be the basis for formulating and proposing a managing method on safety and health issues in the workplace. This project should result in the establishment of an acquis-compatible and sustainable life-long learning system for inspectors, the design of an information campaign for the general public, employers and employees, and the set-up of an acquis-compatible monitoring system. The project should take account of the outputs of project CZ9903.02/3, 1999 Consensus III, and is conditional on the satisfactory implementation of CZ00.08.01, and on Czech co-financing of the supply component.

CZ2003/004-338.06.04 Compliance with Radiation Equipment Standards in Hospitals:

This supply project aims to improve the radiation protection of patients and personnel in hospitals in line with the acquis, and Directive 96/29/Euratom and 97/43/Euratom in particular. This project complements the Ministry of Health's programme "Support of Health Care Development", which inter-alia supports efforts to reduce the amount of ionising radiation on patients in hospitals. This project should co-finance the purchase of linear accelerators in health care facilities selected as end beneficiaries by the Commission for Evaluating the Distribution of Selected Health Technology Equipment, established at the Czech Ministry of Health. The project is conditional on Czech co-financing.

CZ2003/004-338.06.05 Mutual Recognition of Professional Qualifications in the Health Sector:

This twinning project aims to ensure full compliance with the acquis in the area of mutual recognition of professional qualifications in the health sector, including the social directives and Directives 89/48/EC, 92/51/EC and 99/42/EC in particular. The project should result in the establishment of a fully operational and competent unit responsible for the recognition of qualifications in health care professions within the structures of the Ministry of Health (MoH), with adequate numbers of trained staff. Key outputs of this project include transparent and uniform rules and procedures for the mutual recognition of professional qualifications as well as an efficient and compatible IT system at the Ministry of Health. The project should also result in the establishment of a central register of nurses and midwives and other paramedical professions, and for curricula for nurses and midwives. The autonomy of those professions vis-à-vis doctors must be confirmed.

Objective 7 Administrative Capacity

CZ2003/004-338.07.01 Support to the Institute of State Administration for Middle- and Top Level Management:

This technical assistance and supply project aims to strengthen the capacity of the Institute of State Administration in developing training programmes and training management in order to implement the reform of the public administration in line with the Civil Service Act. The project should result in some 180 managers and 20 trainers trained in pilot courses enhancing their competence in management or training skills in the field of project management, quality management, strategic planning and human resources development. In addition, the quality and type of training needed for top and middle management in public administration bodies should be assessed and management training plans for the years 2004-2006 developed, as well as training modules and materials prepared and e-learning facilities created. The project is complementary to project CZ00.09.01, CZ01.09.04, and CZ2002/000-282.09.01 and conditional on their satisfactory implementation and on Czech co-financing of the supply component.

CZ2003/004-338.07.02 Strengthening Public Internal Financial Control at the Regional Level:

This twinning and technical assistance project aims to ensure the implementation of public internal financial control (PIFC) at the level of the 14 regional self-governing bodies, so called kraje. The project should result in a) an established system for ensuring PIFC in each kraj, which meets accepted international standards and best practice, and b) sufficient capacity to implement the system for ensuring PIFC in each kraj (i.e. enough staff in internal audit units and all relevant staff sufficiently well-trained). The project will focus on the

internal audit units of the kraje, and consists of 3 components; assistance to the kraje concerning PIFC methodology and supervision; upgrading of auditing techniques, and increasing the qualifications of relevant staff through training. The project is complementary to project CZ01.09.01, CZ01.09.03, and CZ2002/000-282.09.02. The project is conditional on the submission of the following documents to the Commission Delegation within 1 month of the signature of the Financing Memorandum: a letter from the relevant Deputy Minister of Finance (MoF) indicating that responsibility for the proper implementation of the project rests with the MoF; a letter from the relevant Deputy Minister of Interior (MoI) indicating that responsibility for the proper implementation of the project rests with the MoF; letters from the Heads of the 13 kraj offices indicating that they accept to work within the context of the project under the day to day lead of the Central Bohemia kraj office. In the case that these documents are not submitted on time, the project will be cancelled and the relevant funds re-allocated.

CZ2003/004-338.07.03 Unallocated Institution Building Envelope: A modest allocation has been set aside to allow for the mobilisation of *ad hoc* technical assistance (either through twinning-light or normal tendering procedures) support that may be needed to address priorities that emerge in the course of preparations for accession during the lifetime of the programme. Sectors, *inter alia*, 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 Commission Delegation in Prague (as per the De-concentration Instructions of October 2000).

Objective 8 Economic and Social Cohesion

CZ2003/004-338.08.01 Small-scale Business-related Infrastructure Grant Scheme in selected NUTS II regions: This investment (grant scheme) project should originally be implemented under the Phare National Programme 2001 but was postponed to be financed under this Programme, in order to re-allocate funds for the Phare Floods Reparation Programme 2002. 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 subsequent updates, and the relevant Regional Operational Programmes included in annex to this document. This grant scheme 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 and maximum sizes of contracts to be financed under this grant scheme are € 0.6 million and € 2 million respectively (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 4 months after signature of the Financing Memorandum. Given the size of the individual projects to be financed, the grant scheme will not be subject of the Delegation verification exercise indicated under section 6, h), grant schemes below.

2. BUDGET

No.	OBJECTIVE/Project	IB	INV	Total Phare (in M€)
01	POLITICAL CRITERIA	1.00		1.00
01.01	Improvement of Long-Term Opportunities for Roma			
02	INTERNAL MARKET AND ECONOMIC CRITERIA	4.56	3.61	8.17
02.01	Czech Trade Inspection – Strengthening Market Surveillance, including the Rapid Alert System			
02.02	Implementation of EC Directives on Energy Efficiency			
02.03	Capital Markets – Central Depository of Securities			
02.04	Strengthening the Czech Banking Sector - Application of Basle II			
02.05	Strengthening the Capacity of the Czech Statistic Office			
02.06	Strengthening Public Procurement Enforcement			
03	AGRICULTURE	0.45	4.20	4.65
03.01	Improvement of the State Veterinary Administration Laboratory Network			
03.02	Strengthening Food Safety Policy – Animal Feed			
03.03	Strengthening Institutional and Administrative Capacity in Phytosanitary Area			
04	ENVIRONMENT	1.35	1.40	2.75
04.01	Integrated and Planned Enforcement of Environmental Law			
04.02	Environmental Information and Management System (CENIA)			
05	JUSTICE AND HOME AFFAIRS	1.62	2.70	4.32
05.01	Judicial Academy and Co-operation in Criminal Matters			
05.02	Fight against Money Laundering			
05.03	Combating Fraud against EU Financial Interests and Financial Crime			
05.04	Strengthening the Fight against Trafficking in Human Beings			
05.05	Schengen Information System			
06	EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH	2.10	3.01	5.11
06.01	Information System for Administration of Free Movement of Persons			
06.02	Preparation of the Labour Market and Social Protection Information Systems			
06.03	Completion of Institution Building for Labour Inspection			
06.04	Compliance with Radiation Equipment Standards in Hospitals			
06.05	Mutual Recognition of Professional Qualification in the Health Sector			
07	ADMINISTRATIVE CAPACITY	2.64	0.11	2.75
07.01	Support to the Institute of State Administration for Middle- and Top Level Management			
07.02	Strengthening Public Internal Financial Control at the Regional Level			
07.03	Unallocated Institution Building Envelope			
08	ECONOMIC AND SOCIAL COHESION	0.40	9.35	9.75
08.01	Small-scale Business-related Infrastructure Grant Scheme			
TOTAL		14.12	24.38	38.5

(The figures in the budget table are indicative only)

In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds.

The Community contribution may amount to up to 75 % of the total eligible² public expenditure.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of Phare assistance.

3. IMPLEMENTATION ARRANGEMENTS

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision and the Agreement on the Implementation of EDIS (EDIS Implementation Agreement; EIA) concluded between the Czech Republic and the Commission³. Prior to the conclusion of said Agreement, implementation will exceptionally follow Phare Decentralised Implementation System (DIS) procedures⁴. Extended Decentralisation will, however, apply from the date of accession or 1 May 2004 at the latest. NB: see also under f.)

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring 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 EDIS Implementation Agreement and/or the DIS Manual as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD as well as the Structural and Cohesion Funds.

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

² Taxes are not an element eligible for co-financing

³ in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), in particular Art. 164, Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

⁴ in accordance with the rules set down in Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

For reasons related to need assessment and budgeting, by way of exception, pure Investment projects CZ2003/004-338.03.01, CZ2003/004-338.05.02 and CZ2003/004-338.05.05 will have allocations below € 2 million.

c.) Contracting and disbursement deadline; programming deadline

All contracts must be concluded by 31 October 2005. In no case can the contracting period exceed 3 years after date of the global commitment. All disbursements must be made by 31 October 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted. Concerning the amount foreseen under the Unallocated Institution Building Envelop (project CZ2003/004-338.07.03), projects must be programmed and Terms of Reference agreed by the Delegation by no later than the date of accession.

The final deadline for signature of contracts and twinning covenants is 31 October 2005. However, in order to ensure that projects are implemented as quick as possible, all tender dossiers (or, where applicable, grant schemes, request for services or contract dossiers) must be submitted to the Commission within 4 months of signature of the Financing Memorandum, except for the following projects: CZ2003/004-338.02.01, CZ2003/004-338.02.03, CZ2003/004-338.02.05 and CZ2003/004-338.07.03 with maximum 6 months after the signature of the Financing Memorandum (for reasons of sequencing). 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 re-allocation. Such cancelled funds shall be allocated to another project of project no later than 12 months after 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 re-allocated to a new project or activity, the tender dossier (or other documents as applicable) must be submitted to the Commission within 1 month of the re-allocation decision or by the end-February 2004, whichever is the earlier.

d.) Clearance of Accounts Procedure and Recovery of Funds

A clearance of accounts procedure in line with Art. 53 para 5 Financial Regulation⁵ and Art. 42 of the Implementing Rules to the Financial Regulation⁶ will be put in place.

Any proven irregularity or fraud⁷ 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.

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

⁵ Council Regulation 1605/2002 of 25 June 2002

⁶ Commission Regulation 2342/2002 of 23 December 2002

⁷ As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document

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 1998. 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 Central Bank.

aa) Transfer of Funds to the National Fund

A first transfer of up to 20 % of the funds to be managed locally, representing pre-financing⁸ will be sent 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.

Two further transfers of up to 30 % each of the funds to be managed locally will be made. The second transfer will be triggered when 5 % of the budget has been disbursed by the IAs

⁸ as defined in Art. 81.1.b.i of the Financial Regulation

and the CFCU. The third transfer may be requested when 35 % of the total budget in force has been disbursed. A fourth transfer will be made when 70 % of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after expiry of the disbursement deadline the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made (closure of expenditure⁹).

Exceptionally the NAO may request 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 interim payments 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.

Under DIS, 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. 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.) Interest

In principle, all bank accounts¹⁰ 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.

⁹ as defined in Art. 105 of the Implementing Rules

¹⁰ in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

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

No.	Sub-Programme	Implementing Agency	Ministries of Institutions with a technical role
01	POLITICAL CRITERIA	NROS	-
02	INTERNAL MARKET AND ECONOMIC CRITERIA	CFCU	MoIT, MoF, Czech National Bank, MRD, CZSO
03	AGRICULTURE	CFCU	MoA, SVA, CISTA, SPA
04	ENVIRONMENT	CFCU	MoE
05	JUSTICE AND HOME AFFAIRS	CFCU	MoF, MoJ, MoI, Police Presidium
06	EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH	CFCU	MoLSA, CSSA, COSO
07	ADMINISTRATIVE CAPACITY	CFCU	Gov. Office, ISA
08	ECONOMIC AND SOCIAL COHESION	CRD	MRD, CRD

NB: Should any of the above Implementing Agencies not be accredited by the date of accession, the IA that has been accredited first will take over the implementing responsibilities for the relevant sub-programmes, in the following order: CFCU, CRD, NROS.

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive¹¹ 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. 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 documented¹².

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive¹³ must be documented¹⁴.

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

¹¹ 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

¹² in **Annex EIA** to the corresponding investment project fiche

¹³ DIR 92/43/EEC; OJ 206/7; 22.7.1992

¹⁴ in **Annex Nature Conservation** to the corresponding investment project fiche

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 in the field of Economic and Social Cohesion (both within PHARE National Programme or PHARE CBC) 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.
- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in the Czech Republic will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).
- The implementation of selected projects through 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.
- Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner, the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.
- Grant schemes will not involve projects for which PHARE contribution is more than € 2 million and less than € 50.000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

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 EVALUATION

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. 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. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

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 Countries¹⁵

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 satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of national or Community law¹⁶, this Financing Memorandum or ensuing contracts or 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, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

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

¹⁵ in accordance with the rules set down in Art. 54 of the Financial Regulation

¹⁶ defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreement, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).

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 1681/94¹⁷.

In particular, all suspected and actual cases of fraud and irregularity 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 irregularity 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 on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

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. 2185/96¹⁸.

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 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.

¹⁷ OJ L 178; 12.7.94; p. 43-46

¹⁸ 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.