FINANCING MEMORANDUM

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

The Government of the Republic of Bulgaria, 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 as set out in the General Conditions annexed to the Framework Agreement 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:

<table>
<thead>
<tr>
<th>Programme number:</th>
<th>BG98/2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>PRE-INS FACILITY 1998 FOR BULGARIA</td>
</tr>
<tr>
<td>Duration:</td>
<td>Until 31 December 2000</td>
</tr>
</tbody>
</table>

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 10.5 MECU 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 December 2000, 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 December 2001. All disbursements must be completed by the date of disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Delegation of the European Commission to Bulgaria
Interpred
World Trade Center
36, Blvd. Dragan Tsankov
1040 Sofia
Bulgaria

Tel.: (+359) 2-97 33 240
Fax: (+359) 2-97 33 872

for THE RECIPIENT:

Ministry of Foreign Affairs
Department for European Integration
2 Al. Jendov Str.
1113 Sofia
Bulgaria

Tel.: (+359) 2-73 99 22
Fax: (+359) 2-971 24 13

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 Sofia
Date 22. XII. 1988

for THE RECIPIENT

Mrs. N. Mikhailova

Minister of Foreign Affairs
National Phare Coordinator

Annex 1
  Framework Agreement (Annexes A & B)
Annex 2
  Special Provisions (Annex C)

Done at Sofia
Date 22. XII. 1988

for THE COMMUNITY

Mr. J. Wunenburger

Head of European Commission
Delegation to the Republic of Bulgaria
1. **Strategy**

In the context of the reinforced pre-accession strategy, the Commission announced in December 1997 the launch of a facility (the Pre-ins Facility) to make available additional financial resources to support a number of specifically targeted and visible actions linked to particular areas of weakness identified in the Commission’s Opinions for Bulgaria, Latvia, Lithuania, Romania and Slovakia. It aimed to accelerate the preparation for membership of these countries.

These countries were invited to submit proposals in the areas of:
- Privatisation/Restructuring
- Promotion of Foreign Direct Investment
- Fight against corruption

and in addition Slovakia was invited to propose projects to support the strengthening of the functioning of the democratic process, development of civil society, improvement of the rights of minorities.

The selection of proposals within these eligible areas was guided by additional factors such as the (i) governments’ commitment towards the implementation of the project; (ii) link to the priorities identified in the Accession Partnership and the NPAA; (iii) regulatory and institutional framework; (iv) existence of appropriate implementation structures including availability sufficient local staff; (v) maturity of the project, and; (vi) availability of co-financing. Special attention has been given to the maturity of projects in order to ensure that the Facility would have an immediate effect.

There were no predefined allocations per country or per eligible sector. However, a certain geographical coverage has been ensured for the first phase of the Facility. In addition, a certain equilibrium between proposals to fight corruption and privatisation/restructuring, and on a country by country basis has also been achieved. Priority has been given to quality of the project proposals and fulfilment of the assessment criteria.

There are no projects, however, related to the promotion of foreign direct investment. Furthermore, the number of democracy projects for Slovakia is somewhat limited as are the anti-corruption activities in Romania. These are clearly areas where an enhanced effort will need to be made in the coming months to prepare proposals for the second phase of the Pre-ins Facility.

2. **Objectives Assessment Process and Description**

2.1. Objectives

The objective of the Pre-ins Facility is to support the inclusive nature of the enlargement process by funding a number of specifically targeted and visible actions in particular areas of weakness identified in the Commission’s Opinions for Bulgaria, Latvia, Lithuania, Romania and Slovakia where these countries need to make special efforts in their preparations for accession.

2.2. Description

**Bulgaria**

**Banking and enterprise reform assistance (continuation of ongoing Structural Adjustment and Reform Programme, SARA)**

The project aims to build upon and consolidate the ongoing Structural Adjustment and Reform Assistance (SARA) to enable implementation of the Government’s *Structural Reform Programme*. It will focus particularly upon:

- A) Further Privatisation of Strategic Large State Owned Enterprises
Support for up to 20 enterprises. The work will involve three phases: privatisation strategy; transaction phase; liquidation phase.

- B) Completion of Bank Privatisation.

Provision of substantive follow-up Technical Assistance support to the Sparkassen Strategic study, to enable the management to transform the bank into a major retail commercial bank specialising in SME lending.

The TA Team will focus on: credit management, risk management, branch network restructuring, HRD, marketing and new products development, control and accounting functions, operations and administration functions, internal audit/inspection functions.

The proposed actions directly address objectives of the Phare Accession Partnership and the NPAA, by contributing to the improved competitiveness of the financial sector.

**Conditionality**

Continued government commitment towards privatisation of the of the state owned enterprises and banks.

Appropriate co-ordination mechanisms for all the institutions involved in the privatisation process. Currently performed by the SARA unit in the Council of Ministers.

Necessary co-ordination with IMF and World Bank recommendations and activities.

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**Finalisation of the Land Restitution Process (phase 1) and Support for the Development of a Land Market in Bulgaria**

The aim of the project is to:

- Assist the Government to establish a policy and implementation strategy for land reform/consolidation.
- Support development of official monitoring and supervision capabilities and publicity for land market registration and land reform.
- Prepare plans for restitutable land plots.

The expected results will be emergence of a user friendly land market which will facilitate transactions and private investments.

**Conditionality**

Existence of an adequate surveying capacity as well as an adequate judicial, administrative and notary capacity for registering titles and land transactions.

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**Fight against corruption within the Bulgarian Customs Administration (BCA)**

The project will seek to restrict possibilities for corruption within the BCA via the progressive introduction of an in-house strategy, backed up by internal regulations, designed to counter corruption and organised crime. The project will include the preparation and implementation of customs legislation and, in line with commitments given in the Accession Partnerships, the pursuit of modernisation on the basis of alignment with EU practice and reinforcement of control and information functions within the Customs service. The project dovetails with proposed introduction of computerised customs clearance facility under the 1998 national Phare budget.

Tasks addressed by the project are: legislation and regulations, strategic plan development, training, information system for the anti-fraud and inspection departments. It also includes the purchase of the necessary equipment.

**Conditionality**
Continuos government commitment to the fight against organised crime and corruption as stated in the Bulgaria 2001 national programme.

Necessary co-ordination between Customs Administration, Ministry of Interior and Financial Control authorities.

LATVIA

Support to Industrial Cluster Restructuring

The project aims at enhancing the overall economic performance of Latvian industry, particularly in the manufacturing sector. It has two main components:

- the creation of competitive strength in industrial enterprises by supporting their restructuring process after privatisation and facilitating their strategic reorientation in marketing, quality assurance and management, and risk taking, access to loans and equity. Re-training and re-employment schemes for employees who have been affected by the restructuring process will also be addressed.

- fostering innovation in specific fields of importance to the country: New technologies (CAD/CAM) and Bioenergy. This will be done by supporting industrial clusters (groups of companies from the same sector) in combination with industrial associations.

CONDITIONALITY

The proper functioning of the inter-ministerial (Economy, Education, Agricultural) and interagency (Privatisation, Development) Steering Committee is essential for the success of the project. The Committee will be chaired by the Ministry of Economy. The widest utilisation and dissemination of results will depend on the proper selection of the industrial clusters and the horizontal technologies and techniques. Collaboration with the industrial associations and synergy’s with National Funds to promote innovation and development will be of importance.

Anti-corruption training, legislation and information programme

The project is a comprehensive programme of anti-corruption measures including (i) a legislative component aiming to improve the legal basis and its enforcement, (ii) a training component leading to a better training of officials and engaging the general public in dialogue on corruption and its prevention, by providing information and creating transparent procedures in the public administration.

Particular tasks will involve:

- training: developing curricula training materials and training of the trainers. A pilot training programme is proposed with EU experts and Latvian teachers, for the State Revenue and Public Procurement service and for judges and legal professionals.

- for legal work: preparations of an inventory of legal acts and assessment of necessary transposition of EU laws as well as preparation of a Corruption Prevention Strategy.

- for public awareness. Preparation of information pamphlets on key areas of the administration (Naturalisation, Immigration, Land Registration, Customs, Police courts). A barometer of public opinion and public awareness campaigns on the media.

Conditionality

Commitment of the Government to the Corruption Prevention Programme and adequate support to the Government Prevention Council.

Consistency of the currently existing regulations aiming at EU harmonisation.

LITHUANIA

Development of the Financial sector
The project aims to complete the restructuring/privatisation process and to strengthen the financial sector. This will be done by means of: drafting and implementation of legislation, restructuring and institutional development of the various institutions involved, improving the capacity of the financial sector supervisory authorities and privatisation of the state owned enterprises in the financial sector.


It is expected that as a result of the project the restructuring/privatisation of the Banking and Insurance sector will be concluded, it will improve the effectiveness of the whole financial system with the positive impact on the economy and on foreign direct investments.

**Conditionality**

Continued commitment of the government to the conclusion of the privatisation process in the Insurance and Banking sector.

Availability of an adequate Implementation Unit in the Ministry of Finance involving all the concerned institutions.

### Design of a comprehensive National Policy for the reduction and elimination of corruption

The main objective of the project is the elaboration of an integrated national policy for the reduction and eventual elimination of corruption within Lithuanian public and private sector.

The first phase of this project is the assembling of an Expert Group composed of Lithuanian and EU experts, with skills in various disciplines related to the combating of corruption in order to analyse and determine which aspects of government, business and society are more at risk of corruption. The second phase is the elaboration of a national anti-corruption strategy and the design of policies aimed at reducing and eventually eliminating corruption. Finally, the Expert Group and the National Authorities will elaborate an effective communications strategy in order to involve the Lithuanian public and NGOs in issues related to fight against corruption.

**Conditionality**

Establishment of proper co-ordination of the several agencies and Ministries involved in fight against corruption in the country.

Commitment of the government to implement the necessary measures recommended and make the necessary organisational and legislative changes required.

### Establishment of a Group for the investigation and analysis of economic crime.

Creation and implementation of a professional training regime which will lead to the formation of a small cadre of officers who will be charged with manning and operating the new Economic Crime Investigation and Analysis Unit. The Unit will be placed in the State Security Department. The bulk of this small TA programme will focus on training and the acquisition of professional expertise. The following activities will be carried out in the implementation of the project:

- creation of a dedicated training centre within the Department
- training of the instructors based in this centre
- acquisition of specialised literature and equipment
- preparation of training programme for 25 officers

**Conditionality**
Establishment of the Economic Crime Investigation at the State Security Department. Commitment of the State Security Department to the creation of the Centre, the establishment of a training strategy and availability of the staff to be trained and the trainers.

**ROMANIA**

### Privatisation of State owned Banks and Insurance Privatisation and Supervision

The objective of the project is the restructuring of the financial sector through:

1. privatising the three largest state-owned banks: Banca Agricola, Banca Comerciala Romana and Banca Romana de Comert Exterior (BANCOREX). Banca Agricola is the first priority on the Government’s list, with privatisation planned for the end of 1998. The other two banks will be privatised during the course of next year.

2. privatising two state-owned insurance companies (ASIROM and ASTRA), coupled with the set up of an independent Insurance Supervisory Office. ASIROM will be privatised in 1998 and Astra will be prepared for privatisation in 1999

3. supervision and monitoring The Insurance Supervisory Office is presently a department in the Ministry of Finance. It will be transformed into a full fledged institution according to the new Insurance Law.

The project will provide technical assistance to the State Ownership Fund and/or the Privatisation Commission in the process of selling at least 51% of the stock of the selected banks. It will take into consideration all prior bank restructuring and will involve preparatory work, structuring the sale, implementing the actual sale process and appropriate post-sale activities. Assistance will be provided to the State Ownership Fund for due diligence, audits, restructuring and privatisation of ASIROM and ASTRA.

**Conditionality**

Government commitment to the restructuring/privatisation process of the five institutions. This commitment should be reflected in appropriate government decisions, including a timetable of the whole process.

Establishment of the respective privatisation Commissions.

Establishment of an independent Insurance Supervision Department.

### Fund for Mining areas Reconstruction

The aim of the project is to diminish unemployment in the mining areas which are most affected by the restructuring processes.

The MARR (Mining Affected Regions Reconstruction) Fund will be the financial tool for technical assistance, procurement and training activities from which viable projects dedicated to job creation, regional development, SMEs creation or development, entrepreneurial skills creation and development will be financed. The Fund, involving combined funds from the facility and government contributions, will be managed by the National Agency for the Restructuring of the Mining Areas.

The MARR Fund covers the following mining regions: the Jiu Valley Region, Gorj County, Maramures County, and the central mining area which includes four counties, Harghita, Covasna, Brasov and Arges.

The project will be implemented in close co-operation with the World Bank.
Conditionality
Existence of sustainable regional level institutions having a leading role in the process of project identification, launching and follow-up. Commitment of the Government, local authorities and institutions and NGO to the project.

Establishment of appropriate co-ordination structures, with sufficient and adequately trained staff in all levels.

Existence of a suitable institution/agency for the co-ordination, design and delivery of effective programmes.

Note: There are no projects in the field of the fight against corruption. Several proposals were presented but none of them was considered ready to be launched at this stage. The Commission intends to work with the Romanian authorities to develop better defined, more comprehensive proposal, against corruption under the 1999 budget.

SLOVAKIA

Fight against corruption in the Slovak Republic (Training for audit and Control of the

The project envisages the establishment of training activities and the provisions of equipment for the Supreme Audit Office.

As a result of the project, the policy of the government on the fight against corruption will be strengthened by:

- Improving the knowledge of the staff on the professional methodology, international norms, standards and jurisdiction in the fight against corruption.
- Increased exchange of experience and information with professionals in other EU member states and CEE countries.

Conditionality
Commitment in all instances to fight against corruption. Existence of a proper regulatory and institutional framework. Necessary logistic support for the organisation and well functioning of the training and activities on exchange of information.

Strengthening the capacity of the National Council of the Slovak Republic

The objective of the project is threefold: to enhance competence and the level of information of members and staff of the Slovak Parliament, to increase the transparency of legislative process for the general public and to create conditions for better access to information on parliament and EU Affairs.

The project will provide technical assistance, training in Slovakia and abroad and equipment to strengthen the institutional and administrative capacity of Parliament Members and permanent staff and increase public awareness on parliament activities. As a result, the competence of the people involved in the legislative process will increase and an informed participation in the whole process of integration and approximation will be ensured.

Conditionality
Commitment to the consolidation of the democratic process. Provision of adequate, motivated staff in the National Council.

Slovak Post Privatisation Fund
This is an independent venture capital fund established with the financial participation of the EBRD and the Foundation (formed by the Commission and the Slovak Government). The funds provided will contribute to equity investments in companies which have privatised, technical assistance and a contribution to the cost of the Fund Manager. The SPPF has been operating for two years and demonstrates a high absorption capacity and a healthy pipeline of investments.

**Conditionality**

Existence of an adequate pipeline of companies in which to invest. Co-financing provided by the EBRD. Adequate performance of the Fund manager in its functions of management, identification, assessment and monitoring of the investments.

### Spisska Nova Ves - Regional development project improving the position of Romanies

The project is a pilot action, focusing on a region with a high percentage of Roma population. It aims to tackle in a comprehensive way the problems faced by the Roma population: lack of housing, lack of continuous education and unemployment. The target district is characterised of the second highest concentration of Roma in the country. The project involves measures for job creation by supporting the establishment of SMEs. The project also envisages the provision of technical documentation for the construction of houses to improve the housing situation.

The Dutch Government is financing part of the project.

**Conditionality**

Government commitment to the improvement of the social and economic situation of the Roma population.

Appropriate co-ordination between governmental, local institutions and NGOs. Involvement of Roma representatives in the project implementation.

3. **BUDGET**

3.1. **Available Budget**

The Commission has provisionally earmarked 100 MECU in the overall Phare budget for 1998 and 1999. 42.002.000 MECU is planned to be committed on the 1998 budget as follows:

<table>
<thead>
<tr>
<th>BULGARIA</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalisation of the Land Restitution Process (phase 1) and Supporting the development of a land market in Bulgaria</td>
<td>2,0</td>
<td>2,0</td>
<td>2,0</td>
<td></td>
</tr>
<tr>
<td>Banking and enterprise reform assistance (continuation of ongoing Structural Adjustment and Reform Programme, SARA)</td>
<td>6,0</td>
<td>6,0</td>
<td>Win-fee</td>
<td></td>
</tr>
<tr>
<td>Fight against corruption within the Bulgarian Customs Administration</td>
<td>2,5</td>
<td>2,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10,5</td>
<td>10,5</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>LATVIA</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to Industrial Cluster Restructuring</td>
<td>2</td>
<td>2</td>
<td>&gt;0,5</td>
<td></td>
</tr>
<tr>
<td>Anti-corruption training, legislation and information programme</td>
<td>2</td>
<td>2</td>
<td>0,22</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td>4</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>LITHUANIA</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the Financial sector</td>
<td>3</td>
<td>0,4</td>
<td>3,4</td>
<td></td>
</tr>
<tr>
<td>Design of a comprehensive National Policy for the reduction and elimination of corruption</td>
<td>0,3</td>
<td>0,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of a Group for the investigation and analysis of economic crime.</td>
<td>0,3</td>
<td>0,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title</td>
<td>IB</td>
<td>IV</td>
<td>Phare</td>
<td>Co-fin.</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-------</td>
<td>---------</td>
</tr>
<tr>
<td>Privatisation of State owned Banks and Insurance</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Privatisation and Supervision</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund for mining areas reconstruction</td>
<td>2.7</td>
<td>7.3</td>
<td>10</td>
<td>2.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8.7</td>
<td>7.3</td>
<td>16</td>
<td>4.5</td>
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</tbody>
</table>
**SLOVAKIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against corruption in the Slovak Republic</td>
<td>0.7</td>
<td>0.352</td>
<td>1.052</td>
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<tr>
<td>Strengthening the capacity of the National Council of the Slovak Republic</td>
<td>0.8</td>
<td>1.2</td>
<td>2</td>
<td>0.2</td>
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<tr>
<td>Slovak Post Privatisation Fund</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Spisska Nova Ves - Regional development project improving the position of Romanies</td>
<td>0.15</td>
<td>0.3</td>
<td>0.45</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**TOTAL** 1.65 5,852 7,502

NB Up to 2.5% of the budget (Bulgaria fight against corruption in customs administration project) may be contracted directly by the Commission and will therefore not be transferred to the National Fund.

Support from this Facility will be additional to the national Phare programmes to be agreed in 1998 and 1999, as well as to the other multi-beneficiary programmes which are foreseen under the new orientations of Phare. The national Phare envelopes for 1998 and 1999 for each partner country will not be affected by this Facility.

### 4. IMPLEMENTATION ARRANGEMENTS

The Pre-ins Facility should be managed on a country by country basis by signing a separate Financing Memorandum for each individual country.

<table>
<thead>
<tr>
<th>Country</th>
<th>Programme</th>
<th>Projects</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>BG 9812</td>
<td>1 Finalisation of the land restitution process</td>
<td>10.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Banking and enterprise reform assistance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Fight against corruption within the Customs Administration</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 9812</td>
<td>1 Industrial cluster restructuring</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Anti-corruption training, legislation and information</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>LI 9809</td>
<td>1 Development of the financial sector</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 National Police for the reduction and elimination of corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Group for investigating and analysing economic crime</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>RO 9809</td>
<td>1 Privatisation of State Owned Banks and Insurance</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Fund for mining areas reconstruction</td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>SK 9813</td>
<td>1 Fight against corruption in the Slovak Republic</td>
<td>7,502</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Strengthening the capacity of the National Council of the Slovak Republic</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Slovak Post privatisation Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 Regional Development Project improving the position of Romanies</td>
<td></td>
</tr>
</tbody>
</table>

In each country the Programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare Programmes.

The National Fund (NF) headed by the National Authorising Officer (NAO) will supervise the financial management of the Programme, and will be responsible for financial reporting to the EC. Appropriate financial control shall be carried out by the competent National Financial Control Authority with respect to the implementation of the Programme.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed before the end 1998. Funds will be transferred following requests from the NAO as follows for:

Bulgaria: A payment of up to **2,047,500 ECU** will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to **2,047,500 ECU** or the full balance of the budget, whichever is the lesser amount.

Latvia: A payment of up to **0.8 MECU** will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to **0.8 MECU** or the full balance of the budget, whichever is the lesser amount.

Lithuania:
A payment of up to **0.8 MECU** will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to **0.8 MECU** or the full balance of the budget, whichever is the lesser amount.

**Romania:**

A payment of up to **3.2 MECU** will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to **3.2 MECU** or the full balance of the budget, whichever is the lesser amount.

**Slovakia:**

A payment of up to **1.500.400 ECU** will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to **1.500.400 ECU** or the full balance of the budget, whichever is the lesser amount.

The first replenishment will be triggered when 10% of the budget has been disbursed by the Implementing Agencies (IA) and the Central Financing and Contracting Unit (CFCU). The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.
Implementing Agencies will be responsible for programmes and their constituent projects as follows:

### BULGARIA

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalisation of the Land Restitution Process (phase 1) and Supporting the development of a land market in Bulgaria</td>
<td>Ministry of Agriculture Forestry and Agrarian Reform</td>
</tr>
<tr>
<td>Banking and enterprise reform assistance (continuation of ongoing Structural Adjustment and Reform Programme, SARA)</td>
<td>Structural Adjustment and Reform Assistance Secretariat</td>
</tr>
<tr>
<td>Fight against corruption within the Bulgarian Customs Administration</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

### LATVIA

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to Industrial cluster Restructuring</td>
<td>CFCU</td>
</tr>
<tr>
<td>Anti-corruption training, Legislation and information programme</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

### LITHUANIA

<table>
<thead>
<tr>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Development of the Financial sector</td>
<td>CFCU</td>
</tr>
<tr>
<td>Design of a comprehensive National Policy for the reduction and elimination of corruption</td>
<td>CFCU</td>
</tr>
<tr>
<td>Establishment of a Group for the investigation and analysis of economic crime.</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

### ROMANIA

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<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
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</thead>
<tbody>
<tr>
<td>Privatisation of State owned Banks and Insurance Privatisation and Supervision</td>
<td>CFCU</td>
</tr>
<tr>
<td>Fund for Mining areas Reconstruction</td>
<td>National Agency for Regional Development</td>
</tr>
</tbody>
</table>

### SLOVAKIA

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Fight against corruption in the Slovak Republic</td>
<td>CFCU</td>
</tr>
<tr>
<td>Strengthening the capacity of the National Council of the Slovak Republic</td>
<td>CFCU</td>
</tr>
<tr>
<td>Slovak Post Privatisation Fund</td>
<td>Slovak Post Privatisation Fund</td>
</tr>
<tr>
<td>Spisska Nova Ves - Regional development project improving the position of Romanies</td>
<td>CFCU</td>
</tr>
</tbody>
</table>
The National Fund will transfer funds to Implementing Agencies (IAs), including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU there will be no transfer of funds from the NF to the CFCU. The CFCU and the IAs will 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.

A separate interest bearing bank account, denominated in ECU, will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the Commission. Interests will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interests may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual, except for twinning arrangements for which separate measures are being defined by the Commission.

All contracts must be concluded by 31 December 2000. All disbursements must be made by 31 December 2001. All contracts will be greater than 2 MECU, except those in the areas of the fight against fraud and corruption, support to minorities and support to the democratic process.

Any funds not used by the expiry date of the programme will be recovered by the Commission. 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 IA before the official closure of the programme.

The IA 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 IA 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.

5. **MONITORING AND ASSESSMENT**

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

8. **AUDIT AND EVALUATION**
The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement. The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

9. VISIBILITY/PUBLICITY

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

10. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of the several countries, 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 global Phare programme.