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 Cyprus, 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 13 June 2001 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: 2002/000-298 Projects 1 – 14
(except audit part of Project 10)
2002/000-299 Project 15
2002/000-309 Audit part of Project 10
2002/000-592 External expertise for monitoring

Title: National Pre-accession Programme 2002 for Cyprus

Duration: Until 31/07/2004

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 11,5 MEUR hereinafter referred to as "THE EC GRANT".
ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31/07/2004 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 31/07/2005. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly 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:

Commission of the European Communities
Directorate General Enlargement
Cyprus Team
B – 1049 Brussels
Fax: +32 2 296 87 51

for THE RECIPIENT:

Permanent Delegation of the Republic of Cyprus to the EU
2, Square Ambiorix
B – 1000 Brussels
Fax: +32 2 735 45 52

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 .................................
Date 2-08-2002

for THE RECIPIENT

T. Kleineid

Done at .................................
Date 2-08-2002

for THE COMMUNITY

Günter Verheugen
Commissioner

Encl.: 1. Annexes A, B and C of Framework Agreement
2. Special Provisions
3. Visibility/Publicity
ANNEX A

General Conditions relating to Financing Memoranda

In these General Conditions, the term "Recipient" shall mean the Government of the Republic of Cyprus.

TITLE I

FINANCING OF MEASURES

Article 1 - COMMITMENT OF THE COMMUNITY

The financial commitment of the Community "EC Grant", the amount of which is laid down in the Financing Memoranda, shall determine the limit within which expenditure will be covered by duly approved contracts (forming a "Measure").

In the case of the participation to Community Programmes and Agencies, the Commission contribution will be committed and disbursed according to the agreements signed with the Republic of Cyprus on their participation in the said Programmes and Agencies.

Any expenditure over and above the EC Grant shall be borne by the Recipient.

Article 2 - AVAILABILITY OF THE EC GRANT

Where the execution of a Measure depends on financial commitments from the Recipient’s own resources or from other sources, the EC Grant shall become available at such time as the financial commitments of the Recipient and/or the other sources of funds, as set out in the Financing Memoranda, have themselves become available. The Recipient shall provide due evidence of the availability of these resources.

TITLE II

IMPLEMENTATION

Article 3 - GENERAL PRINCIPLE

The management of the Community assistance programmes shall be decentralised to the Recipient on the basis of systems and procedures which comply with the provisions of Title IX of the Financial Regulation applicable to the general budget of the European Communities relating to external aid, in accordance with Council Regulation (EC) No 555/2000\(^1\) and with the provisions of the latest version of the Decentralised Implementation System (D.I.S.) Manual, notified to the Recipient.

\(^1\) OJ L68, 16/03/2000.
Article 4 - EXTENDED DECENTRALISATION

If the conditions specified in Annex B are met, and as foreseen in Article 7.4 of the Council Regulation (EC) N° 555/2000, the Commission may decide on a case-by-case basis to extend the decentralisation and set up an Extended Decentralisation Implementation System (EDIS) for the programmes with Cyprus by waiving all ex-ante controls. The main objective of extended decentralisation is to familiarise the Recipient with the joint responsibility principles that underpin the implementation of the Structural Funds by Member States. Extended decentralised implementation will be subject to ex-post control by the Commission.

Article 5 - GENERAL PRIVILEGES

Personnel taking part in Community financed Measures and members of their immediate family may be accorded no less favourable benefits, privileges and exemptions than those usually accorded to other expatriates employed in the Republic of Cyprus under any other bilateral or multinational agreement or arrangements for economic assistance and technical co-operation programmes. The provisions of this Article do not confer diplomatic status on personnel taking part in the Community financed Measures.

TITLE III
PROCUREMENT AND EXECUTION OF CONTRACTS

Article 6 - GENERAL PRINCIPLE

The Recipient shall follow the procurement and contracting rules set out in the Practical Guide to EC external aid contract procedures.

Article 7 - EXTENDED DECENTRALISATION

Detailed conditions applicable to EDIS are set out in Annex B to this Agreement.

Article 8 - ELIGIBILITY

Tendering procedures for works, supply and service contracts shall be open on equal terms to all natural and legal persons of the countries referred to in Art. 7 of Regulation (EC) N° 555/2000.

Article 9 - ORIGIN OF SUPPLIES

The supplies required for the performance of works, supply and service contracts must originate, as defined by the provisions laid down in Articles 22 to 26 of Regulation (EC) N° 2913/92, in the countries allowed to participate pursuant to Article 8.

Article 10 - DISBURSEMENT

Contracts are eligible for payment from the EC grant only if they are concluded before the expiry date fixed for contracting in the Financing Memorandum. The last payment for such contracts must be effected no later than the expiry date fixed for disbursements in the Financing Memorandum. Extensions of this period should be exceptional and must be approved by the Commission.
Within the limit set on the EC Grant, requests for funds shall be presented to the Commission by the Recipient in accordance with the schedule set out in the Financing Memorandum. Documentary evidence relating to payments made in respect with the Measure shall be made available in support of the request for funds where the Commission so requires. However, certain contracts covered by the Measure may provide for direct payment by the Commission to the contractors. Each contract shall lay down the rate and the time of such payments, together with the documentary evidence to be produced.

Article 11 - CURRENCY

Contracts financed from the EC Grant and the related tenders shall be expressed in Euro unless otherwise agreed with the Commission on a case-by-case basis, while payments to contractors shall be made either in Euro or in the currency of the Republic of Cyprus to a maximum of the Euro-value stipulated in the contract.

Exchange rate losses shall not be financed out of the EC Grant.

For payments in the currency of the Republic of Cyprus, the conversion rate between Euro and national currency shall be the exchange rate published by the European Central Bank on the last but one working day at the Commission in the month preceding the month during which the expenditure was recorded.

For amounts fixed by the clearance of accounts and conformity clearance decisions, the conversion rate between Euro and national currency shall be the exchange rate published by the European Central Bank on the last but one working day at the Commission in the month preceding the month during which the decision was taken.

Article 12 - ESTABLISHMENT AND RIGHT OF RESIDENCE

Natural and legal persons participating in tendering procedures and works, supply or service contracts shall be granted equal and provisional right of establishment and residence in the Republic of Cyprus where this is justified by the nature of the contract. This right shall remain valid for one month after the contractor is selected.

Contractors and natural persons and members of their family whose services are required for the contract shall enjoy similar rights for the duration of the contract up to one month following the final acceptance of work performed under the contract.

Article 13 - TAX AND CUSTOMS ARRANGEMENTS

1. No taxes, duties, or other charges having an equivalent effect shall be charged to the Community’s financial contribution.

2. The Recipient shall apply to contracts financed by the Community tax and customs arrangements no less favourable than those applied to the most-favoured State or most-favored international organisation.

3. Imports under supply contracts concluded by the Cypriot authorities and financed out of the EC Grant shall be allowed to enter the Republic of Cyprus without being subject to customs duties, import duties, taxes or fiscal charges having equivalent effect.
The Recipient shall ensure that the imports concerned will be released from the point of entry for delivery to the contractor as required by the provisions of the contract and for immediate use as required for the normal implementation of the contract, without regard to any delays or disputes over the settlement of the above-mentioned duties, taxes or charges.

4. Contracts for supplies or services provided by Cypriot or external firms, financed out of the EC Grant, shall not be subject in the Republic of Cyprus to value added tax, documentary stamp, registration duties or fiscal charges having equivalent effect, whether such charges exist or are to be instituted.

5. Natural and legal persons, including expatriate staff, from the Member States of the European Union executing technical co-operation contracts financed out of the EC Grant shall be exempted from business and income tax in the Republic of Cyprus.

6. Personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, engaged in carrying out tasks defined in technical co-operation contracts shall be exempt from customs duties, import duties, taxes and other fiscal charges having equivalent effect, the said personal and household effects being either re-exported or disposed of in the state in accordance with the regulations in force in the state of the Recipient after termination of the contract.

7. Natural and legal persons importing professional equipment shall, for the purpose of a contract financed out of the EC grant, if they so request, benefit from the system of temporary admission as defined by the national legislation of the Republic of Cyprus in respect of the said equipment.

**Article 14 - IMPORT AND FOREIGN EXCHANGE ARRANGEMENTS**

1. The Recipient shall undertake to authorise the import or acquisition of foreign exchange required for implementation of a Measure. It shall also undertake to apply its national rules on foreign exchange on a non-discriminatory basis to the countries authorised to participate pursuant to Article 9.

2. The Recipient shall grant the permits necessary to repatriate funds received in respect of Measures, in accordance with the foreign exchange control regulations in force in the Republic of Cyprus.

**Article 15 - INTELLECTUAL PROPERTY**

If studies are financed under this Financing Memorandum, the Commission and the Recipient shall be entitled to use the data contained in such studies and to publish it or pass it on to third parties.

All reports and data such as maps, diagrams, drawings, specifications, plans, statistics, calculations and supporting records or materials acquired, compiled or prepared by consultants in the performance of contracts financed with the EC Grant shall be confidential and shall be the property of the Recipient. The Commission shall have access to all these reports and data.
Article 16 - DISPUTES BETWEEN THE RECIPIENT AND A CONTRACTOR

The Recipient shall undertake to reach agreement with the Commission before a final position is taken on any request from the contractor for compensation not covered by the contract. If no agreement can be reached, the Commission shall not be liable for any amounts granted unilaterally including those granted by the Recipient.

TITLE IV
GENERAL AND FINAL PROVISIONS

Article 17 - PUBLICITY

Measures shall be implemented in such a way to ensure maximum publicity for the Community's involvement at all times. Actions of communication and information shall be determined in close collaboration with the EC Delegation in the Republic of Cyprus.

Special attention shall be devoted to implementing these provisions at events, and in all public or official written material connected with Measures. Objects, equipment and documentation connected with a Measure shall carry the Community flag with the text in the language of the Recipient. The symbols identifying the Community shall be of the same size and appearance as any symbols identifying the Recipient, should the latter be present.

Article 18 - FOLLOW-UP OF MEASURES

In following the execution of the Measure, the Commission may request any explanation and, where necessary, may agree with the Recipient on a new orientation for the Measure which is deemed to be better adapted to the objectives in view.

The Recipient shall make reports to the Commission following the time-schedule laid down in the Financing Memorandum, throughout the period of execution of the Measure and after completion thereof.

The Commission will in the light of the reports and where appropriate of the ex-post evaluation, proceed to the official closure of the Measure and will inform the Recipient of the date of official closure of the Measure.

Article 19 - INSPECTION AND AUDITS

1. The Commission shall have the right to send its own agents or authorised representatives to undertake any technical, accounting or financial assignments it may consider necessary to monitor the implementation of a Measure.

2. Notwithstanding the controls made by the recipient, the Commission and the European Court of Auditors, in the accomplishment of their responsibilities under the Treaties establishing the European Communities, shall have the right to undertake technical or financial audits on the spot and on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of a Measure.
3. With a view to ensuring an efficient protection of the financial interests of the Community, in conformity with the Regulation (EC/Euratom) N° 2988/95, the Commission may also undertake on the spot checks and controls as foreseen by the Regulation (EC/Euratom) N° 2185/96.

4. The Recipient shall be notified when agents appointed by the Commission or the European Court of Auditors are sent to the site of a Measure.

5. To this end the Recipient:
   - shall undertake to provide any information or documents requested and to take any measures to facilitate the work of persons undertaking such audits or inspections;
   - shall keep full accurate and systematic records of the files and accounts required to identify the work, supplies or services financed under this Financing Memorandum and the supporting documents relating to local expenditure in accordance with best accounting practice;
   - shall assist the Commission and the European Court of Auditors, in the accomplishment of their responsibilities under the Treaties establishing the European Community, in auditing the Measure's accounts, if necessary, on the spot;
   - shall ensure that the Commission's representatives can inspect any accounting or other documents relating to a Measure and shall assist the European Court of Auditors in monitoring the use made of the EC Grant.

6. The Commission, or its authorised representatives, may also carry out an ex-post evaluation and a final audit of Measures. The ex-post evaluation will assess the achievement of the objectives/targets of Measures as well as the impact on the sector concerned. In case the objectives / targets have not been achieved, the Commission reserves the possibility to recover part or whole of the funds.

   The final audit will review the financial data of a Measure, evaluate uncontracted and/or undisbursed funds, provide an independent opinion on the legality, eligibility, reliability and consistency of contracts and disbursements as well as on their compliance with the provisions of this Framework Agreement and the relevant Financing Memorandum. On this basis the audit will establish, after consultation with the recipient, the balance of funds which shall be reimbursed to the Commission.

   The Commission shall, on the basis of the audit conclusions, take a formal Decision called a “Conformity Clearance Decision” on the expenditure to be excluded from Community financing and reimbursed.

7. The amount to be recovered in accordance with the conformity clearance Decision, shall be communicated to the Recipient who shall ensure that the amount is credited to the Commission in Euro within two months of notification of the decision. The Commission may however, on a case by case basis, decide that any amount to be credited to it shall be offset against payments due to be made by the Commission to the Recipient under any Community assistance Measure.
8. The amount recovered in accordance with the conformity clearance Decision shall not be reallocated to the Measure.

9. Where the timelimits fixed in the conformity clearance Decision are not respected, any outstanding amount shall generate interest at a rate equal to the Euribor rate for three month deposits published by the European Central Bank plus 1,5 % points. That rate shall be the monthly average of the month in which the decision referred to in these articles was notified.

**Article 20 - CLOSURE OF MEASURES**

The Commission will decide on a case by case basis when to close a Measure and discharge the Recipient from its financial responsibilities on the basis of the results of the audits carried out.

**Article 21 - CONSULTATION – DISPUTES**

1. Any matter relating to the implementation or interpretation of this Financing Memorandum shall give rise to consultation between the Recipient and the Commission. This procedure may, if necessary, lead to this Financing Memorandum being amended.

2. Where there is a failure to carry out an obligation set out in the Financing Memorandum and these General Conditions, which has not been the subject of remedial measures taken in due time, the Commission may suspend the financing of the Measure, after consultation with the Recipient.

3. The Recipient may decide to withdraw wholly or partially from a Measure with the Commission's approval.

4. Any decision taken by the Commission to suspend financing or by the Recipient to withdraw totally or partially from a Measure shall be notified to all interested parties in writing.

**Article 22 - NOTIFICATION - ADRESSES**

Any communication or agreement between the Community and the Recipient shall be recorded in writing, giving the number and title of the Measure.

This shall be sent by letter to the authorised addressee at the latter's address. In emergencies, communications by fax or e-mail shall be allowed, provided they are immediately confirmed by letter. The addresses are set out in this Financing Memorandum.
ANNEX B
Special conditions applicable to Extended Decentralisation (EDIS)

Article 1 - CONDITIONS

If, during the course of implementation of a Measure, the following conditions are met, the Commission may decide on a case-by-case basis to grant the Recipient, following its request, extended decentralisation (i.e. waive Commission ex-ante approval on tenders and contracts and perform ex-post control instead).

1. The conditions set out in the Annex to Council Regulation (EC) No 555/2000 for waiving the ex-ante approval of the Commission of measure selection, tendering and contracting by the Recipient are as follows:

1.1. Minimum criteria and conditions for decentralising management to Implementing Agencies in applicant countries to be fulfilled:

1.1.1. Minimum criteria for assessing the ability of Implementing Agencies in applicant countries to manage aid. The following criteria shall be applied by the Commission in assessing which Implementing Agencies in partner countries are able to manage aid on a decentralised basis:

(1) there should be a well-defined system for managing the funds with full internal rules of procedure, clear institutional and personal responsibilities;

(2) the principle of separation of powers must be respected so that there is no risk of conflict of interest in procurement and payment;

(3) adequate personnel must be available and assigned to the task. They must have suitable auditing skills and experience, language skills and be fully trained in implementing Community programmes.

1.1.2. Minimum conditions for decentralising management to Implementing Agencies in applicant countries. Decentralisation to applicant countries with ex post control by the Commission may be considered for an Implementing Agency where the following conditions are met:

(1) demonstration of effective internal controls including an independent audit function and an effective accounting and financial reporting system which meets internationally accepted audit standards;

(2) a recent financial and operational audit showing effective and timely management of Community assistance or national measures of similar nature;

(3) a reliable national financial control system over the Implementing Agency;

(4) procurement rules which are endorsed by the Commission as meeting requirements of Title IX of the Financial Regulation applicable to the general budget of the European Communities;
Commitment by the National Authorising Officer to bear the full financial responsibility and liability for the funds.

1.2. Respect of specific provisions concerning, inter alia, invitations to tender, scrutiny and evaluation of tenders, the award of contracts and the implementation of Community public procurement directives (See Article 3 Procurement, hereafter).

1.3. This approach shall not prejudice the right of the Commission and the European Court of Auditors to check the expenditure.

2. **The Recipient must formally accept full financial responsibility for the use of the EC Grant.**

*Article 2 - INDEPENDENT AUDIT BODY*

As part of EDIS, a functionally Independent Audit Body (IAB) should confirm in an annual report that reliable financial control systems exist within the relevant implementation structures as well as effective accounting and financial reporting systems, which meet internationally accepted audit standards.

The Independent Audit Body is responsible for the audit of all relevant implementation structures including the National Fund. In particular it will audit the annual accounts of the NF and IA(s)/CFCU and ensure that annual reports are sent to the Commission on implementation of Community assistance programmes.

*Article 3 - PROCUREMENT*

In the case of extended decentralisation (EDIS), the procurement rules prescribed by the Practical Guide to EC external aid contract procedures apply. National procurement rules may be used provided the conditions listed in Council Regulation (EC) Nº 555/2000 are met subject to approval by the Commission.

*Article 4 - COMMISSION ASSESSMENT*

In order to grant EDIS to the Recipient, on the basis of the conditions listed in Article 1, the Commission will perform an assessment of the capacity of the Recipient to assume the tasks and responsibilities of EDIS.

This assessment will be based on a Checklist previously communicated to the Recipient, and in which all the issues to be assessed by the Commission in the context of EDIS will be addressed. This Checklist will include a detailed questionnaire for the Recipient.

On the basis of the written answers to the questionnaire and the statement of readiness, supported by an audit trail mapping out the overall management and control system, addressed by the recipient to the Commission, the Commission will make a preliminary assessment.

The final assessment will be made following an assessment mission to the Republic of Cyprus, resulting in an assessment report.

Based on this report, the Commission will decide on granting EDIS to the Recipient.
Article 5 - COMMISSION CONTROLS

Notwithstanding the controls and audits undertaken in conformity with Article 19 of Annex A, Commission controls will be exercised on an interim evaluation and ex post basis through verification of accounts and operational evaluations. Any non-compliance with established rules - individual irregularity or systematic errors - will result in financial corrections (recovery and/or withdrawal of financing) in accordance with provisions of Article 19 of Annex A.

Article 6 - MONITORING AND EVALUATION

The monitoring and evaluation systems should be able to provide reliable operational details of the implementation of the EU funded assistance. Monitoring Reports should be issued by the Implementing Authorities. Interim Evaluation reports, which review the performance and the design of the assistance, should be performed by independent external evaluators. The Monitoring and the Interim Evaluation Reports will be submitted to appropriate monitoring committees to be set up for these purposes and to the Commission Services. Ex-post Evaluations, which describe the impact of the assistance, should be performed by independent external evaluators and submitted to the Commission Services.
ANNEX C

ARBITRATION

Any dispute between the Contracting Parties, arising out of the Framework Agreement or a Financing Memorandum, which is not settled by applying the procedures laid down in Article 16 or Article 21 of the General Conditions relating to Financing Memorandum, shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

The parties to such arbitration shall be THE RECIPIENT on the one side and THE COMMISSION on the other side.

The Arbitral Tribunal shall consist of three arbitrators appointed as follows:
- one arbitrator shall be appointed by THE RECIPIENT;
- a second arbitrator shall be appointed by THE COMMISSION;
- the third arbitrator (hereinafter sometimes called “THE UMPIRE”) shall be appointed by agreement of the parties or, if they shall not agree, by the Secretary-General of the United Nations.

If either side fail to appoint an arbitrator, such an arbitrator shall be appointed by THE UMPIRE.

Should any arbitrator appointed in accordance with this provision resign, die or become unable to act, another arbitrator shall be appointed in the same manner as the arbitrator whose place he takes: such a successor shall have all the powers and duties of the original arbitrator.
FINANCING PROPOSAL

1. Objectives and Description

Objective 1: To assume the obligations of membership in the area of Internal Market

- **Project 1**: Upgrading of the State General Laboratory

The project aims to support the upgrading of the State General Laboratory in order to implement the EU legislation on the control of products covered by specific legislation, in particular in the field of pharmaceuticals for veterinary use, cosmetics and foodstuffs. This has been identified as a priority in need of particularly urgent action under the chapter Free Movement of Goods of the Accession Partnership 2001.

The main activities envisaged by the project are as follows:
- Training of the laboratory staff on implementation of new methods of analysis;
- Purchase of the necessary equipment.

- **Project 2**: Enhancing the capacity of the institutions responsible for the regulation of the telecommunications sector

The main purpose of the project is to enhance the administrative capacity of the National regulatory Authority and of the telecommunications Directorate of the Ministry of Communications and Works in charge of implementing the telecommunications-related EU acquis. The Accession Partnership 2001 has identified as a priority the adoption of a new law on telecommunications and the introduction of a comprehensive regulatory framework, in particular in the fields of licensing, interconnection, universal service, numbering and data protection.

The main activities envisaged under the project include:
- Preparation of a detailed medium-term action plan in order to ensure full enforcement of the acquis in the telecommunication sector;
- Assess the organisational set up, the management of financial and human resources of the Commissioner’s office (of the National Regulatory Authority) and make recommendations on its efficiency;
- Draft the required legislation, develop mechanisms, operations and detailed procedures for regulations;
- Design and develop procedures to maintain the frequency table;
- Introduce economic criteria in frequency allocations;
- Develop transparent and non-discriminatory procedures for the allocation of radio-frequency spectrum and for authorisation of the use of radio communications devices and systems;
- Develop and apply: ITU terrestrial and space co-ordination procedures; methods for reallocating and refarming spectrum; market surveillance mechanisms;
- Training activities.
• **Project 3:** Connection of Cyprus Government Data Network with DG TAXUD CCN/CSI system

The project purpose is to achieve full interconnectivity of Cyprus Customs and VAT computerised systems with the European Commission DG TAXUD systems within the framework of CCN/CSI. The Accession Partnership 2001 has identified as a priority in need of particular urgent action the development of IT systems to allow the exchange of electronic data with the Community and the Member States.

The main activities are as follows:
- Setting up the relevant interconnectivity project team;
- Technical assistance for the implementation of the IT system and integration of the CNN/CSI hardware and software equipment;
- Purchase of necessary equipment;
- Training.

**Objective 2: To assume the obligations of membership in the area of Agriculture**

• **Project 4:** Establishment of Integrated Administration and Control System (IACS)

The project aims at developing the necessary institutional, organisational and technical set-up for the establishment of the Integrated Administrative and Control System and a Geographical Information System for plant and livestock support. The set-up of these administrative structures has been identified as a priority under the Accession Partnership 2001.

The main activities are as follows:
- Development of an effective organisational structure and enhancement of the Department of Agriculture’s staff capacity to implement the relevant acquis;
- Development of IACS software systems and IT infrastructure;
- Set-up of a database of agriculture land pots.

• **Project 5:** Enhancement of rural development programming and implementation capacity

The project aims to develop a coherent and comprehensive rural development programme and to improve the capacity to implement Regulation 1257/99. The Accession Partnership 2001 has identified as priorities (a) to set up the administrative structures needed for the implementation and control the EC-funded rural development programmes (under the chapter Agriculture); (b) the integration of environment protection requirements in all the sectoral policies (under the chapter Environment).

The main activities of the project are as follows:
- Elaboration of the rural development plan;
- Provision of technical assistance for the enhancement of the administrative capacity of the Department of Agriculture for the implementation of the rural development measures.
Objective 3: To assume the obligations of membership in the area of Economic and Social Cohesion

- **Project 6**: Enhancement of the administrative capacity for the implementation of Structural Funds – Pilot Project

The project aim is to enhance the capacity of Cyprus for the implementation of Structural Funds and the control of the actions under the various funds.

The Accession Partnership 2001 has identified as priorities the improvement of the administrative capacity as well as the set up of the monitoring and evaluation systems for Structural Funds.

The main activities are as follows:
- Preparation and formulation of a Development Plan;
  Implementation of a pilot regional development plan to “pilot test” the institutional structures for the functioning of the Structural Funds;
- Preparatory activities for participation in Interreg III.

Objective 4: To assume the obligations of membership in the area of Transport

- **Project 7**: Strengthening the capacity of the Department of Merchant Shipping

The aim of the project is to strengthen the administrative and operational capacity of the Department of Merchant Shipping in order to enhance the acquis related to maritime safety. The Accession Partnership 2001 has identified as a priority in need of particular urgent action the enforcement of maritime safety standards and further strengthening of the administrative capacity of the related departments.

The main activities envisaged under the project are as follows:
- Development of the relevant administrative infrastructure for the implementation of the amended EU directive 94/57 and monitoring of the classification of societies;
- Training for the Global Network of Inspectors of Cyprus ships;
- Implementation of Numerical Evaluation Tool (safety risk factor);
- Implementation of ILO Convention N° 147 and N° 92;
- Purchase of Mobile earth stations and GMDSS.

Objective 5: To assume the obligations of membership in the area of Justice and Home Affairs

- **Project 8**: Establishment of a National Drugs Monitoring Center and development and implementation of a National Drugs Strategy

The purposes of the project are the establishment of a national focal point in Cyprus and the development of its administrative and operational capacities to fully participate in the activities of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA); the development of a National Drugs Strategy including a drug demand
reduction strategy; and the enhancement of the intervention capacities of all agencies involved in the implementation of the EU Acquis regarding drug prevention.

The main activities of the projects are:
- Development and implementation of a National Drug Strategy;
- Technical assistance and purchase of hardware and software equipment for the establishment of a National Focal Point with the European Drugs Monitoring Centre;
- Technical assistance and training activities to develop a National Drug Demand Reduction Strategy.

The Accession Partnership 2001 has set as a priority under the chapter Justice and Home Affairs the strengthening of the capacities to fight organised crime.

Objective 6: To reinforce the administrative capacity

- **Project 9: Statistics**

  The aim of the project is to enhance the capacity of the Statistical Service of Cyprus (CYSTAT) in developing harmonised and comparable statistics, so as to facilitate the integration of the statistical system of Cyprus with systems and practices that are current within the European Union. The Accession Partnership 2001 has identified as a priority under the chapter Statistics the further improvement of the quality and coverage of statistics.

  The main activities are as follows:
  - Participation in some pilot and sectoral project of the PHARE Multibeneficiary Programme 2000;
  - Secondment of the CYSTAT staff to Eurostat;
  - Training courses in European statistical methods;
  - Participation in specific technical multi-country working groups, seminars and task forces.

- **Project 10: Administrative Co-operation**

  The project aims to strengthen the organisational, managerial and administrative capacity of both public and private sector institutions in view of Cyprus accession to the European Union. The enhancement of the administrative capacity is specifically included in the priorities of the different chapters of the Accession Partnership.

  The main activities of the project include:
  - Implementation of Twinning Light Projects. The main fields which are expected to benefit from the use of this instrument are: Internal Market, Agriculture, Justice and Home Affairs, Employment and Social Affairs, Competition and Financial Control;
  - Missions of experts to Cyprus for the provision of technical assistance;
  - Participation of public sector officials in the EU working groups, special meetings, committees;
  - Organisation of seminars, conferences, workshops and training sessions, in the European Union or in the Republic of Cyprus;
  - Study visits to the EU Headquarters, the relevant services and organisations;
- Organisation of EU related promotion activities and production of related
documentation and other material;
- Design and development of training material.
- Audit activities in the context of procedures to grant “EDIS: Extended
Decentralised Implementation System”.
- External expertise for the monitoring of the programs.

Objective 7: Participation in Community Programmes

- **Project 11:** Participation in Community Programmes

  The purpose of the project is to contribute to the participation of Cyprus in, inter alia,
  the following Community programmes Leonardo, Socrates and Youth; and the
  European Environment Agency.

  The participation in certain Community programmes and agencies is a key feature of
  the pre-accession strategy as foreseen by the Regulation 555/2000.

Objective 8: To contribute to the reconciliation of the two Cypriot communities

- **Project 12:** Business support project

  The purpose of the project is to promote the strengthening of small and medium sized
  enterprises by providing a variety of services to them.

  The main activities envisaged are as follows:
  - Technical assistance to entrepreneurs or managers on how to gather information
    about markets and how to develop strategies to find new markets;
  - Training of business people in a variety of courses including computer, marketing,
    accounting, customer services, negotiation skills and time management;
  - Exploration of the financial environment for a grant scheme and implementation
    of the scheme in close link with the technical assistance element;
  - Organise mechanisms for the exchange of experience between the Greek Cypriot
    and the Turkish Cypriot entrepreneurs.

- **Project 13:** Nicosia Master Plan III

  The purposes of the project are to support the rehabilitation and revitalisation of the
  Walled City of Nicosia and the conservation of its architectural and cultural heritage
  according to the policies and provisions of the Nicosia Master Plan; to sensitise
  Nicosia residents to conservation and revitalisation issues; and to improve the living
  environment of the residents of Nicosia neighbourhoods.

  The main activities of the project are as follows:
  - Technicians of the two communities will meet on a regular basis in order to follow-
    up the activities, exchange information and techniques;
  - The improvement of the various areas will be achieved through a combination of
    activities. These activities will include, besides the improvement of the
    infrastructure, the restoration of the Municipal Market and the expansion of activities
    in the Phanaromeni and/or Omeriye;
  - Awareness campaigns will be organised throughout the old city of Nicosia;
- Technical seminars to sensitise and explain the various aspects of restoration activities.

**Project 14: Small Projects Fund**

The purposes of the project are to bring Greek Cypriots and Turkish Cypriots to work jointly in the preparation and implementation of joint, parallel or mutually beneficial projects in the areas linked with environment protection, socio-economic development and social sector.

A set of selection criteria will be established at the outset of the project in order to provide a clear and transparent framework for activity application and selection. The selected projects will be implemented through various means as best appropriate for each project, such as professional organisations, NGOs, direct implementation by UNDP and exceptionally private firms.

**Project 15: Communication Strategy**

The purposes of the project are to increase public awareness and interest in the EU, and to use bi-communal instruments and actions to provide information to the Greek Cypriots and Turkish Cypriots about the EU and the prospect of accession.

The project will build on the Communication strategy project of 2001 and include the following main activities:
- Delegation standard actions (website, Newsletter, Press Conference,…);
- Training activities for journalists;
- Information pack for primary and secondary schools in both TC and GC communities;
- Support to the Information Center at the TC Chamber of Commerce.
2. **Budget**

A breakdown by project of the pre-accession funds 2002 is as follows:

<table>
<thead>
<tr>
<th>#</th>
<th>Title of the project</th>
<th>DAC Sector Code</th>
<th>Total Budget Mio €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Upgrading of the State General Laboratory</td>
<td>16320</td>
<td>0.70</td>
</tr>
<tr>
<td>2</td>
<td>Enhancing the capacity of the institutions responsible for the regulation of the telecommunication sector</td>
<td>22020</td>
<td>1.60</td>
</tr>
<tr>
<td>3</td>
<td>Connection of Cyprus Government Data network with DG TAXUD CNN/CSI</td>
<td>15020</td>
<td>0.30</td>
</tr>
<tr>
<td>4</td>
<td>Establishment of Integrated Administration and Control System</td>
<td>31110</td>
<td>1.50</td>
</tr>
<tr>
<td>5</td>
<td>Enhancement of rural development programming and implementation capacity</td>
<td>43040</td>
<td>0.40</td>
</tr>
<tr>
<td>6</td>
<td>Enhancement of the administrative capacity for the implementation of Structural Funds -Pilot Project</td>
<td>15010</td>
<td>0.53</td>
</tr>
<tr>
<td>7</td>
<td>Strengthening the capacity of the Department of Merchant Shipping</td>
<td>21040</td>
<td>0.60</td>
</tr>
<tr>
<td>8</td>
<td>Establishment of a National Drugs Monitoring Center and development and implementation of a National Drugs Strategy</td>
<td>16361</td>
<td>0.40</td>
</tr>
<tr>
<td>9</td>
<td>Statistics</td>
<td>16362</td>
<td>0.20</td>
</tr>
<tr>
<td>10</td>
<td>Administrative Cooperation¹</td>
<td>99810</td>
<td>0.652</td>
</tr>
<tr>
<td>11</td>
<td>Community Programmes</td>
<td>99810</td>
<td>0.818</td>
</tr>
<tr>
<td>12</td>
<td>Bi-communal Project - Bussiness Support Project</td>
<td>15061</td>
<td>1.50</td>
</tr>
<tr>
<td>13</td>
<td>Bi-communal Project – Nicosia Master Plan III</td>
<td>15061</td>
<td>1.00</td>
</tr>
<tr>
<td>14</td>
<td>Bi-communal Project – Small Projects Fund</td>
<td>15061</td>
<td>1.10</td>
</tr>
<tr>
<td>15</td>
<td>Bi-communal Project – Communication Strategy²</td>
<td>15061</td>
<td>0.20</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>11.50</strong></td>
</tr>
</tbody>
</table>

3. **Implementation**

**a) Financial and Project Management by Cyprus**

The programme (except for the bi-communal projects; the audit component and the external expertise component of the project ‘Administrative Cooperation’) will be managed in accordance with the Decentralised Implementation System (DIS) procedures agreed in the Memorandum of Understanding on the establishment and functioning of

¹ The total € 0.652 Mio is to be financed under the budget line B7-041 (€ 0.546 Mio) and the budget line B7-041A (€ 0.106 Mio).
² The total € 0.200 Mio is to be financed under the budget line B7-041A
the National Fund signed by Cyprus in August 2001; or EDIS procedures if EDIS is granted during the implementation of the programme

The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring (except financial management matters) and implementation of Community assistance programmes and projects. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the DIS Manual and other instructions of the Commission, and that all contracts are being prepared in accordance with the Practical Guide for to EC external aid contract procedures.

The National Fund (NF) in the Treasury of the, Republic of Cyprus, 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 pre-accession funds. He shall ensure that the DIS/EDIS 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 EU funds of a programme until the closure of the programme.

b) Contracting and disbursement deadline

All contracts must be concluded by 31.07.2004. All disbursements must be made by 31.07.2005.

c) Recovery of Funds

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

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

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

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

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

The Commission will recover any funds not used by the expiry date of the programme. 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.

d) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Cyprus in August 2001. 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 payment of up to 20% of the funds to be managed locally* will be transferred to the NF following signature of the Financing Memorandum and the Note of instructions from the NF to 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 replenishments will be made of up to 30% of the funds to be managed locally*; and the final payment of up to 20% or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 5% of the budget* has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 35% of the total budget* in force has been disbursed. The final third will be paid when 70% of the total budget in force is disbursed.

* excluding the amount foreseen for the Community programmes
Exceptionally, the NAO may request an advance payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no replenishment may be made if the trigger points mentioned above have not been respected.

\textit{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 the Note of Instructions from the the NFs to the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the establishment of the National Fund.

Each individual Note of Instructions 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 NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses.

The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued, will annually be provided by the NAO to the Commission.

\textit{cc) Transfer of Funds to the National Fund for Participation in Community Programmes and Agencies}

A single advance will be made to the National Fund to cover the full amount of the pre-accession funds part of the financial contribution for participation in Community programmes and agencies. This advance will be made following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme.

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

In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

**e) Implementing Agencies will be responsible for sub-programmes as follows:**

<table>
<thead>
<tr>
<th>#</th>
<th>Title of the project</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Upgrading of the State General Laboratory</td>
<td>State General Laboratory (Ministry of Health)</td>
</tr>
<tr>
<td>2</td>
<td>Enhancing the capacity of the institutions responsible for the regulation of the</td>
<td>National Regulatory Authority (Directorate of telecommunications of the Ministry of Communications and Works)</td>
</tr>
<tr>
<td></td>
<td>telecommunication sector</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Connection of Cyprus Government Data network with DG TAXUD CNN/CSI</td>
<td>Department of Customs and Excise of the Ministry of Finance</td>
</tr>
<tr>
<td>4</td>
<td>Establishment of Integrated Administration and Control System</td>
<td>Department of Agriculture of the Ministry of Agriculture, Natural Resources and Environment</td>
</tr>
<tr>
<td>5</td>
<td>Enhancement of rural development programming and implementation capacity</td>
<td>Department of Agriculture of the Ministry of Agriculture, Natural Resources and Environment</td>
</tr>
<tr>
<td>6</td>
<td>Enhancement of the administrative capacity for the implementation of Structural Funds</td>
<td>Planning Bureau</td>
</tr>
<tr>
<td></td>
<td>– Pilot Project</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Strengthening the capacity of the Department of Merchant Shipping</td>
<td>Department of Merchant Shipping within the Ministry of Communications and Works</td>
</tr>
<tr>
<td>8</td>
<td>Establishment of a National Drugs Monitoring Center and development and implementation</td>
<td>Mental Health Services of Ministry of Health</td>
</tr>
<tr>
<td></td>
<td>of a National Drugs Strategy</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Statistics</td>
<td>Statistical Service of Cyprus</td>
</tr>
<tr>
<td>10</td>
<td>Administrative Cooperation - General Administrative Cooperation – Audit + External</td>
<td>Planning Bureau</td>
</tr>
<tr>
<td></td>
<td>expertise</td>
<td>European Commission</td>
</tr>
<tr>
<td>11</td>
<td>Community Programs</td>
<td>Not applicable</td>
</tr>
<tr>
<td>12</td>
<td>Bi-communal Project - Support to SMEs</td>
<td>UNOPS</td>
</tr>
<tr>
<td>13</td>
<td>Bi-communal Project – Nicosia Master Plan III</td>
<td>UNOPS</td>
</tr>
<tr>
<td>14</td>
<td>Bi-communal Project – Small Project Fund</td>
<td>UNOPS</td>
</tr>
<tr>
<td>#</td>
<td>Title of the project</td>
<td>Implementing Agency</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>15</td>
<td>Bi-communal Project – Communication Strategy</td>
<td>EC Delegation</td>
</tr>
</tbody>
</table>

**f) Nature Conservation**

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^3\) must be documented.

**g) Twinning**

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member States and Cyprus. The eligible costs may include costs incurred by the selected Member States 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.

4. **Monitoring and Assessment**

The monitoring and Assessment operations will follow the procedures defined under the DIS/EDIS system.

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

5. **Audit Anti-Fraud Measures**

a) **By the Candidate Countries**

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

Appropriate financial control shall be carried out by the competent national financial control authority (Auditor General) 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 Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, 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

\(^3\) DIR 92/43/EEC; OJ 206/7; 22.7.1992

Financing Memorandum

2002 National Pre-Accession Programme, Cyprus
general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

(ii) non-disclosure of information in violation of a specific obligation, with the same effect,

(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94.\(^{15}\)

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 at the end of each quarter.

b) By the Commission

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

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96.\(^{14}\)

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 included 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 Cyprus, 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 pre-accession programme.

\(^{15}\) OJ L 253; 7.10.00; p. 5-14
\(^{14}\) OJ L 292; 15.11.1996; p. 2-5
For Project 1 (Upgrade of the State General Laboratory), the legislation of the sectors concerned by the investment must have been transposed before the acquisition of the equipment.
INFORMATION AND PUBLICITY FOR THE CYPRUS PRE-ACCESSION PROGRAMME OF THE EUROPEAN COMMUNITIES

1. **Objective and scope**

Information and publicity measures concerning assistance from the European Community Cyprus Pre-accession 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 Pre-accession 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:


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 the Cyprus Pre-accession programme**

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 pre-accession 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 the EU:
- measures to make potential beneficiaries and the general public aware of EU assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
- measures targeting applicants for public aids part-financed by the EU 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.

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 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.

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 Pre-accession 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 the EU 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 Pre-accession Programme, 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.

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.