FINANCING MEMORANDUM

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

on the one part, and

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

on the other part,

HAVE AGREED AS FOLLOWS:

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

ARTICLE 1 - NATURE AND SUBJECT

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

Project number: CZ 9801  
Title: CROSS BORDER COOPERATION  
Duration: Until December 31, 1999

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 9,1 MECU hereinafter referred to as "THE EC GRANT".

THE EC GRANT is subject to an expiry date, after which any balance of funds shall be cancelled. THE COMMISSION may however, depending on the circumstances, agree to an appropriate extension of this expiry date, should such an extension be requested and properly justified by THE RECIPIENT.

For the present measure, the expiry date of THE EC GRANT is hereby set at 31st December 1999 (in accordance with the duration of the measure as indicated above).
ARTICLE 3 - ADDRESSES

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

for the COMMUNITY:

European Commission
Directorate General I.A.B
External Relations: Europe and the New Independent States
Rue de la Loi, 200
B - 1049 Brussels, Belgium

Telegraphic address: COMEUR BRUXELLES
Telex: 21877 COMEU B
Fax: 32/2/2957502

for THE RECIPIENT:

Ministry for Regional Development of the Czech Republic
Staroměstské nám. 6
110 15 Praha 1

Tel.: 00420/2/2486 1569
Fax: 00420/2/2486 1324

ARTICLE 4 - NUMBER OF COPIES

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

ARTICLE 5 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. Only expenditure incurred from this date is eligible for the EC GRANT.

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

Done at Prague
Date 17.5.92

for THE RECIPIENT
Jan Cerny
The Minister for Regional Development
the Czech Republic

for THE COMMUNITY
Joannes ter Haar
The Head of the European Commission of Delegation in the Czech Republic

Annexes:
Framework Agreement (Annexes A & B)
Special Provisions (Annex C)
FRAMEWORK AGREEMENT

between

the European Commission and the Government of the Czech Republic
concerning the participation of the Czech Republic in the European Community's aid programme

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

on the one part, and

The Government of the Czech Republic, acting on behalf of the Czech Republic, hereinafter referred to as the Czech Republic,

on the other part,

and together, jointly referred to as "the Contracting Parties"

Whereas the Czech Republic is eligible to be a recipient under the Community’s aid programme PHARE as provided for in the European Community Council Regulation n° 3906/89 of 18th December 1989 as last amended by Regulation n° 1366/95 of June 12th, 1995

Whereas it is fitting that the technical, legal and administrative framework within which MEASURES financed in the Czech Republic under the Community’s aid programme shall be executed, should be laid down.

HAVE AGREED AS FOLLOWS:

Article 1

In order to promote cooperation between the Contracting Parties with a view to supporting the process of economic and social reform and development in the Czech Republic, the Contracting Parties agree to implement MEASURES in the field of financial, technical, and other forms of co-operation as specified in the said Regulation, which shall be financed and implemented within the technical, legal and administrative framework, laid down in this Agreement. The specific details of each MEASURE (or set of MEASURES) shall be set out in a memorandum to be agreed between the Contracting Parties (hereinafter referred to as “the Financing Memorandum”), a model of which is provided in ANNEX C.
The Czech Republic takes all necessary steps in order to ensure the proper execution of all MEASURES.

**Article 2**

Each MEASURE which is financed within the framework of this Agreement shall be implemented in accordance with the General Conditions set out in Annex A hereto, which shall be deemed to be incorporated in each Financing Memorandum. The Financing Memorandum may vary or supplement the General Conditions as may be necessary for the implementation of the MEASURE in question.

**Article 3**

For matters relating to the MEASURES financed within the framework of this Agreement, the COMMISSION shall be represented in the Czech Republic by its Delegation in Prague which shall ensure, on behalf of the COMMISSION, that the MEASURE is executed in accordance with sound financial and technical practices.

**Article 4**

When the Contracting Parties so agree, the COMMISSION may delegate all or part of its responsibility for implementation of a MEASURE to a third party, state or agency.

In that event the terms and conditions of such delegation shall be set forth in an agreement to be concluded between the COMMISSION and the third party, state or agency, subject to the consent of the Government of the Czech Republic.

**Article 5**

Any dispute relating to this Agreement which cannot be resolved by consultation shall be settled according to the arbitration procedure referred to in Annex B.

**Article 6**

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

**Article 7**

This Agreement shall enter into force and replace the Framework Agreement concluded with the Czech and Slovak Federal Republic on the day the Contracting Parties inform each other of its approval in accordance with the existing internal legislation or procedure of each of the Parties. The Agreement shall continue to be in force for an
indefinite period unless terminated upon written notification by one of the Contracting Parties to the other.

On termination of this Agreement any MEASURE still in the course of execution shall be carried out to its completion in accordance with the terms of the Financing Memorandum relating thereto, and of the General Conditions set out herein.

**Article 8**

The provisions of this Agreement shall also apply to technical co-operation and other operations convened between the Contracting Parties which by their nature are not covered by a specific memorandum financed under the PHARE aid programme at the request of the Government of the Czech Republic.

It shall also apply to MEASURES originally convened with Czechoslovakia which have been split between its successor states and confirmed by a "codicil" or been subject to a Financing Memorandum between the Contracting Parties.

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

Done at Brussels

on the day 12 of July
in the year one thousand nine hundred and ninety six.

Done at Prague

on the day of
in the year one thousand nine hundred and ninety six.

FOR THE COMMUNITY

[Signature]

FOR THE GOVERNMENT OF THE CZECH REPUBLIC

[Signature]
ANNEX A

GENERAL CONDITIONS RELATING TO FINANCING MEMORANDA

In these General Conditions the term "THE RECIPIENT" shall be understood as referring to the Government of the Czech Republic.

TITLE I - FINANCING OF PROJECTS

ARTICLE 1 - COMMITMENT OF THE COMMUNITY

The commitment of the Community, hereinafter referred to as "the EC Grant", the amount of which is laid down in the Financing Memorandum, shall determine the limit within which commitment and execution of payments shall be carried out through duly approved contracts and estimates.

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 RECIPIENTS own resources or from other sources of funds, 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 Memorandum, themselves become available.

ARTICLE 3 - DISBURSEMENT

Contracts are eligible for disbursements under a Financing Memorandum only if they are concluded before the expiry date of the Financing Memorandum. Disbursements on such contracts may take place during a maximum period of 12 months after the expiry date of the Financing Memorandum. Any exceptional extension of this period must be approved by THE COMMISSION.

Within the limit set on the EC Grant, requests for funds in the form of a Work Programme shall be presented to the COMMISSION Delegation by THE RECIPIENT in accordance with the schedule set out in the Financing Memorandum. Documentary evidence relating to payments made in respect of 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.

For the part of the programme implemented by THE RECIPIENT, the Implementing Authority shall submit a Work Programme (including inter alia contracts that still have to be concluded for the implementation of the programme) not later than 9 months before the expiry date of the Financing Memorandum for approval by THE COMMISSION. The Work Programme should include proposals for the utilisation of the net interests accrued on the accounts opened in the implementation of the programme, under the condition that the whole of the EC grant will be previously committed.

As regards MEASURES executed on the basis of prepared estimates, a first payment instalment which, save where the Financing Memorandum otherwise provides, shall not exceed 20% of the amount approved by THE COMMISSION, may be made in favour of THE RECIPIENT in order to facilitate the launching of THE MEASURE. Other payment instalments shall be made available, at the request of THE RECIPIENT, subject to the same conditions set out in the paragraph 2 above.

**TITLE II - PROCUREMENT**

**ARTICLE 4 - GENERAL**

The procedure to be followed for the conclusion of works, supplies, and technical co-operation contracts, shall be laid down in the Financing Memorandum following the principles set out below.

**ARTICLE 5 - CONDITIONS OF PARTICIPATION**

1. Save under the conditions of art. 6 THE RECIPIENT and THE COMMISSION take the measures necessary to ensure equality of conditions for participation in such contracts, in particular by publication, in due time of invitations to tender. Such publication is to be made by the Community at least in the Official Journal of the European Communities and by THE RECIPIENT in the appropriate national publications.

2. General conditions of contracts shall be drawn up in conformity with the models in international use, such as the general regulations and conditions for supply and service contracts financed from PHARE Funds.
ARTICLE 6 - DEROGATION FROM STANDARD PROCEDURES

Where the urgency of the situation is recognised or where justified on account of the nature, minor importance, or particular characteristics of certain MEASURES, (for example two stage financing operations, multi-phased operations, particular technical specifications, etc.) and related contracts, THE RECIPIENT may, in agreement with THE COMMISSION, exceptionally authorise:

- the placing of contracts after restricted invitations to tender,
- the conclusion of contracts by direct agreement,
- the performance of contracts through public works departments.

Such derogation shall be laid down in the Financing Memorandum.

ARTICLE 7 - AWARD OF WORKS AND SUPPLIES CONTRACTS

THE RECIPIENT and THE COMMISSION shall ensure that for every operation, the offer selected is economically the most advantageous, particularly in view of the qualifications and guarantees offered by the tenderers, the cost and quality of services, the nature and conditions for execution of the works or supplies, their cost of utilisation and technical value.

Results of the invitation to tender shall be published in the Official Journal of the European Communities and may also be published by THE RECIPIENT in the appropriate national publications.

ARTICLE 8 - TECHNICAL CO-OPERATION CONTRACTS

1. Technical Co-operation contracts, which may take the form of studies, supervision of works or technical assistance contracts, shall be concluded after direct negotiation with the consultant or when technical, economic or financial reasons so justify, following invitation to tender.

2. Contracts shall be drawn up, negotiated and concluded either by THE RECIPIENT or by THE COMMISSION when the Financing Memorandum so provides.

3. Where contracts are to be drawn up, negotiated and concluded by THE RECIPIENT, THE COMMISSION shall put forward a short list of one or more candidates on the basis of criteria guaranteeing their qualifications, experience and independence and taking into account their availability for the project in question.
4. When there is to be a direct negotiation procedure and THE COMMISSION has proposed several candidates, THE RECIPIENT may freely choose the candidate with which it intends to conclude the contract from among those put forward.

5. When there is recourse to a tendering procedure, the contract shall be awarded to the candidate which has submitted the offer which is acknowledged by THE RECIPIENT and THE COMMISSION to be economically the most advantageous.

TITLE III - GRANT OF FACILITIES

ARTICLE 9 - 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 state of THE RECIPIENT 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.

ARTICLE 10 - ESTABLISHMENT, INSTALLATION, ENTRY AND RESIDENCE FACILITIES.

In the case of works, supply or service contracts, natural or legal persons eligible to participate in tendering procedures shall be entitled to temporary installation and residence where the importance of the contract so warrants. This right shall be acquired only after the invitation to tender has been issued and shall be enjoyed by the technical staff needed to carry out studies preparatory to the drawing up of tenders, it shall elapse one month after the contractor is designated.

THE RECIPIENT shall permit personnel taking part in works, supplies or services contracts financed by the Community, and members of their immediate family, to enter the State of THE RECIPIENT, to establish themselves in the State, to work there and to leave the said State, as the nature of the contract so justifies.

ARTICLE 11 - IMPORT AND RE-EXPORT OF EQUIPMENT

THE RECIPIENT shall grant the permits necessary for the importation of professional equipment required to execute THE MEASURE, subject to existing laws, rules and regulations of THE RECIPIENT.
THE RECIPIENT shall further grant natural and legal persons who have executed works, supplies or services contracts the permits required to re-export the said equipment.

ARTICLE 12 - IMPORTS AND EXCHANGE CONTROL

For the execution of MEASURES, THE RECIPIENT undertakes to grant import authorisations and authorisations for the acquisition of the foreign exchange, and to apply national exchange control regulations without discrimination between Member States of the Community, Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

THE RECIPIENT shall grant the permits necessary to repatriate funds received in respect of THE MEASURE, in accordance with the foreign exchange control regulations in force in the state of THE RECIPIENT.

ARTICLE 13 - TAXATION AND CUSTOMS

1. Taxes, customs and import duties shall not be financed out of the EC Grant.

2. Imports under supply contracts concluded by the authorities of THE RECIPIENT and financed out of the EC Grant shall be allowed to enter the state of THE RECIPIENT 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.

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

4. Natural and legal persons, including expatriate staff, from the Member States of the European Community executing technical co-operation contracts financed out of the EC Grant shall be exempted from business and income tax payable by natural and legal persons in the state of THE RECIPIENT, with regard to incomes paid from the EC Grant designed to implement the said contracts.

5. 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.

6. Natural and legal persons importing professional equipment, as provided for in Article 11, shall, if they so request, benefit from the system of temporary admission as defined by the national legislation of THE RECIPIENT in respect of the said equipment.

7. Free-of-charge transfer of property within the Phare Programme shall be exempted from gift tax. For the purpose of this provision, property shall mean any movable and real property, cash, any other property values and property benefits.

TITLE IV - EXECUTION OF CONTRACTS

ARTICLE 14 - ORIGIN OF SUPPLIES

THE RECIPIENT agrees that, save when otherwise authorised by THE COMMISSION, materials and supplies required for execution of contracts must originate in the Community, Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

ARTICLE 15 - PAYMENT PROCEDURES

1. For contracts financed out of the EC Grant, tenders shall be drawn up and payments made, either in European Currency Units (ECU), or in accordance with the foreign exchange laws and regulations of THE RECIPIENT in the currency of THE RECIPIENT, or in the currency of the state where the tenderer has his registered place of business, or in the currency of the state where the supplies were produced.

2. When tenders are drawn up in ECU, payments relating thereto shall be made, as appropriate, in the currency named in the contract, on the basis of the equivalent value of the ECU on the day preceding payment.

3. THE COMMISSION and THE RECIPIENT shall take all measures necessary to ensure execution of payments within the shortest possible time.
TITLE V - COLLABORATION BETWEEN THE RECIPIENT AND THE COMMISSION

ARTICLE 16 - INSPECTION AND AUDIT

1. THE COMMISSION shall have the right to send its own agents or duly authorised representatives to carry out any technical or financial mission or audit that it considers necessary to follow the execution of THE MEASURE. However, THE COMMISSION shall give the authorities of THE RECIPIENT advance notice of such missions.

THE RECIPIENT shall supply all information and documents which shall be requested of it, and take all suitable measures to facilitate the work of persons instructed to carry out audits or inspections.

2. THE RECIPIENT shall:
(a) maintain records and accounts adequate to identify the works, supplies or services financed under the Financing Memorandum in accordance with sound accounting procedures;
(b) ensure that the aforementioned agents or representatives of THE COMMISSION have the right to inspect all relevant documentation and accounts pertaining to items financed under the Financing Memorandum, and assist the Court of Auditors of the European Communities to carry out audits relating to the utilisation of the EC Grant.

THE COMMISSION may also carry out an ex-post evaluation and a final audit of THE MEASURE. The ex-post evaluation will assess the achievement of the objectives/targets of THE MEASURE as well as the impact on the development and restructuring of the sector concerned.

The final audit will review the local financial data of THE MEASURE, providing an independent opinion on the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum. The audit will establish the balance of uncommitted and/or undisbursed funds which shall be reimbursed to THE COMMISSION.

ARTICLE 17 - 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.

TITLE VI - GENERAL AND FINAL PROVISIONS

ARTICLE 18 - CONSULTATION - DISPUTES

1. Any question relating to execution or interpretation of the Financing Memorandum or
these General Conditions shall be the subject of consultation between THE RECIPIENT
and THE COMMISSION, leading, where necessary, to an amendment of the Financing
Memorandum.

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 renounce in whole or in part the execution of THE
MEASURE. The Contracting Parties shall set out the details of the said renunciation in
an exchange of letters.

ARTICLE 19 - NOTICE - ADDRESSES

Any notice and any agreement between the parties provided for herein must be the
subject of a written communication referring explicitly to the number and title of the
measure. Such notices or agreements shall be made by letter sent to the party authorised
to receive the same, and sent to the address notified by the said party. In case of urgency,
telefax, telegraphic or telex communications shall be permitted and deemed to have been
validity served, provided that they are confirmed immediately by letter.

The addresses are set out in the Financing Memorandum.
ANNEX B - 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 18 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.
ANNEX C - SPECIAL PROVISIONS

1. OBJECTIVES

General Objectives
The general objective of the Phare cross border co-operation programme (Article 3, Commission Regulation No. 1628/94) is to promote co-operation between border regions of the European Union and adjacent regions of Central and East European Countries. The programme seeks to help these regions to overcome specific development problems resulting from their relative isolation in the framework of national economics; it also supports the establishment and development of co-operative networks on both sides of the border and the creation of linkages between these networks and wider European Union networks.

Specific Objectives
More specifically, as specified in the Multi-annual Indicative Programme, the objectives of the Phare Cross Border Co-operation Programme for the Czech Republic and Austria are:
- to support the Czech Republic’s transformation process and to facilitate the process of integrating the Czech Republic into the European Union;
- to support the further development of the economic potential of border regions by strengthening existing structures, increasing the competitiveness of Czech enterprises, and reviving the overall economy on both sides of the border;
- to overcome problems burdening the border areas, including pollution of the environment and inadequate infrastructure that has an impact on both sides of the border;
- to reduce the peripheral character and isolation of these areas, thereby improving the quality of life and creating a co-operative network on both sides of the border;
- to support and/or develop broad patterns of co-operation to secure sound relations between neighbours.

2. PROGRAMME DESCRIPTION

In accordance with economic and social evaluations of the border area, the MIP identifies a total of five priority areas that reflect a high level of complementarity with the corresponding INTERREG II programmes for Austria. The following priorities have been selected:

- Transport, Technical infrastructure, and the Environment
- Socio-economic development
- Agriculture and rural development
- Small Projects Fund and Technical Assistance / Institution Building
- Programme management

In accordance with the MIP, the main focus of the programme during 1998 (as in previous years), will be on measures/projects in the priority areas of transport, technical infrastructure, environment, socio-economic development, and also funding for small projects, which will assist community authorities by supporting activities aimed at strengthening co-operation with Austrian partners. Funds are also set aside for programme management.
The 1998 programme includes a total of 13 projects (including small projects funds). Of these, 9 projects will be co-financed by communities in the Czech - Austrian border region. The projects initially selected on the Czech side at the end of 1996 were identified by the Programming Committee, which consists of representatives of the relevant ministries, the Committees for Co-operation with Upper and Lower Austria, and the Euroregion Šumava. The final project selection was carried out on June 03, 1997 by the Joint Programming and Monitoring Committee (JPMC) and by the extraordinary meeting of the JPMC on September 11, 1997. All projects were evaluated on the basis of selected criteria that are defined in the Multi-annual Indicative Programme (MIP). The criteria include, for example, the cross border impact of projects (including their complementarity with INTERREG II), internal rate of return (IRR), methods of project co-financing, and project impact on the environment.

Environmental Impact Assessments have been carried out for each of the investment projects. As a result, there are no projects with unacceptable consequences for the quality of the environment; many projects - in particular those under the priorities transport, technical infrastructure, environment, and agriculture/forestry - contribute directly to the improvement of the environmental situation.

An initial screening has been carried out to assess the programme’s effect on Small and Medium Enterprises. As a result, a fuller assessment is not required. Some of the projects, in particular those under the priorities of economic development and human resources, contribute directly to the creation and growth of small and medium businesses.

The Joint Programming and Monitoring Committee selected the following measures/projects for the 1998 programme (major projects exceeding a total cost of 1 Mecu are summarised in fiche format in annex to this document and a summary table identifying all projects put forward for support during 1997 is also provided).

2.1 Measures to remove damages caused by the floods

The purpose of this project is to co-finance measures to remove damages caused by the floods in the districts Hodonín and Břeclav. Such measures will be reconstruction works and repairs of the municipality infrastructure (public utilities, sewage and wastewater treatment, transport infrastructure). Priority will be given the reconstruction of the wastewater treatment plant in Veselí nad Moravou (district Hodonín). Projects for the remaining funds will be selected by the Czech authorities according to the CBC criteria, with the approval of the European Commission and Austria.

2.2 Technical Infrastructure
Measure A: Expansion and modernisation of energy supply networks and drinking water supply, especially using alternative energy sources at the local level

**Staré Město pod Landštějnem - Heating Supply Network, Stage I**
In 1994, the community of Staré Město pod Landštějnem has started to solve the local air pollution problems through the construction of one central heating plant using wood waste as its energy source and of the corresponding pipe network for energy supply to the consumers. This project was financed from local and Austrian sources and recently completed. The completion of the heating supply system in order to connect the remaining 17% of local
consumers, especially households, to the network represents Stage II of the measure and is the subject of this project.

2.3 Environment

Measure A: Construction and modernisation of sewerage systems and wastewater treatment plants

Horní Planá - Pihlov - Sewerage
After the opening of the borders to Austria and Germany, the increase of tourism in the region, especially during the summer season, resulted necessarily in a higher pressure on the environment, in particular on the water sources. As the cleanliness of the Lake Lipno water represents together with the Šumava National Park the key factor in further tourism development, the municipalities of the region decided to take actively preventive measures in order to protect the lake and groundwater against pollution and adopted a general sewerage network plan for the entire area of Lake Lipno. The present project focuses on the extension of the sewerage system in order to connect gradually all localities around the lake to effective wastewater treatment facilities.

Dačice - Sewers, Stage II
In 1995 and 1996, Phare CBC funding was provided to construct WWTPs and sewerage systems in the towns of Telč, Písečné nad Dyjí and Staré Město pod Landštejnem with the goal of improving the quality of water in the Moravská Dyje River which flows into Austria. This project will contribute to finally achieve the goal of improving the water quality of the Dyje River, through the completion of a complex sewerage system and arranging for the purification of wastewater in the area’s largest town, Dačice.

Starý and Nový Poddvorov - WWTP and Sewerage
As wastewater is currently flowing into groundwater reservoirs or rivers, the municipality of Starý Poddvorov has decided to construct a Wastewater Treatment Plant and to connect the current sewerage network to the WWTP which is the subject of this one stage project.

Kostice - WWTP and Sewerage
The purpose of this project is to complete the sewerage system and construct a new WWTP for the community of Kostice. The project will significantly affect the quality of water in the Kyjovka river and consequently in the Dyje (Thaya) and Morava Rivers. At the same time, groundwater quality in quaternary fluvial deposits located under the Morava River bottom will be improved. The deposits are a major source of drinking water for the whole area, including Austria.

2.4 Socio-economic development

Measure A: Support of small- and medium-sized enterprises and support for the development of tourism

Přední Výtoň - Summer Recreation Facilities
Přední Výtoň is located in the attractive Šumava area with excellent tourism potential. Much of its potential attraction for tourists is associated with the summer sporting and recreational activities on Lake Lipno (a man-made reservoir) - unique in this area. Výtoň (population 220) is the first community on the right bank of Lake Lipno en route from the Přední Výtoň -
Guglwald border crossing (in 1996, 107 371 vehicles passed through this crossing). Because of its inadequate infrastructure, most visitors from Austria simply pass through the community or remain there only briefly. The objective of this project is to create the infrastructure needed for recreational tourism, both for short-term visitors and for residents of surrounding Czech, Austrian and German communities.

České Budějovice Region - Bicycle Trails
This project involves the development of bicycle trails for tourists in the districts of České Budějovice and Český Krumlov with connections to the network of bicycle trails in Upper Austria by way of the Dolní Dvořiště - Wullowitz border crossing to Summerau, Reichenau, and Linz. The network will cover a length of 152 km.

Jindřichův Hradec Region - Bicycle Trails
This project involves the construction of a network of bicycle trails in the attractive border area of the district of Jindřichův Hradec. Development of the trails will provide visitors with the opportunity to visit a relatively untouched wilderness area, much of which is located in the former border zone.

Brno-Vienna - Bicycle Trail, Stage II
This project is linked to Stage I, which involved connecting the system of Austrian bicycle trails with the system of tourist bicycle trails under construction in the city of Brno and the districts of Brno (rural), Břeclav and Znojmo. Stage II involves the construction of two new independent sections of bicycle trails (approximately 20 km long) and structural alteration of several collision points on bicycle trails marked during Stage I. The trail touches on all of the attractive places in the region (Pálava - UNESCO) and connects with trails on the Austrian side of the border (Vienna, Danube trail, trails in the Weinviertel).

ČR - Austria - Centres for Technology Transfer
The goal of this project, which is related to a Phare Tempus project, is to strengthen the economy of Southern Moravia by restoring international co-operation between the Czech Republic and Austria, particularly in the area of modern technology transfer. The proposed project will facilitate this process in several ways. It will:

- create a network of centres for the collection and dissemination of information about the results of research being carried out at universities (and later within the entire scientific research community);
- facilitate the creation of partnerships to commercialise research ("technology push"); and
- facilitate the creation of partnerships to solve innovative tasks specified by industries ("technology pull").

The centres will provide or organise basic consulting services in the areas of project evaluation, commercial planning, marketing strategy, methods of project financing, etc.

2.5 Agriculture
Measure A: Development of rural areas, nature and culture preservation and preservation of the rural environment

South Moravia - Development of Viticulture
The project is intended to address the development of viticulture, to improve the quality of grapevine production and to support tourism in Břeclav and Znojmo Districts. The project is
related to a previous model project supported within the framework of the Global Environmental Facility (GEF) with the assistance of WB, UNDP and UNEP. Project implementation will lead to the improvement of the technology for the cultivation of grapevines and to an approach to the excellent level achieved in EU countries. This will be achieved through combining the introduction of new technologies with training, consulting services to producers and exhibitions. The construction of education paths with wine-making themes will complement the projects and add to the attractiveness of the region for tourism.

2.6 Small Projects and Technical Assistance
Measure A: Small Projects Fund, Technical Assistance, Studies and Institution Building

Small Projects Fund
The aim of the establishment of the Small Projects Fund (SPF) is to support the creation of co-operative networks between local and regional authorities and organisations on both sides of the border. Fund support will not be given for infrastructure activities (construction projects); rather, it will be aimed exclusively at so-called "soft projects" and "people to people" projects that will immediately serve to develop a higher level of cross border cooperation.

The implementation of the SPF will comply with the General Guidelines for SPF of the European Commission, issued in April 1997.

Under the control of the PMU CBC Phare, the SPF scheme will be implemented on a decentralised basis. The decision-making and administration will be the responsibility of the regional institutions. The Czech guidelines will specify in detail the procedural, financial, and other regulations and professional standards to be followed; the PMU will operate a close monitoring system and guarantee full compliance with general Phare and special SPF rules. CBC funds will be allocated only to regions where the institutional prerequisites and professional levels satisfy the criteria jointly established by the PMU and the Commission for the decentralised SPF management.

Technical Assistance, Studies and Institution Building
This project will aim at establishing in the border regions a strong network of partners comprising (a) investors like municipalities, associations, districts and public service enterprises as well as (b) regional development agencies as professional bodies to be gradually more involved in the preparation, implementation and supervision of regional development programmes including CBC. To this end, the programme will support under this budget line: (1) cofinancing of training measures for partners in the regions (investors, development agencies, personnel of other institutions relevant for the programme); (2) institution-building measures in the border regions in the context of regional development and strengthening cross-border partnership; (3) complementary measures to improve programme/project preparation and implementation (e.g. expert services, feasibility studies, local/regional development plans, programme reviews, audits, impact analysis, project evaluation).
2.7 Programme Management
Measure B: Technical Assistance

Support for the Programme Management Unit of the PHARE CBC 1998 programme, Czech Republic - Austria

Provision of financial support for the Programme Management Unit (PMU) is proposed in order to assure the effective implementation and monitoring of programmes. This has become particularly important due to the growing number, scale, and complexity of supported projects. The funds under this budget line will be used for: (1) cofinancing contribution for covering the operational costs of the PMU on a decreasing scale; (2) support of the PMU through technical assistance; (3) contributions to other costs necessary for the effective functioning of the PMU. The programme also includes an allocation for the checking of technical specifications, tender dossiers and contracts and for the participation in evaluation committees.

3. COST ESTIMATE AND DURATION

The programme will have a duration of two years and will end on 31 December 1999. The structure of European Union contributions for the Phare CBC 1998, Czech Republic - Austria Programme is presented by individual priorities and projects in the appended table.

<table>
<thead>
<tr>
<th>PRIORITIES/MEASURES</th>
<th>Total Cost (MECU)</th>
<th>Phare Contribution (MECU)</th>
<th>Titles of 1998 Projects (Projects with Total Cost Over 1 MECU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLOOD RELATED PROJECTS</td>
<td>min.1,1</td>
<td>1,00</td>
<td></td>
</tr>
<tr>
<td>TECHNICAL INFRASTRUCTURE</td>
<td>0,35</td>
<td>0,26</td>
<td></td>
</tr>
<tr>
<td>ENVIRONMENT</td>
<td>5,14</td>
<td>3,38</td>
<td>• Dačice - Sewers, Stage I</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Kostice - WTP and Sewerage</td>
</tr>
<tr>
<td>SOCIO-ECONOMIC DEVELOPMENT</td>
<td>3,49</td>
<td>2,61</td>
<td>• Jindřichův Hradec - Bicycle Trails</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Brno-Vienna - Bicycle Trails</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>0,92</td>
<td>0,65</td>
<td></td>
</tr>
<tr>
<td>SMALL PROJECTS AND TA</td>
<td>0,99</td>
<td>0,92</td>
<td></td>
</tr>
<tr>
<td>PROGRAMME MANAGEMENT</td>
<td>0,28</td>
<td>0,28</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>12,27</td>
<td>9,10</td>
<td></td>
</tr>
</tbody>
</table>

4. IMPLEMENTATION ARRANGEMENTS

4.1 Institutional Arrangements

In view of the multi-sectoral character of the Phare CBC programme and given its mandate under the Czech Law on Competencies for regional and territorial planning, including the elaboration of joint territorial development programmes related to the Czech/Austrian border area, the Ministry for Regional Development will be the Implementing Authority for the
programme. The Ministry will have overall responsibility for the co-ordination and implementation of the programme. A Programme Management Unit for CBC programmes has been established within the Ministry in 1994. The PMU is currently undergoing a profound reorganisation with a view to strengthen its implementation capacity, to streamline procedures and to enhance the interface of the CBC programme with other programmes relating to regional development. As a result, the PMU will be part of the Centre for Regional Development, a contributory subordinate institution of the Ministry for Regional Development. The various Phare programmes relating to regional development will be managed by this PMU. The new structure is still under discussion with the Commission; the Memorandum of Understanding between the Commission and the Czech Government concerning this programme will specify in detail the institutional arrangements for implementation.

The implementing authority, through its co-ordination function, will ensure that the programme is developed in line with the priorities of concerned national and local authorities and that the ministries and authorities are involved in the programme through a Programming Committee. It is anticipated that the role of the local and regional authorities will evolve during the lifetime of the programme, in particular within the context of the expected creation of regional self-government. The Programming Committee, which now consists of representatives of selected ministries, district authorities, the Committees for Co-operation with Upper and Lower Austria, and the Šumava Association of Communities - will provide Czech input to the Joint Programming and Monitoring Committee.

4.2 Joint Programming and Monitoring Committee

The Joint Programming and Monitoring Committee was established in 1995 to oversee the institutional configuration of the programme.

The co-chairmen of the Committee are the Director of the Department for Cross-border Cooperation in the Ministry for Regional Development on the Czech side and the Director of Department No. IV/4 for Land Use Planning and Regional Policy of the Austrian Premier’s Office on the Austrian side. The co-chairmen define the composition of their respective delegations to the Committee, which consists of representatives of selected ministries and representatives of regional and municipal authorities. (Austrian representatives are from government offices of Lower and Upper Austria and Vienna; Czech representatives are from the Committees for Co-operation with Upper and Lower Austria and the Šumava Association of Communities- regional governments have not yet been established in the Czech Republic). Other official representatives and specialists, including representatives of international institutions and municipal and regional authorities, are allowed to participate in Committee meetings at the invitation of both co-chairmen. Working groups will be created as needed under the committee framework.

The European Commission is represented at the meetings of the Committee by appropriate general directorates (DG I A and DG XVI); EC representatives will pay special attention to the contents and formal correspondence of suggested measures and projects with European Union requirements. They will also take a view on the complementarity of project proposals with respect to INTERREG II.
The Committee will assure co-ordination between both sides when planning and implementing single stages of the programme. Firstly, it will provide the basic platform for common planning of cross border activities under the Phare CBC and INTERREG II frameworks. Secondly, it will monitor and co-ordinate the implementation of specified cross border activities or at least act as a permanent contact point for those who are responsible for these activities (Committee functions do not interfere with the authority of other bodies or commissions under EU legislation, e.g., the Phare Management Committee).

The Committee - on the basis of bilateral consensus - will:

- give its opinions on the objectives, priorities and measures proposed under the framework of the Phare CBC Multi-annual Indicative Programme and the operational programmes of INTERREG II for Austria;
- approve the selection of specific projects;
- receive progress reports, reviews, and evaluations of the approved programs and their component parts (measures, projects);
- express its opinion on the objectives, priorities, and CBC measures proposed for inclusion in the Multi-Annual Indicative, Phare CBC, and INTERREG II Operational Programmes;
- initiate and support activities to promote cross border co-operation and make current and future CBC programmes more effective.

The ordinary meetings of the Committee should be held every six months in either of the countries concerned. Extraordinary meetings may be required during the periods when programmes and annual financial proposals are being prepared or if any special implementation issues arise. Such meetings may be called at any time by agreement of the co-chairmen or the Commission. Extraordinary meetings called at the request of the Commission may be held in Brussels.

The preparation of reports, agendas and minutes of the meetings of the Committee will be organised by the co-chairmen and their assistants. Technical assistance, including interpretation and translation support for the Committee, the Secretariats, and the joint working groups, may be provided from Phare Cross Border Co-operation and INTERREG II funds.

4.3 Implementation

General Provisions

The programme will be managed under the Decentralised Implementation System (DIS).

A Programme Authorising Officer (PAO) will be nominated by the Minister for Regional Development as the signatory of the Financing Memorandum. The programme will be managed by the CBC Programme Management Unit (PMU) established by the Ministry for Regional Development.

The PMU will manage programme funds received in respect of the Programme in accordance with the manual "Phare Decentralised Implementation System" (DIS) and will operate a separate accounting system.
A separate interest-bearing account denominated in ECU will be opened for the programme and managed by the PMU in a separate accounting system. Interest on all the accounts will be reported regularly to the European Commission and should be returned to the European Commission. However, the interest may be reinvested in the Programme if the Commission so authorises.

Advance payments, other than those foreseen in Article 3.3 of the General Conditions attached to the Framework Agreement, will be made in accordance with the above mentioned DIS manual.

No preliminary advance payment (PAP) is foreseen.

All contracts made by the PMU will be prepared in accordance with the procedures set out in the above mentioned CPR manual if not otherwise stated in the Financing Memorandum or Memorandum of Understanding.

The implementation provisions may be reviewed from time to time; any such review(s) will be the subject of written agreement between the Commission and the national authorities.

**Special Provisions**

The implementation of small infrastructure projects in the area of the “measures to remove damages caused by the floods”, involving a Phare financing of up to 300,000 ECU, will be done according to the following principles:

1) The national Czech laws on public procurement should be applied, subject to the following conditions:

   - all contracts of an expected value exceeding 50,000 ECU must be awarded following an open tendering procedure;
   - every tender will be announced in the local press, including a publication in a Community language Czech newspaper;
   - the Phare rules of eligibility and origin must be complied with.

2) The general conditions for the contract and tendering procedures to be used need not be those from FIDIC, but can be those applied by the Czech public administrations, as long as they are not in contradiction with point 1) here above.

3) Commission approval of the tender dossier, evaluation report and contract is not required.

Furthermore, the following monitoring and audit principles have to be respected:

   - the Commission has a right to attend all meetings of the evaluation committees and it can designate experts for monitoring the implementation and finalisation of the project.
   - the Commission and the Community’s Court of Auditors have the right to check on Phare expenditure.
CONDITIONS

The Czech Government, through the Implementing Authority, the Czech Ministry for Regional Development, is liable for the full and proper implementation of projects specified under the programme and shall carry out, by its own means, any work on which contractors default.

The EU financial contribution to this programme is limited to a maximum of 9,1 MECU. It does not cover any cost overruns or additional projects or extensions ordered by implementing and/or contracting authority(ies). Any such costs must be covered by the implementing and/or contracting authority(ies). This does not limit the usual re-allocation possibilities as specified in the DIS.

For those measures specified under this programme in which the Community grant contributes to the financing of profit-generating activities, the Commission shall determine, in consultation with the Implementing Authority, specific arrangements that could include co-financing using project revenues or reimbursement of the initial grant.

Taking into account the characteristics of the projects and their cofinancing nature, further special arrangements regarding implementation will be jointly agreed upon in a separate Memorandum of Understanding between the Commission and the Ministry for Regional Development.

5. FOLLOW-UP, MONITORING AND EVALUATION

The accounts and operations of the Implementing Authority, the PMU and other relevant institutions involved in programme implementation may be checked at regular intervals 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 between the Czech Republic and the Commission.

The Commission Services shall: (a) monitor the implementation of the programme on the basis of regular reports provided by the Ministry for Regional Development and the PMU; (b) sign contracts with independent consultants to follow the progress of the programme and its components; and (c) ensure that an ex-post evaluation is carried out after completion of the programme.

In order to facilitate these activities, a detailed set of indicators of achievement will be defined according to the objectives and targets of the programme.