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:

Programme number: CZ9913
Title: 1999 Czech Republic Cross-Border Co-operation Programme with the Slovak Republic
Duration: Until 31 December 2001

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 2 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31 December 2001 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 31 December 2002. 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:

European Commission Delegation in the Czech Republic
Pod Hradbami 17
160 00 Praha 6
Czech Republic

Tel: +4202-2431 2835
Fax: +4202-2431-2850

for THE RECIPIENT:

Ministry of Finance of the Czech Republic
National Aid Co-ordinator,
Letenska 15
118 10 Praha 1
Czech Republic.

ARTICLE 5 - NUMBER OF ORIGINALS

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

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.
Done at Prague
Date 29/12/1999

for THE RECIPIENT

Jan Mladek
National Aid Co-ordinator,
Deputy-Minister of Finance
of the Czech Republic

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

Done at Prague
Date 29/12/1999

for THE COMMUNITY

Ramiro Cibrian
Head of the Commission Delegation
ANNEX C – SPECIAL PROVISIONS

4. **PROGRAMME OBJECTIVES AND DESCRIPTION**

4.1 **Programme Objectives**

4.1.1 **General Objectives**

The general objective of the Phare cross border co-operation programme (Article 3, Commission Regulation No. 2760/98) is to promote co-operation of border regions in Central and East European Countries with adjacent regions in a neighbouring country. The programme seeks to help these regions to overcome specific development problems resulting, *inter alia*, from their relative isolation in the framework of national economics, in the interest of the local population and in a manner compatible with the protection of the environment. It also supports the establishment and development of co-operative networks on either side of the border and the creation of linkages between these networks and wider Community networks.

4.1.2 **Specific Objectives**

More specifically, the objectives of the 1999 Phare Cross Border Co-operation Programme for the Czech Republic and Slovakia are:

- To facilitate the integration process of the Czech Republic and Slovakia;
- To support the further development of the economic potential of border regions by strengthening existing structures;
- To overcome problems bordering 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 of these areas, thereby improving the quality of life and creating a co-operative network on both sides of the border.

4.2 **Programme Description**

In accordance with economic and social evaluations of the border area, the 1999 programme for Czech-Slovak cross-border co-operation identifies two priority areas for measures on both sides of the common border. The following two priorities have been selected:

- Environment
- Small-scale actions (people-to-people)

The programme includes allocations for two large infrastructure projects in the above priority area of the environment and for a Joint Small Projects Fund. All projects to be supported under the programme will be co-financed from Czech and Slovak sources, primarily from resources of the communities in the Czech - Slovak border region and of the respective Czech and Slovak Governments. The Joint Co-operation Committee (JCC) agreed on the programme composition at its meeting in Brussels on 23 April, 1999 and subsequent exchange of correspondence. The criteria for project selection include the cross border impact of projects, methods of project co-financing, and project impact on the environment.
The implementation of the investment projects and of the small projects fund will contribute indirectly to the creation and growth of small and medium businesses. An environmental impact assessment will be carried out for all investment projects.

The JCC approved the following projects (the projects are summarised in fiche format in annex to this document).

4.2.1 Waste Water Disposal in Vlara Micro-Region 1st Stage

The project is a key contribution to ongoing work aimed to establish and complete a comprehensive sewerage and waste water disposal system in the Vlara micro-region. Work to be carried out will increase the capacity of the existing waste water treatment plant (WWTP) in the town of Brumov, extend the existing WWTP system at Blynice, build sewerage systems in Stitna and Popov, and commence construction of a sewerage system for the villages of Navojna, Nadasov and Nadasov Lhota. The project will contribute directly to the reduction of pollution in the border stream of the Vlara river, which is a source of drinking water, and its tributaries. The project will lead to an overall improvement of the environment in the border region, notably the water quality in the Vah and Dunaj rivers within the Slovak Republic. The Czech authorities will ensure 25% co-financing of the project.

4.2.2 Improvement of the sewer network and wastewater treatment plant in the city of Skalica and neighbouring villages

This project aims specifically at improving the quality of surface and underground water in the city of Skalica and neighbouring villages. It will have a positive impact on the environmental conditions of the river Morava through reduction of the contamination and in the Zahorie protected region and in the region across the border with the Czech Republic. The project foresees the supply of equipment and construction works aiming at establishing the new sewerage network and at the refurbishment and increase in treatment capacity of the wastewater treatment plant (WWTP).

The first phase of the reconstruction of the WWTP is currently under way and the costs are entirely borne by the Slovak authorities. The Slovak authorities will ensure 25% co-financing of the project.

4.2.3 Joint Small Projects Fund (JSPF)

The general aim of the JSPF is the support of ‘people to people’ projects and non-investment projects with a genuinely cross-border impact. The purpose of the support of these projects is to encourage local involvement and to facilitate the implementation of small-scale actions which may constitute the basis for larger cross-border cooperation projects. Priority will be given to projects that are planned, selected and realised jointly by Czech and Slovak partners and supported from both JSPFs on the Czech and on the Slovak side. The JSPF aims also at building and developing of specialist resources for local and regional institutions involved in regional development, groundwork and implementation of cross-border projects in line with EU practice.

The specific JSPF objectives in Slovakia and the Czech Republic are in accordance with regional priorities: the development of cultural and youth co-operation between neighbouring regions on both sides of the border; support for actions aimed at local and regional socio-economic development, in particular measures in support of tourism development; the support of educational
activities for institutions and individuals involved in local/regional development, in local
government and in organisations of public interest.

The minimum co-financing contribution of the beneficiary to the project is 10%; the minimum
contribution of the beneficiary to the administrative costs (Secretariat) is 5% of the project’s value.
The minimum Phare contribution per project is 1.000 EUR, the maximum contribution is 50.000
EUR. Within these limits, the regional Steering Committee may establish differing limits (in
particular lowering the maximum contribution of Phare, keeping in view the overall amount
available, and increase of the beneficiary’s own contribution).

The JSPF will be implemented following the General Guidelines of the Commission for Small
Projects Funds and draw on the Czech and Slovak Guidelines for the SPF, endorsed by the
Commission. A Regional Steering Committee will be established for the whole Czech-Slovak
border region and will be the principle responsible institution for the operation of the JSPF, under
the auspices of the relevant Implementing Agencies identified in Section 6.

5. Budget

The total financial commitment under the 1999 Phare CBC Programme Czech Republic -
Slovakia in support of the Projects described in section 4 above amounts to 4 M€, as follows in
M€:

<table>
<thead>
<tr>
<th>No.</th>
<th>Projects</th>
<th>Total</th>
<th>Phare SR</th>
<th>Phare CZ</th>
<th>Co-fin. CZ</th>
<th>Co-fin. SR</th>
<th>Phare Indicative</th>
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</thead>
<tbody>
<tr>
<td>01</td>
<td>CR - WWTP Vlara micro-region</td>
<td>2,340</td>
<td></td>
<td>1,750</td>
<td>0,590</td>
<td></td>
<td>1,750</td>
</tr>
<tr>
<td>02</td>
<td>SR - Sewer network and</td>
<td>2,335</td>
<td></td>
<td>1,750</td>
<td>0,585</td>
<td></td>
<td>1,750</td>
</tr>
<tr>
<td></td>
<td>WWTP in Skalica</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>JSPF</td>
<td>0,588</td>
<td>0,250</td>
<td>0,250</td>
<td>0,044</td>
<td>0,044</td>
<td>0,500</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>5,263</td>
<td>2,000</td>
<td>2,000</td>
<td>0,634</td>
<td>0,629</td>
<td>3,500</td>
</tr>
</tbody>
</table>
6. IMPLEMENTATION ARRANGEMENTS

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

A National Fund (NF) in the respective Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Financial Control Authority with respect to the implementation of the programme.

The Commission will transfer funds to the respective NF in accordance with the relevant Memorandum of Understanding signed between the Commission and the Government of the Czech Republic on 12 October 1998 and between the Commission and the Government of Slovakia on 10th December 1998. Funds will be transferred following requests from the respective NAO. A payment of up to 20% of the funds to be managed locally will be transferred by the EC to the NF following signature of the relevant Financing Memorandum and the Financing Agreement (FA) between the NF and the Implementing Agency (IA). 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 confirmation of the nomination of the Programme Authorising Officer (PAO) and the description of the system put in place, highlighting the flow of information between the NF and the IA and the manner in which the payment function will be carried out.

Four replenishments will be made of up to 20% of the funds to be managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the total budget has been disbursed by the IA. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IA exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

In the Czech Republic, the Ministry for Regional Development in conjunction with its Centre for Regional Development will be the IA for the Programme.

In the Slovak Republic, the CFCU will be the Implementing Agency for the Programme.

The NF will transfer funds to the IA in accordance with the Financing Agreement (FA) signed between the NF and the IA. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the IA there will be no transfer of funds from the NF to the IA. The IA will be headed by a PAO appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the IA.

A separate bank account, denominated in EUR will be opened and managed by the NF in a separate accounting system in the Central Bank. 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. The same procedures will apply to any funds transferred to the IA.
The NAO and the PAO will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual if not otherwise stated in the Financing Memorandum. The project as described under point 4.2.2 (JSPF) will be implemented in accordance with the General Guidelines of the Commission for Small Projects Funds and with the Czech and Slovak Guidelines for the SPF endorsed by the Commission.

All funds must be contracted by 31 December 2001. All disbursements must be made by 31 December 2002. Any funds not used by the expiry date of the programme will be recovered by the Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the relevant 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 relevant NAO to the Commission.

7. **MONITORING AND ASSESSMENT**

A Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) which will include the NAC, the PAO of the CBC Programmes and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultants (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

8. **AUDIT, MONITORING AND EVALUATION**

The accounts and operations of the NF, and, where applicable, the CFCU and all relevant IAs may be checked at the Commission’s discretion by an outside auditor contracted by the EC without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission Services shall ensure that an ex-post evaluation is carried out after completion of the Programme.
9. **Visibility/Publicity**

The appropriate PAO 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 at the Annex III "Visibility/Publicity".

10. **Special Conditions**

In the event that agreed commitments are not met for reasons which are within the control respectively of the Government of the Czech Republic or the Slovak government, the Commission may review the Programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or reallocate unused funds for other purposes consistent with the objectives of the Phare programme.
The European Commission has agreed the 1999 Cross-border Co-operation Programme for the Czech Republic with Slovakia in the framework of the Phare programme.

The European Community will contribute up to a maximum of €2 million from budget line B7-502 to the Czech components of this programme, which must be implemented by 31 December 2001.

The main components of this programme (Czech Republic only) are as follows:

**Project CZ9913.01: Waste Water Disposal in Vlara Micro-Region 1st Stage**

The project is a key contribution to ongoing work aimed to establish and complete a comprehensive sewerage and waste water disposal system in the Vlara micro-region. Work to be carried out will increase the capacity of the existing waste water treatment plant (WWTP) in the town of Brumov, extend the existing WWTP system at Blynice, build sewerage systems in Stitna and Popov, and commence construction of a sewerage system for the villages of Navojna, Nedasov and Nedasov Lhota. The total Phare budget for this project is 1.75 € million. The Czech authorities will ensure 25% co-financing of the project.

**Project CZ9913.02: Joint Small Projects Fund (JSPF)**

The general aim of the JSPF is the support of ‘people to people’ projects and non-investment projects with a genuinely cross-border impact. Priority will be given to projects that are planned, selected and realised jointly by Czech and Slovak partners and supported from both JSPFs on the Czech and on the Slovak side. The JSPF aims also at the building and developing of specialist resources for local and regional institutions involved in regional development, groundwork and implementation of cross-border projects in line with EU practice. The specific JSPF objectives are the development of cultural and youth co-operation; local and regional socio-economic development, tourism development; educational activities, local government and organisations of public interest.

The minimum co-financing contribution of the beneficiary to the project is 10%. All secretarial administrative costs, (none financed by Phare), are paid by the beneficiary which may amount to at least 5% of the project’s value. The minimum Phare contribution per project is 1.000 EUR, the maximum contribution is 50.000 EUR. Within these limits, the regional Steering Committee may establish differing limits (in particular lowering the maximum contribution of Phare, keeping in view the overall amount available, and increase of the beneficiary’s own contribution). The total Phare budget for this project is 0.25 million € (Czech Republic side).

The JSPF will be implemented following the General Guidelines of the Commission for Small Projects Funds and draw on the Czech Guidelines for the SPF, endorsed by the Commission. A Regional Steering Committee will be established for the whole Czech-Slovak border region and will be the principle responsible institution for the operation of the JSPF, under the auspices of the relevant Implementing Agencies.

**The Implementing Agency : Name, address and tel/fax nos**

*Ministry for Regional Development, in conjunction with its Centre for Regional Development*

Ministry for Regional Development of the Czech Republic
Starometske namesti 6
110 15 Praha 1
Tel. +4202 2486 1376
Fax. +4202 2486 1324

Further information about this programme can be obtained from:

(a) the Implementing Agency (as above);

(b) the Phare Internet service at: http://europa.eu.int/comm/dg 1a/phare.

In accordance with the Phare procurement rules, only part of this programme will be procured by restricted tender.

Further tender opportunity details will be available as follows:
(a) for service tenders from the Phare Internet service at the above address. For tenders above € 10 million, details will also appear in the Official Journal of the European Communities.

(b) for all supply tenders over € 300,000 and for all works tenders above €1 million from the Official Journal of the European Communities.

Tenders opportunities below these amounts will also be published, but this may be done only locally.