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:  
Title: 1999 Czech Republic Cross-Border Co-operation Programme With Germany
Duration: Until 30 November 2001

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 29.4 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 30 November 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 30 November 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
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 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 Phare Cross Border Co-operation Programme for the Czech Republic and Germany 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 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 MIP 1995-99 identified seven priority areas that reflect a high level of complementarity with the corresponding INTERREG II programmes for Bavaria and Saxony. The following priorities have been selected:

- Transport
- Environment
- Technical infrastructure
- SME development

The preparation process for the 1999 programme, involving an overall analysis of the economic and social situation in the border regions and extensive dialogue with the regional stakeholders, largely confirmed these priorities. However, measures for promoting the economic development, in particular through support for small and medium sized enterprises, were given higher priority than in the years before. The 1999 programme includes allocations for six large infrastructure projects in the above priority areas and a Joint Small Projects Fund. In addition, an allocation for an SME
Support Fund is also provided for, complemented by a small allocation for supporting programme management. All projects will be co-financed from Czech sources, except for the Air Pollution Reduction Fund, which will be co-financed by the German Government.

The Joint Programming and Monitoring Committee (JPMC) and pre-Joint Co-operation Committee discussed and agreed on the programme in the course of the Spring and Summer 1999. The criteria for project selection include the cross-border impact of projects (including their complementarity with INTERREG II), methods of project co-financing, project impact on the environment and minimum project size. 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. The implementation of the SME Fund and the Joint Small Projects Fund will contribute directly and indirectly to the creation and growth of small and medium businesses.

The following projects have been approved by the Joint Programming and Monitoring Committee and the pre-Joint Co-operation Committee. The projects are attached in fiche format in annex to this document and a summary table identifying all projects put forward for support during 1998 is also provided.

4.2.1 Large Infrastructure Projects – CZ9914.01

4.2.1.1 Nisa – Introduction of Gas in the Border Region – CZ9914.01.1

Combustion of low-quality brown coal with high sulphur and nitrogen content by households, public buildings and commercial facilities in the near-boarder Sluknov headland presents still a problem for the quality of air in the region. This pollution also affects German territory, particularly during frequent atmospheric inversions. In addition, pollution is carried to Germany by the prevailing west and south-west winds. A number of municipalities have already started – partly supported by Phare CBC - to improve the situation through the introduction of natural gas as an alternative to the environmentally problematic brown-coal. The subject of this project is to support the extension of natural gas as a substitute to solid fuels in the Sluknov headland. The project consists in two municipalities of the extension of the natural gas network; for one municipality, the project will mark the start of replacing brown coal by gas. The project concerns the construction of gas pipelines, regulation and control stations, and house connections in the following communities: Jiríkov (2nd phase), Kamenicky Senov (1st phase), and Rumburk (2nd phase). The suggested project is consistent with the Energy development concept of the Nisa Euroregion (elaborated in 1998) and Energy development concept of the Sluknov headland (elaborated in 1996).

4.2.1.2 Teplice – Integrated Rescue System – CZ9914.01.2

The tremendous increase in traffic, in mutual visits and communications as well as new problems along the common border require well functioning emergency service systems, mutual co-ordination and close co-operation. Therefore, a contact committee was established within the framework of the Euroregion Elbe/Labe for the implementation of closer co-operation in the area of rescue services and to prepare concrete proposals for co-ordinated collaboration. The intentions of the proposed project are based on these cross-border contacts. The subject of the project is to create a quality base for the Integrated Rescue System whose management unit is the Fire Rescue Brigade (HZS) of the district of Teplice, including reconstruction and accomplishment of the HZS central station. The project will create a district management centre of the Integrated Rescue System which would be able to ensure co-ordination of the rescue, emergency, technical and other relevant services on the Czech side as well as with the German side. To this end the project will
provide for the integration of the communication technology and uniformity and availability of the information database on both sides of the border. The project complies with principles of the Integrated Rescue System (IZS) which were approved by the Government of the Czech Republic in 1993.

4.2.1.3 As – By-Pass Road N° II/215 – CZ9914.01.3

At present, the only access route to the border crossing As-Selb leads through the built-up areas of As and Mokriny. The number of vehicles passing the border crossing has considerably increased since the opening of the border resulting in serious negative impact on the town environment. In addition, the excessive loads currently placed on the existing transport network, seriously damage the physical capacity of the system to handle such loads. The project consists of the construction of a 4.5 km long by-pass on outside the town of As. The by-pass road begins at the crossing with a 3rd class road leading to Dolni Zdar and Nebesa, i.e. in front of the built-up area of Mokriny. By the implementation of the project all the traffic directed to the As-Selb border crossing will be diverted out of the settlement areas of As and Mokriny. The length of the by-pass road itself does not differ substantially from that of the present route, but the vehicles going directly to the border will reach the crossing much earlier than before without passing through the town. It is assumed that about 6 thousand vehicles pass through As each day in both directions. At least half of this number will be diverted directly to the crossing by means of the proposed by-pass.

4.2.1.4 Chanov-Bilina Roads N° E442(I/13) and E55 (I/8) – CZ9914.01.4

The road E442 (I/13) and the E55 (I/8) form the main connection between the Czech Republic - Germany border crossing at Cinovec and the inland road network of the Czech Republic. After passing the town of Most the E442 (I/13) heads north through several small villages before passing through Bilina. The road then passes through Teplice where it meets the E55 (I/8). The E55 forms a direct link with the border crossing at Cinovec. At the current time, a large part of the E442 between Most and Teplice is in poor condition. This frequently leads to congestion, increased travel times between Most and Teplice and hence to and from the border, increased maintenance costs and a high accident rate. The project involves upgrading of the last section of the E442 between Most and Teplice that has not already been upgraded to a four-lane road, as well as carriageway reconstruction and general repair of three other sections of the E442. The project also involves carriageway reconstruction and general repair for a section of the E55 (I/8) through Teplice that is in poor condition. The project as a whole is split into four schemes which involve the reconstruction and repair of specific sections of the road E442 (I/13) between Chanov and Teplice and a single scheme involving the reconstruction and repair of a section of the road E55 (I/8) through Teplice.

4.2.1.5 Klatovy – Reconstruction and Modernisation of WWTP – CZ9914.01.5

There is an urgent need to improve the quality of the water in the Uhlava River, because of its current poor condition and very poor self-cleaning capacity. Waste Water Treatment Plant (WWTP) Klatovy is the largest contaminator in the Uhlava river and, with respect to regional protection of surface waters, it is important to address this issue with a view to ensuring appropriate ecological and economic conditions as EU accession approaches. Due to higher standards for waste water discharge and the growth of the town of Klatovy, a district town in Sumava, the present WWTP of Klatovy needs to be extended and upgraded. The project aims at a complex reconstruction and modernisation of the plant so that modern technical parameters are met and the quality of the outflow complies with relevant Czech and EU standards. The project consists of the civil works which will be financed by the investor from his own resources, and of the
technological equipment which is the subject of the co-financing contribution under the Phare CBC Programme. The technological equipment includes the mechanical and electrical installations, and the regulation and control systems. The WWPT will be equipped with mechanical and biological purification of wastewater, with operationally alternative chemical stage, sludge/sediment system with sludge/sediment processing by anaerobic stabilisation, machine drainage of the sludge/sediment and use of bio-gas for heat and electric energy.

4.2.1.6 Marianske Lazne-Sewer – CZ9914.01.6

Marianske Lazne is a spa city in West Bohemia. Its position and specialisation makes the Spa an important element of the spa network in the border region of Bohemia, Bavaria and Saxony. The subject of the project is the reconstruction and repair of almost 11.42 km of the sewerage network. This is proposed to be carried out using the excavation-free technology as this is the only possible method which responds both to the needs of an uninterrupted operation of the spa and tourism industry, as well as to the needs of undertaking an immediate and low cost reconstruction. Any other method would have very negative consequences for the spa industry and, hence, for the local economy. The project contributes to maintaining and upgrading one of the most important spa regions in Europe. The further development of the spa industry has been identified as a priority measure in the framework of the Regional Operational Programme for the NUTS II region Northwest Bohemia. The preservation of natural resources in the spa areas and the restoration and renewal of spa areas are specifically mentioned as eligible activities.

4.2.2 Joint Small Projects Fund (JSPF) – CZ9914.02

The general aim of the JSPF is the support of ‘people to people’ projects and non-investment projects within the Phare CBC programme. The purpose of the support of these projects is to broaden the field of activity of the CBC programme, to encourage local involvement and to facilitate the implementation of small-scale actions which may constitute the basis for larger cross-border co-operation projects. The JSPF aims also at the building and developing of specialist resources of 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 the Czech Republic are in accordance with regional priorities: the development of cultural cooperation between neighbouring regions on both sides of the border; cross-border youth activities; support for actions aimed at local and regional socio-economic development; the support of educational activities for institutions and individuals involved in local/regional development, in local government and in organisations of public interest, and information/public awareness raising activities. Given the particular importance of the sector to the region, special attention will be given to support of tourism development.

Joint Small Project Funds have been established in the five Czech-German border regions Nisa, Labe, Ore Mountains, Egrensis, and Šumava. On the basis of the Commission’s General Guidelines for Small Projects Funds, issued in April 1997, the Ministry for Regional Development, in close co-operation with the border regions, developed specific Czech Guidelines for the operation of the SPF in the Czech Republic. These guidelines were approved by the Commission in July 1997, and are regularly revised in line with experience. On this basis, the JSPF will be implemented in a decentralised manner. The decentralised structure involves in each of the five border regions one Steering Committee composed of representatives of the municipalities, NGOs, social partners, and having responsibility for the issuing of calls for proposals and for project selection. The day-to-day administration of the JSPF is to carried out by Secretariats, usually performed by the Regional Development Agency in the region.
For the ‘soft’ part of the JSPF, 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 EURO. 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 ‘soft’ part of the JSPF will be implemented in accordance with the General Guidelines of the Commission for Small Projects Funds, and the Czech Guidelines for the SPF, endorsed by the Commission.

In addition to the ‘soft’ part, the JSPF will include a strand to allow for small-scale investment support in aid of technical infrastructure in the settlements of the Czech-German border, which is in a poor state of repair, requiring rehabilitation, improvement, and re-construction. The drinking water-, sewerage-, community heating-, and energy supply systems, and telecommunications infrastructure all require investment. The specific objective of this strand is to eliminate infrastructural bottlenecks that limit the further economic development and to improve the conditions for the growth of small businesses. Previous CBC Programmes already addressed these needs through individual large projects. The current programme continues the support of large infrastructure improvement investments, but it complements these actions through a facility for smaller projects in order to also provide villages and small towns access to infrastructure support. For the small-scale technical and other infrastructure part of the JSPF, the maximum amount of the Phare CBC contribution is 300.000 EURO. The minimum co-financing contribution of the project beneficiary is 25% of the total project cost. Each beneficiary has to contribute min. 5% of the project cost for covering the administrative costs of the Secretariat.

4.2.3 SME Support Fund – CZ9914.03

The SME Support Fund provides a flexible approach to promote the creation and development of Small and Medium Enterprises (SME), to stimulate entrepreneurship and thus to contribute to the economic and social development in the region. Its specific objectives are: (1) to address the current difficulties faced by SMEs in accessing ”affordable” small credit, with reasonable collateral requirements; (2) to encourage more business start-ups through the provision of a range of appropriate supports to entrepreneurs at various stages – including training, consultancy support, etc.; (3) to assist in the development of a sustainable and viable pool of SMEs, through credit provision and training measures; (4) to develop the existing support structures for SMEs in the border region through strengthening these institutions and examining ways in which cross-border business can be developed; and (5) to provide SMEs and other entities access to concessional loans for investment in the reduction of air pollution.

Overall the Programme will place special emphasis on new entrepreneurs and micro-enterprises. 40% of funds earmarked for the financial assistance scheme will be accessed by these two categories of business. The same will apply to the advice/consulting and training components.

The Project will co-finance the following measures:

(1) Small Loans Scheme: Phare funds will be provided as a grant in parallel to the bank loan for financing the purchase of know-how, land, buildings, machinery, plant and equipment, means of transport, including the purchase of existing facilities/equipment for production, services or transport, construction, reconstruction and modernisation of buildings and other real estates linked directly to the implementation of the project. Applicants for support must have a well prepared business plan and have received consultancy services or attended training course on entrepreneurship as provided under the project.
(2) **Counselling, Advice and Consulting Services**: the receipt of such services may be pre-conditions of new entrepreneurs accessing available credit. Such services and business plan preparation will be available at 50% of the cost.

(3) **Training**: the project will support training courses for new entrepreneurs (business development, business plan preparation, taxation, and relevant legislation) and for existing businesses (growth potential assessment, access to new markets, cross-border co-operation).

(4) **Complementary measures and management**: the project will also provide funding for institutional strengthening, relevant studies, information access for businesses, participation in selected fairs and exhibitions, technology transfer.

As a separate component under the project, a special **Air Pollution Reduction Fund** will be established for the support of investments into the substitution of harmful solid fuels (in particular brown coal) with environmentally friendly fuels such as natural gas, liquid gas, natural wood, and light heating oil. Eligible applicants are SMEs, municipalities and other public institutions. Loans will be provided for new heating or combined heating/electricity facilities. The project will provide for an amount of 450,000 EURO; the same amount will be made available from the budget of the German Federal Ministry for the Environment. The total Fund of 900,000 EUR0 will be used for subsidising the interest rate of the individual loans. Thus, the total volume of loans that can be mobilised through the interest subsidy will be some 5 MEUR.

The financial schemes will be implemented through the Czech Moravian Guarantee and Development Bank which has extensive experience in terms of the administration of loans/financial assistance schemes to SMEs, both in the context of the Czech National Government programmes of assistance to SMEs, but also in the framework of the Phare Programme. The other components of the project shall be implemented through the ARP-Business Development Agency and the network of Regional Advisory and Information Centres (RPIC) and Business Innovation Centres (BIC) that have been set up and are being operated with support under the national Phare programme since 1992, and in accordance with its established rules and modalities.

### 4.2.4 Programme Management – CZ9914.04

Provision of financial support for the Implementing Agency (IA) is also proposed in order to assure the effective implementation and monitoring of the programme. 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) co-financing contribution for covering the operational costs of the IA on a decreasing scale; (2) support of the IA through technical assistance, long-term and short-term; (3) contributions to other costs necessary for the effective management of the programme. The programme also includes an allocation for the checking of technical specifications, tender dossiers and contracts and for the participation in evaluation committees. The Ministry for Regional Development and the Commission have agreed on a Memorandum of Understanding, signed on 18 December 1997, concerning the co-financing of the operational costs of the IA during the period 1998 - 2000. The rules and principles established in this Memorandum apply to the programme management provision under this programme. The Ministry for Regional Development will cover all operational costs from its own resources as from the year 2001.
5. **Budget**

The total financial commitment under the Phare CBC Programme 1999 Czech Republic - Germany in support of the Projects described in section 4 above amounts to **29.4 MEUR**, as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Projects / Subprojects</th>
<th>Total Cost (MEUR)</th>
<th>Phare Allocation (MEUR)</th>
<th>Indicative Split Between IB / Inv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CZ9914.01</td>
<td>Large Projects</td>
<td>29.897</td>
<td>20.938</td>
<td>0.000 / 20.938</td>
</tr>
<tr>
<td>CZ9914.01.1</td>
<td>Nisa – Introduction of Gas</td>
<td>4.134</td>
<td>3.100</td>
<td>0.000 / 3.100</td>
</tr>
<tr>
<td>CZ9914.01.2</td>
<td>Teplice – Integr. Rescue System</td>
<td>5.521</td>
<td>3.581</td>
<td>0.000 / 3.581</td>
</tr>
<tr>
<td>CZ9914.01.3</td>
<td>As – By-Pass Road N°II/215</td>
<td>5.085</td>
<td>3.814</td>
<td>0.000 / 3.814</td>
</tr>
<tr>
<td>CZ9914.01.4</td>
<td>Chanov-Bilina Roads E442/E55</td>
<td>6.700</td>
<td>4.500</td>
<td>0.000 / 4.500</td>
</tr>
<tr>
<td>CZ9914.01.5</td>
<td>Klatovy – WWTP</td>
<td>4.457</td>
<td>3.343</td>
<td>0.000 / 3.343</td>
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<tr>
<td>CZ9914.01.6</td>
<td>Marianske Lasne Sewer</td>
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<td>2.600</td>
<td>0.000 / 2.600</td>
</tr>
<tr>
<td>CZ9914.02</td>
<td>Joint Small Projects Fund</td>
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<td>5.880</td>
<td>2.000 / 3.880</td>
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<td>CZ9914.03</td>
<td>SME Support Fund</td>
<td>3.200</td>
<td>2.000</td>
<td>0.550 / 1.450</td>
</tr>
<tr>
<td>CZ9914.04</td>
<td>Programme Management</td>
<td>1.177</td>
<td>0.582</td>
<td>0.582 / 0.000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>42.170</strong></td>
<td><strong>29.400</strong></td>
<td><strong>3.132 / 26.268</strong></td>
</tr>
</tbody>
</table>

6. **Implementation Arrangements**

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

A National Fund (NF) has been established in the Ministry of Finance, headed by the National Authorising Officer (NAO). The NF will supervise the financial management of the Programme, and will be responsible for financial 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 EC will transfer funds to the NF in accordance with a Memorandum of Understanding signed between the EC and the Government of the Czech Republic on 12 October 1998. Funds will be transferred following requests from the NAO. 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 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. The provisions in the articles titled “Implementing Agency and Programme Authorising Officer” and “Bank Accounts” of the FA must also be met. Furthermore, the NAO must submit to the Commission a narrative description of the flow of transactions between the NF and the IA.

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 Implementing Agency (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.

The Ministry for Regional Development in conjunction with its Centre for Regional Development will be the IA for the Programme.

The National Fund shall open up a separate bank account denominated in € in the Central Bank (or “a Government guaranteed bank account in a Bank agreed in advance with the Commission”). This bank account shall have sub-accounts from which IA is entitled to execute payments in accordance with the rules set out in the FA between the NF and the IA. In any cases where this system cannot be implemented, specific arrangements will be agreed between the Commission services and the NF. All bank accounts shall be interest generating. 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 an IA.

Each individual FA will be endorsed in advance by the EC. The IA must be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant IA.

The ‘soft’ projects as described under point 4.2.2 (Joint Small Projects Fund) will be implemented in accordance with the General Guidelines of the Commission for Small Projects Funds and with the Czech Guideline for the SPF, endorsed by the Commission.

Taking into account the characteristics of the small-scale infra-structure projects and their co-financing nature, the tendering and contracting of the works for the ‘hard’ projects as described under point 4.2.2 will be carried out by the recipient in accordance with the Czech Procurement Law together with the following additional conditions which must be observed:

- all contracts of an expected total value exceeding 50,000 EUR must be awarded following an open tendering procedure;
- every such open tender will be announced in the local press, including a publication in a European Union language newspaper issued in the Czech Republic;
- the Phare Programme rules of eligibility and origin must be complied with which means that companies must be registered in an European Union Member State or a Phare beneficiary country, and all goods supplied must have a certificate of origin to state that the goods were manufactured in an European Union Member State or a Phare beneficiary country.

For these projects the IA will issue an operational manual which will constitute the binding procedure to be followed by the Secretariats. The day-to-day management of the JSPF will be carried out by regional Secretariats in accordance with the approved Guidelines. The function of the regional Secretariat will be performed by the relevant Regional Development Agency (RDA) that has received for this purpose technical assistance, training and other institution building support. To this end, the IA will conclude with each RDA of the relevant regions a Service Procurement Contract detailing the responsibilities and duties in accordance with the Guidelines.

The NAO and the PAOs 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.

All contracts must be concluded by 30 November 2001 at the latest, with disbursements concluded by 30 November 2002 at the latest. Any funds not used by the expiry date of the programme will be recovered by the Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as
calculated by the PAO and established by the Commission, will be paid to the 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.

7. **MONITORING AND ASSESSMENT**

A Joint Co-operation Committee (JCC) will be established in accordance with the Commission Regulation No. 2760/98 of December 18, 1998. It will include representatives of the Czech Government (i.a. the Czech Co-Chairman of the JCC, the NAO, the NAC, and regional representatives), the German Government (i.a. the German Co-Chairman of the JCC, representatives of Bavaria and Saxony and of the border regions), and the EC. The JCC will meet at least once a year to review all Czech-German CBC Programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda. The JCC may recommend a change of priorities and/or the re-allocation of Phare funds.

On the Czech side, the JCC will be assisted by a Monitoring Sub-Committee (MSC) which will include the NAC, the PAO of the CBC Programmes and the EC. 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 JCC, to which it will submit overall detailed reports on all Czech-German CBC 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 EC’s discretion by an outside auditor contracted by the EC without prejudice to the responsibilities of the EC 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 EC 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 EC Delegation. Further details are at annex 3.

10. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of the Czech Republic, the EC may review the Programme with a view, at the EC’s discretion, to cancelling all or part of it and/or reallocating unused funds for other purposes consistent
Annex 6 of the Financing Proposal

1999 Programme
Cross-Border Co-operation Programme for the Czech Republic-Germany

The European Commission has agreed the 1999 cross-border co-operation programme for the Czech Republic with Germany in the framework of the Phare programme.

The European Community will contribute up to a maximum of €24.9 million from budget line B7-502 to this programme, which must be implemented by 30 November 2001.

The main components of this programme are as follows:

**Project CZ9914.01.1: Large Projects**

**- Sub-project CZ9914.01.1: Nisa – Introduction of Gas**

The subject of this project is to support the extension of natural gas as a substitute to solid fuels in the Sluknov headland. The project consists in two municipalities of the extension of the natural gas network; for one municipality, the project will mark the start of replacing brown coal by gas. The project concerns the construction of gas pipelines, regulation and control stations, and house connections in the following communities: Jiříkov (2nd phase), Kamenicky Senov (1st phase), and Rumburk (2nd phase). The total Phare budget for this project is 3.1 million €.

**- Sub-project CZ9914.01.2: Teplice – Integration of Rescue System**

The subject of the project is to create a quality base for the Integrated Rescue System whose management unit is the Fire Rescue Brigade (HZS) of the district of Teplice, including reconstruction and accomplishment of the HZS central station. The project will create a district management centre of the Integrated Rescue System which would be able to ensure co-ordination of the rescue, emergency, technical and other relevant services on the Czech side as well as with the German side. To this end the project will provide for the integration of the communication technology and uniformity and availability of the information database on both sides of the border. The total Phare budget for this project is 3.58 million €.

**- Sub-project CZ9914.01.3: As – By-Pass Road N° II/215**

The project consists of the construction of a 4.5 km long by-pass on outside the town of As. The total Phare budget for this project is 3.81 million €.

**- Sub-project CZ9914.01.4: Chanov-Bilina Roads N° E442(I/13) and E55 (I/8)**

The project involves upgrading of the last section of the E442 between Most and Teplice that has not already been upgraded to a four-lane road, as well as carriageway reconstruction and general repair of three other sections of the E442. The project also involves carriageway reconstruction and general repair for a section of the E55 (I/8) through Teplice that is in poor condition. The project as a whole is split into four schemes which involve the reconstruction and repair of specific sections of the road E442 (I/13) between Chanov and Teplice and a single scheme involving the reconstruction and repair of a section of the road E55 (I/8) through Teplice. The total Phare budget for this project is 4.5 million €.

**- Sub-project CZ9914.01.5: Klatovy WWTP**

The project aims at a complex reconstruction and modernisation of the Klatovy WWTP so that modern technical parameters are met and the quality of the outflow complies with relevant Czech and EU standards. It consists of the civil works which will be financed by the investor from his own resources, and of the technological equipment which is the subject of the co-financing contribution under the Phare CBC Programme. The technological equipment includes the mechanical and electrical installations, and the regulation and control systems. The total Phare budget for this project is 3.34 million €.

**- Sub-project CZ9914.01.6: Marianske Lazne Sewer**

The subject of the project is the reconstruction and repair of almost 11.42 km of the sewerage network. This is proposed to be carried out using the excavation-free technology. The total Phare budget for this project is 2.6 million €.

**Project CZ9914.02: Joint Small Projects Fund**

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 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 Phare contribution per project is 1,000 €, the maximum contribution is 0.05 million €. In addition to the ‘soft’ part, the JSPF includes a strand to
allow for small-scale investment support in aid of technical infrastructure in the settlements of the Czech-German border. The maximum amount of the Phare CBC contribution is 0.3 million €. 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. The total Phare budget for this project is 5.88 million €.

**Project CZ9914.03: SME Support Fund**
The SME Support Fund provides a flexible approach to promote the creation and development of Small and Medium Enterprises (SME), to stimulate entrepreneurship and thus to contribute to the economic and social development in the region. The Project will include (1) a Small Loans Scheme, (2) Counselling, Advice and Consulting Services, (3) Training and (4) Complementary measures and management. As a separate component under the project, a special Air Pollution Reduction Fund will be established for the support of investments into the substitution of harmful solid fuels (in particular brown coal) with environmentally friendly fuels such as natural gas, liquid gas, natural wood, and light heating oil. Eligible applicants are SMEs, municipalities and other public institutions. The total Phare budget for this project is 2 million €.

**Project CZ9914.04: Programme Management**
The project will co-finance the operational costs of the Implementing Agency (IA). The project will cover technical assistance inputs, i.a. for programme preparation, specialised expertise for the checking of the technical specifications of tenders, of tender and contract dossiers and for the participation in tender evaluations, and finally programme management costs associated with the decentralised management of the programme. The total Phare budget for this project is 0.58 million €.

**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/comn/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.
NOTE TO HEADS OF EC DELEGATION IN ACCESSION COUNTRIES

Subject: Signature of Financing Memorandum

In order to allow for the signature of the FM by Mr Jan Mladek, National Aid Co-ordinator could you please urgently transmit the attached explanatory letter to him.

The attachments to the letter (FM and Exchange of Letters including the Project Fiches) will be sent to you in two originals by diplomatic pouch. Please ensure that the original letters of the Exchange of Letters are prepared in time to allow the exchange of letters for the project fiches at the same time with the signature of Financing Memorandum.

Once both the signature of the Financing Memorandum and the Exchange of Letters have taken place one set of originals is to be retained by the local authorities. As regards the second set of originals please return to Mihaela Stanescescu Vlasie of the Phare Co-ordination Unit one signed original Financing Memorandum, the original signed letter from the National Aid Co-ordinator, a copy of your signed letter of acknowledgement of project fiches and the original corresponding project fiches.

Yours sincerely,

Catherine Day

Encls to be signed and one set returned to Brussels
- 2x Financing Memorandum (1 back to Brussels),
- Exchange of Letters: - 2x Project Fiches (1 set back to Brussels with the signed letters),
  - 1 model letter from Head of Delegation to National Aid Co-ordinator (signed copy to Brussels),
  - 1 model letter from National Aid Co-ordinator to Head of Delegation (signed original returned to Brussels).
Subject: Signature of 1999 Financing Memoranda

We would like to arrange the signature of the Financing Memorandum (FM) CZ9914.

1999 Phare funded projects must be implemented according to the provisions of the project fiches and the FM. The project fiches are now ready. Your Government should submit the project fiches to the Commission. They will be agreed by means of an Exchange of Letters between Mr Ramiro Cibrian on behalf of the Commission and the duly authorised representative of the Government of the Czech Republic. This should take place at the same time as the FM is signed. I attach a model of the letter accompanying the project fiches.

Two originals of the FM are to be signed by the duly authorised representative of the Government of Jan Mladek and Mr Ramiro Cibrian for the Commission at the same time as the exchange of letters agreeing the project fiches. One set of originals i.e. Financing Memorandum, the agreement letter from Mr Ramiro Cibrian and the project fiches will be retained by Your Government while the other set of originals i.e. Financing Memorandum, the letter from Your Excellency and the project fiches will be retained by the Delegation to be sent to Brussels.

Yours sincerely,

Catherine DAY

Encl - Financing Memorandum (in two originals)
Model Letter from National Aid Co-ordinator to Head of Delegation.
MODEL 1 EXCHANGE OF LETTERS FOR PROJECT FICHES

To National Aid Co-ordinator
Insert name and address

Standard letter from National Aid Co-ordinator to Head of Delegation

Subject: 1999 Phare Cross-Border Co-operation Programme for the Czech Republic with Germany, € 24.9 million

Further to the signature of the Financing Memorandum for the above-mentioned programme on …(date) I am pleased to enclose herewith the project fiches for the implementation of the following projects described in Annex C of the Financing Memorandum CZ9914:

- CZ9914.01.1
- CZ9914.01.2
- CZ9914.01.3
- CZ9914.01.4
- CZ9914.01.5
- CZ9914.01.6
- CZ9914.02
- CZ9914.03
- CZ9914.04

I confirm that the details included in the project fiches (including their annexes) are correct, and that the Government of the Czech Republic will implement each project in accordance with the modalities, budgets, time schedules and conditionalities described in the relevant fiche.

Yours sincerely,

Signature National Aid Co-ordinator

To Head of EC Delegation
Insert name and address

…………..

Signed original to be sent to Phare co-ordination unit in Brussels
Standard reply from Head of Delegation to National Aid Co-ordinator

Subject: 1999 Phare Cross-Border Co-operation Programme for the Czech Republic, with Germany

Thank you for your letter of ...(add date) with which you enclosed project fiches for the following projects listed in Annex C of the Financing Memorandum CZ9914 for the above programme signed on ...(add date):

- CZ9914.01.1
- CZ9914.01.2
- CZ9914.01.3
- CZ9914.01.4
- CZ9914.01.5
- CZ9914.01.6
- CZ9914.02
- CZ9914.03
- CZ9914.04

I confirm that these project fiches are acceptable to the European Commission, and that the projects described are eligible to be financed from the above-mentioned Programme.

Yours sincerely,

Signature Head of Delegation

To National Aid Co-ordinator
Insert name and address
.............

COPY OF LETTER TO BE SENT TO PHARE CO-ORDINATION UNIT IN BRUSSELS