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: (ZZ9916) PR/TS/09

Title: Licensing related Assessment for Accident Analysis in VVER 440/213; Boron Dilution and Accidents during Low Power and Shutdown Conditions.

Programme number: (ZZ9916) PH6.02/99/cz

Title: Installation of the RODOS system in the Czech Republic

Duration: Until 31/12/2004

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 1.1 MEUR hereinafter referred to as "THE EC GRANT".
For the present MEASURE, THE EC GRANT is hereby available for contracting until 30/12/2004 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 30/12/2005; All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

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 24-05-2002

Done at PRAGUE
Date 24-05-2002
for THE RECIPIENT

Hana Heidlerová
National aid coordinator

for THE COMMUNITY

Ramiro Cibrián
Head of the Commission Delegation

Encl.
1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
ANNEX C - SPECIAL PROVISIONS

1. OBJECTIVE AND DESCRIPTION

1.1 General objectives

By its decision of 22 December 1999 (PH/1999/6709), the Commission established the 1999 PHARE multi-country programme for nuclear safety (ZZ9916). By decision of 4 December 2001 (PH/2001/5005) the Commission amended the implementation rules to allow for an implementation in accordance with the Decentralised Implementation System (DIS).

1.2 Specific objectives

This Financing Memorandum represents an agreement with regard to the implementation of two projects, namely the “TSO Support to Safety Authorities in Licensing related Assessment for Accident Analysis in VVER 440/213; Boron Dilution and Accidents during Low Power and Shutdown Conditions”, and "Installation of the RODOS system in the Czech Republic". The two projects have SUJB as the Beneficiary, the Nuclear Safety Administration of the Czech Republic.

"TSO Support to Safety Authorities in Licensing related Assessment for Accident Analysis in VVER 440/213; Boron Dilution and Accidents during Low Power and Shutdown Conditions”

The consequences of an accidentally low concentration of boron at low power and shutdown conditions have been extensively studied for many nuclear reactor types. This project addresses boron dilution and accidents during low power and shutdown conditions for VVER-440/213 reactors with a view to their prevention and mitigation. The objective of this project is to enhance effectiveness of a Nuclear Regulatory Authority in performing licensing related assessment of boron dilution and accidents occurring during low power and shutdown conditions. The project will be based on a review of a VVER-440/213 PSA in order to identify the most significant initiating events and scenarios to be considered and, also, on the analysis of available relevant deterministic studies. It will include know-how transfer of results and methodologies from Western PWR, taking into account specific features of VVER-440/213 design.

"Installation of the RODOS system in the Czech Republic”

In the PHARE 1998 nuclear safety programme, this project was originally described as project PH6.02/99, with the Czech Republic and Slovenia as its joint beneficiaries. As the project can be separated, technically and in terms of the allocated budget, into measures to be implemented in each of these two countries, the project has been divided into two country-specific projects to be implemented individually in the respective beneficiary country. The project for the Czech Republic that is the subject of this Financing Memorandum will therefore hitherto be referred to as project PH6.02/99/cz.

The project aims at assisting the installation of the RODOS (Real-time, On-line, DecisiOn Support) system for the off-site management of nuclear emergencies. RODOS has been, or is being, installed in national emergency centres in several countries in Eastern and Western Europe for pre-operational use and evaluation; its installation in other countries is under consideration. The increasing use of RODOS is expected to result in an improved and more coherent response to any future accident that may affect Europe. This Project comprises procurement, installation and commissioning of computer hardware, software and peripheral equipment. Subsequent to installation at its headquarters, SUJB as the designated operator
and maintainer of the RODOS system, shall maintain the communication links and monitor the input/output of the RODOS system in normal operations and in emergencies.

The purpose of this Memorandum is to define the method of implementation according to the decided amendment.

3 Conditionalities

It is agreed to implement the programme, with regard to the said project, under the provisions of the Framework Agreement governing the use of PHARE funds, signed by the Czech Republic and the Commission of the European Communities in August 1997 and in accordance with this Financing Memorandum. Unless otherwise specified, the implementation procedure follows the Practical Guide to the PHARE, ISPA and SAPARD contract procedures.

The Community financial contribution is limited to the real cost of the mentioned project. The Community 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 Government of the Czech Republic in accordance with applicable procedures.

2. BUDGET (million EURO)

<table>
<thead>
<tr>
<th>Country</th>
<th>Implementing Agency</th>
<th>Code</th>
<th>Allocation €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>CFCU</td>
<td>PR/TS/09</td>
<td>0.5</td>
</tr>
<tr>
<td>&quot;TSO Support to Safety Authorities in Licensing related Assessment for Accident Analysis in VVER 440/213; Boron Dilution and Accidents during Low Power and Shutdown Conditions&quot;</td>
<td>CFCU</td>
<td>PH6.02/99/cz</td>
<td>0.6</td>
</tr>
</tbody>
</table>

3. IMPLEMENTATION ARRANGEMENTS

The institutional arrangements are determined by the said Commission decision of 4 December 2001. This decision established the following amended

IMPLEMENTATION RULES

“On the basis of Financing Agreements to be reached with the Governments of beneficiary countries concerned, projects funded under this programme can be managed in accordance with the PHARE decentralised implementation system (DIS), as appropriate for each such project and in cases where the institutions of only one country are the project beneficiaries."
Apart from applying the general rules for decentralised implementation, due regard is to be given to the "new rules for contracts in the field of nuclear safety" as adopted by the Commission on 6 September 2000 to the extent that their provisions do not solely address centrally implemented projects ("the Commission will...”). The National Aid Co-ordinators (NAC) will have overall responsibility for programming, monitoring and implementation of the PHARE programme. The National Aid Co-ordinators and the National Authorising Officers shall be jointly responsible for co-ordination between PHARE (including PHARE CBC), ISPA and SAPARD.

The National Funds (NF) in the respective Ministries of Finance or equivalent, headed by the National Authorising Officers (NAO), will supervise the financial management of the programme, and will be responsible for reporting to the European Commission, giving due regard to any special reporting and monitoring requirements that will apply to the implementation of nuclear safety projects under the DIS. The National Authorising Officers (NAO) shall have overall responsibility for financial management of the PHARE funds. The NAOs shall ensure that the PHARE rules, regulations and procedures pertaining to procurement, reporting and financial management are respected, and that a proper reporting and project information system is functioning. The NAOs shall have the full overall accountability for the PHARE funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme.

The National Fund (NF) in each of the countries respectively is managed as follows:

- **Bulgaria**: Ministry of Finance
- **Czech Republic**: Ministry of Finance
- **Estonia**: Ministry of Finance
- **Hungary**: Ministry of Finance
- **Latvia**: Ministry of Finance
- **Lithuania**: Ministry of Finance
- **Poland**: Ministry of Finance
- **Romania**: Ministry of Public Finances
- **Slovakia**: Ministry of Finance
- **Slovenia**: Ministry of Finance

The Commission will transfer funds to the NFs in accordance with the current Memorandum of Understanding signed between the Commission and the respective Governments mostly in December 1998. Funds will be transferred following requests from the NAOs. A payment of up to 20% of the funds to be managed locally will be transferred to the respective NF following signature of the Financing Memorandum and the Financing Agreements (FA's) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). Furthermore, the NAOs must submit to the Commission the designation of the PAOs and a description of the system put into place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

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 budget has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth replenishment when 70% is disbursed. Save for express prior authorisation from the Commission headquarters, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment.
Exceptionally, the NAOs may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

The respective CFCUs will be responsible for the project.

The respective NF will transfer funds to IAs, including the Central Financing and Contracts Unit (CFCU), in accordance with Financing Agreements (FA) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

A separate bank account, denominated in € will be opened and managed by the NFs in a separate accounting system in the Central Bank (or in “a Bank agreed in advance with the Commission”). 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 re-invested in the programme. The same procedures will apply to any funds transferred from an IA to the CFCU.

The NAOs and PAOs will ensure that all contracts are prepared in accordance with the procedures set out by the Commission. All contracts must be concluded by 31 December 2004, all disbursements must be made by 31 December 2005. Any funds not used by the expiry date of the programme will be recovered by the Commission.

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

All other specifics are laid down by the Commission decisions establishing and extending the programme.

Regarding the Government of Czech Republic that is Party to this Memorandum, the respective details of the acting authorities are as follows:

<table>
<thead>
<tr>
<th>National Fund:</th>
<th>Czech Ministry of Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Agency:</td>
<td>CFCU, Ministry of Finance Mr. Jan Slavíček, Letenská 15 CZ - 118 10 PRAHA 1 Bus: +420-2-57044551 Bus Fax: +420-2-57044550 E-mail: <a href="mailto:jan.slavicek@mfr.cz">jan.slavicek@mfr.cz</a></td>
</tr>
</tbody>
</table>
4. MONITORING & ASSESSMENT

A Joint Monitoring Committee (JMC) has been established which 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 FM and the Accession Partnership. The JMC may recommend a change of priorities and/or the reallocation of PHARE funds. The JMC is assisted by Monitoring Sub-Committees (MSC) that include the NAC, the PAO of the Implementing Agency (and of the CFCU where applicable) and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external 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.

5. ANTI-FRAUD MEASURES, AUDIT AND EVALUATION

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

In order to ensure efficient protection of financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council Regulation (EUROATOM, EC) No. 2185/96 dated from 11 November 1996, concerning the on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities.

The procedures foreseen in Article 15 paragraph 3 of Commission Regulation No. 2222/2000 dated from 7 June 2000, on the communication in case of irregularities and the putting in place of a system to administrate the information in this field shall apply.

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

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

6. VISIBILITY / PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are described in the Annex Visibility/Publicity.
7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government concerned, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the PHARE programme.
ANNEX D

INFORMATION AND PUBLICITY FOR THE PHARE, ISPA AND SAPARD PROGRAMMES OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Specific provisions concerning ISPA are included in:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.
The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:

- measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. **Visibility of EU assistance in business circles and among potential beneficiaries and the general public**

4.1 Business circles

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.
4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, ISPA or SAPARD Programmes, is providing financial support. The notation of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, ISPA or SAPARD Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, ISPA or SAPARD should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.
Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Phare, Ispa or Sapard Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.
In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.