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 Hungary, 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 3 September 1990 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:

<table>
<thead>
<tr>
<th>Programme number:</th>
<th>HU0015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>2000 Cross-Border Co-operation Programme between Hungary and Austria</td>
</tr>
<tr>
<td>Duration:</td>
<td>Until 15 December 2002</td>
</tr>
</tbody>
</table>

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 10 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 15.12.2002 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 15.12.2003. 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:

Delegation of the European Commission to Hungary
Berc U. 23
H 1016 Budapest

Telegraphic address (36-1) 209 9700
Fax (36-1) 466 4221

for THE RECIPIENT:

Dr. Imre Boros
Minister without Portfolio
Office of the Prime Minister
Poszoni ut, 56
H 1133 Budapest

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.

Encl.

Framework Agreement (Annex1)
2 Special Provisions (Annex 2)
3 Visibility/Publicity (Annex 3)
ANNEX 2   SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

1.1. Wider objectives

The general objective of the Hungarian-Austrian Phare CBC-Interreg III Programme is to create an economically, socially and spiritually integrated future region.

1.2 Immediate Objectives and Programme Results

For the Phare CBC-Interreg III 2000-2006 programming period a Joint Programming Document (JPD) was prepared. This Document is in line with the current Interreg and Phare CBC regulations and Guidelines. The Joint Programming Document defines five priorities for the Hungarian-Austrian cross-border co-operation:

- Cross Border Economic Co-operation
- Accessibility
- Cross Border Organisational Structures and Networks
- Human Resources
- Sustainable Spatial and Environmental Development

The five priorities are broken down into 13 measures. Five projects were proposed for this programming period, which projects have been already proposed by the Austrian-Hungarian Joint Programming and Monitoring Committee (JPMC) under the framework of the Phare CBC 1998 Programme, but due to the lack of Phare financing allocation, could not be realised. These five projects will directly contribute to fulfilment of the objectives of one of the 13 measures defined in the JPD and will correspond to the possible fields of activities allowed in the framework of the measure concerned.

1.3. Programme description

The programme has been designed following bilateral discussions between Hungary and Austria. The following projects will be undertaken:

1.3.1. Project HU0015.01: Nagykanizsa-Regional Waste Depot

Reference to JPD AU-HU:

- **Priority 5:** Sustainable Spatial and Environmental Development
- **Measure P5/M1:** resource Management, Technical Infrastructure and Renewable Energy Supply

In the framework of the Phare Programme the environmental preservation and protection of underground waters was a highlighted priority. For the period of 1995-1999 four individual waste storage facilities were planned to be constructed. The Jánossomorja in the north, the Kőszeg-Csepreg in the Mid-North, the Zalaegerszeg in the Mid-South and the Nagykanizsa-Bagola in the south of Western Transdanubia Region. The first three are approved projects, but by the reduction of the budget of the 1999 CBC programme the Nagykanizsa-Bagola investment had to be delayed. By the finalisation of this waste depot a complete pilot network of up-to-date waste storage facilities will be set up as it was planned originally.
The new waste depot will have a positive impact on the protection of the common Hungarian-Austrian-Slovenian water base. The present waste depot leads the water streams to the soil, however this will be fully stopped by the establishment of the new depot, as a result the seepage will be abolished in an area that is also including the Austrian territories.

This waste management system will be based on methods that are already applied in the neighbouring Austrian regions. In the context of Hu-Aus Cross Border Co-operation, by fully adapting the Nagykanizsa waste material handling system to the Austrian method, experts and experiences would be available at low costs.

Communal waste handling has been a big problem for the city of Nagykanizsa, and also for the region (including 30 settlements). The present communal waste depot is full, enlargement can not be postponed.

The policy of Zala county is to have four regional facilities. Amongst these facilities, the Nagykanizsa-Regional Waste Depot project will put in place a solid waste deposit at Nagykanizsa-Bagola with 320,000-m³ total storage capacity, over the estimated life period of the deposit. This storage will incorporate 95,200 light m³/year institutional communal waste rubbish. Regarding the capacity of depot facilities and amount of waste material, and counting selective collection, the estimated life expectancy is 24-25 years for this depot.

As far as the other facilities are concerned, they include roads, territory, surface, sewage cistern, weigh-bridge, fire prevention water-pool, water-cistern, fence, waste material net, plant container buildings, building for machines, and building for the temporary storage of hazardous waste. In addition, vessels for waste collection will be provided, land for composting is to be developed, and the area of the present depot is to be recuperated.

Beneficiary: The municipality of Nagykanizsa
Total project cost: 2,000,000
Phare CBC contribution: 1,500,000
National co-financing: 500,000

1.3.2. Project HU0015. 02: 2nd phase of the Győr-Pér Airfield rehabilitation
Reference to JPD AU-HU:
Priority 2: Accessibility
Measure P2/M1: Improvement of Cross Border Transport and Telecommunication Infrastructure

Air transportation in Hungary is extremely concentrated at Budapest Ferihegy International Airport. However, according to relevant experience in the EU, regional development is significantly accelerated by the existence of regional airports. The fast access to regions provided by airports helps in developing and maintaining inter-regional relations, improves tourism and attracts investments. The strategic aim for the country’s (Hungary) aviation infrastructure development, spacial development and the air traffic development is that Debrecen, Győr-Pér, Nyíregyháza, Pécs-Pogány, Sármellék, and Szeged regional airports shall be involved to the public airtraffic. The National Physical Plan also mentions the Győr-Pér airport as one that be developed to an international (regional) trade airport.

The airfield is situated in a central location of the Hungarian-Austrian border region and increases the services available to people on each side of the border. Its grass-strip will be converted to a concrete runway. After the upgrade works, it will be a highly important element of the cross-border regional infrastructure of the area. Győr (120,000) will have much-enhanced potential to develop,
and its cross-border hinterland will benefit in a much more coherent way. The project is structured so that it is the municipalities of the region which are directly implicated and which benefit. Multinational companies such as Audi, Philips etc. are already attracted to Győr, upon which the city and the surrounding regions on both sides of the border can build.

It is expected that Gyor will capture up to 3% of the available market depending on route. In particular Győr-Pér would capture 5,117 international passenger trips, 33.6 tonnes of freight and 4.5 tonnes of mail in 2000. These figures exclude recreational flying (4,277 flights) and dedicated freight charters (50 movements). On the assumption of an air taxi operation (an average of 15 seats per aircraft) and a load factor of 60% the 5,117 international passengers would generate 576 aircraft movements. In total there would be 4,904 movements in 2000.

When domestic services do start it is assumed they are non-scheduled and will represent about 10% of the activity at Győr-Pér airport and will therefore generate 624 passenger trips per annum starting in 2001.

In order to create a regional airport, the aerodrome of Győr-Pér has already been involved in Phare-funded projects under HU 9502 0202 (Reconstruction of Existing Buildings; Supply of Equipment; Design of Runway Upgrade and impact studies). The airport will therefore be developed from a general aviation airfield into a Cat. 3B international regional aerodrome, in accordance with ICAO recommendations. The newly created infrastructure will include airside facilities, water engineering, landside facilities as well as a noise protection wall.

**Beneficiary:** P-AIR, Győr-Pér Airport Development Ltd. (owed by the local and regional municipalities and institutions)

**Total project cost:**
4,000,000

**Phare CBC contribution:**
2,200,000

**National co-financing:**
1,800,000

**1.3.3. Project HU0015.03: Small Project Fund**

**Reference to JPD AU-HU:**

Priority 3: Cross Border Organisational Structures and Networks

Measure P3/M2: Micro Projects Including Actions “People to People” and Small Pilots

A Small Project Fund (SPF) may be financed up to 20% of annual Phare CBC Programme funds. Maximum individual project size may be up to 300,000 EUR, although usually smaller. There is decentralised decision-making. The Hungarian and Austrian side agreed in the JPD to use the maximum Phare funds for SPF purposes, that is 2 MEUR.

The Small Project fund will facilitate contacts between people living in the border region and will support sustainable small projects in e.g. regional planning and development; economic development and co-operation, including tourism, human resources development; environment and nature protection.

The SPF will provide grants to projects of 1,000 – 300,000 Euro, with similar co-financing from the beneficiaries. Beneficiaries will have to provide as co-financing a minimum of 10% of the total cost of the project. Decision on the projects to be supported will be made jointly with the Austrian side in the Steering Committee. The composition of this Committee will be in line with all CBC and INTERREG regulations. The Steering Committee, pending on the new Guidelines, shall agree on internal rules of procedure taking into account the new Guidelines on the SPF, which amend the...
Phare CBC Programme 1996 General Guidelines for SPF. The EC Delegation shall have the right to nominate a representative as independent observer to the whole process.

Concerning administrative support for operating the fund, the Phare contribution may finance indirect (overhead) costs up to 7% of total eligible costs.

**Beneficiary:** Recipients  
**Total project cost:** 2,200,000  
**Phare CBC contribution:** 2,000,000  
**National co-financing (recipients):** 200,000

### 1.3.4. Project HU0015.04: Integrated regional information system

**Reference to JPD AU-HU:**

- **Priority 4: Human Resources**
- **Measure P4/M1: Development of Regional Labour Markets within the Context of Enlargement**

The project will establish the integrated regional information system providing up-to-date information on employment and regional development. Two sub systems will be developed: the regional employment information system; and the regional development information system. For both systems hardware will be acquired, software will be developed, training and publicity work will be carried out.

1. **The regional employment information system** must be compatible with the EURES information system of the European Union, and is expected to help create the preconditions for harmonising some labour market issues prior to EU Accession. The Austrian-Hungarian Joint Co-operation Committee, the West Pannonia Euregion and the Austrian-Hungarian intergovernmental committees have clearly expressed the need for implementing the project to integrate the labour market information systems. The current project will provide information on labour market mobility, and on changes in the joint border region – to monitor the evolutionary tendencies during the accession process. The aim of the project is therefore in the best interest of both countries as well as of the European Union.

2. **The regional development information system** will provide information for inhabitants, economic, administrative and other institutional actors in the NUTS IV small regions of the border region on regional development, local economic development and traffic-related fields.

The regional development information sub-system was not implemented due to limited Phare CBC allocation in 1998. It is now important to integrate the on-going regional development information system in the region, and to create a harmonised integrated regional information system with the neighbouring Austrian provinces – namely with Burgenland, Lower Austria and Vienna.

The Regional IT Needs Analysis completed in Western Transdanubia points to the need to improve the information technology background of small regions in order to make EU regional policy work.

**Beneficiary:** Labour Centres of Győr-Moson-Sopron, Vas and Zala counties as well as the West Pannon Regional Development Agency,

**Total project cost:** 2,667,000  
**Phare CBC contribution:** 2,000,000  
**National co-financing:** 667,000
1.3.5. Project HU0015.05: Biomass Heating Plants in Szombathely and Körmend

Reference to JPD AU-HU:

**Priority 5:** Sustainable Spatial and Environmental Development

**Measure P5/M1:** Resource Management, Technical Infrastructure and Renewable Energy Supply

This project aims to increase the use of renewable energy sources as part of the emerged Austrian know-how transfer niche to Hungary. The project has two components:

1. **A new biomass community heating plant** will be implemented with 3.5+1.5 MWth capacity in Körmend. It will use about 6,300 MT biomass annually for producing 55,278 GJ/a heat. The Energy Concept of the City of Körmend has found that the district heat supply may significantly be improved by using renewable energy, i.e. industrial wood waste produced by wood processing plants in the city. In addition to this, reduction of heat supply losses and extension of heat consumers are also necessary. The project will be the first step of the energy rationalisation process. The heating plant will be mainly based on the use of wood waste produced by the ADA furniture factory located near to the existing heating plant and by other neighbouring wood processing plants within a 30-km radius. The remaining natural gas fired heating plant would also operate to cover peak load in the winter season. Planned biomass consumption is estimated for 6300 MT/a, which will produce about 55,278 GJ/a heat for the district-heating network. This figure represents about 75% of the current annual consumption of the heating system.

2. **A woodchip fired heating plant** will be implemented in Szombathely with 7.5 MWth capacity including all equipment required for operation. The heating plant will be operated in co-ordination with the united district heating system and will produce about 118.5 GJ heat through firing some 12,000 MT woodchip and wood waste annually. Within the frame of the Hungary – Renewable Energy and Development Project organised by the World Bank, the feasibility study of the Szombathely Cogeneration and Biomass Development Project was completed in March 1999. It includes the Szombathely CHP and Biomass Development Project as one of its sub-projects. The study confirmed that the Szombathely heat supply system could be optimised by a combined natural gas/biomass fired plant including a biomass (wood chip) fired heating plant of 7.5 MWth capacity.

Both components substitute fossil fuels emitting harmful pollution to the atmosphere by biomass firing. This reduction of harmful emissions will result in improving the air quality in the cross-border region on both sides of the border.

Several similar projects have been recently implemented in the neighbouring region of Austria (Burgenland). Austrian experiences and know-how will be used for project implementation and has already been applied at the project design stage.

**Beneficiary:**
- Component I: Municipality of the City of Körmend
- Component II: Municipality of the City of Szombathely

**Total project cost:** 3,870,000
**Phare CBC contribution:** 2,300,000
**National co-financing:** 1,570,000
1.4. Risks / Conditionality

Difficulties may arise in the co-ordination of the various authorities involved in the programme, in ensuring an effective programme management and in ensuring the funds of co-financing by the project partners. All these risks are considered negligible. The structures of programme management and programme financing have been strengthened on both sides of the border.

At least 25% of the programme will be co-financed from Hungarian resources. According to Government Decree no. 2057/1996, the Hungarian Government guarantees to bear 50% of the Hungarian co-funding obligations, while it also covers the management costs and running costs of the programme. This guarantee of national co-funding will also contribute to the smooth implementation of the programme.

2. BUDGET

The programme will have duration of 3 years. The contracting period of the programme will expire on 31 December 2002. The disbursement period of the programme will expire on 31 December 2003. The following table specifies the EU contribution as well as the national co-finance of the programme.

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Phare Institution Building</th>
<th>Phare Investment</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>HU0015.01</td>
<td>Nagykanizsa-Regional Waste Depot</td>
<td></td>
<td>1,500,000</td>
<td>500,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>HU0015.02</td>
<td>2nd phase of the Győr-Pér Airfield rehabilitation</td>
<td></td>
<td>2,200,000</td>
<td>1,800,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>HU0015.03</td>
<td>Small Project Fund</td>
<td></td>
<td>2,000,000</td>
<td>200,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>HU0015.04</td>
<td>Integrated regional information system</td>
<td></td>
<td>2,000,000</td>
<td>667,000</td>
<td>2,667,000</td>
</tr>
<tr>
<td>HU0015.05</td>
<td>Biomass Heating Plants in Szombathely and Körmend</td>
<td></td>
<td>2,300,000</td>
<td>1,570,000</td>
<td>3,870,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>10,000,000</td>
<td>4,737,000</td>
<td>14,737,000</td>
</tr>
</tbody>
</table>

3. IMPLEMENTATION ARRANGEMENTS

All Phare programmes are managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) has overall responsibility for programming, monitoring and implementation of Phare programmes.
The National Fund (NF) in the Hungarian State Treasury headed by the National Authorising Officer (NAO), supervises the financial management of the programmes, and is responsible for reporting to the European Commission. The competent National Control Authority with respect to the implementation of the programme carries out appropriate financial control.

The Commission transfers Phare funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Hungary on 17th December 1998. Funds are transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally is transferred to the NF following signature of the yearly Financing Memoranda and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in the articles 2 and 13 of the MoU on the National Fund must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function is 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 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 Phare Regional Development implementing Agency within the Ministry of Agriculture and Regional Development will be the Implementing Agency (IA) responsible for the programme.

The National Fund transfers funds to IA, in accordance with Financing Agreement (FA) signed between the NF and the IA where applicable. The FA is endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the IA there is no transfer of funds from the NF to the IA. The National Fund shall open up a separate bank account denominated in EUR in the Hungarian State Treasury. In principle, all bank accounts are interest bearing. Interest is 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 apply to any funds transferred to an IA or the CFCU. The 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.

Each individual FA will be endorsed in advance by the European Commission. 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 NAO and the PAOs ensure that all contracts are be prepared in accordance with the procedures set out in the DIS Manual. Programme components financed exclusively out of national resources are subject to national procurement rules. In the case of grant schemes - with special regard to Investments in Economic and Social Cohesion - the provision of works, supplies and services subcontracted by the final beneficiaries of the individual grants are subject Phare procurement regulations as annexed to the Grant Contract.
The following contracts will be prepared with special procedures: The Small Projects Fund will be contracted via the procedures of the European Commission Guidelines for the Operation of Small Projects Funds.

All contracts must be concluded by December 15, 2002, of the programme’s duration. All disbursements must be made by December 15, 2003.

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.

3.1. The Institutional Structure of the Programme

The overall responsibility for the Hungary–Austria PHARE CBC - Interreg III Programme will rest with the Phare Regional Development Agency within the Hungarian Ministry of Agriculture and Regional Development as the IA for the Programme. A PAO will be nominated in accordance with the relevant FA. The Implementing Agency in charge of programme implementation became operational as a PMU with an initial contingent of four Hungarian professionals on 2 May 1996. Its implementation capacity was reinforced by its integration with the Regional Development PMU in February 1998 and now operates with 40 Hungarian professionals.

This institution – the Regional Development Phare Implementing Agency - will be the Implementing Agency (IA) of the Hungary-Austria PHARE CBC- Interreg III Programme in the period of 2000-2006. In Interreg III/A terms, as defined in the Joint Programming Document, the IA will fulfil the tasks of the Programme Implementing Authority, the Joint Technical Secretariat and the Operative Assistance Authority.

The PAO will hold regular consultations to determine the Government objectives and turn these into a priorities and guidelines to be applied by the IA. He will organise the meetings of the national Steering Committee at which, *inter alia*, information on strategic objectives and priorities can be reviewed, and where applicable, questions of national co-finance will be discussed. A specific responsibility in this regard will be – similarly to previous Phare CBC Programmes – to co-ordinate activities supported under the CBC programme with those under other assistance programmes including those funded from the Hungarian Government’s own resources, by Phare and by other international donors.

3.2. The INTERREG/Phare CBC Monitoring Committee

In accordance with the provisions of Article 35 (1) Council Regulation 1260/99, a Monitoring Committee shall be set up by the EC for the INTERREG/PHARE-CBC Programme Austria-Hungary. In line with point 39 of the INTERREG guidelines, the Monitoring Committee and the
Joint Co-operation Committee as described in Article 7 Commission Regulation 2760/98 shall form a single committee, which shall perform the tasks as described in Article 35 (3) Council Regulation 1260/99 as well as the tasks of the Joint Co-operation Committee (JCC) set forth in Article 7 Commission Regulation 2760/98.

The composition of the Monitoring Committee shall be determined in accordance with the provisions of Article 8 Council Regulation 1260/99 in co-operation with the social partners and the regional authorities responsible for labour market, equal treatment and environmental issues. The MC shall lay down internal rules taking into account the institutional, statutory and financial systems of the countries involved in the programme. The Monitoring Committee adopts its Rules of Procedure.

Following the procedures and practices of the EU Structural Funds programmes, members of the MC and its sub-committees will be civil servants. MC meetings are being chaired jointly by the heads of the Hungarian and Austrian delegations. The Hungarian delegation headed by the PAO will consist of representatives of the following organisations: the Ministry for Agriculture and Regional Development (the PAO), the Ministry of Economic Affairs, the Ministry of Finance, the Ministry of Transport, Telecommunications and Water Management, the Ministry for Environment, the Minister without portfolio responsible for the Phare programme, the Győr-Moson-Sopron County Development Council, the Vas County Development Council, the Zala County Development Council, the Western Transdanubian Regional Development Council and the EU Commission. The MC shall invite for its meetings the representatives the Ministry of Foreign Affairs and the social partners i.e. one representative of employers’ and employees’ organisations from Western Transdanubia who will be non-voting members of the Committee.

The preparation of reports, agendas and minutes of the meetings of the Committee is organised by the IA.

**Steering Committee (SC)**

In accordance with points 29 and 38 of the INTERREG guidelines laid down by the EC for the INTERREG/PHARE CBC Programme Austria-Hungary, a single steering committee shall be set up as body responsible for the joint (pre-)selection of all INTERREG and all PHARE CBC projects and the co-ordinated monitoring of the projects’ implementation. The SC will decide on projects to be supported from the Small Projects Fund and shall propose large-scale projects for support to the JCC.

With a view to the harmonisation of decision making procedures and to developing joint projects, the programme partners shall aim at bundling the project selection procedure on a steering committee level, with the SC assuming the function of a sub-group of the Joint Co-operation Committee (JCC) with respect of the provisions of Article 7 Commission Regulation 2760/98 regarding PHARE-CBC projects. The Steering Committee shall agree on internal rules of procedure taking into account the institutional, legal and financial system of the countries taking part in the programme.

On the Hungarian side, all members of the SC will be appointed by the members of the MC. According to EU Structural Funds practices all members will be civil servants. The SC will be chaired on the Hungarian side by the head of the Regional Development Implementing Agency of the Ministry of Agriculture and Regional Development representing the PAO. Voting members of the SC on Hungarian side will be the representatives of the Ministry of Agriculture and Regional Development, Ministry of Finance, Ministry of Transport, Communication and Water Management, Ministry of Environment, Regional Development Council of Western Transdanubia
region, the County Development Council of Győr-Moson-Sopron County, the County Development Council of Vas County, the County Development Council of Zala County and the representative of the Minister without portfolio responsible for the Phare programme. The EU Commission and the Ministry of Foreign Affairs shall have the right to participate on all meetings of the SC with consultative rights. Representatives of relevant Hungarian ministries that are not voting members of the SC but are co-financing Phare CBC projects on the agenda will also be invited.

Concerning project selection to the joint Phare Small Project Fund interventions, the SC shall act as the decision making body. Detailed rules of procedure on this field will be provided by the SC in the programming Complement to the Joint Programming Document following the adoption of new Small Projects Fund Guidelines by the European Commission.

4. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) will be established for the programme including 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) and will include the NAC, the PAO of each IA (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). The MSC will also put forward recommendations on aspects of management and design ensuring that these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

5. AUDIT AND EVALUATION

The accounts and operations of the National Fund 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 AND 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.

7. SPECIAL CONDITIONS

The Hungarian Government will carry the legal liability to carry out the projects specified under the programme to a satisfactory outcome and shall carry out by its own means any work on which contractors default. In the measures specified under this programme, in which the European Union grant contributes to the financing of revenue generating activities, the Commission shall determine, in consultation with the Implementing Authority, specific arrangements for financing which could include co-financing by the project revenues or reimbursement of the initial grant.

The European Union's financial contribution is limited to 10,000,000 Euro. This contribution will not cover any additional costs, cost increases or extensions, which must therefore be catered for by the implementing and contracting authorities.

In the event that agreed commitments are not met for reasons which are within the control of the Government of Hungary, 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.

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ANNEX 3 VISIBILITY/PUBLICITY

INFORMATION AND PUBLICITY FOR THE PHARE PROGRAMME 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:


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:

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

- measures targeting applicants for public aids part-financed by Phare through 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 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 Programme, is providing financial support. The notification of aid sent to beneficiaries shall mention the
amount or percentage of the assistance financed by the Phare Programme. 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 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 Programme
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 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 Programme, applicant
countries shall ensure that the following information and publicity measures are complied
with:

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

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

**Commemorative plaques**

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

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

6. **Final provisions**

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.