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 Republic 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 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: HU 0108
Title: 2001 Cross-Border Co-operation Programme between Hungary and Austria
Duration: Until 30 November 2003 except for the Joint Small Project Fund, which will have to be contracted by 30 June 2003

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 30 November 2003 (except for the Joint Small Project Fund, which will have to be contracted by 30 June 2003,) subject to the provisions of this 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 2004. 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:

Mr. Jürgen Köppen  
Head of Delegation of the European Commission to Hungary  
Berc U. 23  
H 1016 Budapest

for THE RECIPIENT:

Dr. Imre Boros  
Minister without Portfolio  
Office of the Prime Minister  
Pozsonyi 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.  
Annex 1  Framework Agreement  
Annex 2  Special Provisions  
Annex 3  Visibility and Publicity
ANNEX II – SPECIAL PROVISIONS

1 OBJECTIVES, DESCRIPTION AND CONDITIONALITY

1.1. Wider objectives

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

1.2. Immediate Objectives and Programme Results

For the Phare CBC-Interreg III/A 2000-2006 programming period a Joint Programming Document and a common Programming Complement was prepared. These Documents are 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 cooperation:

- 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 that will directly contribute to the 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

A description of the project that will be financed under the programme is given below.

Project HU0108-01: Bucsu bypass road leading from the border to the cross-road of road n.89

Reference to JPD HU-AU:

**Priority 2: Accessibility**
**Measure P2/M1: Improvement of Cross-border Transport and telecommunication Infrastructure**

The trans-European transport corridors cross Western Transdanubia (No. V in the very south and no.IV at the Northeast border crossing near the city of Győr). However the region lacks a satisfactory internal North-South axis that would connect the two corridors. The link between road No 86 that crosses the Hungarian side in North-South direction and the almost parallel motorway No A2 at the Austrian side is good. The northern parts of the cross-border area (the Vienna-Győr area) are well connected to each other with motorway, while the link between the central and the southern parts is worse.

The road No. 89 links road No. 86 with the border crossing of Bucsu/Schachendorf. The reconstruction of the link on the Austrian side between A2 and the border
crossing is going on, thereby, with the reconstruction of the link between road No. 89 and Bucsu/Schachendorf the whole A2-86 connection would be modernized and improved according to the needs of the current traffic flow. This link will also contribute to the economic and tourism development of the Western Transdanubia region by ensuring quicker access to the Karinthian and North Italian economic space through the A2 highway.

The current public road No. 89 is not matching the requirements of modern traffic. The road surface is narrow, a series of small radiate bends detain the continuous travelling and make the road dangerous. The current line is bringing the freight traffic through the small villages of Torony and Sé. The proposed project is the first phase of rebuilding the road 89 so as to avoid these villages and enable quicker and more secure traffic on this track. The 1st phase of road No. 89 will be constructed between border crossing Bucsu/Shachendorf and the crossroad with road No. 8717. It will be 2.2 km long (out of which the 1.3 km will be built on a completely new line) with a crown-width of 12 meters and a road surface width of 8 meters. The building of related public facilities and the construction of an interchange at the crossing of roads No. 89 and 8717 will be also implemented. The parameters of the new road will be adjusted to Hungarian and EU standards, the traffic will cease in the two villages (Bucsu and Torony) because of the new alignment will avoid them so that the road safety will be improved. The access of Bucsu/Shachendorf border crossing will be developed and time costs saved.

**Beneficiary:** Vas County Road Management Public Company

**Project registration number:**

- **Total project cost:** 4,178,000 EUR
- **Phare CBC contribution:** 2,500,000 EUR
- **National co-financing:** 1,678,000 EUR

**Project HU0108-02: Cross Border Waste-Water Canalisation**

**Reference to JPD HU-AU:**

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

The project area belongs to the Orség-Raab-Goricko Trilateral (Hungarian-Slovenian-Austrian) Naturpark. This environmental system is very much depending on the quality of soil and underground water basis and this can efficiently be done by expanding the wastewater management infrastructure.

In the frame of this project, 1479 households at the participating Hungarian settlements of Csőrötné, Magyarlak, Rátót, Szakonyfalú, Alsószőlnők, Rönök and Gasztony will connect their sewage network system to the biological sewage plant of Jennersdorf, Burgenland Austria. This plant’s capacity will be more utilised and the project will also provide a modern and efficient way of tackling the wastewater management problems of the region. A total of 158100 m3 sewage water per year will be treated, thus the project will improve quality of bilateral groundwater basis. With
the introduction of the proposed biological treatment technologies, the ammoniac and phosphorous pollution of the adjacent sensitive aquifers is expected to stop. The investment will include the construction of 60 km drainage line, 22 pump stations and 67 local pumps.

**Beneficiary:** Local governments of Csörötnek, Magyarlak, Rátót, Szakonyfalú, Alsószőlnök, Rönök and Gasztony

**Project registration number:**
- Total project cost: 6,522,000
- Phare CBC contribution: 2,000,000
- National co-financing: 4,522,000

**Project HU0108-03: 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*

The Small Project fund will facilitate contacts between people living in the border region and will support sustainable small projects in the priority fields set out in the Joint Programming Document for the period 2000-2006. Among those it is expected that regional planning and development, economic development and co-operation including tourism, human resources development, environment and nature protection will be mostly targeted. The Small Projects fund will not include physical investments other than small infrastructure not generating substantial net revenue.

The SPF will provide grants up to 50,000 € to projects with a co-financing of at least 10% required from the beneficiaries. Decision on the projects to be supported will be made jointly with the Austrian side in the Evaluation Committee the composition of which shall be defined by the joint Steering Committee. The composition of this Evaluation Committee will be in line with all Phare CBC and INTERREG regulations. The Steering Committee shall agree on rules of procedure taking into account the rules of PRAG. The EC Delegation shall have all rights as prescribed by the PRAG manual for the management of a Grant Scheme.

The amount of funds allocated to this project is the maximum allowed under the current programming guidelines.

**Beneficiary:** Recipients

**Project registration number:**
- Total project cost: 1,100,000
- Phare CBC contribution: 1,000,000
- National co-financing (recipients): 100,000
Project HU0108-04: Waste-Water Canalisation of Zalavölgye-Natúrpark, Öriszentpéter-Nagyrákos

Reference to JPD AU-HU:

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

The project will contribute to the removal of existing disparities between the environmental conditions on both sides of the border within the Orség-Raab-Goricko Trilateral (Hungarian-Slovenian-Austrian) Naturpark. The objective of the Trilateral Nature Park is to implement complex regional development measures in order to sustain the unique landscape, natural and cultural heritage that is very similar on the three sides as well as to stop the population’s outward migration from this rural area. Its activities are planned and carried out based on the partnership of the settlements and NGOs of the area.

This project will contribute to the harmonisation of standards of wastewater treatment on the Hungarian side of the border with those standards already existing on the Austrian side. Inadequate treatment of wastewater and solid waste in the past has left its mark and this is impacting on the quality of ground water on the Hungarian side. The whole Trilateral Nature Park Area is particularly susceptible to such damage because of the high levels of ground water.

The planned canalisation will reduce contamination to the Park area. The construction of a waste water canalisation system (29,500 m of sewer network and 11 sewage pump stations) will connect the area connected to the sewage treatment plant of Öriszentpéter constructed from Phare CBC 1997 and national funds (capacity: 432 m3/day). This will also ensure the full utilisation of the capacity of the sewage treatment plant. Where the direct connection to the Öriszentpéter plant is not economically effective, 6 additional small wastewater treatment plants at Szalafo, and Ispánk will realised and will contribute to decrease the environmental pollution in the same area.

**Beneficiary:** Local governments of Öriszentpéter, Nagyrákos, Szalafo and Ispánk

**Project registration number:**

| Total project cost: | 2,666,000 |
| Phare CBC contribution: | 2,000,000 |
| National co-financing: | 666,000 |

Project HU0108-05: Establishment of the Sopron Innovation Centre

Reference to JPD AU-HU:

**Priority 1: Cross Border Economic Co-operation**  
**Measure P1/M1: Development and Support of Business Sites and Infrastructure in Border Areas**
Western Transdanubia is the most dynamic region after the Central Region in Hungary in terms of growth in exports, GDP per capita and FDI inflow. These quantitative indicators, however, hide some aspects of fragility. Although the FDI per capita is double of the national average, the R&D expenses per GDP as well as the ratio of researchers in the population is half of the national average here. This “R&D gap” may only be bridged by new ways of enhancing the regional capacity for "innovation". In this way the hitherto low labour cost, low value-added production growth may successfully be converted into knowledge-intensive high value added production.

According to international experience, optimal environment for supporting starting entrepreneurs and creating jobs for higher educated people are technological centres. The Sopron Innovation Centre, situated at Sopron Industrial and Innovation Park and working together with the Western Transdanubian University, will have positive catalytic impact on the scientific and innovation activities of the whole region. Its role in the development of a regional innovation network is consistent with the Western Transdanubian Innovation Strategy issued recently (February 2001), especially with the 3rd priority of this strategy (Developing the Innovation Infrastructure).

The project will be an integral part of the cross-border innovation network formed together with the Eisenstadt Technology Centre (BIC), ECO Plus GmbH, the Seibersdorf Research Centre, the ComSoft Technology Centre Development GmbH as well as with the Gyor Centre of Innovation and Technology. All these Centres have clearly identified and complementary activity profiles. The Austrian partners' institutions have offered their experience in the project preparation and assistance during operations.

The Sopron Innovation Centre will provide, on a total surface of 3800 m² (three floors), services as well as office and laboratory space for SMEs operating preferably in the sectors of telecommunication, electronics, environmental technology and the research of materials. The building will be built with high level heavy and weak-current networks, the Centre’s management will be equipped with necessary communication and IT equipment.

**Beneficiary:** Sopron Industrial and Innovation Park Ltd. (SIP Ltd.) owned by 100% by the municipality of Sopron

**Project registration number:**

**Total project cost:** 3,500,000

**Phare CBC contribution:** 2,500,000

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

1.4. Conditionalities

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the programme will depend on the Government's commitment to meet the relevant conditionalities. Project specific conditionalities have been included as appropriate, in the relevant project fiches. Programme conditionalities are listed below:
• The Government of Hungary will ensure that adequate human and financial resources are provided to the National Fund and the implementing Agency so as to ensure the smooth implementation of the programme.
• The Hungarian Government will ensure that appropriate co-financing in accordance with the details included in the project fiches will be available in time. Unless otherwise specified in the project fiche co-financing for service, supply and works contracts should be intended as joint and the ratio between the Phare and the National amount has to be applied to the final contract price.
• Before proceeding to the signature of the financing Memorandum the EC Delegation will verify in co-ordination with the NAC and the Implementing Agency that the projects tendering documentation is at an advanced stage of preparations that will allow the launch of tendering procedures in the six months following the signature of the FM. In that respect during the first meeting of the Joint Monitoring Committee taking place 6 months after the signature of the FM, the contracting situation will be reviewed project by project and, where necessary, reallocation of funds between projects that are running behind schedule and projects where the absorption capacity is good will be recommended.
• All investment projects which according to the rules stipulated in Directive 85/337/CEE, as amended by Directive 97/11, require an Environmental Impact Assessment, should be the subject of an Environmental Impact Assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned directive.
• All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

2. BUDGET

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Title</th>
<th>Phare Institution Building</th>
<th>Phare Investment (EUR)</th>
<th>National Co-financing (EUR)</th>
<th>TOTAL (EUR)</th>
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<tr>
<td>HU0108-01</td>
<td>Bucsu bypass road leading from the border to the cross-road of road n.89</td>
<td>0</td>
<td>2,500,000</td>
<td>1,678,000</td>
<td>4,178,000</td>
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<tr>
<td>HU0108-02</td>
<td>Cross Border Waste-Water Canalisation</td>
<td>0</td>
<td>2,000,000</td>
<td>4,522,000</td>
<td>6,522,000</td>
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<tr>
<td>HU0108-03</td>
<td>Small Project Fund</td>
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<td>0</td>
<td>100,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>HU0108-04</td>
<td>Waste-Water Canalisation of Zalavölgye-Natúrpark, Öriszentpéter-Nagyrákos</td>
<td>0</td>
<td>2,000,000</td>
<td>666,000</td>
<td>2,666,000</td>
</tr>
<tr>
<td>HU0108-05</td>
<td>Establishment of the Sopron Innovation Centre</td>
<td>0</td>
<td>2,500,000</td>
<td>1,000,000</td>
<td>3,500,000</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17,966,000</td>
</tr>
</tbody>
</table>
3. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Aid Co-ordinator and the National Authorising Officer shall be jointly responsible for co-ordination between PHARE (including PHARE CBC), ISPA and SAPARD.

The National Fund (NF) in the Hungarian State Treasury headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The National Authorising Officer shall have overall responsibility for financial management of the PHARE funds. He shall ensure that the PHARE rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community State Aids Rules are respected, and that a proper reporting and project information system is functioning. The National Authorising Officer 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 National Control Authority with respect to the implementation of the programme. The National Authorising Officer shall maintain a financial reporting system for all PHARE funds.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Hungary on 17th December 1998. Funds will be transferred following requests from the NAO. Only 1 bank account will be opened at the National Fund. 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 Agreements (FAs) between the NF and the Implementing Agency. The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA and the manner in which the payment function will be carried out.

Four Replenishments will be made of up to 20% of the funds to be managed locally, or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the 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 National Fund will transfer funds to IA in accordance with Financing Agreement (FA) signed between the NFs 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 will be no transfer of funds from the NF to the IA. The CFCU and the IA 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 IA.

A separate bank account, denominated in EUR will be opened and managed by the National Fund in a separate accounting system in the Hungarian State Treasury. In principle, all bank accounts will be 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 will apply to any funds transferred to an IA. The bank account shall have sub-accounts from which the IA are entitled to execute payments in accordance with the rules set out in the FA between the NF and the IA.

The NAO and the PAOs will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual. Grant schemes, should also be implemented according to the procedures described in the Practical Guide for Phare, ISPA and SAPARD contract procedures.

Following a verification exercise held in April 2001, the Commission considers that the implementation system proposed for the Joint Small Project Fund project gives a reasonable assurance that the projects can be implemented in line with the principles of sound financial management. On that basis, for Grants where the Phare contribution is below 300,000 €, the PAO will be responsible for ensuring that the rules described in the Practical Guide for Phare, ISPA and SAPARD contract procedures are properly followed by the grant recipients. The Delegation will not exercise ex-ante control on tendering and contracting procedures for the procurement.

All projects will be greater than 2 MEUR, except for Joint Small Project Fund. This is foreseen in the programming instructions and justified by the relatively small size and of the grants provided to the final beneficiaries.

Grants within the Joint Small Project Fund should be awarded by June 30th, 2003. All other contracts must be concluded by 30th November 2003. All disbursements must be made by 30th November 2004. The Commission will recover any funds not used by the expiry date of the programme.

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

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1 In relations to ex ante approval of project selection tendering and contracting, the provisions of Council regulation 1266/1999 apply. Please note that as of 01/01/2001 the Practical Guide for Phare, Ispa and Sapard has replaced the procurement section of the DIS Manual.
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/A Programme will rest with the Hungarian Ministry of Agriculture and Regional Development as the IA of all sub-programmes of the Programme. The Ministry has created a National Agency for Regional Development (NARD) with the task of managing regional programmes including the one funded under the Phare Cross Border Co-operation Programme. A Regional Office was set up in the border region, in Sopron, ensuring the day-by-day contact and co-operation with the counties and local authorities as well as with the project beneficiaries in the Hungarian-Austrian border region.

The Agency (at that time PMU) became operational with an initial contingent of four Hungarian professionals on 2 May 1996. The implementation capacity of the PMU 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 of the Hungary-Austria PHARE CBC- Interreg III/A 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 Finance, the Ministry of Transport, Telecommunications and Water Management, the Ministry for Environment, the Minister without portfolio responsible for the Phare programme, the Gyor-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, as the Hungarian member of the joint Technical Secretariat.

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. For the purpose of the PHARE CBC programme and in accordance with art. 7 para 3 of Commission Regulation 2760/98 the pre-selection of projects performed by the Steering Committee and approved by the Monitoring Committee/JCC will only constitute a recommendation to the Commission for funding under the CBC annual allocation. The Commission while preparing the annual financing decision will further assess the compliance of the project proposals to the regulations and their maturity before taking a final decision as to the contents of the programme.

The SC will decide on the composition and rules of procedure of the Evaluation Committee of the Small Projects Fund and shall propose large-scale projects for support to the JCC/MC.

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 Hungarian section 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 Gyor-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.

4. MONITORING AND ASSESSMENT

The programme will be monitored by the Joint Monitoring Committee (JMC) for
Phare programmes which has been established in October 2000. The JMC includes
the NAO, the NAC and the Commission. It should 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 is assisted by Sectoral Monitoring Sub-Committees (SMSCs) and includes
the NAC, the PAO of each IA (and of the CFCU where applicable) and the
Commission Services. The SMSCs 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 consultant (in accordance
with the provisions of the DIS Manual) and puts forward recommendations on aspects
of management and design, ensuring these are effected. The SMSCs report to the
JMC, to which they 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 concerned and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96 dated from November 11, 1996, concerning 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 Art. 15 para 3 of Commission Regulation No. 2222/2000 dated from June 7, 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 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 at the Annex ‘Visibility/Publicity’ (enclosed).

7. SPECIAL CONDITIONS

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 re-allocate unused funds for other purposes consistent with the objectives of the Phare Programme.

All the adequate structures for implementation and management have been already set up during the previous similar programmes, proving that parties involved are able to co-operate to fulfil the proposed objectives. A letter of commitment will accompany every project approved by JCC, stating the fact that local co-financing will be made available by the beneficiaries.

ANNEX III: VISIBILITY / PUBLICITY

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 notification 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.