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 of September 3, 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:

Programme number: 2003/004-347.01 to 05
Title: Phare National Programme for Hungary 2003
Duration: Until 30/11/2005 except for Grant schemes, which will have to be contracted by 30 June 2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 101.7 MEUR 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 30/11/2005 except for Grant schemes, which will have to be contracted by 30 June 2005, subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30/11/2006.
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  
Bérc u. 23  
H 1016 Budapest

for THE RECIPIENT:

Dr. Etele Barath  
State Secretary  
Government Commissioner for the National Development Plan and European Funds  
Office of the Prime Minister  
Pozsonyi út, 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.

Done at ............
Date 2003-04-09

for THE RECIPIENT


Done at ............
Date 2003-04-09

for THE COMMUNITY

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

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

1.1 OBJECTIVES AND DESCRIPTION

The Phare 2003 National Programme focuses on 5 objectives. A description of the proposed projects is given below:

OBJECTIVE 1 - AGRICULTURE

2003/004-347.01.01 Development of the Integrated Administration and Control System

Direct aid to farmers funded by EAGGF-Guarantee Section was introduced in the EU after the reform of the Common Agricultural Policy in 1992. The new scheme not only increased the number of beneficiaries but also the risk of irregularity and fraud. The Integrated Administration and Control System (IACS) was introduced to meet those risks. IACS became a key tool for the administration and control of EAGGF-Guarantee expenditure and its importance is increasing with time as more measures and expenditure are directly or indirectly managed and controlled through this system. The fact of having IACS operational from the day of accession is, for candidate countries, an essential requirement to receive EAGGF support.

In Hungary, in order to respond to IACS requirement works has been going on, covering four core elements: 1) the identification system of agricultural parcels, 2) the animal registration and information system, 3) the national farmer registry database, 4) the IACS core system for aid application management, payments and for administrative controls and field inspections. The development of the first three items is being completed using Hungarian national budget while Phare support will concentrate on the fourth element.

The project is aimed at completing the establishment of the capacity for the administration and control of use of Community subsidies in the agricultural sector in line with the *acquis communautaire*. It will cover the software development of the IACS system and the necessary supply of IT equipment. A small component will also be aimed at transferring practical experience in respect to the Paying Agency organisational structure and the operation of the IACS system.

2003/004.347.01-02 Establishment of a National Phytosanitary Diagnostic Control System

Following accession, Hungary will be responsible for the implementation of border checks on agricultural goods in line with phytosanitary, consumer health and environmental regulations. In order to meet more efficiently all the phytosanitary requirements of the EU directives and of the Hungarian regulations, well-equipped diagnostic laboratories with increased staff of highly qualified personnel are needed. Five diagnostic laboratories of phytosanitary importance and working at national level, have been identified and their development with facilities for modern techniques, is essential to perform phytosanitary control tests requiring special facilities for identification.

Under the project these laboratories will be further developed, through the provision of equipment, to be able to meet EU standards. This will also increase the efficiency in in implementation of the phytosanitary Acquis, in line with consumer health and environmental safety requirements

2003/004-347.01.03 Eradication of Rabies
The first sylvatic rabies case was diagnosed in Hungary in 1954. The whole country had become infected by the end of 1971. From this time about 1100 cases of rabies were registered yearly on an average. The main source of the sylvatic rabies in Hungary is the fox.

Based on the experiences of other countries the first oral vaccination campaign was carried out in Hungary in October 1992. Thanks to these vaccinations the incidence of rabies cases decreased significantly: in 1996 still 1357 cases, in 2000 only 514 rabies cases were diagnosed in Hungary.

To meet EU standards Hungary intends to achieve the rabies free status over the next three years. In order to do that Hungary needs to extend the vaccination area (to whole territory 93000 km²) by distributing more vaccine bites (3.72 million bites/year) and execute approximately 7500 sample evaluation per year.

Under the project Phare will provide co-financing for the campaign aimed at the eradication of the rabies in Hungary.

**OBJECTIVE 2 SOCIAL POLICY AND EMPLOYMENT**

2003/004-347.02.01 Enhancement of equal opportunities for people with disabilities

Although there are no exact figures on the number of people with disabilities in Hungary. WHO estimates that 10% of the population are disabled, including elder people. In spite of a good legislative framework, the actual situation in Hungary is not satisfactory and further measures are needed to actively promote the integration of the disabled in the society. One of the preconditions of eliminating discrimination against disabled people is to ensure that they have the same access to all public services.

The present project pursues this objective in two areas: education and the accessibility of public institutions.

Education plays an essential role in the enhancement of equal opportunities for disabled people. Integrated education is not taught in higher education and, as a result, a few teachers are trained to handle disable students. Therefore, many of the disabled go to special schools, which cannot provide appropriate quality education.

Public buildings, including schools and sport establishments are still not accessible Although the legislation exists its implementation is lagging behind.

The project supports training of teachers in integrated education and provides funding, through a Grant scheme, for improving accessibility of educational institutions and sport facilities.

2003/004-347.02.02 Access 2003

In order to meet the ‘Copenhagen political criterion’, Hungary is expected not only to formally subscribe to the principles of the rule of law, human rights and the respect for and the protection of ethnic minorities, but to implement and establish the necessary institutional framework that supports their sustainability. Functioning non-governmental and non-profit organisations (NGO/NPO) have an important role in articulating the demands of citizens through active participation and consciousness-raising. NGOs have also an essential role in empowering socially disadvantaged groups and improving socio-economic cohesion.

The main objectives of this project are: promoting the implementation of the *acquis communautaire* in policy areas in which the third sector plays an important role; raising popular awareness and acceptance in these areas and encouraging the inclusion and participation of individuals and groups who risk being economically and socially or politically marginalised in the transformation process.

The Access programme will support the NGO/NPO activities in the following two sectors:
1) activities related to the adoption and the implementation of the *acquis communautaire* in the fields of environmental protection, socio-economic development, promoting and monitoring human rights (including anti-discrimination);

2) activities in the social and health sector, which aim at contributing to the social reintegration and/or to promote sustainable health and social support for marginalised groups of the population.

Under the 2003 programme, a specific allocation has been made to support NGOs active in the area of consumer protection. The project will be implemented through a Grant scheme following an open call for proposal for the eligible NGOs/NPOs.

**OBJECTIVE 3 JUSTICE AND HOME AFFAIRS AND CUSTOMS**

**2003/004-347.03.01 Further Strengthening of the Hungarian Judicial Capacity**

Following accession, Community law will be fully applied by Hungarian judges. Judges, trainee judges and court secretaries need regular training and institutionalised refresher courses as well as specialised training in Community and national law. Training curricula must be extended to include Community law. In Hungary, within the framework of national judicial training, judges have regularly received training concerning the norms established by the Convention for the Protection of Human Rights and Fundamental Freedoms. The proposed programme will continue the above mentioned training for judges at a more advanced level extended as well to the topics of judicial ethics, competition matters, enforcement of intellectual property rights and appeal proceedings for asylum seekers.

**2003/004-347.03.02 Development of the National Operational Control System of the Hungarian Border Guards**

The project is part of a long-term programme initiated by the Ministry of Interior. It aims at developing more effective measures in the field of fight against illegal immigration and cross-border illegal activities by operating an high-level co-ordination network.

The focus of the present project is on better effectiveness of in-depth checks and on the more efficient prevention against illegal immigration and fight against cross-border organised crime. In that respect the capacity of Hungarian law enforcement authorities to co-operate with each other and with partner organisations in the EU Member States must be improved, as indicated in the Schengen Action Plan, and the strategies of the relevant authorities.

Under the Check-net concept a network will be created under the umbrella of the Border Guards involving the Hungarian Police, the Office of Immigration and Nationality, the Customs and Finance Guards and the National Works Safety and Work Authority. The Hungarian “CheckNet” will be connected to the network controlling illegal immigration of other authorities of the neighbouring countries.

The project will support the procurement and installation of IT equipment in five regional directorates and the relevant local offices. The project will also support the integration of the present radio, GPS and other relevant sub-systems into the present IT and telecommunication system.

**2003/004-347.03.03 Support to the Police investigation capacity in the areas of organised crime, financial crime and corruption**

The project is part of a long-term programme initiated by the Ministry of Interior aimed at reaching EU standards in law enforcement. For this, the capacity of the National Police to carry out investigations and co-operate with partner organisations in the EU Member States needs to be
re-enforced. In that context several new units were set up, within the Police, in the first half of 2002 (Anti Corruption Unit, Financial Investigation Unit, Central Drug Unit, Witness Protection Unit). The creation of the Unit supporting Cross Border Measures will be completed by the end of 2004. These Units contribute considerably to the implementation of the national strategies, but their present working conditions (qualitative and quantitative gap) do not make possible to carry out activities in the most effective manner. While the recruitment of new staff is currently ongoing and is foreseen, funds are needed for training and equipment. In addition the renovation and development of the laboratories of the Forensic Institute is very urgent.

The project aims at improving the efficiency in the fight against new forms of organised crime, financial crime and corruption. It will provide the relevant police units with training and equipment as well as support the upgrading of the forensic laboratory.

2003/004-347.03.04 Modernisation of Police Detention Centres

The situation of most of the Police detention centres in Hungary does not correspond to the practice in EU member states and is not in line with the principles laid down in the European Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (Strasbourg, 26 November 1987). This is constantly noted in the reports of the Helsinki Committee. Following the visits of the Committee, some detention centres were temporarily closed down, and this further complicates the appropriate accommodation of the detainees.

The project aims at improving the health and living conditions of detainees in police detention facilities. The renovation will ensure the required cubic meters of air, space for movement, heating, and the essential hygienic and sanitary conditions.

The selection of police detention centres to be included in the programme renovated was based on a plan elaborated in the year 2000 following visits and the ensuing criticism from the Helsinki Committee. The plan foresees a process of regional centralisation and therefore, the renovation of detention centres at County Police Headquarters is a priority. The project will cover as well facilities at Local Police Offices in areas, where criminality and therefore the turnover of the detainees is especially high.

2003/004-347.03.05 Completing preparation for the implementation of the Customs acquis

Legal harmonisation, inter-operability of IT systems and establishment of required organisational units form an essential part of preparation to EU membership in the area of Customs. In order to achieve this above goal the Hungarian Customs and Finance Guard needs to prepare and implement efficiently national systems. This is essential to ensure the proper exchange of information with the European Union and the Member States. In addition, the laboratories of the Hungarian Customs authorities are not adequately equipped to carry out the necessary controls on wine, spirits and other food products.

The project is aimed at completing the adoption of the relevant acquis communautaire and at strengthening the implementation capacities of the Hungarian Customs and Finance Guard.

It will provide assistance to develop fully the NCTS system and to ensure the implementation of a customs free zone legislation in line with the acquis. In addition, it will provide, by means of equipment supplied to the Customs laboratory, support to facilitate the EU-standard examination and classification of alcohol products and other food products.

OBJECTIVE 4 - OTHER INSTITUTION BUILDING ACTIONS

2003/004-347.04.01 Unallocated Institution Building Envelope
The project consists of an envelope for yet unspecified Institution Building projects to provide assistance through twinning, twinning light and other form of technical assistance to specific urgent and unforeseen needs. It is expected that these needs will become apparent in the final stages of the Accession negotiations and during the ongoing monitoring process, which will follow. The Action Plan for the Administrative and judicial capacity, the reports of the Peer reviews and of the ad hoc monitoring missions should provide an additional instrument to identify residual needs. The terms of reference for the actions to be funded under this project have to be agreed by the EC Delegation no later than the date of accession. The budget the envelope, can also be used to co-finance limited investment to cover the needs of the Anti-Fraud Co-ordination Structure that ensures adequate protection of the financial interest of the Community.

OBJECTIVE 5. CONTRIBUTE TO ESTABLISHING THE CAPACITY TO EFFICIENTLY UTILISE FUTURE STRUCTURAL FUNDS ASSISTANCE

SUB-COMPONENT 1 INSTITUTION BUILDING PROJECTS AND PROJECT PIPELINE DEVELOPMENT

Phare has provided extensive institution building support in this area in previous years. In 2003 the support will focus on preparations for the implementation of the Community initiatives EQUAL and INTERREG.

2003/004-347.05.01 Completing preparations for the implementation of the EQUAL Community Initiative

The objective of the EQUAL Community initiative funded by the European Social Fund is to create trans-national co-operation in order to find new pathways of combating discrimination and all types of inequalities in connections with the labour market. As part of the European Union’s employment strategy the Community Initiative EQUAL seeks to find and test new, integrated and innovative ways that will successfully improve the current practice of training and employment and make job opportunities accessible equally for all.

Together with the Czech Republic Hungary already participates in EQUAL on a pilot basis, with activities funded through an earlier PHARE programme. The implementation of the sub-programme will gather experience and disseminate information on the overall objectives of the initiative an the operation of Development Partnerships (DPs) in practice in a selected thematic field, as well as on participation in a thematic network, in disseminating information for potential future participants of Development Partnerships on the overall objectives and practical operation of the Community Initiative.

By September 2003, Hungary should submit a Single Programming Document for the participation to EQUAL upon Accession. In that context the current project will support the programming exercise and the establishment of the delivery structure by creating capacity in the intermediary body designated for the management of EQUAL in Hungary.

2003/004-347.05.02 Completing preparations for the implementation of the INTERREG Community Initiative
This project aims at preparing the Hungarian administration, the potential intermediaries and the beneficiaries for the participation in INTERREG programmes. Assistance will be provided to prepare the necessary programming documents (Joint Programming Documents and Programming Complements) and to design some of the measures.

In addition, in order to develop the local absorption capacity for Interreg programmes and promoting the territorial integration across the Central European Space specifically with neighbouring countries, the project will support participation in the Central Adriatic Danubian South-eastern European Space (CADSES) - Interreg IIB programme, INTERREG IIC.

Finally, pilot cross-border programmes will be launched with non-Accession neighbouring countries, in particular Croatia, Ukraine and the Federal Republic of Yugoslavia.

**SUB-COMPONENT 2 STRUCTURAL FUNDS TYPE MEASURES**

A comprehensive framework has been designed in 2002 for programming, implementing and monitoring Structural Funds type measures funded through the Phare programme and the relevant Government resources in a way to contribute to the preparations for the Structural Funds.

In this context Phare support will:

- Start a two-year county-wide Economic and Social Cohesion programme with 2 intervention areas – Regional and Local Development, Employment and Training;
- Allow Government bodies and the other concerned actors to gain experience in programming, implementation and monitoring which will be relevant, upon accession, for the efficient use of the Structural Funds;
- Strengthening partnership and inter-ministerial co-ordination through common planning and implementation and monitoring of the ESC sub-programmes, including vertical (government-region-municipalities) and horizontal (government- NGO) partnerships.
- Promote mainstreaming of the support to those exposed to social exclusion and in particular the Roma Minority, within the Economic and Social Cohesion framework in preparation for similar actions to be supported under the Structural Funds.

The preliminary National Development Plan (pPNDP) constitutes the basis for the investment projects to be financed under this sub-component of the Phare National Programme.

The pNDP has provided a useful training ground for testing programming of Structural Funds. This process is now under way with the preparation of the National Development Plan (NDP), which will, upon Accession, form the basis for the Community Support Framework containing the strategy and priorities for action of the Structural Funds. The pNDP’s main role in Hungary is to provide a sound basis for the programming of pre-accession funds and in particular the Economic and Social Cohesion Component of Phare.

This was already the case in 2001 when Economic and Social Cohesion projects where selected using the pNDP. However, while this was a first useful step towards a more programme based approach, there is still considerable room for improving the effectiveness and the impact of Phare projects through further concentration of funding on fewer priorities, an increased use of grant scheme and a higher level of co-financing. This should lead, above all, at further gearing the implementation of Phare ESC to the structures relevant to the Structural Funds.

Using the pNDP as the programming basis, the current programme focuses on two of the pNDP intervention areas (mirroring as well two of the future Structural Funds Operational Programmes), namely:

- Employment and training: Employment and Social Inclusion, Education and Training opportunities
Regional and local Development: horizontal actions with a specific regional character focussing on clusters of priorities common to several regions (e.g. Business development, Infrastructure development, Tourism, Environment and Human Resources Development)

In order to guarantee the success of the approach efforts have been made to mobilise the main participants who will be concerned with the Structural Funds preparations (both at Central and Regional level), and to involve them in the preparatory work and, as appropriate, the selection of the priorities and projects, the implementation and the monitoring of the projects and the evaluation.

For each of the selected priorities, Grant Scheme type projects have been designed under the supervision of the relevant Ministries.

While selecting the priorities and the projects the following has been taken into account:

- the compliance of the selected projects with the PNDP priorities and the synergies among the different project proposed;

- the co-financing arrangements allowing the use of PHARE resources and of the connected Hungarian budgetary allocations, within one integrated programme

- the character of the projects is similar to development measures supported by the European Regional Development Fund and the European Social Fund (e.g. economic development, human resources, economic infrastructure)

- the principles of the use of the support (e.g. partnership, additionality, concentration) takes into account as much as possible the system in use under the Structural Funds, with the aim of helping the public administration at central and local level, as well as the other partners to efficiently utilise community support after accession.

- the mechanisms for managing, implementing and monitoring, even taking into account Phare specificity, should be as closely as possible designed in a way to allow the actors gaining essential experience for the future structural funds (e.g. essential aspects like inter-ministerial co-ordination, partnership in programming and implementation, concentration of assistance....)

- the design and the size of the projects ensures the necessary concentration of resources and the achievement of a measurable and tangible impact in relation to the problem identified

Funding for the projects to be financed under this component will come from Phare and from the Hungarian National Budget over a two years period (2002-2003). The present proposal covers the second tranche of Phare funding for this component. The level of co-financing from the two sources is set out in Table I.

The current Programme also marks a departure from the “target region approach”. This is in line with the expected eligibility of the whole country to Objective 1 of the Structural Funds. Focus and concentration of the limited funding available under PHARE in such a way as to produce a tangible, measurable impact, has been achieved through limiting the number of priorities and targeting areas throughout the country with a specific disadvantage.

2002/004-347.05.03 Combating exclusion from the world of work
Reference to the pNCP:

**Intervention Area:** Employment and training

**Priority:** Improving employability and access to labour market of target groups facing difficulties

**Measure 1:** Improving employability and labour market integration of the long-term unemployed

**Measure 2:** Improving employability and labour market reintegration of the Roma

**Project Description:**
Phare will provide co-financing to public work schemes addressing the above priority. The project will be implemented through a grant scheme with two components covering the two above measures.

The project aims at:

- Improving employability and labour market reintegration of long-term unemployed and people living on regular social assistance, with special emphasis on the Roma population
- Developing local community and public services including social services through the employment of long term unemployed and people living on regular social assistance schemes

The general objective of the public work schemes is to organise a new employment scheme to support local initiatives of the municipalities in handling unemployment and in delivering municipal tasks and services at the same time. Public work schemes as an active secondary labour market measure are designed to activate long-term, low skilled unemployed and for those depending on social assistance who at present are not able to meet the requirements of the private segment of the open labour market by offering fixed term employment. Fixed term employment especially if accompanied by complementary motivation, reintegration and training elements is expected to lead to new attitudes to regular work, motivation to improve skills and utilizing assistance in seeking permanent employment. Public works serve local interest and create values for the communities on its own initiative.

A particular component of the project will target long term unemployed belonging to the Roma Minority. Whilst in the 80’s 60-80% of Roma men and 50% of Roma women in the active age group had stable employment, the structural changes in the industry made low qualification workplaces redundant and by the 90’s primary education or vocational education in those professions typically acquired by the Roma devaluated rapidly. Lacking education and financial reserves the Roma could not respond to these rapid changes by any relevant coping strategies and the level of unemployment among them raised dramatically.

2002/004-347.05.04 Information technology in primary schools

Reference to the pNCP:

**Intervention Area:** Employment and training

**Priority:** Fighting poverty

**Measure 1:** Offering better access to initial education for people living in scarcely populated regions and small settlements

**Project Description:**

In order to promote the equality of chances and the reduction of regional and social disparities the project will support the complex development of primary school infrastructure in Hungary in
disadvantaged areas. The project is aimed in particular at providing better access to good quality primary education for children in disadvantaged regions through improving quality of primary education in scarcely populated areas.

The physical improvement of primary school premises will be combined with the extension of the use of Information and Communication Technology in all beneficiary institutions.

The proposed programme foresees support in three main areas:

♦ the physical upgrading of primary education buildings;
♦ improving the Information and Communication Technology background of primary schools;
♦ promoting the wider use of ICT and e-learning in the education of children in disadvantaged regions.

The focus of the support will be in all cases on the wider use of ICT. The project will be implemented through two grant schemes covering physical improvement on school buildings, investment in ICT and the development of ICT related teaching material and teacher’s training respectively.

2002/004-347.05.05 Promotion of integrated local development actions

Reference to the pNPD:

While the pNPD includes Regional Strategies and priorities and measures are defined at regional level, the proposed project covers all the NUTS II Hungarian regions within a single thematic framework. This new approach, reflected in the preparation of the National Development Plan, is in line with the Government decision to have, within the Community Support Framework, one centrally managed Operational Programme for Regional Development where priorities are thematically defined.

The formulation of the priority and of the measures listed below is a synthesis of a number differently formulated but closely related priorities and measures defined in the pNPD for each single Region.

Intervention Area: Regional and local development

Priority: Creating attractive business and social environment through local initiatives

Measure 1: Regeneration of urban and settlement areas with a view to the creation or development of job-creating economic activities

Measure 2: Improving access to or road infrastructure within depressed urban areas or settlement areas in poor conditions

Measure 3: Improving employment based on local initiatives

Project Description:

The new socio-economic structure of Hungary has developed as a result of the economic transition. While some areas have known dynamic development, other small regions have stagnated. One third of the small regions in Hungary can be regarded as developing ones. However also the more developed small regions have considerable untapped economic potential. Thus, regardless of the regions’ development level, it is essential to ensure the sustainability of the development activities, contributing to the strengthening of settlement centres and the improvement of human resources in order to increase employment and income levels.
Within this framework, the project will focus on settlements in poor conditions with economic potential, settlements with unused or under-exploited industrial areas or unused military sites, or with depressed urban areas.

Phare will co-finance one Grant scheme with three components covering the three above measures. The following activities will be eligible for Grant funding:

- Integrated development and regeneration of depressed urban areas, or settlement areas in poor conditions in small regions with unused economic potential in order to induce primarily small-scale retail business activities or to improve the attractiveness of the settlement for tourism, in particular investments in infrastructure where modernisation or regeneration is a prerequisite for the creation or development of job-creating economic activities.

- Regeneration and conversion of unused or under-exploited industrial areas or military sites, which also contribute to a change in the function of the zone, if possible. The implemented developments should contribute to improvement of the employment and should lead to the revival of economic activities.

- The construction or improvement of roads to urban areas or sites identified under the first component, including access roads, roads connecting settlements in case of joint application of settlements, junctions and bicycle paths within those areas, will be co-financed under this component.

- Employment programme in the field of social economy

- Implementation of training programmes for people of employable age, which meet local labour market needs in order to reduce or avoid unemployment.

In order to maximise project impact the resources will have to be concentrated ensuring that infrastructure development activities and employment programmes will be implemented in the small regions where eligible settlements can be identified based on the social-economic analysis and the SWOT of the region or the regional strategy.

In addition, it is expected that the project will constitute a valuable training ground for regional and local actors in view of the implementation of Structural Funds. In fact the objectives of the project reflect the most important regional needs and this type of activities are likely to be continued under the Structural Funds framework within the future Operational Programme for Regional Development (OPRD). The project also combines ERDF and ESF type activities, as will be the case in the future OPRD.

The activities to be implemented in the framework of the social economy component through the increase of employment will contribute to the strengthening of sustainable development at a local level. The realisation of integrated local settlement development actions contributes to the provision of balanced and sustainable living conditions, to the development of the general state of cleanliness of the settlements. The activities supported are likely to have a favourable impact on the protection and biodiversity conservation of natural values and habitats located within the settlements. The construction of roads under this grant scheme can have effects on ecosystems and the landscape. If these effects are considerable, mitigation measures should be applied and the location of the road should be carefully planned. In case the new road diverts traffic from a more congested area, the air and noise pollution will decrease in the loaded area.

1.2 PROGRAMME CONDITIONALITIES

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the present programme will depend on the Government's commitment to meet the relevant conditionalities. Project specific conditionalities have been included 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 Agencies so as to ensure the smooth implementation of the programme and in particular the implementation of the Grant schemes.

• 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 fiches co-financing for grants, service, supply and works contracts should be understood as joint and the ratio between the Phare and the National amount has to be applied to the final contract price.

• The Hungarian Government undertakes to provide the necessary co-financing (financial or in kind) to cover the necessary counterpart expenses arising from the implementation of the twinning activities.

• In relation to the project 2003/004-347.01.01, Development of an Integrated Administration and Control System", the Government of Hungary will take a formal decision fully clarifying the functions of the system, the division of responsibilities for operating it and the local network by February 28, 2003. Should the decision not be taken at the time of signature of the Financing Memorandum the project will be cancelled and procedures for reallocation initiated.

• Before proceeding to the signature of the financing Memorandum the EC Delegation will verify in co-ordination with the NAC and the Implementing Agencies that the project 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 the Joint Monitoring Committee will have a special meeting six months after the signature of the FM with the specific objective of reviewing the contracting situation project by project and recommending, where necessary, reallocation of funds between projects that are running behind schedule and projects where the absorption capacity is good.

### 2. BUDGET

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<td><strong>Objective 1 - Agriculture</strong></td>
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<td>1 - Development of the Integrated Administration and Control System</td>
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<td>2 - Establishment of a National Phytosanitary Diagnostic Control System</td>
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<td>3 - Eradication of Rabies</td>
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<td><strong>Total</strong></td>
<td>7.55</td>
<td>9.78</td>
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| **Objective 2 - Social Policy and Employment** | | |
| 1 - Enhancement of equal opportunities for people with disabilities | | |
| 2 - Access 2003 | | |
| **Total** | 2.85 | 3 | 5.85 |

| **Objective 3 - Justice and Home Affairs and Customs** | 1.44 | 6.242 | 7.682 |

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<td>02 - Completing preparation for the implementation of the Interreg III Community Initiative</td>
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<td>05 - Promotion of Integrated Local Development Actions</td>
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<th>83.522</th>
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The figures include in the budget table reflect the best available estimate at the time of Finalisation of the financing proposal. They are nonetheless indicative and re-allocation of funds among projects are possible in accordance with the established procedures.

The full list of the Twinning projects is provided as Annex 4.

**GOVERNMENT CO-FINANCING**

In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds. The Community contribution may amount to up to 75% of the total eligible\(^1\) public expenditure. The amounts that the Hungarian Government has provided in relation to the 2002 and will provide in relation to the 2003 National Programmes are included in Table I and specified in more details in the individual project fiches.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of PHARE assistance.

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\(^1\) Taxes are not an element eligible for co-financing
3. Implementation Arrangements

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision and the EDIS Implementation Agreement concluded between Hungary and the Commission\(^2\). Prior to the conclusion of said Agreement, implementation will exceptionally follow Phare Decentralised Implementation System (DIS) procedures\(^3\). Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Implementation Agreement and/or the DIS Manual as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD as well as the Structural and Cohesion Funds.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO 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 aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

b.) Project size

All projects will be greater than 2 M\(\text{€}\), except for the 2003/004-347.03.01. Further strengthening of Hungarian Judicial Capacity, 2003/004-347.03.04 Modernisation of the Police Detention Centres, 2003/004-347.03.05. Completing preparations for the implementation of the Customs acquis and 2003/004-347.04.01. Completing preparations for the implementation of the EQUAL Community Initiative. This is justified by the relatively limited scope of the activities to be financed in areas, which are nonetheless relevant for supporting the accession process.


\(^3\) in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999
c.) Contracting and disbursement deadline; programming deadline

All contracts must be concluded by 30 November 2005 with the exception of Grant Schemes for which Grants should be awarded by 30 June 2005. In no case can the contracting period exceed 3 years after the date of the global commitment.

All disbursements must be made by 30 November 2006. Concerning the amount foreseen under the Unallocated Institution Building Envelope (project number: 2003/004-347.04.01), projects must be programmed and Terms of Reference agreed by the Delegation by no later than the date of access. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d.) Clearance of Accounts Procedure and Recovery of Funds

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation⁴ and Art. 42 of the Implementing Rules to the Financial Regulation⁵ will be put in place.

Any proven irregularity or fraud⁶ discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission’s approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

(a) reduce or cancel any advance;

(b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount con-

⁵ Commission Regulation 2342/2002 of 23 December 2002
⁶ As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document
tracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

e.) Financial Flows

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 onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Hungarian State Treasury.

aa) Transfer of Funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally, representing pre-financing\(^7\) will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). 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/CFCU and the manner in which the payment function will be carried out.

Two further transfers of up to 30% each of the funds to be managed locally will be made. The second transfer will be triggered when 5% of the budget has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35% of the total budget in force has been disbursed. A fourth transfer will be made when 70% of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after expiry of the disbursement deadline the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made (closures of expenditure)\(^8\).

Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

\(^7\) as defined in Art. 81.1.b.i of the Financial Regulation
\(^8\) as defined in Art.105 of the Implementing Rules
The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the Establishment of the National Fund.

Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

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. 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.

dd.) Interest

In principle, all bank accounts\(^9\) will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

f.) Implementing Agencies will be responsible for sub-programmes as follows:

All the projects will be implemented by the Central Financing and Contracting Unit (CFCU) in the Ministry of Finance, with the following exceptions:
- 2002/004-347.05.03 & 04 which will be implemented by the European Social Fund Implementing Agency;
- 2002/004-347.05.02 & 05 which will be implemented by the National Agency for Regional Development

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^10\) are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented\(^11\).

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^12\) must be documented\(^13\).

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\(^9\) in particular, but not exclusively, accounts run by the NF, the CFCU and IAs


\(^11\) in Annex EIA to the corresponding investment project fiche

\(^12\) DIR 92/43/EEC; OJ 206/7; 22.7.1992
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.

h.) Special rules for certain components for the programme

Twinning

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

Grant Schemes

For Grant Schemes in the field of Economic and Social Cohesion the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.

- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Hungary will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).

- The implementation of selected projects through provision of works, supplies and services, sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement regulations in the Practical Guide.

- Following a positive assessment of the Implementing Agency’s capacity to operationally and financially manage the schemes in a sound and efficient, the Commission Delegation in Hungary may decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.

13 in Annex Nature Conservation to the corresponding investment project fiche
• Grant schemes will not involve projects for which PHARE contribution is more than € 2 million and less than € 50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present Financing Memorandum.

4. Monitoring and Evaluation

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. 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. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

For the purpose of this programme, a single Sectoral Monitoring Sub-Committee (SMSC) will be set up, to monitor all the projects included under Objective 5. The Committee will be chaired by the National Development Office in the Prime Minister's Office in its capacity as the body designated as managing authority for the Community Support Framework. The National Development Office will also ensure the secretariat of the Committee. The Committee will include: the EC Delegation, the body designated as managing authority for the Operational Programme for Regional Development, the body designated as managing authority for the Human Resources Development Operational Programme, the body designated as paying agency, a representative of the body charge of co-ordinating Roma policies, the IAs including the CFCU, two representatives from the Regions and representatives of the Social partners. Other Ministries or Agencies will be invited as appropriate. The relevant services from the Commission Headquarters (DG ELARG, REGIO and EMPL) will be invited to take part in the Committee meetings.

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

5.) Audit and Anti-Fraud Measures

a.) By the Candidate Countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

14 in accordance with the rules set down in Art. 54 of the Financial Regulation
Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of national or Community\textsuperscript{15} law, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:

(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

(ii) non-disclosure of information in violation of a specific obligation, with the same effect,

(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94\textsuperscript{16}.

In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

b.) By the Commission

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 audits by the Court of Auditors. This includes on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratomi, EC) No. 2185/96\textsuperscript{17}.

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.

\textsuperscript{15} defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund, etc...).

\textsuperscript{16} OJ L 178; 12.7.94; p. 43-46

\textsuperscript{17} OJ L 292; 15.11.1996; p. 2-5
6. Visibility/Publicity

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are set down in 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 reallocate unused funds for other purposes consistent with the objectives of the Phare programme.
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ANNEX ON

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.