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 LATVIA 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 November 1991 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: 2002/000-590-01-01 to 2002/000-590-12-02
Title: 2002 Phare National Programme for Latvia
Duration: Until 15 October 2004

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of €32 140 509 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 15 October 2004 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 15 October 2005. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

Delegation of the European Commission
Jacob’s Barracks
Toru 4, Block 1C
1050 Riga, Latvia
Telex: +371-732 72 50
Fax: +371-732 52 79

for THE RECIPIENT:

Government of Latvia
Mr. Roberts Zile, National Aid Co-ordinator
Minister for Special Assignment for Cooperation with International Financial Agencies
Smils Street 1
LV-1919 Riga
Tel.: +371-709 5690
Fax: +371-709 5693

Mr. Valdis Dombrovskis
National Aid Coordinator
Minister of Finance
Smils Street 1
LV-1919 Riga
Tel.: 1371-7095406
Fax: 1371-7095410

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 Riga
Date 18-12-2002

V. Zile

for THE RECIPIENT
Minister for Special Assignment
For Cooperation with International Financial Agencies

for THE COMMUNITY
Minister of Finance
Head of EC Delegation in Latvia
Andrew RASBASH

Roberts Zile

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

Special Provisions

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

The PHARE 2002 National Programme has put the emphasis on institution building and *acquis* related investment. It includes some of the supplementary actions highlighted for PHARE funding within the framework of the Action Plan for reinforcing Latvia’s administrative and judicial capacity. In total 12 objectives based on the revised Accession Partnership priorities for 2002 and 2003 are addressed. A description of the proposed projects is provided below.

Objective 1: POLITICAL CRITERIA

- Human rights and the protection of minorities

**2002/000-590-01-01 Promotion of Integration of Society in Latvia**

The project continues to provide assistance to support Latvia in its efforts to promote equal opportunities for its population of non-Latvian ethnic origin to enable them to participate in the labour market and in social life by strengthening their skills of Latvian language. The project builds on previous assistance financed under the PHARE programme and is a continuation of the current Latvian Language Training Programme (1996 – 2006) referred to in the National Programme “The Integration of Society in Latvia”. On the basis of the National Society Integration Programme, areas other than language training will also be addressed to further integrate the population of non-Latvian origin. Support to these areas must be consistent with the Political Criteria of the 2001 Accession Partnership priorities and may include participation in cultural activities of all population groups, information activities as well as scientific support in line with the Society Integration Programme. The project is conditional upon the recognition of the Society Integration Foundation as an Implementing Body and upon the Government ensuring sustainability of it in the medium and long-term in terms of adequate funding and staffing.

- Democracy and the rule of law

**2002/000-590-01-02 Civil Society**

The project is a continuation of the ACCESS horizontal programme and builds on the civil society project financed under the PHARE 2001 programme. Its purpose is to strengthen Latvian civil society organisations, in particular NGOs/NPOs to fulfil their role in certain policy areas. Specifically, the project supports strengthening the institutional and operational capacity of NGOs/NPOs including their networking capacity with their EU counterparts. The project also aims at enhancing participation and role of the civil society in the preparation of decisions by the public administration at large, but in particular the actions of these organisations aimed at fostering socio-economic development and improving environmental protection. The project is conditional upon formal recognition of the Society Integration Foundation as an Implementing Body.

Objective 2: FREE MOVEMENT OF GOODS AND CONSUMER PROTECTION

**2002/000-590-02-01 Market Surveillance non-food sector**

*TWINNING COMPONENT LV /2002/IB/EC/01*

To ensure free movement of goods, the market surveillance system in Latvia must be in conformity with the requirements of the European Union. The project aims at strengthening the capacity of market
surveillance institutions in areas other than food, pharmaceuticals and medical devices and will thus also contribute to enhance consumer protection. In particular, the first component of the project will assist Latvia to analyse the efficiency of the existing system and to elaborate and adopt a strategy on the improvement of the market surveillance system taking into account all existing market surveillance authorities, their capacity, existing laboratories and needs of the industry. The second component of the project is targeted at the actual improvement of the administrative capacity and infrastructure of the market surveillance institutions to enable them to carry out their activities according to EU standards. It concentrates on areas covered by the New Approach directives as well as consumer products and general product safety. The start of the project activities is conditional upon a) the approval of the Annual Plan of the market surveillance sub-programme by the Coordination Council of the Quality Assurance National Programme, b) on a clear organisational/functional separation between pre-market conformity assessment and market surveillance and c) legislation relevant to the project to be transposed before the investment can start.

2002/000-590-02-02 Food Chain Surveillance

TWINNING COMPONENT LV/2002/IB/EC/02

The project builds on previous projects on food safety and is to assist Latvia to organise its surveillance system in the food sector in a more coordinated and integrated manner to achieve a high level of consumer health protection. To this end, the project supports the development of a risk management system following the principles laid down in the European Commission’s “White Paper in food safety”, the development and elaboration of the Rapid Alert System in accordance with EC legislation and the upgrading of laboratory equipment to increase the testing capacity of regional laboratories. The project should enable the Latvian food chain surveillance authorities to exchange information with EU Member States and international organisations. The supply of equipment is conditional upon all necessary legislation transposed and upon approval by an independent EU expert.

Objective 3: FREE MOVEMENT OF SERVICES

2002/000-590-03-01 Data State Inspection

TWINNING COMPONENT LV/2002/IB/OT/01

The aim of the project is to enable Latvia to ensure effective protection of personal data. To this end, it is designed to contribute to strengthening the administrative capacity of the institution responsible for ensuring protection of personal data and to raise awareness on data protection issues. The project is to assist Latvia to elaborate a strategy for the Data State Inspection and to provide for the relevant training and awareness raising measures. The project is conditional upon Latvia’s introducing the necessary amendments into its Data Protection Law to guarantee full independence of the supervisory authority.

Objective 4: AGRICULTURE

2002/000-590-04-01 TSE/BSE CONTROL

MEDIUM-TERM TWINNING COMPONENT LV/2002/IB/AG/01

The project is to support TSE/BSE screening in Latvia in accordance with Regulation No. 999/2001. With the help of the project the Latvian authorities will elaborate and carry out a programme for monitoring TSE/BSE, improve their laboratory competence, carry out testing in conformity with EU standards and upgrade related laboratory equipment. In addition, the project will also address TSE/BSE prevention issues and provide relevant training for all involved actors. The project co-finances the supply of equipment and test kits for carrying out such tests.

Objective 5: STATISTICS
2002/000-590-05-01 Intra-Community trade statistics

TWINNING COMPONENT LV/2002/IB/FI/01

The project will assist the Latvian Statistical Bureau to implement the Intrastat system in accordance with EUROSTAT Compendium module 531 “Trade in goods between Member States”, a key objective set by EUROSTAT for all Candidate Countries joining the EU. Specifically, the project aims at building up the infrastructure and survey organisation for collecting statistical data on trade between the Member States. One of the key elements of the Intrastat system is the use of value added tax information on intra-Community transactions. Therefore the project will also involve the State Revenue Service. The start of the project is conditional upon signature of an agreement on optimal task allocation between the Central Statistical Bureau and the State Revenue Service.

OBJECTIVE 6: SOCIAL POLICY AND EMPLOYMENT

2002/000-590-06-01 Employment Strategy (Institution Building)

TWINNING COMPONENT LV/2002/IB/SO/01

The aim of the project is to assist Latvia in its efforts to enhance the quality and accessibility of labour market services and to prepare for the country’s future participation in the European Social Fund. Specifically, the project addresses the policy development and the policy implementation level. At policy development level it should result in building capacity for preparing and later implementing the National Employment Strategy including the development of a co-operation methodology and procedures for the transformation of political priorities into effective labour market measures. The project will further assist to develop the necessary bases for European Social Fund activities. At policy implementation level, the project should result in strengthening the State Employment Services in terms of administrative and technical capacity as well as the professional career counselling centres. The project includes a substantial amount of training at all levels and co-financing of equipment for the State Employment Services. The project is conditional upon signing the Joint Assessment Paper by the Latvian Government and the EC, which is expected before the end of 2002.

OBJECTIVE 7: TELECOMMUNICATIONS AND INFORMATION TECHNOLOGIES

2002/000-590-07-01 The Public Utilities Commission

TWINNING PROJECT LV/2002/IB/TE/01

The project aims at strengthening the administrative and institutional capacity of the Public Utilities Commission, a multisector regulator. Specifically, the first part of the project is designed to address horizontal issues such as decision-making, management, communication and public awareness aspects of the regulatory body which is responsible for the telecommunications, energy, postal and the railway sectors. The second part is entirely focused on the regulation needs of the telecommunications sector. The project is to provide for a review of the relevant legal acts and prepare the necessary amendments in accordance with the requirements of the New Telecommunications Framework. The assistance provided will also ensure that the Public Utility Commission will be able to fulfill these requirements. The project should result in recommendations to sustain genuine functional independence of the regulator so as to effectively safeguard competition in the liberalised market and in the acquisition of adequate technical competencies.

OBJECTIVE 8: REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS AS WELL AS FINANCIAL MANAGEMENT

2002/000-590-08-01 Public Finance Management

TWINNING PROJECT LV/2002/IB/SPP /01
The project aims at enabling the Latvian system of financial management including internal audit to meet the requirements in view of Latvia’s future participation in the Structural and Cohesion Funds and to ensure follow-up of the commitments made in the negotiations. The project builds on previous projects financed in the field of public finance. Specifically, the project is designed to build up a system of Management and Paying Authorities including Intermediate bodies and to strengthen their administrative capacity, to introduce a comprehensive and coherent system of internal financial control and internal audit in accordance with EU requirements and to ensure that the relevant operational procedures are in place, to set up a co-ordination mechanism for effective inter-ministerial cooperation with all involved bodies including a draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions, as well as i.a. an appraisal of human resources, training and IT needs. The project is conditional upon a decision taken on division of responsibilities of the main stakeholders before the start of project activities.

2002/000-590-08-02 Project Preparation Facility

The project provides for an envelope to assist Latvia in preparing investment support projects to promote economic and social development and to develop the capacity of the Latvian Administration to prepare a project pipe line in view of future participation in Structural and Cohesion Funds. The results of the project include the preparation of funding requests in specific areas in accordance with the project fiche, strengthened project packaging skills at national and regional levels and developed effective and efficient horizontal and vertical administrative relations and improved capacity of the Latvian administration to meet the challenges of the Structural Funds.

OBJECTIVE 9: ENVIRONMENT

2002/000-590-09-01 Environment Monitoring

The purpose of the project is to strengthen the administrative capacity of institutions responsible for environment monitoring in conformity with EU requirements. The project shall contribute to strengthen the capacity at central and regional level for monitoring of drinking water, waste water and waste as well as to upgrade the technical capacity in terms of equipment to fulfil the monitoring tasks. With the help of the project the relevant Latvian authorities will be able a) in the field of waste water monitoring, to develop and operate an information system for wastewater data processing and dissemination, b) in the field of waste monitoring, to ensure an effective and efficient information flow between monitoring, permitting and enforcement institutions providing Regional Environment Boards, municipalities, operators and other stakeholders with the necessary information on waste management, c) in the field of drinking water monitoring, to ensure testing indicators of drinking water according to the methods listed in the directives and to gather and process data on drinking water according to the requirements of the directive 98/83/EC; d) in the field of surface water monitoring, to develop and establish data transmission and ensure that regional and national laboratories work efficiently and report according to EU requirements; e) to ensure reliable and accurate information on air quality in compliance with EU legislation. The project is conditional upon the political commitment at the State level to continue supporting the environment monitoring system.

OBJECTIVE 10: COOPERATION IN THE FIELD OF JUSTICE AND HOME AFFAIRS

2002/000-590-10-01 Preparation for participation in Schengen Information System

TWINNING COMPONENT LV/2002/IB/JH/01

Latvia intends to fully participate in the Schengen Acquis and the Schengen Information System (SIS II) as soon as it will be possible for new members of the European Union. The purpose of the project is the development of a national law enforcement information system compatible with the future application of the Schengen Information System II. Specifically, the project is designed to achieve i.a. the following results: elaboration of a common strategy and an action plan for the development of the information system in accordance with the requirements of the Schengen acquis; harmonisation of
legislation in the field of national registry and automatic data processing as well as regulations concerning the cooperation between involved institutions and administration of the systems as well as the elaboration of training programmes and training. The project will also address issues in relation to the future structure and profile of the SIRENE bureau. The project is conditional upon an independent needs assessment before the start of the project activities, on sufficient financial support from the Latvian government and upon legislation in place in the field of personal data protection.

2002/000-590-10-02 Sea Border Surveillance

TWINNING COMPONENT LV/2002/IB/JH/02

The project provides for the development of an integrated sea border surveillance system in line with the requirements of the Schengen acquis. The project is an Institution building project with a substantial acquis related investment component. In particular, the project is to include the achievement of the following results: an established system for obtaining, use and exchange of information on the situation of the sea coast, a mechanism for cooperation among institutions involved in sea border control and related authorities, the establishment of an effective sea border control administration system, a cooperation system between State Border Guard and neighbouring border control services, including relevant agreements, know how transfer to high-level officers and trained staff. In addition, the project provides for the relevant mobile and stationary video surveillance equipment. The project is conditional upon the development and approval of the integrated Latvian border management strategy in the framework of PHARE 2000 project by end of 2002 and of provision of adequate financial means from the state budget to ensure its sustainability. Tendering of equipment is conditional on the results of the independent needs assessment.

2002/000-590-10-03 State Police

TWINNING COMPONENT LV/2002/IB/JH/03

The purpose of this project is to strengthen the analytical and operational capacities of the State Police in its fight against crime. Specifically, the project should result inter alia in developing an analysis system which will comply with the European Union Action Plan to combat organised crime and the Europol model on collecting and dissemination of strategic and operational information and intelligence. The strategic and operational analysis system developed within this project will enable Latvia to provide reports and data to Europol and to Member States. The project will also ensure that the work within the State Police is organised in an effective manner based on well analysed information and intelligence. The operational analysis system will be supported with modern technical means which should gradually improve the prevention and investigation capabilities of the police. The project will also cover the whole range of training needs of police officers at all levels including different types of strategic analysis of police work and crime situation. The project is conditional upon establishment of a single analytical unit (merger of the two current beneficiary units) before the start of the project.

OBJECTIVE 11: CUSTOMS UNION

2002/000-590-11-01 Customs Business Strategy and Customs Data Systems

TWINNING COMPONENTS LV/2002/IB/FI/02 AND LV/2002/IB/FI/03 (2 COVENANTS)

The aim of the project is to implement the Customs Business Strategy including the development of customs computer based systems compatible with those in operation in Member States of the European Union. With the assistance of the project the Latvian customs authorities, at strategic and operational level, will be familiar with the EU requirements and be able to apply and enforce the relevant acquis communautaire so as to carry out effective customs control at EU external borders, to increase their capacity to i.a. administer the Common Agricultural Policy and the EU system of own resources. The project will also address the issue of simplified procedures. In order to strengthen the
technical capacity of the Latvian customs services, the project will also put in place the corresponding IT systems so as to allow for an exchange of electronic data between the Community and Latvia. As a result of the project, the various systems should be operational and functioning and the relevant staff trained to be able to effectively apply the *acquis communautaire* as of accession. The project will also address training equipment and a plan on human resources development management.

**OBJECTIVE 12: REINFORCE THE OVERALL ADMINISTRATIVE CAPACITY**

**2002/000-590-12-01 Participation in Community Programmes and Agencies**

The project will assist Latvia to participate in a number of Community Programmes and Agencies. It provides co-financing to the Latvian State Budget to enable Latvia to continue to participate or begin participation in certain Community Programmes and Agencies including the 6th RTD Framework Programme. In addition to the latter programme, PHARE support is requested, inter alia, for the following programmes and Agency: Leonardo da Vinci II, Socrates II, Youth, Life III, Culture 2000, European Environment Agency, Media plus and Media Training, Gender quality, Combating Social Exclusion, Fiscalis 2003 and Customs 2002. The co-financing will cover the costs of the period 2003.

**2002/000-590-12-02 Twinning Light Facility**

The objective of this envelope is to provide short-term assistance via medium-term twinning to strengthen the institutional and administrative capacity of the Latvian Government institutions to help them implement the *acquis communautaire*. Its purpose is the completion of specific urgent institution building tasks emerging in the course of the accession negotiation progress or of other high priority tasks identified in the Accession Partnership, Regular Report, Action Plan for reinforcing Latvia’s administrative and judicial capacity or Peer Reviews.

The projects will be implemented using the expertise from officials from Member States by means of medium or short-term assignments.

**PROGRAMME CONDITIONALITY**

The Latvian 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 services, supply and works contracts should be joint co-financing and the ratio between the Phare and the national amount has to be applied to the final contract price.
### BUDGET

The total financial commitment under the **2002 PHARE National Programme** in support of the projects described in section 1 above amounts to **€32 140 509** as follows:

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<td>1.899109</td>
</tr>
<tr>
<td>03 - Twinning Light Facility</td>
<td>1.500</td>
<td>0</td>
<td>1.500</td>
</tr>
</tbody>
</table>

**Total**

|                  | 32.140509 | 10.8956 | 21.244909 |
3. IMPLEMENTATION ARRANGEMENTS

a) Financial and project management by the Candidate Country

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 Authorising Officer (NAO) and the Project Authorising Officer (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the DIS Manual and other instructions of the Commission, and that all contracts are being prepared in accordance with the Practical Guide for PHARE, ISPA and SAPARD.

The NAC and the NAO shall be jointly responsible for co-ordination between PHARE (including PHARE CBC), ISPA and SAPARD.

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 the overall responsibility for financial management of the PHARE funds. He/She 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 2M€, except in the following areas: Civil Society, Market Surveillance in Non-food Areas, Food Chain Surveillance, Data State Inspection, TSE/BSE control, Intra-Community Trade Statistics, Employment Strategy, Environment Monitoring, Schengen Information System, State Police, Public Utilities Commission, Community Programmes and Agencies and Twinning Light Facility which are Institution Building projects and therefore require smaller amounts.

c) Contracting and disbursement deadline

All contracts must be concluded by 15 October 2004. All disbursements must be made by 15 October 2005.

d) Recovery of funds

Any proven irregularity or fraud 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

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1 taking into consideration the rules laid down in the annex of Council Regulation 1266/1999
2 The Practical Guide has replaced section F (“Procurement”) of the DIS Manual
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 European 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 contracted 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 the Government of the Republic of Latvia on 2 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 Central Bank.

aa) Transfer of funds to 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 between the NF and the Implementing Agencies (IA)/Central Finance and Contracting 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 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 replenishments will be made of up to 30 % of the funds to be managed locally* and the final payment of up to 20% or the full balance of the budget whichever is the lesser amount. The first

* excluding the amount foreseen for the Community programmes
replenishment will be triggered when 5% of the budget* has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 35% of the total budget* in force has been disbursed. The final third replenishment will be paid when 70% of the total budget* in force is disbursed. Exceptionally the NAO may request an advance 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 replenishment may be made if the trigger points mentioned above have not been respected.

bb) Transfer of funds to the Implementing Agencies

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.

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. 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.

cc) Transfer of funds to the National Fund for participation in Community Programmes and Agencies

A single advance will be made to the National Fund to cover the full amount of the PHARE part of the financial contribution for participation in Community programmes and agencies. This advance will be made following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be divided into two or more tranches, so that 100% of the funds necessary for the programmes in force can be transferred immediately.

The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programmes concerned and within the deadlines requested.

dd) Interest
In principle, all bank accounts\(^3\) 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:

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Implementing Agency</th>
</tr>
</thead>
</table>
| 2002/000-590-01- | 01 - Promotion of Integration of Society in Latvia  
02 – Civil Society | Social Integration Foundation  
Social Integration Foundation |
| 2002/000-590-02- | 01 - Market Surveillance Non-Food Sector  
02 – Food Chain Surveillance | CFCU |
| 2002/000-590-03- | 01 – Data State Inspection | CFCU |
| 2002/000-590-04- | 01 – TSE/BSE Control       | CFCU |
| 2002/000-590-05- | 01 – Intra-Community Trade Statistics                               | CFCU |
| 2002/000-590-06- | 01 – Employment Strategy (Institution Building)                     | CFCU |
| 2002/000-590-07- | 01 – The Public Utilities Commission                                | CFCU |
| 2002/000-590-08- | 01 – Public Finance Management  
02 – Project Preparation Facility | CFCU |
| 2002/000-590-09- | 01 – Environment Monitoring                                        | CFCU |
| 2002/000-590-10- | 01 – Preparation for Participation in Schengen Information System  
02 – Sea Border Surveillance  
03 – State Police | CFCU  
CFCU  
CFCU |
| 2002/000-590-11- | 01- Customs Business Strategy and Customs Data Systems              | CFCU |
| 2002/000-590-12- | 02 – Twinning Light Facility                                        | CFCU |

g) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment are set down in the Environmental Impact Assessment (EIA) directive\(^4\) are fully applicable for all investment projects under PHARE. If the EIA-

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\(^3\) in particular, but not exclusively, accounts run by the NF, the CFCU and IAs  
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\(^5\).

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^6\) must be documented\(^7\).

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 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 whose procedures and formats are not covered by the current DIS rules, 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 level.

- The ex ante approval of the Commission (Delegation in Riga) will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex post control of the EC Delegation.

The implementation of the selected projects through the provision of works, supplies and services subcontracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations in the Practical Guide. The decentralised system established for CBC small projects is to be applied to all such contracts below 300.000€ (or any increased threshold to be fixed by EC

\(^5\) in Annex EIA to the corresponding investment project fiche  
\(^6\) DIR 92/43/EEC; OJ L 206/7; 22.7.1992  
\(^7\) in Annex Nature Conservation to the corresponding investment project fiche
Headquarters for small project funds under CBC programmes). Tenders and contracts above this threshold will be presented to the EC Delegation for ex ante approval. 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.

Equipment procurement

In relation to the BSE tests to be procured under the project 2002/000-590-04-01 (TSE/BSE Control) and in accordance with regulation 3906/89 (18/12/1989 OJ L375 of 23/12/1989) and the relevant Commission decisions, the Commission services may on a case by case basis and upon justified request by the National authorities, authorise exceptions to the rules of origin and nationality.

4. MONITORING AND ASSESSMENT

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.

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.

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 Community law 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\(^8\).

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 at 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 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 may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96\(^9\).

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.

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 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 Latvia, 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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\(^8\) OJ L 178; 12.7.94; p. 43-46

\(^9\) OJ L 292; 15.11.1996; p.2-5
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.