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: LE 9812
Title: 1998 Pre-ins Facility for Latvia
Duration: until 31 December 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 4,000,000 ECU 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 31 December 2000, 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 31 December 2001. 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
Tornu 4, Block 1C
1050 Riga, Latvia

Tel.: +371-732 72 50
Fax: +371-732 52 79

for THE RECIPIENT:

Mr. Roberts Zile
National Aid Co-ordinator
Minister for Special Tasks for Co-operation with International Financial Institutions
Ministry of Finance
Smilsu Street 1
LV-1919 Riga
Latvia
Tel: +371-709 5690
Fax: +371-709 5503

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: 29.12.98

for THE RECIPIENT
Minister for Special Tasks for Co-operation with International Financial Institutions
Roberts ZILE

for THE COMMUNITY
Head of EC Delegation in Latvia
Gunter WEISS

Annex 1    Framework Agreement ( Annexes A & B)
Annex 2    Special Provisions ( Annex C)
SPECIAL PROVISIONS (ANNEX C)

1. OBJECTIVES ASSESSMENT PROCESS AND DESCRIPTION

1.1. 1.1. Objectives

The objective of the Pre-ins Facility is to support the inclusive nature of the enlargement process by funding a number of specifically targeted and visible actions in particular areas of weakness identified in the Commission’s Opinions for Bulgaria, Latvia, Lithuania, Romania and Slovakia where these countries need to make special efforts in their preparations for accession.

1.2. 1.2. Description

BULGARIA

Banking and enterprise reform assistance (continuation of ongoing Structural Adjustment and Reform Programme, SARA)

The project aims to build upon and consolidate the ongoing Structural Adjustment and Reform Assistance (SARA) to enable implementation of the Government’s Structural Reform Programme. It will focus particularly upon:

- A) Further Privatisation of Strategic Large State Owned Enterprises

Support for up to 20 enterprises. The work will involve three phases: privatisation strategy; transaction phase; liquidation phase.

- B) Completion of Bank Privatisation.

Provision of substantive follow-up Technical Assistance support to the Sparkassen Strategic study, to enable the management to transform the bank into a major retail commercial bank specialising in SME lending.

The TA Team will focus on: credit management, risk management, branch network restructuring, HRD, marketing and new products development, control and accounting functions, operations and administration functions, internal audit/inspection functions.

The proposed actions directly address objectives of the Phare Accession Partnership and the NPAA, by contributing to the improved competitiveness of the financial sector.

Conditionality

Continued government commitment towards privatisation of the of the state owned enterprises and banks.

Appropriate co-ordination mechanisms for all the institutions involved in the privatisation process. Currently performed by the SARA unit in the Council of Ministers.

Necessary co-ordination with IMF and World Bank recommendations and activities.

Bulgaria

Finalisation of the Land Restitution Process (phase 1) and Support for the Development of a Land Market in Bulgaria

The aim of the project is to:

- Assist the Government to establish a policy and implementation strategy for land reform/consolidation.

- Support development of official monitoring and supervision capabilities and publicity for land market registration and land reform.
- Prepare plans for restitutable land plots.

The expected results will be emergence of a user friendly land market which will facilitate transactions and private investments.

Conditionality

Existence of an adequate surveying capacity as well as an adequate judicial, administrative and notary capacity for registering titles and land transactions.

**Bulgaria**

*Fight against corruption within the Bulgarian Customs Administration (BCA)*

The project will seek to restrict possibilities for corruption within the BCA via the progressive introduction of an in-house strategy, backed up by internal regulations, designed to counter corruption and organised crime. The project will include the preparation and implementation of customs legislation and, in line with commitments given in the Accession Partnerships, the pursuit of modernisation on the basis of alignment with EU practice and reinforcement of control and information functions within the Customs service. The project dovetails with proposed introduction of computerised customs clearance facility under the 1998 national Phare budget.

Tasks addressed by the project are: legislation and regulations, strategic plan development, training, information system for the anti-fraud and inspection departments. It also includes the purchase of the necessary equipment.

**Conditionality**

Continuous government commitment to the fight against organised crime and corruption as stated in the Bulgaria 2001 national programme.

Necessary co-ordination between Customs Administration, Ministry of Interior and Financial Control authorities.

**LATVIA**

<table>
<thead>
<tr>
<th>LE 9812.01 Support to Industrial Cluster Restructuring</th>
</tr>
</thead>
</table>

The project aims at enhancing the overall economic performance of Latvian industry, particularly in the manufacturing sector. It has two main components:

- the creation of competitive strength in industrial enterprises by supporting their restructuring process after privatisation and facilitating their strategic reorientation in marketing, quality assurance and management, and risk taking, access to loans and equity. Re-training and re-employment schemes for employees who have been affected by the restructuring process will also be addressed.

- fostering innovation in specific fields of importance to the country: New technologies (CAD/CAM) and Bioenergy. This will be done by supporting industrial clusters (groups of companies from the same sector) in combination with industrial associations.

**CONDITIONALITY**

The proper functioning of the inter-ministerial (Economy, Education, Agricultural) and interagency (Privatisation, Development) Steering Committee is essential for the success of the project. The Committee will be chaired by the Ministry of Economy.

The widest utilisation and dissemination of results will depend on the proper selection of the industrial clusters and the horizontal technologies and techniques. Collaboration with the industrial associations and synergy's with National Funds to promote innovation and development will be of importance.
The project is a comprehensive programme of anti-corruption measures including (i) a legislative component aiming to improve the legal basis and its enforcement, (ii) a training component leading to a better training of officials and engaging the general public in dialogue on corruption and its prevention, by providing information and creating transparent procedures in the public administration.

Particular tasks will involve:

- training: developing curricula training materials and training of the trainers. A pilot training programme is proposed with EU experts and Latvian teachers, for the State Revenue and Public Procurement service and for judges and legal professionals.
- for legal work: preparations of an inventory of legal acts and assessment of necessary transposition of EU laws as well as preparation of a Corruption Prevention Strategy.
- for public awareness. Preparation of information pamphlets on key areas of the administration (Naturalisation, Immigration, Land Registration, Customs, Police courts). A barometer of public opinion and public awareness campaigns on the media.

CONDITIONALITY

Commitment of the Government to the Corruption Prevention Programme and adequate support to the Government Prevention Council.
Consistency of the currently existing regulations aiming at EU harmonisation.

LITHUANIA

Development of the Financial sector

The project aims to complete the restructuring/privatisation process and to strengthen the financial sector. This will be done by means of: drafting and implementation of legislation, restructuring and institutional development of the varies institutions involved, improving the capacity of the financial sector supervisory authorities and privatisation of the state owned enterprises in the financial sector.


It is expected that as a result of the project the restructuring/ privatisation of the Banking and Insurance sector will be concluded, it will improve the effectiveness of the whole financial system with the positive impact on the economy and on foreign direct investments.

Conditionality

Continued commitment of the government to the conclusion of the privatisation process in the Insurance and Banking sector.

Availability of an adequate Implementation Unit in the Ministry of Finance involving all the concerned institutions.

Lithuania

Design of a comprehensive National Policy for the reduction and elimination of corruption

The main objective of the project is the elaboration of an integrated national policy for the reduction and eventual elimination of corruption within Lithuanian public and private sector.

The first phase of this project is the assembling of an Expert Group composed of Lithuanian and EU experts, with skills in various disciplines related to the combating of corruption in order to analyse and determine which aspects of government, business and society are more at risk of corruption. The second phase is the elaboration of a national anti-corruption strategy and the design of policies aimed at reducing and eventually eliminating corruption. Finally, the Expert
Group and the National Authorities will elaborate an effective communications strategy in order to involve the Lithuanian public and NGOs in issues related to fight against corruption.

Conditionality

Establishment of proper co-ordination of the several agencies and Ministries involved in fight against corruption in the country.

Commitment of the government to implement the necessary measures recommended and make the necessary organisational and legislative changes required.

Lithuania

Establishment of a Group for the investigation and analysis of economic crime

Creation and implementation of a professional training regime which will lead to the formation of a small cadre of officers who will be charged with manning and operating the new Economic Crime Investigation and Analysis Unit. The Unit will be placed in the State Security Department. The bulk of this small TA programme will focus on training and the acquisition of professional expertise. The following activities will be carried out in the implementation of the project:

- creation of a dedicated training centre within the Department
- training of the instructors based in this centre
- acquisition of specialised literature and equipment
- preparation of training programme for 25 officers

Conditionality

Establishment of the Economic Crime Investigation at the State Security Department. Commitment of the State Security Department to the creation of the Centre, the establishment of a training strategy and availability of the staff to be trained and the trainers.

ROMANIA

Privatisation of State owned Banks and Insurance Privatisation and Supervision

The objective of the project is the restructuring of the financial sector through:

1. privatising the three largest state-owned banks: Banca Agricola, Banca Comerciala Romana and Banca Romana de Comert Exterior (BANCOREX). Banca Agricola is the first priority on the Government’s list, with privatisation planned for the end of 1998. The other two banks will be privatised during the course of next year.

2. privatising two state-owned insurance companies (ASIROM and ASTRA), coupled with the set up of an independent Insurance Supervisory Office. ASIROM will be privatised in 1998 and Astra will be prepared for privatisation in 1999

3. supervision and monitoring The Insurance Supervisory Office is presently a department in the Ministry of Finance. It will be transformed into a full fledged institution according to the new Insurance Law.

The project will provide technical assistance to the State Ownership Fund and/or the Privatisation Commission in the process of selling at least 51% of the stock of the selected banks. It will take into consideration all prior bank restructuring and will involve preparatory work, structuring the sale, implementing the actual sale process and appropriate post-sale activities. Assistance will be provided to the State Ownership Fund for due diligence, audits, restructuring and privatisation of ASIROM and ASTRA.

Conditionality

Government commitment to the restructuring/privatisation process of the five institutions. This commitment should be reflected in appropriate government decisions, including a timetable of the whole process.
Establishment of the respective privatisation Commissions.
Establishment of an independent Insurance Supervision Department.

ROMANIA

Fund for Mining areas Reconstruction

The aim of the project is to diminish unemployment in the mining areas which are most affected by the restructuring processes.

The MARR (Mining Affected Regions Reconstruction) Fund will be the financial tool for technical assistance, procurement and training activities from which viable projects dedicated to job creation, regional development, SMEs creation or development, entrepreneurial skills creation and development will be financed. The Fund, involving combined funds from the facility and government contributions, will be managed by the National Agency for the Restructuring of the Mining Areas.

The MARR Fund covers the following mining regions: the Jiu Valley Region, Gorj County, Maramures County, and the central mining area which includes four counties, Harghita, Covasna, Brasov and Arges.

The project will be implemented in close co-operation with the World Bank.

Conditionality

Existence of sustainable regional level institutions having a leading role in the process of project identification, launching and follow-up. Commitment of the Government, local authorities and institutions and NGO to the project.

Establishment of appropriate co-ordination structures, with sufficient and adequately trained staff in all levels.

Existence of a suitable institution/agency for the co-ordination, design and delivery of effective programmes.

Note: There are no projects in the field of the fight against corruption. Several proposals were presented but none of them was considered ready to be launched at this stage. The Commission intends to work with the Romanian authorities to develop better defined, more comprehensive proposal, against corruption under the 1999 budget.

SLOVAKIA

Fight against corruption in the Slovak Republic (Training for audit and Control of the Audit Office)

The project envisages the establishment of training activities and the provisions of equipment for the Supreme Audit Office.

As a result of the project, the policy of the government on the fight against corruption will be strengthened by:

- Improving the knowledge of the staff on the professional methodology, international norms, standards and jurisdiction in the fight against corruption.
- Increased exchange of experience and information with professionals in other EU member states and CEE countries.

Conditionality

Commitment in all instances to fight against corruption. Existence of a proper regulatory and institutional framework. Necessary logistic support for the organisation and well functioning of the training and activities on exchange of information.

Slovakia

Strengthening the capacity of the National Council of the Slovak Republic

The objective of the project is threefold: to enhance competence and the level of information of members and staff of the Slovak Parliament, to increase the transparency of legislative process for
the general public and to create conditions for better access to information on parliament and EU Affairs.

The project will provide technical assistance, training in Slovakia and abroad and equipment to strengthen the institutional and administrative capacity of Parliament Members and permanent staff and increase public awareness on parliament activities. As a result, the competence of the people involved in the legislative process will increase and an informed participation in the whole process of integration and approximation will be ensured.

Conditionality

Commitment to the consolidation of the democratic process. Provision of adequate, motivated staff in the National Council.

Slovakia

Slovak Post Privatisation Fund

This is an independent venture capital fund established with the financial participation of the EBRD and the Foundation (formed by the Commission and the Slovak Government). The funds provided will contribute to equity investments in companies which have privatised, technical assistance and a contribution to the cost of the Fund Manager. The SPPF has been operating for two years and demonstrates a high absorption capacity and a healthy pipeline of investments.

Conditionality

Existence of an adequate pipeline of companies in which to invest. Co-financing provided by the EBRD. Adequate performance of the Fund manager in its functions of management, identification, assessment and monitoring of the investments.

Slovakia

Špišska Nova Ves - Regional development project improving the position of Romanies

The project is a pilot action, focusing on a region with a high percentage of Roma population. It aims to tackle in a comprehensive way the problems faced by the Roma population: lack of housing, lack of continuous education and unemployment. The target district is characterised of the second highest concentration of Roma in the country. The project involves measures for job creation by supporting the establishment of SMEs. The project also envisages the provision of technical documentation for the construction of houses to improve the housing situation.

The Dutch Government is financing part of the project.

Conditionality

Government commitment to the improvement of the social and economic situation of the Roma population.

Appropriate co-ordination between governmental, local institutions and NGOs. Involvement of Roma representatives in the project implementation.
2. BUDGET

2.1. Available Budget

The Commission has provisionally earmarked 100 MECU in the overall Phare budget for 1998 and 1999. 42,002,000 MECU is planned to be committed on the 1998 budget as follows:

**BULGARIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalisation of the Land Restitution Process (phase 1) and</td>
<td>2,0</td>
<td>2,0</td>
<td>2,0</td>
<td></td>
</tr>
<tr>
<td>Supporting the development of a land market in Bulgaria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking and enterprise reform assistance (continuation of</td>
<td>6,0</td>
<td>6,0</td>
<td></td>
<td>Win-fee</td>
</tr>
<tr>
<td>ongoing Structural Adjustment and Reform Programme, SARA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fight against corruption within the Bulgarian Customs</td>
<td>2,5</td>
<td>2,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10,5</td>
<td>10,5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LATVIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LE 9812.01 Support to Industrial Cluster Restructuring</td>
<td>2</td>
<td>2</td>
<td></td>
<td>&gt;0,5</td>
</tr>
<tr>
<td>LE 9812.02 Anti-corruption training, legislation and</td>
<td>2</td>
<td>2</td>
<td></td>
<td>0,22</td>
</tr>
<tr>
<td>information programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LITHUANIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the Financial sector</td>
<td>3</td>
<td>0,4</td>
<td>3,4</td>
<td></td>
</tr>
<tr>
<td>Design of a comprehensive National Policy for the reduction</td>
<td>0,3</td>
<td>0,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and elimination of corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of a Group for the investigation and analysis of</td>
<td>0,3</td>
<td>0,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>economic crime.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3,6</td>
<td>0,4</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

**ROMANIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatisation of State owned Banks and Insurance</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Privatisation and Supervision</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund for mining areas reconstruction</td>
<td>2,7</td>
<td>7,3</td>
<td>10</td>
<td>2,5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>8,7</td>
<td>7,3</td>
<td>16</td>
<td>4,5</td>
</tr>
</tbody>
</table>

**SLOVAKIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against corruption in the Slovak Republic</td>
<td>0,7</td>
<td>0,352</td>
<td>1,052</td>
<td></td>
</tr>
<tr>
<td>Strengthening the capacity of the National Council of the Slovak</td>
<td>0,8</td>
<td>1,2</td>
<td>2</td>
<td>0,2</td>
</tr>
<tr>
<td>Republic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovak Post Privatisation Fund</td>
<td>4</td>
<td>4</td>
<td></td>
<td>&gt;4</td>
</tr>
<tr>
<td>Spisska Nova Ves - Regional development project improving the position</td>
<td>0,15</td>
<td>0,3</td>
<td>0,45</td>
<td>0,1</td>
</tr>
<tr>
<td>of Romanies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1.65</td>
<td>5,852</td>
<td>7,502</td>
<td></td>
</tr>
</tbody>
</table>

NB Up to 2.5% of the budget (Bulgaria fight against corruption in customs administration project) may be contracted directly by the Commission and will therefore not be transferred to the National Fund.
Support from this Facility will be additional to the national Phare programmes to be agreed in 1998 and 1999, as well as to the other multi-beneficiary programmes which are foreseen under the new orientations of Phare. The national Phare envelopes for 1998 and 1999 for each partner country will not be affected by this Facility.

3. IMPLEMENTATION ARRANGEMENTS

The Pre-ins Facility should be managed on a country by country basis by signing a separate Financing Memorandum for each individual country.

<table>
<thead>
<tr>
<th>Country</th>
<th>Programme</th>
<th>Projects</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>BG 98XX</td>
<td>1 Finalisation of the land restitution process</td>
<td>10.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Banking and enterprise reform assistance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Fight against corruption within the Customs Administration</td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 9812</td>
<td>1 Industrial cluster restructuring</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Anti-corruption training, legislation and information</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>LI 98XX</td>
<td>1 Development of the financial sector</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 National Police for the reduction and elimination of corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Group for investigating and analysing economic crime</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>RO 98XX</td>
<td>1 Privatisation of State Owned Banks and Insurance</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Fund for mining areas reconstruction</td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>SK 98XX</td>
<td>1 Fight against corruption in the Slovak Republic</td>
<td>7.502</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Strengthening the capacity of the National Council of the Slovak Republic</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Slovak Post privatisation Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 Regional Development Project improving the position of Romans</td>
<td></td>
</tr>
</tbody>
</table>

In each 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 Fund (NF) headed by the National Authorising Officer (NAO) will supervise the financial management of the Programme, and will be responsible for financial reporting to the EC. Appropriate financial control shall be carried out by the competent National Financial Control Authority with respect to the implementation of the Programme.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed before the end 1998. Funds will be transferred following requests from the NAO as follows for:

Bulgaria:
A payment of up to 2,047,500 ECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 2,047,500 ECU or the full balance of the budget, whichever is the lesser amount.

Latvia:
A payment of up to 0.8 MECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 0.8 MECU or the full balance of the budget, whichever is the lesser amount.

Lithuania:
A payment of up to 0.8 MECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 0.8 MECU or the full balance of the budget, whichever is the lesser amount.
Romania:
A payment of up to 3.2 MECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 3.2 MECU or the full balance of the budget, whichever is the lesser amount.

Slovakia:
A payment of up to 1.500.400 ECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 1.500.400 ECU or the full balance of the budget, whichever is the lesser amount.

The first replenishment will be triggered when 10% of the budget has been disbursed by the Implementing Agencies (IA) and the Central Financing and Contracting Unit (CFCU). The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

Implementing Agencies will be responsible for programmes and their constituent projects as follows:

### BULGARIA

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalisation of the Land Restitution Process (phase 1) and Supporting the development of a land market in Bulgaria</td>
<td>Ministry of Agriculture Forestry and Agrarian Reform</td>
</tr>
<tr>
<td>Banking and enterprise reform assistance (continuation of ongoing Structural Adjustment and Reform Programme, SARA)</td>
<td>Structural Adjustment and Reform Assistance Secretariat</td>
</tr>
<tr>
<td>Fight against corruption within the Bulgarian Customs Administration</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

### LATVIA

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to Industrial cluster Restructuring</td>
<td>CFCU</td>
</tr>
<tr>
<td>Anti-corruption training, Legislation and information programme</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

### LITHUANIA

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the Financial sector</td>
<td>CFCU</td>
</tr>
<tr>
<td>Design of a comprehensive National Policy for the reduction and elimination of corruption</td>
<td>CFCU</td>
</tr>
<tr>
<td>Establishment of a Group for the investigation and analysis of economic crime.</td>
<td>CFCU</td>
</tr>
</tbody>
</table>
### Romania

<table>
<thead>
<tr>
<th>Title</th>
<th>Implementation Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatisation of State owned Banks and Insurance Privatisation and Supervision</td>
<td>CFCU</td>
</tr>
<tr>
<td>Fund for Mining areas Reconstruction</td>
<td>National Agency for Regional Development</td>
</tr>
</tbody>
</table>

### Slovakia

<table>
<thead>
<tr>
<th>Title</th>
<th>Implementation Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fight against corruption in the Slovak Republic</td>
<td>CFCU</td>
</tr>
<tr>
<td>Strengthening the capacity of the National Council of the Slovak Republic</td>
<td>CFCU</td>
</tr>
<tr>
<td>Slovak Post Privatisation Fund</td>
<td>Slovak Post Privatisation Fund</td>
</tr>
<tr>
<td>Spisska Nova Ves - Regional development project improving the position of Romanies</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

The National Fund will transfer funds to Implementing Agencies (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. 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 there will be no transfer of funds from the NF to the CFCU. The CFCU and the IAs will each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

A separate interest bearing bank account, denominated in ECU, will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the Commission. Interests will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interests may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual, except for twinning arrangements for which separate measures are being defined by the Commission.

All contracts must be concluded by 31 December 2000. All disbursements must be made by 31 December 2001. All contracts will be greater than 2 MECU, except those in the areas of the fight against fraud and corruption, support to minorities and support to the democratic process.

Any funds not used by the expiry date of the programme will be recovered by the Commission. For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the IA before the official closure of the programme.
The IA 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 IA 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.

4. **MONITORING AND ASSESSMENT**

On a country by country basis, a Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

8. **AUDIT AND EVALUATION**

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

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

9. **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.

10. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of the several countries, 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 global Phare programme.
ANNEX

PRIORITY AREAS

Privatisation Restructuring
Under this heading the Pre-ins Facility could support projects designed to enable the process of privatisation and restructuring to proceed.
Eligible projects could - inter alia - include:
* contributions to the restructuring/privatisation of the banking sector.
* contributions to the costs of supporting severance pay to make possible the privatisation/liquidation of large state owned enterprises and help to create alternative employment in the most affected regions.
* Contributions could also be made towards the costs of training/retraining workers in newly privatised companies and towards meeting the costs of cleaning up old environmental damage.
Priority will be given to actions being implemented in close co-operation with the International Financial Institutions, where Phare grant financing can facilitate the implementation of ongoing structural measures agreed, and the conditions set out by the IFI's for their financial support.
Where such co-operation is envisaged the project proposal submitted must have the support of the concerned IFI.

Promotion of Foreign Direct Investment
Under this heading the special Pre-ins Facility could support projects designed to increase the level of foreign direct investments.
Eligible projects could - inter alia - include:
* establishment of the regulatory and legal framework needed to provide an environment which favours inward investment,
* strengthening the capacity of the implementing agencies,
* provision of advice on incentive schemes which can help to attract inward investment in ways which are compatible with the competition rules of the EU. This may in some cases include the provision of risk capital along the lines of programmes operated by the Structural Funds.

Fight against corruption
Under this heading the Pre-ins Facility could support projects designed to strengthen the capacity of the applicant country in the fight against corruption and organised crime.
Eligible projects could - inter alia - include:
* development of anti-corruption programmes for officials and professionals related to the adoption of the acquis rather than the wider question of general corruption.
* training programmes for officials working in areas where corruption can be found.
* improvement of career structures in professions which are at risk,
* the provision of equipment to increase control, improve detection and reduce opportunities for corruption etc. Equipment will only be provided it is part of an overall institutional development project.
Priority should be given to the authorities who will play a key role in meeting the requirements of the acquis in this area including - inter alia - the national financial audit and control bodies, public procurement office customs, police, inspection services etc.).
In accordance with normal practice for Phare financing of actions in the field of Justice and Home Affairs, the Commission will ensure a appropriate involvement of the expertise of the Member States in the project definition and implementation.

Democracy
In addition and just for the specific case of Slovakia eligible projects would include:
* support for strengthening of the functioning of the democratic process, development of civil society, improvement of the right of minorities, etc.
Annex 3

INFORMATION AND PUBLICITY FOR THE EUROPEAN UNION’S PHARE PROGRAMME

1. Objective and scope

Information and publicity measures concerning assistance from the European Union’s 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 European Union’s 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 cooperation with the Commission’s 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 Commission’s Delegations on the spot.

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


Information and publicity measures must comply with the provisions of the Information Handbook for European Commission Delegations in Central Europe. The relevant sections of the Information Handbook will be annexed to all contracts related to works and supplies.

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 Commission’s 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, in accordance with the provisions of the Information Handbook.

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

(i) In the case of infrastructure investments with a cost exceeding ECU 1 million
   - billboards erected on the sites, to be installed in accordance with the provisions of the Information Handbook
   - permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the Information Handbook.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare;
   - measures to make potential beneficiaries and the general public aware of Phare assistance, in accordance with the provisions of the Information Handbook;
   - measures targeting applicants for public aids part-financed by Phare, 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 Programme, in accordance with the provisions of the Information Handbook.

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 cooperation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

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

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare in particular. Phare 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 Commission’s Delegation in the applicant country.

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

Information events

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

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare should, on the title page, contain a
clear indication of the EU’s 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 Phare’s participation is made clear.

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

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

5. Special arrangements concerning billboards, commemorative plaques and posters

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

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to ECU 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’s 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 Information Handbook.

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 provisions contained in the Information Handbook.

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’s part-financing together with a mention of the Phare Programme.

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than ECU 1 million, the EU’s and Phare’s 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
Commission’s 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.