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 LITHUANIA, 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:

<table>
<thead>
<tr>
<th>Programme number:</th>
<th>LI 9913</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>1999 LITHUANIA Phare PRE-INS FACILITY</td>
</tr>
<tr>
<td>Duration:</td>
<td>Until 31/12/2001</td>
</tr>
</tbody>
</table>

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 7,5 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31/12/2001 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 31/12/2002. 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
Naugarduko 10
2001 Vilnius, Lithuania

Tel.: +370-2-31 31 91
Fax: +370-2-31 31 92

for THE RECIPIENT:

Mr Algirdas SAUDARGAS, National Aid Co-ordinator
Minister of Foreign Affairs
J. Tumo-Vaizganto 2
2600 Vilnius, Lithuania
Tel.: +370-2-61 85 37
Fax: +370-2-62 07 52

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 Vilnius, Date ....23.12.99....

for THE RECIPIENT
Minister of Foreign Affairs
Algirdas SAUDARGAS

for THE COMMUNITY
Head of EC Delegation in Lithuania
Henrik SCHMIEGELOW

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

1. OBJECTIVES, ASSESSMENT PROCESS AND DESCRIPTION

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.

Assessment process

The selection of proposals within the above eligible priority areas was guided by additional factors such as the:

a) Governments’ commitment towards the implementation of the project;
b) Link to the priorities identified in the Accession Partnership and the NPAA;
c) Regulatory and institutional framework;
d) Existence of appropriate implementation structures including the availability of sufficient local staff;
e) Maturity of the project, and;
f) Availability of co-financing.

Particular attention has been paid to the maturity of projects in order to ensure that the Facility would have an immediate effect.

The evaluation of the project proposals involved the Commission’s Delegations in the countries concerned as well as DGIA and other Commission services.

There were no predefined allocations per country or per eligible sector. Although the nature of the Facility is to give support to those proposals considered as a priority by the beneficiary countries, particular attention has been given to quality of the project proposals and fulfilment of the assessment criteria. In addition particular effort was paid to ensure an appropriate geographical coverage in terms of objectives and priority areas.

It is, however, worth mentioning that Slovakia will receive the Commission’s support from the Facility, but limited to just one project in the “Democracy” field.

An environmental impact assessment will be carried out for all investment projects.

A table is attached as an Annex in order to give a complete framework the projects the Commission selected under the first and the second phase of this programme.

Description

The projects selected for the second round of the Pre-ins Facility are as follows:
Bulgaria

Steel and mining area, employment programme

This project aims to minimise the social consequences of restructuring and privatisation of steel and mining enterprises in the three main regions affected by such closures: Sofia/Pernik; Rodopi; and Bourgas. The project also seeks to encourage local initiatives to promote sustainable employment opportunities for the labour force in these regions as well as to strengthen institutional structures at the national and regional level capable of managing structural fund type instruments. The proposal comprises two components: i) A competitive grant based component to promote employment initiatives to ameliorate the impact of steel and mining enterprise downsizing and closures. ii) Institutional support to assist national and regional institutions acquire the skills and knowledge to manage Community Structural Fund type instruments.

Conditionality

Government commitments: The government will meet the undertakings with the IMF to close the non-viable coal mines by end-1999 and eliminate subsidies by June 2000.
Co-Financing: All grant awards will require a contribution from applicants of at least 10% of the total cost of the project. This contribution may be in kind, but it would be clearly identified.

Foreign direct investment attraction programme

While foreign direct investment to Bulgaria has increased consistently over the past few years, FDI levels overall have been well below levels in other Eastern European countries. The BFIA has formulated a three year strategy with the support of EC Phare (BG9702 - 01 - 04 - 06) which included a review of all business sectors offering the highest prospects for foreign direct investment foreign countries. These initial studies will be prepared with Phare support under BG9805.

The Foreign direct investment attraction programme will focus on developing suitable attraction of FDI plans and their implementation in Bulgaria.

This project will involve the following steps:

Sector Analysis: The project will help the Bulgarian Foreign Investment Agency to implement the medium-term strategy drawn up under a previous Phare-supported programme. It will also identify those business sectors that provide the best prospects of attracting foreign direct investment. It could also identify countries and companies most likely to show an interest in investing in these sectors or/and seeking for foreign investment / joint venture opportunities.

Production of Targeted information: Material on FDI: The BFIA will be assisted in the preparation and definition of targeted information material for potential foreign investors, which will be both sector and market specific.
Implementation Capacity Building: The programme will provide support for provision of expertise and training to the staff of the Bulgarian Foreign Investment Agency in order to enhance the capacity of the BFIA in attracting potential foreign investors.

**Conditionality**
As a precondition for further Phare support, the Government of Bulgaria has agreed to restructure and properly resource the Agency, and give it a more appropriate legal status.

**Latvia**

**Improvement of the working environment in private and privatised enterprises**

In the current process of industrial and enterprise restructuring - including the ongoing privatisation - it is important to create a generally accepted system of industrial relations and labour protection in restructuring enterprises, as well as to create new bodies in order to ensure the implementation of principles of industrial relations for all employees in all enterprises. In this context, this project aims to develop and increase the capacity of the key institutions in the area of health and safety at work (particularly, Latvian State Labour Inspectorate) to carry out surveillance of the Latvian enterprises in accordance with the requirements of EU membership, to upgrade the infrastructure of the institutions involved and establish new administrative bodies for ensuring social partnership at enterprise level.

The project is comprised of four components:
- Implementation of the new legislation on Social partnership at the enterprise level.
- Establishment of an Institution for providing health and safety services at work, Occupational Safety and Health Service.
- Establishment of Institution for the protection of employees in the event of the insolvency of their employer.
- Establishment of the Market Surveillance Authority.

**Conditionality**
Adequate staffing in the recipient institutions has to be in place for implementation and monitoring of the project;
The project components will be closely co-ordinated with other programmes and projects funded by the budget, or bilateral sources.
Co-financing via national budget

**Energy sector restructuring**

This project will address some of the major issues in the restructuring of the Latvian energy sector. The proposed project supports two of the energy policy objectives of the European Union, namely to manage the external dependence to secure energy supply as well as Integration of the European energy markets to increase competitiveness. As for the gas sector, this projects aims to continue the liberalisation process of domestic fuel market in line with EC legislation, to deregulate the market for industrial consumers as well as to
implement requirements of the EC gas market directive, taking into account provisions of the EC Competition directive and Law on Completion in Latvia

The project is split into two main components:

**Component 1** – Sub-Component 1 will be looking at the restructuring of the electricity sector. Sub-Component 2 will address an urgent need for improving the financial management in Latvenergo subsidiaries to prepare these for privatisation.

**Component 2** will address the liberalisation the fuel market by deregulating the market for gas. The 1st Phase will concentrate on identification and analysis of the Latvian market and stocktaking of the current legislative basis. The 2nd Phase will prepare a basis for decision and regulations for implementation. The 3rd Phase will be assistance to the implementation of the deregulated market including a comprehensive training programme.

**Conditionality**

Adequate staffing in the recipient institutions has to be in place for implementation and monitoring of project;

The project components will be closely co-ordinated with other programmes and projects funded by the budget, or bilateral sources.

Co-financing via national budget

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**Prevention of corruption within the court system**

The area addressed by this Proposal concerns the Latvian Court System. Today, the Latvian Court System is far from being transparent. The general public cannot obtain information on what Court cases are being processed nor on decisions taken. Furthermore, as a result of this fundamental lack of transparency, Judges and Prosecutors are in a position to misuse their power.

This project aims to support the Government’s anti-corruption programme in the framework of the overall reform of the administration and justice and of judicial reform. It also seeks to support implementation of the National Programme for Integration into the European Union regarding issues on prevention of Corruption.

**Conditionality:**

The following activities should be completed before the project should begin:

Continued support to and implementation of the measures of the Corruption prevention strategy. Project Steering Committee will be established.

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**Development of Inter-Ministerial co-operation for the prevention of corruption in Governmental Institutions**

This project aims to assist the Anti-Corruption Council (ACC) to elaborate an action plan of co-ordinated activities of all its members operational authorities: Ministry of Justice, Prosecutors office, Ministry of Finance, Ministry of Interior, The State Audit Office, Bank of Latvia; and Implementing authorities: School of Public Administration, Bureau of Public Administration Reform.

It also seeks to promote the action plan directs towards public awareness in order to guarantee the credibility of the joint actions on fighting corruption.
This project will improve the link between each of the operational members of the ACC authorities and determine the importance of complementary, combined and co-ordinated actions for addressing the fight against corruption in the following domains: Money laundering, Financial Corruption and or mismanagement on central and local level, Tax evasion and Customs Fraud.

**Conditionality**

A pre-condition for the pilot projects to be carried out in the Ministry of Finance is that the Law on the State Revenue Service is reviewed and updated to strengthen the ability to take disciplinary or criminal action against those charged with corruption. Adequate staffing in the recipient institutions has to be put in place for the implementation and monitoring of the project components. The project components will be closely co-ordinated with other programmes and projects funded by budget, or bilateral sources. A project steering committee is established.

**Lithuania**

**Fight against corruption in the Lithuanian customs dept. and services**

This project aims to strengthen the fight against corruption and organised crime in Lithuania through the development of a professional and operational IB assistance package for the Ministry of the Interior’s special units, the National Police, Customs, the Prosecutor General’s Office and the State Security Department and through the supply of equipment. The IB will focus on the adoption of skills and techniques common to similar services in the European Union, imparted through discrete IB programmes and application methodology visits. In this project, Lithuanian national capacity to combat organised crime and corruption will be achieved through:

a) Development of new training programmes for officers. It includes the development of a tailor made programme for each of the agencies on the basis of the MS experience within each of the sub-sectors concerned.

b) Supplying a range of equipment, which will enable training and operations.

**Conditionality**

A condition for this project is that the co-ordination of the process of the fight against Corruption and Organised Crime be maintained institutionally under the lead of the Prime Minister.

The Lithuanian Agencies must undertake to prepare their own staff for training prior to the start of the project activity. The selection procedure should ensure that all candidates for training intend to stay within the agency for a set period after the training. Equipment / training / methodology presentations / case applications analysis will be provided only supplied once the Pre-Accession adviser / Lithuanian authorities have agreed the strategic planning and the agencies have stipulated the operational use of the equipment.
This project aims to establish a Lithuanian Property Development Fund (LPDF), under the authority of a Property Development Foundation and the guidance of the Lithuanian Development Agency.

The LPDF will support the attraction of foreign direct investments to Lithuania through the development of much needed industrial and commercial property required by green-field investors. In particular the Fund will provide financing to cities and municipalities to service and develop sites, buildings and appropriate infrastructure to meet the requirements of international green-field investors.

The Fund will also provide financial support to cities and municipalities and, in certain instances private companies, for the creation of small pre-built manufacturing units to service the needs of potential suppliers to foreign investors and to indigenous Lithuanian growth companies.

**Conditionality**

Phare funding is conditional on the allocation by the Government of 1.0 MEUR to LPDF.

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**Romania**

The purpose of this project is to assist the privatisation of the Oil Terminal Constanta by developing a strategy for privatisation, by improving environmental management and contingency planning, and also by reducing pollution from the discharge, transport and storage of oil. In particular the project will:

a) Develop a strategy for privatisation providing recommendations regarding alternatives and solutions for the commercial and financial arrangements for the privatisation of the company.

b) Develop a contingency plan including a detailed study of the environmental impact of crude oil and petroleum product discharge, transport and storage.

c) Improve pipeline network by eliminating the pollution through the repair and replacement of both underground and over ground pipelines.

d) Repair the Coupling Arms at Petroleum Discharge Emergency.

e) Up-grade the Wastewater Treatment System.

f) Localise, remove and replace grossly contaminated ground in the vicinity of pipelines during the pipeline upgrading works.

**Conditionality**

The State Ownership Fund shall, with a time-scale acceptable to the European Commission, commit itself to a privatisation plan for the concerned Constanta oil terminal.
as pre-condition for contracting activities under this project. In the event that a
privatisation transaction has not been concluded by the end of the disbursement period
under the FM, the Government of Romania will re-imburse to the Commission all amounts
paid under the programme for environmental infrastructure works, pilot projects for clean-up and procurement of equipment.

The objective of this project is to facilitate inward investment into the Ploiesti region
through the identification and management of environmental liabilities due to regional soil
and groundwater contamination from refineries. The project is intended to provide
“seed” funding to initiate the process of regional environmental evaluation and
management of the contamination. Further work will be necessary ultimately to remove
this contamination through a regional remedial programme.

The project comprises a baseline study assessment of soil and groundwater contamination
in the study region with detailed environmental audit and liability evaluation of state-owned facilities and pilot remedial studies. There are also important training and technical
co-operation elements to the project involving local stakeholders. The project will
necessitate close liaison and relationship-building between all involved parties.

The overall programme structure comprises 2 main phases with the current project
comprising the first phase. The second phase will comprise the full-scale regional remediation programme. Costs and timescales for the second phase can only be evaluated
on completion of the first phase of work.

**Conditionality**

The State Ownership Fund shall, with a time-scale acceptable to the European
Commission, commit itself to a privatisation plan for the concerned refineries as pre-
condition for contracting activities under this project. In the event that a privatisation
transaction has not been concluded by the end of the disbursement period under the FM, the Government of Romania will re-imburse to the Commission all amounts paid under the
programme for environmental infrastructure works, pilot projects for clean-up and procurement of equipment.

Despite adverse economic conditions, the Romanian Railways have succeeded, in the last
few years, to implement a major institutional and structural reform, to reduce its personnel
by one half without social conflicts and deregulate its tariff policy. In this way, Romania's
largest enterprise has been transformed into manageable and commercially-oriented
entities. At the same time, results achieved are still fragile and need to be consolidated.
This project aims to support the on-going rapid restructuring of Romanian Railways and
assist Romania in developing an efficient railway system. In order to support the newly
created railway commercial companies the project will develop specific components aiming at:
Implementing the new financial, organisational and legal framework,
Implementing the developed business plans and action plans,
Developing appropriate management tools, systems and procedures for planning, cost-control, tariffing, resources allocations,
Reducing backlog in infrastructure maintenance / renewal and improve railway traffic safety and reliability.

**Conditionality**
Timely implementation of the project financed by EBRD on the strategy for the Railways system. Timely implementation of IRIS (Integrated Railway Management System). Mobilisation of resources from the Railway IT Centre.

<table>
<thead>
<tr>
<th>Implementation of TAROM restructuring plan</th>
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</thead>
</table>

TAROM is one of the largest state-owned companies in terms of turnover and in terms of losses and required subsidy. The restructuring of the company and eventual privatisation will eliminate that need of subsidy. TAROM's restructuring and privatisation is also an objective included as such in the Romanian NPAA.
The project will assist TAROM management in implementing its restructuring process and in the preparation of the company for privatisation by providing short to medium-term external expert assistance.
The project is composed by two main phases:
**Phase 1:** Elaboration of a business plan and assistance in implementation of the short term measures of the TAROM restructuring plan.
**Phase 2:** Following agreement on the business plan, with phase 2 assistance will be provided to TAROM management for the implementation of the business plan. The external experts will also prepare a prospectus for potential investors at the time of privatisation, as well as will organise appropriate training and re-training programmes for TAROM staff and out placement help for any staff made redundant.

The project will also provide support to design, assist in procurement, installation and implementation of an appropriate management information system and train TAROM management in its operation.

**Conditionality**
The government commits itself to the sale of a minority participation to a strategic investor before the end of the disbursement period and to the preparation of full transfer of management responsibility and the subsequent sale of a controlling equity stake in the company.

| Integrated programme to strengthen the capacity of the State institutions of Romania in the fight against public corruption and related organised crime involving national officials in relation to both “Active corruption” and “Passive corruption” |
After 1989, financial and economic crime and corruption increased among civil servants, as well as becoming more visible. The authority of state institutions was therefore severely undermined and this contributed to the growth of the underground economy. Corruption exists within the public service for two main reasons: the legal status of the civil servant is poorly defined and the basic economic reality, i.e. employment terms, means that many civil servants are tempted to supplement their poor incomes. This programme aims at putting in place and/or strengthening the legislation, structures, procedures, human resources and equipment necessary to fight effectively corruption within the public service. More precisely, in the framework of this programme, the main objective will be to address both “Active” and “Passive” corruption of national officials, including organised crime related corruption of national officials.

The proposed programme will be integrated within the policy of the Romanian Government in order to cope with the phenomenon of public corruption and related organised crime through actions aimed at:

- Supporting the national strategy
- Strengthening both existing and new state institutions with an active role in the field
- Co-ordinating and controlling, at national level, the fight against public corruption and related organised crime
- Implementing the priorities stipulated in the relevant chapters of the National Programme for the Adoption of the ‘Acquis’ relating to public administration reform, and justice and home affairs.

**Conditionality**
Project funding will be available once the Civil Servant Statute is adopted and ready for implementation. Equipment will be provided when necessary progress has been made concerning institution building and legal bases for the new structures.

**Slovakia**

<table>
<thead>
<tr>
<th>Minority Programme</th>
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</thead>
</table>

Slovakia can be characterised as a multiethnic and multicultural country. There are many ethnographic and ethnic groups, but the status of minority was granted to 10 nationalities. Given the current situation in the area of minorities and that the respect for minority rights is one of the basic features of the developed civic society, the Minority Programme will be an important tool in further implementation of democratic principles in Slovakia. The project will address the issue of all minorities living in Slovakia with special stress laid on Roma community.

The programme, managed by the Civil Society Development Foundation, will provide financial assistance to specific NGO projects in form of grants. They will include training, other concrete activities as well as presentation of minority issues within the country and abroad.

This programme will also be in compliance with the „State“ minority policy. In particular the Civil Society Development Foundation will be active in establishing closer co-
operation with governmental representatives dealing with this topics, especially on the
level of exchanging information and possible co-financing.

**Conditionality**
There is no specific conditionality to this project.

2. **BUDGET**

**Available Budget**
The Commission originally earmarked up to € 100.000.000 in the overall Phare budget for
1998 and 1999. EUR 42.002.000 were committed for the first round in 1998. The Commission will commit EUR 52.455.000 for the second round.
The budget breakdown will be as follows (MEUR):

<table>
<thead>
<tr>
<th>BULGARIA</th>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Steel and mining area, employment programme</td>
<td>12.0</td>
<td>12.0</td>
<td>0.300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foreign direct investment attraction programme</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td></td>
<td>14.0</td>
<td>14.0</td>
<td>0.300</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LATVIA</th>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improvement of the working environment in private and privatised enterprises</td>
<td>1.897</td>
<td>0.153</td>
<td>2.050</td>
<td>0.500</td>
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<tr>
<td></td>
<td>Energy sector restructuring</td>
<td>3.105</td>
<td>3.105</td>
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<tr>
<td></td>
<td>Prevention of corruption within the court system</td>
<td>1.0875</td>
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<td>0.350</td>
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<td></td>
<td>Development of Inter-Ministerial co-operation for the prevention of corruption in Governmental Institutions</td>
<td>1.5</td>
<td>1.5</td>
<td>0.25</td>
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<tr>
<td><strong>SUB-TOTAL</strong></td>
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<td>7.5895</td>
<td>0.3655</td>
<td>7.955</td>
<td>1.709</td>
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<table>
<thead>
<tr>
<th>LITHUANIA</th>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lithuanian Property Development Fund</td>
<td>0.75</td>
<td>4.25</td>
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<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Fight against corruption in the Lithuanian customs dept. and services</td>
<td>2.1</td>
<td>0.4</td>
<td>2.5</td>
<td></td>
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<tr>
<td><strong>SUB-TOTAL</strong></td>
<td></td>
<td>2.85</td>
<td>4.65</td>
<td>7.5</td>
<td>1.0</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>ROMANIA</th>
<th>Title</th>
<th>IB</th>
<th>IV</th>
<th>Phare</th>
<th>Co-fin.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assistance in the preparation of the privatisation of Constanta oil terminal</td>
<td>0.65</td>
<td>4.150</td>
<td>4.8</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Evaluation and management of environmental liability in the Ploiesti area, Romania to stimulate privatisation of state-owned assets</td>
<td>0.375</td>
<td>2.825</td>
<td>3.2</td>
<td>1.0</td>
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<tr>
<td></td>
<td>Assistance to the modernisation and restructuring of Romanian railways</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementation of TAROM restructuring plan</td>
<td>4.0</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Integrated programme to strengthen the capacity of the State institutions of Romania in the fight against public</td>
<td>4.0</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Support from this Facility is additional to the national Phare programmes of 1999, as well as to the other multi-beneficiary programmes which are foreseen under the new orientations of Phare. The national Phare envelopes for 1999 for each partner country is not affected by this Facility.

3. IMPLEMENTATION ARRANGEMENTS

The Pre-ins Facility will 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>Project</th>
<th>Budget (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>BG 991501</td>
<td>Steel and mining area, employment programme</td>
<td>12.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>BG 991502</td>
<td>Foreign direct investment attraction programme</td>
<td>2.0</td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 991101</td>
<td>Improvement of the working environment in private and privatised enterprises</td>
<td>2.050</td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 991102</td>
<td>Energy sector restructuring</td>
<td>3.105</td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 991103</td>
<td>Prevention of corruption within the court system</td>
<td>1.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>LE 991104</td>
<td>Development of Inter-Ministerial co-operation for the prevention of corruption in Governmental Institutions</td>
<td>1.5</td>
</tr>
<tr>
<td>Lithuania</td>
<td>LI 991301</td>
<td>Lithuanian Property Development Fund</td>
<td>5.0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>LI 991302</td>
<td>Fight against corruption in the Lithuanian customs dept. and services</td>
<td>2.5</td>
</tr>
<tr>
<td>Romania</td>
<td>RO 991001</td>
<td>Assistance in the preparation of the privatisation of Constanta oil terminal</td>
<td>4.8</td>
</tr>
<tr>
<td>Romania</td>
<td>RO 991002</td>
<td>Evaluation and management of environmental liability in the Ploiesti area, Romania to stimulate privatisation of state-owned assets</td>
<td>3.2</td>
</tr>
<tr>
<td>Romania</td>
<td>RO 991003</td>
<td>Assistance to the modernisation and restructuring of Romanian railways</td>
<td>5.0</td>
</tr>
<tr>
<td>Romania</td>
<td>RO 991004</td>
<td>Implementation of TAROM restructuring plan</td>
<td>4.0</td>
</tr>
<tr>
<td>Romania</td>
<td>RO 991005</td>
<td>Integrated programme to strengthen the capacity of the State institutions of Romania in the fight against public corruption and related organised crime involving national officials in relation to both “Active corruption” and “Passive corruption”</td>
<td>4.0</td>
</tr>
<tr>
<td>The Slovak</td>
<td>SR 9904</td>
<td>Minority Programme</td>
<td>2.0</td>
</tr>
<tr>
<td>Republic</td>
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</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 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 in 1998. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Four Replenishments will be made of up to 20% of the funds to be managed locally or the full balance of the budget whichever is the lesser amount.

The first replenishment will be triggered when 10% of the budget has been disbursed by the relevant Implementing Agency (IA) and the relevant Central Financing and Contracting Units (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 are as follows:

**BULGARIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel and mining area, employment programme</td>
<td>MOLPS (Ministry of Labour and Social Policy)</td>
</tr>
<tr>
<td>Foreign direct investment attraction programme</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

**LATVIA**

<table>
<thead>
<tr>
<th>Title</th>
<th>IMPLEMENTATION AGENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of working environment in private and</td>
<td>CFCU</td>
</tr>
<tr>
<td>Title</td>
<td>IMPLEMENTATION AGENCY</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>privatised enterprises</td>
<td>CFCU</td>
</tr>
<tr>
<td>Energy sector restructuring</td>
<td>CFCU</td>
</tr>
<tr>
<td>Prevention of corruption within the court system</td>
<td>CFCU</td>
</tr>
<tr>
<td>Development of Inter-Ministerial co-operation for the prevention of corruption in Governmental Institutions</td>
<td>CFCU</td>
</tr>
<tr>
<td><strong>LITHUANIA</strong></td>
<td></td>
</tr>
<tr>
<td>Lithuanian Property Development Fund</td>
<td>CFCU</td>
</tr>
<tr>
<td>Fight against corruption and organised crime</td>
<td>CFCU</td>
</tr>
<tr>
<td><strong>ROMANIA</strong></td>
<td></td>
</tr>
<tr>
<td>Assistance in the preparation of the privatisation of Constanta oil terminal</td>
<td>CFCU</td>
</tr>
<tr>
<td>Evaluation and management of environmental liabilities in the Ploesti area to facilitate privatisation of State-owned oil refineries</td>
<td>CFCU</td>
</tr>
<tr>
<td>Assistance to the modernisation and restructuring of Romanian railways</td>
<td>CFCU</td>
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</tr>
<tr>
<td><strong>SLOVAKIA</strong></td>
<td></td>
</tr>
<tr>
<td>Minority Programme</td>
<td>Civil Society Development Foundation</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 IA/CFCU there will be no transfer of funds from the NF to the IA/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 €, will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the Commission. In principle all bank accounts 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. 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 2001. All disbursements must be made by 31 December 2002. All contracts will be greater than 2 MEUR, except those in the areas of the fight against corruption and energy in Latvia.

Any funds not used by the expiry date of the programme will be recovered by the Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

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.

5. 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.

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”.

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Governments of the beneficiary 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.