ADDENDUM TO FINANCING MEMORANDUM PL9919

Within the Framework of Phare assistance to Poland, the Addendum outlined below has been made under the 1999 budget of Participation of Candidate Countries in the 5th Framework Programme on Research and Technological Development (FP5).

Article 1 – Nature and Subject

The Financing Memorandum PL9919 is modified in accordance with the conditions described in the Annex C of this Addendum under the sections ‘Costs and Financing Plan’ and ‘Implementation Arrangements’.

Article 2

All other Terms and Conditions of the original Financing Memorandum PL9919 remain unchanged.

Article 3 – Number of Copies

The Addendum to this Financing Memorandum is drawn up in duplicate in the English language.

Article 4 – Entry into Force

The Addendum to the Financing Memorandum PL9919 shall enter into force on the date of signature by both parties.

Warsaw, Warsaw,
Date, Date,
The RECIPIENT, For THE COMMUNITY,
1. **SUMMARY**

The European Council in Luxembourg in December 1997 reiterated the importance of the participation of applicant States in Community programmes as part of the enhanced Pre-Accession Strategy; applicant States will be further allowed to complement financial contributions of their own - which should steadily increase - with Phare funds, up to around 10% of the Phare appropriation, "not including participation in the research and development framework programme".

Nine CEECs (the required entry into force of the Europe Agreement with Slovenia took place on 1 February 1999) have increasingly been participating in the various Community programmes currently opened up to applicant countries on the basis of Association Council decisions defining the terms and conditions for such a participation. In the case of the research and development programmes, CEEC participation started already in 1990 with the 3rd and the 4th Framework Programmes, on project-by-project basis, which did not require Association Council decisions.

All these countries, except the Czech Republic, expressed their wish to use part of their national Phare allocations to supplement their own contributions in 1999. The required Phare support for the participation of nine countries (Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) in the Fifth Framework Programme on research and technological development (FP5) in 1999 is now proposed to the Phare Management Committee.

A previous proposal of € 20 686 170 was approved by the Phare Management Committee on 29 March 1999 for supporting the participation of CEECs in the Socrates, Leonardo da Vinci and Youth for Europe programmes.

This second separate proposal has been prepared for this RTD framework programme since it constitutes the first case of CEEC participation in the new generation of Community programmes and implies new terms and conditions for this participation. A third financing proposal on 1999 Phare support for participation in the remaining programmes will be put forward shortly.

Contrary to the provisions of previous Association Council decisions concerning participation in the former generation of programmes, financial contributions from a participating country, calculated on the basis of its GDP, will not be exclusively used to cover the costs for subsidies or other financial support from FP5 to individual or institutional participants from that country. CEEC financial contribution will be added to the framework programme's budget and be earmarked as common resources to be used by all participants. Consequently CEECs will participate, without any limit related to their financial contributions, in all activities of FP5, on the same footing as the Member States of the Union. Projects and initiatives submitted by consortia including participants from the CEECs shall be subject to the same conditions, rules and procedures pertaining to FP5 and its specific programmes as are applied to Member States, regarding:

- the submission, assessment, and selection of applications and projects,
- the responsibilities of the national structures in the implementation of FP5,
- the activities related to the monitoring of their participation in the programmes.
2. BACKGROUND

The European Council, at its meeting in Luxembourg of 12-13 December 1997, reiterated the importance of the participation in Community programmes as part of the enhanced Pre-Accession Strategy. Europe Agreements and where applicable Additional Protocols concerning participation in Community programmes are now in force for all applicant countries from Central and Eastern Europe and provide the following:

• these countries may participate in Community programmes in a wide range of areas enumerated in a non-exhaustive manner;
• it will be up to each Association Council to decide the terms and conditions of participation;
• CEECs will themselves bear the cost of their participation. The Community may, however, decide to provide complementary financial support which, in practice, will come from the national Phare appropriations.

In this connection, the Luxembourg European Council indicated that applicant States should steadily increase their own financial contribution, but agreed that Phare, if necessary, would continue to part-finance these countries’ financial contributions.

3. POLICY ASSESSMENT

Participation of applicant countries from Central and Eastern Europe in Community programmes has been confirmed by the European Council as one of the key-features of the enhanced Pre-Accession Strategy. Their participation will not only contribute towards the implementation of the provisions relating to economic, scientific and cultural co-operation in the Europe Agreements; it will also enable these countries to familiarise themselves with the Union policies and working methods.

All CEECs have shown a very strong interest in participating in this RTD framework programme on the same footing as Member States. Decisions on this participation have been taken at Government level, as is the case for the budgetary appropriations, which they have to earmark for this purpose.

The possibility to use part of the national Phare allocations for supporting these countries’ participation in Community programmes has been reconfirmed by the European Council in Luxembourg. Participation in this specific RTD framework programme should speed up their integration into the scientific and technological community at European level, and support their preparation for accession to the European Union. Full participation, as provided in the Association Council Decisions (see Annex A), will benefit both the CEECs and the EU. It will support economic development in the CEECs and encourage closer contacts of the EU with the high scientific potential present in the CEECs.

4. COST AND FINANCING PLAN

The financial contribution of CEECs will be added to FP5 budget, with no direct allocation to the projects funded, since the total amount of support received from FP5 by a country is independent of the financial contribution paid by that country. Financial contributions have been calculated by the Commission services involved on the basis of objective parameters inherent to the FP5 and taking into account the CEEC Gross Domestic Product. However, as the financial contribution required from these countries could present some difficulties, they are being offered, in addition to Phare Gross, a reduction of around 29% of their total theoretical GDP-based contributions, to be degressively applied over the 4-year period (1999-2002) of FP5.
Nine CEECs have chosen to make use of the possibility to utilise part of their national Phare allocation to supplement their own financial contribution. The level up to which Phare funds will be used in 1999 differs country by country. Nevertheless, the total Phare support over the above-mentioned 4-year period will not exceed 33% of the theoretical (if no reduction would be offered) GDP-based contribution *(see Annex B)*. CEECs are encouraged to steadily increase their own financial effort. However, these countries can decide if, from 1999 to 2002, Phare support will be either distributed in equal annual amounts or adapted to their State budget contributions. Administrative costs will be covered by these countries from their own State budgets.

All CEECs, excepting the Czech Republic, expressed their intention to use part of their Phare funds for supplementing their own contributions in 1999.

Thus Phare funds required for **1999** for the **10 CEECs** as regards their participation in the *Fifth Framework Programme on research and technological development*, and subject to this Financing Proposal, are those set out in the table below.

<table>
<thead>
<tr>
<th>Country</th>
<th>EURO</th>
<th>Financing Memorandum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>1,310,000</td>
<td>BG.9920</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>307,200</td>
<td>ES.9913</td>
</tr>
<tr>
<td>Hungary</td>
<td>3,531,000</td>
<td>HU.9919</td>
</tr>
<tr>
<td>Latvia</td>
<td>300,000</td>
<td>LE.9915</td>
</tr>
<tr>
<td>Lithuania</td>
<td>895,620</td>
<td>LI.9918</td>
</tr>
<tr>
<td>Poland</td>
<td>10,000,000</td>
<td>PL.9919</td>
</tr>
<tr>
<td>Romania</td>
<td>2,950,000</td>
<td>RO.9916</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,730,000</td>
<td>SR.9921</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1,500,000</td>
<td>SL.9915</td>
</tr>
</tbody>
</table>

**Total: € 22,523,820**

The amounts above cover also the participation of six of these countries (Bulgaria, Hungary, Latvia, Romania, Slovakia and Slovenia) in the Fifth Framework Programme of the European Atomic Energy Community (Euratom) for Research and Training Activities.

Following the relevant call for funds by the Commission's Directorate-General Research, the participating countries will send the total amount of the contribution foreseen. The total contribution will be entered in the budget as earmarked revenue giving rise to supplementary appropriations opened under articles B6-451 (JRC) and B6-551 (indirect actions).

The specific project financing mechanism of FP5 (calls for proposals, project selection and contracting) as well as the new terms and conditions set up for CEEC participation in this Framework Programme do not allow for any realistic contracting and disbursement schedule.
5. IMPLEMENTATION ARRANGEMENTS

The Phare funds will be transferred to all countries concerned by means of nine separate financing memoranda. Due to the specificity to this programme funds will be transferred in a single tranche to the National Fund of each of the countries. The National Fund will be responsible for transferring the funds back to the Commission together with the national contribution following the call for funds of the Research Directorate General of the European Commission. Article 4 of the Memorandum of Understanding on the establishment of the National Fund will thus not apply in this particular case.

The specific programmes of FP5 will be implemented by the Commission in close co-operation with the national authorities. The capacity of the CEECs to participate in FP5 depends to a large extent on the capabilities of these authorities in spreading relevant information to potential beneficiaries in their country.

To promote effective participation of organisations from these countries from the very beginning and to avoid any discouraging effect upon prospective partners, arising from the fact that the Association Council Decisions have entered into force between July and October 1999, the Commission services have made it widely known through the available information means that project proposals involving partners from the future participating countries would be evaluated as if these countries were already participating. The eligibility criterion has been considered at the latest possible moment before decisions are taken on the projects. This should normally occur after the entry into force of the Association Council Decisions.

The following initiatives have been taken to ensure optimal information of the CEECs:

- A network of National Contact Points (NCPs) in these countries has been established along the same lines as for the Member States. Already these NCPs are fully and systematically involved in the interaction with the specific programmes.
- Informal meetings between the chairmen of the specific programme committees and CEEC representatives have been organised around the time of the committee meetings, which has given them the possibility to be well informed about the work of the committees in view of their appointment as observers in these committees.
- A group of Personal Representatives of the Ministers dealing with research in these countries was set up and three meetings with the Commission have already taken place, at which questions of a horizontal nature regarding the implementation of FP5 were discussed.
- Contacts have been made with associations of research organisations and universities at European level, which have already declared their willingness to promote among their members the incorporation of research organisations from the CEECs into consortia presenting FP5 proposals.

6. AUDIT, MONITORING AND EVALUATION

The Commission services shall monitor the implementation of this framework programme on the basis of the regular reports. In order to facilitate this, a detailed set of indicators of achievement will be defined according to the objectives and targets of FP5. The monitoring procedures applied in FP5 will also cover operations financed for applicant country beneficiaries. Moreover, the participation of CEECs in the specific programmes will be monitored on a partnership basis involving the Commission and these countries. They will submit to the Commission relevant reports and take part in other specific activities set out by the Community to this end.
All contracts, agreements and legal commitments between the Commission and recipients of payments provide for in situ checks by the Commission and the Court of Auditors. The accounts and operations of the programme 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.

Recipients of support under specific actions are under the obligation to provide a report and financial statement which are analysed from the point of view of content and eligibility of expenditure in accordance with the objective of Community funding and bearing in mind the contractual obligations and the principles of sound and efficient management.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the specific programmes of the FP5.

7. SPECIAL CONDITIONS

- As for the Member States, projects involving CEECs will be selected according to strict criteria of scientific and technological quality. The CEEC involvement will take place in accordance with the terms and conditions laid down in the "Rules for the participation of undertakings, research centres and universities and for the dissemination of research results for the implementation of the Fifth Framework Programme of the European Community", and where applicable, in accordance with the terms and conditions laid down in the "Rules for the participation of undertakings, research centres and universities in the implementation of the Fifth Framework Programme of the European Atomic Energy Community".
- To ensure the Community dimension of the specific programmes, the projects and activities proposed by CEECs will be required to include at least one partner from the Member States of the Union.
- Representatives of these countries will participate as observers (without voting rights) and for the points which concern them, in the programme committees of the EC FP5 and/or the Euratom FP5, depending on the relevant Association Council Decision (see titles of these Decisions in Annex A).

8. RISKS

The national governments concerned have made the necessary arrangements to reserve funds for this purpose in their own budget to the best of their ability. The contribution from the respective Phare budgets, which is the purpose of the present Financing Proposal, is necessary in the initial stages. Any further delay in the necessary internal decision making process of the Community could jeopardise CEEC possibilities for meeting the deadlines for paying their contribution for 1999. Such a delay could cause considerable embarrassment on a political level since the Association Council Decisions contain penalty clause for late payment.
ANNEXES

B  Information table concerning basic figures on CEEC financial contribution over the period of the 5th RTD Framework Programme.
ASSOCIATION COUNCIL DECISIONS

Council Decision n° 4/99 of the EU-Bulgaria Association Council of 30 July 1999 adopting the terms and conditions for the participation of the Republic of Bulgaria to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 September 1999

Council Decision n° 1/99 of the EU-Czech Association Council of 30 July 1999 adopting the terms and conditions for the participation of the Czech Republic to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 August 1999

Council Decision n° 3/99 of the EU-Hungary Association Council of 12 July 1999 adopting the terms and conditions for the participation of the Republic of Hungary to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 August 1999

Council Decision n° 1/99 of the EU-Latvia Association Council of 23 July 1999 adopting the terms and conditions for the participation of the Republic of Latvia to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 August 1999


Council Decision n° 3/99 of the EU-Slovakia Association Council of 5 August 1999 adopting the terms and conditions for the participation of the Slovakia Republic to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 September 1999.

Council Decision n° 4/99 of the EU-Slovenia Association Council of 30 September 1999 adopting the terms and conditions for the participation of the Republic of Slovenia to Community programmes in the field of research, technological development and demonstration (1998-2002) and to programmes for research and training activities (1998-2002). Entered into force on 1 August 1999.


Council Decision n° 4/1999 of the EU-Poland Association Council of 4 August 1999 adopting the terms and conditions for the participation of the Republic of Poland to Community programmes in the field of research, technological development and demonstration (1998-2002). Entered into force on 1 September 1999.
### Indicative amounts of CEEC financial contribution over the 5FP period, as negotiated for Association Council Decisions (*) (and Phare support to be agreed on an annual basis) (in M €)

<table>
<thead>
<tr>
<th>5FP implementation period</th>
<th>Bulgaria</th>
<th>Czech Rep</th>
<th>Estonia</th>
<th>Hungary</th>
<th>Latvia</th>
<th>Lithuania</th>
<th>Poland</th>
<th>Romania</th>
<th>Slovakia</th>
<th>Slovenia</th>
<th>All CEECs</th>
<th>Annual average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1.74</td>
<td>8.84</td>
<td>0.73</td>
<td>7.62</td>
<td>0.94</td>
<td>1.48</td>
<td>20.74</td>
<td>5.90</td>
<td>3.31</td>
<td>3.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>3.93</td>
<td>19.98</td>
<td>1.68</td>
<td>17.23</td>
<td>2.13</td>
<td>3.40</td>
<td>47.58</td>
<td>13.34</td>
<td>7.49</td>
<td>7.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>5.05</td>
<td>25.67</td>
<td>2.15</td>
<td>22.14</td>
<td>2.74</td>
<td>4.36</td>
<td>61.08</td>
<td>17.15</td>
<td>9.63</td>
<td>9.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL REQUESTED after around 29% reduction of GDP-based amount</td>
<td>13.44</td>
<td>68.32</td>
<td>5.70</td>
<td>58.92</td>
<td>7.28</td>
<td>11.55</td>
<td>161.69</td>
<td>45.63</td>
<td>25.62</td>
<td>23.99</td>
<td>422.14</td>
<td>105.54</td>
</tr>
<tr>
<td>TOTAL GDP-based amount</td>
<td>18.86</td>
<td>95.78</td>
<td>7.98</td>
<td>82.60</td>
<td>10.21</td>
<td>16.17</td>
<td>226.22</td>
<td>63.96</td>
<td>35.91</td>
<td>33.64</td>
<td>591.33</td>
<td>147.83</td>
</tr>
<tr>
<td>Maximum Phare support (33% of GDP-based amount)</td>
<td>6.22</td>
<td>31.61</td>
<td>2.63</td>
<td>27.26</td>
<td>3.37</td>
<td>5.34</td>
<td>74.65</td>
<td>21.11</td>
<td>11.85</td>
<td>11.10</td>
<td>195.14</td>
<td>48.78</td>
</tr>
<tr>
<td>Minimum CEEC contribution from their national budget (38% of GDP-based amount)</td>
<td>7.22</td>
<td>36.71</td>
<td>3.07</td>
<td>31.66</td>
<td>3.91</td>
<td>6.21</td>
<td>87.04</td>
<td>24.52</td>
<td>13.77</td>
<td>12.89</td>
<td>227.00</td>
<td>56.76</td>
</tr>
</tbody>
</table>

(*) These Decisions state that the ratio to obtain GDP-based amounts “shall be calculated on the basis of the latest statistical data pertaining to the same year from the Statistical Office of the European Communities (Eurostat), available at the time of publication of the preliminary draft budget of the European Communities.” (Annex I, item 5, 2nd paragraph)