FINANCING MEMORANDUM

The Commission of the European Community, hereinafter referred to as "THE COMMISSION" acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY" of the one part, and

The Government of the Republic of Poland, hereinafter referred to as "THE GOVERNMENT OF POLAND" of 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 31 May 1990 between THE COMMISION and THE GOVERNMENT OF POLAND, 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:

Project Number: PL 9302

Title: Cross Border Co-operation Programme Poland-Germany

Duration: until 31st December 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 49 MECU hereinafter referred to as "THE GRANT".

The THE GRANT is subject to an expiry date, after which any balance of funds shall be cancelled. THE COMMISSION may however, depending on the circumstances, agree to an appropriate extension of this expiry date, should such an extension be requested and properly justified by THE GOVERNMENT OF POLAND.

For the present measure, the expiry date of THE GRANT is hereby set at 31st December 2000 (in accordance with the duration of the measure as indicated above).
ARTICLE 3 - 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:

Commission of the European Community
DG IA/B/2
Rue de la Loi, 200
B – 1049 Brussels

Telegraphic address: COMEUR BRUXELLES
Telex: 21877 COMEU B
Fax: 32/2/299.38.11

for THE GOVERNMENT OF POLAND:

Implementing Authority for Phare
Crossborder Co-operation Programme,
Ministry of Internal Affairs and Administration,
Al. Ujazdowskie 19, 1st Floor
00-557 Warsaw, Poland

Tel: 00/48/22/694.73.08
Fax: 00/48/22/694.73.79

ARTICLE 4 - NUMBER AND VALIDITY OF COPIES

This Memorandum is drawn up in duplicate in the English and Polish Languages. In the event of discrepancy, the English version takes precedence.

ARTICLE 5 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. Only expenditure incurred from this date is eligible for THE GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

On behalf of the Polish Government:

On behalf of the European Commission:

At: Warsaw
At: Warsaw

Date: 23/4/1988
Date: 31/4/1981

Mr. Janusz Tomaszewski
Mr. Rolf Timans
Deputy Prime Minister,
Head of EC Delegation, Poland
Minister of Internal Affairs
and Administration,
Poland

Annexes: Framework Agreement (Annexes A & B)
Special Provisions (Annex C)
ANNEX C

SPECIAL PROVISIONS

1. OBJECTIVES

1.1 General

The programme aims at assisting border areas of the Central and Eastern European countries, sharing a common border with the Community, through financing in those areas the participation of the country of Central and Eastern Europe concerned, in joint projects with a Member State with which it shares a border. More particularly, the objectives of the programme are:

- to promote co-operation with the CEEC regions bordering the Community, and thus to help these regions overcome specific development problems stemming from their relative isolation in the national economy, in the interest of the local population, and to address wider environmental problems;

- to encourage the creation and the development of co-operation networks on either side of these borders, and the establishment of links between these networks and wider EU networks.

- to respond to the Europe Agreements provision under the Title on Economic Co-operation according to which special attention shall be paid to measures capable of fostering co-operation with the CEECs with a view to a harmonious development of the region.

The development of cross-border co-operation will not only assist the regions concerned but also stimulate the development of the country as a whole as well as integration with the EU.

1.2 Specific

The priority development objectives, agreed between the Polish and German governments set up in the Framework Agreement are:

- transport infrastructure
- environmental protection
- municipal infrastructure utilities
- economic development
- agriculture/rural development
- human resources
2. PROGRAMME DESCRIPTION

The programmes have been designed on the basis of the regional development strategy agreed by the Polish and German authorities, on both national and local/regional level. They all have sound cross border impact and they are coherent with the measures of the Operational Programmes related to the INTERREG activities on the other side of the border.

The 1998 measures continue the 1994, 1995, 1996 and 1997 cross border measures which included mainly the improvement of transport infrastructure to alleviate bottlenecks at border crossings points and to contribute to smoother traffic between Poland and Germany as well as the improvement of the environment and living conditions of the population of the cities located in the border regions.

The infrastructure related measures including transport, environment and utilities comprise 82 % of the total programme financing (compared to 68% in 1997), which meets the regional development needs. The “soft measures” concerning development of tourism, business co-operation and human resources are becoming more significant in CBC programmes on the Polish-German border as the basic needs related to the development of infrastructure are gradually being fulfilled.

A continuation of previous year’s small projects fund is also envisaged to finance projects submitted by Euro-regions consisting of associations of communes located on the Polish-German border. This fund will be providing financial resources for such activities as conferences, publications and cultural exchanges which form part of the reform process and facilitate cross-border co-operation on local level.

A number of projects have been approved by the Joint Programming and Monitoring Committee for the 1998 Cross Border Co-operation Programme Poland-Germany. The projects selected have been the subject of a preliminary assessment according to their economic feasibility and environmental impact.

In view of the extent of the development of the programme and the need for the supervision of already ongoing projects, a sufficient management allocation has been foreseen.

The following measures/projects were selected by the Joint Programming and Monitoring Committee for the 1998 Cross Border Co-operation Programme Poland-Germany:

2.1 Transport

measure 1: construction / upgrading of link roads and by-passes

- Construction of Boleslawiec by-pass
- Construction of Olszyna by-pass
- Construction of Jasien by-pass
- Construction of Szprotawa by-pass
- Construction of fly-over on national road n°3 over railway line at Klobuczyn
- Modernisation of the national road n° 117 to the border of Szczecin
• Modernisation of the road section Plonica - Gorzow Wielkopolski as link to roads n° 132 & 133 between Kostrzyn & Gorzow Wielkopolski
• Modernisation of national road n° 24, section Pniewy-Oreszkowo

measure 2: construction / upgrading of railway border crossing

• Modernisation of railway border crossing Szczecin Gumience-Grabow/Tantow

2.2 Environment

measure 1: sewage & waste water treatment and management

• Sewage treatment plant at Kostrzyn
• Sewage treatment plant at Krosno Odranskie
• Sewage treatment plant at Warnice and Przelewice
• Sewage treatment plant at Drawsko commune
• Sewage treatment plant at Wloszakowice commune
• Sewage treatment plant at Polczyn Zdroj
• Sewage treatment plant at Szczecinek
• Sewage treatment plant at Msciwojow commune
• Sewage treatment plant at Trzicianka

measure 2: solid waste management

• Municipal Waste plant at Luban
• Municipal Waste neutralisation and development of a municipal waste collection, removal and segregation programme for the area of the right bank of Odra river
• Ecological management of the waste dumping site at Sciegny-Kostrzyca
• Waste utilisation at Lagowski Landscape Park

measure 3: environmental protection

• Cross-border protection programme for combatting the effects of natural catastrophies

2.3 Economic Development

measure 1: tourism development

• Extension of the centre for cross-country skiing at Jakuszyce
• Cycle lanes in the Euroregion “Sprewa-Nysa-Bobr”
• Centres for Tourist and Cultural information in Szczecin Voivodship
• Centre for Polish-German intercultural exchange at Gorzyca
2.4 Human Resources

measure 1: education / co-operation between young people

- Modernisation of Dabroszyn Palace as communications centre for the Euroregion “Pro Europa Viadrina”, Gorzow
- Modernisation of Czarne Castle as communications centre for the Nysa Euroregion, Jelenia Gora
- Modernisation & expansion of International Music Centre East - West in Zielona Gora

measure 2: social care

- Rehabilitation centre at Swinoujscie (Szczecin) for the mentally handicapped people

2.5 Communal Infrastructure

measure 1: municipal infrastructure development

- Construction of gas pipeline and gas system for the town of Gubin, Zielona Gora
- Construction of sanitary sewerage system at Slubice, Gorzow

2.6 Implementation/Management/Evaluation

measure 1: Management / Evaluation

The Programme has set aside an allocation for additional implementation requirements including the checking of technical specifications for projects, technical advise during the tendering and evaluation process, the supervision and monitoring of projects and the ex-post evaluation after completion of projects as well as the provision of studies and training as required. This component does not include the financing of operational costs.

measure 2: Euro Regions - Small Fund

For the small scale projects where cross border co-operation between neighbours is to be encouraged, a Fund is introduced whose use is managed by Euro-regions located on the Polish-German border. The fund provides small grants and the decisions can be made at that level for all measures up to an agreed level, confirmed by the Director of the Implementing Authority.
3. COST ESTIMATE AND DURATION

The investment will take place over the coming two years and the EU contribution to the Programme will be broken down as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Title of Measure</th>
<th>1998 (MECU)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Phare</td>
<td>Poland</td>
<td>TOTAL</td>
</tr>
<tr>
<td>I</td>
<td>Transport</td>
<td>26,971</td>
<td>8,809</td>
<td>35,780</td>
</tr>
<tr>
<td>II</td>
<td>Environment</td>
<td>12,219</td>
<td>9,520</td>
<td>21,739</td>
</tr>
<tr>
<td>III</td>
<td>Economic Development</td>
<td>1,600</td>
<td>0,628</td>
<td>2,228</td>
</tr>
<tr>
<td>IV</td>
<td>Human Resources</td>
<td>2,110</td>
<td>0,869</td>
<td>2,979</td>
</tr>
<tr>
<td>V</td>
<td>Communal Infrastructure</td>
<td>1,100</td>
<td>0,860</td>
<td>1,960</td>
</tr>
<tr>
<td>VI</td>
<td>Small Projects</td>
<td>2,000</td>
<td>0,000</td>
<td>2,000</td>
</tr>
<tr>
<td>VII</td>
<td>Management</td>
<td>3,000</td>
<td>0,000</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>49,000</td>
<td>20,686</td>
<td>69,686</td>
</tr>
</tbody>
</table>

A rolling plan will be established matching project implementation with commitment, thus tracking budgetary allocation and realisation.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Joint Programming and Monitoring Committee
(Joint Programming and Monitoring Committee for Cross Border Co-operation and Regional Development)

The Joint Programming and Monitoring Committee has been established on the basis of the Framework Agreement signed between Polish and German authorities on the 20 December 1994.

Composition

The co-chairmen of the Committee are:

on the Polish side: Director of the Department of European Integration and International Co-operation, Ministry of Internal Affairs and Administration

on the German side: Director of the Department for Regional Policy, Ministry of Economics

The co-chairmen define the composition of their respective delegations to the Committee and may set up special working groups consisting of representatives of local and regional authorities and representatives of ministries and other Polish and German institutions concerned.

The European Commission representatives will participate in the meetings of the Committee. They will look to the conformity of proposed measures and projects with EU-requirements. They will also take a view on the complementarity of project proposals with respect to INTERREG.

Frequency and Place of Meetings

The ordinary meetings of the Committee should be held every six months in either of the countries concerned. Extraordinary meetings may be required during the period of preparation of programmes and annual financing proposals, or if there are any special implementation issues. Such meetings may be called at any time by agreement of the co-chairmen or the Commission. Extraordinary meetings called at the request of the Commission may be held in Brussels.

Secretariats and Working Groups

The preparation of reports, agendas and minutes of the meetings of the Committee will be organised by the co-chairmen and their services.

Technical Assistance, including interpretation and translation support to the Committee, the Secretariats and the joint working groups may be provided from funds of PHARE Cross Border Co-operation and INTERREG II.

Activities of the Committee

The Committee in the scope of its activities will monitor needs, select project and evaluate the realisation of measures under PHARE Cross Border Co-operation and of the relevant measures of INTERREG II. The Committee - deciding by consensus - should in particular:

- give its opinion on the objectives, priorities and CBC measures proposed for inclusion in the Indicative Multi-annual PHARE CBC programme and the Operational Programmes of INTERREG II;
- approve the selection of specific projects;
- receive reports on progress, reviews and evaluations of the approved programmes and their component parts;
- initiate and support activities which can promote Cross Border Co-operation and make more effective current and future CBC programmes.

The implementation arrangement envisages involvement of the local and regional authorities from border regions as well as a structure that ensures co-ordination with the authorities of the Member State including the selection of joint projects eligible for financing in the framework of the Cross Border Co-operation Programme, as well as projects eligible for financing by INTERREG in future years. The European Commission representatives participate in its meetings and will be present therefore whenever programming matters are discussed and decided.

Special working groups consisting of representatives of local / regional authorities and/or ministries and other Polish and German institutions concerned will co-ordinate the implementation of the projects on both sides of the border.

4.2 Steering Committee of the Programme

The Programme Steering Committee has been established, the tasks of which are identification of projects and monitoring of the programme as a whole.
It consists of the following institutions:

- Ministry of Internal Affairs and Administration
- Ministry of Finance
- Ministry of Transport and Maritime Economy
- Ministry of Environmental Protection, Natural Resources and Forestry
- Ministry of Foreign Affairs
- European Integration Committee
- Voivodes (Zielona Gora, Gorzow Wielkopolski, Szczecin, Jelenia Gora)
- Local governments
- Implementing Authority for the Phare Cross Border Co-operation Programme
- EC Delegation

The Steering Committee will meet regularly, at least once in 6 months.

4.3 Institutional Arrangements

The overall co-ordination and financial responsibility for the Programme will lie with the Ministry of Internal Affairs and Administration which has established the Implementing Authority for the Phare Cross Border Co-operation Programme under the responsibility of the Director of the Implementing Authority, unless otherwise requested by the Polish government.

The Implementing Authority will delegate responsibilities to the relevant authorities, inter alia the voivodes, mayors and presidents of cities where special working teams designated to the implementation of the Cross-border Co-operation Programme will be established. The delegated responsibilities will include implementation obligations according to para 4.4. Local Project Managers at project level will be directly responsible for project implementation.

4.4 Implementation

The Programme will be managed under the Decentralised Implementation System. A Programme Authorising Officer will be nominated by the signatory of the Financing Memorandum.

The Implementing Authority for the Phare Cross Border Co-operation Programme will manage the funds received in respect of the Programme in accordance with the PHARE "Manual for Decentralised Implementation System" (DIS) and the PHARE "Manual for Contract and Procurement Rules" (CPR) and will operate a separate accounting system.

A separate interest-bearing bank account denominated in ECU will be opened for the Programme and managed by the Implementing Authority for the Phare Cross Border Co-operation Programme in a separate accounting systems. Interests on all the accounts will be reported to the European Commission regularly and should be returned to the European Commission. However, the interest may be reinvested in the Programme if the Commission so authorises.

Advance payments other than those foreseen in Article 3.3 of the General Conditions will be made on the basis of a strategic plan, on regular Monitoring and Assessment Reports and on Work Programmes, all made by the Implementing Authority and standardised according to the above mentioned DIS manual.
At the request of the PAO, a Preliminary Advance Payment of maximum 5% of the total amount of the Programme will be made in accordance with the procedure of the DIS Manual for starting up activities or for the launching of the Programme.

All contracts made by the Implementing Authority will be done in accordance with the procedures set out in the above mentioned CPR manual unless otherwise specified in the Memorandum of Understanding referred to in 4.5 and in respect of the following:

- Small infrastructure implementation modalities will follow those established for the small infrastructure components of existing PHARE programmes active in Poland, in particular STRUDER.

- Similarly the modalities for the "Euro-Regions - Small Fund" will draw on existing established practice of PHARE in Poland. The precise details will be covered in the Memorandum of Understanding referred to below (under 4.5)

4.5 Special Conditions

The Government of Poland carries the legal liability to carry out the projects specified under the programme to good end and shall carry out by its own means any work on which contractors default.

In the measures specified under this programme in which the Community grant contributes to the financing of revenue generating activities, the Commission shall determine, in consultation with the Implementing Authority specific arrangements for financing which could include co-financing by the project revenues or reimbursement of the initial grant.

The European Union's financial contribution is limited to the maximum amount defined in 'Article 2' of the Financing Memorandum. This contribution will not cover the any additional costs, cost increases or extensions which must therefore be catered for by the implementing and contracting authorities.

Taking into account the characteristics of the projects and their co-financing nature, special arrangements including the way of organisation of the implementation will be jointly agreed separately in a separate Memorandum of Understanding.

5. Audit and Monitoring

The accounts and operations of the Implementing Authority may be checked at regular intervals by an outside auditor contracted by the Commission, without prejudice to the responsibilities of the Commission and the Community's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission will:

a) monitor the implementation of the programme on the basis of the regular reports by the Implementing Authority for Phare Cross Border Co-operation Programme at the Ministry of Internal Affairs and Administration and
b) sign contracts, financed under the present programme, with independent consultants to assist and to follow the progress of the programme and its components and carry-out an ex-post evaluation after completion of the projects.

In order to facilitate these activities, a detailed set of indicators of achievement will be defined by the Commission and the Implementing Authority with respect to the objectives and targets of the programme.

6. RISKS

The predominant risks are related to the insufficient co-ordination between the Polish authorities involved in the projects' implementation and possible shortcomings in the availability of co-financing resources according to the time schedules.