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 the Republic of Poland, 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 31 May 1990 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: 2003/004-379.01 till 2003/004-379.06
Title: 2003 National Programme for Poland, Part I
Duration: Until 30/11/2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 255,626,421 euros 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 30/11/2005 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 30/11/2006. 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 in Poland
Emilii Plater 53
PL-00-113 Warsaw
Poland
Fax: (+48-22) 520 82 82

for THE RECIPIENT:
Office of the Committee for European Integration
Al. Ujazdowskie 9
PL-00918
Warsaw
Fax: (+48-22) 455 53 33

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 Warsaw
Date 16. 07. 2003

for THE RECIPIENT
Mrs Danuta Hübner
Secretary of the Committee
for European Integration
Minister for European Affairs

Done at Warsaw
Date 4. 07. 03

for THE COMMUNITY
Mr Bruno Dethomas
Head of the Delegation of the European Commission in Poland

Encl.
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
Annex C - Special Provisions

1. Strategy

The Phare 2003 programme draws on the findings of the 2002 Regular Report, the 2002 Action Plan on administrative and judicial capacity, and has been elaborated on the basis of the overall priorities outlined in the 2001 Accession Partnership to ensure that assistance would be provided in those areas which have the greatest needs in view of the upcoming EU membership. A majority of the national projects also builds on previous Phare financed projects in the respective sectors.

The Accession Partnership continues to provide the single framework through which the priority areas for further work are identified regarding progress to be made by Poland towards membership of the European Union, the financial means available to implement these priorities and the conditions which will apply to that assistance.

All projects proposed by Poland for Phare 2003 were examined to see whether they were relevant to the priorities of the Accession Partnership, the Regular Report and the Action Plan, whether they would have an impact on Poland’s alignment or implementation of the acquis, whether they were cost-effective, technically and institutionally ready and whether conditionalities and implementation arrangements were clear.

Phare is focusing in 2003 on institution building projects and investment in the acquis in order to strengthen the administrative capacity of Poland to adopt and implement the acquis in the fields of agriculture and fisheries, environment, justice and home affairs, finance, labour, internal market, economic and social cohesion, and participation of Poland in Community programmes and agencies.

As a result, a National Programme Part I has been prepared, amounting to € 255,626,421 around the following objectives: Strengthen institutional and administrative capacity; Internal market; Justice and Home Affairs; Agriculture and Fisheries; Economic and Social Cohesion; and Participation in Community Programmes and Agencies.

2. Objectives and Description

Objective 1: Strengthen Institutional and Administrative capacity

Project 01.01: NGOs for sustainable development. This project will continue the ACCESS programme at national level and will co-finance a grant scheme towards the NGO community in Poland for projects in policy areas in which governmental activities are absent or are complementary to those of the third sector, and more specifically in the areas of social policy, local development, and sustainable development and environmental protection.

Project 01.02: Public procurement practices and mechanisms. This project will address a 2001 AP priority and will co-finance institution building and investment for training experts from public administration and private sector on standard procurement documents, internal and external control, and monitoring of procurement systems.

Project 01.03: Strengthening Tax Administration. This project will address a 2001 AP priority and will co-finance institution building and investment for the establishment of a Tax information system for the public and specialised services for 'large taxpayers' and
tax issues related to e-commerce. The institution building part will be implemented through twinning, while the investment part covers the necessary IT equipment.

**Project 01.04: Modernisation Treasury Control IT system.** This project will address a 2001 AP priority and will co-finance institution building and related investment. The project will improve the efficiency of the control of public expenditure, increase the security level of data exchange and put in place the connection with EU databases in order to improve the co-operation with MS. The investment part of the project covers the related IT equipment.

**Project 01.05: Statistics.** This project will address a 2001 AP priority and will co-finance Institution building and investment. The project will increase the quality of statistical data in order to be fully in line with the European Statistical System, further develop structural and short-term indicators, implement the European 'Lucas' survey regarding agricultural statistics, and prepare for eStatistics. The institution building part will be implemented through the twinning instrument, while the investment covers the necessary IT equipment and networking.

**Project 01.06: Social and professional mobilisation of disabled persons.** This project addresses a 2001 AP priority and will co-finance Institution building and investment. The project addresses professionals assessing the disability degree of persons to be brought in line with European standards. A second component will upgrade the diagnostic facilities of local and regional diagnostic centres. The third component will develop a national monitoring system. The investment part of the project covers IT and medical diagnostic equipment.

**Project 01.07: Improving ESF management and implementation.** This project will address a 2001 AP priority and will co-finance Institution building and investment. This project will improve the management and implementation of the ESF through further development of application, selection, reporting and monitoring systems and schemes and related training for the Managing Authority staff. The project will further allow strengthening ESF capabilities of project promoters and social partners, and will developing and implementing an information and promotion campaign. The investment part of the project will cover the necessary IT equipment. Part of the Institution building will be implemented through twinning.

**Project 01.08: Strengthening implementation of IROP on central and regional level.** The project will address a 2001 AP priority and will co-finance Institution building. This project will further strengthen the capacity of central and regional administrations for implementing and monitoring the Integrated Regional Operational Programmes, develop standard information material for potential beneficiaries, and continue the development of the ERDF project pipeline within the IROP. Part of the Institution building will be implemented through twinning.

**Project 01.09: Strengthening implementation of Cohesion Fund and ERDF in the transport sector.** This project will address a 2001 AP priority and will co-finance Institution building and investment. The project will develop and put in place a training system for staff of different transport departments responsible for assessment of ERDF projects in the transport sector, and for staff responsible of the Cohesion Fund projects; prepare SF transport programmes beyond 2006, and complete and upgrade the required IT system and equipment. The institution building part of the project will be implemented through twinning.
Project 01.10: Strengthening consumer protection policy. This project will address a 2001 AP priority and will co-finance Institution building and investment. This project will strengthen the implementation of the consumer protection policy through five sub-components: development of a complaint information system allowing faster and more accurate preventive actions; providing the required IT equipment to local, regional and national level; development of an educational and promotional campaign on protection of consumer protection; training of actors on local and regional level on consumer protection law; and the development of a training system and information material specifically addressing actors regarding eCommerce.

Project 01.11: Integrated cadastral system - phase III. This project will address a 2001 AP priority and will co-finance Institution building and investment. This project is the continuation of the 2000 and 2001 Phare projects on establishing the Integrated Cadastral System, which is developed to legally and electronically integrate the land and building register, the land and mortgage register and the real estate tax register. Part of the Institution building will be implemented through twinning. The investment part of the project covers further required IT equipment and software.

Objective 2: Internal market

Project 02.01: Automation of Customs services. This project will address a 2001 AP priority and will co-finance Institution building and investment. This project will extend and fine-tune several functionalities of the Customs financial accounting system ZEFIR, of the Customs tariffs related systems (ISZTAR), and will further implement the common fiscal administration data warehouse. The project also will further implement the IT security system. Part of the Institution building will be implemented through twinning. The investment part covers IT equipment and software.

Objective 3: Justice and Home Affairs

Project 03.01: Migration and asylum infrastructure. This project will address a 2001 AP priority and will co-finance investment, under the form of infrastructure for a refugee and asylum seeker registration and application centre in Warsaw, in respect of proper conditions for interviews, medical examination and short-term accommodation. The investment will cover the construction costs of the building and of equipment.

Project 03.02: Eastern Border Small Infrastructure Project Fund. This project will address a 2001 AP priority and will co-finance a small infrastructure project fund (SIPF) to support cross border co-operation of Polish institutions situated at the Eastern border of Poland, provided these meet, inter alia, the following criteria: have a strong and evident cross border impact; funding will only be used on the territory of Poland; located in two lines of poviat adjacent to the Eastern border; have a public character and not generate substantial net revenue; be related to small projects not exceeding € 300,000 of Phare support in each case; develop co-operative networks on both sides of the border notably in the Euroregions along the border; be defined on the basis of local/regional needs; covering the following priority areas in the first place: economic development, cross border tourism, cultural exchanges, transportation, environmental protection. Implementation of this SIPF will follow the guidelines for small infrastructure project funds followed in previous years on the Poland-Germany border. It is expected that actions undertaken by this project will find complementary funding under parallel schemes provided by the Tacis programme.
Objective 4: Agriculture and Fisheries

Project 04.01: Strengthening Veterinary administration. This project will address a 2001 AP priority and will co-finance Institution building and investment. This project will further strengthen the Veterinary administration including control in line with the rules of the Internal Market, training for veterinary officers, and the functioning of veterinary diagnostic laboratories. The investment part will cover related IT equipment and software.

Project 04.02: Strengthening the implementation of the Common Fishery Policy. This project will address a 2001 AP priority and will co-finance Institution building and investment. This project will further strengthen the Fishery administration and the producer organisations, mainly through an extensive training programme on CFP and will assist the Fishery administration in further developing the implementation of the Common Fishery Policy. The investment part of the project will cover training material.

Objective 5: Economic and Social Cohesion

Project 05.01: Sectoral Human resources development. This project will address a 2001 AP priority and will co-finance investment. In close association with the regional and local authorities and labour offices in Poland, this project will co-finance the promotion of employability, adaptability, entrepreneurship and equal opportunities and be implemented as a horizontal-national ESF type of programme of measures. The project is intended to address significant problems on the Polish labour market, notably unemployment among young people, problems of social exclusion, skill gaps and quality of human resources and will therefore contribute to the shaping of Poland’s employment policy in line with the acquis. The project will also strengthen the administrative capacities of the relevant authorities and service providers to implement ESF programmes after accession. In continuation of similar Phare 2000, 2001 and 2002 projects, this project will co-finance technical assistance, training, vocational training services, needs and opportunities assessments, coaching and vocational guidance for the promotion of employability of young job seekers, social and labour market integration of risk groups, and integration and re-integration of women in the labour market, and advisory services on management, monitoring and evaluation of these measures. The project will be implemented under the guidance of the future ESF unit within the Ministry of Labour. Some of these services should be provided in the form of grant agreements between the Implementing Agency and individual poviat labour offices and selected service providers in line with Phare rules and procedures.

Project 05.02: SME and Innovation sectoral programme. In close association with the regional and local authorities in Poland, this project will co-finance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. Under the national SME development scheme, targeted training, advisory, information and financial instruments (consulting and investment grants) will be provided to SMEs through the Polish Agency for Enterprise Development and its selected windows for key SME development priorities, notably access to technology for business development, introduction to quality, and financing for growth. Under the innovation support scheme, consulting grants and investment grants will be provided for two priority areas: paths from innovation to business and accessing innovative services. In continuation of similar Phare co-funded schemes in previous years, any service providers and intermediary regional financial
institutions will be accredited and, if necessary, be the subject of an audit, and corrective action taken where necessary, to ensure that the grant schemes referred to above can be properly managed. This will take place before the Implementing Agency enters into grant agreements with these intermediary institutions.

**Project 05.03: Regional HRD project.** In close association with the sectoral HRD project, described above, this project will co-finance the promotion of employability, adaptability and entrepreneurship as particular needs of individual regions and should be regarded as a pilot implementation of regional ESF type measures. Similarly to the sectoral project, it is intended to address significant problems related to unemployment in Poland. In continuation of similar Phare 2000, 2001 and 2002 projects, this project will co-finance technical assistance and training to implement basically the following measures: (a) vocational reorientation of the unemployed and persons at risk; (b) assistance to the development of local employment partnerships; (c) adaptability promotion and training of employees of SMEs; (d) entrepreneurship promotion. All these services will be delivered through service contracts in line with Phare rules and procedures. The emerging ESF unit in the Ministry of Labour will be closely associated with the implementation of this programme so that it can serve as a first hand operational experience of ESF type activities in Poland in the future. This project will also be co-ordinated with the institution building project for ESF preparation and implementation.

**Project 05.04: Regional support programme for SMEs.** In close co-ordination with the sectoral SME project, described above, and in close association with the regional and local authorities concerned, this project will co-finance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. The company development programme, which will basically be a continuation of similar Phare 2000, 2001 and 2002 project, will co-finance small grants to partly finance general and sector specific consulting and information services provided at the individual company level in identified key areas affecting SME business competitiveness and application of the acquis. The investment grant scheme will co-finance small grants in the first instance for SMEs successfully participating in the company development programme, inter alia related to introduction to quality assurance, innovation and technology development, e-commerce, export promotion, and human resources development. The investment grant will be tied directly to a bank loan. Technical assistance will also be financed to further strengthen regional financial and business support institutions in their efforts to promote SMEs and in the implementation of the measures described above, including the promotion of financial instruments (e.g.; credit guarantee funds) and audits of the regional institutions and service providers where necessary. Where a proven track record exists of e.g. local and regional credit guarantee funds, these could also be supported on a case by case basis, provided that clear operational agreements are established beforehand of how these funds will be earmarked for revolving use. In continuation of similar Phare co-funded schemes in previous years, any service providers and intermediary regional financial institutions will be accredited and, if necessary, be the subject of an audit, and corrective action taken where necessary, to ensure that the grant schemes referred to above can be properly managed. This will take place before the Implementing Agency enters into grant agreements with these intermediary institutions.

**Project 05.05: Dolnośląskie – SME development Bielawa.** This project will co-finance the construction of an access road to a new investment area of 65 Ha for SMEs. The road will be upgraded to EU standards. This project is part of the development plan of the Bielawa area.
**Project 05.06: Dolnosląskie - Improvement of the environmental protection infrastructure in Karpacz.** This project will co-finance the construction of a sewage system, covering an area of 80 Ha, mainly a tourist investment area. The project is located in Karpacz, a tourist attractive region, closed to the Karkonosze National Park. The project will increase the investment in the tourist potential, as well as the quality of the tourist services, and will create approximately 150 new jobs in this sector.

**Project 05.07: Dolnosląskie – SME development Glogów.** This project will co-finance the reconstruction of part of the access road, including water sewage system, to an existing investment area (western industrial area) of 24 Ha. The project is part of the spatial development plan of the town and aims at offering better transport facilities (to amongst others the Oder river port, for existing enterprises) and at the creation of 500 jobs.

**Project 05.08: Kujawsko-Pomorskie - SME development Ciechochinek.** This project is located in a mainly tourist area and will co-finance the modernisation of a building for the tourist service centre and the construction of a tourist route together with a small ring road. The ring road and the tourist route (pedestrian lane) will increase the availability of the investment area for SMEs in the tourist sector, creating space for at least 15 new SMEs and 100 jobs. The necessary utilities in the investment area are also subject of this project.

**Project 05.09: Kujawsko-Pomorskie - Development of the “Vistula Park” economic area in Świecie.** This project will co-finance the infrastructure (access roads, water supply, gas, electricity and telecommunications) for 35 Ha out of 125 of the “Vistula Park” economic development area in Świecie. This project is part of the regional development plan for the region. A business incubator (with space for SMEs) is operational in this area since 2002 and an integrated approach regarding incubator and investment area is planned. This project intends to create 25 new SMEs and 200 jobs.

**Project 05.10: Lubelskie - Economic development Hrubieszów.** This project will co-finance the access road and infrastructure for a new investment site of 80 Ha in the city of Hrubieszów. This project is part of an integrated strategy of the city in order to increase attractiveness for industry and SMEs. The project integrates the sanitary sewage network, water supply network, part of the access roads and upgrading to EU standards of an existing WWTP, while at the same time increasing its capacity with 50%, up to the required level. It is expected that this project will benefit the creation of 40 new enterprises and 150 new jobs.

**Project 05.11: Lubelskie - Entrepreneurship development in Jasików.** This project will co-finance the first phase of providing a new investment area of 800 Ha with the necessary infrastructure, and is more specifically the response to the need of an adequate sewage network and sewage treatment. The project will allow an increase of services to existing enterprises and SMEs as well as the development of new ones. 60 new SMEs, employing 250 persons, will in this way have access to the sewage system. The project is part of a larger strategy for business development in this region.

**Project 05.12: Lubelskie - Investment development Krasnystaw.** This project will co-finance the modernisation of a key part of the district road between Krasnystaw and Siennica Różana facilitating transport between two voivodships roads. The project will as such reduce significantly the transportation time for the existing SMEs and enterprises, and both increase the accessibility for the development of new ones in an investment area.
of 40 Ha. 20 new SMEs are expected to be created as a result of this project, as well as
150 new jobs.

**Project 05.13: Lubelskie - Tourism and SME development in Leczna.** This project will
co-finance the construction and modernisation of a network of roads in the area of the
Regional Recreation Centre in Okuninka, which is a well-known tourist area in the
region. Both the regional and local development plans highlight the regions’ tourist
potential for which the existing infrastructure is insufficient. Along with a Phare 2000
funded ESC project, which mainly covers the sewage needs, this project will allow an
upgrading of the tourist services offered as well as the creation of new SMEs in the
tourist sector.

**Project 05.14: Lubelskie - Linking business areas in Lublin.** This project will co-
finance one of the three missing sections of the circular road of the city of Lublin,
connecting the north and east business investment sites, which will significantly increase
the accessibility and the development of both areas. The road will be upgraded to EU
standards and will allow for the establishment of 30 new SMEs. This road section will
also decrease for the inhabitants of the city the negative effects of the existing transport
connection. This project is part of a larger regional development strategy.

**Project 05.15: Lubuskie - Investor friendly towns.** The project will co-finance the
provision of the technical infrastructure in three business investment areas in three
different towns (Nowa Sól, Wschowa, Koźuchów) and is part of the revitalising towns
strategy of the Lubelskie Voivoship. All three towns suffer from lack of new business
investment due to insufficient infrastructure that can be offered. This project could allow
the creation of 20 new enterprises and 900 new jobs.

**Project 05.16: Łódzkie - SME development Piotrkow Trybunalski.** This project will co-
finance the road infrastructure linking the city ring road (of which the first phase is co-
financed by a Phare 2001 ESC project) with national road n° 8 (Wrocław – Warszawa).
The road will be constructed to EU standards. It will allow transport facilities for several
existing and new investment sites both adjacent to the road to be constructed as in its
vicinity situated along the national road. This project is part of the construction of the
northern ring road of Piotrkow Trybunalski and will allow preservation of existing SMEs
as well as attract new ones.

**Project 05.17: Małopolskie - Entrepreneurship development Niepolomice.** This project
will co-finance road infrastructure development and sewage management system in an
industrial investment area in Niepolomice of 170 Ha. The road infrastructure will create
the connection between different parts of the investment area and will offer a solution for
an important traffic bottleneck. It is expected that the project will guarantee the
preservation of existing enterprises, as well as stimulate the creation of new ones.

**Project 05.18: Małopolskie - “Nowe Dwory” urban enterprise development zone in
Oświęcim.** This project will co-finance the development of the “Nowe Dwory” urban
enterprise zone through the establishment of an entrepreneurship incubator, a business
support centre and the finalisation of the 45 Ha investment area infrastructure (road and
sewerage systems). The project is part of a development plan to attract new enterprises in
order to decrease the economic dependence from the mining industry. It is expected that
26 new enterprises will be established offering 360 new jobs in the two years after
completion of the project.
**Project 05.19: Mazowiecki - SME development Ciechanów and Raciąż.** This project will co-finance the modernisation of part of the road n° 60 serving business investment areas in Ciechanów (100 Ha) and Raciąż (45 Ha). Through the increase of accessibility of the investment areas, new enterprises will be attracted and is it expected that 445 new jobs will be created. The road will be upgraded to EU standards.

**Project 05.20: Mazowiecki - Economic development Ostrow and Ostroleka.** This project will co-finance the modernisation of part of Voivodship road n° 627, linking Ostroleka with Ostrow. It will provide improved access to existing investment sites and to a new one of 40 Ha, of which 8 Ha are already fully fitted with the necessary infrastructure and the remaining area with electricity and water. The road will be upgraded to EU standards and will preserve the presence of actual SMEs and attract new investments.

**Project 05.21: Mazowiecki - SME development in Ostrow and Wyszków.** This project will co-finance the modernisation of parts of the road n° 694 between Ostrow and Wyszków, situated in an area with high potential for development of the tourist sector. The road will be upgraded to EU standards and will provide better access to some 84 Ha of investment areas along and in the vicinity of the road. It is expected that, as a result of improving the accessibility, 35 new SMEs will be established, providing for approximately 100 new jobs.

**Project 05.22: Mazowiecki - SME development Nasielsk.** This project will co-finance the construction of a new WWTP and sewage system, which will serve three new investment areas (150 Ha) and three existing ones (36 Ha) in Nasielsk. The WWTP will be in line with EU standards (tertiary treatment) and will significantly improve the attractiveness of the region for SMEs in the services, trade and tourist sector. It is expected that 310 new jobs will be created, while at the same time pollution of the Nasielska river will be reduced significantly.

**Project 05.23: Opolskie - Industry development in Bierawa.** This project will co-finance a sewage management and sewage transit system in one of the three investment areas of Bierawa. The area is fitted with infrastructure except for the sewage system. The transit system will allow connecting the investment site with an existing WWTP and will also allow the construction, at a later stage, of a sewage system in the other two investment sites. It is expected that the increased quality of the investment site will preserve the presence of the existing enterprises and will attract new investments, providing approximately 100 new jobs.

**Project 05.24: Podkarpackie - Industry development in the Ropczyce region.** This project will co-finance an access road that will link an existing investment area of 70Ha, including 20Ha of new investment area, with the international road E40 and bypassing the city centre of Ropczyce. This project is part of the local development plan, and the road will be constructed in line with EU standards. It is expected that completion of the project will increase significantly the city's transportation facilities, which will be beneficial for existing enterprises and which will attract new investments.

**Project 05.25: Podkarpackie - SME development in Dębica.** This project will co-finance the construction of a sewage network system and a sewage treatment plant which are the missing elements in an existing investment area of 294 Ha in the Dębica region. EU standards will be followed and the treatment level of the WWTP is tertiary. Completion of the project will allow for the utilisation of the entire area (only a part is actually
occupied by approximately 150 SMEs and enterprises), including unused buildings, and will attract new investors to the area.

**Project 05.26: Podkarpacie - SME development in Lesko.** This project will co-finance a sewage system which is the missing link between two investment areas (one of 53 Ha of which 26 Ha unused, and one of 40 Ha for tourism and tourism related services). Those areas are, apart of the sewage system, fully equipped with infrastructure and a new constructed WWTP (tertiary treatment). The sewage treatment plant will be in line with EU standards for tertiary treatment. Due to the tourist potential of this region, the completion of this project will result in an increased quality of the services offered to SMEs and will allow attracting new investments.

**Project 05.27: Podkarpacie - Activation of investment areas in Rzeszów.** This project will co-finance part of Rzeszów’s northern ring road, which will unlock part of an existing 50 Ha area for investment, and improve the access to the international road E40. The area is fully equipped with the necessary infrastructure, and the road will be constructed in line with EU standards. This project is the second of a 5-stage economic development programme.

**Project 05.28: Podkarpacie - SME development in Tarnobrzeg.** This project will co-finance a sewage management system and the reconstruction of part of the road between Tarnobrzeg and Sandomierz. This will improve the accessibility and the quality of services offered of a 134Ha-business investment area in the northeastern part of Tarnobrzeg, which has all other infrastructure available. It is expected that completion of the project will result in the setting up of 35 new SMEs, offering up to 150 new jobs. The road and sewage system will both be in line with EU standards.

**Project 05.29: Podlaskie - Investment development in Białystok.** This project will co-finance the reconstruction and modernisation of an access road and partial infrastructure of two investment areas, covering 27Ha. The road will be upgraded to EU standards and will allow for better access to the investment areas from which equally a better connection with existing roads will be offered. This as part of an integrated approach and follows on from Phare 2001 to 2002 projects. It is expected that the opening up of the investment area will attract 20 new SMEs and will create 200 new jobs.

**Project 05.30: Podlaskie - SME development in Lomza.** This project will co-finance the construction of a WTP and the modernisation of an existing one. Both elements are the completion of a larger programme, for which Phare already provided funding in 2000 and 2001, to bring water quality for SMEs and enterprises up to EU standards. This will benefit the existing SMEs (tourism and food processing) and preserve their presence, as well as attract new investments to the 22Ha business investment site.

**Project 05.31: Pomorskie - Pomeranian Technology Park.** This project will co-finance the second stage of the development of the Pomeranian Technology Park in Gdynia, which will operate as a regional centre for entrepreneurship support for SMEs in the areas of environmental protection and biotechnology, IT, and industrial design, and will also include training, conference and exhibition facilities. It will be situated in existing buildings that are renovated in three stages. This project will cover the necessary works to 1.5 Ha of the 6.1 Ha of buildings. It is expected that after implementation 60 SMEs will be created providing for 200 new jobs.
Project 05.32: Pomorskie - Tourism development Vistula Spit. This project will co-finance the modernisation of a road and a bridge improving access to an 80 Ha investment site, mostly for tourism in an area for which this is the only access route. The capacity of the access road and the bridge will be increased up to the European standard for heavy transport. This project is part of a larger economic development programme for the region of which is expected to create 650 new jobs in two years after completion.

Project 05.33: Slaskie - Renovation of a post-industrial area in Nowe Gliwice. This project will co-finance the adaptation of a post-industrial site in Nowe Gliwice. It will combine and inter-relate the creation of an Entrepreneurship and SME Incubator, extend the facilities of a 25 Ha investment site and a regional business academy, that will offer a graduate business and entrepreneurship programme as well as vocational training for SMEs, supported by the national vocational training strategy. The project is in line with the regional and local development plan.

Project 05.34: Swietokrzyskie - Activation of industrial centres in Starachowice and Ostrowiec. This project will co-finance the modernisation of an existing Business Incubator, the creation of a Business & Employment Activation Centre (offering training, information and guidance) and the extension of the sewage system of the investment site. The project is part of an integrated programme for the economic development of the region and is expected to provide, upon completion, for 750 new jobs.

Project 05.35: Warminsko-Mazurskie - Economic development in Elblag. This project will co-finance an integrated project creating an Entrepreneurship Incubator, an Exhibition and Fair Centre and a Sport and Recreation Centre (the latter being entirely financed by Polish funds), and an extension of the investment site for SMEs. The incubator will work in co-operation with an existing centre for vocational training and aims at creating 35 new companies in a two-year cycle. The project is in line with the local and regional economic development plans.

Project 05.36: Warminsko-Mazurskie - Elk city by-pass - stage V. This project is a continuation of a previous Phare ESC project (2001, stage I and II) and will co-finance the last stage of the Elk city by-pass, improving and upgrading the access to 20 Ha additional investment areas along the by-pass. The by-pass, when completed, will also give access to 130 Ha of investment areas for 50 new SMEs. The road construction is in line with the European standard.

Project 05.37: Warminsko-Mazurskie - Access to investment areas in Ilawa. This project will co-finance the modernisation of access roads to an extension of an existing investment area and is related to Phare ESC projects from 2000 and 2002. 10 Ha in addition to 66 Ha will become available for investors. The roads will be modernised in line with EU standards. The project is in line with the local and regional development plans.

Project 05.38: Wielkopolskie - Nowy Tomysl by-pass. This project will co-finance the construction of the Nowy Tomysl by-pass, which will improve the direct access to an investment area of 220 Ha. The road will be constructed in line with EU standards. It is expected that within two years after completion, the project will result in 500 additional jobs.

Project 05.39: Wielkopolskie - Investment and tourist development in Leszczynski. This project will co-finance the modernisation of access roads to, and roads within an
investment site of 175Ha, of which 35Ha for recreational and tourism purposes, allowing it to be used to its full potential. The roads will be modernised in line with EU standards and it is expected that completion of the project will result in the creation of 25 additional SMEs, providing for 250 new jobs.

**Project 05.40: Zachodnio-Pomorskie - Tourism development in Bialogard.** This project will co-finance the continuation of a 2002 Phare ESC project in Bialogard through the construction of a water and sewage network. The project is part of a larger approach of the city's economic development in providing an investment area of 130 Ha with the necessary access and infrastructure, including a business incubator. It is expected that after completion the projects will result in the creation of 350 additional jobs.

**Project 05.41: Zachodnio-Pomorskie- Economic development in Szczecinek.** This project will co-finance the construction of the lacking necessary infrastructure of an investment area of 115 Ha in the region of Szczecinek. It will imply the provision of a sanitary and water supply network in Raciborki, Swiatki, Trzesieka and in Parsecko as well as an access road in Krainska. This project will be the final stage for the investment area and it is expected that after completion and within 3 years, 110 additional SMEs will be created. Both water and sewage network and the access road will be constructed in line with EU standards.

**Objective 6: Participation in Community Programmes and Agencies.**

**Project 06.01: Participation in the 6th Framework Programme for research, technological development and demonstration activities (2002-2006) - part II.** On the basis of Association Council decisions and Agreements, candidate countries may participate in certain European Community programmes and agencies. The Phare programme can be used to help a Candidate Country to meet, on the basis of an increasing contribution from the Candidate Country, part of the costs of participating in those programmes and agencies.

It should be noted that the proposed participation and the related financial contribution are subject in certain cases to the adoption of the relevant Association Council Decisions and/or to the conclusion of the relevant Memoranda of Understanding.

This project provides further Phare funding towards the part financing of the cost of Poland (excluding administrative costs) towards the participation for the year 2003 in the 6th Framework Programme for research, technological development and demonstration activities (2002-2006).
## 3. Budget (€ million)

<table>
<thead>
<tr>
<th>Project No.</th>
<th>Project Title</th>
<th>Total Phare Budget</th>
<th>Investment (indicative)</th>
<th>Institution Building (indicative)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>NGOs for sustainable development</td>
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<tr>
<td>2</td>
<td>Public procurement mechanisms and practices</td>
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<td>3</td>
<td>Tax administration</td>
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<tr>
<td>4</td>
<td>Modernisation Treasury Control IT system</td>
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<td>5</td>
<td>Statistics</td>
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<td>6</td>
<td>Social and professional mobilisation of disabled</td>
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<td>7</td>
<td>Improving ESF</td>
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<td>8</td>
<td>Implementation of IROP on central and regional level</td>
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<td>9</td>
<td>Improving ERDF transport sector</td>
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<tr>
<td>10</td>
<td>Consumer protection policy</td>
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<td>11</td>
<td>Integrated cadastral system - phase III</td>
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<tr>
<td>2003/004-379/2.</td>
<td><strong>Objective 2: Internal Market</strong></td>
<td>10.10</td>
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<td>Automation of customs services</td>
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<tr>
<td>2003/004-379/3.</td>
<td><strong>Objective 3: Justice and Home Affairs</strong></td>
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<tr>
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<td>Migration and asylum infrastructure</td>
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<td>2</td>
<td>Eastern Border SIPF</td>
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<td><strong>Objective 4: Agriculture and Fisheries</strong></td>
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<td>1</td>
<td>Strengthening Veterinary Administration</td>
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<td>2</td>
<td>Strengthening implementation of CFP</td>
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<td>2003/004-379/5.</td>
<td><strong>Objective 5: Economic and Social Cohesion</strong></td>
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<td>169.009421</td>
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<td>Sectoral HRD</td>
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<td>2</td>
<td>SME and Innovation sectoral programme</td>
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<td>3</td>
<td>Regional HRD</td>
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<td>4</td>
<td>Regional support programme for SMEs</td>
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<td>5</td>
<td>Dolnoslaskie: SME Development Bielawa</td>
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<td>6</td>
<td>Dolnoslaskie: Environmental protection Karpacz</td>
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<td>7</td>
<td>Dolnoslaskie: SME Development Glogow</td>
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<td>8</td>
<td>Kujawsko-Pomorskie: Investment areas Ciechocinek</td>
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<td>9</td>
<td>Kujawsko-Pomorskie: Vistula Park Swiecie</td>
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<td>10</td>
<td>Lubelskie: Economic development Hrubieszow</td>
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<td>Lubelskie: Entrepreneurship development Jastkow</td>
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<td>12</td>
<td>Lubelskie: Investment development Krasnystaw</td>
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<td>13</td>
<td>Lubelskie: Tourism and SME development Leczna</td>
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<td>Lubelskie: Linking business areas Lublin</td>
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<td>15</td>
<td>Lubuskie: Investor friendly towns - phase II</td>
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<td>Lodzkie: SME development Piotrkow Trybunalski</td>
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<td>Malopolskie: Investment development Niepolowice</td>
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<td>Malopolskie: Nowe Dwory Urban Enterprise Zone Oswiecim</td>
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<td>19</td>
<td>Mazowieckie: SME Development Ciechanowski and Raciacz</td>
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<td>20</td>
<td>Mazowieckie: Economic Development Ostrow and Ostroleka</td>
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<tr>
<td>21</td>
<td>Mazowieckie: SME Development Ostrow and Wyszkow</td>
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<td>22</td>
<td>Mazowieckie: SME Development Nasielsk</td>
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<td>Opolskie: Development of industry Bierawa</td>
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<td>24</td>
<td>Podkarpackie: Industry development Ropczyce</td>
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<td>25</td>
<td>Podkarpackie: SME development Debica</td>
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<td>Podkarpackie: SME development Lesko</td>
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<td>Podkarpackie: Activation investment areas Rzeszow</td>
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<tr>
<td>28</td>
<td>Podkarpackie: SME development Tarnobrzeg</td>
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</tbody>
</table>
The figures in the budget table are indicative only.
In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds.
The Community contribution may amount to up to 75% of the total eligible\(^1\) public expenditure.
Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of PHARE assistance.

4. **IMPLEMENTATION ARRANGEMENTS**

\(\textbf{a.) Financial and Project Management by the Candidate Country}\)

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision* and the Agreement on the Implementation of EDIS* (EDIS Implementation Agreement; EIA) concluded between Poland and the Commission\(^2\). Prior to the conclusion of said Agreement, implementation will exceptionally follow Phare Decentralised Implementation System (DIS) procedures\(^3\). Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Implementation Agreement* and/or the DIS Manual as well as the other instructions of the Commission, and that all contracts

\(^1\) Taxes are not an element eligible for co-financing
\(^3\) in accordance with the rules set down in Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

\* working title
required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare, ISPA and SAPARD, as well as the Structural and Cohesion Funds.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the Phare funds. He shall ensure that the Phare rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community State aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

b.) Project size
All projects will be greater than € 2 million, except for the following: 01.02 Public procurement mechanisms and practices, 03.01 Migration and asylum infrastructure, and 04.02 Strengthening implementation of the Common Fisheries Policy. All projects have been tailored based on the actual and existing needs. For the above-mentioned projects, there is no necessity for a higher level of funding at this moment.

c.) Contracting and disbursement deadline; programming deadline
All contracts must be concluded by 30 November 2005. In no case can the contracting period exceed 3 years after the date of the global commitment.
All disbursements must be made by 30 November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d.) Clearance of Accounts Procedure and Recovery of Funds
A clearance-of-accounts procedure in line with Art. 53 par. 5 of the Financial Regulation⁴ and Art. 42 of the Implementing Rules to the Financial Regulation⁵ will be put in place. Any proven irregularity or fraud⁶ discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission. If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.
Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission’s approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.
Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary

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⁵ Commission Regulation 2342/2002 of 23 December 2002
⁶ As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document
country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

(a) reduce or cancel any advance;
(b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems. Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed. Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

d.) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Poland in December 1998. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Central Bank.

aa) Transfer of Funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally, representing pre-financing\(^7\) will be sent 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. Two further transfers of up to 30 % each of the funds to be managed locally will be made. The second transfer will be triggered when 5% of the budget\(^*\) has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35% of the total budget in force has been disbursed. A fourth transfer will be made when 70% of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after expiry of the disbursement deadline the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made. (closure of expenditure)\(^8\). Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for

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\(^7\) as defined in Art. 81.1.b.i of the Financial Regulation

\(^8\) as defined in Art.105 of the Implementing Rules
express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies
The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the Establishment of the National Fund.
Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.
For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses.
The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. 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.

c.) Transfer of Funds to the National Fund for Participation in Community Programmes and Agencies
A single advance will be made to the National Fund to cover the full amount of the PHARE part of the financial contribution for participation in Community programmes and agencies. This advance will be made following signature of the Financing Memorandum and upon request from the National Fund.
This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.
If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be divided into two or more tranches, so that 100% of the funds necessary for the programmes in force can be transferred immediately.
The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission's Directorate General responsible for the programmes concerned and within the deadlines requested.
dd.) Interest
In principle, all bank accounts9 will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

f.) Implementing Agencies will be responsible for sub-programmes as follows:
All projects under Objectives 1, 2 and 4: Central Financing and Contracting Unit (CFCU). All other projects: Implementing Authority for Phare Cross Border Co-operation Programme (IA-CBC), except for projects 1, 2, 3 and 4 under Objective 5: Polish Agency for Enterprise Development (PAED).

g.) Environmental Impact Assessment and Nature Conservation
The procedures for environmental impact assessment as set down in the EIA-directive10 are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented11. If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive12 must be documented13. All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

h.) Special rules for certain components for the programme

Twinning
The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

Grant Schemes
For Grant Schemes, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.
- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve

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9 in particular, but not exclusively, accounts run by the NF, the CFCU and IAs
11 in Annex EIA to the corresponding investment project fiche
12 DIR 92/43/EEC; OJ 206/7; 22.7.1992
13 in Annex Nature Conservation to the corresponding investment project fiche
the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Poland will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).
- The implementation of selected projects through provision of works, supplies and services, sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement regulations in the Practical Guide.
- Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner (cf. Section 11 and Annex 4 of the 2003 PHARE Programming Guide), the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above-mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.
- Grant schemes will not involve projects for which PHARE contribution is more than € 2 million and less than € 50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present Financing Memorandum.

5. MONITORING AND EVALUATION

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).
For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

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

6. AUDIT AND ANTI-FRAUD MEASURES

a.) By the Candidate Countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of national or Community law, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:

(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

(ii) non-disclosure of information in violation of a specific obligation, with the same effect,

(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94. In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

b.) By the Commission

\[14\] in accordance with the rules set down in Art. 54 of the Financial Regulation

\[15\] defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).

\[16\] OJ L 178, 12.7.94; p. 43-46
All Financing Memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and audits by the Court of Auditors. This includes on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96\(^{17}\).

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.

7. **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 set down in the Annex “Visibility/Publicity”. *(enclosed)*

8. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of Poland, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

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\(^{17}\) OJ L 292; 15.11.1996; p. 2-5
ANNEX ON

INFORMATION AND PUBLICITY FOR THE PHARE, ISPA AND SAPARD
PROGRAMMES OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

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


Specific provisions concerning ISPA are included in:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.
The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

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

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:

- measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.
4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

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

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

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

Information events

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

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, Ispa or Sapard should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.
Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

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

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

5. Special arrangements concerning billboards, commemorative plaques and posters

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

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.
In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.