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 Romania, 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 12 March 1991 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: RO 99.09
Title: 'Large Scale Infrastructure Facility - Part 5'
Duration: Until 31 December 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 14.3 MEURO hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31 December 2000, subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 31 December 2003. 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:

EC Delegation in Bucharest
11, Strada Grigore Mora,
71278 BUCURESTI
Romania

Fax: (40-1) 230 2453

for THE RECIPIENT:

THE GOVERNMENT OF ROMANIA
Department of European Integration
Piata Victoriei 1
BUCHAREST
Romania

Fax (40-1) 312 6929

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 Bucharest, Date
for THE RECIPIENT

Mr. Petre Roman
Deputy Prime Minister
Minister of Foreign Affairs of Romania
National Phare Coordinator

Done at Bucharest, Date 30/12/99
for THE COMMUNITY

Mr. Fokion Fotiadis
Head of European Commission Delegation to Romania

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

1 OBJECTIVES AND DESCRIPTION

1.1 Overall and Specific Objectives

The overall objective for the LSIF is to facilitate the applicant countries efforts to join the European Union as soon as possible.

The LSIF has three specific objectives:

a) to facilitate priority investments in transport and environment with a significant accession and/or transboundary impact.

b) to facilitate loans from the participating IFI’s and co-financing from the beneficiary countries.

c) to familiarise the applicant countries with the competitive application and selection process - and decentralised implementation procedures - which shall be used by the Instrument for Structural Pre-Accession which will come into force in 2000.

1.2 Project Eligibility

An LSIF project must meet a number of eligibility criteria for it to be considered for support:

a) it must be co-financed with an IFI in accordance with the Copenhagen criteria and have the necessary commitment of co-financing from the beneficiary.

b) it must complement existing financiers and not “crowd out” any existing co-financing (termed additionality)

c) it must be ready for contracting soon after signature of the Financing Memorandum.

d) The Phare component must have a minimum Phare project size of at least €2 million.

1.3 Project Selection, Transparency and Consultation

The selection process for the Financing Proposal commenced with a request to the candidate countries for a long list of potential projects for co-financing under the LSIF in 1999.
### LSIF BUDGET SUMMARY

#### LSIF FP Part 1 – Transport
Status: in implementation

<table>
<thead>
<tr>
<th>Country</th>
<th>Meur</th>
<th>Sector</th>
<th>Project Title</th>
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</thead>
<tbody>
<tr>
<td>Bulgaria</td>
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<td>Tpt</td>
<td>Railway Track Renewal</td>
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<tr>
<td>Latvia</td>
<td>5</td>
<td>Tpt</td>
<td>Rehabilitation of railways E-W corridor</td>
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<tr>
<td>Poland</td>
<td>20</td>
<td>Tpt</td>
<td>A1 Motorway</td>
</tr>
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<td>Romania</td>
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<td>Tpt</td>
<td>Roads III</td>
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</thead>
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<tr>
<td>Estonia</td>
<td>5</td>
<td>Tpt</td>
<td>Tallinn-Narva and Tapa-Petseri Railway lines</td>
</tr>
<tr>
<td>Hungary</td>
<td>16</td>
<td>Env</td>
<td>Budapest Municipal Waste Water Programme</td>
</tr>
<tr>
<td>Lithuania</td>
<td>4</td>
<td>Tpt</td>
<td>Marijampole Bypass (Via Baltica road corridor n° 1)</td>
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#### LSIF FP Part 3 – Environment
Status: in tendering, implementation starts when financing memoranda are signed with candidate countries

<table>
<thead>
<tr>
<th>Country</th>
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<th>Sector</th>
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<td>Env</td>
<td>Leipaja/Madona Environment Project - Bolt-on</td>
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<td>Lithuania</td>
<td>10,2</td>
<td>Env</td>
<td>Klaipeda/Panevezys Environment Project – Bolt-on</td>
</tr>
<tr>
<td>Slovenia</td>
<td>6,5</td>
<td>Env</td>
<td>Slovenia Maribor Water Concession – Bolt-on</td>
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<td>Project Preparation Support</td>
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<td>Env+tpt</td>
<td>multi-country TA</td>
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#### LSIF FP Part 4 - Project Preparation for ISPA
Status: in habilitation

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<th>Meur</th>
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<th>Project Title</th>
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<tr>
<td></td>
<td>26,8</td>
<td>Env+tpt</td>
<td>Various projects identified in financing proposal</td>
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<td></td>
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</table>
The submissions of the countries constituted an indicative long-list which was then screened in inter-service consultation with the relevant Commission services (i.e. Directorate Generals of transport, environment and regional development). A resulting list of projects was drawn up which had a high impact on a priority area as highlighted in the Accession Partnership and NPAA’s and, in many cases, which addressed a key trans-boundary issue, notably regional interconnectivity in transport and the regional environmental problems.

The projects remaining on the list was then appraised for feasibility and readiness, alongside the relevant IFI’s. Those which met the criteria cited above are being presented in this financing proposal.

Special emphasis was given to those projects which could lever maximum additional resources from IFIs, partner countries and the private sector, which facilitate the earlier financing of additional phases in the target projects which otherwise would not take place and which move significantly towards compliance with the relevant EU directive. For example, LSIF support in this financing proposal to Brno in the Czech Republic permits the municipality to upgrade the waste water treatment plant to a higher level which is more in compliance with EU directives and to undertake work five years earlier than originally foreseen in the municipality’s overall waste water rehabilitation programme.

1.4 Description of Projects

This section provides a summary description of the projects to be financed under this financing proposal. Further details are provided in the accompanying project fiches in Annex 1.

Projects will be financed under LSIF Part 5 in all candidate countries with the exception of Slovakia and Hungary. The Slovak projects submitted do not have supporting IFI’s yet and the lead Hungarian projects are not ready or, in one case, have already received LSIF support which is not yet in implementation. Any projects which have been rejected under the current LSIF Part 5 procedure, including those in Slovakia and Hungary, will be passed onto the relevant programming authorities for ISPA.

This current financing proposal attempts to address critical environmental problems which are not generally supported by the financial community, notably waste issues (e.g. Estonian tailing pond remediation project), air pollution abatement (e.g. Romania Thermal Energy Conversion project) and alternative power sources (e.g. Podhale geothermal project). Depending on progress, these projects may be replicated by future Community financing instruments.
Also notable in this Financing Proposal is Phare's efforts to leverage investment from the private sector to meet environmental costs. Through its support to municipal projects involving concessions and operating arrangements with private companies (i.e. water projects in Kranjska Gora Slovenia and Brno Czech Republic), the LSIF is seeking to leverage more resources to overcome environmental problems while also assisting beneficiary municipalities to comply with the acquis.

This approach is in recognition that the private sector is the only viable sources for bridging the huge financing gap in environment. Great care is however given to ensuring that the grant facilitates the concession by reducing its cost on the tariff paying public and does not benefit the private sector companies. To this end, the operators concerned are excluded from tendering for the LSIF projects because of their privileged position and the assets financed by Phare remain the property of the municipal beneficiary concerned.

As is customary on all IFI projects, each Phare allocation shall include supervision costs to ensure efficient implementation. Given the complexity of procurement on this project and the need to match the IFI's project implementation schedule on large scale infrastructure projects, prequalification tendering is currently underway on most of the projects listed. This ensures that the LSIF requirement for rapid contracting after signature of the Financing Memorandum is met. Any cost overruns on contracts involving Phare will be covered by funds from other cofinanciers, as the allocations below cannot be exceeded.

1.4.1 Bulgaria

Title: Sofia Waste Water Treatment Plant
IFI: EBRD
Phare: € 23 million
Outline: Within the overhaul and upgrading of the Sofia drinking and waste water system, the Phare component will focus on upgrading the waste water treatment plant. The municipality is upgrading the sludge treatment. The upgrading of the network and any remaining infrastructural work on the plant will be undertaken through an operating arrangement being tendered now with a private sector company. The EBRD will make a loan to the operating company which will finance the capital works it is responsible for. The Phare component facilitates this operating arrangement, effectively making it affordable for the municipality to consider the upgrading of the whole waste water treatment and water supply system to EU standards, the establishment of a concession arrangement for its operation, and ensures that the outdated plant moves more rapidly to compliance with the relevant directives.
1.4.2 Czech Republic
Title: Brno Municipal Water Project
IFI: EBRD
Phare: € 14.2 million
Outline: Within the upgrading programme of the Brno drinking and waste water system, the Phare component will focus on upgrading the main sewer leading to the plant. The municipality is upgrading the plant and other aspects of the network. The EBRD will make a loan to the municipality for the financing of the work that it is responsible for. The municipality is now finalising an operating arrangement with a private sector company for the operation of the plant. The Phare component facilitates this operating arrangement, effectively making it affordable for the municipality to consider, and ensures that the severe leakage problems in the network are addressed, an aspect which would not be addressed in the medium term without Phare’s presence.

1.4.3 Estonia
Title: Sillamae Tailing Pond’s Remediation
IFI: NEFCO / NIB
Phare: € 5 million
Outline: A uranium mining operation now closed has left a pond of toxic waste, largely heavy metal residue. This pond needs to be remediated urgently for the protection of human health, the biodiversity of the local environment and the Baltic Sea in general. The entire clean-up programme will span five years with Phare financing the initial stages followed by co-financing from NEFCO and the NIB. As well as promoting compliance in the area of hazardous waste, the project affects all directives relating to biodiversity. Depending on progress, this project may serve as a pilot for addressing similar uranium mine problems in the region.

1.4.4 Latvia
Title: Two projects within the Project 800 programme – the Three Towns Project (Bauska/Kuldiga/Saldus) and the Five Towns project (Kraslava/Gulbene/Aizkraukle/Jekabpils/Talsi).
IFI: NEFCO / EBRD
Phare: € 5.5 million (€ 2.345 million Bauska/Kuldiga/Saldus and € 3.155 million Kraslava/Gulbene/Aizkraukle/Jekabpils/Talsi).
Outline: The Project 800 programme in Latvia addresses the pollution needs of some 800 small municipalities which cumulatively represent a critical hot spot for the region, including the Baltic Sea. The Phare contribution brings the “hot spot” towns listed above into compliance with Urban Waste Water and the Drinking Water directives, the costs of which would have made the projects’ financially unviable for the beneficiary.
1.4.5 Lithuania

Title: Jurbarkas Environment Project
IFI: EIB
Phare: € 2 million
Outline: The Phare allocation permits Jurbarkas municipality to be addressed as part of the overall € 8 million programme for this and neighbouring towns which will bring this micro-region into compliance with the Urban Waste Water and Drinking Water directives, reduce trans-boundary pollution into the Baltic Sea and facilitate the ability of the municipality to tackle new phases in the upgrade of its waste water system.

1.4.6 Poland

Title: Podhale Geothermal Project
IFI: IBRD
Phare: € 14 million
Outline: The project co-financed with the IBRD will put in place a geothermal energy plant in the town of Zakopane. The project assists in reducing air pollution caused by increased use of pollutant fuels in this increasingly important tourist area of southern Poland which attracts now over four million visitors each year. The project will result in compliance on air directives as well as reducing transboundary pollution to Slovakia.

Title: Bielsko-Biała Waste Water Treatment Programme
IFI: IBRD
Phare: € 5 million
Outline: The project co-financed with the IBRD will finance the rehabilitation of the municipality’s water and waste water system. The project is co-financed with the IBRD and shall involve an operating arrangement with a private sector company. The project will result in compliance on relevant water and waste water directives.

Title: Rural Environment Programme
IFI: IBRD/Nefco
Phare: € 3.5 million
Outline: The project co-financed with the IBRD and Nefco will reduce nitrate pollution from farming sector in a target region in Poland. The project will involve financing of farm improvement and tanks to control nitrate run-off which heavily pollutes river and ground water sources. The project will achieve compliance with nitrate directive as well as serving as a pilot project for replication elsewhere in Poland after 2000.
1.4.7 Romania

Title: Municipal Utilities Development Programme (Brasov and Constanta)

IFI: EBRD

Phare: € 8 million (€ 4 million Brasov and € 4 million Constanta)

Outline: The Municipal Utilities Development Programme (MUDP) has proven a very successful investment programme of water and wastewater improvement co-financed with EBRD financing. However, the elements related to the two municipalities - Brasov and Constanta - which are proposed have not been addressed for reasons of affordability. The Phare investment will ensure their inclusion in the overall programme, permitting the MUDP to attain its original programme targets as well as raising compliance levels above those originally foreseen.

Title: Jiu Valley Waste Water Treatment Plant

IFI: EBRD

Phare: € 4.1 million

Outline: The proposed project is a bolt-on – providing a biological treatment capacity to the existing Uricani plant and rehabilitating the sewage network for Lupeni. The projects will result in the two towns being compliant with the relevant EU directives.

Title: Oltenita Thermal Energy Conservation Project

IFI: EBRD

Phare: € 2.2 million

Outline: The project involves the replacement of heat exchangers with light fuel fired boilers at eleven locations in Oltenita on the Romanian/Bulgarian border. This will permit the closure of the heavy fuel oil boiler in Oltenita and thus the marked reduction in Sox, Nox and particulate emissions in the town.

1.4.8 Slovenia

Title: Kranjska Gora Municipality Waste Water Project

IFI: EIB

Phare: € 2.5 million

Outline: The objective of this project is the construction of a new central waste water treatment plant and main collector in Kranjska Gora Municipality to meet the requirements of the EU Urban Waste Water Treatment Directive. The waste water treatment plant will reduce the impact of effluent discharges into the Sava Dolinka river. It is co-financed with the EIB.
Title: Murska Sobota Railway Rehabilitation (Development of Railway Corridor V in Slovenia)

IFI: EBRD / EIB

Phase: €10 million

Outline: The project involves the: (i) replacement of existing mechanical signalling and safety devices with new electronic devices on the Ljubljana - Sezana railway line; (ii) modernization of the Ormoz - Murska Sobota railway line with reconstruction of Ivanjkovci, Ljutomer and Beltinci railway stations comprising the prolongation of rail tracks, the installation of signalling and safety devices, construction of appropriate facilities for passengers; and, (iii) deviation of approx. 2 km of railway line endangered by landslides. The project will have important transboundary impact as it will contribute to ensuring the rapid traffic connection with Hungary and other countries of Central and Eastern Europe after the opening of the new railway link with Hungary in the year 2000.

There will be significant additional benefits from the project including safe access to platforms, faster traffic flow, improved safety through electronic signalling and expanded line capacity.

The environmental impact assessment procedures of the IFI and beneficiary country have been followed for each of the investment projects under the LSIF, details of which are provided in the individual project fiches.

Equal opportunity for men and women to participate in all projects will be ensured.

2 BUDGET

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All figures in Euro million.
3 IMPLEMENTATION ARRANGEMENTS

While the LSIF 1999 is presented to the Management Committee as a horizontal facility, the projects shall be implemented through either:
(i) the Phare national programme structures following the DIS system; or,
(ii) directly by the co-financing IFI on the basis of a Parallel Co-financing and Delegated Implementation Agreement (PCA) through which the IFI shall be responsible for implementation. In this case, the DIS system will not be followed.

The LSIF will be split on a project by project basis by signing 8 separate Financing Memoranda, as set out in the following table, thereby allowing an optimal follow up in each individual country and a maximum efficiency in project implementation.

<table>
<thead>
<tr>
<th>Country and Project Title</th>
<th>Financing Memorandum</th>
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3.1 Implementation through National Programmes

The following LSIF projects will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes:

co-financed
2. Czech – Brno Waste Water Pipeline Remediation
3. Lithuania - Jubarkas Waste Water Project
4. Poland – Podhale Geothermal Project
5. Poland – Bialsko-Biala Waste Water Project
6. Romania – MUDP Brasov Project
7. Romania – MUDP Constanta Project
8. Romania – Jiu Valley Waste Water Project
9. Romania – Thermal Energy Conservation Project
10. Slovenia – Kranjska Gora Waste Water Project
11. Slovenia - Murska Sobota Railway Project

The National Fund (NF) in each of the countries respectively is as follows:
1. Bulgaria - Ministry of Finance
2. Czech Republic – Ministry of Finance
3. Lithuania - Ministry of Finance
4. Poland - Ministry of Finance
5. Romania – Ministry of Finance
6. Slovenia – Ministry of Finance

Each National Fund is headed by the National Authorising Officer (NAO) who will supervise the financial management of the Programme and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme.

Funds shall be held in the National Fund and made available for payments by the implementing agency (IA), according to the normal national programme structures. Procurement of all contracts and payments will be made by the relevant IA to the contractor. The beneficiary will be involved in the day to day supervision, reporting back on progress to the IA.

The Commission will transfer the funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Ministry of Finance. Funds will be transferred following requests from the NAO as follows:

- Bulgaria: A payment of € 4,600,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to € 4,600,000 or the full balance of the budget, whichever is the lesser amount.
- Czech: A payment of € 2,840,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to € 2,840,000 or the full balance of the budget, whichever is the lesser amount.
- Lithuania: A payment of € 400,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to € 400,000 or the full balance of the budget, whichever is the lesser amount.
- Poland: A payment of € 3,800,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to € 3,800,000 or the full balance of the budget, whichever is the lesser amount. Please note that funds for the Rural Environment Project in Poland will not pass through the National Fund but will instead be disbursed directly to the managing IFI on the
basis of a Parallel Co-financing and Delegated Implementation Agreement (PCA) signed centrally between the IFI and Commission.

- Romania: A payment of €3,700,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to €3,700,000 or the full balance of the budget, whichever is the lesser amount.

- Slovenia: A payment of €2,500,000 will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made to be managed locally of up to €2,500,000 or the full balance of the budget, whichever is the lesser amount.

The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Four replenishments will be made up to 20% of the funds to be managed locally or the full balance which ever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

The National Fund will transfer funds to Implementing Agencies (IAs), including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU there will be no transfer of funds from the NF to the CFCU. The CFCU and the IAs will each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

The Implementing Agency has overall responsibility for tendering, contracting and payments.

A separate bank account, denominated in EURO, will be opened and managed by the NF in a separate accounting system in the central banks or in a Bank agreed in advance with the Commission. Interests will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the
NAO, interests may be reinvested in the Programme. In principle, all bank accounts will be interest bearing.

The same procedures will apply to any funds transferred to an IA or CFCU.

Please note that in the case of Latvia, the National Fund will be the paying agency.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual’s procedures on IFI/Phare co-financed projects.

All capital works contracts under this Financing Proposal will be greater than 2 meur.

The implementation arrangements for each project is summarised in the table overleaf.

**Implementation Arrangements**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Implementing Agency</th>
<th>Supervision¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria – Sofia Waste Water Treatment Project</td>
<td>CFCU</td>
<td>Joint Implementation Unit for Water Projects (Mins of Reg Dev and Public Works and the Ministry of Environment and Water)</td>
</tr>
<tr>
<td>Czech – Brno Waste Water Pipeline Remediation</td>
<td>Ministry for Regional Development (Centre for Regional Development)</td>
<td>Municipality and water company</td>
</tr>
<tr>
<td>Estonia – Sillamäe Remediation Project</td>
<td>NEFCO (through Parallel Co-financing Agreement)</td>
<td>Project Implementation Units in municipalities under direct guidance and control of NEFCO</td>
</tr>
<tr>
<td>Latvia – Three Towns Project</td>
<td>NEFCO (through Parallel Co-financing Agreement)</td>
<td>Project Implementation Units in municipalities under direct guidance and control of NEFCO</td>
</tr>
</tbody>
</table>

¹ Supervision refers to the technical management of the project. It should not be confused with supervision tasks included in FIDIC contracting procedures.
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Implementing Agency</th>
<th>Supervision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia – Five Towns Project</td>
<td>NEFCO (through Parallel Co-financing Agreement)</td>
<td>Project Implementation Units in municipalities under direct guidance and control of NEFCO</td>
</tr>
<tr>
<td>Lithuania – Jubarkas Waste Water Project</td>
<td>CFCU</td>
<td>PIU in municipalities of Klaipeda and Paneveis</td>
</tr>
<tr>
<td>Poland – Podhale Geothermal Project</td>
<td>National Fund for Environmental Protection (Implementing Agency)</td>
<td>PEC Geotermia Podhalanska</td>
</tr>
<tr>
<td>Poland – Bialsko-Biala Waste Water Project</td>
<td>National Fund for Environmental Protection (Implementing Agency)</td>
<td>Project Implementation Unit - AQUA Investment Department.</td>
</tr>
<tr>
<td>Poland – Rural Environment Project</td>
<td>NEFCO (through Parallel Co-financing Agreement)</td>
<td>Project Implementation Unit in National Fund for Environmental Protection under direct guidance and control of NEFCO</td>
</tr>
<tr>
<td>Romania – MUDP Brasov Project</td>
<td>CFCU</td>
<td>EBRD Project Implementation Unit in municipality (Ministry monitoring)</td>
</tr>
<tr>
<td>Romania – MUDP Constanta Project</td>
<td>CFCU</td>
<td>EBRD Project Implementation Unit in municipality (Ministry monitoring)</td>
</tr>
<tr>
<td>Romania – Jiu Valley Waste Water Project</td>
<td>CFCU</td>
<td>EBRD Project Implementation Unit in municipality (Ministry monitoring)</td>
</tr>
<tr>
<td>Romania – Thermal Energy Conservation Project</td>
<td>CFCU</td>
<td>EBRD Project Implementation Unit in municipality (Ministry monitoring)</td>
</tr>
<tr>
<td>Slovenia – Kranjska Gora Waste Water Project</td>
<td>CFCU</td>
<td>Municipality (employer under Fidic contract)</td>
</tr>
<tr>
<td>Slovenia - Murska Sobota Railway Project</td>
<td>Ministry of Transport and Communications / CFCU</td>
<td>Ministry</td>
</tr>
</tbody>
</table>

3.2 Implementation through the Co-financing IFI

In the case of the following LSIF projects, the Commission will transfer funds in tranches according to a disbursement schedule directly to the IFI which, in cooperation with the IFI’s loan borrower in question, shall handle procurement and financial management on behalf of the European Commission, according to the procedures set down in a Parallel Co-financing and Delegated Implementation Agreement (PCA) signed between the IFI and Commission:
1. Estonia – Sillamae Remediation Project
2. Latvia – Three Towns Project
3. Latvia – Five Towns Project
4. Poland – Rural Environment Project

In these cases, the DIS system will not be followed for these projects. Instead, once the Financing Memorandum is signed by the Commission and National Aid Coordinator concerned, the PCA will be signed by the Commission centrally on behalf of the country concerned and the co-financing IFI (ie. NEFCO). On the basis of this, the funds for the above projects shall be released to the IFI concerned which shall procure, implement and manage the Phare component alongside its own component on the project. Under the PCA, the procurement and implementation procedures of the co-financing IFI shall be followed but the EU Phare rules of eligibility and origin shall be applied.

The principles of the PCA are:

a) the IFI takes on responsibility to manage the implementation of the Phare component, using the structures and procedures set up to manage its loan.
b) the funds are channelled through the IFI concerned and released in tranches against signed contracts
c) the IFI’s procedures and documentation throughout the implementation cycle are used for the Phare component. Using the IFI’s procedures and documentation considerably eases the administrative burden on the implementing authority. Both Phare and IFI documentation and procedures on works contracts are based on FIDIC procedures (Federation of International Consulting Engineers) and so both systems involve the same efficiency and security in implementation.
d) While the IFI’s procedures and documentation on procurement will be used, the Phare regulations on advertising, rules of eligibility, rules of sourcing and origin and transparency will still be followed.
e) the IFI takes on responsibility to monitor and report to the Commission on implementation of the Phare component.
f) the Commission and European Court of Auditors reserve their rights to audit records concerning the Phare component and to conduct independent monitoring and evaluation missions.

3.3 General Conditions

All contracts must be concluded before December 31, 2000. All disbursements on all projects must be made before December 31, 2003.

All requests for transfer of funds (including the first) must be accompanied by a written confirmation that the activities will be contracted locally.
Any funds not used by the expiry date of the programme will be recovered by the Commission.

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

4 MONITORING AND ASSESSMENT

On a country by country basis, a Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all Phare funded programmes - including the LSIF projects in their countries - 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 reallocation of Phare funds.

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

5 AUDIT AND EVALUATION
On projects implemented through Phare National Programme structures, 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.

On projects where implementation is delegated to the co-financing IFI, the Commission maintains the same rights of access to IFI financial records concerning the Phare funds for auditing purposes, as indicated above under the National Programmes.

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

6 VISIBILITY / PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are attached in Annex.

7 SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the implementing authority concerned or the IFI with whom the project is co-financed, 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.
ANNEX D

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:


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

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, 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.