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 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 9911
Title: 1999 Cross-Border Co-operation Programme between Romania and Bulgaria
Duration Until 31 December 2001

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

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

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31 December 2001 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 2002 with the exception of project RO9911.01.02 (Giurgiu-Ruse Railway Bridge rehabilitation) for which the deadline for disbursement 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:

Delegation of the European Commission to Romania
11, Grigore Mora Str.
71 278 Bucharest
Romania

Tel.: (40-1) 230 36 36
Fax: (40-1) 230 24 53

for THE RECIPIENT:

The Government of Romania
Department for European Integration
Piata Victoriei 1
Bucharest
Romania

Tel.: (40-1) 312 47 32
Fax: (40-1) 312 69 29

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

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 3 Visibility and Publicity
ANNEX 2       SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

1.1. The general objectives of the Bulgarian Romanian Phare CBC programme are:

- To promote good neighbourliness and stability in the CEEC border regions by funding projects which will yield tangible benefits to the regions and communities on both sides of the border;
- To promote co-operation between border regions in both countries, helping these regions to overcome the specific development problems which may arise, *inter alia*, from their position within the national economies, in the interest of the local communities and in a manner compatible with environment protection;
- To promote the creation and further development of co-operation networks on either side of the border and establishment of links between these links and wider Community networks.

1.2. The specific objectives and programme results are reflected in the following priority areas:

- To improve the existing infrastructure in the fields of energy and transport, aimed at complementing the development of Trans-European Networks in accordance with the orientations adopted by the European Commission *(Sub-programme 1)* by project proposals concerning:
  - The energy sector – improvement of cross-border relations between both countries by ensuring the continuous supply of natural gas
  - The transport sector – improvements on Pan-European Corridors IV (Dresden/Nuremberg-Constanta/Thessaloniki/Istanbul) and IX (Baltic Sea-Aegean Sea, on the sector Bucharest/Dimitrovgrad)
- To promote the environmental protection by establishing a joint air monitoring system along the Danube and by harmonising both countries field legislation according to the EC standards *(Sub-programme 2)*
- To identify future projects in the regional development sector in order to be financed by future Phare CBC Programmes or other EC funds *(Sub-programme 3)*.

PRIORITY 01: Projects in the fields of energy and transport, within the Trans-European Networks

Projects RO9911.01.01 and BG9916.01.01 - Modernisation of border equipment of Gas Metering Station Negru Voda on the gas pipeline Romania-Bulgaria

1. The proposed joint project *(Modernisation of Border Equipment Negru-Voda and Kardam at the Gas Pipeline crossing the Common Border)* consists of two "mirror" projects. Financing is justified under this heading because the main aim is to upgrade gas
transit infrastructure on both sides of the border up to the international standards and according to the EC Directive, which will be in the benefit of the development of Trans-European gas networks.

2. Security arrangements at the border, especially for construction through the restricted area will be specified in the tender documents.

3. ROMGAZ and BULGARGAZ will provide all necessary data and inspection equipment for the consultant in charge to complete design.

4. As the project consists of two “mirror” parts in Romania and Bulgaria, common tender procedures will be performed with separate costs and each country will sign its own contract.

**Project RO9911.01.02 - Railway Superstructure Rehabilitation and Continuation of the Substructure Safety Works at Giurgiu-Ruse Bridge**

1. The project has to consist of railway superstructure and substructure rehabilitation works on the combined railway/road Giurgiu-Ruse Bridge over the Danube, because a further deterioration of the bridge would seriously affect the international traffic between Romania and Bulgaria and generally on this part of transport networks.

2. The activities undertaken will support the construction and upgrading of Pan-European transport corridors IV and IX and their future integration with the Trans-European transport networks of the European Union, according to requirement of the Commission Regulation (EC) No. 2760/98, Art. 5.1(e).

3. This project (railway bridge superstructure rehabilitation and consolidation of the river bed) is a “mirror project” of works to the Bulgarian part of the bridge, financed under Phare Multi-Country Transit Facilitation Programme, and is complementary with on-going piers rehabilitation and river bed retaining works on the Romanian part, financed under the Phare Multi-Country Transit facilitation Programmes 1995 (rehabilitation of abutments and piers, and river retaining – phase 1) and 1997 (rehabilitation of abutments and piers, and river retaining – phase 2).

4. It is also considered to be complementary with the future improvement of the Railway Station in Ruse project on the Bulgarian side, to be proposed for financing in the next year as a medium-term priority, under Phare CBC Programme.

**Project BG9916.01.02 - Erection of a winter camp for winter pass on the Danube river (1st Stage)**

1. Thanks to the first stage of the erection of the site, 22 river vessels with measures 12/71 meters and tonnage up to 900 tons will have the possibility to spend the winter there, instead of 10 at the present moment.
2. The project includes a partial building of a vertical quay gravitational wall with the relevant infrastructure to it: water supply and drainage system, kiosk switchgear and a local site lighting system.

3. The erection of the winter camp will bring following benefits for Bulgaria and Romania:
   - improvement of the safety at the entrance of the Rousse-port and at the entrance of the freight loading terminal due to the quayage of the vessels, navigating on the Main Danube directly into the winter camp
   - decrease of the emergencies number with river vessels for the both countries;
   - development of the communication infrastructure of the region;
   - improvement of the water quality and of the micro climate of the region;

4. Main Cross Border Impact:
   - Improvement of the navigation safety on the Danube river
   - Positive impact to the environment and to the climate
   - Decrease of the unemployment into the region of Rousse

**PRIORITY 02: Environmental Protection Projects**

**Projects RO9911.02.01 and BG9916.02.01 – Joint Air Quality Monitoring System on the Romanian/Bulgarian Boundary Towns on Lower Danube**

1. The activities undertaken will be in line with requirements of the Commission Regulation (EC) No. 2760/98, Art. 5.1(c), referring to the need for “environmental management and pollution prevention dealing with problems exacerbated by the proximity to external borders”.

2. Both countries have to take into account the results provided by an independent expert’s assessment in order to establish common procedures for the management of the joint monitoring system. EC Commission will agree the supply of necessary equipment only after the establishment of the above-mentioned procedures.

3. An air pollution control programme is to be approved by both ministries, consisting of a set of actions to achieve the air quality standards.

4. As the project consists of two “mirror” parts in Romania and Bulgaria, common tender procedures will be performed with separate costs and each country will sign its own contract.
PRIORITY 03: Regional Development Plan

Project BG9916.03.01: Preparation of Co-operation Development Plan

This project consists in the preparation of a Cross-Border Co-operation Plan which will assess the existing regional and local infrastructure (environment, communication facilities, and other utilities), the potential of economic development, business and cultural co-operation in the border region of both countries. The importance of the co-operation plan should be seen in terms of both a process, which will enhance the capacity of the region in terms of regional development and a final output comprising a document which will identify priorities and measures for the development of the border region and will include an action plan that identifies a number of indicative projects for both countries.

Project 03.01 will finance actions for both countries. It is intended that in the Phare 2000 CBC programme, Romania will finance from their resources an equivalent fund.
## 2. BUDGET

### Romania:

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<tr>
<th>Item No.</th>
<th>Romania - Allocation</th>
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### 3. IMPLEMENTATION ARRANGEMENTS

#### 3.1. Joint Programming and Monitoring Committee

A Joint Co-operation Committee (JCC) has been established on the basis of the requirements of Commission Regulation No. 2760/98, Art. 7(1).

The co-chairmen of the Joint Co-operation Committee are on the level of:
- Secretary of State/Romanian Ministry of Public Works and Regional Planning;
Deputy Minister/Bulgarian Ministry of Regional Development and Public Works.

The co-chairmen define the composition of their respective delegations to the JCC, on central and local public administration level, and may set up field working groups consisting of representatives of local authorities and experts from the ministries and other institutions concerned. These working groups will review in detail the progress of each project, putting forward recommendations on aspects of management and evaluation, reporting to the JCC.

The European Commission representatives take part to the meetings of JCC as members. They examine the conformity with EU rules, requirements of proposed measures and projects, and of implementation arrangements, taking a view on the complementary of project proposals with respect to Phare CBC Bulgarian component.

The ordinary meetings of JCC would be held every six months to review the programme, in either of the countries concerned, in order to assess its progress towards meeting the objectives set out. Extraordinary meetings may be required during the period of preparation of programmes and annual financing proposals or in case of any special implementation issue. Such events may be called at any time, by agreement of co-chairmen or the Commission. Extraordinary meetings called at the request of the Commission may be held in Brussels.

The preparation of reports, agendas and minutes of the meetings of the JCC are organised by the co-chairmen and their services.

The JCC, deciding by consensus, should in particular to:

- Give its opinion on the priorities, objectives and CBC proposed measures to be included in the Joint Programming Document;
- Approve the final annual selection of project proposals;
- Receive progress reports, reviews and assessments of the already approved programmes and their component parts;
- Initiate and support activities that could promote CBC measures and make more effective current and future CBC programmes.

3.2. Romania:

The programme will be managed according to the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO) will supervise the financial management of the Programme, and will be responsible for all aspects of financial control and reporting to the European Commission. The competent National Financial Control Authority with respect to the Programme implementation shall carry out the appropriate financial control.

The Commission will transfer funds to the NF according to the Memorandum of Understanding signed between the Commission and the Romanian Government. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Arrangements (FAs) between the NF and the Implementing Agency (IA). 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 Programme Authorising Officer (PAO) and a description of the system related to the flow of transactions between the NF and IA.
Four replenishments will be made up to 20% of funds to be managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when the IA has disbursed 10% of the budget. 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 Implementation Agency exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% according to the procedures laid down in the above-mentioned Memorandum of Understanding.

The Implementing Agency (IA) of the Programme on the Romanian side is the Central Financing and Contracting Unit of the Ministry of Finance. The Implementing Authority acting as co-ordinator for the programme is the National Agency for Regional Development (NARD).

The National Fund will transfer funds to the Implementing Agency according to the Financing Agreement (FA) signed between the NF and the IA. The FA will be endorsed in advance by the European Commission. In case where the NF is itself the paying agent for the IA there will be no transfer of funds from the NF to the IA. A Programme Authorising Officer appointed by the NAO after consultation with the NAC will head the Implementing Agency. The PAO will be responsible for all the operations carried out by the Implementing Agency.

A separate interest bearing bank account denominated in EURO will be opened and managed by the NF in a separate accounting system in the Central Bank or in a bank agreed in advance with the Commission. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred from the National Fund to the Implementing Agency.

The NAO and the PAO will ensure that all contracts are prepared according to the DIS Manual procedures and with the following provisions under 6.4.

All contracts must be concluded by December 31, 2001.
All disbursements must be made by December 31, 2002 excepted for the project RO9911.01.02 – Giurgiu-Ruse Bridge Rehabilitation, the expiry date for disbursement is 31 December 2003. The Commission will recover any funds not used before the dates above-mentioned.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period, 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 the interests accrued will annually be provided by the NAO to the Commission.

The Implementing Agency (CFCU) retains overall responsibility for the implementation of the programme, including: approval of terms of reference, tender documents, evaluation criteria, evaluation of offers, signature of contracts, authorisation and payments of invoices.
They will work closely together with the National Agency for Regional Development (NARD), newly nominated by the Romanian Government as National Co-ordinator for CBC programmes, and the beneficiary institutions identified below, in order to prepare Terms of Reference, tender documents, evaluation criteria, evaluation of offers, negotiation of contracts, invoices for payment etc. For the works contracts under FIDIC rules, an official on behalf of project beneficiary acts as the Employer and invoices have to be certified by the independent Engineer contracted and financed by the Programme.

Project beneficiary institutions report monthly to the CBC Implementing Agency, including direct copies to the EC Delegation, with commitment and disbursement schedules and sufficient details to allow assessment of progress made and remaining work to be accomplished.

The project beneficiary institutions are as follow:

- Development Division within the National Gas Company – ROMGAZ and the Ministry of Industry and Trade (Project RO9911.01.01). Romgaz will set up a project team adequately staffed with full time experts.
- Ministry of Transport and the National Company CFR SA (Project RO9911.01.02). A project team will be adequately staffed with full time experts within the National Company.
- Ministry of Waters, Forests and Environmental Protection (Project RO9911.02.01). The ministry will set up a project team adequate staffed with full experts.
- National Agency for regional Development (Project BG9916.03.01).

3.3. Bulgaria:

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO) will supervise the financial management of the Programme, and will be responsible for all aspects of financial control and financial reporting to the European Commission. The competent National Financial Control Authority with respect to the implementation of the Programme shall carry out appropriate financial control.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Bulgarian Government. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Arrangements (FAs) between the NF and the Implementing Agencies. The provisions are foreseen in articles 2 and 13 of the NF. Furthermore, the NAO must submit to the Commission the designation of the PAO and a description of the system related to the flow of transactions between the NF and IA. Four replenishments will be made up to 20% of the funds to be managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when the Implementation Agency has disbursed 10% of the budget. 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 Implementation Agency 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 Implementing Agency (IA) of the programme is the Ministry of Regional Development and Public Works.

The National Fund will transfer funds to the Implementing Agency in accordance with the Financing Agreement (FA) signed between the NF and the Implementing Agency. The FA will be endorsed in advance by the European Commission. In case where the NF is itself the paying agent for the IA there will be no transfer of funds from the NF to the IA. The Implementing Agency will 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 Implementing Agency.

A separate interest bearing bank account, denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank or in a Bank agreed in advance with the Commission. Interest will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred from the National Fund to the Implementing Agency.

The NAO and the PAO will ensure that all contracts are be prepared in accordance with the procedures set out in the DIS Manual and with the following provisions under 6.4.

All contracts must be concluded before 31 December 2001.
All disbursements must be made before 31 December 2002.

The Commission will recover any funds not used by the dates noted above of the programme.

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.

The CBC Implementing Agency retains overall responsibility for the implementation of the whole programme. This includes: approval of terms of reference, of tender documents, of evaluation criteria, of evaluation of offers, signature of contracts, authorisation and payments of invoices.

Relevant project beneficiary institutions are responsible towards the CBC Implementing Agency for the operational management of the projects: preparation of terms of reference, of tender documents, of evaluation criteria, of evaluation of offers, of contracts, of invoices for payment. For works contracts under FIDIC rules, an official of the project beneficiary institution acts as the Employer and invoices have to be certified by the independent Engineer contracted and financed by the Programme.
Project beneficiary institutions report monthly to the CBC Implementing Agency (with direct copies to the EC Delegation) with monthly disbursement and commitment schedules and with sufficient detail to allow assessment of progress made and remaining work to be accomplished.

Project Beneficiary Institutions liaise directly with the EC Delegation for all issues related to the operational management of the projects.

They are as follows:

- the Division of Research and Development of Bulgargaz within the Committee of Energy for the modernisation of the border equipment at the gas Pipeline (project BG9916.01.01). Bulgargaz will set up a project team which shall be adequately staffed with 2 qualified full time experts. Appropriate technical assistance to the project team is to be ensured, financed by the Programme.

- the Department of Accession Programs and Projects within the Ministry of Environment and Water for the Air Monitoring System (project BG9916.02.01). A project team which shall be adequately staffed with 3 qualified full time experts will be set up within the Department. Appropriate technical assistance to the project team is to be ensured, financed by the Programme.

- the National Centre for Regional Development and Housing Policy within the Ministry of Regional Development and Public Works for the regional development project (project BG9916.03.01). A project team shall be established within the Centre, shall be adequately staffed with 2 qualified full time expert, and shall establish a project steering committee involving relevant local authorities. Appropriate technical assistance to the project team is to be ensured, financed by the Programme.

3.4. Special conditions

- Each construction project will include an adequate independent supervision of projects.
- Works will be tendered to pre-qualified contractors with relevant financial capacity, and technical and FIDIC experience.

4. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) will be established. It will include the NAOs, the NACs and the Commission. The JMC will meet at least once a year at 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 relating to each beneficiary country. The JMC may recommend a change of priorities and/or re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) which will include the NACs, the PAOs of the CBC Programmes and the Commission Services. The above-mentioned Joint Co-operation Committee will act as Monitoring Sub-Committee (MSC) for the CBC Programme. The JCC will review in detail the progress of the 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 JCC will report to the JMC, to which it will submit overall detailed reports on all Phare funded CBC programmes.

5. AUDIT AND EVALUATION

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement signed with the government of each beneficiary country.

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 (PAO) 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 in the relevant beneficiary country. Further details are at the annex III “Visibility/Publicity”.

7. SPECIAL CONDITIONS

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

Almost the adequate structures for implementation and management have been already set up during the previous similar programme, proving that parties involved are able to co-operate to fulfil the proposed objectives. A letter of commitment will accompany every project approved by JCC, stating the fact that local co-financing will be made available by the beneficiaries.