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 Slovak Republic, 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 10 May 1994 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: SR9919
Title: Programme for Social Protection Reform and Social Acquis Implementation - Consensus III

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 2 MEUR 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 31.12.2001 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 31.12.2002. All disbursements must be completed by the deadlines 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:

Mr. Walter ROCHEL
EC Delegation - Bratislava
Head of Delegation
Panska 3
81101 BRATISLAVA
Slovak Republic

Tel : +421.7.54431718
Fax : +421.7.54432972

for THE RECIPIENT:

Mr. Pavol Hamzik
Deputy Prime Minister
Phare National Aid Coordinator
Office of the Government
Namestie Slobody 1
81106 BRATISLAVA
Slovak Republic

Tel : 421.7.391284
Fax : 421.7.396.759
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 Bratislava

Date
2 November 1999

for THE RECIPIENT
Mr. Pavol Hamzik
Deputy Prime Minister
Phare National Aid Co-ordinator

for THE COMMUNITY
Mr. Walter ROCHEL
EC Delegation - Bratislava
Head of Delegation

Annex 1 Framework Agreement (Annexes A & B)
Annex 2 Special Provisions (Annex C)
1. Objectives

The purpose of the programme is to move towards the full adoption and implementation of the acquis in the field of social policy.

The attainment of this objective implies the following short-term aims:

- strengthen institutions responsible for the implementation of the social acquis;
- strengthen social protection systems so as to facilitate adoption and implementation of the acquis;
- enhance dialogue between governments and social partners, NGOs and the public in general about reforming and modernising social protection and adopting the social acquis;
- prepare the way for a strongly reinforced social dimension in the PHARE 2000-02 programmes;
- full provision of necessary information for preparations for eventual participation in MISSOC

2. Programme description

i) The developing acquis

The extension of social policy provisions in the Amsterdam Treaty provides new scope for social acquis development. The acquis that is already in place includes labour law, social dialogue, equal treatment, social protection and coordination of social security schemes.

Importance is also attached to non-binding Council provisions relating to the establishment of effective administrative and judicial systems and to the creation of a suitable economic and social environment.

Combating poverty and social exclusion and safeguarding social justice are pre-conditions for the social stability needed to create a favourable environment for enlargement. The Consensus programme operates and should continue to operate within this context.
ii) Present situation of social policy in CEECs

The process of modernisation and adaptation of social protection legislation and institutions so as to allow the full implementation of the developing acquis in social policy by the CEECs upon accession is far from complete.

Among the issues on the agenda are:

(a) Development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination;
(b) alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work;
(c) enforcement of equal opportunities;
(d) further development of active, autonomous social dialogue;
(e) further development of social protection in line with EU norms,
(f) steps to bring public health standards into line with EU norms.

These tasks have been identified as medium term priorities and objectives in all Accession Partnerships.

iii) Consensus III – country projects

In its accession orientation Consensus III will deal specifically with the social policy acquis of the Union. It will directly support the implementation of the acquis as well as issues of sustainable social and health protection which are fundamental to social security in the EU and which are a pre-condition for the effective implementation of the acquis. All CEECs face significant managerial and financial problems in this respect.

Until now, Consensus has been the major instrument available to support the adoption and implementation of the EU's social policy acquis by the CEECs. From 2000 it is expected that adoption and implementation of the social acquis will be increasingly covered by national programmes, reflecting the priority given in the various Accession Partnerships. Consensus III will be used to bridge the gap between the previous multi-country programmes and the future national programmes. This “bridging” is reflected in the implementation arrangements proposed for the programme.

The approach taken in Consensus III will be to support projects that:

(a) develop a twinning partnership between a CEEC and one or two Member States;

(b) produce concrete, tangible and sustainable (guaranteed) results in terms of policy development and/or of institution building which lead towards the achievement of EU good practice and prepare for, or implement directly, the social acquis;
(c) build on the development of know-how and technical proficiency which has already been achieved in the CEECs themselves, in particular through Consensus I and II;

(d) mobilise the know-how and experience of EU experts especially national civil servants;

(e) avoid the duplication with parallel activities of other international or regional aid organisations, while developing with them dialogue and collaboration.

iv) selection of projects

The main component of the programme will operate through support to well-designed individual twinning projects which fit the criteria specified above.

Eligible projects hence cover the following policy areas:

- social protection reform (including health protection),
- labour law,
- equal opportunities for women and men,
- social dialogue,
- safety and health at work,
- co-ordination of social security schemes.

Projects have been developed by expert teams within each Ministry of Social Affairs and Labour and have been presented in the form of the standard project fiche. They must contain a twinning component. The projects have been subject to a preliminary assessment of their conformity with the objectives of the programme. The selected projects are summarised in annex.

Partner countries have been invited to develop fully-detailed twinning fiches which should be ready by the end of 1999.

Once the project fiches have been approved, the process of developing the twinning covenant will start. Typically this takes up to eight months so that the twinning programmes are expected to run (i.e. twinning covenants be approved) as from September 2000. Up to 50.000 EURO may be used in each country to cover preparatory actions until such time as the twinning covenants become operational.

The risks attached to the successful implementation of the programme include:

1) Excessive focus on inputs and outputs rather than impact and the guaranteed result required in all twinning programmes may make it difficult to develop adequate twinning fiches.

2) Commitment from CEEC governments to the guaranteed result may be inadequate in terms of financial resources, managerial capacity and political will.
v) Consensus III – support to MISSOC

Support will be given to allow all the Phare candidate countries to prepare their full participation in the MISSOC exercise. This involves the provision by the partner countries to the Commission of information relating to legislative and regulatory developments and to implementation arrangements in the field of social policy. The project is intended to build upon a pilot project supported under Consensus II, by which five candidate countries were involved with a much simplified version of the MISSOC database.

This component of Consensus III will be identified and managed directly by the European Commission (Employment and Social Affairs DG), which will ensure guidance to CEECs, monitoring, quality control, and management and accountability for the sub-delegated funds, in line with Phare rules. Each beneficiary country will nominate an official to collect and collate the required material to an appropriate standard. The nominated official will be assisted in his task by a contractor appointed by Employment and Social Affairs DG

3. Budget

The budget allocation requested for financing the proposed two-year extension of Consensus is 18,62 MEUR, to be earmarked as follows:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project fund/national programmes</td>
<td>18,120</td>
</tr>
<tr>
<td>Multi-country facility (MISSOC)</td>
<td>500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18,620</strong></td>
</tr>
</tbody>
</table>

Based on the projects submitted by the partner countries on 24.9.99 the maximum allocations by country are as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>1,88</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2,0</td>
</tr>
<tr>
<td>Estonia</td>
<td>1,97</td>
</tr>
<tr>
<td>Poland</td>
<td>2,0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2,0</td>
</tr>
<tr>
<td>Romania</td>
<td>2,0</td>
</tr>
<tr>
<td>Hungary</td>
<td>0,92</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2,0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2,0</td>
</tr>
<tr>
<td>Latvia</td>
<td>1,35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,12</strong></td>
</tr>
</tbody>
</table>
4. Implementation arrangements

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures with the exception of the multi-country (MISSOC) facility which will be managed by the Commission's Employment and Social Affairs DG. The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in each country is in the 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.

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:

An initial payment of 20% of the allocation for each country will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreement (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 PAO 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 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 installment 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 the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) to be signed between the NFs and the CFCU. 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 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 CFCU.

The CFCU 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 principle will apply to any funds transferred to the CFCU.

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

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures for twinning communicated by Commission services.

All contracts must be concluded by 31 December 2001 and all disbursements must be made by 31 December 2002.

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.

5. Monitoring and Assessment

A Joint Monitoring Committee (JMC) is to be established for each country. It includes the NAO, the NAC and the Commission. The JMC meets 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.

The JMC is assisted, inter alia, by a Monitoring Sub-Committee (MSC) for this programme 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 an 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.

6. 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 European Union’s Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

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

7. Visibility/Publicity

All projects supported by Consensus will have to identify their Phare support prominently in their publications, conferences and other public presentations. 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 at the Annex 'Visibility/Publicity'.

8. Special Conditions

In the event that agreed commitments are not met for reasons which are within the control of the Government of the country concerned, 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.
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 cooperation 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.