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: SR 9814
Title: 1998 Cross Border Cooperation Programme
       Slovakia/Austria
Duration: Until 31 December 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 5 MECU 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. All disbursements must be completed by 31 December 2001. 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. Christian BOURGIN  
EC Delegation in Bratislava  
Acting Head of Delegation  
Panska 3  
81101 BRATISLAVA  
Slovak Republic

Tel: +421.7.54431718  
Fax: +421.7.54432972

for THE RECIPIENT:

Deputy Prime Minister Pavol Hamzik  
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

Date 23-12-58

for THE RECIPIENT

for THE COMMUNITY

Date 23-2-58

Annex 1 Framework Agreement
Annex 2 General Conditions (Annexes A & B)
Annex 3 Special Provisions (Annex C)
Annex 4 Visibility/Publicity
1. PROGRAMME OBJECTIVES AND DESCRIPTION

The 1998 cross border co-operation (CBC) programme will finance actions in border regions of Slovakia sharing a common border with Austria. The aim of the programme is to contribute to the integration process through the support of cross-border co-operation with Austria.

The 1998 CBC programme includes the following priorities and measures:

Priority 1.: Technical Infrastructure - 0.5 MECU - SR9814.01

Measure 1.1.: Improvement of Cross-Border Infrastructure

• Stupava - Highway cross point to the Austrian Border Crossing

The aim of the project is to improve the environmental and security conditions in Stupava by diverting vehicle traffic. The project will finance the construction of a road for the connection of the road III/00239 with the highway D-2 at the border of the town. Benefits are related to the improvement of the environmental conditions given by a reduction of transport emissions, noise and increased security for pedestrians and of the whole local traffic. The budget will be used for civil works.

Priority 2.: Economic Development and Tourism - 2.2 MECU - SR9814.02

Measure 2.1.: Economic Development

• Economic Development of Bratislava and its Surroundings

The general scope of the project is the revitalisation and development of local economic activity with possible tourist attraction in Bratislava and surroundings. The project includes the following sub-projects:
(i) the development of Svatý Jur as a tourist and quality-wine production centre. The activities include the reconstruction of surface roadways, footways, parking places, main square, water and stormwater networks, electric and gas distribution and little architecture.
(ii) The protection and development of a unique technology of textile art - and its transfer to a new generation of artists by the establishment of the European Art Tex School for know-how transfer and for organising courses, workshops, training and exhibitions. The project will finance the supply of technology equipment and material, the reconstruction of a building and training.

Measure 2.2.: Tourism Development

• Tourism Development of Zahorie Region

The aim of the project is the revitalisation and development of the village of Velké Leváre, Malacky and Senica district as tourist destinations. The project includes the following sub-projects:
(i) the reconstruction of houses of Habans in the village of Velké Leváre, which can become an attractive place for recreation. It can transmit at the same time interesting historical knowledge about Haban’s way of life, the village and its surroundings. The budget will contribute to the civil works for the reparation of historical houses, and small water, storm water and sewerage facilities in the village.

(ii) the remediation and reconstruction of the Malacky castle park with its rare tree species and classical English architecture will contribute to the improvement of the economic and tourist development of the town and its environment. The budget will finance part of the civil works.

(iii) the improvement of Senica as a tourist destination through the establishment of various facilities. The budget will contribute to the development of recreational areas, open air museum and swimming pool, outdoor school and tourist information office and a publication about Senica district.

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\text{Priority 3.: Environment - 1.25 MECU - SR9814.03}
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\text{Measure 3.1: Water and Waste Management}

- Improvement of Water and Wastewater Systems in Malacky District

The aim of the project is the improvement of the environmental conditions with reduction of pollution to surface and groundwater in villages in the Malacky district. The sub-projects include the following:

(i) The construction of a sewerage network in the village of Gajary (second stage). The first stage has been included in the 1995 CBC programme and is currently under implementation. The second stage, which will be completed in 1999, includes the supply and installation of 1700 m of PVC sewage system which connect the waste water treatment plant to the village.

(ii) The construction of the sewage treatment plant in the town of Malacky with corresponding reduction of pollution into the Morava river (second stage). The construction of the waste water treatment plant has been divided into two stages. The first stage has been financed by the 1995 CBC programme and is currently under implementation. Mechanical pre-treatment, dewatering station, biological purification, bio-filters, settling tanks, emsher tanks and high voltage service line are included in the first stage. The second stage includes civil works and supply of equipment for service building, pumping station, emergency sludge tank and micro filter tumbler purification station. Phare and municipality respectively finance civil works and supply of technology.

(iii) The construction of the sewage communal system in the village of Lozorno. The project will lead to an improved water quality of the border river Morava, both surface water and underground water contamination will be reduced. It will bring about improvement in the environment, the quality of life of the border population and reduce health risks. The project will finance the construction of the sewerage system (civil works and supply of equipment).

(iv) The supply of drinking water to the village of Jablonové. It brings about an improvement of the communal infrastructure with an impact on the quality of life of border population. At the same time it will increase the attractiveness of Malé Karpaty as a centre of rural tourism. The sub-project will finance the supply and installation of pumping station, chlorinating station, water distribution network and water tanks.

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\text{Priority 4.: Institutional support/Small Projects Fund/HRD/INTERREG II C - 1.050 MECU - SR9814.04}
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**Institutional support - Human Resources Development**

- Provision of financial support for the Implementing Authority (IA) is also proposed in order to assure the effective implementation and monitoring of the programme. This has become particularly important due to the growing number, scale, and complexity of supported projects. The funds under this budget line will be used for support of the IA through short- and long-term technical assistance. This will also cover expertise for the checking of technical specifications, tender dossiers and contracts and for the participation in evaluation committees.

- The programme will support the further strengthening of local institutions. Eligible for support under this budget line are: (1) cofinancing of training measures for partners in the regions (investors, development agencies, personnel of other institutions relevant for the programme); (2) institution-building measures in the border regions in the context cross-border partnership; (3) development of joint training programmes in the field of education; (4) complementary measures to improve programme/project preparation and implementation (e.g. feasibility studies, local/regional development plans, programme reviews, audits, impact analysis, project evaluation).

**Small Projects Fund - SPF**

Small Projects Fund (SPF) are made available for the support of “people to people” projects and non-investment projects within the Phare CBC programme. The purpose of the support to these projects is to broaden the fields of activity of the CBC programme, to encourage local involvement and to facilitate the implementation of small-scale actions, which may constitute the basis for larger cross-border co-operation projects.

The specific SPF objectives in Slovakia are in accordance with regional priorities:

- The development of cultural co-operation between neighbouring regions on both sides of the border
- The support and increase in numbers of cross-border meetings of various groups of the population, especially of youth
- Support for actions aiming at local and regional socio-economic development
- The support of educational activities for institutions and individuals involved in local/regional development, in local government and in organisations of public interest
- Raising the level of public awareness and information on cross-border co-operation affairs and on process of European integration.

The actions eligible for support include cultural exchanges, local democracy, human resources, planning and development studies, economic development and tourism, and environmental studies. The maximum contribution from Phare for one project is 50,000 ECU and the minimum share of co-financing by the recipient comes to 10% of project costs. Applicants are from local and regional authorities, associations of legal entities, professional chambers, foundations, NGOs and public institutions. The Slovak national guidelines have been endorsed by the Commission on August 18, 1998.
INTERREG II C

The funds will be used for complementarity actions on the Slovak side to match projects funded under INTERREG II C in Austria. Working contacts with Austrian partners are already well advanced. Budget resources of the Slovak Government will be set aside for cofinancing the Slovak part of common projects.

Projects’ general aims are the following:
• to improve co-operation of a minimum of three countries in regional co-operation, planning, development of strategies, priorities for the future
• to bring together experts (scientists, engineers, academics) of the EU and the AC from various institutions such as universities, agencies, academy of sciences

An environmental impact assessment will be carried out for all investment projects.

Equal opportunity for men and women to participate in all projects will be ensured. Indicators will be elaborated to assess the extent of women’s participation in projects.

2. COST ESTIMATE AND DURATION
The following table specifies the EU contribution as well as national co-finance (Municipalities, recipient non-profit organisations or others) to the programme. The Slovak co-financing rate is minimum 25 % to the Phare contribution.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Project title</th>
<th>1998 (MECU)</th>
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<td>Phare</td>
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<tr>
<td>1.</td>
<td>Transport and Border Infrastructure - SR9814.01</td>
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<td>Highway cross point to the Austrian Border Crossing</td>
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<td>2.</td>
<td>Economic Development and Tourism - SR9814.02</td>
<td>2.2</td>
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<td>Economic Development of Bratislava and its Surroundings (SR9814.02.01)</td>
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<td>Tourism Development of Zahorie Region (SR9814.02.02)</td>
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<td>3.</td>
<td>Environment - SR9814.03</td>
<td>1.25</td>
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<td>Improvement of Water and Wastewater Systems in Malacky District</td>
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<td>4.</td>
<td>Institutional support/SPF/HRD/Training - SR9814.04</td>
<td>1.05</td>
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<td>Programme Management/ HRD/ SPF/ INTERREG II C</td>
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<td>TOTAL</td>
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3. IMPLEMENTATION ARRANGEMENTS

The programme 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.

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

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding to be signed between the Commission and the Government of the Slovak Republic. Funds will be transferred following requests from the NAO. A payment of up to 1 MECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 1 MECU or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the CFCU (Central Finance and Contracting Unit). 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 CFCU 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 Programme will be technically managed by the Office for the Strategy of Development of the Society, Science and Technology (Implementing Authority).

The CFCU will have the responsibility for the overall 1998 Cross-Border Cooperation Programme administration including tendering, contracting, payments and financial reporting for the procurement of services, supplies and works.

The National Fund will transfer funds to the CFCU, in accordance with the Financing Agreement signed between the NF and the CFCU. The FA will be endorsed in advance by the European Commission. 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.

A separate interest bearing bank account denominated in ECU will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the European 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. The same procedures will apply to any funds transferred to the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual.
All contracts must be concluded within 31st December 2000. All disbursements must be made within 31st December 2001.

Any funds not used by the expiry date of the programme will be recovered by the European 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.

The projects under the SPF will be implemented in accordance with the General Guidelines of the Commission for small projects funds and with the Slovak national guidelines for the SPF endorsed by the Commission.

4. MONITORING AND ASSESSMENT

A Joint Programming and Monitoring Committee (JPMC) has been established in accordance with the Commission Regulation No. 1628/94 of July 4, 1994 and with the Joint Declaration of Intent.

The JPMC includes representatives of the Slovak Government (i.a. the Slovak Co-Chairman of the JPMC, CBC PMU and regional and local authorities), of the Austrian Government (i.a. the Austrian Co-Chairman of the JPMC, representatives of City of Vienna, regional and local authorities), and of the EC. The JPMC meets at least once a year to review the Slovak-Austrian CBC Programmes in order to assess their progress towards meeting the objectives set out in the Financing Memoranda and the Declaration of Intent. The JPMC may recommend a change of priorities and/or the reallocation of Phare funds.

On the Slovak side, the JPMC will be assisted by a Monitoring Sub-Committee (MSC) which will include the NAC, the PAO of the CBC Programmes and the EC. 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 consultants (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 JPMC, to which it will submit overall detailed reports on all Czech-Austrian CBC Programmes.

5. AUDIT AND EVALUATION
The accounts and operations of programmes and projects may be checked at regular intervals by an outside auditor contracted by the Commission and financed under the present programmes, without prejudice to the responsibilities of the Commission and the Communities’ Court of Auditors as referred to in the General Conditions relating to the Memorandum attached to the Framework Agreement.

The Commission services shall:

• monitor the implementation of the Programme on the basis of regular reports provided by the relevant implementing agencies,
• sign contracts with independent consultants to follow the progress of the Programme and its components and
• ensure that an ex-post evaluation is carried out after completion of the Programme.

In order to facilitate these activities, a detailed set of indicators of achievement will be defined according to the objectives and targets of the programme.

6. VISIBILITY/PUBLICITY

The appropriate 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 EC Delegation.

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of the Slovak Republic, the European Commission may review the programme with a view, at the European 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.

The Government of the Slovak Republic shall ensure that appropriate counterpart staff and facilities for programme implementation will be provided by the beneficiary institutions, relevant budget appropriations (co-financing resources) will be available within the time schedules foreseen, and appropriate institutional and legislative measures are taken. The European Union’s financial contribution is limited to the maximum amount defined above. This contribution will not cover any additional costs, cost increases or extensions which must be provided for by the implementing and contracting authorities.