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 I 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 I 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: SR9905 to SR9914
Title: 1999 Slovakia National Programme
Duration: Until 31st December 2001

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 69.5 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 31st 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 31st December 2002 with the exception of the sub-projects SR9906.03 and SR9914 ["Slovak Post Privatisation Fund" (SPPF) and "Reconstruction of the bridge between Šturovo and Esztergom"] where the deadline for disbursement is 31st December 2004 and 31st December 2003 respectively. 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
Commissioner Günter Verheugen

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

1.1. Political criteria – SR9905

1.1.1 Strengthening the capacities of NGOs - SR9905.01
This project aims at strengthening Slovak civil society, making the third sector a relevant partner to the government. Phare support will be provided to help NGOs to actively participate in the development of society.

The Civil Society Development Foundation (CSDF) plays a key role in facilitating the development of the third sector in Slovakia and is one of the most important and influential grant-giving organisations providing support to NGOs. CSDF is a member of the Donors Forum. Phare support will aim at strengthening the stability and independence of NGOs by building-up their capacities through information and training activities and through the provision of grants; develop co-operation between NGOs, governmental institutions, local governments and the private sector; develop favourable conditions for a sustainable development of the third sector. The project will provide grants for NGOs activities, training for NGOs and CSDF staff as well as operational costs.

1.1.2 Improving minority tolerance - SR9905.02
This project will contribute to the strengthening of the policies and institutions protecting the rights of minorities. It will aim to increase tolerance towards minorities, improve the situation of minorities and their education system with special emphasis to the Roma community.

The technical project implementation will be under the responsibility of the Office of the Deputy Prime Minister for Human Rights, Minorities and Regional Policy who will chair a Programme Steering Committee that will comprise representatives of the Ministry of Education and the Office of the Plenipotentiary for Roma minority issues. Phare assistance, consisting of technical assistance and equipment supplies, will aim at increasing tolerance towards minorities at all levels of society. Activities will comprise training of municipal authorities on minority issues and conflict resolution, a public information campaign on the minorities in Slovakia and models of coexistence of different nations and cultures, upgrading university departments preparing teachers in minority languages and pilot minority schools and pilot curricula for modular supplementary and alternative education of the Roma.

1.2. Economic reform – SR9906

1.2.1 Foreign Direct investments and export promotion development - SR9906.01
This project aims at sustainaining economic growth by increasing the flow of foreign direct investment and improving export performance. It will focus on strengthening the institutions and public administration involved in foreign investment and export promotion; on improving the image of Slovakia as investment location and supply a base to ensure coordination between relevant institutions; on improving services for Slovak exporters and strengthen the international competitiveness of Slovak firms.
The Ministry of Economy is the institution responsible for foreign investment and export. At present two entities exist that are directly involved in these areas, they are the National Export Promotion Fund (FPZO) and the National Agency for Foreign Investment (SNAZIR). The Government has decided to merge these two institutions into an Agency for Investment and Export Promotion that will be created during 1999. Phare support will consist of technical assistance, training, financial support and equipment supplies. There will be three sub-projects.

The first one will include assistance to the establishment of the Agency for Investment and Export Promotion, consisting of technical assistance, training and equipment supplies. This will include training the management and staff to develop their professional capabilities and offer a wider range of services to the Agency’s clients, the establishment of an Export Information Centre as part of the Agency and improving the information provided by the Agency through the establishment of on-line access to relevant databases.

Sub-project 2, promotion and development of foreign investment, will include: a) support for developing a national strategy for the attraction of foreign direct investment; b) advice on harmonisation of legislation; and c) assistance for foreign investment promotion through strategic advertising and public relations, sectoral promotion studies and the provision of assistance to the state and regional administration to develop incentive schemes for attracting foreign investors.

Finally, under sub-project 3, the export development investment scheme (EDIS), which is already functioning successfully, will be replenished and assistance will be provided to extend the range of services offered to Slovak exporters, to support them more effectively and reinforce their capability to compete internationally and to promote export development with “ad hoc” initiatives.

The annual assessment report (March 1999) on the EDIS Scheme, carried out by the OMAS Consortium, stated that the EC Commission “should ensure that the Export Development Investment Scheme continues without modification and that it is part of any future trade development assistance to Slovakia”.

**Conditionality:**

Phare funds will be released once the new Agency for FDI and Export Promotion will be fully operational and appropriate staffing will be ensured by the Slovak Government.

**1.2.2 SME development - SR9906.02**

To enhance the competitiveness of the Slovak economy by supporting the small and medium enterprises sector and to facilitate the development of SME’s.

The National Agency for the Development of Small and Medium Enterprises (NADSME), established in 1993 by the Ministry of Economy, the Association of Slovak Entrepreneurs and the Slovak Union of Crafts, co-ordinates the SME support activities.

Phare assistance will aim at strengthening the position of SME’s within the Slovak economy and at enhance SME’s competitiveness. The project will provide technical assistance, training and financial support. It will be divided in three sub-projects:

Sub-project 1, improving access to capital for small entrepreneurs, will include the replenishment of three ongoing revolving financial schemes: 1) the Support Loan Programme, providing soft loans to SME’s not exceeding 50 employees; 2) the Micro-loan scheme, designed to assist micro-entrepreneurs in obtaining start-up finance with small loans; the Seed Capital Company Ltd., managed by NADSME, offering to SME’s with good growth potential financial investment for which no guarantee is required. This sub-project will also include
technical assistance to measure the impact of the above schemes on individual beneficiaries and on the SME sector as a whole. *The importance and justification of these projects have been assessed in the relevant OMAS report which rated the SME programme as „highly satisfactory“.*

Sub-project 2 will aim at building-up the skills of the staff at the existing Regional Advisory and Information Centres and Business and Innovation Centres, at providing counselling and training for existing SME’s and for prospective entrepreneurs, including a public awareness campaign and at establishing a national information centre for SME’s and two business incubators in selected parts of the country.

Under sub-project 3, assistance will be provided to strengthen and improve the Government’s policy concerning SME’s; to support SME’s organisations for improving their structure, widening their membership and building-up their capability of effectively assisting their members.

**1.2.3 SPPF replenishment - SR9906.03**

To strengthen the market economy and the capacity of the Slovak enterprises to cope with competitive pressure.

The Slovak Post-Privatisation Fund (SPPF) is a venture capital fund with a 10 year life, established as parallel managed equity accounts of the Slovak Foundation for the Support of Post-Privatisation Entrepreneurship (set up in 1995 between the Slovak Government and the EC as a vehicle for channeling Phare’s grant for equity investment), of the EBRD and of a jointly selected Fund Manager.

Phare is to contribute a total of 20 M€ to SPPF. These resources are to be allocated to technical co-operation (8 M€) and equity contribution (12 M€). To date, Phare has provided assistance to the SPPF for a total of 14 M€ (of which 8 M€ equity and 6 M€ for TA) under the 1993 and 1995 National Programmes and in 1998, under the first round of the Pre-ins Fund Facility.

Phare funds have been invested in enterprises operating in the dairy, poultry, upholstered and wood furniture, cored wire & ferro-alloys sectors.

The additionality of the Fund is very high given the local circumstances and the lack of long-term finance available for local enterprises.

SPPF is operating since the end of 1996. Its purpose is to provide equity, effective governance and management assistance to enterprises that have difficulties in raising private equity capital. Phare’s equity contribution is used to acquire shares in selected privatised companies.

The terms and conditions for Phare’s participation in SPPF are regulated by an Equity Fund Agreement (EFA) and a Technical Co-operation Agreement (TCA).

**1.2.4 Cadastre reform - SR9906.04**

To support the implementation of the Cadastre reform and ensure transparency in the field of property rights by contributing to the creation of a unified land registration system.

The Geodesy, Cartography and Cadastre Authority (GCCA) was established in 1993 as an independent Government Agency (at Ministry level). It consisted of a central executive office, two supporting institutes (Institute for Geodesy and Cartography and Research Institute for Geodesy and Cartography) and 3 regional and 38 district offices under the management and budgetary control of the central executive office. Following the 1996 administrative reform, the cadastral offices were integrated as departments in the regional and district administrative structure while budgetary responsibilities and management were transferred to the State
Administration. An amendment to the 1996 law giving back to the GCCA full budgetary and management control over the District Cadastral Offices will be submitted to the Slovak Parliament at the end of 1999 and is expected to come into force at the beginning of 2000. This project will be coordinated and implemented by GCCA. Technical assistance and training for the development of a national land policy will be provided in two phases. Phase 1 will include the provision of user-oriented cadastral and land information services including strategic and policy planning, budgeting and analysis with supplier and user organisations, a study/trial for a Parcel Information System compatible with eventual IACS (Integrated Administrative and Control System) support and training staff of GCCA and of other institutions involved with Cadastre on how to deal with a user-oriented system (comprising computer system management, data management, information system management). Phase 2, building-up on the results of Phase 1, will provide: a study of requirements for valuation services in a market economy, including a trial of valuation services and training in management of user-oriented services. Following-up on past Phare investment programmes, the project will also continue to contribute to the creation of a unified national land registration network by providing equipment to GCCA and the regional and district offices. The scope of the project will include the district cadastral offices and the central database, with a remote access facility from the regional offices. Activities will consist of designing and building the enhanced cadastre software development.

1.3 Meeting the obligations of the Acquis - further integration of Slovakia into the internal market - SR9907

1.3.1 Standards and Certification – SR990701
By strengthening the capacity at the National Institute for Standardisation and through the transposition of relevant EU directives, to improve the functioning of the internal market ensuring transparency as regards the establishment of technical standards and regulations.

Phare will support the National Institute for Standardisation by improving the procedures for setting standards, implementing the Quality System and improving the co-operation and communication of all relevant parties. The project will provide technical assistance, training and equipment for: i) improvement of communication with Market Surveillance, SMEs, Notified Bodies and TCs (Technical Committees), ii) development of software and hardware applications for completion of standards development workplaces and standard printing workplaces, iii) organisation of training and seminars on presumption of conformity for all fields of the economy; iv) training of top managers, quality managers and personnel of laboratories on the implementation of Quality Systems in metrology institutions, v) training for SMEs aimed at implementing Quality System used in declaration of conformity and equipping the education centre for quality system in the MASM (Certified Educational Establishment) with audiovisual and computerised teaching tools.

Conditionality
Adoption by the Slovak Parliament of the framework Act on technical requirements for products and conformity assessment before the end of 1999.

1.3.2 State Aid (Ministry of Finance) – SR990702
By establishing a State Aid Office at the Ministry of Finance, to achieve transparency in the State Aid provision and an efficient monitoring and control of the State Aid system.
The Department for Foreign Legal Relations at the Ministry of Finance was given the responsibility for drafting the State Aid Law and for preparing for the establishment of the State Aid Monitoring Office that will supervise and control the State Aid provision. The project will include twinning arrangements, training and equipment supplies to help establish the State Aid Monitoring Office. Twinning experts will advise on the functioning of the State Aid Monitoring Office, on the establishment and bringing up to date of the state aid inventory, on the design of a standard reporting system in line with those of EU member states and on the design and implementation of the new information system for State Aid supervision and control. Training will be provided to selected SAO staff who will in their turn become trainers. Training will be complemented by internships in EU member states. Equipment supplies will consist of hardware and software related to the information system for State Aid monitoring and control.

**Conditionality**
Adoption by the Slovak Parliament of the State Law by the end of 1999.

**1.3.3 Public Procurement – SR990703**
To meet the obligations of the acquis in the field of public procurement and guarantee independent supervision of public procurement and the non-discriminatory award of public contracts. The Ministry of Construction and Public Works is the institution responsible for public procurement legislation and monitors the procurement activities of Ministries and regional authorities through its Department of Public and Concession Procurement. It is planned to transfer these responsibilities to an independent institution that will be established during 2000. Phare assistance will support the establishment of the independent authority for public procurement by providing TA, twinning, training and equipment to: i) develop and organise an integrated system and the related procedures; ii) create an information network and connect it internationally; iii) analyse the legal framework for concession procurement; iv) launch a public procurement Official Journal; v) build-up the capacities of the authority’s staff; vi) ensure a regular operating liaison between the authority and the other institutions involved in public procurement.

**Conditionality**
Adoption by the Slovak Parliament of the new law on public procurement by the end of 1999.

**1.4. Justice and Home Affairs – SR9908**

**1.4.1 Ministry of Justice - SR9908.01**
To strengthen the independence of the judiciary by improving the functioning and operation of Slovak courts and enhancing the capacities of judges. To improve capacities in the application of bankruptcy law. The Ministry of Justice has the overall responsibility over the administration and operation of courts. Financing of courts from the state budget is carried out through the Ministry. The Ministry’s responsibilities also include having an active role in the professional preparation of judges. Phare assistance will be provided through twinning arrangements, including training in Slovakia and abroad and equipment for:

a) Improving the functioning and operations of Slovak courts and reducing delays in administration and in the processing of cases. Besides the Ministry, the beneficiaries of the
project will include bankruptcy courts, regional and district courts. Activities will include i) twinning in the area of justice administration, aiming at reducing the length of court proceedings, and ii) updating and/or providing compatible IT equipment to the courts in order to create a uniform network connection among them iii) training of selected personnel for the development and use of specific software.

b) Training of judges in EU law, bankruptcy law, commercial law. Judges and courts’ officers will be trained as trainers. Recommendations to reform the existing training system for judges elaborated under a previous twinning project will be implemented.

1.4.2 Ministry of Interior - SR9908.02
To meet the obligations of the acquis in the field of home affairs by improving border management and control to prepare Slovakia for joining the Schengen system and by building-up capacity within the Slovak police to increase the effectiveness of fight against crime and corruption and to improve the accountability of the police.

Tasks of the Ministry of Interior include ensuring border protection and the fight against organised crime, trafficking in persons and drugs, corruption and money laundering.

Phare assistance will include twinning arrangements including training and equipment in the sphere of: a) border management, migration control and visa policy involving the Police (Police Presidium, Border, Alien and Financial Police, Police Academy, Institute for Criminology, Slovak Section of Interpol). Border protection will focus on the Ukrainian border. Activities will be carried out in close co-operation with the Customs Authority.

b) the implementation of all norms relating to the enforcement of the Schengen acquis, including advice on the necessary measures, on the future organisation and training of the staff involved.

c) improving operations in order to achieve more effectiveness in the fight against crime, including the establishment of specialised police units, the intensification of co-operation with the police of other states and the strengthening of the Financial Police.

1.5 Agriculture - SR9909
To meet the obligations of the acquis in the field of agriculture through the preparation for implementing the EU Common Agricultural Policy (CAP) and the harmonisation and implementation of the internal market legislation.

Phare will support the Ministry of Agriculture by providing twinning, technical assistance including training and equipment in the following areas: a) CAP policy advice on a wide range of policy and pre-accession aspects relating to further developing a strategy for the gradual implementation of the EU CAP including the introduction of appropriate measures, targeted institutional building for establishing relevant CAP-related institutions and strengthening the Ministry’s departments. Development and establishment of an information support system for CAP.

b) Harmonisation and implementation of internal market legislation and institutional strengthening in the veterinary and food control sub-sectors. The aim is: i) to establish an animal identification and registration system, harmonisation of relevant legislation and procurement of the necessary technical equipment and ii) to review the current system of milk quality control, the adoption of EU legislation covering milk and dairy products and the upgrading of the national accredited laboratory.

Conditionality
The concept of adoption of the animal identification and registration system and any relevant legislation, prepared by the State Breeding Institute, will have to be reviewed by the PAA (as foreseen by the relevant project) in order to comply with the provisions of Council Regulation (EC/820/97).

1.6 Statistics - SR9910

To meet the obligations of the *acquis* by developing the capacity to implement the EU Common Agricultural Policy (CAP), in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures. To align agricultural statistics, conduct a farms structure census and harmonise existing EC decisions and regulations on agricultural statistics. The Statistical Office of the Slovak Republic (SOSR) is the central state administrative body responsible for statistics. Phare will support SOSR by providing twinning including training and equipment for the following activities: a) Execution of a Farm Structure Census, covering the whole territory of Slovakia. The census (expected to begin in the second quarter of 2000 and to be completed in the second quarter of 2002), covering all subjects active in agriculture including the population for which agriculture represents a secondary activity, will aim at bringing Slovak statistics in line with EU standards and at fulfilling the basic conditions of the EUROSTAT system. Data will be collected to create a fully harmonised farm register according to EU requirements. Collected data will be input in the Eurofarm Database. This component will consist of assistance provided by one long-term and one short term PAA under the twinning scheme, training of some 150 officials participating in the collection and processing of data and software for checking, processing, analysing and publishing the data. b) Harmonisation of agricultural statistics with EU standards. This will comprise policy advice focused on the preparation of draft legislation and training to the staff of SOSR in management of agricultural statistical databases.

**Conditionality**

Funding will only be provided after the statistical law has been amended to allow the transmission of data to legal entities outside the country, in line with the acquis.

1.7 Environment - SR9911

To reinforce institutional and administrative capacities at the Ministry of Environment and support harmonisation of sector policies, approximation and enforcement of legislation and to improve the water quality monitoring and evaluation system.

a) Elaboration of a comprehensive strategy for the full adoption, implementation, including compliance and enforcement, of the acquis communautaire into the relevant Slovak legislation.

b) Management, monitoring and evaluation of water quality system.

Phare will support the Ministry of Environment in its endeavours to bring monitoring and evaluation of water quality and quantity in line with the practice applied in EU countries with a specific focus on i) application of water ecotoxicity evaluation to support the issuing of permissions for discharge of treated waste water; ii) application of early warning system for drinking water supplies utilising biological indicators to allow the automatic regulation of water supply systems.

1.8 Energy - SR9912
To support Slovakia in the implementation of a comprehensive energy policy aiming at meeting the *acquis*. To strengthen institutions in the energy sector and harmonise relevant legislation. To enable third party access to the Slovak electricity and natural gas markets. The Ministry of Economy, Section for Energy, Minerals and Metallurgy is the institution responsible for the energy sector.

Phare will support the Ministry of Economy in implementing a comprehensive energy policy and will assist in building-up capacities and strengthening the institutional basis and regulatory framework in the Slovak energy sector. The project will provide legal, policy and technical advice, in the form of twinning, and training. Twinning arrangements will include legal advice on energy prices, tariffs, approximation of EU legislation on emergency oil stocks and restructuring the Slovak coal sub-sector, recommendations on the most appropriate institutional set-up for the establishment of an independent Energy Regulatory Authority and policy advice on Third Party Access (TPA) utilisation. Training support will be provided on the preparation of harmonised EU legislation, on emergency oil stocks regulations, on regulatory aspects in relation to the establishment of the independent Energy Regulatory Authority and on TPA relevant issues.

**Conditionality**

The Slovak Government will have to ensure that a comprehensive energy strategy in line with the Accession Partnership priorities is adopted prior to the release of Phare funds.

1.9 **Reinforcement of institutional and administrative capacity - SR9913**

1.9.1 Customs – SR9913.01

To reinforce the institutional and administrative capacities of the Slovak Customs Authority by bringing its operational standards in line to those of the EU Member States as set out in the “EU Customs Blueprint” and to support it in the fight against fraud, drug trafficking and organised crime through the implementation of modern enforcement techniques and the establishment of a modern intelligence network and information system.

The Slovak Customs Authority is responsible for collecting customs duties, excise and VAT on imports as well as for the prevention of illegal imports and exports. The authority employs 5,400 people and is structured with a headquarters, 14 regional offices and 235 local customs offices.

Phare assistance will include twinning arrangements, Technical Assistance, training and equipment to: i) formulate an integrated and comprehensive customs and border management strategy (twinning); ii) further develop, enhance and roll-out the CIS (Customs Information System) declaration processing system (ASYCUDA – Automated System for Customs Data and Management); iii) increase the efficiency of the Slovak national clearance and revenue collection system; iv) align to EU standards, develop, test and implement at regional customs offices FIS (Financial Information System); v) align to EU standards, develop, test and implement at pilot sites the Guarantee system; vi) align to EU standards, develop, test and implement at pilot sites MIS (Management Information System).

**Conditionality**

The Slovak authorities will set up a steering committee for the implementation of the above project. It will include representatives of the Ministry of Finance, the Customs administration, the EC Delegation and UNCTAD. The Committee will meet at least twice a year.

1.9.2 Indirect taxation – SR9913.02
To improve the collection of indirect taxes by elaborating and enforcing a consistent tax policy and by improving the effectiveness of tax inspection and audit.

The Central Tax Directorate is the institution responsible for tax collection. It supervises and regulates 8 regional directorates and 108 local tax offices, with a total workforce of 5,650 employees.

Phare will assist the Central Tax Directorate through twinning arrangements, traditional Technical Assistance, training and equipment.

The twinning will focus on policy advice to the Tax Task Force established in the Tax Directorate aimed at formulating a consistent strategy for indirect tax collection. It will be complemented by training and seminars on simulations of changes in VAT structure and the assessment of their effect on direct taxation collection. The twinning arrangement will also cover inspection strategies and be complemented by training of tax inspectors. The contribution of local experts is envisaged for this type of training on aspects specifically linked to the utilisation of the TIS (Tax Information System) software that will be developed under this project. A small component of Technical Assistance will include the creation and development of a website (information available to taxpayers), the improvement of the TIS system and advice on public relations including preparation of prospects, leaflets, brochures, etc. on indirect taxation. Equipment supplies will include hardware and software related to the Web Site creation and of PCs for tax inspectors.

1.9.3 Telecoms – SR9913.03
To strengthen institutional and administrative capacities in the field of telecommunications by establishing an independent National Regulatory Authority, drafting the secondary legislation related to the Authority’s operation, develop and implement Frequency Management and Frequency Monitoring systems.

Competencies in the telecommunications sector are currently shared between the Telecommunications Office, the Ministry of Transport, Posts and Telecommunications (MTPT) and the Ministry of Finance (for domestic price regulation).

Following the approval of the new Telecom Act, expected for September 1999, Phare support will aim at helping the establishment of the independent National Regulatory Authority (NRA) for telecommunications with twinning, technical assistance, training and equipment. Twinning will include assistance on the elaboration of secondary legislation regarding the operation of the Authority and on the organisation of the Authority, that will be based on the existing staff of MTPT Telecoms division plus new officials as required. The set-up of the independent Authority will involve training that will be provided to the NRA staff on their new responsibilities. Technical assistance will focus on the development and implementation of the systems for Frequency Management and Frequency Monitoring. Training on the operation of these two systems will be provided to the relevant NRA staff. Equipment supplies will concern the procurement of hardware and software for the systems for Frequency Management and Frequency Monitoring.

1.9.4 Safety at work – SR9913.04
The Ministry of Labour, the Occupational Safety Office and the Ministry of Health are the institutions dealing with health and safety at work.

This project will aim at creating the conditions for the adoption of the acquis in the field of safety and health at work by improving the existing labour protection system.

Phare assistance will aim at creating an integrated education and training system in the area of safety and health at work. The project will provide twinning, technical assistance, training and equipment.
The following activities are envisaged: i) improving and enforcing labour protection legislation and developing an education and training system on health and safety at work; ii) carrying out pilot projects in selected Slovak enterprises to introduce occupational safety and health management practices and test improvements in safety and health in the workplace and follow-up by disseminating the results of these activities; iii) developing a labour protection information system and training labour inspectors; iv) introducing new techniques for gathering and disseminating information through the Labour protection public information and publication centre; v) designing a system for the social and vocational rehabilitation of disabled workers after accidents and illnesses occurred at work.

**Conditionality**
The Slovak authorities will have to set up a steering committee including representatives of the Ministry of Labour, Social Affairs and Family, the Slovak Occupational Safety Office, the EC Delegation as well as the Ministry of Health. The Committee will meet at least every three months.

**1.9.5 Public Administration reform – SR9913.05**
To support the decentralisation and modernisation of the Public Administration function by upgrading professional capacities, reinforcing ethical standards and promote a corporate sense of public services.
The Deputy Prime Minister for Economy, who has the responsibility of supervising the Public Administration function has appointed a Government Commissioner for the Decentralisation and Modernisation of the Public Administration who is in charge of preparing the public administration reform. The envisaged actions foresee the establishment of a National Agency for Civil Service that will be created at the beginning of 2000 from a restructured Public Administration section of the Ministry of Interior.
Phare will support the public administration reform through twinning arrangements and some limited T.A. component. Twinning will focus on ensuring that the reform is in line with EU public administration standards as well as its continuity and sustainability providing advice for drafting new legislation and for the development and implementation of training and education strategy for public management.

**Conditionality**
Adoption by the Government of the strategy on decentralisation and public administration reform by the end of 1999.

**1.9.6 Strengthening of CFCU – Ministry of Finance – SR9913.06**
The Central Finance and Contracting Unit (CFCU) acts as implementing agency and is responsible for tendering, contracting, procurement, administration, payments and finance for most Phare programmes. Phare will support the operation of the unit with TA. Running costs will be fully covered by the Slovak government.

**1.10 Reconstruction of the bridge between Šturovo (SR) and Esztergom (H) – SR9914**
This project will contribute to the economic development of the region and reestablish contacts and relations between the inhabitants of the two cities of Šturovo (Slovak Republic) and Esztergom (Hungary) by reconstructing the bridge on the Danube connecting the two cities.
Phare will provide funds to contribute to the works relating to the reconstruction of the bridge over the Danube River between the cities of Šturovo and Esztergom that was destroyed during the Second World War. Currently, connections between the two cities are maintained from spring to autumn only by a daytime ferry service for passenger cars and pedestrians. The nearest Danube crossing is at Komarno, which entails a detour of over 100 Km. The project will comprise the reconstruction of the bridge and of the related infrastructure on the Slovak side, consisting of an access road and a Customs station. This is a joint project of the Slovak and Hungarian Governments, both of which will co-finance the works.

**Conditionality**

A joint Slovak-Hungarian Implementation Unit must be established by agreement between the two countries on the reconstruction of the bridge. The release of Phare funds will be subject to the signature of such agreement.

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

**Administrative conditionality**

In order to achieve maximum cost benefits, the Slovak Government will ensure that all IT equipment envisaged in the above sub-projects will be jointly tendered out in strict compliance with Phare tendering procedures and rules.

## 2 BUDGET

The total financial commitment for the Phare contribution in support of the above programmes amounts to 69.5 M€, the breakdown of this amount by activity is as follows:

<table>
<thead>
<tr>
<th>Sector Programme</th>
<th>M€</th>
<th>Investment (approx. in M€)</th>
<th>IB (approx. in M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR9905 - Political criteria</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR9905.01 - NGOs strengthening</td>
<td>2.5</td>
<td>-</td>
<td>2.5</td>
</tr>
<tr>
<td>SR9905.02 - Protection of minorities</td>
<td>1.8</td>
<td>1.181</td>
<td>0.619</td>
</tr>
<tr>
<td>SR9906 - Economic reform</td>
<td>26.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR9906.01 – FDI and export promotion</td>
<td>5.5</td>
<td>3.65</td>
<td>1.85</td>
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<tr>
<td>SR9913 - Reinforcement of institutional and administrative capacity</td>
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In addition to the above allocations, 4 M€, 1,686,430 € and 1.73 M€ have been already committed for TEMPUS, Community programmes (Education) and 5th Framework Programme respectively.

### 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) in the Ministry of Finance, and headed by the National Authorising Officer (NAO), 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 funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of the Slovak Republic on 10th December 1998. 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 Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IAs/CFCU and the manner in which the payment function will be carried out.

Four replenishments will be made of 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 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 European Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs/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 National Fund will transfer funds to the IAs, including the CFCU, in accordance with Financing Agreements (FAs) signed between the NF 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 IAs/CFCU there will be no transfer of funds from the
NF to the IAs/CFCU. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

A separate bank account denominated in € will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the European Commission. In principle, all bank accounts will be interest bearing. Interests will be reported to the European Commission. If the European 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 an IA or 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 (with the exception of the twinning covenants).

The 1999 National Programme will be managed by the CFCU with the exception of the following projects which will be administered by the relevant Implementing Agency:

- SR9905.01 – Civil Society Development Foundation (CSDF)
- SR9906.01 – Agency for FDI and Export Promotion (EDIS component only)
- SR9906.02 – SME Agency (NADSME)
- SR9906.03 – Slovak Post Privatisation Foundation (SPPF)

Additionally, the following ministries and/or institutions will play an important technical role:

- Office of the Deputy Prime Minister for Human Rights, Minorities and Regional Policy
- Ministry of Education
- Office of the Plenipotentiary for Roma minority issues
- Ministry of Economy
- Agency for FDI and Export Promotion
- Geodesy, Cartography and Cadastre Authority
- National Institute for Standardisation
- Ministry of Finance
- Ministry of Construction and Public Works
- Ministry of Justice
- Ministry of Interior
- Customs Authority
- Ministry of Agriculture
- State Veterinary Administration,
- Dairy Research Institute
- Slovak Agriculture and Food Inspection
- State Breeding Institute
- Statistical Office
- Ministry of Environment
- Ministry of Economy – Section For Energy, Minerals and Metallurgy
- Central Tax Directorate
- Telecommunications Office
- Ministry of Transport, Posts and Telecommunications
- Ministry of Labour
- Occupational Safety Office
- Ministry of Health
Office of the Deputy Prime Minister in charge of Economy  
Slovak Road Administration

All funds must be contracted by 31st December, 2001. All disbursements must be made by 31st December 2002. However, in the case of the following sub-projects, disbursements must be made by 31st December, 2004 (SR9906.03) and 31st December, 2003 (SR9914).

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/CFCU before the official closure of the programme. The Implementing Agency/CFCU 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/CFCU 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

A Joint Monitoring Committee (JMC) will be established. It will include the National Authorising Officer, the National Aid Coordinator and the European Commission. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each relevant Implementing Agency and of the CFCU and the European 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 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 JMC, to which it will submit overall detailed reports on all Phare financed Programmes.

5 AUDIT AND EVALUATION

The accounts and operations of the National Fund, the CFCU and of 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 EC and the European Communities Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.
The EC 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 necessary measures are taken to ensure appropriate publicity for all activities financed from the Programme. This will be done in close liaison with the European Commission Delegation in Slovakia. Further details are provided in the Annex „Visibility/Publicity“.

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.