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: SK0002 to SK0010
Title: 2000 Slovakia National Programme
Duration: Until 31st December 2002

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 28 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 2002 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 2003. 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
European Commission Delegation
The 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
National Phare Coordinator
Office of the Government
Namestie Slobody 1
81106 BRATISLAVA
Slovak Republic

Tel : 421.7.5249 1284
Fax: 421.7.5249 6759
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 21-12-2000

for THE RECIPIENT

for THE COMMUNITY

Annex 1 Framework Agreement
Annex 2 General Conditions (Annexes A & B)
Annex 3 Special Provisions (Annex C)
Annex 4 Visibility/Publicity
Annex C – SPECIAL PROVISIONS

1 OBJECTIVES, DESCRIPTION AND CONDITIONALITIES

Objective 1 - Political criteria

**SK0002 - Improving the situation of the Roma**

This project will aim at improving the situation of the Roma minority, creating the conditions for a better integration of Roma into the Slovak society.

The overall technical project implementation will be ensured by the Office of the Deputy Prime Minister for Human Rights, Minorities and Regional Policy. Other institutions that will play a key role in this project are: the Office of the Plenipotentiary for Roma minority issues, the National Labour Office and the Ministry of Education. Phare assistance, including twinning, technical assistance and equipment/teaching material supplies, will aim at increasing tolerance and at reducing discrimination towards Roma at all levels of society. Activities will aim at:

i) increasing mutual tolerance between Roma and non-Roma municipal communities; this will comprise training of field-workers and local Roma and non-Roma leaders and administrators on minority issues and conflict resolution, the deployment of field-workers in Roma settlements, the establishment of community centres in Roma communities to serve as training and free-time activities, to upgrade and integrate the existing Government strategy for the Roma minority by developing an inter-sectoral set of measures;

ii) facilitating the entry of young Roma people in the labour market; this will consist of reinforcing the professional capacity of trainers/counsellors active in the labour field, providing integrated counselling, training and apprenticeship work opportunities for young unqualified Roma aged between 15 and 18 years who left school early, offering a modular approach programme to unemployed Roma between 18 and 26 years old, implementing pilot training and transfer of professional experience at three simulated firms;

iii) increasing the level of education of the Roma and favouring their self-realisation in the education system: this will include reinforcing pre-school education for children, also involving mothers into the education process, fostering elementary education by establishing preparatory classes and through intensive whole-day care and alternative education methods, offering vocational training to children who left school without completing the compulsory 10 year period, strengthening the capacity of universities to support the university education of teachers for schools with a high share of Roma students, Roma teachers and assistants.

Objective 2 - Economic criteria

**SK0003.01 - Support to new Budget Procedure/State Treasury**

By modernising the Slovak State Treasury, this project will contribute to establishing, building-up and ensuring the functioning of effective financial management instruments in line with current EU practices. It will focus on improving the instruments for supporting the budget process and fiscal policy, as well as for controlling public expenditure to contain public deficit. This will be achieved by updating cash and debt management practices. A special Task Force composed jointly by the Ministry of Finance and the National Bank of
Slovakia will supervise and be responsible for the project’s implementation. The Ministry of Finance has set up a State Treasury project management unit that will follow the day-to-day project operations.

Phare will provide a wide range of technical assistance, training and investment support. Project activities will be articulated in two main components, respectively directed at: 1) supporting fiscal policy targets through financial planning instruments. This will comprise the review of existing medium-term financial planning methods and tools and the establishment of adequate integrative instruments, as well as the introduction of a methodology for a more effective state centralised cash management covering transaction conclusions, settlements, accounting and control on short-term borrowings and investments; supporting fiscal surveillance procedures in view of accession. This will include introducing new instruments to enable active debt risk management and monitoring, as well as public expenditure management for spending units, integrated by control mechanisms to help maintaining deficit targets. 2) improving financial management and fiscal reporting by introducing new reporting tools. This will consist of developing and implementing a consolidated financial management accounting and reporting system at state level, of establishing a more effective state payment system, rationalising the public expenditure management process and of building and introducing a comprehensive and reliable treasury information system.

Conditionalities

- Phare funds will be released subject to the transfer of competences on management of accounts, cash management and the payment process from the National Bank of Slovakia to the Ministry of Finance.

**SK0003.02 - Bad Debts Recovery**

This project aims at supporting economic growth by introducing a transparent bad-debt recovery mechanism, thus facilitating the market-driven economic restructuring of Slovak enterprises and promoting competitiveness. It will focus on improving the operational capacity and enhanced working capability of the Slovak Consolidation Agency (SCA); facilitating the restructuring and transformation of banks and industrial companies; accelerating the pace of the privatisation process and transparency in Slovak shareholding companies.

The Steering Committee for restructuring and privatisation of banks and industrial enterprises, established in the second half of 1999 and acting as a cross-sector decision making body is responsible for the project. Phare support will consist of technical assistance and some training focused on decreasing the level of bad-debts in the Slovak economy. The project is articulated in three modules which focus on: 1) assistance to SCA for the selection of assets to be included in auction packages, for developing specifications and organising due diligence of the selected packages, for the promotion and supervision of the auction of asset packages, including the preparation of selling memoranda; 2) legal assistance to SCA to prepare contracts for the sale of asset packages and the development of a standard asset management contract for the packages that would remain unsold; 3) assistance to the investment council of SCA by integrating in it an independent expert who will become member of the board for two years (working on a return basis). The Investment Council will function – under the supervision of SCA Supervisory Body - as the committee responsible for sales and asset management policy and for decision making on individual transactions and management contracts.
Objective 3 – Internal Market

SK0004 - Application of the Act on technical requirements and on conformity assessment for products.

The project is oriented towards supporting the enforcement and transparency of procedures of the regulatory framework by harmonising the legal and technical standards system and thus fostering the economic development and facilitating the access of Slovak enterprises, particularly SMEs, in the single market.

The Office for Standards, Metrology and Certification will have the overall co-ordination of project activities. The institutions that will benefit from Phare assistance are: the Slovak Institute for Standardisation (SUTN) based in Bratislava and the Technical Testing Institute (TSU) located in Piešťany. Phare support will consist of twinning, technical assistance, training and equipment aiming at:

i) implementing the quality system in SUTN; improving its information network and its connection both locally and internationally; assisting in fulfilling the conditions for becoming the national member of European standardisation organisations CEN and CENELEC.

ii) setting-up a competent body for the implementation of EU Directives 90/396/EEC and 92/42/EEC on gas appliances testing and product certification, implementing modular conformity assessment procedures, upgrading measuring devices and testing equipment in the Technical Testing Institute in Piešťany, training the Institute’s staff.

Objective 4 - Agriculture

SK0005 – Upgrade of veterinary and phytosanitary controls at border inspection posts

The project’s objective is to meet the obligations of the acquis in the field of agriculture continuing to align and upgrade veterinary and phytosanitary inspection procedures, practices and facilities, in particular at the future external borders.

Phare will support the Ministry of Agriculture and the other beneficiaries such as the State Veterinary Administration (SVA), Central Control and Testing Institute for Agriculture (CCTIA) and the other institutions operating in these sub-sectors) by providing some technical assistance including training and equipment supply for:

i) the upgrading of border inspection posts (BIP);

ii) the completion of veterinary and phytosanitary information system and database for control of diseases, animal movement, registration, movement of agricultural products and goods; the established common WAN (Wider Area Network) will create a basis for the implementation of an Integrated Veterinary and Phytosanitary Information System modelled on the one used in the EU member states.

In addition to the Ministry of Agriculture, the upgrading of border facilities entails the involvement of several Ministries like the Ministry of Interior (J&HA), Finance (Customs administration) Transport. This project was designed in line with the draft Comprehensive Border Management Strategy elaborated by the Ministry of Interior in 1999.
Objective 5 - Employment and Social Affairs

SK0006.01 Development of Social Dialogue

This project aims at preparing social partners on branch and enterprise level for active participation in the social dialogue and collective bargaining.

The Ministry of Labour, Social Affairs and Family will have the overall responsibility of this project; other key institutions will be involved as follows: the Branch Employers’ Associations, the Branch Trade Unions’ Associations and employers and employees representatives. Phare support, through twinning arrangements, will focus on: i) developing social dialogue at branch and enterprise level in the chemistry and construction branches; ii) communication, bargaining and negotiations skills; iii) implementation of two pilot projects in the field of bipartite dialogue

SK0006.02 - Guarantee Fund

The project aims at strengthening the operation of the independent Guarantee Fund to support employees in case of employers’ insolvency.

Phare will finance the secondment of a PAA (complemented by three short-term experts). His/her activities will include inter alia: i) the assessment of the Guarantee Fund function and efficiency; ii) the review of its legislation, procedures and rules of administration and their comparison with those prevailing within EU Member States; iii) the formulation of proposals to improve the Fund’s operation and, as appropriate, for administrative rules and legislative amendments; iv) an assessment of the information system efficiency for the collection, use and enforcement procedures of the Guarantee Fund means; v) training to trainers and administrative staff. In order to perform its tasks in an efficient and effective way, the Guarantee Fund will need adequate IT equipment. Phare will finance some hardware and software (work-stations, printers with accessories, cabling, etc.).

Objective 6 - Environment


The project aims at completing the legal framework for EIA implementation, the establishment of a documentation center and implementation of an information network for EIA, the strengthening of the regulatory bodies staff by adequate training, launch of an awareness campaign on EIA, preparation of educational programmes for target groups. The implementation of the above tasks will be carried out through twinning arrangements, with the exception of the awareness campaign component which will be supported by technical assistance, under the overall supervision of the PAA.

The reinforcement of the Slovak environmental inspectorates entails the establishment of an appropriate organisational and operational structure for an integrated approach and the improvement of the set of control activities of the Slovak Environmental Inspectorate. Phare will finance the secondment of one PAA and short-term expertise which will assist the relevant Slovak authorities in the design of the integrated inspectorates set-up.
Conditionalities

- Adoption of the Amendment to the EIA Act. No 127/1994 in compliance with the EU Directive 97/11/EEC. The amendment will be prepared by the Ministry of Environment and submitted to the Slovak Government according to the Legislative Tasks of the Government in September 2000.

Objective 7 - Justice and Home Affairs

SK0008.01 - Fight against corruption

The project’s objective is to reduce the level of corruption in the public administration and throughout society.

The Steering Committee for implementing the National Programme for the Fight Against Corruption - hereinafter Steering Committee - established in November 1999 by the Government under the direct auspices of the Prime Minister and the supervision of the Deputy Prime Minister for Economic Affairs, will be the main recipient of the project. Other beneficiaries are the Ministry of Interior, the Ministry of Justice and the General Prosecutor’s Office.

Phare will finance the secondment of EU Member States officials (PAA), technical assistance including training and equipment for: i) preparing legislative and regulatory amendments to implement the National Programme for the Fight Against Corruption; ii) strengthening the policy formulation, institutional and monitoring capacity of the Steering Committee and of its Secretariat; iii) lowering the tolerance of the population towards corrupt behaviour; iv) increase adherence to ethical principles among public officials and journalists and increase the transparency of their actions; v) increasing the efficiency of the Law Enforcement Agencies (LEA) to detect, investigate, repress and punish corruption; vi) improving the data processing function and the exchange of information among LEAs; vii) organising training activities and creating a training centre for the personnel of LEAs.

Conditionalities

- Approval of the National Action Plan for fighting corruption before end of 2000
- Continued support at the highest level provided by the Slovak Government
- Ratification of the Council of Europe Civil Law Convention to Combat Corruption before end of 1st quarter 2001.

SK0008.02 - Fight against drugs

In the framework of the National Programme for the Fight Against Drugs, this project aims at ensuring an effective anti-drug policy built around the Focal Point working as the Government’s co-ordinating body and at organising the fight against drugs in conformity with standards accepted in EU member states. This will be achieved by increasing the efficiency of inter-ministerial and inter-sectoral co-ordination and operating a reliable and functional Drug Information System.

The Office of the Deputy Prime Minister will manage and be responsible for the project. It will work in co-ordination with the General Secretariat of the Ministerial Committee for
Drugs Control, the National Focal Point, the National Anti-drug and the Financial Intelligence Units at the Ministry of Interior. Phare will finance the following activities (through twinning arrangements and investment support):
i) further development of a national drug policy, elaboration of the national strategies on drug demand and supply reduction; ii) development and administrative strengthening of the Drug Information System’s Central Node and of delivery instruments in line with EU requirements; iii) strengthening of enforcement capacities (procedural, information management, professional and technical capacities), building closer co-ordination with EU Member States relevant authorities;

Phare investment support will include technical equipment for the development and strengthening of the national information system on drugs and related activities within the General Secretariat and the National Central Node of Drug Information System; equipment for the training of professionals in the field of evaluation of the implemented strategies in drug demand reduction; equipment for the development of analytical activities in the field of drug supply reduction and for the reinforcement of the Financial Intelligence Units; radio communication equipment for the National Police Anti-Drug Unit and the anti-drug searching units of the Customs Directorate.

Objective 8 – Economic and Social Cohesion

SK0009.01 - Improving the productive sector in Eastern Slovakia

The project aims at increasing competitiveness in the productive sector by strengthening business support infrastructures and thus improving conditions for entrepreneurship. The project will focus on Eastern Slovakia (Banska Bystrica, Presov, Kosice), the NUTS II Region identified by the Slovak government in the frame of the Integrated Plan for Regional and Social Development as priority region for economic support.

The project will be under the overall supervision of the Ministry for Construction and Regional Development and be managed by the National Agency for the Development of SMEs (NADSME). Several public and private institutions will take part in and benefit from the project, these include: local governments, Business Innovation Centres (BIC), Regional Advisory and Information Centres (RAIC), the Slovak Chamber for Business and Commerce, the central offices and regional branches of the Regional Development Agencies and National Labour Office, local entrepreneurs, etc.

The project is articulated in two main activities. Nine “First Contact Point” (FCP) centres, to complement the existing network of RAICs and BICs, will be established to provide business and market information and counselling. Activities will include assistance for the FCP’s establishment, training the selected staff and organising a public awareness campaign to promote FCP’s activities. In addition, four Business Incubators will be created by reconstructing and enlarging existing BICs. Business incubators are intended to stimulate and encourage entrepreneurial activities in the target region by offering support services for start-ups and existing companies.

SK0009.02 - Financial support to SME in Eastern Slovakia

This project contributes to reducing regional disparities in the Slovak Republic and aims at the development of a productive economy, particularly by encouraging the establishment of SMEs
in the priority region of Eastern Slovakia (Banska Bystrica, Presov, Kosice) and at strengthening their competitiveness. The project will provide access to capital for SMEs through “ad hoc” financial support schemes.

The project, under the overall supervision of the Ministry for Construction and Regional Development, will be managed by the National Agency for the Development of SME (NADSME). Phare will contribute with some technical assistance and grant funding. The project will aim at improving access to capital for SMEs and at integrating and reinforcing the existing support programmes in the selected region, which will be accompanied by advisory services, and the implementation of a Micro-loan Scheme, to provide financing for small entrepreneurs.

**SK0009.03 - Implementation of Human Resources Development strategy at regional level**

The immediate objectives of this project aim at fostering the employability of disadvantaged groups and facilitating access to employment through active measures.

The main project objectives can be summarised as follows: i) fostering employment perspectives by providing preventive and support measures, training and re-qualification programmes, special support for long-term unemployed, ii) vocational training and retraining according to the needs of regional labour markets; iii) support to the social inclusion/re-insertion of disadvantaged and marginalised groups in the labour market; iv) developing and strengthening regional and local capacities, through targeted training for the management and administration of European Social Fund (ESF) policies.

**Objective 9 - Reinforcement of administrative capacity**

**SK0010 – Business Register census**

Phare will support the Statistical Office of the Slovak Republic (SOSR) in strengthening its statistical capacities and fostering in this way the harmonisation process by gradually implementing EU Regulation 2186/93, through the establishment of Business Registers for SMEs and their use for statistical purposes.

The Council Regulation 2186/93 states that “business registers are one element in reconciling the conflicting requirements for increased information on enterprises and lightening their administrative burden, in particular by using existing information in administrative and legal registers, especially in the case of SMEs”.

Phare will complement the local financial resources in preparing and carrying out a census of SMEs, establishing a mechanism for regular upgrading and updating of the business registers.

* * *

Where applicable, an environmental impact assessment according to the EU Environmental Impact Assessment Directive (85/337/EEC as amended by 97/11/EC) will be carried out for all investment projects.
In order to achieve maximum cost benefits, the Slovak Government will ensure that all IT equipment envisaged in the above projects will be jointly tendered out in strict compliance with Phare tendering procedures and rules.

5. BUDGET

The total financial commitment for the Phare contribution in support of the above programmes amounts to 28 MEUR, the breakdown of this amount by activity is as follows:

<table>
<thead>
<tr>
<th>Sector Programme</th>
<th>MEUR</th>
<th>INV (in MEUR)</th>
<th>IB (in MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political criteria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0002 – Roma minority</td>
<td>3.8</td>
<td>0.99</td>
<td>2.81</td>
</tr>
<tr>
<td><strong>Economic criteria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0003.01 – State Treasury</td>
<td>4</td>
<td>1.0</td>
<td>3.0</td>
</tr>
<tr>
<td>SK0003.02 – Bad Debts Recovery Mechanism</td>
<td>2.5</td>
<td>-</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Internal Market</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0004 – Application of the Act on technical requirements and on conformity assessment for products</td>
<td>1</td>
<td>0.34</td>
<td>0.66</td>
</tr>
<tr>
<td>SK0005 – Agriculture</td>
<td>1</td>
<td>0.88</td>
<td>0.12</td>
</tr>
<tr>
<td><strong>Employment and Social Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0006.01 – Development of social dialogue</td>
<td>1</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>SK0006.02 – Guarantee Fund</td>
<td>0.5</td>
<td>0.15</td>
<td>0.35</td>
</tr>
<tr>
<td>SK0007 – Environment</td>
<td>0.9</td>
<td>-</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Justice &amp; Home Affairs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0008.01 – Fight against corruption</td>
<td>5.5</td>
<td>2.87</td>
<td>2.63</td>
</tr>
<tr>
<td>SK0008.02 – Fight against drugs</td>
<td>1</td>
<td>0.35</td>
<td>0.65</td>
</tr>
<tr>
<td><strong>SK0009 – Economic and Social Cohesion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SK0009.01 – Improving the productive sector in Eastern Slovakia</td>
<td>1.6</td>
<td>1.375</td>
<td>0.225</td>
</tr>
<tr>
<td>SK0009.02 – Financial support for SME Eastern Slovakia</td>
<td>2.7</td>
<td>2.7</td>
<td>-</td>
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<tr>
<td>SK0009.03 – Human Resources Development –Eastern Slovakia</td>
<td>2</td>
<td>1.7</td>
<td>0.3</td>
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<tr>
<td><strong>Reinforcement of administrative capacity</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SK0010 – Business register census</td>
<td>0.5</td>
<td>0.15</td>
<td>0.35</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>28</td>
<td>12.505</td>
<td>15.495</td>
</tr>
</tbody>
</table>

In addition to the above allocations, 6,427,900 EUR have been already committed for Slovakia’s participation in Community programme (educational field and 5th Framework Programme).

6. 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 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 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 IA/CFCU.

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
Office of the Plenipotentiary for Roma minority issues
Office of the Deputy Prime Minister for Economic Affairs
Ministry of Education
Slovak Institute for Standardisation
Technical Testing Institute
Ministry of Finance
Ministry of Construction and Regional Development
Ministry of Justice
Ministry of Interior
Ministry of Agriculture
State Veterinary Administration
Statistical Office
Ministry of Environment
Ministry of Labour, Social Affairs and Family
National Labour Office

A separate bank account denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank or in a Bank agreed in advance with the 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.

All projects as included in the 2000 National Programme will be managed by the CFCU with the exception of the SK0009.01 and SK0009.02 programmes – Improving the productive sector in Eastern Slovakia and – Financial support to SMEs in Eastern Slovakia, which will be managed by the National Agency for the Development of SMEs (NADSME).

All funds must be contracted by 31st December 2002. All disbursements must be made by 31st December 2003. 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 IA/CFCU before the official closure of the programme. The IA/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 IA/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.

7. 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.

8. 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.

9. 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“.

10. 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.