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 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: SR0103 to SR0111
Title: 2001 Slovak National Programme
Duration: Until 30th November 2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 43.5 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30th November 2003 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 30th November 2004. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE’S number and title, shall be addressed to the following:

for the COMMUNITY:

Mr. Dieter Thiel
Acting Head of Delegation of the European Commission to the Slovak Republic
Panska 3
81101 - Bratislava - Slovak Republic

for THE RECIPIENT:

Mrs. Maria Kadlecikova
Deputy Prime Minister for European Integration
Office of the Government
Namestie Slobody, 1
81106 - Bratislava - Slovak Republic

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 17-01-2002

for THE RECIPIENT

[Signature]
Mária Kadlečíková
Deputy Prime Minister and NAC

for THE COMMUNITY

[Signature]
Dieter Thiel
Acting Head of Delegation

Encl.
Annex 1 Framework Agreement
Annex 2 Special Provisions
Annex 3 Visibility and Publicity
ANNEX II - SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITIES

Objective 1 - Political criteria

SR0103.01 - Support to the Roma minority in the educational field

This project aims at increasing the access to education, creating in this way favourable conditions for the integration of this national minority into the Slovak society.

Phare will support the establishment of additional 50 kindergartens all over Slovakia where the “Mother and Child” approach will be applied. The children will receive basic literacy, linguistic and social skills in order to prevent their misplacement to the special schools; the mothers will be fully involved enabling them to better understand the need of education for their children.

Another main objective of this project is the improvement of the primary education of the Roma minority through the introduction of a whole day care and reintegration modules in the educational process. A tailor-made module for primary education of this minority is promoted and enlarged to the entire country. By September 2002 a new National Curriculum and related legislation changes proposed by the Ministry of Education will enter into force.

The project will contribute to the immediate implementation of the new education legislation, where two new positions will be enlisted: the “assistant teacher” (supporting the certified teacher in the educational process) and the “mediator” will assist in the mother-child programme.

The activities of the project are designed in such a way that all parties involved in the educational system would effectively co-operate. One of the aims is to strengthen communication among state, municipalities, authorities, schools, teachers, parents and children, etc. As a result, schools will become multifunctional and multicultural centres closely linked to community centres, ensuring in this way education to a wider public.

Following the good practices of the 1998 project “Improvement of the situation of Roma in the Spis Region” (5 community centres operational), Phare will also support the establishment of ten additional community centres which will function as places of multicultural interaction promoting Roma integration in the society. Promotion of mutual tolerance is essential in developing a multicultural civil society. The community centres will function as meeting places for local inhabitants and therefore places of interaction of various cultures.

SR0103.02 – Infrastructure Support for Roma settlements

Phare will provide financial assistance to improve the infrastructure in 30, already identified, Roma settlements. A large portion of the Roma population lives in poor conditions, frequently in settlements where shanties serve as homes for often 10 people or more. A number of settlements are established

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1 OJ no. L375 of 23/12/1989
2 OJ no. L038 of 08/02/2001
in risky areas, notably subject to flooding or landslides or even in areas endangering the health of their inhabitants. Most of the settlements with the highest concentration of the Roma population are located in Eastern Slovakia (regions of Banská Bystrica, Košice and Prešov).

Taking into consideration the poor standard of the Roma dwellings, the Government has identified the “Housing” as one of the major priorities in its “Strategy for the Solution of the Problems of the Roma National Minority and the Set of Measures for its Implementation” - Stages I and II).

In March 2001, the Slovak Government in its Decree no. 214/2001 declared its will to address several Roma issues, notably those regarding housing, education, employment, security and social situation of the Roma. The Government Council endorsed the Social Housing Programme prepared by the Ministry of Construction and Regional Development aimed at addressing the low housing standards of Roma national minority and allocated approximately 24 MEUR for this purpose in the state budget proposal for 2002.

According to the current regulations set by the Ministry of Construction and Regional Development, only legal settlements can qualify for financial assistance from the Social Housing Programme. Less than 70% of the Roma settlements have a legal status. The Slovak Government is committed to seek a solution for the legalisation of Roma dwellings, which have been erected without building permits and encourage local authorities to find a way for their integration.

Phare will finance the construction of infrastructure in selected Roma settlements, mainly drinking water pipelines, waste water treatment plants, the rehabilitation/construction of roads, public lighting. It is envisaged, at project completion, the percentage of Roma connected to the basic infrastructure will increase by 20% in relevant regions, providing in this way adequate infrastructure facilities complementary to the “Social Housing Programme” financed by the Slovak government.

The relevant municipalities do have not the necessary financial resources and capacity to prepare the required land planning and technical documentation. Taking into consideration the size of the project, the Ministry of Construction and Regional Development (Implementing Agency for Regional Development) will be strengthened in order to ensure a timely implementation of the project. Phare will also finance the technical assistance necessary to support the municipalities in preparing the technical documentation required (drawings, maps, technical specifications, budgets, etc.) and to ensure adequate project supervision.

In the 30 selected Roma settlements, it is foreseen the active involvement of the Roma (mainly as low skilled workers) in the construction phase through the “Publicly Beneficial Works Programme” financed by the Ministry of Labour, Social Affairs and the Family. This will allow to partly address one of the most acute problems faced by the Roma: lack of job opportunities jointly with their insufficient preparation for the labour market.

**Objective 2 – Internal market**

**SR0104.01 - Support of market surveillance system in consumer and health protection**

The Slovak Government has decided to re-organise the market surveillance system and its institutional structure. At present, market surveillance is carried out by 12 State institutions under the
The main focus of the Phare assistance (twinning) is to improve the overall system of market surveillance in the Slovak Republic. This implies further co-ordination efforts between existing market supervision authorities. The project will improve the administrative capacity of the existing bodies respectively in the non-food and food sectors, further clarifying responsibilities and distributing the main resources efficiently. Special emphasis will be given to co-operation with customs bodies. To reach improvement of quality and effectiveness of market surveillance, it is necessary to provide extensive training to inspectors on a wide range of issues, including consumer protection legislation, “New Approach Directives”, market surveillance powers and practices, etc.

A global enforcement strategy also calls for the active participation of non-governmental actors, such as lawyers, economic operators and groups representative of the consumer interests. Activities planned under the project support co-operation with consumer organisations. These can provide substantial gains in the actual implementation of consumer laws. However, for such actions to be efficient, non-governmental consumer groups will have, through this project, the opportunity to develop their professional skills and expertise.

In the area of food safety, the main aim of the project is the full implementation of the relevant acquis and complete consumers protection from exposure to health risk food products placed on the market through the technical support to accredited laboratories of the Slovak Agriculture and Food Inspection and the State Veterinary Administration.

SR0104.02 – Customs – Development of EC compatible national management information system

By the time of accession, Slovakia must have fully implemented the “acquis” in the field of customs and taxation and be capable to administer and efficiently apply it. To facilitate and to make more efficient the practical application of the customs and taxation acquis, a number of computerised systems have been developed by the Commission. It is essential to ensure that the Slovak Customs Administration and the Slovak Tax Administration are linked to these computerised systems at the latest by the date of accession as the non application of the computerised systems would put at risk the smoothly functioning of the Customs Union.

All Commission’s customs and taxation computer systems use a common communication infrastructure known as "Common Communication Network/Common Systems Interface” (CCN/CSI). The existence of this infrastructure is a pre-requisite for establishing interconnectivity between the Commission’s systems and the Slovak Customs Administration ones.
Phare will finance a blend of twinning and technical assistance support. The Twinning project will assist and advise the Slovak Customs Administration with the User Requirements (UR) definition, business planning, organisation, co-ordination, control and monitoring of all activities associated with the Information Management (IM) of EC systems. The Technical Assistance will develop and implement the systems interface between the national customs information system and the relevant EC systems (Taric, VIES, EBTI, Quota, etc.), including the analysis, development, testing and implementation of the Customs Information System sub-systems which are required to enable the communication with the relevant EC systems; it will make an analysis of the training needs, development of the training plans with associated goals to enable the smooth implementation of the interface system and delivery of a tailored training package covering the Information Management System for relevant subsystems users and administrators.

**Objective 3 – Energy**

**SR0105 - Support for the Energy Policy in the Slovak Republic**

This Phare twinning project will focus on the implementation of the law on regulation in the network industries, the promotion of efficient utilisation and savings of energy and the implementation of the law on "Stocks of Crude Oil and Petroleum Products and Managing of Oil Emergency".

The Regulatory Act of Network Industries, scheduled to enter into force by 1\textsuperscript{st} January 2002, envisages the establishment of the Office for Regulation of Network Industries of the Slovak Republic (ORNi) as independent central state regulatory authority. The latter will be responsible for state regulation in the energy sector, authorisation to build new energy plans and provisions of licences. Following the adoption of the Regulatory Act (primary legislation), it will be necessary to adopt secondary legislation and introduce regulations that define its method of intervention.

Phare assistance will be provided in order to accelerate the transposition, implementation and enforcement of secondary legislation and to achieve full implementation of relevant EU legislation in the areas of regulation in the network industries, strengthening of the independent regulatory authority and energy efficiency.

As concerns the promotion of energy savings and the use of renewable sources of energy, Phare support will focus on the design of a system of incentives and sanctions, including a tariff structure review, in order to promote energy savings; implementation of EU legislation in the area of energy efficiency; adoption of policies for energy saving; adoption of policies, including a tariff structure review, for improving the use of renewable energy; provision of software for an efficient IT statistical system.

The Administration of State Material Reserves of the Slovak Republic (ASMR) is the responsible institution for stockpiling of crude oil and petroleum products and provides monthly statistical survey on oil and gas. According to the legislation in force from 1\textsuperscript{st} June 2001, 90-days of emergency stocks will be held in state ownership. In order to achieve these objectives, the ASMR will need support for the enforcement of legislation compatible with the relevant European Council Directives and Decisions.

The ASMR must prepare on a monthly basis a EU compatible state-wide statistical survey of oil and
gas. In order to ensure the compatibility with EU data/statistics software tools, EU expertise on ex-ante evaluation and comparative analysis is needed. The ASMR has to assess the state of current storage capacities in the Slovak Republic from an ecological and a technical point of view in accordance with EU standards. It also has to prepare a financial analysis and an assessment of the need for further investments for the reconstruction and/or building of new storage capacities. This should result in a recommendation for the optimal structure and location of state oil reserves. In order to achieve the above mentioned tasks the ASMR staff will be trained and statistical and emergency planning software developed.

**Objective 4 – Transport**

**SR0106 – Rail sector harmonisation**

The Government is preparing the restructuring of the Slovak Railways into a 100% state owned joint-stock company. The project, approved by the government in October 2000, anticipates that, inter alia, the Slovak Railways will be transformed into 2 separate legal entities (enterprises), one of which will act as infrastructure manager and the other as railway operator (providing transport services in passenger and freight transport). The gradual privatisation of the undertaking carrying out the activities of a railway operator with the participation of both domestic and international entities, is expected by 2005. At the same time, the undertaking should be divided into two companies - one operating passenger transport and the other freight transport.

The restructuring of the Slovak Railways, prepared with the EU technical assistance financed by EIB, foresees that the Slovak Railways will align the Slovak legislation to the applicable E.U. primary and secondary legislation, including the establishment of new independent regulatory authority.

This twinning project will assist the Slovak authorities in implementing the Rail Act in compliance with EU Directives 91/440, 95/118 and new directives currently under preparation and to strengthen the Independent Rail Regulatory Body in line with the acquis

**Objective 5 – Economic and Social Cohesion**

**SR0107.01 – Development of the Institutional Framework and Administrative Capacity for Programming and Implementation of Structural Funds**

On the basis of the outputs of the 1998 Special Preparatory Programme for structural policy, the procedures laying down the duties and rights of all relevant partners according to the Council Regulation (EC) No. 1260/1999 on Structural Funds will be completed. Phare assistance (twinning) will focus mainly on the strengthening of the Ministry of Construction and Regional Development, assisting the core staff to develop, co-ordinate and evaluate the National Development Plan as a basis for Community Support Framework and to take on the management responsibility for the ERDF and on strengthening the Ministry of Labour, Social Affairs and Family staff to take on the responsibility for managing the ESF, in line with the provisions of the EC Regulation 1784/1999. Due to the fact that the NUTS II. level eligible for support under Objective 1 of Structural Funds interventions in Slovakia is currently an artificially created level and the proposed further administrative reform in the country concentrates on NUTS III level, the Ministry of Construction and Regional Development will also be supported to perform the managing authority functions for
Regional Operational Programme(s). In close co-operation with the Ministry of Construction and Regional Development staff the legal compatibility of the system of regional policy will be examined in line with the provisions of Art. 12 of the Council Regulation (EC) No. 1260/1999 on Structural Funds and recommendations on further legal alignment will be provided. Assistance will be provided to relevant line ministries to develop skills to assume the role of future managing authorities for SOPs (Sectoral Operational Programmes).

Managing Authority functions are required for the implementation of the NDP which serves as a basis for the Community Support Framework (CSF). To ensure successful implementation of the NDP and to meet the requirements of the Council Regulation (EC) No. 1260/1999 on SF: a) a Managing Authority with an overall responsibility over the NDP / CSF and Regional Operational Programme(s) will be operational and effective within the Ministry of Construction and Regional Development; b) Managing Authorities for Sector Operational Programmes (SOP) will be operational and effective at relevant line ministries; c) Monitoring system will be put in place to enable all of the managing authorities to access up-to-date information on the running programmes and measures.

The implementing Agency for Phare economic and social cohesion programmes named "Implementing Agency for Regional Development" (IARR) established within the Ministry of Construction and Regional Development will be prepared to take on the role of Paying Authority for the ERDF. The ESF unit within the Ministry of Labour, Social Affairs and Family will be prepared to take on the responsibility of the Paying Authority for the ESF.

Partnership is an essential element of programming and implementation of Structural Funds. Relevant partners at central / NUTS I level and regional / NUTS III level (NUTS I and NUTS III levels form the capacity for future functioning of NUTS II levels) will be prepared for programming, monitoring and technical implementation of projects. The same level of competency will be reached at all levels and at the same time each level will be equipped with the specific tools necessary for their particular responsibility.

Programming does not function effectively if an insufficient number of projects is available or their quality does not meet the appropriate standards. Assistance will be provided for project preparation and to ensure an efficient project pipeline.

**SR0107.02 –Human Resources Development through preventive and individual active measures for the unemployed**

The project will build on the expected outputs of the Human Resources Development project financed in 2000, delivering its activities in the priority regions for the period 2002-2006 (Southwest, Northwest, East). The 2000 HRD supported project focused on the diagnosis of the demand and the supply side of the labour market in the priority region of Slovakia East through counselling and training at regional and local level, predominantly focused on 2 target groups, the young and the disadvantaged.

The 2001 proposed activities are aimed at fostering the employability of vulnerable groups affected by unemployment by providing them with individual active measures tailored to their specific needs in order to facilitate their access to the local and regional labour market. Taking into consideration all
negative factors influencing other regions in Slovakia, the Phare 2001 project will extend the implementation of active labour market measures to the two other priority regions, Slovakia Southwest and Northwest. Slovakia will therefore use Phare support for a sectoral approach implemented at the national level from 2001 as part of the integrated development programmes. The implementation of the proposed project activities will reinforce the proposed measures as defined in the Regional Operational Programme.

These activities will complement the implementation of the kind of measures adopted in the "National Employment Plan" and 'Sectoral Operational Programme for Human Resources Development", that make use of active labour market instruments.

**SR0107.03 – Zemplinska Sirava - Tourism project**

The project will contribute to develop new activities in the area of services and tourist industry, to reduce the unemployment rate and as well to improve the environment and to preserve the regional specific features of Zemplin region. The proposed project is fully in line with the National Development Plan (NDP) adopted by Decree of the Slovak Government No. 240/2001 and with the Regional Operational Program of the region Slovakia – East and with the Sectoral Operational Program – Tourism. It meets the following criteria set for the priority: tourism infrastructure development, environmental protection, upgrading of existing facilities and completion of tourism information offices network.

At project completion, the water quality in the water reservoir will meet the national as well as the EC standards, including the Council Directive 76/160/EEC of December 8th 1975 on the quality of water for bathing. Traffic inside the Zemplinska Sirava locality will be improved which will result in higher transport safety. After implementation of these measures and on the basis of a realistic marketing plan, it is expected to increase by 30% the number of tourists over a period of 4 years.

Phare will financially support the construction of water management infrastructure. The upgrading of the tourism infrastructure will be fully financed by the Slovak authorities.

**SR0107.04 – Industrial Park Humenné - Guttmanovo**

The proposed project is fully in line with the National Development Plan (NDP) adopted by Decree of the Slovak Government No. 240/2001. The project is located in the region Slovakia – East. The project contributes to the achievement of the global objective – “Development of production and services based on the utilisation of domestic resources” and the specific goal - “Building and development of industrial parks” and is in line with the Sectoral Operational Program – Industry, part: Building and development of industrial parks and is also in line with the Regional Operational Program of the region Slovakia East.

The proposed project is based on the main strategic priorities for the economic development of the area defined in the “Regional operational programme of the District Humenné”.

The Humenné – Guttmanovo Industrial Park will be located in the City’s industrial zone. There is a good connection to the existing transport infrastructure (road, railway). Main utilities are already available.
According to the data elaborated by the National Labour Office - District of Humenné, adequate skilled labour force is available in the area. The existing network of the education system in the City of Humenné and close surroundings including universities and secondary schools in Prešov and Košice Regions is satisfactory and guarantees the possibility of developing skilled and educated human resources also for the future.

This project aims at attracting foreign and domestic investors into the Humenné District. It will create favourable conditions for SME’s business activities and will contribute to the reduction of unemployment by creating approximately 240 new jobs.

The Industrial Park should be adequately accessible and the movement of persons/vehicles inside the industrial park should be safe. An access road to the industrial park 1.150 m long will be built from the Mierova street. The existing road does not correspond to the transport needs of the future enlarged industrial park.

Phare will finance the construction and completion of transport infrastructure, of the utilities and communication systems and of waste water collection and treatment system.
**SR0107.05 – Industrial Park - City of Rožnava**

The industrial Park will provide complex technical infrastructure for new users and will create favourable conditions to investors interested to build-up industrial production and services oriented to textile, wood processing, sanitary products, processing industry and steel manufacturing. Upon a realistic forecast, a few hundreds of new jobs may be created, contributing to decrease the unemployment rate in the District of Rožnava.

Support to entrepreneurs’ development is an effective way to revitalise the economy and address the high unemployment rate, caused by the collapse of previously state-owned companies, which currently exceeds 30%.

The construction of the Industrial Park in the City of Rožnava will boost the potential of the Rožnavská Bana – Nadabula area and will create the required environment for the development of SME business activities, contributing in this way to support its overall economic development. The Industrial Park will also create favourable conditions for investors forming a part of the production chain of the international companies operating in the Košice region.

**SR0107.06 – Industrial Park - City of Spisska Nova Ves**

The decline of the traditional industrial activities like mining, machinery, wood processing and electric industry caused by the loss of eastern European markets in the late ‘80s resulted in an increased unemployment rate. On the basis of the official statistical information provided by the District Labour Office in Spisska Nova Ves, the current unemployment rate is over 26% of the active population.

The project includes the creation of a new industrial park to be located on the site of an existing 9-hectare industrial complex. A vocational school for woodworking is located on the site. This is a high-quality training centre which ensures the availability of qualified woodworkers.

Over 8,000 m² of office space and production area will become available to new investors and a green area of approximately 20,000 m² is available which would enable the construction of at least 7,000 m² of new factory space. The highest potential for developing industries lays in the field of wood processing. The expansion of the existing wood processing activities offers the greatest potential for the creation of jobs due to the abundant raw material (forest cover over 60% of the region territory and can be exploited at sustainable levels), the traditional manufacturing activities and the existing capabilities and education of the workforce, create a blend of favourable conditions for starting business focusing on wood processing and related industries.

A number of potential investors, both local and international, already expressed their interest to locate their activities in the proposed industrial park creating up to 560 jobs by 2006.

**SR0107.07 – City of Velka Domasa – Tourism project**

The proposed project is in compliance with the National Programme of Tourism Development in Slovakia adopted by Government Decree 185/2001.
The Presov region is situated in the northern part of East Slovakia. It borders with Poland in the North and with Ukraine in the East. From the social and economic point of view, the region is one of the least developed in Slovakia. Under-capitalisation, obsolete production plants and technologies and lack of investment capital are the common features for most economical activities in the region. The current unemployment rate is approximately 28%.

The water reservoir Velka Domasa has been originally designed as a multi-purpose reservoir dam intended for industrial water supply, recreation, power generation and flood protection. The morphology, uneven terrain, relatively favourable climatic conditions and water cleanness create exceptionally good conditions for recreation, fishing and water sports.

The water reservoir Velka Domasa belongs to the Ondava river basin. In this area live some 35,000 inhabitants in 99 settlements. The main sources of pollution of the water in Velka Domasa reservoir are non-adequate waste water treatment and land erosion caused by current agriculture and forestry practices. Only 8 of the 99 settlements have a public sewer system (approximately 10,000 inhabitants are connected to the sewer system).

In terms of possibilities of economic and social revival of the region, the tourism industry has the highest development potential. Until the early ‘90s Velka Domasa, one of the main touristic areas in Slovakia, was visited by over 750,000 tourists per year, almost exclusively in the summer season. However, in the last years the number of visitors has substantially dropped down to 400,000 visitors per year.

Phare will finance the modernisation and development of transport infrastructure, sewerage and waste water treatment plants of towns and villages of the region of Velka Domasa, contributing to the protection and improvement of the environment. These measures, jointly with the infrastructure investments to be financed by the local authorities, will boost the local economy and notably the development of SMEs operating in the tourism industry.

**SR0108 – Strengthening the independence of the judiciary**

The amendment and implementation of the Act on judges and lay-judges will strengthen the judicial self-administration as it reflects a clear division of competencies. Support through the Phare 2001 programme aims at making the Judicial Councils fully operational and to strengthen the effectiveness of the judicial system through the establishment of the institute of higher-court officials and the implementation of out-of-court settlement of disputes (arbitrage and mediation procedure).

In order to decrease the administrative burden on the judges, the new legislation foresees the new function of “higher court officials”. Some tasks will be shifted to the “court secretaries”: those who will comply with the required qualifications will be promoted to “higher court officials”. Following the extension of courts’ tasks to the protection of citizen’s rights, the number of cases to be dealt with has substantially increased. The workload will be reduced through the development of alternative solutions for settlement of disputes and complaints. This includes a revised procedure for arbitrage, as well as the establishment of mediation procedures, as part of the introduction of the “out-of-court settlement” of disputes.

Training, as an important measure to improve the skills of judges, state prosecutors and other target
groups in the judiciary sector, has been incorporated into the concept for judiciary reform. Knowledge of judges of EC legislation is still unsatisfactory. In the areas of economic crime, legal provisions for businesses, bankruptcy law, enforcement of intellectual and industrial property rights, etc., there is still a need for systematic and continuous training.

An analysis of the training needs of Slovak judges has been made during a previous Phare financed twinning project. One of the recommendations included the establishment of a training institution for the judiciary. The latter is expected to be operational in the second quarter of 2002 and will be placed under the supervision of the State and will operate independently from the Ministry of Justice. Through a 1999 Justice & Home Affairs twinning project, mechanisms and procedures for the functioning of this training institution are being developed.

Enhanced and specialised training for judges is necessary to allow them to fulfil their legal obligations. Taking into account the on-going approximation of legislation process, Slovak judges need ad-hoc training aimed at the improvement of their ability and skills in applying the harmonised legislation. Phare assistance will finance the secondment of judges-experts from EU Member States and further training of trainers aimed at creating a stable group of trainers/judges.

The Association of Slovak Judges will be charged with the development of ethical standards for judges and of implementation measures through the elaboration of a code of ethics.

**SR0109 – Public Internal Financial Control**

Phare will support through a twinning project the strengthening of the present internal financial control system (covering financial management and control as well as internal audit) and thus supporting adequate control of public funds in compliance with EC standards.

A Central Harmonisation Unit will be established at the Ministry of Finance in order to develop and harmonise a methodology for Financial Management and Control Systems (FMC) as well as for Internal Audit. Internal Audit units need to be established in the budget spending centers. To ensure the smooth implementation of the above methodology, a large training programme will be provided to the financial controllers and internal auditors.

The Central Harmonisation Unit and Internal audit units in the line ministries and in the spending centres will be inter-connected with an IT system facilitating the communication among the various players operating in the financial control field.

**SR0110 – Twinning Light Facility**

As pointed out in the independent assessment of the twinning instrument carried out by the European Commission services – there is a clear demand to establish an institution building instrument to address specific well-circumscribed self contained subjects of limited scope. The twinning light facility will provide the possibility to respond to emerging tasks in a more flexible and immediate way. Within the Phare National Programme budget a limited envelope has been earmarked from which projects to be implemented with the twinning light tool can be financed. In particular, projects will be supported in those areas in which an urgent or unforeseen task would come up during the accession negotiations or which have a high priority, and the scope of which does not justify a full scale twinning.
project. The programming of this support and the preparation of the project fiches relevant to each self-contained activity will be subject to the approval of the relevant Commission services.

**SR0111 – Slovakia’s participation in some Community Programmes/Agency**

This project provides for Phare co-financing towards Slovakia’s participation in 2002 in Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Media, Save, Fifth Framework Programme. It also provides for the co-financing of the Slovak Republic’s participation in the European Environment Agency. Both co-financing and participation will take place on the basis of the relevant Association Council Decisions.

**Overall programme conditionalities**

Before the Financing Memorandum between the Commission and the Government of Slovakia is signed, the National Aid Co-ordinator will satisfy the Commission that the Ministry of Construction and Regional Development is taking adequate steps to staff and resource adequately the newly established Implementing Agency for Regional Development and additional qualified staff is provided to the National Fund and the CFCU.

Before the Financing Memorandum between the Commission and the Government of Slovakia is signed, the National Aid Co-ordinator will confirm the availability of the national co-financing indicated in each project fiche, and the modalities for combining Phare and national co-financing when projects are contracted.

Any project involving the supply of equipment and works requires national co-financing as shown in the relevant project fiche. If the total cost of such equipment or works is less than the amount envisaged in the fiche, the amount of Phare support will be reduced to maintain unchanged the relative proportions of Phare support and national co-financing shown in the fiche. If the total cost is greater than the amount envisaged in the fiche, the extra support required will be provided by additional national co-financing.

For any project delivered partly or wholly by twinning, a draft twinning covenant shall be presented to the Commission Delegation for approval within four months of notification of selection of the twinning partner. If no draft covenant is presented within this period, the Commission may re-circulate the project to Member States for selection of a new twinning partner, tender the project for commercial technical assistance, or cancel the project.

Projects to be implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

All investment projects which, according to the rules stipulated in Directive 85/337/CEE as amended by Directive 97/11, require an environmental impact assessment, should be the subject of such an assessment. All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The relevant project fiche contains specific clauses on compliance with the
relevant EU legislation in the field of the environment according to the type of activity carried out under each investment project.

In the case of a project coming under Annex II of the Directive 85/337/EEC, as amended by Directive 97/11/EC for which an EIA is not required, the authorities should assess if the project is likely to affect an environmentally sensitive area\(^3\). If so, a declaration from the responsible authorities for nature conservation should be included stating that their conclusion is that the zone's environmental potential will not be directly affected by the project.

2. BUDGET

The total financial commitment for the Phare contribution in support of the above programmes amounts to 43.5 MEUR, the breakdown of this amount by activity is as follows:

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<th>Sub-Programme</th>
<th>Investment</th>
<th>IB</th>
<th>TOTAL PHARE (IB + INV.)</th>
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<td>SR0103 – Political criteria</td>
<td>8.070.000</td>
<td>1.930.000</td>
<td>10.000.000</td>
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<td>SR0103.01 – Roma Education</td>
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<td>TOTAL</td>
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<td>15.714.000</td>
<td>43.500.000</td>
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3. IMPLEMENTATION ARRANGEMENTS

\(^3\) Definition of environmentally sensitive areas:-

a) areas protected by national legislation;

b) internationally important wetlands (sites fulfilling RAMSAR Convection ornithological criteria) and other sites meeting the criteria which would require designation as Special Protected Areas under Directive 79/409/EEC;

c) areas to which the Bern Convention on the conservation of European wildlife and natural habitats (article 4) apples, in particular site meeting the criteria of the Emerald network;

d) Breeding or resting place of an animal species listed in Annex IV of Directive 92/43/EEC (Article 12);
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 NAC and the NAO shall be jointly responsible for coordination between Phare (including Phare CBC), ISPA and SAPARD.

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. The NAO shall have the overall responsibility for the financial management of Phare funds. He shall ensure that Phare rules, regulations and procedures pertaining to procurement, reporting and financial management, as well as Community state aid rules, are respected, and that a proper reporting and project information system is functioning. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme. The NAO shall maintain a financial reporting system for all Phare funds.

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 distinction should be made between the payments concerning the participation in Community Programmes and Agencies and the payments concerning the other sub-programmes. However, only one bank account will be opened at the National Fund.

Community Programmes and Agencies: A single advance will be made to the National Fund to cover the full amount of the Phare part of the financial contribution for participation in Community Programmes and Agencies. This advance will be made, following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred after the entry into force of the Decision establishing the terms and conditions for participation in that programme. If there is a delay in the entry into force of some of the Association Council Decisions, the payment to the National Fund maybe divided into two or more tranches so that 100% of the funds necessary for the programmes in force can be transferred immediately.

The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programme concerned and within the deadlines requested.

Other Sub-Programmes: 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

*excluding the amount foreseen for the Community Programmes and Agencies
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 IA/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 replenishment 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 CFCU will be the Implementing Agency for all sub-programmes with the exception of the SR0111, for which the Phare funds will be handled by the National Fund itself and the following ones which will be under the responsibility of the Implementing Agency for Regional Development: SR0103.02, SR0107.02, SR0107.03, SR0107.04, SR0107.05, SR0107.06, SR0107.07.

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.

In most projects various ministries or institutions play an important technical role. These organisations will have the responsibility for designing, selecting and monitoring the projects, while the Implementing Agency will assist in all these tasks, playing particular attention to the principles of good project design and implementation and Phare procurement and payment rules.

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 Practical Guide and DIS Manual.

For grant schemes, whose procedures and formats are not covered by the current Practical Guide, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:
the procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.

The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

The ex ante approval of the Commission (Delegation in Bratislava) will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex post control of the EC Delegation.

The implementation of the selected projects through the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations in the Practical Guide. The decentralised system established for CBC small projects is to be applied to all such contracts below 300,000 EUR (or any increased threshold to be fixed by EC Headquarters for small project funds under CBC programmes). Tenders and contracts above this threshold will be presented to the EC Delegation for ex ante approval. The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the relevant financing memorandum.

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

The final deadline for signature of contracts and twinning covenants is 30 November 2003. However, in order to ensure that projects are implemented as quickly as possible, all tender dossiers (or, where applicable, grant schemes, requests for services or contract dossiers) must be submitted to the Commission within 6 months of signature of the Financing Memorandum, except for project SR0110 (Twinning light reserve). Specifications will be reviewed by independent experts within the framework of twinning, where possible and appropriate. Any project for which the relevant documents are not submitted within the deadline specified might be cancelled and at the European Commission’s discretion, unused funds might be reallocated for other purposes consistent with the objectives of the Phare programme.

The first consolidated draft of twinning covenants must be submitted to the EC Delegation within 4 months of the Delegation’s notification to the Member States of their selection as twinning partner.
Failure to meet this deadline can result in the re-circulation of the relevant project fiche to Member States for selection of a new twinning partner, tender the project for commercial technical assistance, or cancel the project.

If funds are reallocated to a new project, the tender dossier (or other documents as applicable) must be submitted to the Commission within 3 months of the re-allocation decision.

All disbursements must be made by 30th November 2004. 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.

4. MONITORING AND ASSESSMENT

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

The JMC is assisted by Monitoring Sub-Committees (MSCs) and will include the NAC, the PAO of each relevant Implementing Agency and of the CFCU and the European Commission services. The MSCs 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 put forward recommendations on aspects of management and design, ensuring these are effected. The MSCs report to the JMC, to which it submits overall detailed reports on all Phare financed Programmes.

5. ANTI-FRAUD-MEASURES, AUDIT AND EVALUATION

All financing memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-Fraud Office) and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council
Regulation (Euratom, EC) No. 2185/96 dated from November 11, 1996, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities’ financial interests against fraud and other irregularities.

The procedures foreseen in Art. 15 para 3 of Commission Regulation No. 2222/2000 dated from June 7, 2000, on the communication in case of irregularities and the putting in place of a system to administrate the information in this field shall apply.

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

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

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.