FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY"

on the one part, and

The Government of the Slovak Republic, hereinafter referred to as "THE RECIPIENT"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 10th 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: 2002/000.610.01 to 2002/000.610.23
Title: 2002 National Programme for the Slovak Republic
Duration: Until 30th November 2004

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 57.1 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 30th November 2004 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 2005. 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. Eric van der Linden,
Head of the EC Delegation
Panska, 3
81101 - Bratislava – Slovak Republic
Fax: 00421-2-54432972

for THE RECIPIENT:

Mr. Pal Csaky
Deputy Prime Minister for European Integration
Námestie Slobody 1
81370 Bratislava - Slovak Republic
Fax: 00421-2-52496759

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 10 -01- 2003

for THE RECIPIENT

[Signature]

Done at Bratislava

Date 10 -01- 2003

for THE COMMUNITY

[Signature]
Encl.
1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
SPECIAL PROVISIONS

OBJECTIVES, DESCRIPTION AND CONDITIONALITIES

Objective 1 - Strengthen the institutional and administrative capacity

Project 1: Support to the Civil Service Office

The Slovak Republic adopted in 2001 the Civil Service Law, setting a new legal framework for the development of future human resources strategies in the Slovak Public Administration. The Civil Service Office (CSO) has been established in April 2002 with a remit to develop a unified professional and ethical Civil Service based on the relevant legislation.

This project has been devised to assist the CSO in the phase of the reform programme's implementation. Phare assistance (twinning) will aim inter alia at developing strategy and policy framework for a professional Civil Service; advising and assisting the CSO in the management of its functions and the further development of the specialist units and their effective functioning, including for example pay systems; codes of ethics and its enforcement through disciplinary structures and rules; recruitment and selection systems; promotion and career development mechanisms, training.

Project 2: Institution Building Facility

Phare funding has been earmarked for an unspecified envelope to provide Institution Building support through twinning, twinning light or technical assistance to meet the requirements related to specific urgent and unforeseen needs identified in the course of the accession negotiation process, the Peer Review or which have a high priority. This facility may notably help to assist the adoption and implementation of acquis in particular areas where assistance is still necessary; strengthen the institutional and operational capacity of public administration bodies in view of the future role in the implementation of the EU acquis; to develop human resources of public administration institutions relevant for the implementation of the EU acquis.

Objective 2 - Protection of minorities

Project 1: Further integration of the Roma children in the educational field and improved living conditions

This project includes two components: further Phare support in order to ensure the continuation of the good practices resulting from previous projects favouring the re-integration of Roma children from socially disadvantaged environment from special schools into regular primary schools. The second component foresees technical assistance to provide to the municipalities for the preparation of technical documentation in light of future financing in the frame of 2003 programming, notably the preparation of technical documentation required under Slovak Regulations (e.g. building permits, land use certificates, Environmental Impact Assessments) and full set of tender documentation for public works.
Objective 3 - Internal Market

Project 1: Strengthening Financial Sector Supervision

Whilst considerable progress have been achieved by the Slovak relevant authorities as regards financial service supervision, there is a need to develop efficient co-operation procedures between the National Bank of Slovakia and the Financial Market Authority, enabling the two bodies to successfully enforce the adopted legislation in the capital markets, credit institutions and insurance companies.

Phare support (Twining) will aim at enhancing the capacity of the supervisory authorities to regulate and supervise efficiently the capital markets, the insurance companies and the credit institutions. Particular attention will be devoted to the improvement of supervisors competence and skills. The pre-requisite of the efficient supervision is the availability of an integrated Information System on the supervised institutions. Phare will also finance the development of software which shall provide application of proceeding and analysis of collected data from operators (EWS - Early Warning System), distribution of relevant information to end-users, connection to other institutions of the Slovak financial sector (e.g. stock exchange) and international financial institutions.

Objective 4 - Agriculture

Project 1: Control TSE (Transmissible Spongiform Encephalopathy) - food safety

In order to guarantee domestic and foreign consumers about the safety of Slovak meat and products of animal origin, Slovakia needs to comply with the relevant EC legislation, laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies. Detection and identification of animal species and products in feed and declaration of components of animal origin are particularly important on the ground prevention of TSE.

To facilitate the introduction of TSE screening and eradication in Slovakia, Phare will finance a blend of institution building (twinning) and investment support. The TSE control system harmonisation will cover technical harmonisation, vets training and training of the personnel at slaughterhouses, workshops for the concerned parties, surveying TSE laboratories and information systems and bovine slaughterhouses. In the frame of this project, TSE laboratory will receive 180,000 rapid tests, (the estimated need for two years), and laboratory equipment to improve its capacity of TSE screening.

Project 2: Development of Structures for the implementation of IACS (Integrated Administrative and Control System)

The main objectives of IACS are the creation of a single, integrated procedure for submission, administration and checking of applications for subsidies; increasing the effectiveness of the administrative and control mechanisms concerning direct support to farmers; and the use of technical resources in administration and control with the aim to simplify them.

Phare support (twinning, technical assistance and investment) will focus on the harmonisation of the Slovak national rules for aid provision in agriculture with the relevant EU directives; the staff at central and regional level will be adequately trained to administrate and control direct payments in line with the EU criteria, including on-the-spot-controls; technical infrastructure for the administration dealing with IACS (installation of IT equipment at the central and regional level).
Project 3: Enhancement of phytosanitary controls of Plants and Plant Products

Uncontrolled imports of goods from third non-EU countries represent potential hazards for spreading of plant pests representing a high risk for the public health. They may be source of infection, often latent, and may cause considerable damages. In order to enforce the newly adopted legislation in the phytosanitary field (official border inspection, sampling, control analysis) in compliance with EU standards and best practices, it is necessary to continue with the strengthening and modernisation of appropriate infrastructure facilities located at the future EU external border. Twinning light assistance will mainly focus on the improvement (through training) of the capacity of phytosanitary inspections in line with the acquis and EU standards. Phare will also co-finance the construction of two quarantine glasshouses in Haniska (Eastern Slovakia).

Project 4: Registration of Producers, Importers and Exporters of Plants and Plant Products

A pool of experts (twinning light) will assist the Slovak authorities in the establishment of a registration system of producers, exporters and importers of plants and plant products and issuing of plant passports in order to achieve full compliance with EU standards. They will also provide training on the relevant EU legislation for the inspectors of the Central Control and Testing Institute for Agriculture as well as for the producers, exporters and importers of plants and plant products.

Short-term technical assistance will complement the Twinning light support focusing on the drafting of the technical specifications for the upgrade of the information system for the registration of producers, exporters and importers of plants and plant products and issuing of plant passports and the procurement of IT equipment.

Objective 5 - Statistics

Project 1 - Implementation of the INTRASTAT-SK system

INTRASTAT is a comprehensive statistical system for the monitoring of the goods flow between Member States. The Single Administrative Documents will no longer be used as a data source for foreign trade statistics and balance of payment relating to the trade with EU Member States. In order to compile the mentioned statistics at the national and EU level, it is necessary to introduce INTRASTAT-SK system as an essential tool for collection, processing and dissemination of data on trading of goods between Member States.

The selected twinning light experts will assist the Slovak authorities in the technical supervision of harmonisation of legislation and the development of methodological documentation. In the framework of the same twinning light project, training linked with the implementation of INTRASTAT-SK legislation and methodology will be delivered to the Slovak Statistical Office staff. Phare will also finance software development applications and training related tasks through technical assistance.

Project 2 - Strengthening Regional Statistics (REGSTAT)

This project aims at developing a fully operational regional statistical system with improved quality of regional data, supported with methodological and software tools ensuring regional data collection from different sources, updating the regional data base, data presentation and analysis of
regional development. Phare support will be provided through twinning (assessment of Slovak legislation, analysis of regional data sources, drafting regional statistics methodology), technical assistance (REGSTAT software specifications) and a small investment allocation (procurement of equipment and software).

Objective 6 – Economic and Social Cohesion

Project 1 - Consolidating the Institutional Framework and Enhancing Administrative Capacity for Programming, Implementation and Monitoring of Structural Funds

The 2001 National Programme already included a package of assistance notably to the Ministry of Construction and Regional Development, with the aim to assist the core staff to develop, co-ordinate and evaluate the National Development Plan as a basis for Community Support Framework and to take over the management responsibility for the ERDF; the Ministry of Labour, Social Affairs and Family as Managing Authority for ESF and the Ministry of Finance as single Paying Authority.

Taking into consideration the recent decisions of the Slovak government designating five Managing Authorities responsible for the preparation and implementation of the Structural Funds and the Cohesion Fund, additional Phare assistance (twinning) will be provided to relevant line ministries to develop skills to assume the role of future managing authorities for the respective SOP (Sectoral Operational Programme).

Monitoring system will be put in place to enable all of the relevant managing authorities to access up-to-date information on the running programmes and measures.

The four Grants Schemes (described below) should be seen as complementary to such assistance, with the emphasis on developing capacity at regional and local level and on creating the necessary platform that will be necessary for the absorption of funds through the medium of projects and initiatives that will qualify for Structural Funds funding.

As delivery mechanisms, grant schemes are suitable for strengthening regional and local capacity. It is possible, through a grant scheme to fund a large number of small projects that are distributed across a number of regions and which are within the financial means of local beneficiaries. The rules by which grant schemes operate ensure transparency, accountability and spread the responsibility for project selection over a wider range of people and institutions.

Project 2 - Industry Development Grant Scheme

The project will focus on enterprises which can significantly enhance commercial performance through a) new product development or the redesign of existing products, and/or b) improving production processes, so that these innovations will result in increased sales values and/or decreased production costs to the point where the enterprises can withstand open international competition. This approach also supports the adoption of a sustained in-house innovative development culture.

The scheme will support a range of projects which will increase the competitiveness of the grant holders’ enterprises. Supported projects will increase output values and enhance production processes within industrial enterprises; improve quality standards and enhance marketability of products/services; improve managements’ capabilities within the enterprises; create conditions for
continuous development of innovative development strategies; creation of new jobs with higher stability and increased skills levels of employees

Project 3 - Local and Regional Development Grant Scheme

This grant scheme will establish and test the administrative structures and procedures needed for the future implementation of the Regional Operational Programme (currently under revision) and significant parts of the Bratislava County Development Plan (the basis for the future Single Programming Document) by supporting regional and local initiatives. The grant scheme will support activities which have regional (rather than national) significance and which have demonstrable regional or local impacts. This project aims at building administrative capacity and prepare a "project pipeline" at the local and regional levels, creating the conditions that will be necessary for the absorption of Structural Funds.

Project 4 - Tourism Development Grant Scheme

The success of the Pilot TDGS (financed in the framework of the 1998 Special Preparatory Programme for structural policy) is a clear indication that appropriately designed financial incentive instruments stimulates a popular response from the sector and signals the potential to act as a major catalyst of regional development. This grant scheme will aim at supporting

- the productive investment of SME's for the development of the tourism sector (e.g. development of new accommodation facilities, upgrading and refurbishment of existing accommodation facilities, etc.) and
- the activities of local and regional tourism associations and other private and public sector partnership organisations engaged in tourism sector development (e.g. local, regional and inter-regional strategic sector and/or product development plans, market research, preparation of information leaflets, brochures etc. for the launch of market promotion, information and/or awareness campaigns, etc.).

Project 5 - Human Resources Development Grant Scheme

It is intended to use the Human Resources Development Grant Scheme (HRDGS) to strengthen and test the procedures and absorption capacity that will be required for the management and implementation of projects funded by ESF at regional and local level. The mechanisms put in place to administer the HRDGS will, in so far as it is possible under Phare rules and regulations, imitate those used to manage ESF, post-accession. Out of the activities that will be financed through this grant scheme, we can mention Human Resource development strategies and plans at regional and local level and encouraging the development of ongoing partnership structures, projects aimed at increasing the flexibility of the labour market, promotion and implementation of preventive measures along with active labour market policies to combat youth and long-term unemployment and the development of customised services aimed at tackling the specific needs of individuals, etc.
Objective 7 – Environment


Phare support (twinning) will be provided to the relevant Slovak administration responsible for environmental protection and management of natural resources and for environmental quality control and monitoring to implement and enforce the requirements of Council Directive 76/464/EEC “on pollution caused by certain dangerous substances discharged into aquatic environment”. The assistance will focus on the introduction of a water quality national monitoring system covering all dangerous substances, implementation of programmes for the elimination of List I substances and for reduction of discharges of List II substances, permit regime and training to the personnel of the regulatory bodies and industry representatives.

Project 2 - Implementation of the Integrated Prevention and Pollution Control Directive (IPPC)

The purpose of the Council Directive 96/61/EC on Integrated Prevention and Pollution Control is to achieve integrated prevention and control of pollution arising from the activities listed in Directive’s Annex I. It lays down measures designed to prevent or, where that is not practicable, to reduce emissions in the air, water and land from the above mentioned activities, including measures concerning waste, in order to achieve a high level of protection of the environment taken as a whole, without prejudice to Directive 85/337/EEC and other relevant Community provisions.

Phare support (Twinning) will assist the local authorities in preparing the full transposition of the IPPC into the Slovak legislation and recommend the most appropriate institutional set-up able to guarantee the implementation of the IPPC Directive. The twinning assistance will also include advise on the design of a database comprising the inventory results, implementation of the IPPC, establishment of the IPPC Information System, organisation of training modules.


Phare assistance (twinning) will support the relevant Slovak authorities in developing guidelines for management planning for each category, will formulate and draft management plans involving all stakeholders, formulate recommendations for the new Act on Nature and Landscape Protection by binding regulations on Natura 2000 sites, will provide training for staff from protected areas, regional and district offices, farmers and foresters.

Phare will also finance (technical assistance) an information campaign on Natura 2000 establishment (the aim of this campaign is to prepare the relevant stakeholders on the obligations resulting from the establishment of the Natura 2000 network).
Objective 8 - Justice and Home Affairs

Project 1 - Implement the Schengen Action Plan and continue to upgrade the infrastructure at the EU future external borders

This project foresees a comprehensive package of twinning support and investment. The key activities include:

- Equipment for the National Schengen Information System (and its training center); SIRENE
- Central Visa Office - FADO (European Archiving System) equipment
- Provision of night vision equipment and specially equipped monitoring vehicles for the Green border surveillance
- Health and safety of migrants and of border and alien officers (works for upgrade of external green border temporary detention facilities, including dedicated facilities and set-up of a mobile operational medical unit)
- Works (financed by the Slovak government) at Bratislava, Košice, Poprad international airports and provision of explosive detection machines and IT equipment (Phare)

The tasks to be performed by the twinning team (located at the Presidium of the Police Force) will include strategic and operational advice in relation to Schengen matters, management of future EU external borders, asylum and visa related issues, review of information and communications systems, delivery of training modules.

Project 2 - Information System for the administrative units promoting the law enforcement in the Slovak Customs Administration

The objective of this project is the enforcement of the law and detection of crime in the field of illicit import, export and transit of drugs, psycho-tropic substances, poisons, precursors and hazardous materials, in the field of smuggling as well as in economic crime and frauds, which are under the responsibility of the Slovak Customs Administration. Phare assistance (twinning, technical assistance and investment support) will be provided to specific customs administrative units, e.g. "Division of drugs and hazardous materials" and "Enforcement Division" and their regional units.

Phare will also finance the development and implementation of a software application with integrated analytical tool for automatic collection, storage and processing of the information, supporting communication flows of automated data and information transfer in the relevant field for the law enforcement special units of the Slovak Customs Administration.

Project 3 - Support for the implementation of the Dublin Convention

The twinning assistance will advise the Migration Office (Ministry of Interior) on the establishment of an independent body as the second appeal instance for asylum seekers, its most appropriate organisational structure for the implementation of the Dublin Convention. The PAA will also formulate recommendations on possible amendments, as appropriate, of the "Asylum Act" and update of the National Action Plan in the area of asylum.

Phare will also finance some technical equipment for implementation of the Council Regulation No 2725/2000 concerning the establishment of “EURODAC” for the comparison of fingerprints for the effective application of the Dublin Convention. It will be used by the Bureau of Border and
Aliens Police of the Presidium of the Police Force.

**Project 4 - Strengthening the effectiveness of investigative and prosecution procedures**

Two institutions will be the beneficiaries of this project: the National Bureau of Judicial Police and the General Prosecutor's Office.

The twinning team will review the proposal elaborated by the Ministry of Interior concerning the establishment of the Directorate-General of Judicial Police within the same Ministry structure and notably the **National Bureau of Judicial Police** (NBJP). The Member States seconded officials will assist the Slovak authorities in elaborating the mandate of the NBJP. The pool of short-term experts will deliver a set of training modules on the implementation of the Action Plan for strengthening the NBJP's operations, structures, administrative procedures and investigation methods.

The **General Prosecutor's Office (GPO)** plays a crucial role in the distribution of information about the criminal records of individuals, as well as at conducting investigations. Currently, the effectiveness of the Prosecutor's offices is hampered by obsolete or non-existing technology.

In order to increase the effectiveness of prosecution procedures, Phare will co-finance inter alia (through technical assistance and investment support) the development of efficient system of information collection and exchange among LEAs (Law Enforcement Agencies), equipment for the roll-out of the information system for GPO offices; the development of a network, in a secured environment, linking the criminal records from Courts to the Register of previous convictions at the GPO.

**Objective 9 - Slovakia’s participation in some Community Programmes/Agency**

This project will provide funding, as co-financing to the Slovak State budget, to enable the Slovak Republic to continue or begin to participate in a number of Community programmes and agencies. Both co-financing and participation will take place on the basis of the relevant Memoranda of Understanding or Association Council Decisions.

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**Overall programme conditionalities**

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 as agreed for each individual project, 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 three 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.

5. BUDGET

The total financial commitment for the Phare contribution in support of the above programmes amounts to € 57.1 million, the breakdown of this amount by sub-programme is as follows:

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<th>CRIS nr.</th>
<th>Sub-Programme</th>
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<td>Information System for the administrative units promoting the law enforcement in the Slovak Customs Administration</td>
<td>1.6</td>
<td>2.4</td>
<td>4.0</td>
</tr>
<tr>
<td>2002/000-610.21</td>
<td></td>
<td>Support for the implementation of the Dublin Convention</td>
<td>0.59</td>
<td>0.61</td>
<td>1.2</td>
</tr>
<tr>
<td>2002/000-610.22</td>
<td></td>
<td>Strengthening the effectiveness of investigation and prosecution procedures</td>
<td>1.2</td>
<td>0.9</td>
<td>2.1</td>
</tr>
<tr>
<td>2002/000-15040</td>
<td>2002/000-610.23</td>
<td>Participation in Community Programmes and agencies</td>
<td>3.668.500</td>
<td>4.331.500</td>
<td>8.000.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOTAL</td>
<td>31.488.500</td>
<td>25.611.500</td>
<td>57.100.000</td>
</tr>
</tbody>
</table>

6. IMPLEMENTATION ARRANGEMENTS

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures¹.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the DIS Manual and other instructions of the Commission, and that all contracts are being prepared in accordance with the Practical Guide for Phare, ISPA and SAPARD.²

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¹ taking into consideration the rules set down in the annex of Council Regulation 1266/1999
² The Practical Guide has replaced section F ("Procurement") of the DIS Manual
The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the PHARE funds. He shall ensure that the PHARE rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the PHARE funds of a programme until the closure of the programme.

b.) Project size
Projects will be greater than 2 M€, except those in the following areas: their smaller size is justified by their institution building nature.

<table>
<thead>
<tr>
<th>DAC nr.</th>
<th>Sub-Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/000-15040</td>
<td>Strengthen institutional and administrative capacity</td>
</tr>
<tr>
<td></td>
<td>Support to the Civil Service Office</td>
</tr>
<tr>
<td>2002/000-15063</td>
<td>Protection of minorities</td>
</tr>
<tr>
<td></td>
<td>Further integration of the Roma children in the educational field and improved living conditions</td>
</tr>
<tr>
<td>2002/000-31100</td>
<td>Agriculture</td>
</tr>
<tr>
<td></td>
<td>Development of Structures for the implementation of IACS (Integrated Administrative and Control System)</td>
</tr>
<tr>
<td></td>
<td>Enhancement of phytosanitary controls of Plants and Plant Products</td>
</tr>
<tr>
<td></td>
<td>Registration of Producers, Importers and Exporters of Plants and Plant Products</td>
</tr>
<tr>
<td>2002/000-16362</td>
<td>Statistics</td>
</tr>
<tr>
<td></td>
<td>Implementation of the INTRASTAT-SK system</td>
</tr>
<tr>
<td></td>
<td>Strengthening Regional Statistics (REGSTAT)</td>
</tr>
<tr>
<td>2002/000-41000</td>
<td>Environment</td>
</tr>
<tr>
<td></td>
<td>Implementation of the Integrated Prevention and Pollution Control Directive (IPPC)</td>
</tr>
<tr>
<td>2002/000.15000</td>
<td>Justice and Home Affairs</td>
</tr>
<tr>
<td></td>
<td>Support for the implementation of the Dublin Convention</td>
</tr>
</tbody>
</table>

c.) Contracting and disbursement deadline
All contracts must be concluded by 30th November 2004. All disbursements must be made by 30th November 2005.

d.) Recovery of Funds

Any proven irregularity or fraud discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in
particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission’s approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

(a) reduce or cancel any advance;
(b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

e.) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Slovak Republic on 10th December 1998. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Central Bank.

aa) Transfer of Funds to the National Fund
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 IA/CFCU and the manner in which the payment function will be carried out.

Two replenishments will be made of up to 30% of the funds to be managed locally* and the final payment of up to 20% or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 5% of the budget* has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 35% of the total budget* in force has been disbursed. The final third replenishment will be paid when 70% of the total budget* in force is disbursed. Exceptionally the NAO may request an advance payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no replenishment may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the establishment of the National Fund.

Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses.

The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

c.) Transfer of Funds to the National Fund for Participation in Community Programmes and Agencies

* excluding the amount foreseen for the Community programmes

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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 when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be 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 programmes concerned and within the deadlines requested.

dd.) Interest

In principle, all bank accounts\(^2\) will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

f.) Implementing Agencies will be responsible for sub-programmes as follows:

The Implementing Agency for Regional Development (Ministry of Construction and Regional Development) will be responsible for the following sub-programmes:

2002/000.610.013 - Local and Regional Development Grant Scheme
2002/000.610.015 - Human Resources Development Grant Scheme

The National Agency for the Development of the SME (NADSME) will be responsible for the following sub-programmes:

2002/000.610.012 - Industry Development Grant Scheme
2002/000.610.014 - Tourism development Grant Scheme

The CFCU will be the relevant Implementing Agency for all other sub-programmes.

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^4\) are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned

\(^2\) in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented\(^5\). If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^6\) must be documented\(^7\).

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain 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.

**h.) Special rules for certain components for the programme**

**Twinning**
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.

**Grant Schemes**
For grant schemes whose procedures and formats are not covered by the current DIS rules, 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-ante 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

\(^5\) in Annex EIA to the corresponding investment project fiche  
\(^6\) DIR 92/43/EEC; OJ 206/7; 22.7.1992  
\(^7\) in Annex Nature Conservation to the corresponding investment project fiche
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 present Financing Memorandum.

7. Monitoring and Evaluation

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. 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. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (Phare, ISPA and SAPARD).

For the Phare programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector. The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

8.) Audit and Anti-Fraud Measures

a.) By the Candidate Countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:
(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities, (ii) non-disclosure of information in violation of a specific obligation, with the same effect, (iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94\(^{15}\).

In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact at the end of each quarter.

b.) By the Commission

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 audits by 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 may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96\(^{14}\).

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

9. Visibility/Publicity

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are set down 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 Slovakia, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

\(^{15}\) OJ L 178; 12.7.94: p. 43-46

INFORMATION AND PUBLICITY FOR THE PHARE, ISPA AND SAPARD PROGRAMMES OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Specific provisions concerning ISPA are included in:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure
that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:

- measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.

4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, Ispa or Sapard Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the
Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, ISPA or Sapard Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, ISPA or Sapard should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.

Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Phare, ISPA or Sapard Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from
the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.