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 Slovenia, 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 7th October 1992 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:    SI0109
Title:               2001 CBC Programme Slovenia - Hungary
Duration:           Until 30/11/2003 except for Joint Small Project Fund
                     (SI0109.03), where the expiry date is 30/06/2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 2,000,000 EUR 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 30/11/2003 (except for the Joint Small Project Fund, SI0109.03, where the expiry date is 30/06/2003) subject to the provisions of his Memorandum. All contracts must be signed by this

1 The Financing Memorandum structure is as follows: 1. the coverpages with the references to the country concerned, amount and authority to sign, 2. Annex A of the Framework Agreement; 3. Annex B of the Framework Agreement; Annex C -Special Conditions (the text of the adopted financing proposal starting from Description and Objectives onwards; and Annex D 'Visibility/Publicity.
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 30/11/2004. 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:**

European Commission Delegation in Ljubljana  
Trg Republike, 3, XI.,  
1000 Ljubljana  
SLOVENIA

Telegraphic address:  
Telex:  
Fax: (386-1) 4252085

**for THE RECIPIENT:**

H.E. Mr Igor BAVCAR  
Minister for European Affairs  
Government Office for European Affairs  
Phare National Co-ordinator  
Subiceva 11,  
1000 Ljubljana  
SLOVENIA

**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.
Encl
1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

1.1 Wider objectives

The general objective of the Hungary-Slovenia Phare CBC Programme is to promote co-operation in the border regions of the two countries. Cross-border co-operation is regarded as a means of stimulating economic activities in these regions and to assist them in overcoming specific development problems, which arise from their peripheral position within their respective national economies. In addition, the Phare CBC Programme aims to promote the creation and further development of networks on both sides of the border. The programme supports the process of integrating Hungary and Slovenia into the European Union.

1.2 Immediate Objectives and Programme Results

The following priorities of cross-border co-operation will be targeted in 2001 in line with the JPD Hungary- Slovenia:

° Environmental Investments – solid waste and wastewater management, corresponding to Measure 3 of the Priority 1: Sustainable Spatial and Environmental Development of the JPD.

The focus will be on improving wastewater treatment and sewage system in the cross-border region and on improving groundwater quality in the micro-region of the rivers Mura, Kerka (Krka) and Ledava on both sides of the border.

The activities of the joint project are related to the establishment of a joint wastewater treatment plant and sewage system, functioning in accordance with the EU requirements. On the Hungarian side, the capacity of the already existing wastewater treatment plant in Lovászi will be increased and the sewage system will be extended to 5 more settlements. On the Slovene side, 3 settlements near the border will be provided with sewage system and connected to the Hungarian network. Waste water from these settlements will be cleaned in the WWTP of Lovászi, on the Hungarian side.

° Creation of joint economic space – corresponding to measure 1 of Priority 3: Regional Cohesion and Economic Co-operation and Co-operation in vocational and adult education – corresponding to Measure 1 of Priority 2: Human Resource Development of the JPD.

The focus will be on the objective of increasing growth and improving competitiveness of enterprises in the cross-border region.

The activities foreseen aim to stimulate cross-border activities and improve human resources capacities and skills. For this purpose, a grant scheme will be set up on the Slovene side, which will contribute to the achievement of synergies in cross-border co-operation between Hungarian and Slovene enterprises.
These projects will be complemented by a Joint Small Projects Fund which will facilitate contacts between people living in the border region and will support the preparation of feasibility studies, plans etc. in order to get prepared for the coming programming periods.

1.3 Programme description

The programme has been designed following bilateral contacts between Hungary and Slovenia, several consultations with EC Delegations in both countries and DG Enlargement recommendations reflecting in fact the Commission Regulation No. 2760/98, concerning the implementation of CBC programmes in the framework of the Phare programmes. The projects selected for support in the Phare CBC Hungary-Slovenia 2001 Programme are in accordance with the content of the JPD. The following projects will be undertaken:

**Project SL 01.09.01 Joint Economic Space (Grant Scheme)**

The three areas (Pomurje on the Slovene side and Zala and Vas counties in Hungary) belonged to the same economic area in the past. Economic co-operation between the two countries was blocked by the iron curtain in the last fifty years. The re-establishment of links has remained on a declarative level in the recent years. In the perspective of the Single European Market, it is a great opportunity for the bordering regions to accelerate economic co-operation and jointly prepare for the challenges of the markets.

The foreseen grant scheme is aiming to encourage inter-firm co-operation in order to enhance productivity and competitiveness of enterprises in the border region. It will also stimulate the development and exploitation of mutual complementarity and a better access to markets for co-operating companies. Intensified cross-border co-operation of companies will contribute to the creation of new jobs and the improvement of the quality of human resources in the area as well. Mutual transfer of knowledge and experiences, joint training activities, co-ordinated development incentives and elaboration of common innovative projects will enhance the competitiveness of the cross-border region and contribute to reducing regional imbalances, strengthening economic and social cohesion in both countries.

In the framework of the proposed project a grant scheme will be established to support the implementation of measures identified in the Joint Programming Document Slovenia – Hungary 2000-2002.

There will be 2 fields of eligible activities under the Grant Scheme. The first field of activities is the improvement of co-operation between companies in the cross-border region, which comprises the establishment of Slovene-Hungarian joint ventures, co-operatives, supply chains or consortia; the preparation of joint business and marketing plans; the development of new products and the development of joint marketing services in order to attract direct domestic and foreign investors into the border region. In the framework of the second field of eligible activities, development of human resources, the following actions are foreseen: setting up of cross-border labour market oriented networks and exchange of information with the aim to develop employment and training programmes; co-operation of training institutions to improve the quality of human resources in the border area; creation of cross-border networks of training courses and adult education schemes to train or re-train...
workers; custom-made training for entrepreneurs with the aim of increasing co-operation and developing industries jointly.

The expected results of the implementation of the grant scheme will be sustainable co-operation projects in the field of different industries and long-term co-operation between companies across the border, as well as bilateral training schemes and co-operation in the re-training of the workforce. The grant scheme covers both eligible sides of the borders but its focus in this project is into Slovene region of Pomurje. Payments from Phare will be for beneficiaries located in Pomurje. However, at least one partner in the project should be based on the Hungarian side.

**Beneficiary:** Enterprises, networks of enterprises and public-interest bodies in the Pomurje region, employees and managers of companies

**Total project cost:** 1,850,000 EUR

**Phare CBC contribution:** 1,300,000 EUR

**National co-financing:** 550,000 EUR

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**Projects SL.01.09.02 and HU.01.10.01 Improvement of Joint Life Space**

The overall objective of the project is to improve the environmental conditions in the cross-border region. This will be achieved through the improvement of the wastewater treatment and of the sewage system in the region, as well as through the improvement of the groundwater quality by the establishment of a wastewater disposal and treatment system functioning in accordance with EU requirements.

In the framework of the project a sewage system will be constructed, including 39,320 m of drain (33,000 m on the Hungarian side of the border and 6,320 m in Slovenia), the capacity of the existing WWTP in Lovászi will be increased from 750 m$^3$/day to 900 m$^3$/day and 18 pump stations will be constructed (15 on the Hungarian and 3 on the Slovene side). The WWTP will operate on biological principles, combining anaerobic and aerobic technologies.

Thus, the area will be disburdened from 196,000 m$^3$ of wastewater per year and the quality of groundwater will improve, as well as the pollution will be reduced. The project will improve the living conditions of 3,279 people near the border (2,823 in Hungary and 456 in Slovenia).

**Beneficiary:** The local governements of Tornyiszentmiklós, Lovászi, Kerkaszentkirály, Dobri and Tormafölde on the Hungarian side and the Municipality of Lendava on the Slovene side.

**Total Project Cost:** 5,086,000 EUR (4,486,000 Hungary and 600,000 Slovenia)

**PHARE CBC Contribution:** 1,900,000 EUR (1,600,000 Hungary and 300,000 Slovenia)

**National Co-financing:** 3,186,000 EUR (2,886,000 Hungary and 300,000 Slovenia)

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**Projects HU.01.10. 02 and SL.01.09.03 Joint Small Projects Fund**

The Joint Small Projects Fund (JSPF) will be established to support local development activities of a cross-border nature by involving local actors from the border region. The aims of the JSPF are: to encourage and support the creation of sustainable co-operation networks between local and regional
actors in the border region; to assist local organisations in developing capacities and capabilities to elaborate and implement projects within the border region and to develop common project implementation structures, unifying historically and culturally different regions. A “mirror” and equal fund will be available for each counterpart, being agreed unanimously by the Joint Co-operation Committee (JCC).

The Joint Small Projects Fund will not include physical investments other than small infrastructure not generating substantial revenue.

A JSPF with a donation of up to 20% of annual Phare CBC Programme funds is to be created. The Hungarian and Slovenian side agreed in the JPD to use the maximum Phare funds available for JSPF purposes, that is 800,000 Euro (400,000 Euro for each country). Up to 7% of the Phare contribution may be used for expenditures relating to the preparation, selection, appraisal and monitoring of the assistance.

The maximum size for an individual project is 50,000 Euro. There is decentralised decision-making. Beneficiaries will have to provide a co-financing of a minimum of 10% of the total cost of the project.

The Joint Small Projects Fund will facilitate contacts between people living in the border region and will support projects in all priority fields of the JPD such as Sustainable Spatial Development, Human Resources Development as well as Regional Cohesion and Economic Co-operation. As described in the EC Regulation No 2670/98 (Art. 5.2), these kinds of actions have to involve local actors from the border regions creating mutual common benefits for both sides.

The JSPF will be managed by the Implementing Authorities: the National Agency for Regional Development acting under the Ministry of Agriculture and Regional Development in Hungary and the National Agency for Regional Development acting under the Ministry of Economy in Slovenia. The tasks of the secretariat will be carried out on the Hungarian side by the Sopron regional office of NARD. On the Slovene side, the secretariat will be nominated before the publication of the call for applications.

**Total project cost:** 1,004,000 EUR (442,000 for Hungary and 562,000 for Slovenia)

**Phare CBC contribution:** 800,000 EUR (400,000 EUR for each country)

**National co-financing (recipients):** 204,000 EUR (min.42,000 EUR for Hungary and 162,000 EUR for Slovenia)

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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 an Environmental Impact Assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned directive.

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.
1.4 Conditionality

- Both Governments will ensure that adequate human and financial resources are provided to the National Fund and the implementing Agency so as to ensure the smooth implementation of the programme.
- Phare support for all projects is provided subject to the availability of national co-financing as defined in the budget table below.

2 BUDGET

The programme will have a duration of 3 years. The contracting period of the programme will expire on 30 November 2003, except for the Joint Small Project Fund that will have to be contracted before June 30, 2003. The disbursement period of the programme will expire on 30 November 2003. The following table specifies the EU contribution as well as the national co-finance of the programme.

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Priority/Project Title</th>
<th>HU-SI CBC 2001 (EUR)</th>
<th>Phare Institutional Building</th>
<th>2.1.1.1 Investment</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-programme 1</td>
<td>PRIORITY 01: Sustainable spatial development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HU.01.10.01</td>
<td>Improvement of joint life space</td>
<td>1,600,000</td>
<td></td>
<td>2,886,000</td>
<td></td>
<td>4,486,000</td>
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<tr>
<td>Sub-programme 2</td>
<td>2.1.1.1.1.1.1 Joint Small Projects Fund</td>
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</tr>
<tr>
<td>HU. 01.10.02</td>
<td>Joint Small Projects Fund</td>
<td>400,000</td>
<td></td>
<td>42,000</td>
<td></td>
<td>442,000</td>
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<td>Sub-programme 1</td>
<td>Priority 02: Human resource development and Priority 03: Regional cohesion and economic co-operation</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>SL.01.09.01</td>
<td>Joint Economic Space (Grant Scheme)</td>
<td>1,300,000</td>
<td></td>
<td>550,000</td>
<td></td>
<td>1,850,000</td>
</tr>
<tr>
<td>Sub-programme 2</td>
<td>PRIORITY 01: Sustainable spatial development</td>
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</tr>
</tbody>
</table>
### 3 IMPLEMENTATION ARRANGEMENTS

#### 3.1. Institutional Structures in Hungary

The overall responsibility for the Hungary–Slovenia Phare CBC Programme will rest with the National Agency for Regional Development within the Hungarian Ministry of Agriculture and Regional Development as the IA of all sub-programmes of the Programme. The relevant PAO will be nominated in accordance with the rules described in the FA. The IA became operational with an initial contingent of four Hungarian professionals on 2 May 1996. The implementation capacity of the IA was reinforced by its integration with the Regional Development IA in February 1998 and now operates with 40 Hungarian professionals. This institution will be the Implementing Agency (IA) of the 2001 Hungary-Slovenia PHARE CBC Programme.

The PAO will hold regular consultations to determine the Government objectives and turn these into priorities and guidelines to be applied by the IA.

The Phare CBC Slovenia–Hungary 2001 Programme is based on the resolution of the JCC and also on the Joint Programming Document (JPD) that is defined for the year 2000-2006.

#### 3.2. Institutional Structures in Slovenia

The Implementing Authority will be the National Agency for Regional Development established within the Ministry of Economy as the co-ordinator for Phare Cross Border Co-operation Programmes. The Implementing Agency will be the Central Finance and Contracts Units in the Ministry of Finance, established in 1997 upon decentralisation of the Phare programmes management. The Ministry of Finance has nominated a PAO. In line with the rules described in the FA. The Programme Director is the Director of NARD.

#### 3.3. Implementation Arrangements in Hungary

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Aid Co-ordinator and the National Authorising Officer shall be jointly responsible for co-ordination between PHARE (including PHARE CBC), ISPA and SAPARD.

The National Fund (NF) in the Hungarian State Treasury headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme and is responsible for reporting to the European Commission. The National Authorising Officer 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 Aids Rules are respected, and that a proper reporting and project information system is functioning. The National Authorising Officer shall have the full overall accountability for the PHARE funds of a programme until the closure of the programme.

Appropriate financial control is carried out by the competent National Control Authority with respect to the implementation of the programme.

The Commission will transfer Phare funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Hungary on 17th December 1998. Funds will be transferred following requests from the NAO.

A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the yearly Financing Memoranda 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 is 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 IA. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IA exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

The National Agency for Regional Development within the Ministry of Agriculture and Regional Development will be the Implementing Agency (IA) responsible for all sub-programmes.

The National Fund will transfer funds to IA in accordance with Financing Agreement (FA) signed between the NFs and the IA where applicable. The FA is endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the IA there will be no transfer of funds from the NF to the IA. The CFCU and the IA 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.

A separate bank account, denominated in EUR will be opened and managed by the National Fund in a separate accounting system in the Hungarian State Treasury. In principle, all bank accounts will be interest bearing. Interest is 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. The same procedures will apply to any funds transferred to an IA. The bank account shall have sub-accounts from which the IA are entitled to execute payments in accordance with the rules set out in the FA between the NF and the IA.
The NAO and the PAOs will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual. Grant schemes, should also be implemented according to the procedures described in the Practical Guide for Phare, ISPA and SAPARD contract procedures.

Programme components financed exclusively out of national resources are subject to national procurement rules. In the case of grant schemes - with special regard to Investments in Economic and Social Cohesion - the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants are subject Phare procurement regulations as annexed to the Grant Contract.

The following contracts will be prepared with special procedures: The Joint Small Projects Fund will be contracted via the procedures of the European Commission Guidelines for the Operation of Small Projects Funds and specific Guidelines which will be approved by the Commission Delegation.

Following a verification exercise held in April 2001, the Commission considers that the implementation system proposed for the Joint Small Project Fund project gives a reasonable assurance that the projects can be implemented in line with the principles of sound financial management. On that basis, for Grants where the Phare contribution is below 300,000 €, the PAO will be responsible for ensuring that the rules described in the Practical Guide for Phare, ISPA and SAPARD contract procedures are properly followed by the grant recipients. The Delegation will not exercise ex-ante control on tendering and contracting procedures for the procurement.

Grants within the Joint Small Project Fund should be awarded by June 30th, 2003. All other contracts must be concluded by 30th November 2003. 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 Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

Before proceeding to the signature of the financing Memorandum the EC Delegation will verify in co-ordination with the NAC and the Implementing Agency that the projects tendering documentation is at an advanced stage of preparations that will allow the launch of tendering procedures in the six months following the signature of the FM. In that respect during the first meeting of the Joint Monitoring Committee taking place 6 months after the signature of the FM, the contracting situation will be reviewed project by project and, where necessary, reallocation of funds between projects that are running behind schedule and projects where the absorption capacity is good will be recommended.
3.4. Implementation Arrangements in Slovenia

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Aid Co-ordinator and the National Authorising Officer 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 National Authorising Officer (NAO), will supervise the financial management of the Programme and is responsible for reporting to the European Commission. The National Authorising Officer 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 Aids Rules are respected, and that a proper reporting and project information system is functioning. The National Authorising Officer shall have the full overall accountability for the PHARE funds of a programme until the closure of the programme.

Appropriate financial control is carried out by the competent National Control Authority with respect to the implementation of the programme.

The Commission will transfer Phare funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of Slovenia on 23 December 1998. Funds will be transferred following requests from the NAO.

A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreement (FA) between the NF and the 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 PAO and a description of the system put in place, highlighting the flow of information between the NF and the 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 CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IA exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

The National Fund will transfer funds to the CFCU in accordance with Financing Agreement (FA) signed between the NF and the CFCU. The FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU, there will be no transfer of funds from the NF to the CFCU. The CFCU must be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the CFCU, which is the implementing Agency. The
following ministries and institutions will play an important technical role, as far as substance is concerned.

**Regional Development:** National Agency for Regional Development, under the auspices of the Ministry of Economy

**Economic cohesion:** Ministry of Labour, Family and Social Affairs
Regional Development Agencies
Local authorities

A separate bank account, denominated in EURO will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts 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. The same procedures will apply to any funds transferred to the CFCU.

The NAO and the PAO will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual. Grant schemes, should also be implemented according to the procedures described in the Practical Guide for Phare, ISPA and SAPARD contract procedures.

Following a verification exercise, the Commission considers that the implementation system proposed for the Joint Small Project Fund project gives a reasonable assurance that the projects can be implemented in line with the principles of sound financial management. On that basis, for Grants where the Phare contribution is below 300,000 €, the PAO will be responsible for ensuring that the rules described in the Practical Guide for Phare, ISPA and SAPARD contract procedures are properly followed by the grant recipients. The Delegation will not exercise ex-ante control on tendering and contracting procedures for the procurement.

Grants within the Joint Small Project Fund should be awarded by June 30th, 2003. All other contracts must be concluded by 30th November 2003. 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 Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

The JSPF and the Joint Economic Space Grant Scheme will operate on the basis of specific Guidelines approved by the Commission Delegation and based on General SPF Guidelines.
3.5. The Joint Co-operation Committee

Based on the JPD, for the Hungary-Slovenia Phare CBC Programme, a bilateral Joint Co-operation Committee (JCC) has been set up as the main joint body of the organisational structure of cross-border activities. JCC meetings are chaired jointly by the heads of the Hungarian and Slovenian delegations, and are attended by Commission representatives.

The Hungarian delegation headed by the PAO will consist of representatives of the following other organisations: the Ministry for Agriculture and Regional Development (the PAO), the Minister without portfolio responsible for the Phare programme, the Ministry of Transport and Water Management, the Ministry of Economic Affairs, the Ministry for Environment, the Vas County Development Council, the Zala County Development Council, 1 representative of the small regions in Vas county, 1 representative of the small regions in Zala county as well as a representative of the Slovene minority in Hungary. The JCC shall invite for its meetings as non-voting members the representatives of the EC Delegation in Budapest, as well as the representatives of line ministries and NGOs/NPOs involved in CBC projects from Vas and Zala Counties.

The Slovene delegation, headed by the Director of the National Agency for Regional Development, will include representatives of the following: the National Agency for Regional Development, the Ministry of Finance (CFCU), the Government Office for European Affairs, the Ministry of Environment and Spatial Planning, the Ministry of Labour, Family and Social Affairs, one member of the Parliament from the region, the mayor of Moravske Toplice, the mayor of the municipality of Grad, the director of the Office for Education and Cultural Heritage from Ljutomer and the director of the Regional Development Agency Mura. Representatives of the EC Delegation in Ljubljana, of line ministries involved in annual CBC programmes and projects and other relevant actors will be invited to attend the JCC meetings as non-voting members.

The preparation of reports, agendas and minutes of the meetings of the Committee is organised by the Implementing Agency (in the case of Hungary) and the Implementing Authority (Slovenia).

4. MONITORING AND ASSESSMENT

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

The JMC is assisted by Sectoral Monitoring Sub-Committees (SMSCs) and includes the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission Services. The SMSCs 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 consultant (in accordance with the provisions of the DIS Manual) and puts forward recommendations on aspects of management and design, ensuring these are effected. The SMSCs report to the JMC, to which they submit 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 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.

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

6. VISIBILITY / PUBLICITY

The 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 at the Annex 'Visibility/Publicity' (enclosed).

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons, which are within the control of the Government of Hungary or of the Government of Slovenia, the Commission may review the Programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to re-allocate unused funds for other purposes consistent with the objectives of the Phare Programme.

All the adequate structures for implementation and management have been already set up during the previous similar programmes, proving that parties involved are able to co-operate to fulfil the proposed objectives. A letter of commitment will accompany every project approved by JCC, stating the fact that local co-financing will be made available by the beneficiaries.
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.