

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 Romania, 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 12 March 1991 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:

<u>Programme number:</u>	RO 9803 to RO 9807
<u>Title:</u>	Romania National Programme 1998
<u>Duration:</u>	31 December 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 106.6 MECU 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 31 December 2000, 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 31 December 2001 with the exception of the National Roads Rehabilitation project RO9807.02 where the deadline for disbursement is 31 December 2003. 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:

EC Delegation in Bucharest
11, Strada Grigore Mora,
71278 BUCURESTI
Romania

e-mail: office@ecdel.eunet.ro
Fax: (40-1) 230 2453

for THE RECIPIENT:

THE GOVERNMENT OF ROMANIA
Department of European Integration
Piata Victoriei 1
BUCHAREST
Romania

Fax (40-1) 312 6929

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 Brussels
Date 20. X. 1998

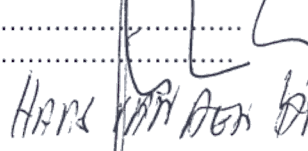
for THE RECIPIENT


.....
Alexandru-Lucian HERLEA

Annex 1 Framework Agreement (Annexes A & B)
Annex 2 Special Provisions (Annex C)

Done at Brussels
Date 20. X. 1998

for THE COMMUNITY


.....
Hans van den Broek

SPECIAL PROVISIONS

1. OBJECTIVES AND DESCRIPTION

Objective 1: strengthen democracy, the rule of law and human rights

This sub-programme includes two projects: on the socio-economic integration of the Roma and on childhood protection.

The *first project* aims at improvement of the social and economic situation of Roma, including respect for their rights as defined in national and international law, through the development of a Government strategy. More specifically, it aims at the adoption of a Government strategy by 2000 based on an accurate overview of the current situation of Roma which aims at improving their situation through innovative partnership programmes between authorities and communities at the local level.

The socio-economic integration of Roma is highlighted in the Accession Partnership and, in a more detailed fashion, in the NPAA (part IV, chapter 2) where social integration of the Roma and the need to consolidate the institutional-administrative capacity for the minorities' protection is underlined.

Successful implementation and long-term sustainability of the project requires Government commitment which will be measured in concrete terms by (a) the establishment of a Ministerial Committee for National Minorities and, under its aegis, of the Inter-Ministerial Task Force on Roma as well as of a Consultative Committee on Roma issues, providing the framework for consulting Roma organisations and NGOs; (b) the provision of office space and satisfactory counterpart arrangements for the programme; (c) the strengthening of the Roma Office by providing, *inter alia*, for the integration of the functions of the Technical Support Unit, to be set up to support implementation of the project, into the Department on programme completion. No contracting will take place before these conditions are met. (d) an allocation of funds from the state budget (2000) to support strengthening of the Roma Office should be made prior to project completion. If the Government fails to meet this condition, the Commission might consider cancelling of the remaining balance of funds. Active involvement of both leaders of the executive would help to ensure success of the programme.

The *second project* aims at assisting the Government in the implementation of its comprehensive child care reform strategy. The starting point of the reform strategy is the interest of the child, as stipulated in the *UN Convention on the Rights of the Child*.

The objectives are the development of new, alternative (i.e., non-residential) child welfare services and the reinforcement of the organisational capacity at the county level; the restructuring/rationalisation of residential institutions; the harmonisation of the legal framework (also with regard to international child protection legislation); the reinforcement of the organisational capacity of the central authority for child protection; and the development of a national monitoring and evaluation system for child protection.

These objectives are in line with the *National Programme for the Adoption of the Acquis*. In the years to come, a diversity of child care services should be functioning throughout Romania. Children in difficulty - be they handicapped, HIV-infected, without home or family, or otherwise disadvantaged - and their families are expected to have free and full access to these services offered under the auspices of each County Council.

The first issue of concern is the long-term financial sustainability of the reform which will be evaluated by the DPC (Department for Childhood Protection). The latter has also to have the capacity to fulfil its role; thus, DPC will be obliged to consider measures to strengthen its capacity and structure to facilitate short- and medium-term implementation and the longer-term strategic role. A more detailed evaluation will be carried out during the programme that is expected to come up with specific proposals based on DPC's remit and the situation on the ground.

Objective 2: strengthen the institutional and administrative capacity to manage the *acquis*

The *first project* aims at assisting the Ministry of Finance to improve its in-house professional training, establish capacity for the development of a medium-term economic strategy, develop internal audit capabilities and improve the system for revenue collection.

The Ministry intends to set up its own permanent training structure, School of Public Finance, which is considered necessary in order to improve the planning and budgeting procedures for the management of the state treasury. It also intends to establish an independent Centre for Public Policy, which will provide the necessary information and analysis for the definition of a medium-term economic strategy. Experience to date (development of Government programmes and contacts with IFIs) have highlighted the need to strengthen the MoF's capacity to develop and monitor the implementation of economic policies. This Centre will work closely with the

Department for Macroeconomic Analysis and Computerised Financial Systems in the Ministry of Finance. The development of internal audit capabilities requires the amendment of current legislation providing the Romanian Court of Audit with the internal control function. Financial Control Department of the Ministry will, thus, be strengthened through recruitment of new staff and development of training modules on financial control. Last, new methodological norms are expected to be developed for state revenue collection.

The Ministry of Finance will provide necessary premises and counterpart staff. A statute for the Centre for Public Policy needs to be agreed upon by October 1998. Finally, legislation on financial control and audit has to be proposed that will establish a proper balance between the Ministry of Finance financial control department and the Romanian Court of Audit. This is expected to result in the Romanian Court of Audit limiting itself to ex-post controls of legality, regularity and performance audits.

The second project focuses on the Romanian Customs Administration (RCA). It aims at strengthening the administration by establishing a complete, efficient, simplified, fully-automated and sustainable goods clearance and revenue collection system; at strengthening capacity in the fight against fraud and drug trafficking through the establishment of a modern intelligence network and information system; at improving the coverage, timeliness and accuracy of trade and revenue Customs business information to the Trading Community; also, the quality of Customs work and consistency of performance by establishing a Customs training system; and at improving co-operation and communication between Customs and the commercial community by establishing new methods for disseminating information to the trade and extending the facilities currently available for the electronic transfer and processing of Customs data.

Both the AP and the NPAA refer to the reinforcement of Customs institutional and administrative capacity as a short term priority.

In Romania much of the basic legislation is now in place. Legislative harmonisation is an on-going process which is assessed regularly by RCA, the Government and the related EU bodies. Legislation on common transit methodology and the new Customs organisation chart is awaiting GOR approval. The RCA plans to adopt legislation in the areas of proprietary and trade mark, harmonised Community tariff, excise collection by Customs. Consequently the principal focus will now turn to the Organisation, its structure and strategies, implementing regulations, automation, facilitation, operations and enforcement, particularly as regards the external frontiers. In addition, emphasis will be given to the materialisation of a Customs School and a training methodology. The RCA has made a clear commitment to achieving this goal. In addition, co-operation will be sought with the Indirect Taxation Department within the Ministry of Finance to look into the VAT in an integrated fashion, improving structures and flow of information.

The third project focuses on agriculture. The objective is to strengthen the national and regional capabilities of the Ministry of Agriculture to prioritise and undertake, on a sector by sector basis, EU alignment in the agriculture, fisheries and rural development fields for which the Ministry is responsible. Veterinary, animal and plant health alignments needed internally and at frontiers to comply with EU and international trade rules and market-orientated development of private rural enterprises are two particular areas of focus.

To maximise resources for alignment, the Ministry will provide adequate managerial, financial, retraining and other support for staff (particularly in the Regions) volunteering for training and relocation. The Ministry will provide the necessary premises and staff for achievement of the phytosanitary, veterinary and animal health improvements together with the additional financial resources needed for building works at selected border posts.

The fourth project concerns environment. The objective is to ensure that the institutional structures are capable to develop, manage and administer the EC environment *acquis*. It will address changes and strengthening at all of the relevant levels of Romanian environmental administration:

- The Ministry of Waters, Forests and Environmental Protection (MWFEP): there is a need to strengthen the capacity of the Ministry for the development of environment policy in a market economy context (setting up of an Economic Policy Unit), and to ensure adequate management of the policy and effective administrative support for monitoring, enforcement and reporting. There is also a need for greater inter-ministerial communication on environmental matters with a view to integrating environmental policies into other areas of Government policy. The relationship with the Ministry of Industries and the SOF in removing environmentally related obstacles to the industrial privatisation process and with the Ministry of Public Works, the Council for Reform and the Municipal authorities in refining the policy to develop investment in environmentally related services such as water, waste water and waste disposal are particularly important in this regard.

- At the local level there is a need to strengthen capacity for implementing the policies, through improved operation of appropriate structures, improved project preparation and improved relations with the stakeholders. There is a need for rationalisation of the structures at regional and local level and for improving the capacity of these institutions to support integrated pollution control.
- The Public and NGO sector need support to generate greater awareness of environmental issues and greater capacity to address the issues (e.g. in public participation in environmental impact assessment).

The implementation of the programme is conditional on structural change in the Ministry of Waters, Forests and Environmental Protection being introduced by 1 September 1998, clarifying responsibilities inside the Ministry for developing and managing environment policy, for legislative development and for enforcement and setting out clear and managed programmes, deadlines and measures of performance for each unit to achieve its role in accommodating the EC *acquis*. This will include a reasoned consideration of the DISAE prepared organisation plan. The support for the Economic Policy Unit is conditional on the appointment of a unit leader with acceptable profile, position and stature within Ministry and with access to adequate human resources to develop a market oriented environment policy. The person and their unit should have a clearly identified role and responsibilities and reporting structure within MWFE, including responsibility for the absorption and effective use of the Phare support and clear and transparent links to other national resources and to support from other donor agencies. A programme of work identifying goals, time scales and measurements of performance will be available by 1 September 1998. Clear and written agreement on the responsibilities of each member of the national counterpart team for absorption of the Phare 1998 Environment Programme demonstrating the contribution of this activity to the development of institutional capacity in the sector. Progress review meetings on a 6-monthly basis focused on improving the capacity to develop and manage national environment policy under the new market conditions should be established. After one year a special review will be dedicated to preparing a plan to be approved by the Minister for consideration by the Government, based on the programme, of the necessary changes required in the sector structures essential to facilitate absorption of the EC *acquis* in Environment.

The fifth project concerns Public Administration Reform (PAR) including support to the Department for European Integration for its re-organisation in order to be able to fulfil its role in the context of pre-accession. The progress to date in this area has not been satisfactory. The successful implementation of this project depends clearly on the commitment of the Romanian Government to go ahead with reform. PAR is expected to complement and enhance the IB projects by introducing elements (such as civil service statute) that cut across all Ministries. It has two distinct elements:

1. establishing a permanent, regulated, and independent Civil Service through the adoption and implementation of a set of pieces of legislation; and
2. improving the structure and efficiency of the Government and of Ministries and of co-operation between Ministries at national and local levels; raising the administration and management skill levels of Civil Servants; improving the provision of public services by state, public, and/or private sectors; supporting the design and implementation of a consistent reform policy in Romania to improve the performance of Public Administration, initiated and prepared centrally by the Ministry for Reform in close co-operation with Government and line Ministries and implemented through Government, Ministries and all other institutions addressed under the guidance and co-ordination of the Ministry for Reform; a specific element is the provision of continued support the Department for European Integration; improving its structure and efficiency in managing the pre-accession strategy, based on its reorganisation and a needs assessment, comprising the identification of core functions to be performed by the Department. This re-organisation of the administration will constitute the basic element on which will enhance the sectoral IB efforts.

Indispensable for the launching of the project is the nomination of an effective counterpart structure (contact person and expert group) before end May 1998.

By September 1998, competencies of the Directorate for Public Administration Reform, currently located under the Ministry for Reform, should have been clarified. This goes in particular for distribution of tasks between the Ministry for Reform, the Secretary General of the Government and the Prime Minister's Office. It applies as well to the relationship between the Directorate for Public Administration Reform and the line Ministries.

In particular, the Directorate needs to retrieve the competencies as foreseen in the recently revoked Government decision on the establishment of a Department for Central Public Administration Reform. Further, the Directorate should be staffed with at least 12 qualified Government officials/local experts working in a defined structure and in the framework of specific job descriptions.

On this basis, the Phare supported Expert Support Group assisting ministries in their vertical reforms will be established.

Objective 3: further integration of Romania into the internal market

The first project under this objective concerns the *régies autonomes (RA)*. In the context of restructuring and privatisation of a number of RA, public bodies in the country are faced with matters they have little experience with. A Task Force will be established that will assist both national and local authorities with policy advice, implementation of legislation, training and experience sharing, and support for restructuring. The project will also support the setting up of a regulatory authority in energy. This independent regulator is expected to be able to deliver a stable, transparent and non-discriminatory regulatory framework. Assistance should focus on pricing, monitoring of the power pool and the competitive operation of the market, licensing and authorisations, and planning. In the context of the restructuring of the energy sector, the project will also focus on the preparation for the privatisation of the RA in the energy sector. Assistance relates to the study of options for privatisation; asset valuation of the companies; and assistance in the preparation of the tenders for privatisation. Finally, the project will support the development of a proper framework for the operation and management of public property transport infrastructure and its use by commercial companies through concessions or other relevant schemes, the application of the framework for the restructuring of RA of Danube river ports and the South Constanta Free Zone Administration and support to the MoT World Bank grain project.

The adoption of the law on Concessions, on Public Property (Patrimony), the Electricity and Heat law, the creation of the Energy Regulatory Agency, the Government commitment to restructuring the RA and creating separate commercial companies from the monopoly vertically integrated utilities are essential elements for the successful implementation of this project.

The second project aims at strengthening the financial sector. It has two major components. The first component aims at assisting the *National Bank of Romania (NBR)* to improve its institutional and administrative capacity in order to ensure stability of the national currency and adequate performance of its supervisory function over the banking sector. Support will be given for the improvement of the supervisory function of NBR addressing prudential regulations, development of accounting rules, regulations and practice for the banking sector; implementation of the Operational Audit under way and establishment of an integrated Management Information System. Twinning with central banks from EC Member States will be sought in the areas of supervision and institutional development. Critical element for the successful completion of this component is the commitment on the implementation of the recommendations from the Operational Audit. The second component concerns the audit and restructuring of the *Casa de Economii si Consemnatuni (CEC-state savings bank)* aiming at transforming this bank into a modern establishment according to international banking standards, policies, practices and procedures. Support will be given for a financial audit, an operational audit and the implementation of the restructuring/institutional development plan. Critical factor for the success of the project is GOR and CEC's Board commitment for restructuring and institutional development.

Objective 4: help Romania meet the obligations of the third pillar

To date, there has been very little progress in the field of JHA in Romania. The dialogue with the Ministries of Justice and Interior has not been satisfactory, either. This resulted in Phare adopting only one Mecu 5 programme in 1997 for supporting the Ministry of Justice in addressing what were considered to be the most salient flaws in the operation of the judiciary in the country: training, library/documentation facilities and logistic support for case and document management. Furthermore, this situation has not favoured the development of comprehensive IB programmes for this year. Thus, the aim of the proposed programmes is to assist Romanian authorities in developing such programmes for financing through the 1999 or a later budget.

The first project concerns the Ministry of Interior. The objective is to assist Romanian authorities develop comprehensive programmes to strengthen the capacity of this Ministry to tackle policing, border management and control, immigration and asylum matters. There are four aspects to the analysis of these issues: (a) legislation, (b) administrative structures, (c) education and training, and (d) material resources.

One of the main issues regarding the Ministry of Interior is the military statute of the various bodies of police. Demilitarisation is expected to result in the inclusion of police staff under the competence of civil courts. Indeed, the military statute of the police means that their staff are expected to obey, in penal procedures, the orders of their hierarchy rather than those of the Magistracy. There is a large number of Police bodies whose remits are not clearly or optimally defined. The reform of the Ministry should entail a rationalisation of its structure, mainly as regards the organisation of the police.

Following an in-depth needs assessment, the project should result in the development of comprehensive programmes including (a) legislation, (b) administrative structures and (c) human and material resources, to tackle the issues of police co-operation, border management and control, asylum and migration. Demilitarisation (particularly of the police force) has to be seen in conjunction with the reform of the "Public Ministry" (i.e. Public Prosecutor's office) entailing possibly the establishment of an "examining magistrate" (*juge d'instruction*), and the

reform of the relation amongst the Police, the Prosecutor's Office, the Magistrates and the Ministry of Justice. In order for it to be effective, it has to be implemented in parallel with reforms in the Ministry of Justice and the Public Prosecutor's Office.

The second project focuses on the Ministry of Justice. The objective is to assist Romanian authorities develop comprehensive programmes to strengthen the capacity of this Ministry to tackle judicial co-operation matters and improve the delivery of the justice in the country. Again, there are four aspects to the project : (a) legislation, (b) administrative structures, (c) education and training, and (d) material resources.

There are two distinct aspects with respect to Justice: (a) the organisation of the judiciary, and (b) the functioning of the judiciary in terms, mainly, of its human and material resources.

The organisation of the Judiciary suffers from an important disequilibrium linked to the role of the Public Ministry (i.e. the Public Prosecutor's Office) and to the structure of the Ministry of Justice itself which is, thus, not in a position to fulfil its mission properly.

The structure of the Public Ministry, its hierarchical subordination to the Minister of Justice and the exclusive prerogatives that the law on judicial organisation confers to this Ministry, in particular in the context of conduct of penal procedures, result in an unbalanced situation which should be reviewed and corrected. In addition, the Ministry is not optimally structured to fulfil its mission.

The long-term secondees that are to be provided within the framework of this project should address these issues.

They are expected to be judges, examining magistrates and prosecutors. With respect to the general organisation of the Ministry, a practitioner from MS Ministry of Justice at the level of Secretary General or similar is deemed to be the appropriate person to carry out the task of proposing a plan for the reform/re-organisation of the Ministry.

As mentioned in the introductory paragraph of this chapter, the second aspect in terms of delivery of Justice is that of its functioning. It has to do with filling vacant judge posts, improving the quality of the judges (a function of their education/training) and the material resources (libraries, IT systems, etc.). The on-going 1997 Phare project addresses the most salient/urgent deficiencies of judiciary's function. However, the complete picture has to be drawn and a phased proposal for addressing the matter developed.

The output of this project is expected to be legislation to modify the role of the Public Ministry on the basis of a range of options to be studied; also, a plan to re-organise and streamline the Ministry, including

Reform of the Public Ministry and the demilitarisation of the police (dealt with under the IB project for the Ministry of Interior) have to be carried out in parallel if they are to be effective. The establishment of an examining judge (who would conduct the penal procedure) will have only a limited impact if the current situation regarding the control of the police is not changed.

Objective 5: Economic and social cohesion

The first project concerns regional development. The objective is the establishment, in accordance with the objective defined in the Accession Partnership, of a comprehensive framework for regional development incorporating policy, legislation and instruments, together with the administrative capacity to manage ISPA, SAPARD and Phare in an Objective 1 context. More specifically, the project aims at providing "Objective 1"-type support through a number of regional and sectoral programmes. It is intended that the eight proposed Romanian macroregions will have approximately equal access to the financial resources. The two key axes for intervention will be industrial restructuring and human resource development.

More specifically, the project aims to prepare Romania to design and implement Objective 1-type programmes through transfer of know-how as regards the design of national development plans, regional and sectoral operational programmes, and the establishment of efficient administrative and budgetary structures in conformity with the priorities laid down in the Accession Partnership with Romania.

SPP will in addition focus specifically on procedures for implementing SAPARD during the pre-Accession period, developing the institutional capacity to handle funds under the relevant Regulation, and providing practical implementation support through an action in rural development.

Another portion of funds will be utilised for project identification, prioritisation and preparation for funding under the ISPA Programme. Project selection and approval will be based on national programmes for transport and environment included within the National Programme for the Adoption of the *Acquis*. These programmes should contain sectoral strategies and specific criteria for determination of priorities for environment and transport investments, and address the trans-national dimension necessary for the development of future trans-European networks. Project identification, prioritisation and preparation for funding will take place in the context of an effective linkage to the national budgetary process. This will assure the timely provision of state budgetary resources to co-financed investments in line with the anticipated requirements of ISPA.

Investment assistance under the project Regional Development Support of this sub-programme is conditional on (a) parliamentary approval of the draft Law on Regional Development by 1 November 1998, (b) the

establishment of the National Agency for Regional Development and (c) provision of permanent staff and office space to the NARD in accordance with the responsibilities specified in the Law.

Investment components totalling 18.5 Mecu within the project will be co-financed by the Romanian budget to a value of approximately 25% of the Phare support.

The *second project* under this objective concerns support for the country to develop priority transport corridors and the adoption of the *acquis communautaire*; more specifically, support for the construction and upgrading of Pan-european transport corridor IV (DN1 - Vestem - Miercurea Sibiului) and its future integration with the Trans-European transport network of the European Union; support for complying with Directive 96/53 on weights and dimensions and for a more economic and reliable international transport of people and goods in areas of interest to the EU, Romania and the neighbouring countries.

The Romanian Government will ensure its co-financing commitment on the whole Second Roads Project. ; a status report of the financing of the second road rehabilitation programme (including contracting and disbursement records per financier) shall be presented on a yearly basis. The IA shall be adequately staffed, with at least 3 qualified full-time persons dedicated to the current PHARE project ; this is to be complimented, if necessary, by appropriate Technical Assistance financed by the Programme. For each project, the Romanian authorities undertake to notify to the European Commission before the signature of the works contracts that land acquisitions have been completed. The civil works contract will follow the FIDIC Conditions of Contract. The civil works contract will be concluded in ECU. Each civil works project will include an adequate independent supervision of projects ; the Supervision Consultant will have the role of the Engineer as defined under the FIDIC Conditions of Contract ; he will also approve the working drawings prepared by the contractor. Works will be tendered to pre-qualified contractors with relevant financial capacity, and technical and FIDIC experience. All measures for the traffic management during construction will be taken to allow maximum safety of all persons legally engaged in the works, the travelling public and third parties. The “General Conditions relating to Financing Memorandum”, in annex of the Framework Agreement signed between the Commission of the European Communities and Romania on March 12, 1991, fully apply ; in particular, no PHARE funds will be used for land acquisition, Value Added Tax or other taxes. The civil works contracts and related works supervision contracts will follow the international practice and therefore the Conditions of Contract will take precedence over the following provisions of Romanian Law: Law 10/1995, art. 5, art. 13, art.21 to art. 31, art. 40; Government Decision HG 85/1997, Annex, point II, 1, d; Government Decision HG 272/1994; Government Decision HG 261/1994, art. 22A, chapter II; Order Ministry of Finance and Ministry of Public Works (Ordin MF-MLPAT) 1743/69/N/1996 and its annex: Methodological Norms of the Ministry of Public Works as published in the “Monitorul Oficial al Romaniei” nr. 232 bis on 26.09.1996; Order Ministry of Public Works (Ordin MLPAT) nr. 3/N12 October 1995. The Romanian Government undertakes to finance any additional cost which may arise after contracting in order to ensure timely completion of the project.

Objective 6: further integration of Romania through participation in community programmes and TEMPUS

The financing proposals for TEMPUS and participation in Community programmes have already been adopted.

An environmental impact assessment has been carried out for the national roads rehabilitation project and will be carried out for all investment projects.

Equal opportunity for men and women to participate in all projects will be ensured. Indicators will be elaborated to assess the extent of women's' participation in projects.

2. BUDGET

(MECU)

Project N°	Project Title	Budget allocation of which:	IB (indicative)	Inv. (indicative)
RO9803.01	Improvement of the situation of Rroma	2.00	2.00	0.00
RO9803.02	Support for child protection reform	10.00	4.95	5.05
RO9804.01	Institution Building project for the Ministry of Finance	3.00	3.00	0.00
RO9804.02	Assistance to the Romanian Customs Administration (RCA) in developing more effective control management and border systems	8.00	2.70	5.30
RO9804.03	Agricultural and Veterinary Assistance	5.00	2.00	3.00
RO9804.04	Strengthen the Institutional and Administrative Capacity to Manage Environmental Policy in Romania in conformity with the Acquis Communautaire	3.00	3.00	0.00
RO9804.05	Public Administration Reform	2.50	2.50	0.00
RO9805.01	Improvement of the competitive environment for the provision of services by public utilities	6.10	6.10	0.00
RO9805.02	Internal Market Related Institutions (National Bank of Romania and CEC-savings bank)	4.00	0.85	3.15
RO9806.01	Institution Building project for the Ministry of Interior	2.00	2.00	0.00
RO9806.02	Institution Building project for the Ministry of Justice	1.00	1.00	0.00
RO9807.01	Regional Policy and Cohesion	33.00	7.00	26.00
RO9807.02	National Roads Rehabilitation Project	27.00	0.00	27.00
	Community programmes/Tempus ¹	10.40	10.40	0.00
	TOTAL	117	47.50	69.50

N.B.

Up to 30% of the budget may be contracted directly by the Commission and may not, therefore, be transferred to the national Fund.

3. IMPLEMENTATION ARRANGEMENTS

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.

¹ Community Programme/Tempus are included here *pour mémoire* only. These programmes are covered by other Financing Memoranda.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for financial reporting to the European Commission. Appropriate financial control will be carried out by the competent National Financial Control Authority with respect to the implementation of the programme.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Romanian Government in the autumn 1998. Funds will be transferred following requests from the NAO. A payment of up to MECU 14.9 will be transferred to the NF following signature of the Financing Memorandum, representing 20% of the programme value excluding the amount which may be contracted directly by the Commission. Four Replenishments will be made, each of up to MECU 14.9 or the full balance of the budget, whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget excluding the amount which may be contracted directly by the Commission has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. In the event that the amount to be contracted directly by the Commission is less than 30 % of the total value of this Financing memorandum, the amounts to be transferred to the National Fund shall be adjusted accordingly. 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.

In the case of the following twinning arrangements, the Commission will transfer funds to finance long-term secondments of staff directly to a Bureau d'Assistance Technique: Ministry of Finance/Romanian Customs Administration/Court of Audit, Ministries of Justice, Interior, Agriculture, Environment, National Bank of Romania and related institutions as defined in individual project fiches.

IAs (Implementing Agencies) will be responsible for projects as follows:

Project N°	Project	Implementing Agency
RO9803.01	Improvement of the situation of Roma	CFCU
RO9803.02	Support for child protection reform	CFCU
RO9804.01	Institution Building project for the Ministry of Finance	CFCU
RO9804.02	Assistance to the Romanian Customs Administration (RCA) in developing more effective control management and border systems	CFCU
RO9804.03	Agricultural and Veterinary Assistance	CFCU
RO9804.04	Strengthen the Institutional and Administrative Capacity to Manage Environmental Policy in Romania in conformity with the Acquis Communautaire	CFCU
RO9804.05	Public Administration Reform	CFCU
RO9805.01	Improvement of the competitive environment for the provision of services by public utilities	CFCU
RO9805.02	Internal Market Related Institutions (National Bank of Romania and CEC-savings bank)	CFCU
RO9806.01	Institution Building project for the Ministry of Interior	CFCU
RO9806.02	Institution Building project for the Ministry of Justice	CFCU
RO9807.01	Regional Policy and Cohesion	National Agency for Regional Development
RO9807.02	National Roads Rehabilitation Project	National Administration of Roads

The National Fund (NF) will transfer funds to Implementing Agencies (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. 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 will 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 all projects with the exception of the Regional Policy and Cohesion, and National Roads Rehabilitation projects, the CFCU will be responsible for tendering, contracting, administration, accounting, payments and financial reporting. The National Agency for Regional Development and the National Administration of Roads will act as Implementing Agencies for their respective projects.

A separate interest bearing bank account, denominated in ECU, will be opened and managed by the NF in a separate accounting system in the Central Bank or in a Bank agreed in advance with the Commission. 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 an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual. The only exception concerns the twinning arrangements. All contracts will be equal to or greater than 2 Mecu, except possibly a small number of twinning arrangement contracts. This is due to the fact that the proposed twinings concern development of "packages" rather than implementation of comprehensive programmes.

All contracts must be concluded by 31 December 2000. All disbursements must be made by 31 December 2001. In the case of the National Roads Rehabilitation project (RO9807.02), however, disbursements must be made by 31 December 2003.

Any funds not used by the expiry date of the programme will be recovered by the Commission

4. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) will be established. It will include 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 will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

5. AUDIT AND EVALUATION

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

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

6. VISIBILITY/PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that 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 annex III.

7. SPECIAL CONDITIONS

Community assistance will be conditional on respect by Romania of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing the Accession Partnership. Failure to respect these general conditions could lead to a Decision by the Council on the suspension of financial assistance.

ANNEX I : List of project fiches

Project N°	Project Title
RO9803.01	Improvement of the situation of Roma
RO9803.02	Support for child protection reform
RO9804.01	Institution Building project for the Ministry of Finance
RO9804.02	Assistance to the Romanian Customs Administration (RCA) in developing more effective control management and border systems
RO9804.03	Agricultural and Veterinary Assistance
RO9804.04	Strengthen the Institutional and Administrative Capacity to Manage Environmental Policy in Romania in conformity with the Acquis Communautaire
RO9804.05	Public Administration Reform
RO9805.01	Improvement of the competitive environment for the provision of services by public utilities
RO9805.02	Internal Market Related Institutions (National Bank of Romania and CEC-savings bank)
RO9806.01	Institution Building project for the Ministry of Interior
RO9806.02	Institution Building project for the Ministry of Justice
RO9807.01	Regional Policy and Cohesion
RO9807.02	National Roads Rehabilitation Project

Annex II : Cumulative quarterly contracting and disbursement schedule.

Annex III : Visibility/Publicity

Annex IV : Budget showing one budget line per project, and indicating investment/institution building breakdown.

Annex V : Report(s) on activities financed by Phare in previous years in the sectors to be financed

Annex VI : Article 118 summary for OJ

Annex VII : Financing Agreements between NF and CFCU/IAs