

ADDENDUM TO FINANCING MEMORANDUM
PROJECT No BG 0106.01
CROSS BORDER COOPERATION PROGRAMME BULGARIA - GREECE
2001

Within the Framework of Phare assistance to Bulgaria the Addendum outlined below has been made under the 2001 Phare Budget of the Cross Border Cooperation Programme Bulgaria – Greece.

Article 1 – Nature and Subject

The Financing Memorandum BG 0106 Cross Border Cooperation Programme Bulgaria - Greece, signed on 7 December 2001, is modified as follows:

- **Annex C of the Financing Memorandum is amended as stated in Annex 1 to this Addendum**
- **Project BG 0106.01 "Construction of the new border crossing check-point in Makaza" is amended as stated in Annex 2 to this Addendum**

Article 2

All other Terms and Conditions of the original Financing Memorandum BG 0106 as well as the original Exchange of Letters on the Project Fiches remain valid.

Article 3

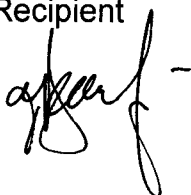
The addendum to this Financing Memorandum is drawn up in duplicate in the English language.

Article 4 – Entry into force

The addendum to the Financing Memorandum BG 0106 shall enter into force on the date of signature by both parties.

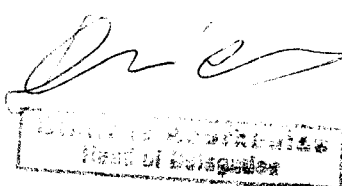
Sofia
Date: 26.11.2002

For the Recipient



Sofia
Date: 12.11.2003

For the Community



FINANCING PROPOSAL**BULGARIA-CROSS-BORDER CO-OPERATION
PROGRAMME WITH GREECE****1. IDENTIFICATION**

Beneficiary :	Bulgaria
Programme :	Cross Border Co-operation Programme with Greece.
Year :	2001
Cost :	20 MEUR
Implementing Agency :	Ministry of Regional Development and Public Works
Contracting Expire Date:	30 November 2003 (with an exception on 30 November 2004 for project BG 0106.01)
Disbursement Expire Date:	30 November 2004 (with an exception on 30 June 2008 for project BG 01.06.01)
Sector:	EN, IN, SO
Group:	C
Budget line:	B7-0310
Programming :	François Begeot, DG Enlargement, Bulgaria Team
Implementation :	Luciano d'Ermann, EC Delegation in Sofia (Bulgaria)

2. SUMMARY

The 2001 Cross-Border Co-operation Programme with Greece will continue to finance actions of structural nature in southern Bulgaria, in compliance with the multi annual perspective further detailed in the draft Joint Programming Document recently agreed¹ by the two countries. It is focused on investment, for infrastructure projects of mutual interest in the transport, energy and environment sectors, therefore contributing to develop the co-operation with Greece and the accession preparation of the Republic of Bulgaria. The programme also aims in particular at improving the border crossing infrastructure on roads between the two countries. It also comprises an institution building project in environment and the first joint small projects fund for social-economic development.

The proposed projects were approved at the Joint Cooperation Committee meeting in Athens, 20th November 2000, and in subsequent correspondence.

The sub-programmes are the followings :

Infrastructure**Transport**

- BG 01.06.01: Rehabilitation and partial reconstruction of Road II-19 Section Simitli – Razlog
From km 0+000 to km 36+000 (Design – Build) **6.95 MEUR**

¹ The Joint Programming Document Interreg III/A Greece-Bulgaria is now in consultation with the Commission. Priorities of the JPD are taken into account without pre-judging its final approval.

- BG 01.06.02: Border Crossing Check Points in Southern Bulgaria: supply of equipment to the border check points in Novo Selo and Ilinden. Staff training for border check points in Novo-Selo, Ilinden and Kulata. **2.5 MEUR**

Energy

- BG 01.06.03: Improvement of the joint operation of Bulgarian and Greek power systems **3 MEUR**

Environment

- BG 01.06.04: Remediation programme for the Uranium Mines in Southern Bulgaria **0.4 MEUR**
- BG 01.06.05: Regional monitoring network for radioecological monitoring in the Southern Bulgaria (within Mesta River Valley and Smolian). **0.6 MEUR**
- BG 01.06.06: Arda river basin – Construction of 3 Urban Waste Treatment plants – Madan, Rudozem, Zlatograd **6.05 MEUR**

Social-Economic Development

- BG 01.06.07: Joint Small Project Fund **0.5 MEUR**

TOTAL:

20MEUR

The Implementing Agency is the Ministry of Regional Development and Public Works.
The expiry date for contracting is 30 November 2003.

The EU contribution to the Bulgaria Cross-Border Co-operation Programme with Greece will be of a total of 20 MEUR out of a total programme of 28 MEUR.

3. STRATEGY

3.1. Multi-annual perspectives

The driving forces of the Bulgaria Cross-Border Co-operation programme with Greece are :

- accession preparation
- co-ordination and complementary with projects on the Greek side
- strong cross-border impact in order to develop the co-operation between the two countries at both local and national level
- maturity of projects

The Accession Partnership and the National Programme for the Adoption of the Acquis stress the need for :

- Alignment to the Acquis and necessary investments for infrastructure, notably extension of Trans-European Networks (in the transport sector);
- Implementation of approximation projects, with special emphasis to the environment sector;
- Reinforcement of institutional and administrative capacity in the regional development sector;
- The development of administrative capacity to implement the pre-accession structural programmes proposed by the Commission with a view to manage EU structural programmes after membership.

In November 2000, a Joint Programming Document (JPD) was approved by both countries. This JPD was subsequently submitted to the Commission as a basis for approval of the Greek-Bulgarian INTERREG III/A programme.

The agreed Joint Programming Document identifies the following priorities:

- Improvement of local and trans-national infrastructures
- Environmental protection
- Alleviation of the administrative and institutional obstacles to the free flow of persons, products or services
- Measure for regional and local socio-economic development

3.2. Joint Co-operation Committees

The co-chairmen of the JCC are the Deputy Minister of the Bulgarian Ministry of Regional Development and Public Works and the General Secretary from the Greek Ministry of National Economy for Investment and Regional Development. They define the composition of their respective delegations to the JCC, on central and local public administration level, and may set up field working groups of representatives of local authorities and experts from the ministries and other institutions concerned. These working groups will review in detail the progress of each project, putting forward recommendations on aspects of management and evaluation, reporting to the JCC. The European Commission representatives take part in the meetings of JCC as members without prejudice to the Commission decision adopting the programme. They examine conformity with EU rules, requirements of proposed measures and projects, and of implementation arrangements, taking a view on the complementarity of project proposals.

The ordinary meetings of the JCC are every six months to review the programme, in either of the countries concerned, in order to assess its progress towards meeting the objectives set out. Extraordinary meetings may be required during the period of preparation of programmes and annual financing proposals or in case of any special implementation issue. Such events may be called at any time, by agreement of co-chairmen or the Commission. Extraordinary meetings called at the request of the Commission may be held in Brussels.

The preparation of reports, agendas and minutes of the meetings of the JCC are organised by the co-chairmen and their services. The JCC, deciding by consensus, should in particular:

- Give its opinion on the priorities, objectives and proposed CBC measures to be included in the Joint Programming Document;
- Approve the final annual selection of project proposals;
- Receive progress reports, reviews and assessments of previously approved programmes and their component parts;
- Initiate and support activities to promote CBC measures and make more effective current and future CBC programmes.

4. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

4.1. The wider objectives of the programme are:

- To promote good neighbourliness and stability between the CEEC countries and the Member States by funding projects which will yield tangible benefits to the regions and communities on both sides of the border;
- To promote co-operation with the CEEC regions bordering the European Union, helping these regions to overcome the specific development problems which may arise, *inter alia*, from their position within the national economies, in the interest of the local communities and in a manner compatible with the environment protection;
- To develop the economy of the border regions by enhancing the trade and the economic co-operation with special environmental consideration.

4.2. The specific objectives and results are reflected in the following priority areas:

- To continue to facilitate the movement of goods and people by constructing new border inspection posts and by improving the effectiveness of existing border crossings.
- To enhance cross-border energy infrastructure through joint energy networks.
- To address local environmental problems that affect both sides of the border, such as, but not limited to, management of liquid waste disposal, and security management of former uranium mines, that will improve the quality of life and the safety of the local population and protect the natural environment..
- To facilitate the cross-border co-operation of regional actors and agencies in the areas of civil society, culture, education, business and environment through a joint small projects fund.

4.3. Programme Description

The proposed projects were discussed during several meetings at technical level and approved at the JCC meeting in Athens, 20th November 2000. The water treatment plant project was subsequently agreed and added to the programme.

4.3.1. Transport Infrastructure Projects:

Starting from 1994, thanks to the establishment of the Cross-Border programme between Greece and Bulgaria, substantial funds were made available to improve and strengthen the co-operation of the two border regions. In order to have a longer term strategic approach, the governments of Bulgaria and Greece signed on 22 December 1995 a bilateral agreement, by which they agree to open three new border crossing links: Kurdjali – Komotini, Gotse Deltsev - Drama, and Rudozem – Xanthi. This bilateral agreement has since been the basis for the previous development of the Bulgaria-Greece border region.

During the previous years, Phare CBC programmes and INTERREG programmes have contributed to the implementation of this bilateral agreement, by financing the construction of the first border crossing road (Gotse Deltsev – Drama):

- Under CBC BG/GR 1998 – 9 MEUR for the Bulgarian access road to Ilinden (on the border between Gotse Deltsev and Drama)
- Under CBC BG/GR 1998 – 3 MEUR for the new Bulgarian check point at Ilinden
- Under INTERREG II – Greek access road to Ilinden
- Under CBC BG/GR 2000 – 17 MEUR for the construction of the 17.67 Km access road (Podkova-Makaza) to the new border- crossing between Greece and Bulgaria (Makaza - Nimfea)
- Under CBC BG/GR 2000 – 3 MEUR for the construction of a Cut & Cover tunnel at Gotse Deltsev – Drama border crossing.

BG 01.06.01: Rehabilitation and partial reconstruction of Road II-19 Section Simitli – Razlog, from km 0+000 to km 36+000 (Design and Build)

In line with the agreed draft Joint Programming Document of November 2000, the implementation of the 1995 bilateral agreement remains a priority for the development of the border region as a whole, and identifies the development of trans-national infrastructures as the first priority for Bulgaria – Greece co-operation. The necessity of developing border crossing infrastructures is also explained in the Bulgarian National Development plan..

The proposed project consists of rehabilitation and partial reconstruction of 36 km of the existing II class road (II-19). The rehabilitated/reconstructed sections will comply with the EU standards, and in particular as regards the maximum authorised weight of 11.5 T per axle.

The section Razlog - Simitli is part of the road II-19, Simitli - Razlog - Gotse Delchev - Border Crossing Bulgaria/Greece. The southernmost point of that route is Ilinden Border Crossing, which is the connection with the road network in Greece.

The Project having a total length of 36 km consists of three sub-sections:

- Rehabilitation of Simitli – Gradevo, from km 0+000 to km 9+800, with a length of 9,8 km;
- Reconstruction of Gradevo - Predela, from km 9+800 to km 25+400, with a length of 15,6 km;
- Rehabilitation of Predela - Razlog, from km 25+400 to km 36+000, with a length of 10,6 km.

The existing road consists of two lanes and is designed for a speed of 40 km/h. The terrain is hilly to mountainous characterized with Rila and Pirin mountains and the river valleys of Struma and Mesta. Due to the poor condition of the road pavement 20,4 km need to be rehabilitated. The other 15,6 km require reconstruction and improvement of the existing road elements. This preliminary and rough appraisal is based on the existing Detailed Design for section Gradevo – Predela, prepared in 1983. The design envisages the construction of third lanes in two sections.

BG 01.06.02: Border Crossing Check Points in Southern Bulgaria: supply of equipment to the border check points in Novo Selo and Ilinden. Staff training for border check points in Novo-Selo, Ilinden and Kulata.

For the existing Border Crossing Check Points (BCCP) in Kulata and Novo Selo and for the new BCCP in Ilinden, an assessment of the needs for staff training, equipment, infrastructure, has been carried out and financed by the Phare CBC programme. It is now necessary to support the work of the eight directorates coming from different ministries (national centre for regional development and public works, road executive agency, customs, border police, veterinary-medical service, national service for plant protection, quarantine and agro-chemistry service, sanitary-epidemiological service, standardisation and metrology) and improve services at the border crossing check points.

This project is in compliance with the National Plan for economic development, priority “establishing of sustainable development in regional aspects”, programme “infrastructure improvement”, sub-programme “construction of new BCCP”. Together with the Greek “mirror” projects that are to be supported by Interreg III, the checking procedures performed by the involved directorates on the border will be upgraded by reducing the waiting time, increasing low cost exchanges and circulation between the two countries.

The project includes two main components:

- Supply of equipment and furniture to the border crossing check points in Ilinden and Novo Selo with an overall estimation of 3.15 MEUR (national co-financing 0.9 MEUR);
- Service contract for staff training at border check points in Novo-Selo, Ilinden and Kulata with an estimated cost of 0.25 MEUR.

A workgroup (made up of all involved beneficiaries/stakeholders) will develop the technical specifications/content of the supply and the training, to be approved by the Delegation.

4.3.2. Energy infrastructure project:

BG 01.06.03 Improvement of the joint operation of Bulgarian and Greek power systems:

This project is part of a major project to prepare the Bulgarian power system to be interconnected with the Western European Grid UCTE, according to the requirements of the Catalogue of Measures elaborated by the UCTE Technical Committee for Bulgaria. It is follow up to the following past projects:

- PHARE CBC BG9402-02.01 “Improvement of the joint operation of Bulgarian and Greek power systems”: feasibility study in favour of NEK-AD (Bulgarian electrical operator), preparing the necessary conditions of parallel operations between NEK-AD and the Greek power system in accordance with the UCTE regulations. Finished 1997.
- PHARE Cross Border Co-operation Bulgaria-Romania: “Development of Telecommunication infrastructure of the Bulgarian and Romanian electricity companies for improvement of data exchanges between their Dispatching Centres and UCTE”. Included in FM 2000.
- SECI – “Teleinformation System among the National Dispatch Centres in the SECI countries”. Will be finished 2001.

As a result of this project, stable parallel operations of both energy power systems in Greece and Bulgaria will be improved and energy traffic between the two countries will be enhanced. This should reduce in particular disputes regarding the operational parameters. This project, which is a mirror project with a Greek project, has therefore a substantial cross border impact through the improvement of electricity connections between the two countries.

This project is also justified by its compliance with short-term and medium-term priorities of the Accession partnership regarding energy. It is also in accordance with the priorities established in the Joint Programming Document signed between the two countries, and especially with the Axis 1 Cross Border Infrastructures, Measure 1.3 Complementary cross-border infrastructures (Projects to modernise and harmonise energy networks).

The project will be implemented in two phases:

- Revision and update of the existing tender dossiers
- Implementation of the project, through procurement and equipment assembling, supervision, commissioning and training.

Investments foreseen during the second phase involve the mounting of optic fibres ground wire, and appropriate metering and telecommunications' equipment.

The Phare contribution will finance up to 3 MEUR, the rest of the financing will be covered by the beneficiary, NEK EAD electrical company up to 1.0 MEUR.

4.3.3. Environment projects:

BG 01.06.04: Remediation programme for the Uranium Mines in Southern Bulgaria

The purpose of the project is the development of a Remediation Programme for the uranium mines in Southern Bulgaria. The programme will describe the necessary measures in order to remediate the affected by the uranium activities environment. It will be approved and adopted by relevant Bulgarian authorities and will be considered as base for the future investment projects concerning remediation of the Uranium Mines.

The proposed project will provide updated information to control the radiological contamination of the environment in the cross border region, reliable fixing of all negative processes affecting pollution of the environment and protection from spreading and cross-border migration of the solid and liquid waste, including radionuclides. It is important to recall that these areas were affected in the past by uranium mining activities. There are more than 30 uranium deposits and occurrences where exploration for uranium or and mining activity were carried out. The Bulgarian Government consider the alleviation of this very serious environmental problem and public health hazard, as well as the improvement of the demographic state in the cross-border regions of Bulgaria, to be priority problems of National importance. This project is fully in line with the priorities agreed within the Joint Programming Document (JPD) under Axis 3 –Quality of Life /Environment and measures for the “improvement of quality of life”, “health protection” and the “protection, conservation and promotion of the environment” objective.

This project is linked to the following former activities:

BG9904-03-01-03 “Regional Network for Basic Radiation Monitoring in South Bulgaria” – 0.4 MEURO: Under Tender Procedure

BG9904-03-01-01 “Closing of Uranium Mines in Eleshnitsa and Dospat”: Under Tender Procedure

BG9508-02-02-L002 “Complex Programme for Clean-up and Monitoring of Areas Affected by Uranium Mining and Processing Activities in Buhovo-Monitoring System”: Under Implementation

BG9807-03 “Reconstruction of Buhovo Tailings Pond – Stage II”: Under Implementation.

The project will include the production of a feasibility study and propose a comprehensive remediation programme containing a pipeline of projects. Tender dossiers will be prepared for the first five priority projects.

The Phare contribution will be of 0.4 MEUR out of a total cost of 0.6 MEUR. The beneficiary, Ecoengineering-RM Ltd, will provide the co-financing.

Phare assistance is conditional upon Ecoengineering-RM Ltd guaranteeing access to the sites and undertaking special safety measures.

BG 01.06.05: Regional monitoring network for radiological monitoring in the Southern Bulgaria (within Mesta River Valley and Smolian).

The proposed project is considered as a part of a general programme for liquidation of the results of uranium mining activities, remediation of the sites and radiation monitoring of the environment in the cross-border Bulgaria-Greece region. It consists of the second phase of the project BG9904-03-01-03 “Regional Network for Basic Radiation Monitoring in South Bulgaria”.

Until now, the radiation control has been performed partially, without having an overall system for monitoring of the contaminated environmental parameters and without having a database including all past observations. The existing monitoring is rather on a local and non-permanent basis, does not comply with the European requirements and standards and does not reflect any progress resulting from the liquidation. The main purpose of the project is to complete the regional monitoring network in South Bulgaria in order to receive immediate information on possible pollution of air, soil and water in order to take all necessary measures for its elimination.

This project of a total cost of 0.8 MEUR (Phare contribution 0.6 MEUR) will include the construction of monitoring devices and develop an information system.

Conditionality for Phare assistance: same as for BG 01.06.04

BG 01.06.06: Arda river basin – Construction of 3 Urban Waste Treatment plants – Madan, Rudozem, Zlatograd

This project consists of the design and construction of waste water treatment plants for Madan, Rudozem and Zlatograd. This will improve the environmental status of the presently discharging bodies which are the transboundary river Arda and its tributaries – Madanska and Vurbitza rivers.

This project is in compliance with Accession Partnership's priorities on environment. The cross border impact will be notably strong since some of the problems of cross-border pollution will be alleviated, notably regarding the convention for protection and use of the transboundary water currents and the international lakes (1992).

Additionally, this project is in compliance with the priorities agreed within the Joint Programming Document (JPD) during the Joint Cooperation Committee (JCC) meeting between Bulgaria and Greece (Athens, 20 Nov. 2000).

Moreover, this project is part of a wider plan set up in order to reflect the requirements of the EU Directives in the field of waste water treatment. The Ministry of Environment and Waters has prepared a National Programme for Priority Construction of Urban Wastewater Treatment Plants for settlements with population above 10 000 equivalent inhabitants. As a priority, it is proposed in the programme to initiate construction of 36 wastewater Treatment Plants. This Programme was developed for river basins and includes Arda River basin, the proposed Wastewater Treatment Plants for the cities of , Madan , Rudozem and Zlatograd. The three cities belongs to Smolyan Region with total population of about 70 thousand inhabitants. The preparatory works for this project were covered by a former Phare CBC assistance project BG9904-02-02 "Project Preparation for Waste Water treatment plants in Madan, Rudozem, Zlatograd".

Phare contribution will be 6,05 MEUR out of a total cost of 8.275 MEUR. The beneficiary is the Ministry of Environment and Waters.

4.3.4 Social Economic Development

BG 01.06.07: Joint Small Project Fund

With a view to strengthen the local cross-border co-operation of the two border regions, Greece and Bulgaria decided during the Joint Cooperation Committee (JCC) meeting (Athens, 20 Nov. 2000) to start to implement a JSPF. This scheme will finance "soft" projects: business co-operation, enterprise development, technology transfer and marketing for small and medium size enterprises, training, employment, measures for health and cultural exchanges, improvement of information flow and communications between border regions etc.

The Joint Small Projects Fund (JSPF) supports the key objectives of the Greek Interreg III Programme and Bulgarian Phare CBC Programme, namely to help the border regions to overcome specific development problems resulting from their relative isolation in the framework of national economics. It also supports the establishment and development of co-operative networks on both sides of the border and the creation of linkages between these networks and wider European Union networks.

The JSPF plays a key part in the process of preparation of the Bulgaria for accession, in particular through the capacity building dimension of local/regional actors and +creating "integration-minded" border regions. The project represents thus an important element in the preparation of Bulgaria for the adoption of Structural Funds. In addition, the project supports the social and economic integration and contributes to the removal of existing disparities between the border regions of the countries.

This project is fully in line with the priorities that are indicated in the Joint Programming Document (JPD). The JPD constitutes the general framework for the co-operation between the two countries and was agreed between the Greek and Bulgarian authorities during the JCC meeting (Athens, 20 Nov. 2000) and within the priorities included in the Axis 2 "Economic Development and Employment".

The Joint Steering Committee (JSC) will act as the decision making body for the Joint Phare Small Project Fund. Details of decision-making procedures which will be set for this type of action, will be prepared according to the Phare rules' requirements concerning Small Project Funds.

The project will support the financing of the selected small-scale "people-to-people" projects (project located in the Bulgarian border region, or Bulgarian contribution to common Bulgarian-Greek projects) as well as the administrative costs for operating the fund.

The total cost of the project is estimated 0.55 MEUR, of which Phare contribution is earmarked for 0.5 MEUR. Concerning administrative support for operating the fund, up to 7% of the Phare contribution may be used for expenditure relating to the preparation, selection, appraisal and monitoring of the assistance.

Grant schemes for the JSPF will be subject to verification and approval by the Commission Delegation in conformity with relevant provisions of the 2001 Programming Guide-annex 4.

4.4. Overall programme conditionalities

Before the Financing Memorandum between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that it is taking adequate steps to staff and resource adequately the National Fund, CFCU, other Implementing Agencies and project management units involved in implementing this programme.

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

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

Before the Financing Memorandum between the Commission and the Government of Bulgaria is signed, the National Aid Coordinator will satisfy the Commission that draft twinning covenants, terms of reference and technical specifications have been prepared, as appropriate, to allow each project to be launched immediately.

All investment projects which, according to the rules stipulated in Directive 85/337/CEE, as amended by Directive 97/11, require an Environmental Impact Assessment, should be the subject of such an assessment.. 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.

Further project-specific conditionalities are described in each project fiche.

5. BUDGET

The following table specifies the EU contribution as well as national co-finance to the programme.

No.	Priority / Project Title	PHARE 2001			National Co-financing in M€	Total in M€
		Institution Building	Investment	TOTAL		
01	Transport infrastructure					
	Rehabilitation and partial reconstruction of Road II-19 Section Simitli – Razlog		6.95	6.95	3.375	10.325
02	Transport infrastructure					
	Border crossing check points in Southern Bulgaria: supply of equipment to the border check points in Novo Selo and Ilinden. Staff training to border check points in Novo Selo, Ilinden and Kulata.	0.25	2.25	2.5	0.9	3.4
03	Energy infrastructure					
	Improvement of the joint operation of Bulgarian and Greek power systems.		3	3	1.0	4.0
04	Environmental protection					
	Remediation programme for the uranium mines in Southern Bulgaria	0.4		0.4	0.2	0.6
05	Environmental protection					
	Regional monitoring network for radioecological monitoring in Southern Bulgaria (within Mesta River Valley and Smolian).		0.6	0.6	0.2	0.8
06	Environmental protection					
	Arda river basin – Construction of 3 Urban Waste Treatment plants – Madan, Rudozem, Zlatograd.		6.05	6.05	2.275	8.325
07	Social Economic Development					
	Joint Small Project Fund	0.5		0.5	0.05	0.55
	TOTAL	1.15	18.85	20	8.0	28.0

6. IMPLEMENTATION ARRANGEMENTS

6.1. The CBC Implementing Agency is the Ministry of Regional Development and Public Works, which retains overall responsibility for the implementation of the whole programme. This includes : approval of terms of reference, of tender documents, of evaluation criteria, of evaluation of offers, signature of contracts, authorisation and payments of invoices.

Project beneficiary institutions report monthly to the CBC Implementing Agency (with direct copies to the EC Delegation) with monthly disbursement and commitment schedules and with sufficient detail to allow assessment of progress made and remaining work to be accomplished.

The Project beneficiary institutions liaise directly with the EC Delegation for all issues related to the operational management of the projects.

6.2. The programme will be managed according to the Phare Decentralised Implementation System (DIS) procedures². 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 SPARAD.

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

The Commission will transfer funds to the NF according to the respective Memorandum of Understanding signed between the Commission and the Bulgarian Government. 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 a Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies. 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 Implementing Agency 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 Implementing Agency. 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 Implementing Agencies 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 make available funds to Implementing Agency, in accordance with Financing Agreement (FA) signed between the NF and the Implementing Agency. The FA will be endorsed in advance by the European Commission. The Implementing Agency 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 relevant Implementing Agency.

A separate (main) bank account denominated in € (Euro) will be opened and managed by the NF with the Central Bank or a bank agreed in advance with the Commission. In principle, all bank accounts

² Taking into consideration the rules set down in the annex of Council Regulation 1266/1999

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 NAO and the PAO will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual.

All contracts will be greater than 2 million Euro except in projects involving institution building, where contracts for both services and supplies may be for lesser amounts :

- Remediation programme for the uranium mines in Southern Bulgaria
- Joint Small Project Fund

and one project which completes a priority project and for which a derogation has been granted:

- Regional monitoring network for radioecological monitoring in Southern Bulgaria (within Mesta River Valley and Smolian).

All contracts must be concluded by 30 November 2003 (with an exception on 30 November 2004 for project BG 0106.01).

All disbursements must be made by 30 November 2004 (with an exception by 30 June 2008 for project BG 0106.01).

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 balance of funds related to those contracts, as calculated by the PAO and established by the Commission, will be deposited on a separate account by the NF before the official closure of the programme. The Implementing Agency assumes full responsibility 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 be provided annually by the NAO to the Commission.

7. 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 at 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 re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) which will include the NAC, the PAO of the CBC Programme and the Commission Services. The above-mentioned Joint Co-operation Committee will act as Monitoring Sub-Committee (MSC) for the CBC Programme. The JCC will review in detail the progress of the 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 JCC will report to the JMC, to which it will submit overall detailed reports on all Phare funded CBC programmes.

8. 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 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 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.

9. VISIBILITY / PUBLICITY

The Programme Authorising Officer (PAO) 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 III "Visibility/Publicity".

10. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons, which are within the control of the Government of Bulgaria, 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.

Almost all the appropriate structures for implementation and management have already been set up during the previous CBC programme, 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.

Each construction project will include adequate independent supervision of projects. Works will be tendered to **pre-qualified** contractors with relevant financial capacity, and technical and **FIDIC** experience.

Annexes

- 1: Summary Project Fiches
- 2 : Cumulative quarterly contracting and disbursement schedule
- 3 : Visibility/publicity
- 4 : Budget
- 5 : Reports on activities financed by Phare in previous years in the sector
- 6 : Article 118 summary for OJ
- 7 : Financing Agreements between NF and Implementing Agency