

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>	2003/005-702
<u>Title:</u>	2003 Cross-Border Co-operation Programme between Hungary and Romania
<u>Duration:</u>	Until 30 November 2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 3 M€ 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 November 2005 subject to the provisions of this Memorandum. All contracts must be

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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 execution of contracts of THE EC GRANT is 30 November 2006.

THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry date for execution of contracts of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Mr. Jonathan Scheele
Head of Delegation of the European Commission in Bucharest
St. Jules Michelet 18-20
70154 Bucharest
Romania
Fax: 00 40 1 212 88 08

for THE RECIPIENT:

Mr. Alexandru Fărcaș
Minister of European Integration
Government of Romania
St. Apolodor 17
Iatru Nord, sector 5
Bucharest
Romania
Fax: 00 40 1 336 85 09

ARTICLE 5 - NUMBER OF ORIGINALS

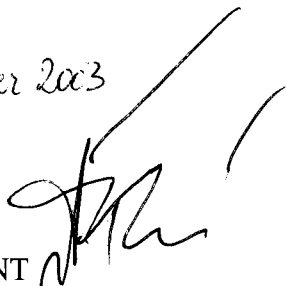
This Memorandum is drawn up in duplicate in the English language.

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 Bucharest
Date 2 December 2003



for THE RECIPIENT
Mr. Alexandru Fărcaş
Minister of European Integration
National Aid Co-ordinator

Done at Bucharest
Date 2 December 2003



for THE COMMUNITY
Mr. Jonathan Scheele
Head of Delegation of the
European Commission in Romania

Encl.

1. Framework Agreement (incl. Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)

Annex C

1. Objectives and Description

The **overall objectives** of the programme are:

- To promote good neighbourliness and stability in the CEEC border regions by funding projects which will yield tangible benefits to the regions and communities on both sides of the border;
- To promote co-operation between border regions in both countries, 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 promote the creation and further development of co-operation networks on either side of the border and establishment of links between these links and wider Community networks.

The **specific project purposes and results** are reflected in the following priority areas:

- To strengthen economic co-operation in the border region by increasing the competitiveness of the business sector and the innovation capacity of the border region (project HU 2003/005-830.01) and by increasing cross-border tourism (projects HU 2003/005-830.01 and RO 2003/005-702.01);
- To promote environmental protection by improving the environmental conditions of surface and underground water resources (project HU 2003/005-830.02) and by creating of a transboundary Romanian-Hungarian biodiversity conservation “green corridor” (project RO 2003/005-702.01);
- Setting up of a flexible mechanism to finance the so called “small-scale and people-to-people projects” within socio-economic development field (local economic development, training and employment measures, improvement of the flow of information and communication, cultural exchanges, support for media etc) with a cross-border impact (projects HU 2003/005-830.03 and RO 2003/005-702.02)

In order to prepare a pipeline of mature projects and to improve programming and project management skills in the field of cross-border co-operation programmes, Romanian financed activities include a project preparation facility (project RO 2003/005-702.03).

The programme has been designed following bilateral contacts between Romania and Hungary, 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-Romania 2003 Programme are in accordance with the content of the JPD.

JPD priority: Economic development

Phare HU-2003/005-830.01 : “Cross Border Economic Development Grant Scheme (€2.000 M)

The border region is mainly characterised by important differences in the level of development among backward and developing areas. These differences are present mainly in the areas of infrastructure and industrial development. At the same time, the region disposes of important inner resources that could be used in order to start the economic growth and level the existing differences.

An important tool that could contribute to the economic growth in the border region is tourism since the geographical characteristics of the region make it suitable for nature-related tourism: there are ample opportunities for equestrian, spa, health, ecological and river tourism. There is a wide choice of tourist developments in the border region, which could attract inhabitants from the other side of the border and increase the cross border tourism. A basic condition for that is the improvement of the conditions of hospitality either at the well-known or at new tourist sites of the region, and the development of the quality of the services and improved marketing.

Another important background factor could be the development of the R&D sector and the improvement of the conditions in the transfer of innovation. The results of the R&D sector are materialised in new products, technologies, activities, contributing this way to the creation of the basis of the renewal of economy. At present, Csongrád county disposes of the biggest research base that has an outstanding role. The institutional framework of the sector can be the starting point for the development of economy, but at present only part of the results are utilised in the border region.

The improvement of the adaptation ability of the region and the widening of the range of R&D activities can create the possibility of a flexible, self-renewable economic development. Most of the problems of co-operation arose from the differences between the two countries' institutional background, the different levels of responsibility of their institutions and the insufficient flow of information. To achieve an improvement in the effectiveness of co-operation steps would be important to be made in the exchange of information and the development of institutional co-operation.

An important problem is the unbalanced and uncontrolled distribution of information, which could increase the regional differences. Therefore it is important to establish an information exchange base for the potential users of the results of the R and D activities (economic organisations, institutions) and the researchers, innovators. It is also necessary to support them in finding the most effective way to use the results of the sector (new brands, technologies). A basic need in this respect is to have the possibility of using high-level communication services, which will allow the spread of the most recent regional information. Contacts via communication networks and personal ways also have a community-forming role, which is essential for common cross-border economic development.

– Therefore the proposed Grant Scheme will provide support to the following activities respectively in the field of *Training and innovation* and *Tourism*:

– *Training and innovation*:

- Organising training sessions, conferences and seminars with special regard to cross-border business activity.
- Support of cluster building, networking for common research and development of new, competitive products, services and technologies.
- Providing suitable conditions for meetings, conferences, seminars and R&D activities in relation to the above subject.

- *Tourism*: Utilization of cultural heritage and natural values.
- Harmonised development of tourism on cross-border territories, co-operation in the field of culture, ecological- and medicinal tourism

- The expected results of the project are: Widening of the product and service scale according to the new market demands (newly developed products, services and technologies with considerable intellectual added value, quality conscious corporate governance, quality driven approach of SMEs and other organisations);
- Increased R&D activity and innovative outputs in the border region
- Increased number of cross-border tourists

Projects already part-financed by another EU funded programme may not be granted support from this PHARE programme.

JPD priority: Environmental Protection and Water Management Projects

Phare HU-2003/005-830.02 “CBC Environmental Infrastructure Networks (Grant Scheme)” (€2.500 M)

In the border region there are three geographical unit concerned by water management: the Upper Tisza Region, the Körös Valley (including the catchment area of the Körös rivers, river Berettyó, and the land between Körös and Maros rivers) and the Lower Tisza Region. These areas cover highly endangered lands in terms of heavy flooding and inland water, lack of water or bad water quality and sensitive water bases which give a specific importance to water management infrastructure development and cross-border cooperation in the field of water management in the border region. The Hungarian-Romanian border region faces yearly in one or more of those problems.

The use of small-scale sewage utilities is an economic and environmentally sound solution, which helps to close the so-called public utilities scissor (decrease the difference between number of dwellings connected to the water conduit network and number of dwellings connected to the sewage system) in an effective way. This is the necessary and adequate condition for small settlements to develop cost-efficient sewage treatment programs instead of applying the expensive urban solutions.

The proposed grant scheme will finance activities in the field of water quality and flood prevention such as water base protection (e.g. establishment of territorial monitoring background for prevention and fast reaction in the case of environmental damage risk), preservation of surface and underground water resources (e.g. purchase of monitoring equipment for endangered areas, installations to prevent pollution), establishment of flood-monitoring systems (purchase of equipment and software), preventive actions against floods (e.g. rehabilitation, modernisation of flood prevention facilities, dyke and reservoir system, water control, pumping stations, water-redirection structures), preventive actions against inland water (e.g. improvement of water dissemination, canalisation), solution of harmless municipal sewage treatment and disposal and sludge disposal in settlements.

Projects already part-financed by another EU funded programme may not be granted support from this PHARE programme.

Phare RO-2003/005-702.01 “Romanian Hungarian Corridor for the Biodiversity Conservation” (€1.950 M)

The varied landscape in the Western part of Romania and the Eastern part of Hungary contains distinctively valuable ecosystems from the point of view of the biodiversity conservation. Among these, an important part is to be found in the ecosystems in Bihor.

In the mountainous ecosystems the forested karst prevails, which is characteristic to this area, having animal and plant species protected both on a national and international level, with numerous caves and other karstic elements which give a unique note, having a particular value from a scientific and tourist point of view. All these have led to the proposal of declaring this national park, even though it already exists as such, but having only a formal character and not being functional.

The wetlands in the field have been much more numerous in the past, but along with the expansion of human communities and the intensive agriculture of last centuries, they have been seriously affected, their surface severely dropped, their hydro regime also being transformed through regularisation and draining works, as well.

Among all these, a highlight is Radvani Forest Nature Reserve near Cefa commune, an important reserve as a passage, feeding and nesting place for a large number of birds protected both on an European and international level. This protected area is located on the Panonic-Bulgarian avifaunistic migration corridor, also neighbouring along the frontier the Kis-Sarret protected area near Biharugra, part of the Koros-Maros National Park in Hungary.

Numerous species of plants, animals and habitats are to be found on the lists of the Birds Directives 79/409/CEE and Habitats 92/43/CEE.

The current risks for nature preservation in the concerned area are linked to the lack of adequate management plans and to the lack of necessary equipment for monitoring and protection. Then, the establishment of a transboundary co-operation framework through the creation of a “green corridor” in order to develop co-operation for the planning and

implementation of some common management measures has been seen as an opportunity by both sides.

In this context, the project, of which beneficiary is the National Forestry Administration – Bihor Forestry Directorate (which administrates the forests within concerned protected areas) proposes to develop the following activities to address those risks and to develop sustainable ecotourism initiatives in the region:

Component 1: Preparation of the management plans; Preparation of the technical specifications and tender documents

The project will finance a Technical Assistance (TA) whose tasks will be:

- To assist the Bihor Forestry Directorate for the preparation of management plans for the concerned areas. Potential synergies and co-operation with the Koros-Maros National Park will be explored.

In addition, the management plan will have to set up priorities considering available resources for maintenance costs and operational expenditures, to ensure sustainability of proposed measures. In this context, the TA will have to redefine the assessment of needs in terms of monitoring and works:

- To assist the Bihor Forestry Directorate and the Koros-Maros National Park to identify and to implement joint research programmes
- To assist the Bihor Forestry Directorate to define awareness activities to be implemented under component 4
- To assist the Bihor Forestry Directorate to develop a programme for promoting ecotourism in concerned areas and in co-operation with the Koros-Maros National Park. This activity includes the definition of promotion activities to be implemented under component 5.

The TA will have to assess the potential demand, to provide recommendations in light of best EU practice in the eco-tourism field and to ensure financial sustainability of proposed measures. It will provide clear recommendations in terms of institutional responsibilities for proposed measures.

All these activities will be carried out in close consultation with all concerned stakeholders (NGOs, local inhabitants...).

The TA will also prepare the technical specifications and tender documents for procurement of equipment under the *monitoring* component (component 2) and the procurement of works for the sites protection (component 3.a) and for the visitor centres (component 3.b).

Component 2: Equipment acquisition for the monitoring programme

The monitoring activity in these protected areas will consist in data gathering for the completion of a database on the following components: water, air, soil, fauna, flora, and antropic impact. The database will provide information for refining and implementing the management plan. In order to ensure an optimum transboundary co-operation framework, the purchased equipment

within this component will have to provide a technique level comparable to those of the Administration of the Koros-Maros National Park in Hungary.

Within this component, the procurement of the necessary equipment will be financed, such as IT technique/ware; laboratory equipment for primary analyses of water, air, soil, fauna, flora; automated meteorological station, GIS; photo and video ware corresponding to the necessities of the monitoring programmes.

Component 3: The realisation of the infrastructure for protected areas management

a) Protection and conservation of the sites:

Under this component the following works/activities will be financed:

- Construction and rehabilitation of the access ways in the protected areas
- Equipment at the boundary of the protected areas (fences, hedges, ditches, barriers, boundary stones, warning indicators etc.); these will be realised in order not to harm the existence of the passage ways of the wild animals
- Maintenance equipment
- Equipment for the field staff (uniforms, communication equipment etc.)

b) The creation of an administrative centre and of four visitor centres:

Within this activity there will be funded the building and the equipment of an administrative centre for the Apuseni Mountains Natural Park and of 4 visitor centres, one in the Radvani Forest Nature Reserve and 3 in the Apuseni Mountains Natural Park.

The National Forestry Administration – Bihor Forestry Directorate will support the operational costs for these buildings.

Component 4: Public awareness raising and ecological education programmes

This component will be financed by National Forestry Administration – Bihor Forestry Directorate.

It will be realised public awareness raising campaigns, seminars and meetings within all the neighbouring communities with distribution of informative materials. These activities will be realised in co-operation with specialised institutions and NGOs.

Component 5: The realisation and the promotion of the tourist programmes

Under this component will be financed programmes to promote ecotourism in each protected area in accordance with their management plans. These programmes will be carried out taking into account the equipment of the protected areas. The interest of visiting the whole network of protected areas in both states will be promoted and a transboundary visiting circuit will be defined.

Under this component, will be financed activities such as the endowment of the visitor centres with informative materials the realisation of tourist tracks, sightseeing/observation platforms, rest lots, informative panels etc.

Conditionalities:

All legal framework related to environmental aspects have to be accomplished and all legal endorsements and approvals have to be obtained before launching the tender for works components.

The beneficiary (the National Forestry Administration – Bihor Forestry Directorate) commits to reinvest all incomes resulted from tourism activities for maintenance of the tourism infrastructure and for the sites protection

JPD priority: Joint Small Project Fund

Phare HU-2003/005-830.03 and RO 2003/005-702.02 “Joint Small Project Fund”
(€1.000 M)

The Joint Small Project Fund will be established as a flexible mechanism that finances the “small-scale and people-to-people” projects with a cross-border impact referring to: business co-operation, enterprise development, technology transfer and marketing, for small and medium size enterprises, training, employment, environment, measures for health and cultural exchanges, improvement of information flow and communications between border regions, etc. In order to reach a sufficient impact, these schemes need to be implemented in a multi-annual perspective. The project is indeed a continuation of the first JSPF, which was financed under the Phare CBC RO/HU 2000 Programme and the JSPF financed under the Phare 2001 and 2002 programmes. Both sides have thus agreed to continue this initiative in 2003.

The JSPF will operate following the Specific Guidelines developed for the 2000 exercise and approved by the Commission Services (EC Delegations) and the "Practical Guide to contract procedures financed from the general Budget of the European Communities in the context of external actions". Precise joint guidelines will be elaborated by the two countries, and will have to be endorsed by both EC Delegations in Hungary and in Romania.

The Hungarian and Romanian Implementing Agencies will issue a call for proposals that must be open and fair to all eligible organisations. An appropriate Team of Assessors will assess the submitted applications. The final decisions are taken on the basis of the recommendations of the Joint Evaluation Committee.

The project applicants will, in many cases, need considerable development assistance. Training and information workshops may be organised to inform and assist would-be participants, so as to ensure high transparency and encourage good quality proposals.

The JSPF is designed to make available a total Phare contribution of €500,000 / border region. Up to 7% of the PHARE contribution (maximum €5,000 for each country) may be used for expenditure relating to the preparation, selection, appraisal and monitoring of the assistance.

Co-financing is needed and will be one criterion for eligibility of projects. Minimum co-financing will be 10% of the cost of each soft project. Projects already part-financed by another EU funded programme may not be granted support from this PHARE programme.

Support activities:

Phare RO 2003/005-702.03 “Technical Assistance for Multi Annual Programming and Implementation of Phare CBC Programmes Romania-Hungary” (€0.550 M)

The project will provide short-term technical assistance, to the Implementing Agency for the Phare CBC programme between Hungary and Romania. This assistance is referring to all the activities related to the Phare CBC projects life cycle (identification, programming, contracting, implementation, etc), including revision of the JSPF documents.

The implementing authorities involved in the programming phase will be supported with short-term expertise in order to produce relevant background documentation, feasibility studies, project technical designs, terms of references, technical specifications and tender dossiers etc.

2. Budget

2003 Phare Cross Border Programme at Hungarian Romanian Border (€)

CRIS N°	Project Title	Phare Institution Building	Phare Investment	Phare Total
HU 2003/ 005-830.01	<i>Cross-Border Economic Development (Grant Scheme)</i>	0	2.000.000	2.000.000
HU 2003/005-830.02	<i>CBC Environmental Infrastructure Networks (Grant Scheme)</i>	0	2.500.000	2.500.000
RO 2003/005-702.01	<i>Romanian Hungarian Corridor for the Biodiversity Conservation</i>	250.000	1.700.000	1.950.000
HU 2003/ 005-830.03	<i>Joint Small Project Fund (JSPF)</i>	500.000	0	500.000
RO 2003/005-702.02		500.000	0	500.000
RO 2003/005-702.03	<i>Technical Assistance for Multi Annual Programming and Implementation of Phare CBC Programmes Romania-Hungary</i>	550.000	0	550.000
	TOTAL	1.800.000	6.200.000	8.000.000

In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds.

The Community contribution may amount to up to 75 % of the total eligible¹ public expenditure.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of Phare assistance.

¹ Taxes are not an element eligible for co-financing

3. Implementation Arrangements

3.1 Implementation Arrangements in Hungary

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision concluded between Hungary and the Commission². Prior to the EDIS Accreditation Decision, implementation will follow Phare Decentralised Implementation System (DIS) procedures³. Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Accreditation Decision and/or the *DIS Manual* as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions. The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD as well as the Structural and Cohesion Funds.

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

b.) Project size

All projects will be greater than €2 million, with the exception of the 2003/005-830.03, Joint Small Project Fund (JSPF), which will provide grants to micro-projects including actions “people to people” and small pilot projects in the border region. This justifies projects of a smaller amount than €2 million. This is also in compliance with Art.5 par. 2 of EC Regulation n. 2760/98.

² in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), in particular Art. 164, Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

³ in accordance with the rules set down in Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

c.) Deadline for contracting and execution of contracts; programming deadline

All contracts must be concluded by 30 November 2005.

Execution of all contracts must end by 30 November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d.) Clearance of Accounts Procedure and Recovery of Funds

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation⁴ and Art. 42 of the Implementing Rules to the Financial Regulation⁵ will be put in place.

Any proven irregularity or fraud⁶ discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

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

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

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

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

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

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO 2 months after all payments have been made, showing the total amount contracted and

⁴ Council Regulation 1605/2002 of 25 June 2002

⁵ Commission Regulation 2342/2002 of 23 December 2002

⁶ As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document

disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

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

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

e.) Financial Flows

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

aa) Transfer of Funds to the National Fund

A first transfer of up to 20 % of the funds to be managed locally*, representing pre-financing⁷ will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Two further transfers of up to 30 % each of the funds to be managed locally will be made. The second transfer will be triggered when 5 % of the budget has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35 % of the total budget in force has been disbursed. A fourth transfer will be made when 70 % of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after all payments have been made the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified

⁷ as defined in Art. 81.1.b.i of the Financial Regulation

expenditure incurred, which at that point will be equal to payments made. (closure of expenditure)⁸.

Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

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

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

For those contracts with funds retained for a warranty period, 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. 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.

cc.) Interest

In principle, all bank accounts⁹ will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

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

The Implementing Agency of the whole programme will be the National Agency for Regional Development of the Prime Minister's Office.

⁸ as defined in Art.105 of the Implementing Rules

⁹ in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive¹⁰ are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented¹¹.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive¹² must be documented¹³.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

h.) Special rules for certain components for the programme

Grant Schemes

For Grant Schemes, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.
- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

¹⁰ DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997

¹¹ in **Annex EIA** to the corresponding investment project fiche

¹² DIR 92/43/EEC; OJ 206/7; 22.7.1992

¹³ in **Annex Nature Conservation** to the corresponding investment project fiche

- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Budapest will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).
- The implementation of selected projects through provision of works, supplies and services, sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement regulations in the Practical Guide.
- Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner (*cf. Section 11 and Annex 4 of the 2003 PHARE Programming Guide*), the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.
- Grant schemes will not involve projects for which PHARE contribution is more than €2 million and less than €50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the present Financing Memorandum.

Small Projects Fund

The Small Projects Fund will finance projects below €50,000 (PHARE contribution). It will not include physical investments other than small infrastructure not generating substantial net revenue.

For the CBC Small Project Fund, up to 7 % of the PHARE contribution may be used for expenditure relating to the preparation, selection, appraisal and monitoring of the assistance.

3.2. Implementation arrangements in Romania

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision, concluded between Romania and the Commission¹⁴. Prior to the EDIS Accreditation Decision, implementation will follow Phare Decentralised Implementation System (DIS)

¹⁴ in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), in particular Art. 164, Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

procedures¹⁵. Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Accreditation Decision and/or the *DIS Manual* as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions. The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD as well as the Structural and Cohesion Funds.

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

b.) Project size

Following projects are smaller than €2 million:

2003/005-702.02, “Joint Small Project Fund (JSPF)”, as indicated above.

2003/005-702.03 “Technical Assistance for Multi Annual Programming and Implementation of Phare CBC Programmes Romania-Hungary” given the Institution Building nature of the project

c.) Deadline for contracting and execution of contracts; programming deadline

All contracts must be concluded by 30 November 2005. In no case can the contracting period exceed 3 years after the date of the global commitment.

Execution of all contracts must end by 30 November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d.) Clearance of Accounts Procedure and Recovery of Funds

¹⁵ in accordance with the rules set down in Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation¹⁶ and Art. 42 of the Implementing Rules to the Financial Regulation¹⁷ will be put in place.

Any proven irregularity or fraud¹⁸ discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

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

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

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

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

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

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO 2 months after all payments have been made, showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

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

¹⁶ Council Regulation 1605/2002 of 25 June 2002

¹⁷ Commission Regulation 2342/2002 of 23 December 2002

¹⁸ As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document

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

e.) Financial Flows

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

aa) Transfer of Funds to the National Fund

A first transfer of up to 20 % of the funds to be managed locally*, representing pre-financing¹⁹ will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Two further transfers of up to 30 % each of the funds to be managed locally will be made. The second transfer will be triggered when 5 % of the budget has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35 % of the total budget in force has been disbursed. A fourth transfer will be made when 70 % of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after all payments have been made the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made. (closure of expenditure)²⁰.

Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

¹⁹ as defined in Art. 81.1.b.i of the Financial Regulation

²⁰ as defined in Art.105 of the Implementing Rules

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

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

For those contracts with funds retained for a warranty period 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. 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.

cc.) Interest

In principle, all bank accounts²¹ will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

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

The Implementing Agency of the whole programme will be the Ministry of European Integration (MoEI).

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive²² are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-

²¹ in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

²² DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997

mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented²³.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive²⁴ must be documented²⁵.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

h.) Special rules for certain components for the programme

Grant Schemes

For Grant Schemes, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.
- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.
- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Bucharest will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).
- The implementation of selected projects through provision of works, supplies and services, sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement regulations in the Practical Guide.
- Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner (*cf. Section 11 and Annex 4 of the 2003 PHARE Programming Guide*), the Commission Delegation may

²³ in **Annex EIA** to the corresponding investment project fiche

²⁴ DIR 92/43/EEC; OJ 206/7; 22.7.1992

²⁵ in **Annex Nature Conservation** to the corresponding investment project fiche

decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.

- Grant schemes will not involve projects for which PHARE contribution is more than € million and less than €50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the present Financing Memorandum.

Small Projects Fund

The Small Projects Fund will finance projects below €50,000 (PHARE contribution). It will not include physical investments other than small infrastructure not generating substantial net revenue.

For the CBC Small Project Fund, up to 7 % of the PHARE contribution may be used for expenditure relating to the preparation, selection, appraisal and monitoring of the assistance.

4. Monitoring and Evaluation

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

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

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

5.) Audit and Anti-Fraud Measures

a.) By the Candidate Countries²⁶

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

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

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

Irregularity shall mean any infringement of a provision of national or Community law²⁷, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:

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

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94²⁸.

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

b.) By the Commission

All Financing Memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and audits by

²⁶ in accordance with the rules set down in Art. 54 of the Financial Regulation

²⁷ defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).

²⁸ OJ L 178; 12.7.94; p. 43-46

the Court of Auditors. This includes on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96²⁹.

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.

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.

7.1. Special conditions

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

7.2 Special conditions for Romania

For Romania, successful implementation of the 2003 Phare Cross Border Programme between Romania and Hungary, requires the Government of Romania to make a particular effort to identify and remedy gaps and weaknesses in the management of cross-border co-operation programmes. The National Aid Co-ordinator will, by 31 March 2004 elaborate and present to the Commission a CBC capacity building plan, covering the period 2004-2006, specifying the actions needed to reinforce the implementing agency and implementing authorities. The plan should cover the measures necessary in order to ensure that the above bodies have an adequate endowment of qualified full-time personnel, sufficient operating budgets and that all other necessary conditions exist for the effective implementation of current and future CBC programmes. The document will describe the first concrete actions already implemented to bring the administrative capacity (human resources and logistics: transportation, access to international phone numbers, etc.) to a sufficient level for the year 2004. No contract co-financed by Phare allocation to Romania may be signed before this condition is fulfilled.

²⁹ OJ L 292; 15.11.1996; p. 2-5