

FINANCING MEMORANDUM

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

on the one part, and

The Government of the Republic of **Bulgaria**, 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 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>	BG 0106
<u>Title:</u>	2001 Cross-Border Co-operation Programme between Bulgaria and Greece
<u>Duration:</u>	Until 30 November 2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **€ 20 million** 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 2003** subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is **30 November 2004** with the exception of the project BG 0106.01 "Construction of the new border crossing check-point in Makaza", where the disbursement expiry date is **30 November 2005**. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may



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

ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Delegation of the European Commission
9 Moscovska Str
PO Box 668 BG
1000 Sofia
Bulgaria

Tel: (+359 2) 933 5252
Fax: (+359 2) 933 5233

for THE RECIPIENT:

Ministry of Foreign Affairs
Department for European Integration
2 Al. Jendov Str.
1040 Sofia
Bulgaria

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.

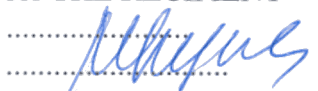
The Annexes shall be deemed an integral part of this Memorandum



Done at Russe
Date 07.12.2001

Done at Russe
Date 07.12.2001

for THE RECIPIENT


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Ms. M. Kuneva
Deputy Minister of Foreign Affairs

for THE COMMUNITY


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.....
Dimitris Kourkoulas
Head of Delegation

Annex 1	Framework Agreement (with its annexes A and B)
Annex 2	Special Provisions
Annex 3	Information and Publicity



ANNEX II – SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITIES

1.1. 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.

1.2. 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.

1.3. 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.

1.3.1. 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 – 4.93 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.

BG01.06.01: Construction of the new border crossing check-point in Makaza

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 1995 bilateral agreement involved the financing of the construction of the second border crossing road between **Kardjali and Komotini**. The PHARE 2000 Cross Border Co-operation Programme therefore supported the construction of an access road of Between Podkova and –Makaza (on the border between Bulgaria and Greece). The construction of the mirror road on Greek side has been started with the construction of the Komotini- Nimfea link (23 Km.) with an overall cost of 36 MEUR (financed by INTERREG Programme). The construction of this new border crossing check point is the next step.

This project is in compliance with the Accession Partnership and the National Programme for the Adoption of the Acquis in the transport sector, notably extension of Trans-European Corridor No IX. Since this project happens to be an incidental and indispensable part of the above mentioned development plan, with respect to the Council Regulation 1266/1999 on Co-ordination of pre-accession assistance, the project is proposed for Phare CBC funding rather than ISPA funding. This choice is also justified by the strong local cross-border impact of the project (it will considerably shorten the distance between several Bulgarian and Greek towns) by the importance of the local traffic, and by the related activities previously financed through CBC programmes. It should be noted that this choice is also mentioned in the draft National ISPA Transport Strategy for Bulgaria (Oct 1999).

The project includes two main components:

- Civil works for construction of a check point in Makaza within the new border crossing Kurdjali-Komotini with estimated cost 8.5 MEUR.
- Works Supervision services with estimated costs of 1 MEUR

The PHARE contribution will finance up to 7 MEUR, the rest of the financing up to 10.375 MEUR will be financed by the Bulgarian State Budget. For the Bulgarian contribution an additional contract will be signed with the same awarding company by PHARE procedures.

The disbursement period of this project is set on November 2005 so as to take account of the difficulties of construction in a mountain area (winter). Given the urgency to finalise the project in co-ordination with the completion of the construction of Podkova-Makaza road project, the Tender announcement for supervision and works contract will be published immediately after the positive opinion by the Phare management committee but with “suspension clause”. There are no other non-standards aspects.

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.

1.3.2. 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.

1.3.3. 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 mesures 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". The Bugarian authorities will be responsible for ensuring effective and proper connection of the plants with the sewage system. The relevant EIA procedure will be applied.

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

1.3.4 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 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 Ch. 6 & annex 4.

1.4. Conditionality

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.

2. 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					
	Construction of the new border crossing check-point in Makaza		7	7	3.375	10.375
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	6	2.275	8.275
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

3. IMPLEMENTATION ARRANGEMENTS

3.1. 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.

3.2. The programme will be managed according to the Phare Decentralised Implementation System (DIS) procedures¹. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National 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 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.

¹ Taking into consideration the rules set down in the annex of Council Regulation 1266/1999

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.

All disbursements must be made by 30 November 2004, with an exception by 30 November 2005 for project BG 01.06.01

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.

4. MONITORING AND ASSESSMENT

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

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

5. 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.

6. 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".

7. 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** or **PRAG** experience.

ANNEX III – VISIBILITY / PUBLICITY

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

1. Objective and scope

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

2. General principles

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

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

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

- Art. 32 of Regulation (EEC) No 4253/88, as amended by Regulation (EEC) No 2082/93, Official Journal of the European Communities No L193/20, 31 July 1993;
- Commission Decision of 31 May 1994; Official Journal of the European Communities No L 152/39, 18 June 1994.

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

3. Information and publicity concerning Phare programmes

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

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

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

- (a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.
- (b) Information and publicity measures on the spot shall include the following :
- (i) In the case of infrastructure investments with a cost exceeding EUR 1 million :
- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
 - permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
- (ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, ISPA or SAPARD :
- measures to make potential beneficiaries and the general public aware of Phare, ISPA or SAPARD assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
 - measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

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

4.1 Business circles

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

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

4.2 Other potential beneficiaries

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

Forms

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

4.3 The general public

The media

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

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

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

Information events

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

Information material

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

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

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

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

5. Special arrangements concerning billboards, commemorative plaques and posters

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

Billboards

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

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

Commemorative plaques

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

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

6. Final provisions

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

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design

requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.

