

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 **Lithuania**, 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 November 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:

Programme number: **LI.99.17**

Title: **Phare 2000/2001: Project Preparation Facility**


Duration: **Until 31 December 2001**

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **€ 2 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 **31 December 2001**, subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is **31 December 2002**. 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
Naugarduko 10
2001 Vilnius, Lithuania
Tel.: +370-2-31 31 91
Fax: +370-2-31 31 92

for THE RECIPIENT:

Government of Lithuania
Ministry of Foreign Affairs
Mr Algirdas SAUDARGAS, National Aid Co-ordinator
Minister of Foreign Affairs
J. Tumo-Vaizganto 2
2600 Vilnius, Lithuania
Tel.: +370-2-61 85 37
Fax: +370-2-62 07 52

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 Vilnius

Date 1999 12 23

for THE RECIPIENT

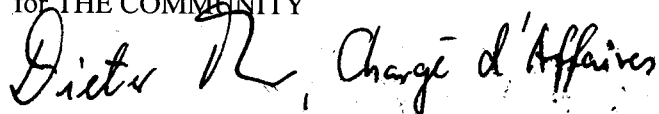


Mr A. Saudargas
Minister of Foreign Affairs
National Aid Coordinator

Done at Vilnius

Date 23/12/99

for THE COMMUNITY



Mr. H. Schmiegelow
Head of Delegation

Annexes

Annex 1

Annex 2

Annex 3 (C)

Framework Agreement

General Conditions

Special Provisions



ANNEX C – SPECIAL PROVISIONS

1. OBJECTIVES AND DESCRIPTION

1.1. Objectives

The overall objective of this Financing Proposal is to assist in the efficient start up and implementation of the Phare investment support projects for 2000 and 2001.

The specific objective of this Financing Proposal is to ensure that the necessary technical and implementation documents are prepared for those projects which are lead candidates for Phare support in 2000 and 2001, thereby facilitating their speedy and successful implementation.

1.2. Eligible Project Preparation Expenditure

The following technical and implementation documents may be prepared for the target investment projects for economic and social cohesion as identified in the manner described in 4.3 below:

- (1) Feasibility studies. This work may include: (i) preparing a feasibility study; or, (ii) completing a feasibility study; or, (iii) further developing an existing study to a level required to permit a decision on its financing to be made. In this last regard, such work may include inter alia:
 - (a) Cost benefit or financial analyses
 - (b) Analysis of user charging systems
 - (c) Pre-investment studies including cost and financial engineering work.
- (2) Detailed technical designs and bills of quantity (ie. any part of required documentation specified in FIDIC yellow, orange or red books for works, supplies or mixed contracts)
- (3) Preparation activities for aid schemes, including market demand, project pipeline and due diligence analyses.
- (4) Procurement plans and tender documentation
- (5) Environmental impact assessments to meet the requirement of European Community EIA legislation.



1.3. Project Selection

Once the NDP's and "Proposals for Phare Support in 2000" are received by the Commission, the process of selecting projects for preparation under this facility shall be started.

By the end of the year, the National Aid Coordinator (NAC) of each country will propose to the Commission a list projects to receive support under this project preparation facility. The NAC's proposal will include a summary description of the preparatory support required by each of the target projects. These summary descriptions will be developed into full TOR's by the relevant beneficiaries on the basis of standard terms of reference for the nine activities identified above. Certain countries CBC programmes already have adequate preparation support facilities and, in such cases, the programming authority will clarify with the NAC concerned whether such projects can be considered or not.

Given the close linkage to programming, Commission delegation and headquarters shall be closely involved in discussing and refining this list before its formal submission.

Some Phare investment projects financed under Phare B7-5000 (ie. not Cross Border Cooperation projects which are subject to a separate budget line) but which lie outside of economic and social cohesion may also require preparation (eg. border crossing improvements, transit facilities outside of target regions, etc). Such projects are an intrinsic part of promoting economic and social cohesion although they may not be in the target regions themselves. On an exceptional basis such projects may be proposed for Commission consideration under the facility.

Given that the NDP's have yet to be provided to the Commission, the selection of projects for preparation under this facility will take place after the approval of this Financing Proposal. To ensure prudent management of the facility, no project will be prepared under this facility unless it fulfills the following eligibility criteria:

- (1) The project is derived from the NDP and clearly matches the priorities set in the strategy for developing the target regions.
- (2) It is included in the NAC's proposal for projects to be prepared, as referred to above.
- (3) The Commission (Delegation and Headquarters) agrees that the project is a lead candidate for programming under Phare in 2000 or 2001.
- (4) Draft terms of reference are available by January 2000 which provides a clear and comprehensive description of the project itself and of the preparatory tasks required to take the project into procurement and implementation.

National Programmes in 2000 and in 2001 will also provide additional funds for project preparation and for adequate supervision if so required, noting that generally up to 5% of project costs are put aside for such activities (outside of administration costs).

This facility is targeted on assisting the countries to prepare projects. It will not be used to cover the administration or supervision costs of projects (eg. appraisal, tendering, etc).

It should be noted that the various strategies (National Development Plans included) and most of the projects which will be financed by Phare are being prepared at the cost of the countries themselves.

2. BUDGET

Euro million

Country	Code	Allocation	Investment	Institution Building	TA
Bulgaria	BG.99.19	2,5	0,00	0,00	2,5
Czech	CZ.99.16	2	0,00	0,00	2
Estonia	ES.99.12	2	0,00	0,00	2
Hungary	HU.99.18	2,5	0,00	0,00	2,5
Latvia	LE.99.14	2	0,00	0,00	2
Lithuania	LI.99.17	2	0,00	0,00	2
Poland	PL.99.18	4,5	0,00	0,00	4,5
Romania	RO.99.15	3,5	0,00	0,00	3,5
Slovakia	SR.99.20	2	0,00	0,00	2
Slovenia	SL.99.14	2	0,00	0,00	2
TOTAL		25	0,00	0,00	25
		100%	0%	0%	100%

Project preparation is generally estimated to account for 5% of total costs on complex investment projects. On current working assumption that such investment projects in support of economic and social cohesion will represent some 30-50% of the Phare budget, depending on the country concerned, the above facility can cover about half of project preparation needs in 2000. The remainder will be covered by the candidate countries themselves. Depending on the country concerned and the types of projects



being developed from the National Development Plans, further preparation support may be provided under Phare National Programmes from 2000.

3. IMPLEMENTATION ARRANGEMENTS

While this Financing Proposal is presented to the Management Committee as a horizontal facility, the projects shall be implemented through the Phare national programme structures.

As such, this Financing Proposal will be split on a project by project basis by signing 10 separate Financing Memoranda, as set out in the following table, thereby allowing an optimal follow up in each individual country and a maximum efficiency in project implementation.

3.1. Implementation through National Programmes

3.2. Implementation

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the relevant Ministry (as indicated in the table below) 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. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the programme.

The National Fund (NF) in each of the countries respectively is as follows:

1. Bulgaria - Ministry of Finance
2. Czech Republic – Ministry of Finance
3. Estonia – Ministry of Finance
4. Hungary - State Treasury
5. Latvia – Ministry of Finance
6. Lithuania - Ministry of Finance
7. Poland - Ministry of Finance
8. Romania – Ministry of Finance
9. Slovakia – Ministry of Finance

10. Slovenia – Ministry of Finance

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the relevant countries. Funds will be transferred following requests from the NAO. A payment of **up to 20%** of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing 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.

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 IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. 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.

IAs will be responsible for sub-programmes will be the CFCUs in each country.

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. 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.

A separate bank account, denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual. Contracts will generally be lower than € 2 million as they are preparatory technical assistance. The investment projects that they prepare will meet the € 2 million criteria.

All contracts must be concluded by 31.12.2001. All disbursements must be made by 31.12.2002.

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

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

4. MONITORING AND ASSESSMENT

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

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

5. AUDIT AND EVALUATION

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

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

6. VISIBILITY / PUBLICITY

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation.

7. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the implementing authority concerned, 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.

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.

