

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 **Poland**, 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 **31 May 1990** 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>	PL0008.
<u>Title</u>	Poland National Programme 2000 - Part II (Economic and Social Cohesion)
<u>Duration</u>	Until 30 November 2002.

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of **130 MEUR** 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 2002** 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 2003**. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Delegation of the European Commission in Poland
Al. Ujazdowskie 14
PL-00478 Warsaw
Poland
Fax: (+48-22) 625 04 30

for THE RECIPIENT:

Office of the Committee for European Integration
Al. Ujazdowskie 9
PL-00918
Warsaw
Fax: (+48-22) 694 71 94

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
Date:

Done at
Date:

for THE RECIPIENT
.....

for THE COMMUNITY

Mr. B. Dethomas
Head of the Delegation of the
European Commission in Poland

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

Annex C

Special Provisions

1. Strategy

Economic and Social Cohesion is a short-term priority of the 1999 Accession Partnership with Poland. In December 1999, the Polish Government approved a preliminary National Development Plan (NDP) as an annex to its National Programme for the Adoption of the Acquis (NPAA). This identified the critical development gaps between its regions and between itself and the EU, presented key development priorities regarding economic and social cohesion, and put forward a general financial perspective for Government and Community financing in this area for the period 2000-2002.

Since the total amounts which Phare can contribute to the achievement of these national priorities is limited, Poland selected five target regions at NUTS II level, where Phare investment support will be focused in the year 2000. These are the four Eastern border regions, whose level of economic development has been lagging behind (Warmia-Mazury, Podlaskie, Lubelskie, and Podkarpackie), and Slaskie, which is affected by industrial restructuring (notably coal and steel). These five regions represent in all about one third of the population and of the territory of Poland.

Within these target regions, Phare will cofinance measures and projects to increase the activity of the productive sector, to strengthen human resources development, and to improve business related infrastructure. In this respect, the target regions all elaborated an operational regional development plan, which analysed the strengths and weaknesses of each region, its priorities and measures.

All projects proposed by Poland for this programme were examined to see whether they were relevant to the NDP priorities, whether they would have an impact on economic and social cohesion, whether they were cost-effective, technically and institutionally ready and whether conditionalities and implementation arrangements were clear.

As a result, this second National Programme has been prepared, amounting to 130 million EUR, covering investment projects in economic and social cohesion in the five target regions.

A separate Financing Proposal has covered institution building and investment in the acquis at national level.

Separate financing proposals will cover Phare funding for the participation of Poland in Community programmes and for the participation of Poland in the Fifth Framework Programme for RTD. The total Phare budget for Poland in 2000 under the national programme will therefore amount to 344 million EUR. Funding for cross border cooperation will also be the subject of separate financing proposals.

2. Programme and project description

2.1. Operational programme of Warmia-Mazury

Project PL0008.01.01: Human resources development: Under the guidance and monitoring of the national Human Resources Development project financed by the Phare 2000 Institution Building programme, this project will provide cofinancing to address priority human resources development problems in the region, notably: (a) fighting social exclusion and unemployment of rural youth, particularly in the areas dominated by former state owned farms, through individual counselling and training; (b) training for employees of SMEs in adapting to changes in the market; (c) training of employees of the network of Tourist Information Centres newly created by local governments of

Warmia-Mazury; (d) training and technical assistance for regional and local stakeholders in relation to the development of human resources, notably through preparation of local employment pacts.

Project PL0008.01.02: SME development: This project will cofinance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. Under the guidance of the national SME and export promotion projects (financed as institution building projects under Phare 2000), the company development programme will cofinance small grants to partly finance general and sector specific consulting and information services provided at the individual company level in identified key areas affecting SME business competitiveness and application of the acquis. The investment grant scheme will cofinance small grants (up to 50,000 EUR each and with the public subsidy element not exceeding 25 % of the project cost) in the first instance for SMEs successfully participating in the company development programme, introduction to quality assurance, innovation and technology development, export promotion, and human resources development. The investment grant will be tied directly to a bank loan.

Project PL0008.01.03: Modernisation of road 16 around Olsztyn: This project will cofinance works for the modernisation of selected sections of Road 16, which is the major access road to the region of Warmia-Mazury and Olsztyn, the regional capital. The project is designed to eliminate a transport bottleneck in the region and will therefore increase accessibility and mobility within the region, as the road sections under the project will directly feed traffic into the planned future Olsztyn by-pass or are part of the future by-pass. This will have a direct impact on the tourist inflow in particularly towards the Mazurian lakes region and will in the future allow the development of business sites along the by-pass.

Project PL0008.01.04: Road access to bridge over Elblag river: This project will cofinance construction works for the access road to the bridge over the river at Elblag. This city and port town is the second major regional investment location in the voivodship and the project together with the bridge over the Elblag river constitutes the first northern part of the planned bypass, creating a direct connection between the river port and the industrial part of the town with its concentration of industrial enterprises and large warehouses, thus upgrading conditions for business creation and development.

Project PL0008.01.05: Environmental protection of the Mazurian lakes: This project will cofinance the construction of two new sewage plants together with the modernisation of selected sewage-treatment facilities in the Mazury Great Lakes area. The Great Lakes region is a major tourist attraction in the voivodship and the project, which is part of the Phare funded Master Plan currently being implemented for the area, will stop and reverse the deterioration of the water quality in the lakes and therefore increase further the tourism potential. The technology used should guaranty that the treated sewage will be in line with the standards of the Urban Waste Water Treatment Directive.

Project PL0008.01.06: Small scale infrastructure investments: The project will cofinance small grants towards municipalities for the co-financing of local business related municipal infrastructure projects in the target areas of local transport, water and waste management and provision of business sites. The operations to be financed under the scheme will be selected by the Regional Steering Committee, headed by the Marshal of the Voivodship and comprising the representatives of regional and local administration, and economic and social partners, on the basis of objective project selection criteria including demonstrated priorities of the voivodship and socio-economic impact (increased number of existing SMEs using new infrastructure, creation of new SMEs, creation of new workplaces, number of sites prepared for business investment).

2.2. Operational Programme of Podlaskie

Project PL0008.02.01: Human resources development: Under the guidance and monitoring of the national Human Resources Development project financed by the Phare 2000 Institution Building

programme, this project will provide cofinancing to address priority human resources development problems in the region, notably: (a) vocational training and guidance for persons threatened by unemployment and for the unemployed, particularly in the areas dominated by declining industries and from rural towns; (b) training and counselling for start-ups and employees of SMEs in adapting to changes in the market; (c) training and technical assistance for regional and local stakeholders in relation to the development of human resources, notably through preparation of local employment pacts.

Project PL0008.02.02: SME development: Under the guidance of the national SME and export promotion projects (financed as institution building projects under Phare 2000), this project will cofinance an investment grant scheme, i.e. small grants (up to 50,000 EUR each and with the public subsidy element not exceeding 25 % of the project cost) in the first instance for SMEs successfully participating in the company development programme, introduction to quality assurance, innovation and technology development, export promotion, and human resources development. The investment grant will be tied directly to a bank loan.

Project PL0008.02.03: Modernisation of road 61: This project will cofinance construction and modernisation works for the section Grajewo-Rajgród on the national road 61 and is designed to eliminate a transport bottleneck in the region. This road is a link to the Via Baltica and will conduct the traffic to the local industrial zones situated around Lomża and Grajewo as well as the flow of tourists towards the Augustów Lakes Region. The section of the road planned for modernisation under this Phare project will make it possible to finalise the programme for upgrading the transport route from Lomża to Augustów, as the other two sections of this road will be modernised through World Bank funding.

Project PL0008.02.04: Road tunnel on bypass of Białystok: The project will cofinance the first phase of the construction of a road tunnel under the railway in Białystok and is part of the construction and modernisation of the inner-city bypass. The project will provide an access to the Via Baltica for the southern and eastern town outlet roads, thus providing connection of a large part of Białystok itself and the main regional investment centre in the voivodship. The project is part of the city road transport system study financed by Phare in the past.

Project PL0008.02.05: Upgrading and marketing of Augustów channel: The project will cofinance construction works of the canal embankment in Augustów, together with the sewage drainage and water supply system, and the construction and equipment of a tourist information centre. The Augustów lakes and canal area is one of the most important tourist products of the region and the project once completed should lead to a 25 % increase in the number of tourists.

Project PL0008.02.06: Small scale infrastructure investments: The project will cofinance small grants towards municipalities for the co-financing of local business related municipal infrastructure projects in the target areas of local transport, water and waste management, and provision of business sites. The operations to be financed under the scheme will be selected by the Regional Steering Committee, headed by the Marshal of the Voivodship and comprising the representatives of regional and local administration, and economic and social partners, on the basis of objective project selection criteria including demonstrated priorities of the voivodship and socio-economic impact (increased number of existing SMEs using new infrastructure, creation of new SMEs, creation of new workplaces, number of sites prepared for business investment).

2.3. Operational programme of Lubelskie

Project PL0008.03.01: Human resources development: Under the guidance and monitoring of the national Human Resources Development project financed by the Phare 2000 Institution Building programme, this project will provide cofinancing to address priority human resources development problems in the region, notably: (a) vocational training and guidance for persons threatened by unemployment and for the unemployed, particularly for the young adults and for inhabitants of rural

towns; (b) training and counselling of start-ups and of employees of SMEs in adapting to changes in the market; (c) training and technical assistance for regional and local stakeholders in relation to the development of human resources, notably through preparation of local employment pacts.

Project PL0008.03.02: SME development: This project will cofinance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. Under the guidance of the national SME and export promotion projects (financed as institution building projects under Phare 2000), the company development programme will cofinance small grants to partly finance general and sector specific consulting and information services provided at the individual company level in identified key areas affecting SME business competitiveness, application of the acquis, and export promotion. The investment grant scheme will cofinance small grants (up to 50,000 EUR each and with the public subsidy element not exceeding 25 % of the project cost) in the first instance for SMEs successfully participating in the company development programme, introduction to quality assurance, innovation and technology development, export promotion, and human resources development. The investment grant will be tied directly to a bank loan. In some cases, these bank loans will receive credit guarantees from an existing SME Loan Guarantee Fund, which will receive extra funding for this purpose from Polish sources only.

Project PL0008.03.03: Preservation of the waters of the Bug river: This project will cofinance the construction and modernisation of sewage treatment facilities of the Wlodawskie lake district. This is the major tourism centre of the Lublin voivodship and the project constitutes the final phase of the local authorities' programme for the upgrading of environmental standards of the water resources of the lake district, the catchment area of the Bug river and the Sobibor park and should therefore allow to further develop its tourism potential. The technology used should guaranty that the treated sewage will be in line with the standards of the Urban Waste Water Treatment Directive.

Project PL0008.03.04: Modernisation of the road 698: This project will cofinance construction and modernisation works for the section Janow Podlaskie-Krzyczew of the provincial road 698, which is an important access road for the border area in the northern part of the voivodship. This is the first phase of the reconstruction of the road which links the border crossings of Terespol, Kukuryki, Slawatycze, Dorohusk and Zosin. This road is important for border control, traffic management and border protection along the Eastern border. By eliminating a transport bottleneck, it will at the same time allow access to the tourist centres of this area.

Project PL0008.03.05: Renovation of old town of Lublin: This project will cofinance the reconstruction of the infrastructure of a number of old town streets and squares in Lublin close to the Castle Square and is a continuation of the inner city renovation investment programme of Lublin designed to increase tourism by 30 to 50 % and at the same time to attract and further develop business opportunities in the area. This strategy has proven successful so far with the location of 150 businesses in the area and will be further promoted by this project.

Project PL0008.03.06: Small scale infrastructure investments: The project will cofinance small grants towards municipalities for the co-financing of local business related municipal infrastructure projects in the target areas of local transport, water and waste management and provision of business sites. The operations to be financed under the scheme will be selected by the Regional Steering Committee, headed by the Marshal of the Voivodship and comprising the representatives of regional and local administration, and economic and social partners, on the basis of objective project selection criteria including demonstrated priorities of the voivodship and socio-economic impact (increased number of existing SMEs using new infrastructure, creation of new SMEs, creation of new workplaces, number of sites prepared for business investment).

2.4. Operational programme of Podkarpackie

Project PL0008.04.01: Human resources development: Under the guidance and monitoring of the national Human Resources Development project financed by the Phare 2000 Institution Building programme, this project will provide cofinancing to address priority human resources development problems in the region, notably: (a) vocational training and guidance for persons threatened by unemployment and for the unemployed, particularly for the young adults and inhabitants from rural towns; (b) training and counselling of start-ups and employees of SMEs in adapting to changes in the market; (c) training and technical assistance for regional and local stakeholders in relation to the development of human resources, notably through preparation of local employment pacts.

Project PL0008.04.02: SME development: This project will cofinance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. Under the guidance of the national SME and export promotion projects (financed as institution building projects under Phare 2000), the company development programme will cofinance small grants to partly finance general and sector specific consulting and information services provided at the individual company level in identified key areas affecting SME business competitiveness, application of the *acquis*, and export promotion. The investment grant scheme will cofinance small grants (up to 50,000 EUR each and with the public subsidy element not exceeding 25 % of the project cost) in the first instance for SMEs successfully participating in the company development programme, introduction to quality assurance, innovation and technology development, export promotion, and human resources development. The investment grant will be tied directly to a bank loan.

Project PL0008.04.03: Upgrading of road infrastructure in the region: This project will cofinance construction and modernisation works for selected sections of transport infrastructure in the region. These sections are destined to open up access to the following areas: (a) the Bieszczady mountain area in the South-East of the voivodship, which constitutes an important tourism centre; (b) the Rzeszow area with its concentration of SMEs; and (c) the by-passes of Mielec and Stalowa Wola, which are important engineering, manufacturing and steel industry towns.

Project PL0008.04.04: Environmental protection in Rzeszow: This project will cofinance the construction of the sewage system, pumping stations and the modernisation of the sewage treatment plant in Rzeszow and is destined to allow the development of around 300 ha of land for business sites as well as the further development of the existing industrial area of Rzeszow. The project constitutes the final phase of the environmental protection programme undertaken by the regional authorities since 1996. The technology used should guaranty that the treated sewage will be in line with the standards of the Urban Waste Water Treatment Directive.

2.5. Operational programme of Slaskie

Project PL0008.05.01: Human resources development: Under the guidance and monitoring of the national Human Resources Development project financed by the Phare 2000 Institution Building programme, this project will provide cofinancing to address priority human resources development problems in the region, notably: (a) vocational training and guidance for persons threatened by unemployment and for the unemployed, particularly as a result of industrial restructuring (e.g. coal and steel); (b) training and counselling of start-ups and of employees of SMEs.

Project PL0008.05.02: SME development: This project will cofinance the provision of an appropriate mix of services and direct financial assistance to SMEs, organised as grants towards individual company support and group events. Under the guidance of the national SME and export promotion projects (financed as institution building projects under Phare 2000), the company development programme will cofinance small grants to partly finance general and sector specific consulting and information services provided at the individual company level in identified key areas affecting SME business competitiveness, application of the *acquis*, and export promotion. The investment grant scheme will cofinance small grants (up to 50,000 EUR each and with the public subsidy element not exceeding 25 % of the project cost) in the first instance for SMEs successfully participating in the

company development programme, introduction to quality assurance, innovation and technology development, export promotion, and human resources development. The investment grant will be tied directly to a bank loan.

Project PL0008.05.03: Business infrastructure in Silesia: This project will cofinance construction works for the development of 9 business sites, enterprise zones and industrial parks throughout the voivodship of Silesia and thereby contribute to the further diversification of economic activities away from the traditional coal and steel industries.

Project PL0008.05.04: Road to airport of Katowice: This project will cofinance construction works for the first phase of the road from the airport of Katowice to the national road no. 1 and therefore to the Katowice agglomeration and is part of an overall plan to develop the transport infrastructure system around this urban area with its 4 million inhabitants. The new road will remove an important transport bottleneck in the area and will allow the further development of the airport and its surrounding business sites.

Project PL0008.05.05: Small scale infrastructure investments: The project will cofinance small grants towards municipalities for the co-financing of local business related municipal infrastructure projects in the target areas of local transport, water and waste management, and provision of business sites. The operations to be financed under the scheme will be selected by the Regional Steering Committee, headed by the Marshal of the Voivodship and comprising the representatives of regional and local administration, and economic and social partners, on the basis of objective project selection criteria including demonstrated priorities of the voivodship and socio-economic impact (increased number of existing SMEs using new infrastructure, creation of new SMEs, creation of new workplaces, number of sites prepared for business investment).

2.6. Engineering, supervision and monitoring support

This project (*PL0008.06*) will cofinance technical assistance for engineering and supervision of the infrastructure projects mentioned above that will be financed by the Phare 2000 economic and social cohesion programme. In this context, technical assistance and training will also be provided to the staff of regional and local authorities of the five eligible regions concerned that will be involved in the implementation and management of the programme. In addition, the project will cofinance technical assistance to allow the Implementing Agency to develop a system of monitoring of all projects financed by this programme.

The infrastructure projects financed by this programme will not start until the engineering and supervision contracts, financed by this programme and by a similar Phare 1999 project, are in place.

3. Budget (million EUR)

No	Title	Total Phare budget	Institution building (indicative)	Investment (indicative)
PL0008.01	Operational programme of Warmia-Mazury	20.33		20.33
01	Human resources development			
02	SME development			
03	Modernisation of road 16 around Olsztyn			
04	Road access to bridge over Elblag river			
05	Environmental protection of Mazury lakes			
06	Small scale infrastructure investments			
PL0008.02	Operational programme of Podlaskie	19.60		19.60
01	Human resources development			
02	SME development			
03	Modernisation of road 61			
04	Road tunnel on bypass of Bialystock			
05	Upgrading and marketing of Augustow channel			
06	Small scale infrastructure investments			
PL0008.03	Operational programme of Lubelskie	25.42		25.42
01	Human resources development			
02	SME development			
03	Preservation of the waters of the Bug river			
04	Modernisation of road 698			
05	Renovation of old town of Lublin			
06	Small scale infrastructure investments			
PL0008.04	Operational programme of Podkarpackie	24.50		24.50
01	Human resources development			
02	SME development			
03	Upgrading of road infrastructure in the region			
04	Environmental protection in Rzeszow			
PL0008.05	Operational programme of Slaskie	37.15		37.15
01	Human resources development			
02	SME development			
03	Business infrastructure in Silesia			
04	Road to airport of Katowice			
05	Small scale infrastructure investments			
PL0008.06	Engineering, supervision and monitoring support	3.00		3.00
	Total Phare contribution (million EUR)	130		130

The total Phare contribution under this programme will therefore not exceed 130 million EUR.

Where applicable, compliance with the Urban Waste Water Treatment directive (91/271/EEC as amended by Directive 98/15/EEC) and related decision 93/48/EEC and the Sewage Sludge Directive 86/278/EEC will be ensured. Furthermore, an environmental impact assessment according to the EU Environmental Impact Assessment Directive (85/337/EEC as amended by 97/11/EC) will be carried out for all investment projects.

4. Implementation Arrangements

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

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Poland on 24 December 1998. 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 Agency (IA). 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 IA 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 IA. 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 IA 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 following Implementing Agency will be responsible for all projects: Polish Agency for Regional Development.

The National Fund will transfer funds to the Implementing Agency (IA), in accordance with Financing Agreements (FAs) signed between the NF and the IA 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 IA there will be no transfer of funds from the NF to the IA. The IA 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 Phare operations carried out by the IA.

A separate bank account, denominated in EUR 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, except for twinning arrangements for which separate measures have been defined by the Commission.

For any grant schemes, whose procedures and formats are not covered by the current DIS manual, the implementation arrangements will follow the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will be based on the current Commission's vademecum on grant management and RELEX

standard Grant contract. 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 approve formally 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.
- The ex ante approval of the Commission's Delegation in Poland will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject of ex post control of the EC Delegation.
- The implementation of the selected projects through the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants shall be subject to the local Polish procurement law as used and adapted in the past in Phare financed regional development programmes (STRUDER) in Poland. The decentralised system established for these regional development programmes is to be applied to all such contracts below 300 000 EUR. Tenders and contracts above this threshold will be presented to the EC Delegation for ex ante approval. The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present financing memorandum.

All contracts must be concluded by 30 November 2002. All disbursements must be made by 30 November 2003. All contracts must be greater than 2 million EUR, except for grant scheme contracts, or unless otherwise agreed by the Commission.

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.

5. 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 NAO and 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 consultants (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.

6. 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 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.

7. Visibility/publicity

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

8. Special conditions

In the event that agreed commitments are not met for reasons which are within the control of the Government of Poland, 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 global Phare programme.

Annex I: Project fiches

Annex 2: Cumulative quarterly contracting and disbursement schedule

Annex 3: Visibility/Publicity

Annex 4: Budget breakdown per project

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No	Title	Total Phare budget	Institution building (indicative)	Investment (indicative)
PL0008.01	Operational programme of Warmia-Mazury	20.33		20.33
01	Human resources development	3.40		3.40
02	SME development	2.20		2.20
03	Modernisation of road 16 around Olsztyn	5.58		5.58
04	Road access to bridge over Elblag river	2.70		2.70
05	Environmental protection of Mazury lakes	3.75		3.75
06	Small scale infrastructure investments	2.70		2.70
PL0008.02	Operational programme of Podlaskie	19.60		19.60
01	Human resources development	2.58		2.58
02	SME development	3.00		3.00
03	Modernisation of road 61	3.80		3.80
04	Road tunnel on bypass of Bialystock	4.32		4.32
05	Upgrading and marketing of Augustow channel	3.00		3.00
06	Small scale infrastructure investments	2.90		2.90
PL0008.03	Operational programme of Lubelskie	25.42		25.42
01	Human resources development	7.55		7.55
02	SME development	5.90		5.90
03	Preservation of the waters of the Bug river	2.60		2.60
04	Modernisation of road 698	2.80		2.80
05	Renovation of old town of Lublin	2.25		2.25
06	Small scale infrastructure investments	4.32		4.32
PL0008.04	Operational programme of Podkarpackie	24.50		24.50
01	Human resources development	4.00		4.00
02	SME development	5.12		5.12
03	Upgrading of road infrastructure in the region	13.18		13.18
04	Environmental protection in Rzeszow	2.20		2.20
PL0008.05	Operational programme of Slaskie	37.15		37.15
01	Human resources development	5.78		5.78
02	SME development	4.85		4.85
03	Business infrastructure in Silesia	4.75		4.75
04	Road to airport of Katowice	17.45		17.45
05	Small scale infrastructure investments	4.32		4.32
PL0008.06	Engineering, supervision and monitoring support	3.00		3.00
	Total Phare contribution (million EUR)	130		130