

MEMORANDUM OF UNDERSTANDING

The President of the Council of the European Union, and
The Swiss Federal Council,

Considering the close links between the European Union and Switzerland based on numerous sectoral agreements, particularly in economic, scientific and cultural areas;

Considering that enlargement of the European Union contributes towards safeguarding peace, freedom, stability and prosperity in Europe, and the Federal Council is determined to demonstrate the support of the Swiss Confederation in that respect;

Considering the European Union's efforts on external assistance and pre-accession aid;

Considering the Swiss Confederation's support to the countries of central and eastern Europe;

have drawn up the following guidelines:

1. The Swiss contribution

The Federal Council will negotiate with the Member States listed in point 2 agreements on the arrangements for a Swiss contribution of one billion Swiss francs over a period of five years, starting from the approval of the funds by the Swiss Parliament.

2. **Breakdown of the Swiss Contribution**

<u>Beneficiary State</u>	<u>Swiss Francs</u>
Czech Republic	109.780.000
Estonia	39.920.000
Cyprus	5.988.000
Latvia	59.880.000
Lithuania	70.858.000
Hungary	130.738.000
Malta	2.994.000
Poland	489.020.000
Slovenia	21.956.000
Slovakia	66.866.000

Regional and national projects and programmes, and projects and programmes that involve several beneficiary States, may be financed by this contribution.

3. **Review**

The implementation of the actual utilization of the Swiss contribution will be reviewed in 2 years' and 4 years' time in order to assist the realization of high-priority projects and programs in the beneficiary states. To this end a balance of 2 million Swiss Francs is created.

4. **Funding guidelines and areas**

Security, stability and support for reforms:

- Strengthening local management capacity at regional and communal level;
- Measures for securing borders;

- Improvements in the management of immigration and asylum issues;
- Access to information systems on security law and developing the legal aspects of security;
- Modernisation of the judiciary;
- Strengthening institutions and capacity for combating corruption and organised crime;
- Nuclear safety;
- Prevention and management of natural disasters;
- Regional development initiatives in peripheral or disadvantaged regions.

Environment and infrastructure:

- Sanitation and modernisation of basic infrastructure (energy efficiency, drinking water, waste water, waste disposal, public transport);
- Improvements in environmental conditions, reduction of harmful emissions, development and enforcement of ecological monitoring standards and norms;
- Toxic waste disposal, and revitalisation of contaminated industrial sites;
- Regional, town and country planning of land use, infrastructure, the environment, etc.;
- Cross-border environmental initiatives like “Environment for Europe”;
- Biodiversity and nature protection.

Promotion of the private sector:

- Development of the private sector and promotion of exports, with the emphasis on small and medium-sized enterprises (SMEs);

- Improving access to capital, support to SMEs in the management field;
- Promotion of certified organic agricultural products;
- Promotion of standards, norms and conformity assessment in industrial and agricultural production; promotion of industrial production that conforms to the principle of sustainable development from the social, environmental, and eco-efficiency point of view;
- Improved regulation of the financial sector, and strengthening of financial markets and institutions;
- Protection of intellectual property.

Human and social development:

- Building public administration capacity at central, regional and municipal levels, to bring it up to EU standards;
- Technical and vocational training;
- Research and development (scientific exchange programmes, grants, partnerships, co-operation in applied research, etc.);
- Health (modernisation of hospitals, reform of health insurance systems, preventive measures, etc.);
- Twinning of towns and communes;
- Support for international development initiatives.

Funding areas will be selected and ranked according to the needs of each beneficiary State.

5. Information and co-ordination

The Federal Council and the European Commission will communicate regularly as regards the implementation of the Swiss contribution, whenever the need arises, including in policy matters. The European Commission will inform the Federal Council of its assessment of the compatibility between the projects and programmes proposed and the Community's objectives, which shall be duly taken into account. They will also co-ordinate with other institutions and donors that finance the same projects and programmes.

Where appropriate, projects and programmes may be carried out in co-operation with other Member States of the European Union. These projects and programmes may be co-financed by Community instruments.

6. Selection of projects and programmes

The Federal Council will select projects and programmes in agreement with the beneficiary States, taking account of their requests, needs and actual take-up capacity.

7. Implementation of projects and programmes

- (a) Projects and programmes will be implemented as appropriate on a basis that is bilateral, multi-bilateral (involving co-financing with other institutions or donors), or multilateral (through a fiduciary system).
- (b) The Swiss contributions will be in the form of gifts or concessional financial facilities. They will not be repayable to Switzerland.
- (c) Entities that benefit from the Swiss contribution will in principle be minority finance partners on the projects or programmes. The Swiss contribution, in the form of grants, may not exceed 60% of the cost of the project, except in the case of projects

receiving additional financing in the form of budget allocations from national, regional or local authorities, in which case the Swiss contribution may not exceed 85% of the total cost. The rules for co-financing shall be respected. Technical assistance projects, institution-building programmes, and projects and programmes implemented by non-governmental organisations may be fully financed by the Swiss contribution.

- (d) Rules regarding public procurement and State aid will be respected. Contributions towards projects or programmes may not be tied.
- (e) The management costs of the Swiss government will be covered by the amounts referred to in point 1. These include staffing and administrative costs, mission expenses for officials and consultants, and the cost of financial controls and evaluation.

8. Implementation of the Swiss contribution

The Federal Council will propose that the Swiss Parliament approve funding amounting to one billion Swiss francs for the implementation of the Swiss contribution, to start in 2006.

The agreements referred to in paragraph 1 must be in conformity with the guidelines laid down in this Memorandum. A general description of the content of the framework agreements between Switzerland and the beneficiary States is attached in annex.