

FRAMEWORK AGREEMENT

BETWEEN THE GOVERNMENT OF THE CZECH REPUBLIC AND THE SWISS FEDERAL COUNCIL CONCERNING

THE IMPLEMENTATION OF THE SWISS-CZECH COOPERATION PROGRAMME TO REDUCE ECONOMIC AND SOCIAL DISPARITIES WITHIN THE ENLARGED EUROPEAN UNION

THE GOVERNMENT OF THE CZECH REPUBLIC (hereinafter referred to as „The Czech Republic“)

AND

THE SWISS FEDERAL COUNCIL (hereinafter referred to as „Switzerland“)

hereinafter collectively referred to as „the Parties“,

- AWARE of the importance of the enlargement of the European Union (EU) for the stability and prosperity in Europe;
- NOTING the solidarity of Switzerland with the endeavours of the EU to reduce economic and social disparities within the EU;
- BUILDING upon the successful cooperation between the two countries during the Czech Republic's transition process leading to its accession to the EU;
- HAVING regard to the friendly relations between the two countries;
- DESIROUS of strengthening these relations and the fruitful cooperation between the two countries;
- INTENDING to promote further the social and economic development in the Czech Republic;
- IN VIEW of the fact that the Swiss Federal Council has expressed, in a Memorandum of Understanding with the European Community of 27 February 2006, the intention that Switzerland shall contribute up to 1'000'000'000 CHF (one billion CHF) to reduce economic and social disparities within the enlarged EU (hereinafter referred to as „Memorandum of Understanding“);

have agreed as follows:

Article 1 - Definitions

For the purpose of this Agreement, unless the context otherwise requires:

- „Contribution“ means the non-reimbursable financial contribution granted by Switzerland under this Agreement;

- „Project“ means a specific project or programme or other joint activities in the framework of this Agreement. A programme consists of component projects linked by a common theme or shared objectives;
- „Commitment“ means the allocation of a certain amount of the Contribution to a Project agreed upon by the Parties;
- „Project Agreement“ means an agreement between the Parties and, if need be, additional contracting parties, on the implementation of a Project agreed upon by the Parties;
- „National Coordination Unit“ (NCU) means the Czech unit in charge of the coordination of the Swiss-Czech Cooperation Programme;
- „Intermediate Body“ means any legal public or private entity which acts under the responsibility of the NCU or which carries out duties on behalf of the NCU with regard to Executing Agencies implementing Projects;
- „Executing Agency“ means any public authority, any public or private corporation as well as any organization recognized by the Parties and mandated to implement a specific Project financed under this Agreement;
- „Implementation Agreement“ means an agreement between the NCU and/or the Intermediate Body and the Executing Agency for the implementation of the Project;
- „Block Grant“ means a fund set up for a clearly defined purpose, providing assistance to organizations or institutions, facilitating a cost-effective administration mainly in programmes with many small projects;
- „Project Preparation Facility“ means the Facility providing financial support for the preparation of the Final Project Proposals;
- „Technical Assistance Fund“ means the Fund for the financing of tasks performed by the Czech authorities additionally and exclusive for the implementation of the Contribution;
- „Scholarship Fund“ means the Fund for the financing of scholarships for Czech students and researchers admitted at higher education and research institutions in Switzerland.

Article 2 - Objectives

1. The Parties shall promote the reduction of economic and social disparities within the enlarged EU through Projects mutually agreed upon between the Parties and in line with the Memorandum of Understanding and the Conceptual Framework for the Swiss-Czech Cooperation Programme as outlined in Annex 1 of this Agreement.
2. The objective of this Agreement is to establish a framework of rules and procedures for the

planning and implementation of the cooperation between the Parties.

Article 3 - Amount of the Contribution

1. Switzerland agrees to grant a non-reimbursable Contribution towards the reduction of economic and social disparities within the enlarged EU of up to CHF 109,780 million (one hundred nine million and seven hundred eighty thousand Swiss Francs) to the Czech Republic for a Commitment period of five years and a disbursement period of ten years, starting from the approval date of the Contribution by the Swiss Parliament, which is 14 June 2007.
2. Switzerland shall accept submissions of Final Project Proposals according to Annex 2, Chapter 2 for Commitment of funds until two months before the end of the Commitment period.
3. Funds not committed during the Commitment period shall not be available anymore for the Swiss-Czech Cooperation Programme.

Article 4 - Scope

The dispositions of this Agreement shall apply to national and trans-national Projects financed by Switzerland or co-financed by Switzerland with multilateral institutions and other donors, executed by an Executing Agency, mutually agreed upon by the Parties.

Article 5 - Utilization of the Contribution

1. The Contribution shall be used for the financing of Projects and can take any of the following forms:
 - a) Financial assistance including grants, credit lines, guarantee schemes, equity participations, loans and technical assistance
 - b) Block Grants
 - c) Project Preparation Facility
 - d) Technical Assistance Fund
 - e) Scholarships.
2. The Contribution shall be used in line with the objectives, principles, strategies, geographic and thematic focus as outlined in the Conceptual Framework in Annex 1.
3. 5% of the Contribution shall be used by Switzerland for its administration of this Agreement. This includes, inter alia, expenses for staff and consultants, administrative infrastructure, missions, monitoring and evaluation.
4. The-Contribution, in the form of grants, may not exceed 60% of the total eligible costs 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 Contribution may not exceed 85% of the total eligible costs. Institution-building and technical assistance Projects, Projects implemented by non-governmental organisations as well as financial assistance benefiting the private sector (credit lines, guarantees, equity and debt participations) may be fully financed by the Contribution.

5. The following costs shall not be eligible for grant support: expenditures incurred before the signing of the respective Project Agreement by all parties, interests on debt, the purchase of real estate, staff costs of the Czech Government and recoverable value added tax as specified in Article 7 of this Agreement.

Article 6 - Coordination and Procedures

1. To make sure that Projects have the greatest possible impact and in order to avoid duplication and overlapping with projects financed through means of structural and/or cohesion funding as well as by any other funding source, the Parties shall assure an effective coordination and share any information needed to that end.

2. All the correspondence exchanged between the Parties, including reports and Project documents, shall be drafted in English.

3. As a general rule, each Project shall be subject to a Project Agreement, which shall set out the terms and conditions of grant assistance as well as the roles and responsibilities of the contracting parties.

4. The Czech Republic is responsible for the identification of Projects to be financed by the Contribution. Switzerland can offer the Czech Republic proposals to finance Projects, including Projects of multilateral, national or trans-national institutions. The rules and procedures for the selection and implementation of Projects are defined in Annex 2 and for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund in Annex 3.

5. All Projects shall be supported by the Czech Republic and approved by Switzerland. The Parties attach high importance to the monitoring, the evaluation and the audit of Projects and of the Swiss-Czech Cooperation Programme as stipulated in Annex 2. Switzerland, or any mandated third party acting on its behalf, is entitled to visit, monitor, review, audit and evaluate all activities and procedures related to the implementation of the Projects financed by the Contribution, as deemed appropriate by Switzerland. The Czech Republic shall provide all requested or useful information and shall, take or cause to be taken all actions allowing the successful realisation of such mandates.

6. Upon entry into force of this Agreement, the Czech Republic shall open a separate bank account at the National Bank of the Czech Republic in which the funds received from the Swiss Contribution shall be deposited. The Swiss administration costs referred to in Article 5, Paragraph 3 of this Agreement shall not be managed through this account. The accumulated net interest shall be yearly reported to Switzerland.

7. Payment procedures are outlined in Annex 2, Chapter 4 of this Agreement.

Article 7 - Value Added Tax and other Taxes and Charges

1. Value added tax (VAT) shall be considered eligible expenditure only if it is genuinely and definitively borne by the Executing Agency. VAT which is recoverable, by whatever means, shall not be considered eligible even if it is not actually recovered by the Executing Agency or by the final recipient.

2. Other levies, taxes or charges, in particular direct taxes and social security contributions on salaries and wages, shall constitute eligible expenditure only if they are genuinely and definitively borne by the Executing Agency.

Article 8 - Annual Meetings and Reporting

1. In order to ensure effective implementation of the Swiss-Czech Cooperation Programme, the Parties agree to hold annual meetings. The first meeting shall be held no later than one year after the beginning of the application of this Agreement.

2. The Czech Republic shall organize the meetings in cooperation with Switzerland. The NCU shall present one month before the meetings an annual report. Its content shall include but not be limited to the issues listed in Annex 2.

3. Upon the final disbursement under this Agreement, the Czech Republic shall submit to Switzerland a final report assessing the accomplishment of the objective of this Agreement and a final financial statement on the use of the Contribution, based on the financial audits of the Projects.

Article 9 - Competent Authorities

1. The Czech Republic has authorized the Ministry of Finance to act on its behalf as the NCU for the Swiss-Czech Cooperation Programme. The NCU shall have the overall responsibility for the management of the Contribution in the Czech Republic, including the responsibility for financial control and audit.

2. Switzerland has authorized:

the Federal Department of Foreign Affairs, acting through the Swiss Agency¹ for Development and Cooperation (SDC)

and

the Federal Department of Economic Affairs, acting through the State Secretariat for

Economic Affairs (SECO)

to act on its behalf for the implementation of the Swiss-Czech Cooperation Programme.

Projects are assigned to one or the other institution according to their respective fields of competence.

3. The Swiss Embassy shall act as the contact point for the NCU with regard to official information referring to the Contribution. Day-to-day communication between the competent authorities may be maintained directly.

Article 10 - Common Concern

The Parties share a common concern in the fight against corruption, which jeopardises good governance and the proper use of resources needed for development, and, in addition, endangers fair and open competition based upon price and quality. They declare, therefore, their intention of combining their efforts to fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this Agreement, or during its execution, will be construed as an illegal act or corrupt practice. Any act of this kind constitutes sufficient grounds to justify termination or annulment of this Agreement, the respective Project Agreement, the procurement or resulting award, or for taking any other corrective measure laid down by applicable law.

Article 11 - Final Provisions

1. Annexes 1, 2 and 3 shall form an integral part of this Agreement.
2. Any dispute which may result from the application of this Agreement shall be resolved by diplomatic means.
3. Any amendment to this Agreement shall be made in writing with the mutual agreement of the Parties and according to their respective procedures. Any amendment to the Annexes 1, 2 and 3 of this Agreement shall be made in writing with the mutual agreement of the competent authorities mentioned in Article 9.
4. This Agreement can be terminated at any time by one of the Parties upon a six-month prior written notice. In this case, the provisions of this Agreement shall continue to apply to the Project Agreements concluded before the termination of this Agreement. The Parties shall decide by mutual agreement any other consequences of the termination.
5. This Agreement shall enter into force on the date of the notification confirming the completion by both Parties of their respective approval procedures. The Agreement covers a Commitment period of five years and a disbursement period of ter{ years. It applies until the

final report by the Czech Republic assessing the accomplishment of the objective of this Agreement is submitted according to Article 8 Paragraph 3. The Commitment period shall start according to Article 3 Paragraph 1. In the case that the Commitment period starts before the entry into force of this Agreement, the Parties shall apply this Agreement provisionally starting on the day of its signing.

Signed at Berne on 20 December 2007, in two authentic copies in the English language.

For the Government of
the Czech Republic
Helena Bambasová
Deputy Minister
Ministry of Foreign Affairs
of the Czech Republic

For the Swiss
Federal Council
Micheline Calmy-Rey
President
of the Swiss Confederation

Doris Leuthard
Federal Councillor
of the Swiss Confederation

Annex 1: Conceptual Framework of the Swiss-Czech Cooperation Programme

The Conceptual Framework is an integral part of the Framework Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. The Conceptual Framework defines objectives, principles, strategies, geographic and thematic focus as well as indicative financial allocations.

1. Objectives

The Swiss-Czech Cooperation Programme pursues two objectives:

- To contribute to the reduction of economic and social disparities between the Czech Republic and the more advanced countries of the enlarged European Union (EU); and
- To contribute within the Czech Republic to the reduction of economic and social disparities between the dynamic urban centres and the structurally weak peripheral regions.

The Swiss-Czech Cooperation Programme includes national and trans-national Projects that support a sustainable, economically and socially balanced development.

Towards the end of the implementation period of the Swiss Contribution, both Parties may jointly decide on a global evaluation of the results achieved by the Swiss-Czech Cooperation Programme.

2. Principles

The Swiss-Czech cooperation is guided by the following principles:

Transparency. Transparency and openness are key to all cooperation activities and are binding at all levels. Special emphasis shall be given to transparency in project selection, contract awarding and financial management.

Social inclusion. Cooperation activities aim at including socially and economically disadvantaged individuals and groups in the opportunities and benefits of development.

Equal opportunities and rights. Cooperation activities aim at increasing women's and men's opportunities to exercise their rights equally through a gender-based approach.

Environmental sustainability. Cooperation activities aim at incorporating requirements of environmental sustainability.

Commitment by all stakeholders. All institutions and decision-makers involved in the Swiss-Czech Cooperation Programme are committed to an efficient and effective implementation of the agreed Projects.

Subsidiarity and decentralisation. Cooperation activities aim at including considerations of subsidiarity and decentralisation primarily in Projects at the municipal and regional levels.

3. Strategies

3.1 Main Strategic Considerations

The Swiss-Czech Cooperation Programme is part of a comprehensive national development planning that includes the structural and cohesion programmes of the EU as well as the programmes of the EEA and the Norwegian Financial Mechanisms. The Swiss Contribution shall be complementary to these programmes and mainly focus on Projects that are not or only partially covered by other financial sources.

Main strategic considerations include:

a. Focusing. The Memorandum of Understanding between the Swiss Federal Council and the Council of the European Union defines four funding guidelines for the Contribution:

- Security, stability and support for reforms;
- Environment and infrastructure;
- Promotion of the private sector; and
- Human and social development.

These funding guidelines and the related focus areas provide a broad base for cooperation. Efficiency and effectiveness considerations as well as concern for the optimal allocation and use of available resources, are important. Therefore, the Swiss-Czech Cooperation Programme shall have a clear strategic focus, guided by the following considerations:

- Concentration on a maximum of eight focus areas in which at least 70% of the Contribution shall be spent (thematic concentration). The selection of the focus areas shall be need-based and take into account specific Swiss know-how.
- Concentration on three peripheral and less-developed regions (NUTS III) in which at least 40% of the Contribution shall be spent (geographic concentration).
- Concentration on a relatively small number of Projects.

b. Programme approach. A programme consists of component projects linked by a common theme or shared objectives. A programme approach shall be applied in focus areas which display several of the following characteristics: large financial Commitments; linking of different levels (national, regional, local); variety of actors; contribution to policy development; significant contributions to capacity building; and application of a common set of rules and procedures. A programme approach implies a delegated authority for decision-making on individual projects. A programme approach includes: an initial assessment of the focus area; the definition of objectives, guidelines and budgets; a programme implementation plan; and a sector monitoring and evaluation concept. To assure efficiency and effectiveness, the contribution to a specific programme shall represent a minimum amount of CHF 4 million. In exceptional cases lower minimal financial volumes may be agreed between both Parties.

c. Individual project approach. An individual project approach shall be applied in a focus area in which stand-alone projects shall be implemented. To assure efficiency and effectiveness, the contribution for each project under the individual project approach shall represent in general a minimum amount of CHF 1 million. In exceptional cases lower minimal financial volumes may be agreed between both Parties.

d. Block Grant financing may provide a means to accommodate smaller projects (see Annex 3).

e. Trans-national Projects. The Contribution may be used to finance trans-national Projects.

f. Partners and beneficiaries. The Swiss-Czech Cooperation Programme shall include partners and beneficiaries from the public and private sectors, non-governmental organisations and other civil society organisations.

g. Partnerships. Partnerships between Swiss and Czech partners are an enriching element of the Swiss-Czech Cooperation Programme. Cooperation and partnerships are strongly encouraged, especially in focus areas in which Switzerland may contribute particular experience, know-how and technologies.

h. Flexibility. Flexibility and the possibility to react to opportunities require that initially only about 80% of the Contribution shall be allocated to particular focus areas and special items. Within two years after the beginning of the Swiss-Czech Cooperation Programme, a review shall assess thematic and geographic priorities, redirect the initial financial allocations as agreed, and determine the priorities for the not yet allocated part of the Contribution.

i. Visibility. Visibility of the Swiss-Czech Cooperation Programme for Czech and Swiss citizens is an important aspect that may be taken into account when selecting and implementing Projects. Both Parties undertake to inform proactively on their cooperation.

3.2 Implementation Strategies

a. Identifying Projects. Project identification significantly impacts the quality of the Swiss-Czech Cooperation Programme. The Czech Republic is responsible for the identification of Projects to be financed by the Contribution. Switzerland can offer the Czech Republic Project proposals.

b. Setting Project selection criteria. Project selection shall be based on a clear set of criteria. General selection criteria shall include:

- Responsiveness to the objectives of the Swiss-Czech Cooperation Programme;
- Adherence to the principles of the Swiss-Czech Cooperation Programme described in Chapter 2 of this Annex;
- Responsiveness to the strategic considerations outlined in Chapter 3.1 of this Annex;
- Anchoring in the national development planning and, if possible, the National Strategic Reference Framework and the respective Operational Programme(s);
- Innovation and/or the potential to offer new solutions that can be applied subsequently on a larger scale (pilot Projects);
- Capacity of the Executing Agency;
- Leverage potential (mobilisation of additional resources);
- Feasibility in the given time-span; and
- Sustainability of results.

Specific selection criteria for each focus area may be formulated prior to starting the implementation of the Swiss-Czech Cooperation Programme.

c. Supporting Project planning. Project preparation and detailed Project planning are of paramount importance for efficiency and effectiveness in Project implementation. Preparation support may be requested by the Czech Republic or recommended by Switzerland and shall be financed through the Project Preparation Facility (see Annex 3). Should there be insufficient funds available in the Project Preparation Facility to prepare a specific Project, the Czech Republic may request to transfer the additional funds from the respective Focus area to the Project Preparation Facility.

d. Enhancing implementation capacities. Successful Project implementation depends on the capacities of the implementing and monitoring organisations. If need be, capacity enhancement may be requested by the Czech Republic or recommended by Switzerland and may be financed by the Contribution as an integral part of Project financing.

4 Geographic Focus

At least 40% of the Swiss-Czech Cooperation Programme shall be spent in the geographic focus areas. For the first two years of implementation, the Swiss-Czech Cooperation Programme will focus on the two Regions of Moravia-Silesia and Olomouc, possibly in a later stage also on the Region of Zlin.

5 Thematic Focus and Indicative Financial Allocations *

The following thematic focus and indicative financial allocations shall apply to the Swiss-Czech Cooperation Programme:

1. Security, Stability and Support for Reforms			
N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
1.1	Regional development initiatives in peripheral or disadvantaged regions	<p><u>Programme or individual project approach with the following objectives:</u></p> <p><u>Objective 1:</u> Strengthen capacities on regional, micro-regional and local level in the geographic focus area.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Projects of the public administration fostering regional cooperation (e.g. in the field of infrastructure, education, social services, culture) among different local authorities - Revision of regional or micro-regional development plans - Strengthening municipal capacities for service delivery - Capacity enhancement of public or private entities engaged in fostering regional development - Long-term oriented system-development to build up efficient and integrated inter-communal policy-making and common delivery of services - Twinning to provide links and networks between institutions, municipalities and regions of the Czech Republic and 	10 million CHF

* Changed on 25 May 2009

		<p style="text-align: center;">Switzerland on the regional and national level</p> <p><u>Objective 2:</u></p> <p>Mobilize local and regional development potentials in the geographic focus area.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Tourism planning at regional and county level - Mobilisation of tourism potentials, primarily in health, eco-tourism, sports, cultural heritage, etc. <p><u>Objective 3:</u></p> <p>Introduction of new methods of social work with seniors and new methods for a direct work with seniors, the improvement of the quality in the field of services provided, social services according to Act Nr. 108/2006 on Social Services.</p> <p>Types of eligible projects:</p> <p>Reconstruction or modernization of institutions or institutions' equipment in geographic focus area to support of seniors according to the Social Services Act to focus on:</p> <ul style="list-style-type: none"> - Providing services for seniors according to the Social Services Act (e.g. facilities with specific regimen, personal and emergency assistance, respite services, hospices...) - Individual work with seniors in resident institutions - Development of ambulant and field services (non-institution services) - Support of individual planning of services for services - Support of "best practice" – exchange of experience and know-how among similar institutions 	<p>7 million CHF</p>
<p>1.2</p>	<p>Prevention and management of disasters</p>	<p><u>Programme or individual project approach with the following objective:</u></p> <p>To strengthen disaster management and control system in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Capacity enhancement in disaster prevention and management in specific priority areas - Capacity enhancement of specialized teams to manage, investigate and overcome the effects of disasters 	<p>3 million CHF</p>

1.3	Modernisation of the judiciary	<p>Programme or individual project approach with the following objective:</p> <p>To develop and improve a training programme in justice in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Capacity enhancement of courts to improve exchange of information on related cases (incl. the development of the training program at regional level) - Improvement of training programmes and conditions in justice to enhance the capacity of judges and supporting staff - Strengthening of probation and mediation services by know-how transfer 	3 million CHF
1.4	Strengthening institutions and capacity for combating corruption and organised crime	<p>Individual Project Approach with the following objective:</p> <p>To improve the fight against economic and organised crime in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Enhancing standards and capacity of the Police of the Czech Republic for combating all forms of organised crime - Development of global analysis and design of integrated information system for criminal and penal offence proceedings and other related processes 	3 million CHF

2. Environment and Infrastructure

N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
2.1	Rehabilitation and modernisation of basic infrastructure and improvement of the environment	<p><u>Individual project approach with 3 objectives:</u></p> <p>A minimum of 30 % of the amount allocated to this thematic focus area shall be used for Projects in the geographic focus areas.</p> <p><u>Objective 1:</u></p> <p>To enhance municipal infrastructure services in order to increase living standards and promote economic development[†].</p> <p>Types of eligible projects: Projects of a minimum value of CHF 8 million each in the fields</p>	29 million CHF

[†] Preference shall be given to Projects in the geographic focus areas.

		<p>of:</p> <ul style="list-style-type: none"> - Sustainable wastewater management, focusing preferably on municipal wastewater treatment; - Solid waste management: Collection, separation and treatment <p><u>Objective 2:</u></p> <p>To increase energy efficiency and to improve the air quality (reduction of greenhouse gases and other hazardous emissions).</p> <p>Types of eligible projects: Projects of a minimum value of CHF 1 million each in the fields of:</p> <ul style="list-style-type: none"> - Introduction of renewable energy systems - Improvement of energy efficiency: e.g. reduction of energy losses - Modernization of thermal power plants and of district heating systems - Measures in the public transport and public sector to reduce air pollution <p><u>Objective 3:</u></p> <p>To improve the management, the safety and the reliability of communal/regional public transportation systems.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Project preparation for major traffic investment projects under the umbrella of larger projects - Preparation and implementation of traffic management concepts - Small and well targeted public transport projects 	
2.2	Improvement of the environment	<p><u>Environment Expertise Fund with the following objective:</u></p> <p>To support the planning capacities of the public administration and to facilitate knowledge transfer.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Policy studies, strategic planning and knowledge transfer in the field of environment (e.g. nature protection, waste management, small waste water treatment plants) 	1 million CHF

3. Promotion of the Private Sector

N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
3.1	Improving the access to financing for SMEs	<p><u>Individual project approach with the following objective:</u></p> <p>To promote employment creation</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Providing long-term financing for SMEs (e.g. equity, quasi-equity/mezzanine, debt) 	10 million CHF
3.2	Improvement of regulation in the financial sector	<p><u>Individual project approach with the following objective:</u></p> <p>To support the effective implementation and enforcement of the Acquis Communautaire targeted to Corporate Financial Reporting.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Institutional and regulatory capacity building for corporate sector financial reporting and auditing at the national level 	2 million CHF

4. Human and Social Development

N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
4.1	Research and development	<p><u>Programme approach with 3 objectives:</u></p> <p><u>Objective 1:</u></p> <p>To strengthen the scientific potential of the Czech Republic through scholarship programmes in Switzerland.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Scholarship Fund for advanced degree and post-graduation programmes in Switzerland <p><u>Objective 2:</u></p> <p>To enhance access to higher education:</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Scholarships for advanced degree and post-graduate programmes in the Czech Republic and between the Czech Republic and 	4 million CHF

		<p>neighbouring countries of the EU</p> <p>Objective 3:</p> <p>To contribute to the knowledge based economy of the Czech Republic through the enhancement of the knowledge base and in particular through applied research and science popularization as well as know-how transfer.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Joint research projects and institutional partnerships in applied research - Capacity building in innovation management and science popularization - Sabbatical 	
4.2	Health	<p><u>Programme approach with the following objective:</u></p> <p>To strengthen primary and secondary health care on the regional and national level with special emphasis on the elderly, the handicapped and the disadvantaged.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Strengthening access and quality of ambulatory, residential and nursing home care for the elderly, for the handicapped and the disadvantaged in the geographic focus areas - Institutional and professional strengthening of NGO's in the sector on the regional and national level - Capacity enhancement in policy and strategy development on the regional and national level 	7 million CHF

5. Special Allocations		
Item	Content	Indicative financial allocation
5.1 Block Grant	<p><u>Programme approach with the following objective:</u></p> <p>To promote civil society's contribution to economic and social cohesion as important actors of development and participation.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Small Project Block grant(s) of the civil society/NGOs contributing primarily to social 	5 million CHF

	service provision as well as environmental concerns, allowing to strengthen organisational capacities.	
5.2 Project Preparation Facility	Priority objective: To support the preparation of final project proposals	2 million CHF
5.3 Swiss Programme Management	Swiss administration of the Swiss-Czech Cooperation Programme.	5.5 million CHF
5.4 Czech Technical Assistance	Czech administration of the Swiss-Czech Cooperation Programme including preparation, implementation, monitoring, evaluation, Projects financial audits.	2.6 million CHF

Overview on the Indicative Allocations	
Funding guidelines	Indicative financial allocation (million CHF)
1. Security, Stability and support to Reforms	26
2. Environment and Infrastructure	30
3. Private Sector	12
4. Human and Social Development	11
5. Special Allocations	15.10
6. Not yet allocated	15.68
Total indicative allocations	109.78

6 Reallocation of Funds

- a. Any unused financial balances of focus areas and the not yet allocated amount (reserve) shall be used - in accordance with the objectives, principles, strategies, geographic and thematic focus as outlined in the Framework Agreement - for projects which cannot be financed by the available balances of funds in respective Focus areas.
- b. The allocation of the not yet allocated amount shall be made in writing (in the form of exchange of letters) with the mutual agreement of the competent authorities, i.e. the Ministry of Finance / National Coordination Unit and the Swiss competent authorities – SDC and SECO in the course of the implementation of the Swiss-Czech Cooperation Programme.

Annex 2: Rules and Procedures for the Swiss-Czech Cooperation Programme

Annex 2 is an integral part of the Framework Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. Annex 2 defines the controlling at the Swiss-Czech Cooperation Programme level, procedures at Project level, requirements for Project proposals, roles and responsibilities and special provisions for financial assistance.

Rules and procedures for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund are defined in Annex 3.

1. Controlling at the Swiss-Czech Cooperation Programme level

1.1 Supervision

The Czech authorities have the final responsibility for the monitoring and supervision of the Swiss-Czech Cooperation Programme. A monitoring system shall be developed jointly by the Parties at the beginning of the Swiss-Czech Cooperation Programme and be enhanced during its implementation as necessary.

1.2 Annual meetings

In order to ensure an effective implementation of the Swiss-Czech Cooperation Programme, the Parties shall hold annual meetings. At the annual meetings, the National Coordination Unit (NCU) shall present an annual report to be distributed one month before the meeting which shall amongst other things address:

- General experience and results achieved;
- Progress made, in the implementation of the Swiss-Czech Cooperation Programme against the Conceptual Framework;
- Reporting on the status of the Swiss-Czech Cooperation Programme, including:
 - Statements on approved Projects, progress of Project identification / preparation and foreseeable Commitments;
 - Overall financial statement on past and tentative future disbursements and Commitments for the entire Swiss-Czech Cooperation Programme;
 - Summary and main conclusions of the financial audits of the Projects in accordance with Chapter 3.6;
 - Statistics on tenders, contract awards and successful bidders;
 - Information about important issues with regard to particular Projects.
- Reporting on Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund;
- Proposals for the allocation of non-committed funds;
- Reporting on administrative implementation issues;
- Strategy and activities to inform the general public about the Swiss-Czech Cooperation programme and the Projects implemented;
- Further issues to be discussed; recommendations, next steps;
- Review and, if needed, amend the Annexes of the Agreement.

The NCU is responsible for the organisation of the annual meetings. It will consult the Swiss Embassy on the organisation, the contents, the agenda, the participants and other organisational and logistical matters.

The Intermediate Bodies, the Executing Agencies and other institutions and persons may be invited to the annual meetings whenever this is felt desirable by the NCU or by Switzerland.

The Parties may invite the Commission of the European Communities to participate as an observer.

Minutes of the meetings shall be drafted by the NCU and be submitted to Switzerland for approval within 15 days after the meeting.

2. Procedures of Project Financing Requests

The financing request undergoes a two-loop approach that allows guidance early in the

decision making process. In the first loop, a Project outline is submitted and a decision in principle is made. In case of a successful first loop, the second loop is initiated. In the second loop, the Final Project Proposal is submitted and the final decision is made by Switzerland.

2.1 First loop: Application and approval procedure of the Project outline

No.	Steps	Activities and specific rules	Organisations
1.	Initiation of Project identification	Initiation on the basis of: - Lists of priority Projects provided by the Government - A proposal by the NCU - A proposal by an Intermediate Body / Executing Agency - Call for proposals - A proposal by Switzerland - A proposal by an international organisation	Responsible: NCU Involved: Intermediate Body, Executing Agency, Czech partners, Swiss authorities
2.	Elaboration of the Project outline	Preparation of the Project outline based on the requirements for Project outlines (cf. 2.2). This may include a request for financial support for the preparation of a Final Project Proposal through the Project Preparation Facility.	Responsible: Intermediate Body, Executing Agency
3.	Pre screening of the Project outline	Possibility of informal consultations with the Swiss Embassy.	Responsible: NCU
4.	Screening	Examination of the Project outline based on the Conceptual Framework, the Project selection criteria in Annex I and the requirements for Project outlines (cf. 2.2).	Responsible: NCU Involved: Monitoring committee, Intermediate Body (when existent)
5.	Submission of the Project outline	If accepted, submission of the Project outline(s) with a cover letter comprising a description of the selection process to the Swiss Embassy. Formal check by the Swiss Embassy and submission of the Project outline with the cover letter of the NCU to Switzerland.	Responsible: NCU Responsible: Swiss Embassy
6.	Final decision on Project outline	Final decision on the Project outline (including, if relevant, decision on the request for financing of Project preparation). If accepted by Switzerland,	Responsible: Swiss Agency for Development and Cooperation (SDC) or State Secretariat

		request for the elaboration of the Final Project Proposal (requirements specified in 2.4). Switzerland may submit comments which have to be considered during the elaboration of the Final Project Proposal.	for Economic Affairs (SECO)
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2.2 Requirements for Project Outlines

The Project outline (approximately 5 pages) shall include all necessary information to allow a general appraisal of the proposed Project.

Item	Content
General information	Project title, planned project duration, priority sector, location/region
Applicant	Name and contact details; previous, relevant experience, if any; project partners; Swiss link, if any (know-how, technology, partners or any other cooperation with Switzerland)
Relevance	Contribution to the reduction of economic and social disparities within the country and between the country and the more advanced member states of the EU (impact); fit within the development strategies of the country/region and chosen sector; strategy of the intervention
Project content	Description including objectives (outcome), expected results (outputs) and activities (components); beneficiaries, target group; risks and potentials; sustainability of project
Project organisation	Organisational chart, responsibilities, etc.
Budget	Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial source etc.; cost efficiency aspects versus alternatives
Horizontal issues	Environmental, social and economical aspects of the project, gender equality
Maturity of project	Status of project: in elaboration or fully prepared and possible request for financial support for preparation of Final Project Proposal through the Project Preparation Facilitate (e.g.. feasibility, studies, environmental impact assessment, etc.) if deemed necessary
Annexes	Additional documentation as deemed appropriate

2.3 Second loop: Application and approval procedure of the Final Project Proposal

No.	Steps	Activities and specific rules	Organisations
1.	Elaboration of the Final Project Proposal	Preparation of the Final Project Proposal based on the requirements for Final Project Proposals (cf. 2.4) and the comments of Switzerland.	Responsible: Intermediate Body, Executing Agency
2.	Screening	Examination of the Final Project Proposal.	Responsible: NCU Involved: Intermediate Body (when existent)
3.	Decision to submit the Final Project Proposal	If accepted, submission of the Final Project Proposal with a cover letter taking into account the requirements for Final Project Proposals and the comments of Switzerland to the Swiss Embassy. Formal check by the Swiss Embassy and submission of the Final Project Proposal with the cover letter of the NCU to Switzerland.	Responsible: NCU Responsible: Swiss Embassy
4.	Final decision	Final decision on the financing request by taking into account the Final Project Proposal, the cover letter of the NCU, and the Project document. Switzerland reserves the right to carry out its own appraisal if needed.	Responsible: SDC or SEGO

2.4 Requirements for Final Project Proposals

The Final Project Proposal shall be accompanied by all necessary documents (e.g. feasibility study, Project document, environmental impact study) to allow a thorough appraisal. The Final Project Proposal (5 - 10 pages; for large infrastructure Projects 10 - 20 pages, plus annexes) shall provide adequately detailed information on inter alia:

Item	Content
Project summary (1 page)	Fact sheet: Project title, short description including objectives, budget, partners, duration
Relevance	Contribution to the reduction of economic and social disparities between the country and the more

	advanced countries of the EU; fit within the development strategies of the country/region and chosen sector; strategy of the intervention
Project content	Description including objectives, expected outcomes/outputs, activities and the respective indicators; beneficiaries, target group; risks and potentials; sustainability of the Project
Project justification (Due diligence)	Main conclusions of the feasibility study (if requested)
Project organisation	Organisational chart, responsibilities, etc.
Detailed implementation schedule	Including milestones and monitoring of progress based on defined indicators
Budget	Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial sources etc.; cost efficiency aspects; reserve to balance possible exchange rate losses
Procurement	Procurement procedures for goods and services
Development Impact	Monitoring and evaluation of output/outcome/impact indicators
Horizontal issues	Environmental, social and economical aspects of the Project, gender equality
Annexes	E.g. feasibility study, Project document, environmental impact study

3. Project Implementation Procedures

The Project implementation procedures are as follows:

No.	Steps	Activities and specific rules	Organisations
1.	Project Agreement	Preparation of the Project Agreement between the Czech Republic and Switzerland.	Responsible: NCU on the Czech side; SDC or SEGO on the Swiss side
2.	Signing	Signing of the Project Agreement. The Project Agreement can be signed by more than two contracting parties (e.g. tripartite or multipartite agreement: SDC or SECO, NCU and	Responsible: Normally the Swiss Embassy on behalf of SDC or SEGO. The Czech signatory or signatories shall be decided

		Intermediate Body, Executing Agency if relevant).	by the Czech Republic.
3.	Procurement and award of contracts	<p>Procurement is to be made in accordance with the respective national law and regulations and in compliance with the respective EU directives. A confirmation of compliance with the relevant procurement rules shall be provided to Switzerland. To increase transparency and to prevent corruption, tender documents shall contain an integrity clause. In general, for tenders above the applicable European Community threshold, an English translation of the official-tender evaluation report shall be provided to Switzerland for information at the latest 30 calendar days after the award of contract. In addition to the above, for tenders above the threshold of CHF 500'000, Switzerland may also request a copy of the tender documents for non-objection and of the contracts for information. These documents shall be submitted at the latest 20 calendar days before the commencement of tendering and 20 calendar days after the signature of the contract, respectively. Furthermore, for tenders above the threshold of CHF 500'000,</p>	Responsible: NCU, Intermediate Body, Executing Agency

		<p>Switzerland may also request (within the respective Project Agreement) that an English translation of the tender documents and the contracts are made available to tenderers and contractors, respectively. Possible translation costs shall be borne by the Project and financed under the Contribution. In line with Art. 6.5. of the Framework Agreement, both Parties agree to provide all such information pertaining to the tender process and beyond the documents listed above that the other Party may reasonably request. Switzerland shall have the right to participate in the tender committee as an observer. Switzerland shall also have the right to conduct an audit of the procurement practices and procedures in general. In case of irregularities or non-adherence to the Framework Agreement or Project Agreement, Switzerland has the right to stop reimbursements and to instruct the NCU to stop payments from the Swiss Contribution in accordance with cp. 4 of the present Annex 2.</p>	
4.	Controlling (Monitoring)	Controlling procedures are defined in the Project	Responsible: Executing

		Agreement. Procedure description includes: periodicity of reporting, monitoring system and consultant, steering committees, time table for operations and results, auditing, etc.	Agency Involved: NCU, Intermediate Body
5.	Reporting	<p><u>Interim Reports</u> for supporting payment claims and reimbursement requests as specified in Chapter 4 of this Annex. <u>Annual Project Reports</u> describe the progress of the Project. They include summary data on financial progress for the reporting year as well as cumulative data to date. They compare actual with planned expenses and progress, based on quantified targets for output and where possible outcome indicators. Any deviation has to be justified and corrective measures suggested. Annual project reports are not linked to reimbursement requests. The <u>Project Completion Report</u>, together with the last Project interim report and the final financial report (cf. 6), is the base for the final reimbursement. It documents and comments the overall achievement of outputs and outcomes against the original plan, the compliance with principles such as cross</p>	<p>Responsible: Executing Agency Involved: NCU, Intermediate Body</p>

		cutting themes and sustainability, and it contains lessons learned and conclusions.	
6.	Audit	<p>Each Intermediate Body and Executing Agency responsible for the implementation of a Project under the Contribution shall have performed within the last three years a Compliance Audit which shall be ensured by the National Audit Authority. Based on a risk assessment, an annual system audit planning will be established. In addition to this risk assessment, Switzerland may announce requirements that are taken into account in the annual system audit planning. In accordance with the planning, the National Audit Authority and the entitled audit organisations (e.g. control unit of the Intermediate Body) shall perform <u>control and audits in accordance with the respective national law.</u> For each Project lasting longer than two years and exceeding the amount of CHF 500'000, an internal or an external certified audit organisation will carry out intermediary <u>Financial Audit(s)</u>, unless otherwise specified in the Project Agreement. The conclusions and</p>	<p>Responsible: National Audit Authority Responsible: NCU, Intermediate Body,</p>

		recommendations shall be transmitted to Switzerland. At the completion of each Project an internal or external certified audit organisation will carry out a <u>Final Financial Audit</u> . The conclusions and recommendations shall be transmitted to Switzerland together with the Project Completion Report and a <u>Final Financial Report</u> ..	
7.	Evaluation	After Project completion, the Parties may request an independent evaluation. The cost will be borne by the requesting Party.	Responsible : NCU, SDC or SECO

4. Payment and Reimbursement Procedure

The Ministry of Finance of the Czech Republic is the Paying Authority for the Contribution. In principle, all disbursements under the Contribution will be pre-financed out of the national budget of the Czech Republic. The Executing Agency shall submit payment claims covering eligible expenses over the current period to the NCU (Intermediate Body if relevant), together with certified copies of all supporting documentation and the interim report. The NCU and/or Intermediate Body shall verify the completeness and certify the correctness of the submitted documents. The Paying Authority shall submit the reimbursement requests to Switzerland for approval and payment.

The detailed reimbursement procedures are laid down in the Project Agreements and must, if not otherwise specified, comply with the following procedures:

No.	Steps	Activities	Organisations
1.	Issue of the original invoice	Issue the original invoice.	Responsible: Supplier of a product or service; contractor, consultant, organisation (claimant)
2.	Examination of the original invoice and	■ Control the original invoice with regard to the	Responsible: Executing

	the elaboration of the payment claim	<p>specifications of the Project Agreement, the Implementation Agreement, the supply / services contract and the agreed tariffs. ■ Verify the correctness of the execution (quantity and quality) of the work, the supply of goods / services, etc., and the special conditions etc. ■ Payment to the supplier(s) of the original invoice. ■ Submit the payment claim including an interim report and copy of the invoices to the NCU and/or Intermediate Body. The payment claim comprises eligible costs incurred during a given period. The interim report includes information on financial and physical progress, a comparison of actual with planned expenses, an update on progress status, while confirming the co-financing. Any deviation has to be justified and corrective measures suggested. Interim reports are due at least every six months.</p>	Agency
3.	Certification of the payment claims to the Paying Authority and pre-financing payments	<p>■ Check the conformity of the payment claim with the Framework Agreement, the Project Agreement and the Implementation Agreement, including possible double-financing. ■ Verify the completeness of the</p>	<p>Responsible: NCU and/or Intermediate Body Responsible: Paying Authority</p>

		documentation (i.e. copy of invoices and other accounting documents) and the relevance of the interim report. If necessary, verify the correctness of the use of funds by means of fact-finding missions. ■ Payment to the Executing Agency. ■ Certify the correctness and legality of the payment claims to the Paying Authority. ■ Transmit to Switzerland a copy of the related documentation, such as interim, annual and completion reports (cp. 3.5, 3.6), audit reports, or their consolidated summary as requested in the Project Agreement.	
4.	Submission of the reimbursement request to Switzerland	■ Check the formal conformity of the payment claims. ■ Submit the reimbursement requests to Switzerland and confirm the compliance with supporting documentation and contractual agreements.	Responsible: Paying Authority
5.	Payment from Switzerland to the Czech Republic	■ Check the conformity of reimbursement requests and supporting documentation. ■ Transfer the requested amount to the Paying Authority within 30 days. ■ Ex-post payment to the relevant body which pre-financed the requested amount	Responsible: Switzerland Responsible: Paying Authority

In particular cases, other payment procedures may be defined by the Parties in the respective Project Agreements.

The final date for eligibility of costs shall be specified in the Project Agreement. It shall be 12 months after the scheduled date for Project completion, but shall not be later than ten years after the approval of the Contribution by the Swiss Parliament according to Article 3 of the Framework Agreement. Final reimbursement requests must have been received by Switzerland not later than six months after the final date of eligibility.

In the case of irregularities, Switzerland is entitled to stop reimbursements immediately, to instruct the NCU to stop payments from the Swiss Contribution and to ask repayment of illegitimately paid reimbursements at any stage of the Project. The reasons for the respective instructions shall be communicated in writing to the NCU and other partners involved.

5. Roles and Responsibilities

The roles and responsibilities of the main actors are outlined below. Project Agreements will contain more detailed responsibilities and activities tailored to the individual case.

5.1 The National Coordination Unit

The NCU is responsible for the overall Swiss-Czech Cooperation Programme orientation and for the identification, planning, implementation, financial management, controlling and evaluation of Projects, as well as for the use of funds under the Contribution in accordance with the Framework Agreement. This includes to:

- Ensure the adoption of the necessary national legal documents on the implementation and monitoring of Projects;
- Coordinate the Swiss Contribution with other contributions, with the National Strategic Reference Framework and with the operational programmes;
- Ensure that the appropriate provisions are included in the National/Regional/Local Budget in order to safeguard that claimants have the necessary funds;
- Confirm that the co-financing part has been provided according to the Project Agreement;
- Ensure that there is no double financing of any part of the Project by any other source of funds;
- Ensure the organisation of calls for, the collection of and the appraisal of Project proposals;
- Establish a consultative monitoring committee, in which at least the NCU, the regions, the civil society, the private sector and the Swiss Embassy are represented;
- Select the project proposals to be submitted to Switzerland in consultation with the monitoring committee;
- Submit well documented Final Project Proposals to Switzerland resulting from approved Project outlines;
- Supervise and steer the implementation of Projects in accordance with the Project Agreements and the Implementation Agreements by the establishment of an adequate check and monitoring system;
- Check the invoices received from the Executing Agencies and verify the sufficiency of documentation;

- Submit payment claims to the Paying Authority and certify their correctness and legality; Ensure the efficient and correct use of available funds;
- Verify in each Project if the value added tax (VAT) can be recovered by the Executing Agency and to inform the Swiss authorities accordingly in the form of a declaration by the applicant as part of the Project documentation;
- Ensure the financial control, including complete and sufficient audit trails in all involved institutions;
- Provide a yearly overall financial statement on all transfers of funds between Switzerland and the Paying Authority on one side and between the Paying Authority and all national involved bodies (e.g. NCU, Intermediate Body, Executing Agency) on the other side;
- Ensure the discussion of audit results with the partners involved, including Switzerland, and the implementation of the decisions made based on the audit report;
- Ensure regular reporting to Switzerland on the implementation of Projects financed by the Contribution;
- Organise annual meetings at overall Swiss-Czech Cooperation Programme level in consultation with the Swiss Embassy and to present an annual report;
- Be responsible for the reimbursement to Switzerland of unduly paid sums financed by the Contribution;
- Ensure information and publicity about the Swiss-Czech Cooperation Programme;
- Ensure storing of all relevant documents relating to Projects implemented within the Swiss-Czech Cooperation Programme for 10 years after the completion of Projects.

The NCU can delegate part of the tasks and responsibilities mentioned above to one or more Intermediate Bodies and Executing Agencies.

5.2 Intermediate Body

Intermediate Body means any legal public or private entity which acts under the responsibility of the NCU or which carries out duties on behalf of the NCU with regard to Executing Agencies implementing Projects.

The main tasks of the Intermediate Bodies are to:

- Call for and collect Project proposals, review compliance with the requirements for Project proposals (Chapter 2) and assess the quality of applications submitted;
- Submit Project proposals with appraisal reports to the NCU;
- Implement tender processes or delegate this task to an Executing Agency;
- Ensure that the appropriate provisions are included in the National/Regional/Local Budget in order to safeguard that claimants have the necessary funds;
- Supervise and steer the implementation of Projects in accordance with 'the Project Agreements and the Implementation Agreements, and carry out the necessary controls;
- Check the invoices received from the Executing Agencies, verify the authenticity and correctness of submitted documents as well as the eligibility of costs on payment claims;
- Certify invoices and submit certified invoices to the NCU or to the Paying Authority;
- Report to the NCU on the progress of Project implementation;

- Check for irregularities and report them to the NCU and NAA;
- Ensure storing of all relevant documents related to Projects implemented within the Swiss-Czech Cooperation Programme for 10 years after the completion of Projects.

5.3 Executing Agency

An Executing Agency is any public authority, any public or private corporation as well as any organization, recognized by the Parties and mandated to implement a specific Project financed under this Framework Agreement. Consequently, the Executing Agency is the contracting party for service and supply contracts in the framework of approved Projects.

The Project Agreement shall contain the name of the Executing Agency. Its tasks and responsibilities shall be defined in the Implementation Agreement.

5.4 Paying Authority

The Paying Authority is responsible for ensuring appropriate financial control over the use of the Swiss Contribution. It shall in particular:

- Check the formal conformity of the payment claims;
- Submit the respective reimbursement requests to Switzerland;
- Keep accounts of all reimbursement requests made to Switzerland;
- Report periodically to the NCU on financial flows.

It verifies their application by the NCU, the Intermediate Bodies and the Executing Agencies. The Paying Authority ensures that payments are made to the claimants within the specified deadlines.

5.5 National Audit Authority

The National Audit Authority (NAA) is a central administrative body responsible for ensuring effective functioning of managerial and control systems, including frauds and irregularities prevention.

The main tasks of the NAA are to:

- Ensure an adequate auditing function;
- Provide competent authorities with methodology for audit performance
- Establish an annual system audit and control plan, which takes Swiss requirements into account;
- Perform audits within the implementation structure of the Cooperation Programme between Switzerland and the Czech Republic and report to Switzerland;
- Submit yearly a summary with conclusions and recommendations of all audit reports of the financed Projects. The NAA presents in an annex all original conclusions and recommendations of the audit reports;
- Provide Swiss authorities or mandatees that are mandated to act on their behalf with their assistance;
- Ensure storing of all report from audits performed by audit organisations related to

Projects implemented within the Swiss-Czech Cooperation for ten years after the completion of Projects

- Ensure immediate reporting of any irregularities to Switzerland.

The competent authorities with the full support of the Government of the Czech Republic shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted accordingly to existing regulations.

5.6 Audit Organisation

If not otherwise specified in the Project Agreement, for each Project an audit organisation is appointed by the National Audit Authority. For Technical Assistance, Block Grants, the Project Preparation Facility and Scholarships different audit procedures may apply. The audit organisation has to be a public institution or a private company of recognised professional reputation which operates in line with international auditing standards.

The audit organisation has to be mentioned in the Project Agreement. The scope of the audit will be defined in an annex to the Project Agreement. In case of external audit, the costs are eligible for reimbursement and must be included in the Project budget. Costs of internal audits are borne by the respective audit organisation.

If not otherwise specified in the Project Agreement, the audit organisation shall carry out intermediary financial audit(s) for Projects lasting longer than two years and exceeding the amount of CHF 500'000 and a Final Financial Audit of the Projects according to international auditing standards. In doing so, it shall verify the correct use of funds, make recommendations to strengthen the control system and report any actual or alleged fraud or irregularity. These financial audit reports are transmitted to the NAA. The competent authorities with the full support of the Government of the Czech Republic shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted accordingly to existing regulations.

5.7 Swiss Embassy

The Swiss Embassy is the official representation of Switzerland. Referring to the implementation of the Swiss-Czech Cooperation Programme, its function is to:

- Facilitate contacts; assure the liaison and the networking between partners;
- Inform and give advice to partners on procedures and conditions of the Contribution;
- Transmit official information and proposals to and from the Swiss authorities;
- Organise, together with the NCU, missions of Swiss delegations;
- Participate in meetings on the overall Swiss-Czech Cooperation Programme;
- Provide information to the general public on the Swiss-Czech Cooperation Programme and the Contribution;
- Participate in the consultative monitoring committee as an observer.

5.8 Swiss Agency for Development and Cooperation (SDC) and State Secretariat for Economic Affairs (SECO)

On the Swiss side, there are two competent authorities for the Swiss-Czech Cooperation Programme: SDC and SECO. Their main tasks are to:

- Ensure the strategic and operational steering at the overall Swiss-Czech Cooperation Programme level;
- Participate in the annual meetings organised by the NCU;
- Engage in a regular dialogue with the NCU and the other partners involved on the identification and the implementation of Projects as well as on the progress of the overall Swiss-Czech Cooperation Programme;
- Provide support for Project identification and preparation;
- Decide on the financing of Projects submitted for funding;
- Decide on overall Swiss-Czech Cooperation Programme issues;
- Supervise the overall Swiss-Czech Cooperation Programme development through field visits and reviews;
- Network with the national and international actors relevant to the implementation of the Swiss-Czech Cooperation Programme;
- Administrate the Swiss-Czech Cooperation Programme on the Swiss side.

Switzerland may delegate some of these tasks to the Swiss Embassy.

6. Special Provisions for Financial Assistance

Repayments and redemptions from financial instruments benefiting the private sector (including credit lines, guarantee schemes, equity participation and loans) are to be dealt with as follows:

- Provided that the contribution for financial assistance is redeemed (credit lines, equity participation and loans), the value of the principal shall be transferred upon maturity to any institution aiming at the same overall objective agreed upon by the two Parties.
- The same shall apply to amounts committed as guarantees, provided that the funds have not been called upon during the life of the instrument.

The modalities, including the transfer of the ownership, shall be laid down in the respective Project Agreement or by exchange of letters.

Annex 3: Rules and Procedures for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund in the Framework of the Swiss-Czech Cooperation Programme

Annex 3 is an integral part of the Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. Annex 3 describes definition and purpose, selection of Intermediate Bodies, content of agreements, eligibility of costs and co-financing as well as roles and responsibilities for:

- A. Block Grant**
- B. Project Preparation Facility**
- C. Technical Assistance Fund**
- D. Scholarship Fund**

Block Grant

1. Definition and purpose

Block Grants are funds, set up for a clearly defined purpose, providing assistance to organizations or institutions, facilitating a cost-effective administration in programmes with many small projects.

Block Grants may be established on national, regional or local level. They enable organisations or institutions to: address pertinent issues through small projects and enhance their capacities.

In general, small projects shall: have a non-profit character and be in the range of 10'000.- to 100'000.- Swiss francs.

2. Selection of the Block Grant Intermediate Body

A Block Grant Intermediate Body may be a public or private sector body or a non-governmental organisation constituted as a legal entity in the Czech Republic and operating in the public interest.

In principal, the Block Grant Intermediate Body should have strong ties either to the sector and/or the geographic region in which a Block Grant is to be implemented.

The selection of the Block Grant Intermediate Body may follow a two step procedure agreed between the National Coordination Unit (NCU) and the Swiss Agency for Development and Cooperation (SDC). Applicants may submit an outline of the envisaged Block Grant before submitting a complete application. Outlines and full applications shall be commented by the NCU and submitted to SDC for approval.

SDC shall assess whether a proposed Block Grant Intermediate Body is suitable for granting assistance and whether the suggested implementation set-up is adequate. Based on the assessment, SDC shall provide feedback to the NCU and the Block Grant Intermediate Body and shall decide on the financing of the Block Grant.

3. Block Grant Agreement

For each Block Grant, an agreement shall be prepared by the NCU based on a standard Block Grant Agreement provided by SDC. The Block Grant Agreement shall be signed by the NCU, SDC and the selected Block Grant Intermediate Body (if relevant). The content of the Block Grant Agreement shall include i.a.:

- Objectives of the Block Grant;
- Organisational structure, roles and responsibilities (incl. constitution of a steering and

- small project approval committee);
- Procedures for the assessment and selection of small projects (incl. selection criteria);
- Co-financing rules and procedures;
- Implementation schedule;
- Budget and financial planning (incl. management costs);
- Disbursement and audit procedures;
- Monitoring and steering;
- Reporting;
- Publicity measures.

4. Eligibility of costs and co-financing

Eligible costs for the management and administration of the Block Grant shall be defined in the Block Grant Agreement.

Small projects implemented by the Block Grant Intermediate Body on its own are not eligible for funding by the Block Grant.

The Block Grant's contribution to small projects shall be determined on a case-by-case basis and may reach up to 100%.

Support by the Block Grant shall not replace subsidised facilities and bank loans.

5. Roles and Responsibilities

Roles and responsibilities of the NCU include:

- Propose the establishment of Block Grants;
- Ensure the establishment of Block Grants including invitation or call for proposals, Block Grant Intermediate Body pre-selection, preparation of agreement;
- Ensure the supervision of Block Grants by establishing adequate monitoring, steering and auditing systems;
- Establish financial control mechanisms
- Nominate a representative in the steering and small project approval committee; Control the efficient and effective use of the Block Grants;
- Ensure regular reporting to SDC on the implementation progress of Block Grants;
- Ensure inclusion of the Block Grants in the general publicity on the Contribution.

Roles and responsibilities of the National Audit Authority (NAA) include:

- Ensure auditing and follow-up to audit recommendations;
- Ensure immediate reporting to SDC in case of any irregularities.

Roles and responsibilities of the Block Grant Intermediate Body include:

- Overall management of the Block Grant;
- Establish a steering and small project approval committee and act as its secretary
- Establish an adequate financial and operational controlling system for small project

implementation;

- Call for and collect proposals for small projects, review compliance with the proposal requirements and establish selection recommendations;
- Establish contracting arrangements with the organisations and institutions implementing the small projects;
- Apply controlling systems and intervene if required. Inform the NCU on irregularities immediately;
- Report to the NCU. Reporting includes at least an annual progress report and financial reports;
- Publicity on the Block Grant implementation.

Roles and responsibilities of the steering and small project approval committee include:

- Select small projects for implementation;
- Discuss progress reports;
- Review and adapt small project selection criteria.

Roles and responsibilities of SDC include:

- Approve in principle the establishment of Block Grants;
- Provide feedback on outlines for Block Grants;
- Decide on the financing of Block Grants;
- Nominate a representative or an observer in the steering and small project approval committee;
- Monitor implementation progress on a general level;
- Assess and discuss implementation progress with the NCU based on annual reporting by the NCU.

Roles and responsibilities may periodically be reviewed. A first review shall take place during the first annual meeting of the Parties.

B. Project Preparation Facility

1. Definition and purpose

A „Project Preparation Facility“ provides financial support for the preparation of the Final Project Proposals (e.g. feasibility studies, environmental impact assessments, etc.).

2. Request and approval procedures

A request for financial support within the Project Preparation Facility must be part of the Project outline (cf. Annex 2, Chapter 2.1).

SDC or SECO shall assess whether the requested assistance for project preparation is suitable for financial support.

The decision on the provision for financial support for the project preparation is part of the

final decision by Switzerland on the Project outline.

3. Management of the Project Preparation Facility

The Intermediate Body of the Project Preparation Facility is the NCU.

4. Project Preparation Facility Agreement

The Project Preparation Facility Agreement shall be prepared and signed by the NCU on the Czech side and by SDC / SECO on the Swiss side. The content of the Project Preparation Facility Agreement shall include i.a.:

- Objectives of the Project Preparation Facility;
- Roles and responsibilities;
- Detailed listing of costs eligible for financing;
- Co-financing;
- Audit procedures, monitoring and reporting.

5. Co-financing

Financial means provided by the Project Preparation Facility require a minimum co-financing of 15% by the recipient or any third party. The co-financing rate shall be determined on a case-by-case basis.

C. Technical Assistance Fund

1. Definition and purpose

A Technical Assistance Fund may be established to contribute to some additional costs incurred by the Czech Republic for the efficient and effective implementation of the Contribution.

2. Eligible costs

Costs incurred by the Czech authorities for the management, implementation, monitoring and control of the Contribution are in general not eligible for financing. However, some costs incurred by the Czech authorities for tasks performed additionally and exclusively for the implementation of the Contribution are eligible for financing, if they belong to one of the following categories:

- a) Costs of committees established in the framework of the Swiss-Czech Cooperation Programme as defined in the Technical Assistance Fund Agreement;
- b) Training for potential Executing Agencies with the objective to prepare them for the Swiss Czech Cooperation Programme;
- c) Hiring of consultants for the review of Project proposals addressed to the NCU and the preparation of financing requests to Switzerland;
- d) Hiring of consultants for the monitoring and for the review of Projects financed by the

Contribution and of the overall Swiss-Czech Cooperation Programme; Audits and on the spot checks of operations related to the Contribution, where this relates to activities above and beyond the normal obligations of the Czech Republic;

- e) Publicity measures related to the Contribution;
- f) Costs for the participation in meetings with Swiss authorities held outside of the Czech Republic;
- g) Translation costs of the NCU and Intermediate Bodies at the level of the management of the Swiss Contribution;
- h) Additional equipment, including software, specifically procured for the implementation of the Contribution.

3. Intermediate Body for the Technical Assistance Fund

The Intermediate Body of the Technical Assistance Fund is the NCU.

4. Technical Assistance Fund Agreement

The Technical Assistance Fund Agreement shall be prepared and signed by the NCU on the Czech side and by SDC / SECO on the Swiss side. The content of the Technical Assistance Fund Agreement shall include inter alia:

- Objectives of the Technical Assistance Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.

D. Scholarship Fund

1. Definition and purpose

A Scholarship Fund shall be established. It shall provide financing for educational and research scholarships for Czech students and researchers admitted at higher education and research institutions in Switzerland.

Educational scholarships shall enhance the development of high quality human resources, encourage networking and initiate cooperation among young academics.

Research scholarships shall promote excellence in research, allow outstanding personal achievements of junior and senior researchers, stimulate networking and enhance Swiss-Czech research cooperation. Research scholarships may be linked to the creation of trans-national teams and joint research projects.

2. Intermediate Body for the Scholarship Fund

The Intermediate Body for the management of a Scholarship Fund is a Swiss institution.

3. Scholarship Fund Agreement

The Scholarship Fund Agreement shall be prepared by the Intermediate Body. It shall be signed by the NCU on the Czech side and by the SDC on the Swiss side. The content of the Scholarship Fund Agreement shall include inter alia:

- Objectives of the Scholarship Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.

4. Eligible costs

Eligible costs include scholarships costs such as displacement, living expenses, insurance, matriculation fees, specific research and publication costs.

* Preference shall be given to Projects in the geographic focus areas.

Annex 1: Conceptual Framework of the Swiss-Czech Cooperation Programme

The Conceptual Framework is an integral part of the Framework Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. The Conceptual Framework defines objectives, principles, strategies, geographic and thematic focus as well as indicative financial allocations.

1. Objectives

The Swiss-Czech Cooperation Programme pursues two objectives:

- To contribute to the reduction of economic and social disparities between the Czech Republic and the more advanced countries of the enlarged European Union (EU); and
- To contribute within the Czech Republic to the reduction of economic and social disparities between the dynamic urban centres and the structurally weak peripheral regions.

The Swiss-Czech Cooperation Programme includes national and trans-national Projects that support a sustainable, economically and socially balanced development.

Towards the end of the implementation period of the Swiss Contribution, both Parties may jointly decide on a global evaluation of the results achieved by the Swiss-Czech Cooperation Programme.

2. Principles

The Swiss-Czech cooperation is guided by the following principles:

Transparency. Transparency and openness are key to all cooperation activities and are binding at all levels. Special emphasis shall be given to transparency in project selection, contract awarding and financial management.

Social inclusion. Cooperation activities aim at including socially and economically disadvantaged individuals and groups in the opportunities and benefits of development.

Equal opportunities and rights. Cooperation activities aim at increasing women's and men's opportunities to exercise their rights equally through a gender-based approach.

Environmental sustainability. Cooperation activities aim at incorporating requirements of environmental sustainability.

Commitment by all stakeholders. All institutions and decision-makers involved in the Swiss-Czech Cooperation Programme are committed to an efficient and effective implementation of the agreed Projects.

Subsidiarity and decentralisation. Cooperation activities aim at including considerations of subsidiarity and decentralisation primarily in Projects at the municipal and regional levels.

3. Strategies

3.1 Main Strategic Considerations

The Swiss-Czech Cooperation Programme is part of a comprehensive national development planning that includes the structural and cohesion programmes of the EU as well as the programmes of the EEA and the Norwegian Financial Mechanisms. The Swiss Contribution shall be complementary to these programmes and mainly focus on Projects that are not or only partially covered by other financial sources.

Main strategic considerations include:

a. Focusing. The Memorandum of Understanding between the Swiss Federal Council and the Council of the European Union defines four funding guidelines for the Contribution:

- Security, stability and support for reforms;
- Environment and infrastructure;
- Promotion of the private sector; and
- Human and social development.

These funding guidelines and the related focus areas provide a broad base for cooperation. Efficiency and effectiveness considerations as well as concern for the optimal allocation and use of available resources, are important. Therefore, the Swiss-Czech Cooperation Programme shall have a clear strategic focus, guided by the following considerations:

- Concentration on a maximum of eight focus areas in which at least 70% of the Contribution shall be spent (thematic concentration). The selection of the focus areas shall be need-based and take into account specific Swiss know-how.
- Concentration on three peripheral and less-developed regions (NUTS III) in which at least 40% of the Contribution shall be spent (geographic concentration).
- Concentration on a relatively small number of Projects.

b. Programme approach. A programme consists of component projects linked by a common theme or shared objectives. A programme approach shall be applied in focus areas which display several of the following characteristics: large financial Commitments; linking of different levels (national, regional, local); variety of actors; contribution to policy development; significant contributions to capacity building; and application of a common set of rules and procedures. A programme approach implies a delegated authority for decision-making on individual projects. A programme approach includes: an initial assessment of the focus area; the definition of objectives, guidelines and budgets; a programme implementation plan; and a sector monitoring and evaluation concept. To assure efficiency and effectiveness, the contribution to a specific programme shall represent a minimum amount of CHF 4 million. In exceptional cases lower minimal financial volumes may be agreed between both Parties.

c. Individual project approach. An individual project approach shall be applied in a focus area in which stand-alone projects shall be implemented. To assure efficiency and effectiveness, the contribution for each project under the individual project approach shall represent in general a minimum amount of CHF 1 million. In exceptional cases lower minimal financial volumes may be agreed between both Parties.

d. Block Grant financing may provide a means to accommodate smaller projects (see Annex 3).

e. Trans-national Projects. The Contribution may be used to finance trans-national Projects.

f. Partners and beneficiaries. The Swiss-Czech Cooperation Programme shall include partners and beneficiaries from the public and private sectors, non-governmental organisations and other civil society organisations.

g. Partnerships. Partnerships between Swiss and Czech partners are an enriching element of the Swiss-Czech Cooperation Programme. Cooperation and partnerships are strongly encouraged, especially in focus areas in which Switzerland may contribute particular experience, know-how and technologies.

h. Flexibility. Flexibility and the possibility to react to opportunities require that initially only about 80% of the Contribution shall be allocated to particular focus areas and special items. Within two years after the beginning of the Swiss-Czech Cooperation Programme, a review shall assess thematic and geographic priorities, redirect the initial financial allocations as agreed, and determine the priorities for the not yet allocated part of the Contribution.

i. Visibility. Visibility of the Swiss-Czech Cooperation Programme for Czech and Swiss citizens is an important aspect that may be taken into account when selecting and implementing Projects. Both Parties undertake to inform proactively on their cooperation.

3.2 Implementation Strategies

a. Identifying Projects. Project identification significantly impacts the quality of the Swiss-Czech Cooperation Programme. The Czech Republic is responsible for the identification of Projects to be financed by the Contribution. Switzerland can offer the Czech Republic Project proposals.

b. Setting Project selection criteria. Project selection shall be based on a clear set of criteria. General selection criteria shall include:

- Responsiveness to the objectives of the Swiss-Czech Cooperation Programme;
- Adherence to the principles of the Swiss-Czech Cooperation Programme described in Chapter 2 of this Annex;
- Responsiveness to the strategic considerations outlined in Chapter 3.1 of this Annex;
- Anchoring in the national development planning and, if possible, the National Strategic Reference Framework and the respective Operational Programme(s);
- Innovation and/or the potential to offer new solutions that can be applied subsequently on a larger scale (pilot Projects);
- Capacity of the Executing Agency;
- Leverage potential (mobilisation of additional resources);
- Feasibility in the given time-span; and
- Sustainability of results.

Specific selection criteria for each focus area may be formulated prior to starting the implementation of the Swiss-Czech Cooperation Programme.

c. Supporting Project planning. Project preparation and detailed Project planning are of paramount importance for efficiency and effectiveness in Project implementation. Preparation support may be requested by the Czech Republic or recommended by Switzerland and shall be financed through the Project Preparation Facility (see Annex 3). Should there be insufficient funds available in the Project Preparation Facility to prepare a specific Project, the Czech Republic may request to transfer the additional funds from the respective Focus area to the Project Preparation Facility.

d. Enhancing implementation capacities. Successful Project implementation depends on the capacities of the implementing and monitoring organisations. If need be, capacity enhancement may be requested by the Czech Republic or recommended by Switzerland and may be financed by the Contribution as an integral part of Project financing.

4 Geographic Focus

At least 40% of the Swiss-Czech Cooperation Programme shall be spent in the geographic focus areas. For the first two years of implementation, the Swiss-Czech Cooperation Programme will focus on the two Regions of Moravia-Silesia and Olomouc, possibly in a later stage also on the Region of Zlin.

5 Thematic Focus and Indicative Financial Allocations

The following thematic focus and indicative financial allocations shall apply to the Swiss-Czech Cooperation Programme:

1. Security, Stability and Support for Reforms			
N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
1.1	Regional development initiatives in peripheral or disadvantaged regions	<p><u>Programme approach with the following objective:</u></p> <p><u>Objective 1:</u></p> <p>Strengthen capacities on regional, micro-regional and local level in the geographic focus area.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Projects of the public administration fostering regional cooperation (e.g. in the field of infrastructure, education, social services, culture) among different local authorities - Revision of regional or micro-regional development plans - Strengthening municipal capacities for service delivery - Capacity enhancement of public or private entities engaged in fostering regional development - Long-term oriented system-development to build up efficient and integrated inter-communal policy-making and common delivery of services - Twinning to provide links and networks between institutions, municipalities and regions of the Czech Republic and Switzerland on the regional and national level 	<p>Up to 10 million CHF</p>

		<p><u>Objective 2:</u></p> <p>Mobilize local and regional development potentials in the geographic focus area.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Tourism planning at regional and county level - Mobilisation of tourism potentials, primarily in health, eco-tourism, sports, cultural heritage, etc. <p><u>Objective 3:</u></p> <p>Introduction of new methods of social work with seniors and new methods for a direct work with seniors, the improvement of the quality in the field of services provided, social services according to Act Nr. 108/2006 on Social Services.</p> <p>Types of eligible projects:</p> <p>Reconstruction or modernization of institutions or institutions' equipment in geographic focus area to support of seniors according to the Social Services Act to focus on:</p> <ul style="list-style-type: none"> - Providing services for seniors according to the Social Services Act (e.g. facilities with specific regimen, personal and emergency assistance, respite services, hospices...) - Individual work with seniors in resident institutions - Development of ambulant and field services (non-institution services) - Support of individual planning of services for services - Support of "best practice" – exchange of experience and know-how among similar institutions 	<p>Up to 7 million CHF</p>
1.2	Prevention and management of disasters	<p><u>Programme approach with the following objective:</u></p> <p>To strengthen disaster management and control system in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Capacity enhancement in disaster prevention and management in specific priority areas - Capacity enhancement of specialized teams to manage, investigate and overcome the effects of disasters 	<p>Up to 3 million CHF</p>

1.3	Modernisation of the judiciary	<p>Programme approach with the following objectives:</p> <p>To develop and improve a training programme in justice in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Capacity enhancement of courts to improve exchange of information on related cases (incl. the development of the training program at regional level) - Improvement of training programmes and conditions in justice to enhance the capacity of judges and supporting staff - Strengthening of probation and mediation services by know-how transfer 	Up to 3 million CHF
1.4	Strengthening institutions and capacity for combating corruption and organised crime	<p>Individual Project Approach with the following objective:</p> <p>To improve information systems to fight against economic and organized crime in the Czech Republic.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Development of global analysis and design of integrated information system for criminal and penal offence proceedings and other related processes 	Up to 3 million CHF

2. Environment and Infrastructure

N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
2.1	Rehabilitation and modernisation of basic infrastructure and improvement of the environment	<p><u>Individual project approach with 3 objectives:</u></p> <p>A minimum of 30 % of the amount allocated to this thematic focus area shall be used for Projects in the geographic focus areas.</p> <p><u>Objective 1:</u></p> <p>To enhance municipal infrastructure services in order to increase living standards and promote economic development¹.</p> <p>Types of eligible projects: Projects of a minimum value of CHF 8 million each in the fields of:</p>	Up to 29 million CHF

¹ Preference shall be given to Projects in the geographic focus areas.

		<ul style="list-style-type: none"> - Sustainable wastewater management, focusing preferably on municipal wastewater treatment; - Solid waste management: Collection, separation and treatment <p>Objective 2:</p> <p>To increase energy efficiency and to improve the air quality (reduction of greenhouse gases and other hazardous emissions).</p> <p>Types of eligible projects: Projects of a minimum value of CHF 3 million each in the fields of:</p> <ul style="list-style-type: none"> - Introduction of renewable energy systems - Improvement of energy efficiency: e.g. reduction of energy losses - Modernization of thermal power plants and of district heating systems - Measures in the public transport and public sector to reduce air pollution <p>Objective 3:</p> <p>To improve the management, the safety and the reliability of communal/regional public transportation systems.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Project preparation for major traffic investment projects under the umbrella of larger projects - Preparation and implementation of traffic management concepts - Small and well targeted public transport projects 	
2.2	Improvement of the environment	<p><u>Environment Expertise Fund with the following objective:</u></p> <p>To support the planning capacities of the public administration and to facilitate knowledge transfer.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Policy studies, strategic planning and knowledge transfer in the field of environment (e.g. nature protection, waste management, small waste water treatment plants) 	<p style="text-align: center;">Up to 1 million CHF</p>

3. Promotion of the Private Sector			
N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
3.1	Improving the access to financing for SMEs	<p><u>Individual project approach with the following objective:</u></p> <p>To promote employment creation</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Providing long-term financing for SMEs (e.g. equity, quasi-equity/mezzanine, debt) 	<p>Up to 10 million CHF</p>
3.2	Improvement of regulation in the financial sector	<p><u>Individual project approach with the following objective:</u></p> <p>To support the effective implementation and enforcement of the Acquis Communautaire targeted to Corporate Financial Reporting.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Institutional and regulatory capacity building for corporate sector financial reporting and auditing at the national level 	<p>Up to 2 million CHF</p>

4. Human and Social Development			
N°	Focus areas	Approach, objectives and eligible Projects	Indicative financial allocation
4.1	Research and development	<p><u>Programme approach with 3 objectives:</u></p> <p><u>Objective 1:</u></p> <p>To strengthen the scientific potential of the Czech Republic through scholarship programmes in Switzerland.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Scholarship Fund for advanced degree and post-graduation programmes in Switzerland <p><u>Objective 2:</u></p> <p>To enhance access to higher education:</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Scholarships for advanced degree and post-graduate programmes in the Czech Republic and between the Czech Republic and neighbouring countries of the EU 	<p>Up to 4 million CHF</p>

		<p>Objective 3: To contribute to the knowledge based economy of the Czech Republic through the enhancement of the knowledge base and in particular through applied research and science popularization as well as know-how transfer.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Joint research projects and institutional partnerships in applied research - Capacity building in innovation management and science popularization - Sabbatical 	
4.2	Health	<p><u>Programme approach with the following objective:</u></p> <p>To strengthen primary and secondary health care on the regional and national level with special emphasis on the elderly, the handicapped and the disadvantaged.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Strengthening access and quality of ambulatory, residential and nursing home care for the elderly, for the handicapped and the disadvantaged in the geographic focus areas - Institutional and professional strengthening of NGO's in the sector on the regional and national level - Capacity enhancement in policy and strategy development on the regional and national level 	<p>Up to 7 million CHF</p>

5. Special Allocations		
Item	Content	Indicative financial allocation
5.1 Block Grant	<p><u>Programme approach with the following objective:</u></p> <p>To promote civil society's contribution to economic and social cohesion as important actors of development and participation.</p> <p>Types of eligible projects:</p> <ul style="list-style-type: none"> - Small Project Block grant(s) of the civil society/NGOs contributing primarily to social service provision as well as environmental concerns, allowing to strengthen organisational capacities. 	<p>Up to 5 million CHF</p>

5.2 Project Preparation Facility	Priority objective: To support the preparation of final project proposals	Up to 2 million CHF
5.3 Swiss Programme Management	Swiss administration of the Swiss-Czech Cooperation Programme.	5.5 million CHF
5.4 Czech Technical Assistance	Czech administration of the Swiss-Czech Cooperation Programme including preparation, implementation, monitoring, evaluation, Projects financial audits.	Up to 2.6 million CHF

Overview on the Indicative Allocations

Funding guidelines	Indicative financial allocation (million CHF)
1. Security, Stability and support to Reforms	26
2. Environment and Infrastructure	30
3. Private Sector	12
4. Human and Social Development	11
5. Special Allocations	15.10
6. Not yet allocated	15.68
Total indicative allocations	109.78

Annex 2: Rules and Procedures for the Swiss-Czech Cooperation Programme

Annex 2 is an integral part of the Framework Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. Annex 2 defines the controlling at the Swiss-Czech Cooperation Programme level, procedures at Project level, requirements for Project proposals, roles and responsibilities and special provisions for financial assistance.

Rules and procedures for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund are defined in Annex 3.

1. Controlling at the Swiss-Czech Cooperation Programme level

1.1 Supervision

The Czech authorities have the final responsibility for the monitoring and supervision of the Swiss-Czech Cooperation Programme. A monitoring system shall be developed jointly by the Parties at the beginning of the Swiss-Czech Cooperation Programme and be enhanced during its implementation as necessary.

1.2 Annual meetings

In order to ensure an effective implementation of the Swiss-Czech Cooperation Programme, the Parties shall hold annual meetings. At the annual meetings, the National Coordination Unit (NCU) shall present an annual report to be distributed one month before the meeting which shall amongst other things address:

- General experience and results achieved;
- Progress made in the implementation of the Swiss-Czech Cooperation Programme against the Conceptual Framework;
- Reporting on the status of the Swiss-Czech Cooperation Programme, including:
 - o Statements on approved Projects, progress of Project identification / preparation and foreseeable Commitments;
 - o Overall financial statement on past and tentative future disbursements and Commitments for the entire Swiss-Czech Cooperation Programme;
 - o Summary and main conclusions of the financial audits of the Projects in accordance with Chapter 3.6;
 - o Statistics on tenders, contract awards and successful bidders;
 - o Information about important issues with regard to particular Projects.
- Reporting on Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund;
- Proposals for the allocation of non-committed funds;
- Reporting on administrative implementation issues;
- Strategy and activities to inform the general public about the Swiss-Czech Cooperation programme and the Projects implemented;
- Further issues to be discussed; recommendations, next steps;
- Review and, if needed, amend the Annexes of the Agreement.

The NCU is responsible for the organisation of the annual meetings. It will consult the Swiss Embassy on the organisation, the contents, the agenda, the participants and other organisational and logistical matters.

The Intermediate Bodies, the Executing Agencies and other institutions and persons may be invited to the annual meetings whenever this is felt desirable by the NCU or by Switzerland.

The Parties may invite the Commission of the European Communities to participate as an observer.

Minutes of the meetings shall be drafted by the NCU and be submitted to Switzerland for approval within 15 days after the meeting.

2. Procedures of Project Financing Requests

The financing request undergoes a two-loop approach that allows guidance early in the decision making process. In the first loop, a Project outline is submitted and a decision in principle is made. In case of a successful first loop, the second loop is initiated. In the second loop, the Final Project Proposal is submitted and the final decision is made by Switzerland.

2.1 First loop: Application and approval procedure of the Project outline

No.	Steps	Activities and specific rules	Organisations
1.	Initiation of Project identification	Initiation on the basis of: <ul style="list-style-type: none"> - Lists of priority Projects provided by the Government - A proposal by the NCU - A proposal by an Intermediate Body / Executing Agency - Call for proposals - A proposal by Switzerland - A proposal by an international organisation 	Responsible: NCU Involved: Intermediate Body, Executing Agency, Czech partners, Swiss authorities
2.	Elaboration of the Project outline	Preparation of the Project outline based on the requirements for Project outlines (cf. 2.2). This may include a request for financial support for the preparation of a Final Project Proposal through the Project Preparation Facility.	Responsible: Intermediate Body, Executing Agency
3.	Pre-screening of the Project outline	Possibility of informal consultations with the Swiss Embassy.	Responsible: NCU
4.	Screening	Examination of the Project outline based on the Conceptual Framework, the Project selection criteria in Annex 1 and the requirements for Project outlines (cf. 2.2).	Responsible: NCU Involved: monitoring committee, Intermediate Body (when existent)

No.	Steps	Activities and specific rules	Organisations
5.	Submission of the Project outline	<p>If accepted, submission of the Project outline(s) with a cover letter comprising a description of the selection process to the Swiss Embassy.</p> <p>Formal check by the Swiss Embassy and submission of the Project outline with the cover letter of the NCU to Switzerland.</p>	<p>Responsible: NCU</p> <p>Responsible: Swiss Embassy</p>
6.	Final decision on Project outline	<p>Final decision on the Project outline (including, if relevant, decision on the request for financing of Project preparation).</p> <p>If accepted by Switzerland, request for the elaboration of the Final Project Proposal (requirements specified in 2.4). Switzerland may submit comments which have to be considered during the elaboration of the Final Project Proposal.</p>	<p>Responsible: Swiss Agency for Development and Cooperation (SDC) or State Secretariat for Economic Affairs (SECO)</p>

2.2 Requirements for Project Outlines

The Project outline (approximately 5 pages) shall include all necessary information to allow a general appraisal of the proposed Project.

Item	Content
General information	Project title, planned project duration, priority sector, location/region
Applicant	Name and contact details; previous, relevant experience, if any; project partners; Swiss link, if any (know-how, technology, partners or any other cooperation with Switzerland)
Relevance	Contribution to the reduction of economic and social disparities within the country and between the country and the more advanced member states of the EU (impact); fit within the development strategies of the country/region and chosen sector; strategy of the intervention
Project content	Description including objectives (outcome), expected results (outputs) and activities (components); beneficiaries, target group; risks and potentials; sustainability of project
Project organisation	Organisational chart, responsibilities, etc.
Budget	Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial source etc.; cost efficiency aspects versus alternatives
Horizontal issues	Environmental, social and economical aspects of the project, gender equality
Maturity of project	Status of project: in elaboration or fully prepared and possible request for financial support for preparation of Final Project Proposal through the Project Preparation Facility (e.g. feasibility

	studies, environmental impact assessment, etc.) if deemed necessary
Annexes	Additional documentation as deemed appropriate

2.3 Second loop: Application and approval procedure of the Final Project Proposal

No.	Steps	Activities and specific rules	Organisations
1.	Elaboration of the Final Project Proposal	Preparation of the Final Project Proposal based on the requirements for Final Project Proposals (cf. 2.4) and the comments of Switzerland.	Responsible: Intermediate Body, Executing Agency
2.	Screening	Examination of the Final Project Proposal.	Responsible: NCU Involved: Intermediate Body (when existent)
3.	Decision to submit the Final Project Proposal	If accepted, submission of the Final Project Proposal with a cover letter taking into account the requirements for Final Project Proposals and the comments of Switzerland to the Swiss Embassy. Formal check by the Swiss Embassy and submission of the Final Project Proposal with the cover letter of the NCU to Switzerland.	Responsible: NCU Responsible: Swiss Embassy
4.	Final decision	Final decision on the financing request by taking into account the Final Project Proposal, the cover letter of the NCU, and the Project document. Switzerland reserves the right to carry out its own appraisal if needed.	Responsible: SDC or SECO

2.4 Requirements for Final Project Proposals

The Final Project Proposal shall be accompanied by all necessary documents (e.g. feasibility study, Project document, environmental impact study) to allow a thorough appraisal. The Final Project Proposal (5 – 10 pages; for large infrastructure Projects 10 - 20 pages, plus annexes) shall provide adequately detailed information on inter alia:

Item	Content
Project summary (1 page)	Fact sheet: Project title, short description including objectives, budget, partners, duration
Relevance	Contribution to the reduction of economic and social disparities between the country and the more advanced countries of the EU; fit within the development strategies of the country/region and

	chosen sector; strategy of the intervention
Project content	Description including objectives, expected outcomes/outputs, activities and the respective indicators; beneficiaries, target group; risks and potentials; sustainability of the Project
Project justification (Due diligence)	Main conclusions of the feasibility study (if requested)
Project organisation	Organisational chart, responsibilities, etc.
Detailed implementation schedule	Including milestones and monitoring of progress based on defined indicators
Budget	Eligible costs / non-eligible costs; own contribution, amount of grant, co-financing, EU-funding and any other financial sources etc.; cost efficiency aspects; reserve to balance possible exchange rate losses
Procurement	Procurement procedures for goods and services
Development Impact	Monitoring and evaluation of output/outcome/impact indicators
Horizontal issues	Environmental, social and economical aspects of the Project, gender equality
Annexes	E.g. feasibility study, Project document, environmental impact study

3. Project Implementation Procedures

The Project implementation procedures are as follows:

No.	Steps	Activities and specific rules	Organisations
1.	Project Agreement	Preparation of the Project Agreement between the Czech Republic and Switzerland.	Responsible: NCU on the Czech side; SDC or SECO on the Swiss side
2.	Signing	Signing of the Project Agreement. The Project Agreement can be signed by more than two contracting parties (e.g. tripartite or multipartite agreement: SDC or SECO, NCU and Intermediate Body, Executing Agency if relevant).	Responsible: Normally the Swiss Embassy on behalf of SDC or SECO. The Czech signatory or signatories shall be decided by the Czech Republic.
3.	Procurement and award of contracts	Procurement is to be made in accordance with the respective national law and regulations and in compliance with the respective EU directives. A confirmation of compliance with the relevant procurement rules shall be provided to Switzerland. To increase transparency and to prevent corruption,	Responsible: NCU, Intermediate Body, Executing Agency

tender documents shall contain an integrity clause.

In general, for tenders above the applicable European Community threshold, an English translation of the official tender evaluation report shall be provided to Switzerland for information at the latest 30 calendar days after the award of contract.

In addition to the above, for tenders above the threshold of CHF 500'000, Switzerland may also request a copy of the tender documents for non-objection and of the contracts for information. These documents shall be submitted at the latest 20 calendar days before the commencement of tendering and 20 calendar days after the signature of the contract, respectively.

Furthermore, for tenders above the threshold of CHF 500'000, Switzerland may also request (within the respective Project Agreement) that an English translation of the tender documents and the contracts are made available to tenderers and contractors, respectively. Possible translation costs shall be borne by the Project and financed under the Contribution.

In line with Art. 6.5. of the Framework Agreement, both Parties agree to provide all such information pertaining to the tender process and beyond the documents listed above that the other Party may reasonably request. Switzerland shall have the right to participate in the tender committee as an observer. Switzerland shall also have the right to conduct an audit of the procurement practices and procedures in general.

In case of irregularities or non-adherence to the Framework Agreement or Project Agreement, Switzerland has the right to stop reimbursements and to instruct the NCU to stop payments from the Swiss Contribution in accordance with cp. 4 of the present Annex 2.

4.	Controlling (Monitoring)	Controlling procedures are defined in the Project Agreement. Procedure description includes: periodicity of reporting, monitoring system and consultant, steering committees, time table for operations and results, auditing, etc.	Responsible: Executing Agency Involved: NCU, Intermediate Body
5.	Reporting	<p><u>Interim Reports</u> for supporting payment claims and reimbursement requests as specified in Chapter 4 of this Annex.</p> <p><u>Annual Project Reports</u> describe the progress of the Project. They include summary data on financial progress for the reporting year as well as cumulative data to date. They compare actual with planned expenses and progress, based on quantified targets for output and where possible outcome indicators. Any deviation has to be justified and corrective measures suggested. Annual project reports are not linked to reimbursement requests.</p> <p>The <u>Project Completion Report</u>, together with the last Project interim report and the final financial report (cf. 6), is the base for the final reimbursement. It documents and comments the overall achievement of outputs and outcomes against the original plan, the compliance with principles such as cross cutting themes and sustainability, and it contains lessons learned and conclusions.</p>	Responsible: Executing Agency Involved: NCU, Intermediate Body

6.	Audit	<p>Each Intermediate Body responsible for the implementation of a Project under the Contribution shall have performed within the last three years a Compliance Audit which shall be ensured by the National Audit Authority.</p> <p>Based on a risk assessment, an annual system audit planning will be established. In addition to this risk assessment, Switzerland may announce requirements that are taken into account in the annual system audit planning. In accordance with the planning, the National Audit Authority and the entitled audit organisations (e.g. control unit of the Intermediate Body) shall perform <u>control and audits in accordance with the respective national law.</u></p> <p>For each Project lasting longer than two years and exceeding the amount of CHF 500'000, an internal or an external certified audit organisation will carry out intermediary <u>Financial Audit(s)</u>, unless otherwise specified in the Project Agreement. The conclusions and recommendations shall be transmitted to Switzerland.</p> <p>At the completion of each Project an internal or external certified audit organisation will carry out a <u>Final Financial Audit</u>. The conclusions and recommendations shall be transmitted to Switzerland together with the Project Completion Report and a <u>Final Financial Report</u>.</p>	<p>Responsible: National Audit Authority</p> <p>Responsible: NCU, Intermediate Body,</p>
7.	Evaluation	<p>After Project completion, the Parties may request an independent evaluation. The cost will be borne by the requesting Party.</p>	<p>Responsible : NCU, SDC or SECO</p>

4. Payment and Reimbursement Procedure

The Ministry of Finance of the Czech Republic is the Paying Authority for the Contribution. In principle, all disbursements under the Contribution will be pre-financed out of the national budget of the Czech Republic. The Executing Agency shall submit payment claims covering eligible expenses over the current period to the NCU (Intermediate Body if relevant), together with certified copies of all supporting documentation and the interim report. The NCU and/or

Intermediate Body shall verify the completeness and certify the correctness of the submitted documents. The Paying Authority shall submit the reimbursement requests to Switzerland for approval and payment.

The detailed reimbursement procedures are laid down in the Project Agreements and must, if not otherwise specified, comply with the following procedures:

No.	Steps	Activities	Organisations
1.	Issue of the original invoice	Issue the original invoice.	Responsible: Supplier of a product or service; contractor, consultant, organisation (claimant)
2.	Examination of the original invoice and the elaboration of the payment claim	<ul style="list-style-type: none"> ▪ Control the original invoice with regard to the specifications of the Project Agreement, the Implementation Agreement, the supply / services contract and the agreed tariffs. ▪ Verify the correctness of the execution (quantity and quality) of the work, the supply of goods / services, etc., and the special conditions etc. ▪ Payment to the supplier(s) of the original invoice. ▪ Submit the payment claim including an interim report and copy of the invoices to the NCU and/or Intermediate Body. The payment claim comprises eligible costs incurred during a given period. The interim report includes information on financial and physical progress, a comparison of actual with planned expenses, an update on progress status, while confirming the co-financing. Any deviation has to be justified and corrective measures suggested. Interim reports are due at least every six months. 	Responsible: Executing Agency

In the case of irregularities, Switzerland is entitled to stop reimbursements immediately, to instruct the NCU to stop payments from the Swiss Contribution and to ask repayment of illegitimately paid reimbursements at any stage of the Project. The reasons for the respective instructions shall be communicated in writing to the NCU and other partners involved.

5. Roles and Responsibilities

The roles and responsibilities of the main actors are outlined below. Project Agreements will contain more detailed responsibilities and activities tailored to the individual case.

5.1 The National Coordination Unit

The NCU is responsible for the overall Swiss-Czech Cooperation Programme orientation and for the identification, planning, implementation, financial management, controlling and evaluation of Projects, as well as for the use of funds under the Contribution in accordance with the Framework Agreement. This includes to:

- Ensure the adoption of the necessary national legal documents on the implementation and monitoring of Projects;
- Coordinate the Swiss Contribution with other contributions, with the National Strategic Reference Framework and with the operational programmes;
- Ensure that the appropriate provisions are included in the National/Regional/Local Budget in order to safeguard that claimants have the necessary funds;
- Confirm that the co-financing part has been provided according to the Project Agreement;
- Ensure that there is no double financing of any part of the Project by any other source of funds;
- Ensure the organisation of calls for, the collection of and the appraisal of Project proposals;
- Establish a consultative monitoring committee, in which at least the NCU, the regions, the civil society, the private sector and the Swiss Embassy are represented;
- Select the project proposals to be submitted to Switzerland in consultation with the monitoring committee;
- Submit well documented Final Project Proposals to Switzerland resulting from approved Project outlines;
- Supervise and steer the implementation of Projects in accordance with the Project Agreements and the Implementation Agreements by the establishment of an adequate check and monitoring system;
- Check the invoices received from the Executing Agencies and verify the sufficiency of documentation;
- Submit payment claims to the Paying Authority and certify their correctness and legality;
- Ensure the efficient and correct use of available funds;
- Verify in each Project if the value added tax (VAT) can be recovered by the Executing Agency and to inform the Swiss authorities accordingly in the form of a declaration by the applicant as part of the Project documentation;
- Ensure the financial control, including complete and sufficient audit trails in all involved institutions;
- Provide a yearly overall financial statement on all transfers of funds between Switzerland and the Paying Authority on one side and between the Paying Authority and all national involved bodies (e.g. NCU, Intermediate Body, Executing Agency) on the other side;
- Ensure the discussion of audit results with the partners involved, including Switzerland, and the implementation of the decisions made based on the audit report;
- Ensure regular reporting to Switzerland on the implementation of Projects financed by the Contribution;
- Organise annual meetings at overall Swiss-Czech Cooperation Programme level in consultation with the Swiss Embassy and to present an annual report;

- Be responsible for the reimbursement to Switzerland of unduly paid sums financed by the Contribution;
- Ensure information and publicity about the Swiss-Czech Cooperation Programme;
- Ensure storing of all relevant documents relating to Projects implemented within the Swiss-Czech Cooperation Programme for 10 years after the completion of Projects.

The NCU can delegate part of the tasks and responsibilities mentioned above to one or more Intermediate Bodies and Executing Agencies.

5.2 Intermediate Body

Intermediate Body means any legal public or private entity which acts under the responsibility of the NCU or which carries out duties on behalf of the NCU with regard to Executing Agencies implementing Projects.

The main tasks of the Intermediate Bodies are to:

- Call for and collect Project proposals, review compliance with the requirements for Project proposals (Chapter 2) and assess the quality of applications submitted;
- Submit Project proposals with appraisal reports to the NCU;
- Implement tender processes or delegate this task to an Executing Agency;
- Ensure that the appropriate provisions are included in the National/Regional/Local Budget in order to safeguard that claimants have the necessary funds;
- Supervise and steer the implementation of Projects in accordance with the Project Agreements and the Implementation Agreements, and carry out the necessary controls;
- Check the invoices received from the Executing Agencies, verify the authenticity and correctness of submitted documents as well as the eligibility of costs on payment claims;
- Certify invoices and submit certified invoices to the NCU or to the Paying Authority;
- Report to the NCU on the progress of Project implementation;
- Check for irregularities and report them to the NCU and NAA;
- Ensure storing of all relevant documents related to Projects implemented within the Swiss-Czech Cooperation Programme for 10 years after the completion of Projects.

5.3 Executing Agency

An Executing Agency is any public authority, any public or private corporation as well as any organization, recognized by the Parties and mandated to implement a specific Project financed under this Framework Agreement. Consequently, the Executing Agency is the contracting party for service and supply contracts in the framework of approved Projects.

The Project Agreement shall contain the name of the Executing Agency. Its tasks and responsibilities shall be defined in the Implementation Agreement.

5.4 Paying Authority

The Paying Authority is responsible for ensuring appropriate financial control over the use of the Swiss Contribution. It shall in particular:

- Check the formal conformity of the payment claims;
- Submit the respective reimbursement requests to Switzerland;
- Keep accounts of all reimbursement requests made to Switzerland;
- Report periodically to the NCU on financial flows.

It verifies their application by the NCU, the Intermediate Bodies and the Executing Agencies. The Paying Authority ensures that payments are made to the claimants within the specified deadlines.

5.5 National Audit Authority

The National Audit Authority (NAA) is a central administrative body responsible for ensuring effective functioning of managerial and control systems, including frauds and irregularities prevention.

The main tasks of the NAA are to:

- Ensure an adequate auditing function;
- Provide competent authorities with methodology for audit performance
- Establish an annual system audit and control plan, which takes Swiss requirements into account;
- Perform audits within the implementation structure of the Cooperation Programme between Switzerland and the Czech Republic and report to Switzerland;
- Submit yearly a summary with conclusions and recommendations of all audit reports of the financed Projects. The NAA presents in an annex all original conclusions and recommendations of the audit reports;
- Provide Swiss authorities or mandatees that are mandated to act on their behalf with their assistance;
- Ensure storing of all report from audits performed by audit organisations related to Projects implemented within the Swiss-Czech Cooperation for ten years after the completion of Projects
- Ensure immediate reporting of any irregularities to Switzerland.

The competent authorities with the full support of the Government of the Czech Republic shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted accordingly to existing regulations.

5.6 Audit Organisation

If not otherwise specified in the Project Agreement, for each Project an audit organisation is appointed by the National Coordination Unit. For Technical Assistance, Block Grants, the Project Preparation Facility and Scholarships different audit procedures may apply. The audit organisation has to be a public institution or a private company of recognised professional reputation which operates in line with international auditing standards.

The audit organisation has to be mentioned in the Project Agreement. The scope of the audit will be defined in the Project Agreement. Costs of an external audit are eligible for reimbursement from the Contribution. Costs of internal audits are borne by the respective audit organisation.

If not otherwise specified in the Project Agreement, the audit organisation shall carry out intermediary financial audit(s) for Projects lasting longer than two years and exceeding the amount of CHF 500'000 and a Final Financial Audit of the Projects according to international auditing standards. In doing so, it shall verify the correct use of funds, make recommendations to strengthen the control system and report any actual or alleged fraud or irregularity. These financial audit reports are transmitted to the NAA. The competent authorities with the full support of the Government of the Czech Republic shall investigate alleged cases of fraud or irregularity. Proven cases of fraud shall be prosecuted accordingly to existing regulations.

5.7 Swiss Embassy

The Swiss Embassy is the official representation of Switzerland. Referring to the implementation of the Swiss-Czech Cooperation Programme, its function is to:

- Facilitate contacts; assure the liaison and the networking between partners;
- Inform and give advice to partners on procedures and conditions of the Contribution;
- Transmit official information and proposals to and from the Swiss authorities;
- Organise, together with the NCU, missions of Swiss delegations;
- Participate in meetings on the overall Swiss-Czech Cooperation Programme;
- Provide information to the general public on the Swiss-Czech Cooperation Programme and the Contribution;
- Participate in the consultative monitoring committee as an observer.

5.8 Swiss Agency for Development and Cooperation (SDC) and State Secretariat for Economic Affairs (SECO)

On the Swiss side, there are two competent authorities for the Swiss-Czech Cooperation Programme: SDC and SECO. Their main tasks are to:

- Ensure the strategic and operational steering at the overall Swiss-Czech Cooperation Programme level;
- Participate in the annual meetings organised by the NCU;
- Engage in a regular dialogue with the NCU and the other partners involved on the identification and the implementation of Projects as well as on the progress of the overall Swiss-Czech Cooperation Programme;
- Provide support for Project identification and preparation;
- Decide on the financing of Projects submitted for funding;
- Decide on overall Swiss-Czech Cooperation Programme issues;
- Supervise the overall Swiss-Czech Cooperation Programme development through field visits and reviews;
- Network with the national and international actors relevant to the implementation of the Swiss-Czech Cooperation Programme;
- Administrate the Swiss-Czech Cooperation Programme on the Swiss side.

Switzerland may delegate some of these tasks to the Swiss Embassy.

6. Special Provisions for Financial Assistance

Repayments and redemptions from financial instruments benefiting the private sector (including credit lines, guarantee schemes, equity participation and loans) are to be dealt with as follows:

- Provided that the contribution for financial assistance is redeemed (credit lines, equity participation and loans), the value of the principal shall be transferred upon maturity to any institution aiming at the same overall objective agreed upon by the two Parties.
- The same shall apply to amounts committed as guarantees, provided that the funds have not been called upon during the life of the instrument.

The modalities, including the transfer of the ownership, shall be laid down in the respective Project Agreement or by exchange of letters.

Annex 3: Rules and Procedures for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Scholarship Fund in the Framework of the Swiss-Czech Cooperation Programme

Annex 3 is an integral part of the Agreement between the Government of the Czech Republic and the Swiss Federal Council concerning the implementation of the Swiss-Czech Cooperation Programme. Annex 3 describes definition and purpose, selection of Intermediate Bodies and Intermediaries, content of agreements, eligibility of costs and co-financing as well as roles and responsibilities for:

- A. Block Grant**
- B. Project Preparation Facility**
- C. Technical Assistance Fund**
- D. Scholarship Fund**

Block Grant

1. Definition and purpose

Block Grants are funds, set up for a clearly defined purpose, providing assistance to organizations or institutions, facilitating a cost-effective administration in programmes with many small projects.

Block Grants may be established on national, regional or local level. They enable organisations or institutions to: address pertinent issues through small projects and enhance their capacities.

In general, small projects shall: have a non-profit character and be in the range of 10'000.- to 250'000.- Swiss francs.

2. Selection of the Block Grant Intermediary

A Block Grant Intermediary may be a public or private sector body or a non-governmental organisation constituted as a legal entity in the Czech Republic and operating in the public interest.

In principal, the Block Grant Intermediary should have strong ties either to the sector and/or the geographic region in which a Block Grant is to be implemented.

The selection of the Block Grant Intermediary may follow a two step procedure agreed between the National Coordination Unit (NCU) and the Swiss Agency for Development and Cooperation (SDC). Applicants may submit an outline of the envisaged Block Grant before submitting a complete application. Outlines and full applications shall be commented by the NCU and submitted to SDC for approval.

SDC shall assess whether a proposed Block Grant Intermediary is suitable for granting assistance and whether the suggested implementation set-up is adequate. Based on the assessment, SDC shall provide feedback to the NCU and the Block Grant Intermediary and shall decide on the financing of the Block Grant.

3. Block Grant Agreement

For each Block Grant, an agreement shall be prepared by the NCU based on a standard Block Grant Agreement provided by SDC. The Block Grant Agreement shall be signed by the NCU, SDC and the selected Block Grant Intermediary (if relevant). The content of the Block Grant Agreement shall include i.a.:

- Objectives of the Block Grant;
- Organisational structure, roles and responsibilities (incl. constitution of a steering and small project approval committee);
- Procedures for the assessment and selection of small projects (incl. selection criteria);
- Co-financing rules and procedures;
- Implementation schedule;
- Budget and financial planning (incl. management costs);
- Disbursement and audit procedures;
- Monitoring and steering;
- Reporting;
- Publicity measures.

4. Eligibility of costs and co-financing

Eligible costs for the management and administration of the Block Grant shall be defined in the Block Grant Agreement.

Small projects implemented by the Block Grant Intermediary on its own are not eligible for funding by the Block Grant.

The Block Grant's contribution to small projects shall be determined on a case-by-case basis and may reach up to 100%.

Support by the Block Grant shall not replace subsidised facilities and bank loans.

5. Roles and Responsibilities

Roles and responsibilities of the NCU include:

- Propose the establishment of Block Grants;
- Ensure the establishment of Block Grants including invitation or call for proposals, Block Grant Intermediary pre-selection, preparation of agreement;
- Ensure the supervision of Block Grants by establishing adequate monitoring, steering and auditing systems;
- Establish financial control mechanisms;
- Nominate a representative in the steering and small project approval committee;
- Control the efficient and effective use of the Block Grants;
- Ensure regular reporting to SDC on the implementation progress of Block Grants;
- Ensure inclusion of the Block Grants in the general publicity on the Contribution.

Roles and responsibilities of the National Audit Authority (NAA) include:

- Ensure auditing and follow-up to audit recommendations;

- Ensure immediate reporting to SDC in case of any irregularities.

Roles and responsibilities of the Block Grant Intermediary include:

- Overall management of the Block Grant;
- Establish a steering and small project approval committee and act as its secretary;
- Establish an adequate financial and operational controlling system for small project implementation;
- Call for and collect proposals for small projects, review compliance with the proposal requirements and establish selection recommendations;
- Establish contracting arrangements with the organisations and institutions implementing the small projects;
- Apply controlling systems and intervene if required. Inform the NCU on irregularities immediately;
- Report to the NCU. Reporting includes at least an annual progress report and financial reports;
- Publicity on the Block Grant implementation.

Roles and responsibilities of the steering and small project approval committee include:

- Select small projects for implementation;
- Discuss progress reports;
- Review and adapt small project selection criteria.

Roles and responsibilities of SDC include:

- Approve in principle the establishment of Block Grants;
- Provide feedback on outlines for Block Grants;
- Decide on the financing of Block Grants;
- Nominate a representative or an observer in the steering and small project approval committee;
- Monitor implementation progress on a general level;
- Assess and discuss implementation progress with the NCU based on annual reporting by the NCU.

Roles and responsibilities may periodically be reviewed. A first review shall take place during the first annual meeting of the Parties.

B. Project Preparation Facility

1. Definition and purpose

A "Project Preparation Facility" provides financial support for the preparation of the Final Project Proposals (e.g. feasibility studies, environmental impact assessments, etc.).

2. Request and approval procedures

A request for financial support within the Project Preparation Facility must be part of the Project outline (cf. Annex 2, Chapter 2.1).

SDC or SECO shall assess whether the requested assistance for project preparation is suitable for financial support.

The decision on the provision for financial support for the project preparation is part of the final decision by Switzerland on the Project outline.

3. Management of the Project Preparation Facility

The Intermediate Body of the Project Preparation Facility is the NCU.

4. Project Preparation Facility Agreement

The Project Preparation Facility Agreement shall be prepared and signed by the NCU on the Czech side and by SDC / SECO on the Swiss side. The content of the Project Preparation Facility Agreement shall include i.a.:

- Objectives of the Project Preparation Facility;
- Roles and responsibilities;
- Detailed listing of costs eligible for financing;
- Co-financing;
- Audit procedures, monitoring and reporting.

5. Co-financing

Financial means provided by the Project Preparation Facility require a minimum co-financing of 15% by the recipient or any third party. The co-financing rate shall be determined on a case-by-case basis.

C. Technical Assistance Fund

1. Definition and purpose

A Technical Assistance Fund may be established to contribute to some additional costs incurred by the Czech Republic for the efficient and effective implementation of the Contribution.

2. Eligible costs

Costs incurred by the Czech authorities for the management, implementation, monitoring and control of the Contribution are in general not eligible for financing. However, some costs incurred by the Czech authorities for tasks performed additionally and exclusively for the implementation of the Contribution are eligible for financing, if they belong to one of the following categories:

- a) Costs of committees established in the framework of the Swiss–Czech Cooperation Programme as defined in the Technical Assistance Fund Agreement;
- b) Training for potential Executing Agencies with the objective to prepare them for the Swiss Czech Cooperation Programme;

- c) Hiring of consultants for the review of Project proposals addressed to the NCU and the preparation of financing requests to Switzerland;
- d) Hiring of consultants for the monitoring and for the review of Projects financed by the Contribution and of the overall Swiss-Czech Cooperation Programme;
- e) Audits and on the spot checks of operations related to the Contribution, where this relates to activities above and beyond the normal obligations of the Czech Republic;
- f) Financial audits of Projects financed by the Contribution;
- g) Publicity measures related to the Contribution;
- h) Costs for the participation in meetings with Swiss authorities held outside of the Czech Republic;
- i) Translation costs of the NCU and Intermediate Bodies at the level of the management of the Swiss Contribution;
- j) Additional equipment, including software, specifically procured for the implementation of the Contribution.

3. Intermediate Body for the Technical Assistance Fund

The Intermediate Body of the Technical Assistance Fund is the NCU.

4. Technical Assistance Fund Agreement

The Technical Assistance Fund Agreement shall be prepared and signed by the NCU on the Czech side and by SDC / SECO on the Swiss side. The content of the Technical Assistance Fund Agreement shall include inter alia:

- Objectives of the Technical Assistance Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.

Scholarship Fund

1. Definition and purpose

A Scholarship Fund shall be established. It shall provide financing for educational and research scholarships for Czech students and researchers admitted at higher education and research institutions in Switzerland.

Educational scholarships shall enhance the development of high quality human resources, encourage networking and initiate cooperation among young academics.

Research scholarships shall promote excellence in research, allow outstanding personal achievements of junior and senior researchers, stimulate networking and enhance Swiss-Czech research cooperation. Research scholarships may be linked to the creation of trans-national teams and joint research projects.

2. Intermediate Body for the Scholarship Fund

The Intermediate Body for the management of a Scholarship Fund is a Swiss institution.

3. Scholarship Fund Agreement

The Scholarship Fund Agreement shall be prepared by the Intermediate Body. It shall be signed by the NCU on the Czech side and by the SDC on the Swiss side. The content of the Scholarship Fund Agreement shall include inter alia:

- Objectives of the Scholarship Fund;
- Detailed listing of costs eligible for financing;
- Organisational structure, roles and responsibilities;
- Procedures;
- Budget and financial planning;
- Audit procedures;
- Monitoring and steering;
- Reporting.

4. Eligible costs

Eligible costs include scholarships costs such as displacement, living expenses, insurance, matriculation fees, specific research and publication costs.