FINANCING MEMORANDUM

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

The Government of Slovenia, hereinafter referred to as "THE RECIPIENT" on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: SI0001
Title: 2000 Participation of Slovenia in Community programmes:
Leonardo da Vinci II, Socrates II, Youth for Europe and the 5th Framework on Research
Duration: Until 31/12/2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 2,706,028 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31/12/2000 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30/06/2001. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Mr. Eric van der LINDEN
Head of EC Delegation in Slovenia
Trg republike 3/XI
1000 Ljubljana
Slovenia

for THE RECIPIENT:

Mr. Janez POTOCNIK
Acting Director
Office of European Affairs
Slovenska cesta 27/29
1000 Ljubljana
Slovenia

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at Ljubljana
Date 31.3.2000

for THE RECIPIENT

for THE COMMUNITY

Annex A & B of the Framework Agreement
Annex C
1. **SUMMARY**

The ten candidate countries of Central and Eastern Europe (CEECs) have continued participating increasingly in 1999 in the various Community programmes currently opened to them on the basis of the relevant Association Council decisions defining the terms and conditions for such a participation.

In the fields of education, training and youth, three new programmes, *Leonardo da Vinci II*, *Socrates II* and *Youth* starting from the year 2000, are succeeding the previous ones in which all the CEECs have been participating in 1999.

Participation in the 5th RTD Framework Programme, which started in 1999, will continue over the 2000-02 period.

To participate in these programmes, the CEECs will have to pay each year a financial contribution, which is established in the Association Council decisions. This contribution will be added to the programmes' budget. It will not be reimbursed to the CEEC if, at the end of the year, the results fall short of the contribution paid. All the CEECs expressed their wish to use part of their national Phare allocations as a complement to their national budget to finance their contribution as entry ticket to most of these programmes. The time schedule for activities within these programmes makes it necessary these Phare funds be made available early in the year.

In view of the participation of the ten CEECs (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) in 2000 in the following programmes, it is now proposed to the Phare Management Committee the required Phare support for the ten countries as regards:

- the *Socrates II*, *Leonardo da Vinci II* and *Youth* programmes
- the 5th *RTD Framework Programme* (with the exception of the Czech Republic)

2. **BACKGROUND**

The European Council of December 1999 confirmed the enlargement process launched at its meeting of December 1997 in Luxembourg. The enhanced Pre-Accession Strategy defined in 1997 has been reiterated, which includes the participation of the 13 candidate countries in Community programmes as an important part of such strategy.

As regards the ten candidate countries of Central and Eastern Europe (CEECs), participation in Community programmes is established in their respective Europe Agreements. According to these specific provisions,

- these countries may participate in Community programmes in a wide range of areas enumerated in a non-exhaustive manner;
- it will be up to each Association Council to decide on the terms and conditions of participation;
- CEECs will themselves bear the cost of their participation. The Community may, however, decide to provide complementary financial support from the national Phare appropriations.

In this connection, the Luxembourg European Council indicated that candidate countries should steadily increase their own financial contribution, but agreed that Phare, if necessary, would continue to part-finance these countries’ financial contributions up to around 10% of the Phare appropriation, "not including participation in the research and development framework programme”.

The ten CEECs have increasingly been participating in the various Community programmes currently opened to them on the basis of more than 100 Association Council decisions defining the terms and conditions for such a participation.
In the case of the education, training and youth programmes, all the CEECs have been participating in 1999 in the last year of the Leonardo da Vinci, Socrates and Youth for Europe programmes. For some of them, participation in these programmes started already in 1997, others joined the programmes in 1998 and the last two in 1999.

The Council decision of 26 April 1999 establishing the second phase of the Community vocational training action programme “Leonardo da Vinci”, herein referred to as the Leonardo da Vinci II programme, and the decision of 16 December 1999 of the European Parliament and of the Council establishing the second phase of the Community action programme in the field of education “Socrates”, herein referred to as the Socrates II programme, provide that the two programmes shall be open to the participation of the CEECs in accordance with the conditions established in the Europe agreements, in their additional protocols and in the decisions of the respective Association Councils. A similar provision is included in the draft decision of the European Parliament and of the Council establishing the Community action programme “Youth”, which is in the process of adoption.

So as to allow the CEECs to participate in these new programmes from their beginning, the Commission has tabled a proposal for the adoption of two decisions by each Association Council, one for the two programmes already in force, Leonardo da Vinci II and Socrates, and one for the Youth programme. It is expected that the proposed decision concerning Leonardo da Vinci II and Socrates II will be adopted first, in a very near future, and the proposed decision concerning Youth will be adopted as soon as the decision establishing the programme will enter into force.

In the case of the research and development programmes, Association Council decisions have been adopted in 1999, which provide for the participation of all the candidate countries in the 5th RTD Framework Programme for the years 1999 to 2002.

3. POLICY ASSESSMENT

Participation of candidate countries from Central and Eastern Europe in Community programmes has been confirmed by the European Council as one of the key-features of the enhanced Pre-Accession Strategy. Their participation will not only contribute towards the implementation of the provisions relating to economic, scientific and cultural co-operation in the Europe Agreements; it will also enable these countries to familiarise themselves with the Union policies and working methods.

All CEECs have already been participating in the Community programmes Leonardo da Vinci, Socrates and Youth for Europe, as well as in the 5th RTD Framework Programme. They have expressed a very strong wish that the activities undertaken could continue within the successor educational programmes without any interruption. Decisions on this participation have been taken at Government level, as is the case for the budgetary appropriations, which they have to earmark for this purpose. The appropriations deemed necessary for their participation in these programmes will be much more significant than those needed for similar participation in the other Community programmes.

The Leonardo da Vinci, Socrates and Youth programmes, as well as the 5th RTD Framework Programme, constitute a great part of the Community acquis in the fields of education, training, youth and research. Participation in these programmes will allow citizens and national administrations of CEECs and Member States to develop co-operation and exchange networks and should speed up integration of these countries into a Europe of knowledge and support their preparation for accession to the European Union. Full participation will benefit both the CEECs and the EU. It will support economic development in the CEECs. This will

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2 OJ L 28/00 of 3.2.2000, p. 1
also contribute to progressively achieving the goal of training personnel for the public administrations involved in the Community programmes concerned and thus correspond to “Institution Building”, a major priority for Phare in the context of the Pre-Accession Strategy.

4. COST AND FINANCING PLAN

As proposed by the Commission in its Communication of 20 December 1999 to the Council on "Participation of candidate countries in the Community programmes, agencies and committees", new financial modalities will be applied to simplify the management of the participation of the candidate countries.

Each year the funds will be transferred directly to the country concerned to help the country pay its contribution within the deadline requested by the programme.

Contrary to the provisions of previous Association Council decisions concerning participation in the former generation of programmes, financial contributions from a candidate country, if unused for participants from this country, will not be reimbursed to the country concerned nor deducted from its contributions for the following year. Consequently eventual left-overs might be used to cover the costs for subsidies or other financial support from the programmes to individual or institutional participants from another country. Similarly, the level of participation of each CEEC will depend on the results of the selection of projects, but will not be limited to the precise amount of its financial contribution as it was in the past.

To avoid any budgetary imbalance to the detriment of Member States or candidate countries, and ensure that the impact of these countries’ participation is as neutral as possible on the programmes’ budget available for Member States, the contributions that the candidate countries are required to pay for participation in the programmes have been calculated to achieve an optimum correlation with their absorption capacity.

The financial contribution required for each country to cover the costs of its participation in each of these programmes has thus been calculated by the Commission services involved on the basis of the following elements:

1) as regards the educational programmes,
   - the programme’s budget (Leonardo da Vinci II) or preliminary draft budget (Socrates II and Youth);
   - objective parameters, such as population, distance, and other specific parameters inherent to the programme concerned;
   - the absorption capacity of these countries, as resulting from previous experience of their participation in the first generation of programmes;

2) as regards the 5th RTD Framework Programme,
   - the objective parameters inherent to the FP5 and taking into account the CEEC Gross Domestic Product. However, as the financial contributions required from these countries could present some difficulties, they are being offered, in addition to Phare funding, a reduction of around 29% of their total theoretical GDP-based contributions, to be degressively applied over the 4-year period (1999-2002) of FP5.

All the CEECs (excepting the Czech Republic with respect to FP5) have chosen to make use of the possibility to utilise part of their national Phare allocation to co-finance their contributions. The level up to which Phare funds will be used in 2000 differs country by country. Some countries have opted for paying each year more or less equal parts from their national budget and from Phare. Others draw heavily on their Phare allocation in the first year of participation, but have been encouraged to steadily increase their own financial effort during the following years. Administrative costs will be covered by these countries from their own State budgets.
For the *Leonardo da Vinci II*, *Socrates II* and *Youth* programmes, the financial contributions required from each country, and agreed with it, and its precise breakdown between Phare and the State budget, is specified in the draft Association Council decisions.

For the *5th Framework Programme on research and technological development*, the total Phare support over the 4-year period of FP5 will not exceed 33% of the theoretical (if no reduction were offered) GDP-based contribution.

Phare funds required for the ten CEECs (*Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia* and *Slovenia*) as regards participation in the *Leonardo da Vinci II*, *Socrates II* and *Youth* programmes, as well as in the *5th Framework Programme on research and technological development* in 2000, are those set out in the table below.

<table>
<thead>
<tr>
<th>(in EUROS)</th>
<th>Socrates</th>
<th>Youth</th>
<th>Leonardo</th>
<th>TOTAL Educational programmes</th>
<th>FP5</th>
<th>TOTAL Educ. progr. + FP5</th>
<th>Financing Memorandum Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>3,745,110</td>
<td>517,300</td>
<td>2,880,000</td>
<td>7,142,410</td>
<td>1,654,526</td>
<td>8,796,936</td>
<td>BG0001</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>3,783,000</td>
<td>840,000</td>
<td>1,900,500</td>
<td>6,523,500</td>
<td>0</td>
<td>6,523,500</td>
<td>CZ0001</td>
</tr>
<tr>
<td>Estonia</td>
<td>305,000</td>
<td>250,000</td>
<td>337,000</td>
<td>892,000</td>
<td>545,001</td>
<td>1,437,001</td>
<td>ES0001</td>
</tr>
<tr>
<td>Hungary</td>
<td>2,384,000</td>
<td>760,000</td>
<td>1,267,000</td>
<td>4,411,000</td>
<td>5,562,839</td>
<td>9,973,839</td>
<td>HU0001</td>
</tr>
<tr>
<td>Latvia</td>
<td>357,600</td>
<td>231,600</td>
<td>449,200</td>
<td>1,038,400</td>
<td>814,572</td>
<td>1,852,972</td>
<td>LE0001</td>
</tr>
<tr>
<td>Lithuania</td>
<td>638,000</td>
<td>340,000</td>
<td>664,500</td>
<td>1,642,500</td>
<td>768,730</td>
<td>2,411,230</td>
<td>LI0001</td>
</tr>
<tr>
<td>Poland</td>
<td>7,665,470</td>
<td>2,505,800</td>
<td>4,109,110</td>
<td>14,280,380</td>
<td>16,149,850</td>
<td>30,430,230</td>
<td>PL0001</td>
</tr>
<tr>
<td>Romania</td>
<td>3,846,500</td>
<td>1,252,000</td>
<td>2,146,500</td>
<td>7,245,000</td>
<td>4,660,920</td>
<td>11,905,920</td>
<td>RO0001</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,456,700</td>
<td>926,800</td>
<td>1,430,800</td>
<td>3,814,300</td>
<td>2,613,600</td>
<td>6,427,900</td>
<td>SK0001</td>
</tr>
<tr>
<td>Slovenia</td>
<td>406,658</td>
<td>329,660</td>
<td>469,710</td>
<td>1,206,028</td>
<td>1,500,000</td>
<td>2,706,028</td>
<td>SL0001</td>
</tr>
<tr>
<td>TOTAL</td>
<td>24,588,038</td>
<td>7,953,160</td>
<td>15,654,320</td>
<td>48,195,518</td>
<td>34,270,038</td>
<td>82,465,556</td>
<td></td>
</tr>
</tbody>
</table>

The Phare funds concerning the educational programmes will only be transferred after the entry into force of the corresponding Association Council Decisions.

The Phare funds concerning *FP5* also cover the participation of six of these countries (*Bulgaria, Hungary, Latvia, Romania, Slovakia* and *Slovenia*) in the Fifth Framework Programme of the European Atomic Energy Community (Euratom) for Research and Training Activities.

These funds will be transferred, according to Phare rules, from Budget article B7-030 to the countries concerned on the basis of separate Financing Memoranda. Together with the country’s own contribution from its State budget, the Phare funds will constitute the country’s national contribution, out of which it will make payments in response to the calls for funds of the Commission’s Directorates-General Education and Culture and Research, respectively.

The total contribution will be entered in the EU Budget as earmarked revenue giving rise to supplementary appropriations opened under articles B3-1001, B3-1010, B3-1021, for educational programmes, and B6-451 (JRC) and B6-551 (indirect actions), for research programmes. The Phare funds should thus be transferred so as to allow CEECs to meet the deadlines for paying their national contribution.

The foreseeable disbursement schedule is thus as follows :
5. IMPLEMENTATION ARRANGEMENTS

The Phare funds will be transferred to all countries concerned by means of separate financing memoranda. Due to the specificity to this programme funds will be transferred in a single tranche to the National Fund of each of the countries. The National Fund will be responsible for transferring the funds back to the Commission together with the national contribution, following the call for funds of the Commission's Directorates General of Education and Culture and of Research. Article 4 of the Memorandum of Understanding on the establishment of the National Fund will thus not apply in this particular case. It should be noted, however, that the Phare contribution for each programme may only be transferred after the entry into force of the corresponding Association Council Decisions. Where there is a delay in the entry into force of the Association Council Decision the payment to the National Fund may be divided into two or more tranches to allow the Phare contribution to proceed for those programmes which are ready.

The implementation of the participation of CEECs in the Leonardo da Vinci II, Socrates, and Youth programmes, and in the 5th Framework Programme on research and technological development, will follow the rules pertaining to these programmes. Projects and initiatives submitted by participants from the CEECs shall be subject to the same conditions, rules and procedures pertaining to these programmes as are applied to Member States, regarding:

- the submission, assessment, and selection of applications and projects,
- the responsibilities of the national structures in the implementation of the programmes,
- the activities related to the monitoring of their participation in the programmes.

The Leonardo da Vinci II, Socrates II and Youth programmes will be implemented by the Commission in close co-operation with the national authorities. The same arrangements will apply as for the Member States of the Union. For these programmes the decentralised structures designated by participating countries (the Socrates and Youth Agencies, the Leonardo da Vinci National Co-ordinating Units) have an essential role to play in the implementation of the programmes and will work in close co-operation with the national authorities responsible for education, training and youth. The national structures are in particular responsible for the selection and management of the decentralised part of the programme activities, which has increased in comparison to the former generation of programmes. They operate according to programme guidelines defined by the European Commission in consultation with the programme Committees and on the basis of a contract with the Commission, which is subject to presentation of their Work Plan including a detailed budget.

To ensure continuity between the former and the new generation of programmes, and to allow for effective participation of organisations from the CEECs countries from the very beginning of the year, the Commission services have opened the calls for proposals to these countries even before the adoption of the Association Council decisions, making clear that projects presented by these countries will be eligible on the condition that relevant Association Council Decisions are in force by the end of the selection process.

The specific programmes of FP5 will also be implemented by the Commission in close co-operation with the national authorities. The capacity of the CEECs to participate in FP5
depends to a large extent on the abilities of these authorities in spreading relevant information to potential beneficiaries in their country.

6. AUDIT, MONITORING AND EVALUATION

The monitoring procedures applied in the programmes will also cover operations financed for candidate country beneficiaries. All contracts, agreements and legal commitments between the Commission and recipients of payments provide for in situ checks by the Commission and the Court of Auditors. The accounts and operations of the programme may be checked at the Commission's discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors. Recipients of support under specific actions are under the obligation to provide a report and financial statement which are analysed from the point of view of content and eligibility of expenditure in accordance with the objective of Community funding and bearing in mind the contractual obligations and the principles of sound and efficient management. The evaluation foreseen in the decisions establishing the programmes will also cover operations financed for candidate country beneficiaries.

7. SPECIAL CONDITIONS

- As for the Member States, projects involving CEECs will be selected according to quality criteria.
- Nevertheless, to ensure the Community dimension of the programmes, the projects and activities proposed by CEECs will be required to include at least one partner from the Member States of the Union.
- As regards FP5, the CEEC involvement will take place in accordance with the terms and conditions laid down in the "Rules for the participation of undertakings, research centres and universities in the dissemination of research results for the implementation of the Fifth Framework Programme of the European Community", and where applicable, in accordance with the terms and conditions laid down in the "Rules for the participation of undertakings, research centres and universities in the implementation of the Fifth Framework Programme of the European Atomic Energy Community".
- Representatives of these countries will participate as observers (without voting rights) and for the points which concern them, in the Leonardo da Vinci II, Socrates II and Youth committees, as well as in the programme committees of the EC FP5 and the Euratom FP5.