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 of 7 October 1992 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:

Project number: SL 9803 to SL9806
Title: SLOVENIA NATIONAL PROGRAMME 1998
Duration: Until December 31, 2000

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 8.75 MECU hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31 December 2000, subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 31 December 2001. All disbursements must be completed by this date. 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.
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 Amir NAQVI  
Head of the EC Delegation  
Trg republike 3/XI  
1000 LJUBLJANA  
SLOVENIA  
Tel.: 386/61.125.13.03  
Fax.: 386/61.125.20.85

for THE RECIPIENT:

Government of the Republic of Slovenia  
Government Office for European Affairs  
Slovenska 27  
1000 Ljubljana  
Slovenia  
Tel.: 386/61.178.22.28  
Fax.: 386/61.178.23.10

ARTICLE 5 - NUMBER OF COPIES

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. Only expenditure incurred from this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum

Done at ..........  
Date 23.12.98

for THE RECIPIENT  
Minister without Portfolio for European Affairs

for THE COMMUNITY  
Head of the EC Delegation in Slovenia  
Mr Amir NAQVI

Annex B: Special Provisions (Annex C)
ANNEX C
SPECIAL PROVISIONS

1. PROGRAMME OBJECTIVES, PRIORITIES, AND STRATEGY

Objectives
The fundamental objective for Phare in Slovenia is to assist this country to join the European Union as soon as possible. Phare, as a reinforced “accession-driven” programme, will therefore further concentrate, from 1998, on a limited range of priorities in order to maximise its impact. In line with the new Phare Guidelines which will also change the way the Programme is managed in order to improve the speed, the efficiency, the effectiveness and the transparency of its activities, the Phare 1998 National Programme for Slovenia has been focused in particular on the short (and medium) term priorities identified in the Accession Partnership and translated in the Slovene National Programme for the Adoption of the Acquis (both of March 1998).

The Phare assistance under the National Programme 1998 for Slovenia is 8,75 MECU and will give priority to institution building and the preparation of the investments required to meet the obligations of EU membership in 4 sectors of a key importance and identified as short and medium term priorities in the Accession Partnership (AP) :

1. The further integration into the Internal Market and the reinforcement of the capacity to implement the Acquis by achieving compliance with EC statistical requirements and by supporting the introduction of VAT & Excise systems, the capital movements liberalization, the enforcement of a compatible public procurement system, the improvement of budget procedures/management, of the financial control/audit, and of the insurance supervision.
2. The support to Regional Policy and Cohesion by preparing the administration to the whole process of the structural funds through a Special Preparatory Programme of information, training and financing of concrete projects of regional development (“objective 1” type).
3. Development of Environmental monitoring and implementation control structures and capacities (pollution permitting, monitoring & enforcement system) and preparation of further investments in this field to be financed in 1999.
4. Development of the capacity of the Ministry of Agriculture to implement external border control mechanisms in the fields of veterinary and phytosanitary (feasibility study for Investment preparation and training) and strengthening of rural development policy, of enforcement of the CAP mechanisms and of the monitoring of agricultural markets.

The other short and medium term priorities identified in the AP will be addressed by the Phare National Programme for 1999.
• **Priorities and Strategy**

Eligible for Phare support since 1992, Slovenia officially applied for EU membership on 10 June 1996, and in its Opinion of July 1997, the Commission recommended the Council to open negotiations with Slovenia. The Commission stressed in its “Agenda 2000” the necessity of a reinforced pre-accession strategy, which was then translated within the AP, establishing a clearly defined programme to prepare for membership and committing the Slovene Government to particular short and medium-term priorities and to a calendar to carry them out. The Government presented a Strategy for Accession to the EU in December 1997 which was adopted by the parliament in February 1998 and which was translated more concretely, following the invitation of the Commission, in a first preliminary version of the National Programme for Adoption of the Acquis. This NPAA will be further developed by July 1998.

The selection of priority support areas for the 1998 Phare National Programme (8.75 MECU) was based on both the short and medium term priorities contained in the Accession Partnership.

The **short-term priorities** covered in 1998 are:

- the further **integration into the Internal Market and the reinforcement of the capacity to implement the Acquis** in the fields of statistics, public finance and financial sector.
- the development of **Environmental** control structures and capacities.

The **medium-term priorities** covered in 1998 are:

- the development of the capacity in the field of **Agriculture** to implement external border control mechanisms, to strengthen rural development policy and to enforce the CAP.
- the support to **Regional Policy and Cohesion** through a preparation to the structural funds.

Some other **short-term** priorities identified in the AP have not been covered by the National Programme for 1998 because they are already financed under previous Phare programmes (mainly in 1996 and 1997). This is the case for property law and land registration, economic reform (finance and banking sectors and preparation of pension reform), reinforcement of institutional capacity (introduction of civil service act), internal market (standardisation and certification, technical regulations, company legislation, state aid).

Due to some delays in the ratification and the entry into force of the Europe Agreement, which cannot be expected before the end of 1998, it was agreed to wait for the 1999 National Phare programme to fund the participation of Slovenia in Community Programmes. However, an allocation of 1.25 MECU (the same than in 1996 and 1997) has been decided to continue the participation into the Tempus II programme in 1998.

2. **OBJECTIVES AND DESCRIPTION**

An environmental impact assessment will be carried out for all investment projects. Equal opportunity for men and women to participate in all projects will be ensured. Indicators will be elaborated to assess the extent of women participation in projects.

2.1 - **Further integration into the Internal Market and reinforcement of the capacity to implement the Acquis** (SL9803)

2.1.1. Objectives

The overall objective is to set-up, on the one hand, a complete Institution Building programme to address the reinforcement of the Slovene institutional and administrative capacity in the key areas of public finance and the supervision of the financial sector, through in particular twinning arrangements with the EU Member States.
On the other hand, the aim is to enable Slovenia to provide harmonized and reliable statistics in particular in the fields of agriculture and macro-economic statistics, in order to manage effectively the mechanisms of the Common Agricultural Policy (CAP) and of the EC structural funds.

2.1.2. Description

The sub-programme will cover 2 main projects of a key importance in view of accession:

1. Reinforcement of the capacity to ensure the adoption, implementation and enforcement of the Acquis in the Slovene Public Finance and financial sector

   This project will provide technical assistance mainly through twinning arrangements with the EU Member States Administrations in 6 main sectors:
   a) Support to the implementation of the VAT & Excise systems via the cooperation with EU administrations, the reorganization of the Administration, the training of officials, the standardization of documents, the development and supply of software, etc...
   b) Support to further capital movements liberalization via the drafting of an efficient and compatible strategy (sequencing and pace of the liberalization).
   c) Further alignment, implementation and enforcement of the Public Procurement system via the training of purchasing officers, the drafting of documentation, the strengthening of control mechanisms and infrastructure, the familiarization with EC practices, etc...
   d) Improvement of the budgetary procedures and of the public expenditure management via the familiarization with the EC methods and practices for policy making process, planning, implementation, adoption, monitoring and execution.
   e) Improvement of financial control and inspection system to implement sound and efficient mechanisms in general and a well functioning inspection system.
   f) Strengthening of the capacity of the Insurance Supervisory Authority through a close cooperation with EU supervisory authorities and exchange of officials.

   The Slovene Ministry of Finance (MOF) will be the implementing authority responsible for the overall coordination and the supervision of the implementation of the projects within its departments and other different institutions involved. For this purpose, the MOF is therefore committed to provide the necessary premises and staff with clear responsibilities and tasks.

2. Further alignment of Slovene statistical methodology with EC requirements and reinforcement of the institutional capacity of the Statistical Office

   This project will provide both a methodological and technical assistance in the fields of:
   a) Agriculture for the preparation of different census and surveys on producer prices, on pesticides and fertilisers, introduction of harmonised typology, information on land use for the improvement of the land registry and cadastre system, etc...
   b) Finance and macro-economy for the improvement of the collection and treatment of data on national financial accounts, consumer prices, balance of payments, employment, economic aggregates, etc...
   c) Structural Funds for the improvement of the collection and treatment of national and regional data in order to define eligible areas (data on regional and rural development, on employment, training, etc...).

   This project will also aim at the strengthening of the institutional capacity of the SORS for ensuring a minimum burden on respondents by the diminishing of data collection burden, for providing an adequately trained staff and a co-ordination capacity.

   The successful implementation of the project depends on the establishment by the Slovene Statistical Office (SORS) of a specific structure, with trained staff and clear responsibilities and tasks.
The project will be implemented by the SORS under the guidance and supervision of a steering committee, composed of representatives from at least the SORS, the Bank of Slovenia, the Ministries of Finance, of agriculture and of Interior, the Institute for Macroeconomic Analysis and Development, the Chamber of Commerce and Eurostat.

2.2 - Support to Regional Policy and Cohesion (SL9804)

2.2.1. Objectives

The general aim of this sub-programme is to support the development of an appropriate regional and cohesion policy compatible with the EC mechanisms by preparing the Slovene administration to the whole process of the structural funds through a Special Preparatory Programme of information, training and financing of “objective 1” type of projects for integrated regional development. It will prepare the country to design and implement actions under structural fund rules and procedures, and support the establishment of a national coordination and management structure. It is also aimed at preparing the country to manage the pre-accession instruments ISPA (infrastructure projects for transport and environment) and SAPARD (rural development actions).

2.2.2. Description

This sub-programme, consisting of a single project, will cover 2 main aspects:

1. **Institution building** to allow Slovenia to manage the whole process of structural and cohesion fund operations and to increase the knowledge of the administration on their activities and procedures. This component should cover a general training action, technical assistance for the establishment of an adequate IT system and of a coordination structure at the national level, for the drafting and finalizing of an operational programme under “objective 1” conditions and for **twinning actions** with Member States’ experts in some specific fields such as financial management, SME development, etc... Some specific actions will also be provided in preparation for the pre-accession cohesion instrument (ISPA) and for the agricultural pre-accession instrument (SAPARD).

2. Projects for integrated regional development will give some direct experience of the operational aspects of the conception and implementation of an “objective 1-type” programme concerning local development in a specific zone or zones of the country, on the basis of the National Regional Development Strategy in the context of a strategic and integrated approach to local development. The actions should cover areas of activity eligible for the funds now operating (ERDF, ESF, EAGGF-O, FIFG) and may include implementation of new projects. It is desirable these concrete projects will be co-financed at progressive rates by the Slovene side, up to the minimum objective 1 co-financing rate i.e. 25%.

In general, the successful implementation of the project depends on the establishment by the Slovene authorities of a Steering Committee composed by at least the Government Office for European Affairs, the Ministries for Economic Relations and Development (MOERD), of Finance, of Labor, of Agriculture, of Education and Sport, of Environment and Physical Planning, of Transport, of Economic Affairs (energy), of SME, the Office for Local Self-government and the Statistical Office. The MOERD will be the implementing authority and will assume the final responsibility for the implementation of this sub-programme.

The implementation of the projects for integrated regional development is subsequent to the establishment of a specific structure, with trained staff and clearly defined responsibilities and tasks, for the management of structural fund activities within the national administration.

2.3 - Environment (SL9805)
2.3.1. Objectives
The aims of this sub-programme is on the one hand the strengthening of the Slovene pollution monitoring, permitting and enforcement strategy and system (which shall be continued under Phare 1999 and which is receiving State Budget co-financing support), and on the other hand, the preparation of critical capital investments in environment for implementation in 1999/2000, both in view of the Accession of Slovenia to the EU.

2.3.2. Description
The sub-programme will consist of one single project but will have two main components:

1. Strengthening of pollution monitoring, permitting & enforcement system through 4 kinds of support, such as:
   a) the supply of equipment for upgrading the ambient air monitoring system with co-financing from the national government and for introducing border control monitoring equipment for irradiated products.
   b) the refinement of the national strategy for permitting, monitoring and enforcement to ensure that there is a coherent and integrated strategy that ties in all three elements of permitting, monitoring and enforcement.
   c) the provision of technical training for Inspectorate staff in the area of Integrated Pollution Monitoring and Control and related industrial directives and
   d) an assistance to legal transposition in the area.

2. Preparation of investments through technical assistance (including feasibility studies and technical specification design) in the areas of:
   a) drinking and waste water sectors (including pipeline leakage detection and remediation for compliance with Framework Directive, Drinking Water Quality and Urban Waste Water Directive) and,
   b) waste management, especially as regards the consolidation of the current 54 landfill sites.

The Slovene Ministry of Environment and Physical Planning (MOEPP) will be the implementing authority responsible for the overall coordination and the supervision of the implementation of the projects within the different institutions involved. For this purpose, the MOEPP and the different beneficiary institutions are therefore committed to provide the necessary premises and staff with clear responsibilities and tasks.

2.4. Agriculture (SL9806)

2.4.1. Objectives
The aim of this last sub-programme is on the one hand to provide technical support in the adoption of the acquis in the veterinary and phyto sanitary inspections, in particular in order to create the physical infrastructure/facilities at the designated border crossings and to strengthen their inspection capacity itself at all levels. On the other hand, Phare will provide support, under institution building, to set up a reliable farm registry for the entire territory of the Republic in order to have access to direct payments of agricultural subsidies (CAP tool), to strengthen rural development division within the Ministry of Agriculture, Food and Forestry (MOAFF) and market intervention agencies.

2.4.2. Description
This sub-programme represents one project covering two distinct components:

1. Preparation of the construction of Veterinary and Phytosanitary facilities at border crossing inspection posts along the Croatian border via the surveying of the three identified sites, an economic and financial appraisal, an environment impact assessment, the
preparation of technical designs and of bill of quantities, the technical specification for the required equipment and the preparation of the tender documents.

2. **Reinforcement of the institutional and administrative capacity** in order to:
   a) strengthen the veterinary and phytosanitary administrations to improve the diagnostical capacity at the border points and the backstopping fields (laboratories);
   b) continue the support to the European Strategy and Programmes Unit (ESPU) in order to improve the Economic analysis and policy of the MOAFF and its overview of the entire agriculture and rural development sector in the context of accession;
   c) set-up a reliable Farm registry to allow direct payment of agricultural subsidies (CAP tool), based on land registry and clear criteria as to the nature of a farm;
   d) support Rural structural development (irrigation, amelioration, agro-tourism and village revitalization) via the strengthening of economic analysis, multidisciplinary planning, strategy development, etc...; and
   e) further develop a Market intervention Agency.

The Slovene Ministry of Agriculture, Food and Forestry (MOAFF) will be the implementing authority responsible for the overall coordination and the supervision of the implementation of the projects within its different departments and other institutions involved. For this purpose, the MOAFF is therefore committed to provide the necessary premises and staff with clear responsibilities and tasks.
3. BUDGET

<table>
<thead>
<tr>
<th>Institution</th>
<th>Allocations in ECU</th>
<th>Investment (indicative)</th>
<th>Institution building (indicative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further integration into the Internal Market and reinforcement of the administrative and institutional capacity (SL9803)</td>
<td>2,850,000 (32,5%)</td>
<td>2,850,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>850,000</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>2,000,000</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>Regional Policy and Cohesion (SL9804)</td>
<td>3,000,000 (34,3%)</td>
<td>1,600,000</td>
<td>1,400,000</td>
</tr>
<tr>
<td></td>
<td>1,600,000</td>
<td>1,400,000</td>
<td></td>
</tr>
<tr>
<td>Environment (SL9805)</td>
<td>1,900,000 (21,7%)</td>
<td>1,500,000</td>
<td>400,000</td>
</tr>
<tr>
<td></td>
<td>1,500,000</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Agriculture (SL9806)</td>
<td>1,000,000 (11,5%)</td>
<td>250,000</td>
<td>750,000</td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL of the FM 1998</td>
<td>8,750,000</td>
<td>3,350,000</td>
<td>5,400,000</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>38%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Up to 19% of the budget may be contracted directly by the Commission and will not, therefore, be transferred to the National Fund.

4. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The Government has appointed the head of the Government Office for European Affairs as National Aid Co-ordinator (NAC) to have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme and will be responsible for financial reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Financial Control Authority with respect to the implementation of the programme.
The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of the Republic of Slovenia.

Funds will be transferred following requests from the NAO. A payment of up to 1,420,000 ECU will be transferred to the NF following signature of the Financing Memorandum. Four replenishments will be made of up to 1,420,000 ECU or the full balance of the budget whichever is the lesser amount. The first replenishments will be triggered when 10% of the budget has been disbursed by the CFCU. The second replenishments may be requested when 30% of the total budget in force has been disbursed. The trigger point of the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs exceeds 10% of the total budget in force of the commitment. Exceptionally, the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

In the case of the following twinning arrangements, the Commission will transfer funds to finance long-term secondments to staff directly to a Technical Assistance Office (also called BAT: "Bureau d’Assistance Technique") : SL9803, first component; SL9804, first component; SL9805, first component and SL9806, second component.

For the decentralised implementation part, all projects will be implemented by the CFCU.

The National Fund will transfer funds to the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreement (FA) signed between the NF and the CFCU. The FA will be endorsed in advance by the European Commission. The CFCU will be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the CFCU.

A separate interest bearing bank account, denominated in ECU will be opened and managed by the NF in a separate accounting system in the Central Bank. Interest will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to the CFCU.

The NAO and the PAO will ensure that all contracts are prepared in accordance with the procedures set out in the DIS manual.

All contracts must be concluded by 31/12/2000. All disbursements must be made by 31/12/2001.

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

5. MONITORING AND ASSESSMENT

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

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

6. AUDIT AND EVALUATION
The accounts and operations of the National Fund, and of the CFCU may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

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

7. VISIBILITY / PUBLICITY
The appropriate Programme Authorizing Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the European Commission Delegation in Slovenia. Further details are attached in Annex.

8. SPECIAL CONDITIONS
In the event that agreed commitments are not met for reasons which are within the control of the Government of the Republic of Slovenia, the EC may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

The Government of the Republic of Slovenia shall ensure that appropriate counterpart staff, support staff, budgetary provisions and support facilities necessary for the implementation of the programme are provided and that appropriate institutional and legislative measures are taken. The European Union’s financial contribution is limited to the maximum amount defined above. This contribution will not cover any additional costs, cost increases or extensions which must be provided for by the implementing and contracting authorities.

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ANNEXES
1. Project fiches

2. Cumulative quarterly contracting and disbursement schedule

3. Visibility / Publicity

4. Budget showing one budget line per project, and indicating investment/institution building breakdown

5. Reports on activities financed by Phare in previous years in the sectors to be financed

6. Article 118 summary for the Official Journal

7. Financing agreements between National Fund and CFCU/IAS
Annex 1.
Project fiches

Reinforcement of the Slovene institutional and administrative capacity to ensure the adoption, implementation and enforcement of the Acquis in Public Finance and financial sectors
1. Log-frame matrix
2. Detailed budget breakdown
3. Detailed implementation time chart
4. Cumulative contracting and disbursement schedule by quarter
5. Relation of project with previous Phare activities

Further alignment of Slovene statistical methodology with EC requirements and reinforcement of the institutional capacity of the Statistical Office
1. Log-frame matrix
2. Detailed budget breakdown
3. Detailed implementation time chart
4. Cumulative contracting and disbursement schedule by quarter
5. Relation of project with previous Phare activities

Support to Regional Policy & Cohesion - Special Preparatory Programme to the Structural Funds
1. Log-frame matrix
2. Detailed budget breakdown
3. Detailed implementation time chart
4. Cumulative contracting and disbursement schedule by quarter
5. Relation of project with previous Phare activities

Environment
1. Log-frame matrix
2. Detailed budget breakdown
3. Detailed implementation time chart
4. Cumulative contracting and disbursement schedule by quarter
5. Relation of project with previous Phare activities

Agriculture
1. Log-frame matrix
2. Detailed budget breakdown
3. Detailed implementation time chart
4. Cumulative contracting and disbursement schedule by quarter
5. Relation of project with previous Phare activities
Annex 2.
Cumulative quarterly contracting & disbursement schedule

- Table 1: Cumulative quarterly contracting & disbursement schedule for the PHARE 1998 National Programme.

- Table 2: Detailed implementation time chart for the project “Reinforcement of the Slovene institutional and administrative capacity to ensure the adoption, implementation and enforcement of the Acquis in Public Finance and financial sectors”.

- Table 3: Detailed implementation time chart for the project “Further alignment of Slovene statistical methodology with EC requirements and reinforcement of the institutional capacity of the Statistical Office”.

- Table 4: Detailed implementation time chart for the project “Support to Regional Policy & Cohesion - Special Preparatory Programme to the Structural Funds”.

- Table 5: Detailed implementation time chart for the project “Environment”.

- Table 6: Detailed implementation time chart for the project “Agriculture”.
### Table 1: Financing Proposal for the PHARE 1998 National programme for SLOVENIA

<table>
<thead>
<tr>
<th>Indicative numbering</th>
<th>Projects &amp; components</th>
<th>Planned</th>
<th>Budget allocation in ECU</th>
</tr>
</thead>
<tbody>
<tr>
<td>SL9803 : Integration into the Internal Market &amp; reinforcement of the administrative and institutional capacity to implement and enforce the Acquis</td>
<td>2.850.000</td>
<td>2.850.000</td>
<td></td>
</tr>
<tr>
<td>SL9803.01 Public Finance &amp; Financial sector</td>
<td>contracting</td>
<td>850.000</td>
<td>2.850.000</td>
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<tr>
<td></td>
<td>disbursement</td>
<td>140.000</td>
<td>230.000</td>
</tr>
<tr>
<td>SL9803.02 Harmonization of statistics &amp; institution building</td>
<td>contracting</td>
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<td>2.000.000</td>
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<tr>
<td></td>
<td>disbursement</td>
<td>600.000</td>
<td>600.000</td>
</tr>
<tr>
<td>SL9804 : Support to Regional Policy and Cohesion - Special Preparatory Programme to structural Funds</td>
<td>700.000</td>
<td>1,400.000</td>
<td>3,000.000</td>
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<tr>
<td>SL9804.01 Institution building</td>
<td>contracting</td>
<td>700.000</td>
<td>1,400.000</td>
</tr>
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<td></td>
<td>disbursement</td>
<td>200.000</td>
<td>500.000</td>
</tr>
<tr>
<td>SL9804.02 Projects for integrated regional development</td>
<td>contracting</td>
<td>1,600.000</td>
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</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>500.000</td>
<td>1,000.000</td>
</tr>
<tr>
<td>SL9805 : Environment</td>
<td>1,500.000</td>
<td>1,900.000</td>
<td>1,900.000</td>
</tr>
<tr>
<td>SL9805.01 Pollution monitoring &amp; permitting system</td>
<td>contracting</td>
<td>1,000.000</td>
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</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>200.000</td>
<td>400.000</td>
</tr>
<tr>
<td>SL9805.02 Preparation of investments</td>
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</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>150.000</td>
<td>300.000</td>
</tr>
<tr>
<td>SL9806 : Agriculture</td>
<td>500.000</td>
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<td>1,000.000</td>
</tr>
<tr>
<td>SL9806.01 Preparation of investments for border crossing posts</td>
<td>contracting</td>
<td>250.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>100.000</td>
<td>150.000</td>
</tr>
<tr>
<td>SL9806.02 Institution building</td>
<td>contracting</td>
<td>250.000</td>
<td>250.000</td>
</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>50.000</td>
<td>100.000</td>
</tr>
<tr>
<td>TOTAL contracting</td>
<td>9%</td>
<td>5.550.000</td>
<td>7.150.000</td>
</tr>
<tr>
<td></td>
<td>disbursement</td>
<td>0</td>
<td>1.440.000</td>
</tr>
</tbody>
</table>
Table 2 : Detailed Implementation time chart for the project:
Reinforcement of the Slovene institutional and administrative capacity to ensure the adoption, implementation and enforcement of the Acquis in Public Finance and financial sectors

<table>
<thead>
<tr>
<th>Components</th>
<th>Implementation schedule (quarters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED</td>
</tr>
<tr>
<td>Introduction of VAT &amp; Excise systems</td>
<td>D - C</td>
</tr>
<tr>
<td>Capital Movements Liberalization</td>
<td>D - C - I</td>
</tr>
<tr>
<td>Public Procurement</td>
<td>D - C - I</td>
</tr>
<tr>
<td>Budget procedures &amp; management</td>
<td>D</td>
</tr>
<tr>
<td>Financial control &amp; audit system</td>
<td>D</td>
</tr>
<tr>
<td>Insurance supervision</td>
<td>D</td>
</tr>
</tbody>
</table>

Table 3 : Detailed Implementation time chart for the project:
Further alignment of Slovene statistical methodology with EC requirements and reinforcement of the institutional capacity of the Statistical Office

<table>
<thead>
<tr>
<th>Components</th>
<th>Implementation schedule (quarters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED</td>
</tr>
<tr>
<td>Compliance EMU related statistics</td>
<td>D - C</td>
</tr>
<tr>
<td>Compliance agriculture &amp; Structural Funds statistics</td>
<td>D - C</td>
</tr>
<tr>
<td>strengthening of institutional capacity</td>
<td>D - C</td>
</tr>
</tbody>
</table>

Legend:
D = design of projects
C = contracting
I = implementation
Table 4: Detailed Implementation time chart for the project:

Support to Regional Policy & Cohesion - Special Preparatory Programme to the Structural Funds

<table>
<thead>
<tr>
<th>Components</th>
<th>Implementation schedule (quarters)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED</td>
<td></td>
</tr>
<tr>
<td>Institution Building</td>
<td>D -</td>
<td>C - I</td>
</tr>
<tr>
<td>Projects for integrated regional development</td>
<td>D</td>
<td>D</td>
</tr>
</tbody>
</table>

Table 5: Detailed Implementation time chart for the project:

Environment

| Components                                                      | Implementation schedule (quarters) |    |
|                                                               | PLANNED                           |    |
| Environmental Permitting, Monitoring and Enforcement - Phase I| D        | C - I  | I      | I      | I      | I      | I      | I      | I      |
| Project Preparation for EU Accession Investments              | D        | C - I  | I      | I      | I      | I      | I      | I      | I      |

Legend:
D = design of projects
C = contracting
I = implementation
Table 6: Detailed Implementation time chart for the project:

**Agriculture**

<table>
<thead>
<tr>
<th>Components</th>
<th>Implementation schedule (quarters)</th>
<th>PLANNED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of the construction of veterinary and phytosanitary facilities</td>
<td>D - C - I</td>
<td>I</td>
</tr>
<tr>
<td>Reinforcement of the institutional and administrative capacity</td>
<td>D</td>
<td>C - I</td>
</tr>
</tbody>
</table>

Legend:
D = design of projects
C = contracting
I = implementation
Annex 3.
Visibility / Publicity
Annex 6.
Article 118 summary for the Official Journal
SLOVENIA - Phare National Programme 1998

The Commission has agreed the **Phare National Programme 1998** for Slovenia. The European Community will contribute up to a maximum of **8,75 MECU** from budget line B7-5000 to this programme, which must be implemented by **31 December 2000**.

This Phare assistance will give priority to institution building and the preparation of the investments required to meet the obligations of EU membership in 4 sectors of a key importance and identified as short and medium term priorities in the Accession Partnership:

1. **The further integration into the Internal Market and the reinforcement of the capacity to implement the Acquis (2,85 MECU - 32,5%) by**:
   a) achieving compliance with EC statistical requirements and
   b) supporting the introduction of VAT & Excise systems, the capital movements liberalisation, the enforcement of a compatible public procurement system, the improvement of budget procedures & management, of the financial control & audit, and of the insurance supervision.

2. **The support to Regional Policy and Cohesion (3 MECU - 34,3%) by preparing the administration to the whole process of the structural funds through a Special Preparatory Programme of information, training and financing of “objective 1” type concrete projects of regional development.**

3. **The support to Environment (1,9 MECU - 21,7%) by**:
   a) developing monitoring and implementation control structures and capacities (pollution permitting, monitoring & enforcement system) and,
   b) preparing further investments in this field to be financed by Phare in 1999.

4. **The support to Agriculture (1 MECU - 11,5%) by**:
   a) strengthening the capacity of the Ministry of Agriculture to implement external border control mechanisms in the fields of veterinary and phytosanitary (feasibility study for 1999 Investment preparation and training) and,
   b) strengthening of rural development policy, enforcement of the CAP mechanisms and of the monitoring of agricultural markets.

The other short and medium term priorities identified in the AP will be addressed by the Phare National Programme for 1999.

The different components of the programme also take account of the complementary technical and financial assistance provided by member states, the World Bank, the EIB, EBRD and other international donors.

**Contracting Authority:**
Office for European Affairs,
Slovenska, 27 - 1000 LJUBLJANA
SLOVENIA
Tel : (386-61) 178.25.01
Fax : (386-61) 178.25.32

Further information about this programme can be obtained from:
(a) the Contracting Authority (as above);
(b) the Phare Internet service at:
   http://europa.eu.int/comm/dg 1a/phare;
(c) the European Commission, DG IA Information Unit - Phare
   Fax : +32 2 299 17 77 or
   Email : phare.info@dg1a.cec.be.

Further tender opportunity details will be available as follows:
(a) for service tenders from the Phare Internet service at the above address.
(b) for all supply tenders over 300,000 ECU and for all works tenders above 1 MECU from the Official Journal of the European Communities. Tenders opportunities below these amounts will also be published, but this may be done only locally.

Expressions of interest for tenders may be made when the relevant details have been published.
Annex 5.
Report on previous Phare activities in Slovenia
in the sectors to be financed in 1998

1. General Presentation of the Phare assistance 1992-1997

Through the Phare national and Cross-Border Cooperation Programmes, 119,5 MECU have been committed from 1992 to 1998 and 90,5 MECU have already been contracted (75%) and 60 MECU paid (50%). These figures integrate already the recent Phare allocations for 1997 (25 MECU) and Tempus for 1998. For the period 1992-96, the contracting is around 97,8% for the National Programmes and 64,3% for CBC.

From 1992 to 1995 (69 MECU) concentrated interventions on economic restructuring and on human resources development, education, science and technology. The support was to assist Government’s efforts in promoting a viable SME sector and has been oriented rather on restructuring than on privatization. Phare has also devoted a substantial share of its total allocation to infrastructure, transport, telecom and energy, but these projects have been directed essentially to institution building (agency for energy conservation), strategic studies and legal advise.

From 1996, Phare has been reoriented for the period 1996-1999 (100 MECU), on a “pre-accession” approach around 4 main objectives that have been immediately applied in the COP 1996 (19 MECU, Tempus included) : 1/ the coordination and monitoring of the Government’s Pre-Accession Strategy (2,85 MECU), 2/ the adoption of the Acquis communautaire and the Reform of the Public Administration (5,4 MECU), 3/ the support to Economic and social Reforms by the promotion of the sustainability of socio-economic developments and the strengthening of the competitiveness of the enterprises (8,6 MECU), and 4/ the infrastructure Integration (0,9 MECU). 3 MECU have been allocated for the Cross Border Cooperation programme with Austria.

In 1997 the assistance was re-focused around the two axis of Institution building and the Investments linked to the adoption of EC norms. The COP 1997 (19 MECU, Tempus included) addressed 3 main priorities : 1/ Institutional building (10,3 MECU) to support the legislative, executive and judicial bodies to carry out the integration process, implement the EU Internal Market Acquis and set up implementation and enforcement structures. 2/ Economic competitiveness (2,45 MECU) via enterprise and family support, social services, and vocational education and training. 3/ Financing of investments (5 MECU) in two financial schemes covering regional micro and small enterprises, and environment. 6 MECU have finally been allocated for the CBC Programmes with Austria and Italy.

From 1992 to 1996, the Financial management was centralized in Brussels, but the Decentralized Implementation System (DIS) was introduced in March 1997 with the setting-up of a Central Finance & Contract Unit (CFCU) within the Ministry of Finance. The financial and contract administration of the COP 1997 is managed under this DIS as well as subsequent Phare Programmes, which from the allocation for 1998 will be managed via the National Fund and CFCU mechanisms.
2. Detailed presentation of the Phare National Programmes since 1992

Since 1992 priorities and focus have been evolving reflecting the development of the reforms in Slovenia and the increased priority assigned by the Government to approaching Europe. From support to economic and social transition in the period 1992-94, Phare has become the privileged EC instrument to support the pre-accession of Slovenia. This last move has been initiated in the national programme for 1995 which must be seen as a turning point.

The first phase of Phare operations (1992-1994) concentrated interventions on economic restructuring (around 40% of total funding) and on education, science and technology (from 43% to 16%). The support to the productive sectors has been roughly distributed between the non financial (2/3) and the financial sector (1/3). Assistance to the non financial productive sectors has mainly consisted in substantial sector studies to provide the Government with instruments for its industrial and restructuring policies and also to assist directly the managers in addressing the most fundamental issues facing their sector in the new open economic environment. Assistance has also been given to support the Government efforts in promoting a viable SME sector. The Phare strategy has thus been oriented rather on restructuring than on privatization. This can be explained by the peculiarities of the social ownership system which have been highlighted above; under this system privatization is largely the initiative of the firm itself, it requires a long preparation phase and results usually in employees and management buy out. In the early stages there are therefore only very limited needs for assistance to issue mass privatization schemes or to attract strategic foreign buyers, as was the case in other countries. Moreover, since the privatization agency could benefit from valuable technical assistance from other donors it is logical that Phare concentrated on restructuring.

Agriculture has not been regarded as a priority intervention sector by Phare. With 4% of GDP and 10% of employment, but 80% of agricultural workers being also involved in non agricultural activities, it was felt that the sector did not justify a specific intervention which would have spread the limited resources and reduced the selectivity of the whole programme. In view of the small size of the total allocation this approach is easily justifiable.

The reform of the banking and financial sector has absorbed on average 12-13% of total resources during this first phase. This assistance addressed crucial issues both for the economic stabilization and the preparation of future growth. A performing central bank is key to conduct the monetary policy and control the banking system. Phare provided significant resources to develop the human resources and the information system in the Bank of Slovenia, supported the development of the payment system and provided valuable professional know how and technical assistance to develop the Bank Supervision capacity. The other main direction of Phare assistance to the reform of the financial sector has been to support directly the restructuring of the two state banks, Nova Ljubljanska Banka (NLB) and the Nova Kreditna Banka Banka Maribor (NKB). The former benefited from Phare aid to restructure its activities and develop its information technology, the latter to restructure and organize its take-over of KBNG, the third state bank. These allocations have usefully contributed to the Government massive efforts to restructure the financial sector, materialized in the creation of the Bank Rehabilitation Agency (BRA), and at present the two state banks are marginally profitable and steps towards their privatization can be envisaged. Phare has assisted the reform of the financial sector with limited specialized support in the areas of legislation, improvement of accounting standards and export credit provided to the Bank Rehabilitation Agency, the Institute of Auditors and the Slovene Export Corporation.
During this first phase of the Phare Programme limited but important actions have been pursued to improve the management and the restructuring of the Ministry of Finance to face the major tasks it had to cope with in the transition period: revision of the tax system and establishment of the United Public Revenue Service (UPRS), establishment of a Treasury, development of an information technology strategy for the ministry, creation of a training center to meet the permanent needs of professional training of the staff. Given the increasing responsibilities of the Ministry of Finance these actions will be further amplified in the subsequent phases of Phare.

The second large area of intervention has been the development of education, science and technology. In 1992 and 1993 Tempus has been the most important single programme and was complemented by a large intervention in favor of science of technology in 1992. The unusually high share of this type of projects in a national Phare programme can be explained by a number of factors. Undoubtedly the fact that the Minister of Science and Technology was the National Aid Co-ordinator and that the Ministry of Science and Technology hosted the Tempus Office contributed to this high allocation. However, there are other justifications. Slovenia is a country with limited natural resources, high wages and educated manpower, and an industrial base relying on fairly advanced technologies. In that context the Government viewed as a high priority the technological development and the strengthening of the links of its scientific and technological specialists with the European scientific community. The Tempus programme was highly regarded in that respect and its results considered as very positive by all beneficiaries. Actions to support the development of an information technology center have proved more questionable and difficult to implement. For this reason no further funding is presently foreseen without a preliminary reassessment of the needs of the sector. In 1995 the focus on education has been partially displaced from Tempus to the establishment of the new vocational training and technical education system.

The initial steps to support pre-accession have already been done with technical projects aiming at harmonizing statistics and providing TA in the area of legislation and legal approximation. Phare has also devoted a substantial share of its total allocation to infrastructure, transport/telecom and energy. Given the limited size of the allocation and the objective needs of this phase of the transition, these projects have been directed essentially to institution building (development of an agency for energy conservation), strategic studies and legal advise. They were essential first steps in sectors which will require major regulatory adaptations and economic restructuring to become compatible with EC regulations and be able to survive in a competitive environment. Finally a large cross border programme with Italy (4 MECU - 17%) was introduced in 1994 permitting to focus also on the regional level.

In the 1995 programme, support to economic restructuring and private sector development remained a dominant pillar of intervention. The contents of the Programmes is also adapted to move from sector studies to more direct support to restructuring at policy and firm level. Regional development is the object of specific actions and the regional dimension is strengthened by an important cross-border co-operation programme. Agriculture received assistance to support the formulation of a sector strategy in the perspective of pre-accession. Institution building and administration strengthening became a higher priority in view of the necessity to consolidate economic stabilization (increased support to the Ministry of Finance), to prepare for pre-accession, and to continue the adaptation of the energy sector. In view of the institutional progress already achieved the 1995 Programmes include an important financial dotation to an energy savings fund. Finally, a social policy and employment programme has been introduced in 1995 to develop social welfare delivery systems, labour market intervention and retraining Programmes, and to support the reform of the social insurance system. These measures constitute a logical complement to the efforts to support restructuring.
The Phare Programme 1996 - Following the Essen Summit, the Phare Programme has been reoriented to focus on assisting Slovenia to achieve the conditions necessary for its future accession to the European Union. A Multi-annual Indicative Programme (MIP) for the period 1996-99 has been agreed with the Slovene Government in March 1996. Signed on 3 July 1996, the MIP is an agreement on the Phare programming guidelines for the Phare national budget for the period 1996-1999 which foresees an overall allocation of 100 MECU: 76 MECU (including 3,75 MECU for Tempus) for the Phare national budget and 24 MECU for CBC Programmes with Austria and Italy. In terms of Objectives, the MIP 1996-1999 for the National programme is designed around 4 main objectives:

1. Coordination and monitoring of Government's Pre-Accession strategy,
2. Adoption of the Acquis communautaire,
3. Support to Economic and social Reforms and
4. Infrastructure Integration.

Under the 1996 Country Operational Programme, the funds have been closely targeted at supporting the above mentioned objectives described in the MIP:

1. Pre-accession strategy (2.85 MECU) : financing of additional local staff and long-term technical assistance focused on developing institutional expertise to the main concerned Ministries (and especially the Office for European Affairs) for the coordination and monitoring of both Phare and Accession process, because of the lack of institutional capacity and experience in this field.

2. Adoption of the Acquis communautaire (5.4 MECU): this programme is covering 3 mains projects in (a) approximation of legislation providing legal and management expertise for the management of the National Plan for Approximation at both national and sectoral levels. (b) reform of public administration in key areas such as a new Civil Service Act, development of the existing system of performance pay, career structures for civil servants, a monitoring and appraisal system, applications of the Data Protection legislation, development of a devolved system of Ministry and departmental budgets and the relationship to the state budget. (c) formulation of an agricultural sector policy in particular, to assist the implementation of the reform and to identify future contribution of the sector to the national economy. Assistance will be delivered in forms of expertise, training and equipment.

3. Promotion of the sustainability of socio-economic developments and strengthening of the competitiveness of the enterprise sector through 3 main projects:
   a) Public Finance and Financial Sector Reform (3.1 MECU) for both the formulation, implementation and monitoring of the fiscal policy and the design of the regulatory framework and control mechanisms, in order to achieve macro-economic sustainability and to build institutions compatible with EU accession.
   b) Support to Enterprise Sector Development (3.1 MECU) to improve competitiveness of Slovene companies in the European free market context.
   c) Support to Human Resources and Social Development (2 MECU) to support mitigation of unemployment, improvements to cost effective benefit and service delivery of social welfare and family support, implementation of reformed labour legislation, and enhanced social dialogue favourable to the reform process.

4. Support to intra-European networks and infrastructure integration (0.9 MECU): due to the relative scarce financial resources available the 1996 programme covers the national transport policy and further development of the possibilities for modal split within the sector.
The Phare programme for Slovenia in 1997.
The Commission has adopted on 19 March 1997 a communication on the “new orientations of the PHARE programme within the context of the pre-accession assistance” for all the beneficiary countries around 2 main priorities:

• Priority n°1: Institution building for shaping the national Administrations to handle the Acquis, for approximation of legislation, structural reform and regional policies, democracy and Justice and Home affairs and the opening of Community Programmes.
• Priority n°2: (co-)Financing of investments linked to the adoption of EC norms for the creation of a National Fund and of an horizontal facility for SME’s, and for the Co-financing of projects linked to major infrastructure.

Following this communication, the National Country Operational Programme for 1997 (17,75 MECU), signed on 1 December 1997, is focused on the following three main issues:

1. Institutional building (10,3 MECU - 58%) via two main Programmes on:
   (A) pre-accession (4,55 MECU) by (1) establishing a specific European Integration support to the development of a civil society, higher education, legislation and policy; and the European Affairs Units through specific training Programmes and the recruitment of local experts (3,35 MECU); (2) by supporting Justice and Home Affairs (0,3 MECU); (3) by facilitating the access of targeted groups to the information on the European issues (0,5 MECU); and (4) by supporting the Parliament in accelerating the adoption of the Acquis (0,4 MECU).
   (B) adoption of EC norms and standards and the setting up of the implementation and enforcement structures (5,75 MECU) in the different sectors covered by the Internal Market Acquis: agriculture (1,25 MECU); transport (0,45 MECU); energy (0,8 MECU); public finance, financial sector and customs (1 MECU); health and safety at work (0,75 MECU); industrial standards (0,5 MECU); and professional qualification and certification (1 MECU).

2. Economic competitiveness (2,45 MECU - 13%) via the support to measures related to economic competitiveness through trade & investment promotion (0,5 MECU), support to Local Business Advisory Centres (0,2 MECU), the implementation of technical regulations in the private sector (0,5 MECU), family support and social services (0,25 MECU), and the completion of on-going Programmes related to vocational education and training (1 MECU).

3. Financing of investments (5 MECU - 29%) in areas of key importance to the adoption of the Acquis communautaire. It is envisaged to contribute to two financial schemes covering regional micro and small enterprises (1 MECU), and environment (4 MECU).

A further allocation of 1,25 MECU has been set aside for the Tempus programme and 6 MECU has finally been allocated for the CBC Programmes with Austria and Italy.

3. The Phare Cross Border Cooperation (CBC) Programmes since 1994

The first Slovene Phare Cross Border Co-operation Programme was concluded with Italy in 1994 amounting to 4 MECU. Cross Border Co-operation was extended in 1995 to include Austria with an allocation amounting to 3 MECU. Until 1999, each border will be granted a 3 MECU programme. These Programmes are defined following priorities identified in the Multi Annual Indicative Programmes (MIPs) drawn for each border.

For Italy (1995-1999), the following priorities and share of the financial allocations have been agreed upon: improvement of transport and Cross Border infrastructure (18%);
economic development in border regions (33%); environment protection (30%); human resources development and networking (10%); cultural co-operation (4%); programme management (5%).

Up until now, the 1994 programme has been fully implemented. Among others, it included a broad environment project in the Timav area for the prevention of water pollution and the creation of the Karst nature park.

The 1995 programme is currently being implemented with the continuation of the construction of waste water treatment plants in the area of Nova Gorica.

The 1996 and 1997 Programmes include more SME development projects as well as cultural projects aimed at boosting tourism development.

For Austria, the priorities identified for 1996-1999 are as follows: economic development (40%), infrastructure and transport (25%), environment (26%), human resources development (3%) and technical assistance for the programme management (6%).

The 1995 programme has been implemented at 90%. Main projects are: the construction of a new building for the Styrian Technology Park near Maribor and development of tourism infrastructure on the Styrian border. Besides, the construction of a waste water treatment plant in Gornja Radgona will receive support during 4 years.

1996 and 1997 Programmes are very much economic development oriented with notably the support to Business Development Centres.

Phare also supports a **trilateral programme on the border between Slovenia, Hungary and Austria**. Slovenia and Hungary have been allocated 1.5 MECU each in 1995 and 1996.

In 1995, two broad projects have been defined: one project on regional development (drawing a strategy and implementing pilot projects through a Small Projects Fund) and an environment project with the creation of a nature park.

All these Programmes and projects are defined jointly by the national and local authorities of the two or three countries involved. The projects are co-financed by the Slovene authorities by a minimum of 20%. All Cross Border Co-operation projects have an equivalent on the EU side of the border with an Interreg project.
4. Sectoral presentation of the previous Phare assistance in the areas to be covered by the 1998 National programme

4.1. In the area of Public finance and financial sector

(covered by the programme SL9803.01 “Further integration into the Internal Market and reinforcement of the administrative and institutional capacity”):

The Phare assistance in the Financial sector addressed crucial issues in the field of the reform of the banking and insurance area, both for the economic stabilization and the preparation of future growth. A performing central bank is key to conduct the monetary policy and control the banking system. Phare provided therefore significant resources to develop the human resources and the information system in the Bank of Slovenia, supported the development of the payment system and provided valuable professional know how and technical assistance to develop the Bank Supervision capacity. The other main direction of Phare assistance to the reform of the financial sector has been to support directly the restructuring of the two state banks, Nova Ljubljanska Banka (NLB) and the Nova Kreditna Banka Banka Maribor (NKBM). The former benefited from Phare aid to restructure its activities and develop its information technology, the latter to restructure and organize its take-over of KBNG, the third state bank. These allocations have usefully contributed to the Government massive efforts to restructure the financial sector, materialized in the creation of the Bank Rehabilitation Agency (BRA), and at present the two state banks are marginally profitable and steps towards their privatization can be envisaged.

In the specific field of Insurance, the assistance has focused on supervision, legislation and the industry itself. The assistance to the Insurance Supervisory Agency (ISA) has proven to be very successful, as witnessed by the improved effectiveness of the ISA and the recognition of its standing by international experts and institutions. Other activities of technical assistance (TA) under the project Management assistance to Slovene Insurance Companies, were held in four Insurance companies: Zavarovalnica Maribor, Tilia, Slovenica and Adriatic. The management assistance was given to the boards of directors and senior managers on policy related items, strengthening of insurance law, credit insurance and did preliminary work for the privatization of the insurance industry. PHARE also supported the setting up of a two year post-graduate study in actuarial mathematics and insurance finance. In the autumn 1998 this will be continued with phase II - second master degree with the subjects from actuaries and finance master's level.

The Phare assistance in the Public Finance sector was, during the first phase 1992-1995, limited but important actions have been pursued to improve the management and the restructuring of the Ministry of Finance to face the major tasks it had to cope with in the transition period. Phare played an outstanding role in : the creation in March 1996 of a unified Tax Administration (United Public Revenue Service - UPRS), review and change of other tax laws, drafting of an audit manual, training of trainers in auditing and enforcement, the drafting of related regulations and the first preparation of VAT introduction, the design of a bank payment system, adoption and entry into force on 1 January 1996 of a Customs code compatible with the Community one, establishment of a Treasury, development of an information technology strategy for the ministry, creation of a training center to meet the permanent needs.

In the field of taxation in particular : The technical assistance to the Slovene Ministry of Finance (MoF) has started in the field of tax reform with a project financed through the Phare allocations 1994 and 1995, which covered a period from October 1995 to October 1997. The project provided a review of the existing tax legislation, support the future introduction of the VAT and excise duties systems, supported the organization of the new Unified Public
Revenue Service (UPRS), provided training for tax officials of the MoF in view of the introduction of the VAT system and development of the MoF training center, and finally provided some support to the Slovene Court of Audit for its audit of the IRS.

A reinforced assistance (2.5 MECU) in the field of Tax reform started in 1996 in the Fiscal policy formulation and implementation. In particular, Phare supported the preparation of the introduction of VAT in Slovenia, via 4 projects, for an overall budget of 1,465,000 ECU, which have been launched in 1997 and have started during the first semester 1998:

- “Support to Tax Administration”, started in January 1998, to carry out a review of tax and other laws and court procedures and assist in the development of a legal expertise capacity in the Tax administration (TA); to assist the preparation for introduction of the VAT and the development of a Strategic Plan for the Tax Administration; to assist the IT Department to develop a cost/benefit evaluation of alternative approach to acquisition of the VAT IT system; and to assist the formulation of a training policy.
- “VAT public awareness campaign”, started in March 1998, to inform the public at large, customers, companies and other economic entities, who will operate the VAT, how a VAT system works and how it is going to affect them.
- “VAT Information system”, started in June 1998, to support the development and implementation of the computerized Information System for the introduction of VAT. The assistance will be focused on Project Management and acceptance process of the supplier deliverables and acceptance testing of system components.
- “Introduction of VAT and excises duties within the Customs Administration”, started in June 1998, to assist the decision makers, with an independent view and recommendations, for the implementation of EC compatible legislation in CARS, of control procedures for excise warehouses and excise traders, and of IT functions within CARS which are necessary to collect and to report on the collected VAT and Excise Duties.

Under the COP 1996 allocations, a project has been started in May 1998 to enable the Treasury Department to prepare the establishment of a Treasury Single Account with a view of rationalization of government banking arrangements in connection to the payment system reform. Another project was started in May 1998 in the field of Public Debt Management to facilitate organizational consolidation of the government debt management operations through consolidation and documentation of the Public Debt Management Department's current organizational structure, data management practices and operational processes.

Under the COP 1997, the majority of actions included are a logical continuation of former projects. Further Phare technical assistance will be provided for accession and institution building related programs in the MoF, like the upgrading of the information and library unit of the MoF to ensure better access to foreign information and data bases, especially EU connected information sources and to ensure better intra- and inter-ministerial communication. Further support to Customs with further development of information system, in particular for software and training will be given.

4.2. In the area of Statistics

(covered by the programme SL9803.02 “Further alignment of Slovene statistical methodology with EC requirements and reinforcement of the institutional capacity of the Slovene Statistical Office in view of Accession to the EU”):

The initial steps to support pre-accession have already been done between 92 and 95 with technical projects aiming at harmonizing statistics and providing TA in the area of legislation and legal approximation.
The Slovene National Statistical Office (SORS) has benefited together with other pre-accession countries from assistance from the Phare Regional Programme of Statistical Cooperation. The budget for that programme since 1991 is MECU 23.5. The 1997-1999 multi-country horizontal programme for statistics is focused on accession (fulfillment of the Acquis in statistics including data collection within Eurostat) and on visible results (extension of the pilot project approach) for which a budget of MECU 34 is estimated. The overall objectives - institutional strengthening of NSOs and improvement the provision of appropriate statistics - correspond to pre-accession requirements and are in line with the AP and NPAA. Slovenia was included in the above mentioned Phare regional/multi-country programme for statistics in 1992, but the funds for assistance were available only in 1993.

Slovene statistics have been assisted from the Phare National programme 1995 (modernization and development of the statistical information system in Slovenia). Under the COP 1996 an amount of MECU 1.3 was foreseen (hardware, software and related training). The Slovene Government contributed 20% from the national budget to the same project. The National Phare assistance was focused on the strengthening of technical capacity, taking into account specific country needs in the field of statistics. In light of the pre-accession process and of the importance of statistical data also for the negotiations, the assistance is now targeted to the improvement of data production and the increase of data dissemination on selected domains. Particular attention will have to be paid to sustainability of statistical data collection (the creation and use of statistical and administrative registers, abandoning of full scale surveying and dual system of reporting).

The 1998 programme takes into account the recommendations proposed the a study elaborated by Statistics Sweden (under COP 96), which was targeted to the global objective of gradual convergence (in terms of content and of terminology) of the Slovene system with the European Statistical system.

4.3. In the area of Regional Development
(covered by the programme SL9803 “Regional policy and cohesion”):

In 1995, regional development was the object of specific actions and the regional dimension was strengthened again by means of important Cross-border Programmes with Italy and Austria, started in 1994, which contribute largely to support regional development: in the case of the Slovene-Italian programme, 33% of the allocation during the 95-99 period is dedicated to economic development in border regions, 40% in the case of the Slovene-Austrian one, with a special effort in this area for the 96 and 97 Programmes. As far as trilateral Programmes on the border between Slovenia, Hungary and Austria, are concerned, in 1995 one broad project on regional development was defined concerning the drawing of a strategy and implementation of pilot projects through a Small Projects Fund.

Phare is also getting involved in 2 regional development pilot projects in two different regions, i.e. Zasavje region and the Maribor region. However, such projects are difficult to implement in a country where neither regions exist, nor regional entities on which development actions can be based. However, they very much raise awareness on the necessity of having a coherent strategy at the scale of an economic area and improve communication between local partners.

In the course of 1998, a regional development project will be carried out at national level in order to advise the government in drafting a global strategy in this area. Pilot projects should be identified and could possibly be supported in coming years.
In the framework of the COP 1997, a 1 MECU allocation has been set aside for the setting up of a micro-credit scheme which will be functioning in 4 regions under the auspices of the Regional Development Fund.

*Key Phare projects:* A pilot regional development project in the area of Maribor, encompassing assistance to the Maribor Regional Development Agency and to the Maribor Chamber of Economy, is coming to an end. This project has faced numerous difficulties due to the lack of willingness of the city of Maribor to lead a regional development policy together with the surrounding municipalities. A regional development project was carried out in the Zasavje region under the auspices of the Ministry of Economic Affairs (previously in charge of SME development). As a consequence, co-operation has now started between the 5 main municipalities in the area. Activities have now been initiated to develop tourism and SMEs. More municipalities have shown their intention to join.

### 4.4. In the area of Environment
(covered by the programme SL9805):

Through the cross-border Programmes with Italy, Austria, and tri-lateral ones with Hungary and Austria, some environmental projects have been and will be funded (over the 1995-1999 period), representing 30% of the total cross-border financial allocation in the case of Italy, 26% in the case of Austria. In the past the 1994 Italian programme (fully implemented) included a broad environment project in the Timav area for the prevention of water pollution and the creation of the Karst nature park, and the 1995 programme is currently being implemented with the continuation of the construction of waste water treatment plants in the area of Nova Gorica. The 1995 Austrian programme has been implemented at 90%, among which projects is the construction of a waste water treatment plant in Gornja Radgona, which will receive support during 4 years. As to the tri-lateral programme, in 1995 a broad environment project has been defined dealing with the creation of a nature park.

The environmental component of the 1998 National programme will be complemented by the Environmental Credit Scheme (4 MECU financed under National Phare programme for 1997) operated by the Slovenian Environmental Development Fund (EcoFund), which is providing loan finance to the private and municipal sector for environmental improvements which will aid in compliance with the enforcement strategy to be developed under this project. The National Environmental Action Programme (NEAP) and the Environmental Pre-Accession Support Strategy identify the availability of suitable financing instruments for environmental investments as a critical constraint to the implementation of the pre-accession strategy for environment in Slovenia. As such, the wider objective of the Environmental Credit Scheme (ECS) is to facilitate compliance with EU environmental Acquis in the corporate and municipal sector. The ECS - the only project within the COP 1997 for environment - shall have one output: Ecofund loans at competitive rates for environmental investments in the target sectors. The immediate objectives of the programme are to finance investments in the areas of Waste minimisation Investments, Protection of Water and Protection of air purity.

The proposed ECS will be co-financed by Phare and the EcoFund. Phare will provide 4 MECU through COP 1997 and shall consider the possibility of an additional funding under the 1999 Financing Memorandum, pending a satisfactory commitment level of the 1997 allocation. The ECS shall provide loans to municipal and private sector borrowers at
attractive rates for the financing of projects in the air abatement, water protection and waste minimization fields.
4.5. **In the area of Agriculture**

(covered by the programme SL9806):

Since 1995, Phare assists the Ministry of Agriculture, Forestry and Food (MOAFF) in the formulation of an agricultural sector policy in the context of pre-accession, in harmonization and progress towards EU equivalence, in the implementation of the agricultural reform.

The main priorities of the Phare programme in this sector are:

(i) to increase productivity and competitiveness of the sector;
(ii) to establish the sectoral information system for market regime and the Geographical Information System (GIS) for land use;
(iii) to provide assistance to enhance the capacity to exert veterinary, phytosanitary, seeds and food controls in accordance with EC norms and standards.
(iv) to develop the relevant institutions outside the Ministry and (v) to promote rural development.

The **Key projects** are:

- Feasibility Study for Jable Training Center (Research and Education, Training and Testing in the sectors of livestock and crop production)
- European Strategy and Programme Unit, (ESPU): TA in the form of a Policy Advisory Unit established in the Ministry of Agriculture, Forestry and Food (2 years) and related training;
- TA to harmonization of legislation and technical regulations: veterinary, phytosanitary and food quality control field
- MOAFF Information System Development (agricultural information system, development of related human resources and establishment of its IS management).
- TA to the top three priorities: veterinary control, phytosanitary control and (from the common funds within the Office for European Affairs) quality control/market regulations)
- TA to Information system reform
### Table 1 - Phare Support 1992-1997

Phare commitments from 1991-1997, excluding multi-country and horizontal Programmes, amount to 116 MECU, broken down as follows:

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<tr>
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<td><strong>TOTAL committed</strong></td>
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<td><strong>11.000.000</strong></td>
<td><strong>24.000.000</strong></td>
<td><strong>25.000.000</strong></td>
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<td><strong>TOTAL contracted</strong></td>
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<td><strong>10.662.786</strong></td>
<td><strong>23.975.797</strong></td>
<td><strong>22.352.855</strong></td>
<td><strong>14.249.425</strong></td>
<td><strong>5.368.388</strong></td>
<td><strong>85.283.929</strong></td>
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</table>

| Rate of contracting | 96% | 97% | 100% | 89% | 65% | 21% | 74% |

**Pie Chart:**
- **Environment:** 5%
- **CBC:** 16%
- **Agriculture:** 2%
- **Social affairs:** 4%
- **SME:** 4%
- **VET:** 4%
- **Energy:** 7%
- **RDT:** 4%
- **Infrastructur**
- **Tempus:** 12%
- **PAR:** 3%
- **App of Leg:** 4%
- **Europ integration:** 6%
- **Private sector - restructuring:** 13%
- **Public finance & financial sector:** 11%
### Table 2: Phare allocations in the sectors covered by the 1998 National Programme for Slovenia

<table>
<thead>
<tr>
<th>Integration into the Internal Market and reinforcement of the administrative and institutional capacity:</th>
<th>1998 proposed Allocations (ECU)</th>
<th>previous allocations in the same areas (ECU)*</th>
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<tr>
<td>Public Finance and financial sector</td>
<td>2,850,000 (32.5%)</td>
<td>850,000</td>
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<td>Statistics</td>
<td>2,000,000</td>
<td>12,000,000</td>
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<td>Regional Policy and Cohesion (including specific “regional development” actions and support to SME development)</td>
<td>3,000,000 (34.3%)</td>
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<tr>
<td>Environment</td>
<td>1,900,000 (21.7%)</td>
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<tr>
<td>Agriculture</td>
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<td>2,250,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,750,000</strong></td>
<td><strong>25,450,000</strong></td>
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</tbody>
</table>

* not including multi-country Phare Programmes and CBC Programmes.