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 7th 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:

Programme number: SI0002 to SI0005
Title: 2000 National Programme for Slovenia
Duration: Until 31/12/02

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 15,724,372 EUR 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 31/12/02 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 31/12/03. 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:

European Commission Delegation in Ljubljana
Trg Republike, 3, XI.
1000 Ljubljana
SLOVENIA

Telegraphic address
Telex:
Fax: (386-1) 4252085

for THE RECIPIENT:

Mr. Igor BAVCAR
Minister without Portfolio for European Affairs
Government of Republic of Slovenia
Government Office for European Affairs
Subiševa 11
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 11.12.2000

for THE RECIPIENT

for THE COMMUNITY

Encl
Framework Agreement (Annexes A & B)
Special Provisions (Annex C)
Visibility/Publicity (Annex D)
ANNEX C

SPECIAL CONDITIONS

1. SUMMARY

As in previous years, the Phare programme for 2000 forms part of an integrated approach to preparing Slovenia further for accession. The programming exercise has taken full account of the instruments of the reinforced pre-accession strategy, notably the Accession Partnership and the National Programme for the Adoption of the Acquis, and the results of Regular Report and ongoing monitoring under the Europe Agreement. Projects proposed for funding have been selected in accordance with the priorities set out in the 1999 Accession Partnership. Consequently, proposed assistance addresses four objectives covering seven priority areas:

- reinforcement of the administrative capacity - liberalisation and regulation of energy market, employment and statistics
- internal market - free movement of goods
- economic and social cohesion (three pilot regions: Pomurje, Zasavje and Savinjska)
- justice and home affairs - home affairs and drugs

In line with the revised Phare guidelines (2000 – 2006), approximately 30% of Phare resources under the 2000 programme are dedicated to institution building while the remaining 70% are dedicated to investment measures, 27% of which are proposed to finance investment in the area of economic and social cohesion. The rationale for the selection of the three pilot regions of Pomurje, Zasavje and Savinjska and the framework for support measures are described in the Preliminary National Development Plan (PNDP) which has been drawn up in parallel to the Phare National Programme for 2000. Through the PNDP, co-ordination with the two other pre-accession instruments - ISPA and SAPARD (having their own respective strategic documents), is also assured.

The indicative envelope for the Slovene Phare programmes for 2000-2002 is 75 MEUR. The present National Programme covers 15,724,372 EUR of support. Separate financing memoranda related to participation in Community Programmes (1,775,628 EUR), 5th Framework Programme (1.5 MEUR) and Cross-Border Co-operation Programmes (7 MEUR) will bring the total annual Phare allocation for Slovenia in 2000 to 26 MEUR.

Slovene co-financing will match the Phare contribution for the National Programme reflecting the commitment and important efforts made by Slovenia in its accession process.

2. STRATEGY

Priorities and measures under the 2000 National Programme have been selected on the basis of the 1999 Accession Partnership, the revised NPAA (May 1999), the complementarity with past Phare programmes, the level of readiness of the projects proposed (both technically and institutionally), and on a number of conditionalities. All projects proposed by the Slovene government therefore have an impact on the process of adoption and enforcement of the acquis.

In particular, the following priorities of the Accession Partnership have been addressed:
Objective 1 To reinforce the institutional and administrative capacity to adopt and apply the Acquis

Short term
• economic: begin implementation of a complete privatisation process
• employment and social affairs: prepare a national employment strategy with the help of the Joint Employment Policy Review, with a view to later participation in the European Employment Strategy

Medium term
• economic: complete restructuring, commercialisation and liberalisation of state-owned utilities, while ensuring competition and price liberalisation
• energy: prepare for the internal energy market, notably the electricity and gas directives (including adaptation of energy prices to cost levels and the establishment of a regulator)
• employment and social affairs: transpose and implement E.U. legislation in the field of Labour Law.
• reinforcement of administrative and judicial capacity: strengthen statistical capacities

For the project concerning Liberalisation and Regulation of Energy Market and Electricity Exchange assistance will help to prepare to the internal energy market, will contribute to the liberalisation and deregulation of monopolies in the electricity and gas sectors and of access to the energy networks. It will provide further strengthening of the regulatory function to implement electricity and gas market regulation, and will contribute to the regulation of network-related activities in terms of prices and settlement of disputes resulting from the access to the natural monopoly, and from the networks financing.

Concerning the Building-up of the Labour Market Indicators System, support will be given to the development of a system of labour market indicators – compatible with the EU system – enabling the smooth implementation of the recently adopted National Employment Strategy and the National Employment Action Plan.

For the Alignment of Slovene Statistics with the Acquis Communautaire support will be given to: (i) the development of integrated regional and agricultural indicators; and (ii) to the upgrading of the methodological basis for statistics on the structure of earnings. The project will therefore contribute to the alignment of the Slovenian statistical system with EU norms.

Objective 2 Further integration of Slovenia in the Internal Market

Short term
• Free movement of goods: enforce framework legislation; start transposition of New Approach directives and proceed with alignment of technical legislation

Medium term
• Free Movement of goods: complete adoption of sectoral legislation and alignment of EN standards; ensure proper implementing structures for all sectors; establish a market surveillance system
Assistance will help to enforce the framework legislation (by an improvement of the market surveillance system) as well as the sector specific legislation (by an in-depth analysis of the capacities of the existing conformity assessment bodies); it will facilitate standardisation activities and speed up the market authorisation procedure for pharmaceutical products; and finally, private enterprises will be assisted in their adaptation to a new ‘Internal Market’ environment.

Objective 3  To reinforce Economic and Social Cohesion

Short term
• the projects proposed under this objective are in conformity with short (and medium) term priorities regarding economic reform and policy, institutional building, employment and social affairs

Medium term
• develop a national policy for economic and social cohesion with a view to diminishing internal disparities and preparing for structural funds implementation including pluriannual budgeting procedures and establishing structures for monitoring appraisal and evaluation

Three projects for three regions will be supported: the first project aims at improving employment potentials in the Savinsjka region, the second one envisages the establishment of a network of business incubators in Pomurje, thereby stimulating SME development in this region, and the third one foresees the strengthening of the already existing guarantee fund in Zasavje, aiming both at SME development and employment creation.

Objective 4  To assist Slovenia in the field of Justice and Home Affairs

Short term
• implement the new Law on Foreigners and on Asylum and bring about full participation in the Schengen Information System
• Justice and Home Affairs: strengthen capacities to deal with money laundering

Medium term
• further upgrade law enforcement bodies (staff numbers, training and equipment), continue the fight against organised crime, drug trafficking and corruption; ensure better coordination between law enforcement bodies

With regard to Home Affairs support will focus on: (i) institution building in the field of police co-operation; and (ii) the upgrading of Slovenia’s institutional capacity in the field of border control, both in terms of technical and human resources. The project will therefore contribute to increase Slovenia’s capacity to align to EU norms in the field of Justice and Home Affairs.

With regard to drugs support will focus on: (i) the collection, processing and analysis of drug epidemiological data; and (ii) the development, piloting and evaluation of effective, drug demands, supply and harm reduction programmes. The project will therefore contribute to a strengthening of the Slovenian REITOX Focal Point in line with EU norms, and will increase Slovenia’s intervention capacities in the field of drugs.
3. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

The conclusions of the November 1998 Report of the Commission on the progress made by Slovenia towards accession ("Regular Report") stressed the slow pace of preparations, particularly as far as (short-term) priority areas for reform in the AP are concerned, and the limited progress made with regard to the necessary reinforcement of the institutional and administrative capacity of the country.

However, significant progress has been made since the first progress report had been issued. The Regular Report of October 1999 indicated that Slovenia accelerated its overall legislative approximation effort and demonstrated impressive progress across most sectors of the acquis. Furthermore, it indicated, that Slovenia:

- fulfils the Copenhagen political criteria
- can be regarded as a functioning market economy
- has maintained macroeconomic stability
- has followed a gradual approach to structural reform
- has met most of its short term Accession Partnership priorities

All efforts will be made to maintain this positive trend and to meet the short and medium-term priorities of the Accession Partnership in 2000. The 2000 Phare programme will in this context focus on four objectives:

**Objective 1** Reinforcement of the institutional and administrative capacity of Slovenia to adopt and apply the Acquis Communautaire

**Project 1** Liberalisation and regulation of Energy Market (SI0002.01)

The overall objective of this project is the liberalisation of public services in the energy sector. The project will aim at strengthening the Energy Agency and at achieving proper functioning of it. Assistance will help to prepare for the internal energy market, will contribute to the liberalisation and deregulation of monopolies in the electricity and gas sectors and of access to the energy networks. It will provide further strengthening of the regulatory function to implement electricity and gas market regulation, and will contribute to the regulation.

A twinning arrangement will assist the Energy Agency. It will transfer experience and expertise from similar regulatory institutions in the Member States to the staff during on-site daily work as well as through some training at a similar regulatory institution in a country with a comparable structure of the energy market. It will in particular assist in the implementation of pricing methodologies and in the implementation of dispute settlement procedures. It will also advise on the optimisation of the work process within the Energy Agency. It will provide for training of the Agency's staff (seminars, workshops) and organise study visits for Energy Agency staff to a Member State regulatory body.

Technical assistance will also prepare two benchmark studies on the transmission and the distribution network pricing, in electricity and in gas.
The programme is linked to the component of the Phare 1999 programme for internal market on ‘Electricity and gas sector regulation’, which provides technical assistance during the first phase of establishing the regulatory institution (preparation of secondary legislation and licenses, procedures, methodologies).

**Conditionalities:**

The following conditions should be met:

- the Slovene Government will ensure the timely adoption of relevant legislation;
- the Slovene Government will ensure the readiness of the sector to introduction of market and its acceptance of implementation regulatory approach;
- the regulatory authority will be established both in legal terms (including its independence) and in terms of infrastructure;
- the proper staffing and work organization will be available before the start of the twinning project.

**Project 2: Building-up the Labour Market Indicators System for Following up of the National Employment Strategy and the National Employment Action Plan (SI0002.02)**

The objective of the project is to improve Slovenia’s ability to participate actively in the EU labour market. Through assistance to the Ministry of Labour, Family and Social Affairs (MOLFSA), a EU comparable system of labour market indicators will be developed, enabling this Ministry to follow the labour market situation and to implement the National Employment Action Plan (NEAP) smoothly.

This labour market indicators system should provide for very specific indicators, not provided for by the Statistical Office of the Republic of Slovenia, but necessary to measure the achievements of objectives written into the National Employment Strategy and the National Employment Action Plan (and reflected also in the ‘Joint Assessment of Medium Term Employment Priorities in Slovenia’ or JAP). Thereby, shortcomings regarding data collecting and processing are to be overcome and a uniform methodology, to be applied both at national and regional level, is to be established providing for an effective and at the same time flexible way of following up the labour market situation in Slovenia.

The project will be implemented through three main components:

**Component 1: Strengthening the Ministry of Labour, Family and Social Affairs’ (MOLFSA) capacity for successful implementation of the National Employment Action Plan (NEAP)**

The project will provide for an analysis of the existing system of indicators provided by different Slovene national and regional institutions and its differences with the system used in the EU. According to the results of this analysis, the system of indicators will be up-graded in order to render it compatible with the EU practice. Furthermore, a Regulation containing ‘a specific methodology for collecting and processing data’ shall be adopted and the role of the different institutions involved shall be better defined.

**Component 2: Up-grading the network of national and regional institutions responsible for following up the labour market situation**

Assistance will be provided to design an adequate information system (both software development and tendering of hard ware) meeting the demands of the new Regulation.
Component 3: Broadening of knowledge and skills for operational functioning of the institutions involved

A user manual for the designed information system will be prepared and seminars and workshops will be organised in order to assist institutions, both at regional and at national level, in performing tasks as defined in the above referred to Regulation.

The three components shall be supported by PHARE through a twinning covenant (1 pre-accession adviser and approximately 10 short-term experts), representing 500.000 EUR for Institution Building. The national contribution to this project is amounting to 400.000 EUR, of which 200.000 EUR for Institution Building and 200.000 EUR for Investment Support.

**Conditionality and Sequencing**

<table>
<thead>
<tr>
<th>Sequencing of Events</th>
<th>Done by who</th>
<th>Done by when</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New EU comparable and compatible system of indicators developed</td>
<td>twinning partners</td>
<td>two months after the project starts</td>
</tr>
<tr>
<td>2. Regulation adopted by the Government</td>
<td>representatives of respective institutions and twinning partners</td>
<td>five months after the project starts</td>
</tr>
<tr>
<td>3. Information system operational and tested</td>
<td>twinning partners</td>
<td>four months after the Regulation has been adopted</td>
</tr>
<tr>
<td>4. Manual prepared</td>
<td>twinning partners</td>
<td>ten months after the project starts</td>
</tr>
<tr>
<td>5. Staff trained</td>
<td>training partners</td>
<td>last two months of the project</td>
</tr>
</tbody>
</table>

Slovenia has made significant progress in order to be able to fulfil the requests of the Amsterdam Treaty after accession. Labour Market Review, National Employment Strategy 2000-2006 and National Employment Action Plan (NEAP). The Joint Assessment Paper (JAP) that was prepared to assess the labour market in Slovenia identified areas where further development is still needed. JAP has shown a clear need for systematic analysis of the implementation results of the employment strategy. To measure the results against the objectives, a system of labour market indicators needs to be developed and NEAP implementing agencies need to function co-ordinated.

Considering the forthcoming accession time the work in this field is in full preparation phase. Ministry of Labour, Family and Social Affairs as the responsible ministry for employment believes that the experience of member states in the field of development of labour market indicators system and implementation of employment guidelines is invaluable. MOLFSA together with relevant institutions are committed to implement the EU employment guidelines successfully and to start working on the subject as soon as possible. Therefore timely signature of the Financing Memorandum and beginning of the project in the shortest time possible would accelerate events.

The crucial point in the life of the project is the adoption of the Regulation (see table above). The Regulation will define the role and tasks of institutions implementing employment the guidelines. Relevant Slovene authorities are committed and determined to draw up the
Regulation on time as not to endanger the progress of the project, activities and tasks yet to be done.

**Project 3: Alignment of Slovene Statistics with the Acquis Communautaire (SI0002.03)**

The objective of this project is to upgrade the capacity of Slovenian statistical system so that it will conform with EU norms.

The project will be divided into two main components, aiming at completing compliance of Slovene statistics with EU statistical requirements in two important statistical domains:

* **Component 1 - Development of integrated regional and agricultural indicators**
  This sub-component shall develop and compile various social and economic indicators, especially in agriculture at appropriate regional level (NUTS 3).

The selected indicators shall measure the regional diversity in order to support the regional policy. In particular this means to measure the extent of social and economic development, to evaluate and quantify the impact of CAP measures on rural development and environment.

* **Component 2 - Structure of earnings statistics**
  The aim is to provide comparable indicators corresponding to the EU requirements for analysing the status and changes in structure of earnings (basic wages, bonuses, extra pay for long hours, etc.) and job characteristics (gender, age, educational attainment, occupation, job tenure, etc.) in Slovenia. Differences, deriving from sector of activity or job location shall be adequately measured and provided to policy makers, including social partners.

By the end of the project the conditions for compliance with the EU norms and standards in statistics will be set for the statistical areas mentioned. The two components shall be supported by Phare through a twinning arrangement.

**Conditionalities**

* The Slovenian authorities will commit themselves to formally adopt and implement the recommendations which will be made regarding the modifications in institutional roles and responsibilities and regarding the financing and human resource needs of the national statistics system.

**Objective 2 Further integration of Slovenia in the Internal Market**

**Project 1 Free Movement of Goods (SI0003.01)**

The project will provide for an improved environment for implementing the acquis in the field of Free movement of goods. With such better environment is meant both the institutional infrastructure necessary to implement the acquis (in this particular project addressing, in particular, standardisation, market surveillance, conformity assessment and market authorisations for pharmaceuticals) and the knowledge/acquaintance of the private sector to adapt itself to the different rules applicable on their market.
The project will be implemented through the following components:

Component 1 - Horizontal activities
Assistance aims at improving the functioning of the market surveillance authorities, and at improving the functioning of Slovenian Standardisation. In the field of market surveillance, an analysis of the current situation should lead to the establishment of a better co-ordinated and efficient overall system. Training will also be provided. In the field of standardisation, new software, still to be developed, will enhance transparency.

Component 2 - Sector Specific Activities
In the field of conformity assessment, support focuses on an in-depth assessment of the currently existing conformity assessment bodies in order to evaluate the needs which will arise when alignment of sector specific legislation will have been achieved. Some training is also foreseen. In the field of pharmaceuticals, PHARE support should help with the purchase of a specific, existing and of EU origin software which will enable a speedyer and more efficient market authorisation procedure.

Component 3 - Alignment and Implementation of Technical Legislation for Industrial Products on Company Level
Assistance will be given to SME’s to adapt to new technical legislation on industrial products, in particular where this technical legislation falls under the so-called "New approach".

Component 1 and 2 will be partly supported by Phare through a twinning arrangement (the sub-components “market surveillance” and “conformity assessment”).

Conditionalities:

* A pre-condition for component 3 is the successful conclusion of the PHARE 1997 project “Implementation of technical regulations on company level” – the latter project shall be completed in September 2000 and its results shall be used for the preparation of the Terms of Reference for this project. Also the results/activities of the Twinning project SI99/IB/EC-01’Horizontal Framework Legislation and Institutional Infrastructure’ should be considered when preparing the Terms of reference for this project.
* The Slovene Government will ensure that component 3 will only support companies in those sectors for which the sector specific legislation is already aligned with the Community acquis.

Objective 3 Support to Economic and Social Cohesion

Under this objective three target regions have been selected, namely Pomurje, Savinsjka and Zasavje.

Project 1 Business Incubators Network in Pomurje (SI004.01)

This project envisages to stimulate SME development in a region, characterised by an extremely low number of SME units and a very high unemployment rate, and this by way of the establishment of a business incubator network. This network shall consist of 4 fully operational and equipped units established in 4 different municipalities of Pomurje: Murska Sobota (the home office, 1375 m²), Lendava (500m²), Ljutomer (400m²) and Otranji (100m²).
While the first two will mostly focus on companies from the productive sector, the latter two will incubate more service-oriented companies. Companies in the incubators will not only profit from favourable business premises but also from a complete business service (consultancy, preparation of business plans, favourable financing sources, transfer of know-how, ...).

The project consists of three sub-components. Firstly, there are the construction works which need to be carried out to the buildings which will house the incubators. This will constitute a works contract worth 3.3 MEUR, of which PHARE will cover 1 MEUR (Investment support: 650,000 EUR for Murska Sobota and 350,000 EUR for Ljutomer) and the co-financing share will amount to 2.3 MEUR (of which 1.4 MEUR - the land and the buildings - comes from the local authorities). Secondly, equipment will need to be purchased and installed. This will not be supported by PHARE funds. The third sub-component relates to the 'Project management'. This entails a twinning arrangement amounting to 1 MEUR from PHARE, Institution building, including the preparation of a management plan for the incubator network, training activities, the establishment of a Cooperation Facility Fund for SME’s, promotion activities and the establishment of an industrial information database.

**Conditionalities:**

* Investing municipalities must be in the possession of the buildings and have obtained the necessary permits for the renovation of these buildings, in accordance with the Slovene legislation. A preparatory study will indicate the financial needs for the works in Murska Sobota and Ljutomer. If these appear superior to what is foreseen, national/local sources will cover the difference.

* A preparatory study should be undertaken, including an analysis of existing incubators in other regions, a justification of similar and different activities foreseen, a detailed description of target groups, a definition of potential candidates, an analysis of available resources of the region, a needs assessment of the region, a justification of the network approach as well as a preparation of the SME action plan and the elaboration of joint market research projects for Pomurje region.

* The preparatory studies (possibly under the Project Preparation Facility – SI 9914) will have been positively assessed by the Commission.

**Project 2 Activating Employment Potentials at the Local Level (Savinsjka)**  
(SI0004.02)

This project has as its main objective ‘the creation of new jobs’ in a region characterised by the bankruptcy of many companies and the continued decline of labour-intensive industries and, for that reason, by a high unemployment rate.

More precisely, this project is to promote a regional based approach to new job creation in Savinsjka, through a regional financial instrument, notably the Regional Employment Promotion Fund (REPF). The proposed instrument will be additional to existing national horizontal employment programs and will be implemented to overcome the latter’s shortcomings. The target groups of this project will be the unemployed (in particular, women, disabled and first job seekers), employers and other employment project carriers.

The project contains three sub-components. The first one consists of the tendering for employment projects, including all the preparatory work which goes with it as well as the actual selection of projects. For this sub-component, a service contract is foreseen amounting to 350,000 EUR, of which 200,000 EUR from PHARE and 150,000 EUR from national co-
financing. The second sub-component relates to the promotion of the REPF (website, newsletters, …). For this, no PHARE funding is foreseen. Finally, the third and most important component contains the financing agreement, amounting to 3.4 MEUR, i.e. 1.8 MEUR from PHARE and 1.6 MEUR from national co-financing.

**Conditionalities:**

* the preparation phase, focusing on Institution Building, for the REPF under the Special Preparatory Program will have been finalised according to the foreseen timetable

* the preparation phase will have provided for the details of the organisational and implementation structure of the REPFs (the scope of the REPF, what activities and in what sectors will be eligible to be financed, what will be the target groups, what will be the selection criteria, by whom the selection will be made, what will be the operational structure)

* the preparation phase will have been positively assessed by the Commission.

**Project 3 Economic Restructuring of Zasavje Region (SI0004.03)**

The objective of this project is to increase the number of SME’s and thereby to create new job opportunities in the Zasavje region through the strengthening of an existing Guarantee Fund which provides incentives and financial support to SME’s.

There is but one contract foreseen which is, in fact a financing agreement for which PHARE support will amount to 1 MEUR.

**Conditionalities:**

* a preparatory study shall be carried out, justifying the need for additional funding of this Guarantee Fund and proving thereby the necessary absorption capacity (this study will have been positively assessed by the Commission).

* the results of the above mentioned study will provide for transparent criteria for allocation and approval of funds granted through the guarantee fund

**Objective 4 Justice and Home Affairs**

**Project 1 Home Affairs (SI0005.01)**

The Objectives of the project are to increase the capacity of the Slovenian Police Forces to implement the EU aquis in the field of external border control, in particular as regards compliance with the standards and procedures relating to checks on persons at external borders in accordance with the Schengen acquis and with Title IV of the Treaty Establishing the European Community respectively, and for police co-operation in accordance with Title VI of the Treaty on European Union by the time of Slovenian accession to the Union.

Three components can be identified:

* Component 1 - Institutional building in the field of police co-operation
Slovenian police qualified for the establishment and functioning of SIRENE bureau and for taking part in EUROPOL activities as well as in the EU working parties dealing with border control and police co-operation (taking into account: the Convention on the Establishment of a Europol Police Office, the Council Act laying down rules concerning the receipt of information by Europol Third parties, the Council Act adopting rules on the confidentiality of Europol, Rules concerning the transmission of personal data by Europol to Third States and bodies, Pre-accession Pact on organised crime, the Schengen Convention - Article 118, and the relevant part of the Schengen acquis).

Component 2 - Further up-grade of Information and Telecommunications System for the surveillance of the state border and border control

The access to all information necessary for police units within the green border area assured by the improved IT structure; police co-operation improved on the basis of quick exchange of relevant data within the EU information system and with the EU Member States; data necessary for efficient border protection assured also for mobile police units.

Component 3 - Establishment of an efficient system of border control and protection

Efficiency of border control improved according to the procedures and standards (Schengen Convention, Article 6) possible before the accession to the Union; efficiency in preventing illegal border crossings outside border crossing points improved (Schengen Convention, Article 3); better detection and proving of criminal offences connected with illegal border crossings of human beings and materials

This Phare project will be supported by a twinning arrangement.

Conditionalities:

* In order to attain the level of effectiveness of police work as required by the EU acquis and in particular with the Schengen Agreement, the plan for investment in IT and other technical equipment has been prepared by the Ministry and incorporated into the 2000 national budget which was adopted on 1 February 2000 (Official Journal of the Republic of Slovenia, no. 9/2000). The budget of the Ministry includes items concerning above mentioned investment. The approval of the equipment part (financed by Phare funds) will most probably depend on an expert's opinion on the technical specifications.

* The project will also depend on continuous progress in the adoption of the acquis according to the NPAA: commitment of the stakeholders involved to implement the twinning arrangements (implementation of the SI97/IB/JHA/01 twinning by the end of August 2000; starting of the SI99/IB/JH/02 twinning from 1/9-2000 to 1/9-2001 - results of these projects and partly of the twinning projects referring to organised crime and migration should contribute to the contents of the police co-operation twinning project); reorganisation of police according to the Police Act and the reorganisation of police educational system.

* Furthermore, the project will depend on the corresponding purchase and implementation of technical equipment funded by Government sources to complement Phare funded purchase and its installation. The establishment of the IT infrastructure (universal structured wiring at the premises of police units -37 within the green border area and installing of LAN network, leasing of telecommunications connections to police units - financed by the national funds) and the establishment of the ASIS system at the central
level (FM99), as well as training of users of IT equipment represent the prerequisite for the implementation of the IT structure. Nevertheless, the implementation of the 2000 Phare programme is not excluded, the IT equipment can be purchased parallel with the above mentioned activities, taking into account the regular financing from the national budget (the basis represents The Development strategy of the IT system of the police between 2000 - 2003 which is to be adopted till the end of March).

Intermediate results of the 1997 twinning project as well as the Expert Mission Report (1998) represent the basis for the 2000 Phare programming (as a complement to Government sources), while the final results of the 1997 twinning (defining the equipment still missing) will contribute to dynamics of the national budget (budget of the MoI) from the year 2001 onwards and possible Phare contribution in order to achieve the wider objective of the project.

Project 2: Strengthening of the National RETOIX Focal Point and strengthening the drug reduction programmes (SI0005.02)

The objective of the project is to increase Slovenia’s intervention capacities in the field of drugs through: (i) the upgrading of national administrative and support systems to EMCDDA norms; and (ii) the promotion and development of national intervention programmes in the areas of drug demand reduction, drug supply reduction and harm prevention. The project will make use of Member States’ expertise (through twinning arrangements, including important training components) in the fields of drug epidemiological data collecting, drug demand reduction and anti-money laundering system.

Two components can be identified:

Component 1: Collection, processing and analysis of comparable drug epidemiological data

Institutionalisation and strengthening of the Slovenian REITOX Focal Point by upgrading the office infrastructure and telecommunication network with relevant institutions, setting up of the central epidemiological unit by improving the compatibility and validity of drug data and introducing the key indicators of EMCDDA.

Component 2: Development, piloting and evaluation of effective drug demand, supply and harm reduction programmes

Co-ordination, Policy and Information Development

- Strengthening the role of the Governmental Office for Drugs and develop a mechanism for monitoring of the adoption and implementation of the EU acquis in the field of drugs.

Drug Demand Reduction

- Distance education techniques will be introduced and developed in order to prepare various actors of primary care.
- Best practices of out-reach (outpatient) drug free treatment regimes and short-term intensive rehabilitation and re-integration modes (each in 3 institutes) will be piloted and evaluated

Drug Supply Reduction
The co-operation between the criminal investigation and customs administration will be strengthened.
Investment in the special equipment which will be used by both, the customs and the criminal investigators.

Money-laundering
Investment in the information technology (SW) of the Slovenian FIU which will enable a direct access to the data bases of the Ministry of Finance, the participation in the PHARE PIU, the improvement of working techniques in relation to asset seizure and the introduction of protected electronic exchange of documentation.

Conditionalities

* The pre-condition to start with the proposed project is the timely preparation and adoption of the Slovenian Strategy on Prevention of Drug Misuse by the National Assembly.

* The pre-condition to start with the project is the availability of Slovenian financial resources from the National Budget for the year 2001.

4. BUDGET

The following table specifies the EU contribution to the programme:

Budget (in EUR):

<table>
<thead>
<tr>
<th>Sub-Programmes and Projects</th>
<th>PHARE Budget</th>
<th>Total</th>
</tr>
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<td>Investment</td>
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<td>SI0003-Internal Market</td>
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<td>SI0003.01-Free Movement of Goods (incl. equipment for implementation of new Laws)</td>
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5. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. Appropriate financial control shall be carried out by the competent National 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 Slovenia on 23 December 1998. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreement (FA) between the NF and the Central Finance and Contracts Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAO and a description of the system put in place, highlighting the flow of information between the NF and the CFCU and the manner in which the payment function will be carried out.

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

The National Fund will transfer funds to the Central Financing and Contracting Unit (CFCU), in accordance with the Financing Agreement (FA) signed between the NF and the CFCU. The FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU, there will be no transfer of funds from the NF to the CFCU. The CFCU must be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the CFCU.

All projects will be administered via the CFCU.

Additionally, the following ministries and institutions will play an important technical role:

Reinforcement of the Administrative Capacity:
Ministry of Labour Family and Social Affairs, Institute for Macro-Economic Analyses and Development, Statistical Office of the RS
Statistical Office of the RS, Ministry of Agriculture, Forestry and Food, Ministry of Economic Relations and Development, Ministry of Labour, Family and Social Affairs, Institute for Macroeconomic Analyses and Development

Free Movement of Goods:

Economic and Social Cohesion:
- Ministry of Economic Relations and Development, Ministry of Economic Affairs, Regional Development Agency Zasavje
- Ministry of Labour, Family and Social Affairs, Ministry of Economic Affairs, Ministry of Small Business and Tourism, Ministry of Science and Technology, Ministry of Economic Relations and Development, Regional Development Agency Celje

Home Affairs:
- Ministry of the Interior

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

The NAO and the PAO will ensure that all contracts are to be prepared in accordance with the procedures set out in the DIS Manual (except for the twinning covenants corresponding to the projects listed above).

All contracts must be concluded by 31 December 2002.
All disbursements must be made by 31 December 2003.

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

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full
responsibility for depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

6. MONITORING AND ASSESSMENT

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

The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of the CFCU and 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 an external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are implemented. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

7. AUDIT AND EVALUATION

The accounts and operations of the National Fund and, where applicable, the CFCU, on the basis of this 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 Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

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

8. VISIBILITY / PUBLICITY

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

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