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 the Republic 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: 2003/004/938
Title: 2003 Phare National Programme for Slovenia
Duration: Until 30/11/2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 37.9 million hereinafter referred to as "THE EC GRANT".

1 The Financing Memorandum structure is as follows: 1. the coverpages with the references to the country concerned, amount and authority to sign, 2. Framework Agreement incl. Annex A and Annex B; Annex C - Special Conditions (the text of the adopted financing proposal starting from Description and Objectives onwards; and Annex D 'Visibility/Publicity."
ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30/11/2005 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 execution of contracts of THE EC GRANT is 30/11/2006. Execution of all contracts must end by the deadline for execution of contracts. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry date for execution of contracts of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Mr Erwan Fouéré
Head of Delegation
European Commission Delegation in Ljubljana
Trg Republike,3, XI
1000 Ljubljana
Fax: (386-1) 425 2085

for THE RECIPIENT:

Mr. Janez Potocnik
Minister for European Affairs
Government Office for European Affairs
Phare National Aid Co-ordinator
Subiceva 11
1000 Ljubljana
REPUBLIC OF 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 19.9.2003

for THE RECIPIENT

for THE COMMUNITY

Encl.
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
ANNEX C TO THE F.M

1. OBJECTIVES AND DESCRIPTION

The conclusions of the 2002 Regular Report provided a clear picture of the progress made since 1998 and the outstanding work that needs to be complete before accession.

The report indicated that Slovenia:
° fulfils the Copenhagen political criteria,
° can be regarded as a functioning market economy,
° has maintained economic stability, and
° has followed a gradual approach to structural reform.

Since 1998, Slovenia has made very good progress in transposition and implementation of the acquis as well as in developing the institutions needed for implementing and enforcing the acquis.

Over the past year, Slovenia has further advanced, especially in the area of Free Movement of Persons, Fisheries, Economic and Monetary Union, Employment and Social Policy, Regional Policy, Environment and Financial Control. Limited further progress has been made in the area of Consumers and Health Protection.

Overall, Slovenia has achieved a high degree of alignment with the acquis in most areas, and is well advanced concerning the administrative capacity needed to implement the acquis, although further efforts are still needed. Detailed plans have been agreed, in particular in the Action Plan to cover the remaining gaps.

Bearing in mind the above and Slovenia’s track record in implementing the commitments it has made in the negotiations, the commission considers that Slovenia will be able to assume the obligations of membership, in accordance with the envisaged timeframe. In the period leading up to accession, Slovenia needs to continue its preparations in line with the commitments it has made in the accession negotiations.

Lessons learned

The quality of Phare programming in Slovenia has greatly improved over the last five years as a result of lessons learned.

It is noteworthy that it is the State Secretaries who present the project fiches and budgets thus engaging their political responsibility. This means they make a direct commitment to bringing each project to a good end.

The Government Office for European Affairs is the governmental body responsible for Phare programming and is the one focal and decision-making point. Moreover it co-ordinates all bilateral aid. The GOEA was also involved in the accession negotiations, which gives it a clear picture of priorities and problems.

In Slovenia there is only one Implementing Agency, the Central Finance and Contract Unit. As with the National Fund, the CFCU is part of the Ministry of Finance and since they are located in the same building this certainly facilitates implementation and monitoring.
An assessment of twinning as a tool took place in January 2001 and the overall conclusions were positive. So far 70 twinning projects (including "Twinning light") have been funded of which 26 have been completed, 22 are in progress and 22 are in preparation. The sectors covered are agriculture (19 projects), economic and social cohesion (11 projects), internal market (15 projects), finance (9 projects), justice and home affairs (10 projects) environment (4 projects) and transport (2 projects).

The 2003 Programme will in the light of the above focus on five objectives.

**Objective 1: To reinforce the institutional and administrative capacity of Slovenia to apply the acquis communautaire and participate fully in the internal market.**

**Project 1 - Upgrading of Information System within IACS and Phytosanitary and Veterinary Information System (2003/004-938.01)**

The objective of this project is to upgrade the capacity and security of the agricultural information systems in Slovenia by putting in place additional hardware and software to complete preparations for the practical application and enforcement of the management mechanisms of the common Agricultural Policy, in particular the Integrated Administration and Control System (IACS), the Paying Agency for the handling of CAP expenditure, as well as for the implementation and enforcement of veterinary, phytosanitary and food safety acquis. The project will include a twinning light component which will aim at facilitating the transfer of know-how and experiences of similar institutions in Member States including exchange of experiences in preparation of staff tables, software applications and networking, ICT procedures and protocols and development in the field of Phytosanitary Administration, Animal Identification and Registration Service (AIRS), in particular the Farm Registry, including training for possible usage of GIS systems.

**Project 2 – Eradication of Rabies (2003/004-938.02)**

This project is designed to continue a project launched in 2002 to support the control and eradication of rabies in wildlife population in Slovenia. In 2002 Slovenia had launched a twinning light project to evaluate the existing eradication programme. At the same time vaccine bait was purchased and used. It is proposed to purchase further vaccine bait.

During 2002 the number of positive cases increased significantly in the municipality of Brezice on the border with Croatia. Therefore it is intended to revaccinate the whole southern region of Slovenia at the border with Croatia with the bait purchased under this project. National co-financing will be 72%.

**Project 3 - Public Procurement in Slovenia (2003/004-938.03)**

This project will support a classical twinning and investment which will further reinforce the framework for Public Procurement in Slovenia. The twinning element will allow for the further alignment of procurement legislation including secondary legislation and instructions with EU rules and regulations. In addition the twinner will help in the development of electronic public procurement systems compatible with forthcoming EU legislation so that a significant share of public purchases, including Community-wide advertising of contracts, is carried out electronically. The project will also allow for the dissemination of information on practical procedures and best practice to users. Investment support concerns both hardware and software for bringing about e-procurement. Priority will be given to the electronic
transmission of notices for all national procurements above the thresholds viz. indicative notices, contract notices and contract award notices to TED.

Project 4 - New financial approach to investment in Public Railway Infrastructure (2003/004-938.04)

Twinning will help Slovenia with the further harmonisation and implementation of the new Railway Rules and Regulations along with their enforcement and provide the new institutions with an understanding of the necessary financial engineering. Specifically the twinner will help the new Railways Directorate in the drafting of documents linked to financial management systems (PPP, Earmarked Funds, Cohesion Fund etc.) for investments in infrastructures in the Pan-European Corridors V and X, including interoperability and efficient maintenance of the Public Railways Infrastructure. Advice should also be provided on procedures and mechanisms for effective financing and control over the allocation of available resources.

Project 5 - Optimal Structure of Slovene Motor Vehicles System (2003/004-938.05)

This is a major twinning project which will facilitate the re-organisation of the institutions dealing with motor vehicles also bringing Slovene legislation fully into line with the acquis. The twinner should contribute to a detailed proposal for establishing a new organisational system dealing with motor vehicles. All activities are to be concentrated in the Ministry of Transport. In addition, drafts of framework technical legislation in the field of motor vehicles and harmonised principles and procedures for harmonising technical specifications for vehicles within the acquis should be produced. Finally, training will be provided to the staff of the Ministries of Transport and the Interior in the drafting of technical legislation and carrying out the type-approval procedures.

Project 6 - Development and Strengthening of the national INTRASTAT system (2003/004-938.06)

With the completion of the internal market trade statistics as such on the border between the new Member State Slovenia and the rest of the European Union will cease to be collected and other reliable statistics need to be made available, as in the other Member States, which allow for the future monitoring of trade flows. This project will upgrade the necessary statistics in Slovenia with a major technical assistance project which is accompanied by the purchase of Software licenses and some Hardware. The technical assistance implies the strengthening of the data processing chain by elaborating all its components in terms of methodology, equipment, software, integration with the Intrastat register and tax data, revised unit value index calculation, revised dissemination of external trade statistics and staff properly trained for work on Intrastat. In addition, it will be necessary to improve co-operation with the providers of statistical information by organising additional information and communication campaigns for them, training and providing them with all the means necessary to comply with the requests of statistics and at the same time minimising their burden.

Project 7 - Further Development of chemical safety (2003/004-938.07)

This project is designed to improve standards of chemical safety in line with the acquis communautaire and thus facilitate free movement of goods in the field of chemicals throughout the EU internal market. There will be a major twinning project and some purchase of equipment. The acquis concerned relates to chemical accidents, waste chemicals, monitoring of chemicals pollution, toxicology/eco-toxicology with capacity and capability-
building and integrated chemicals inspection. With the advice of the twinner and purchase of equipment practical implementation of the new Slovene legislation in a wider chemical safety context will be facilitated in line with EU practice. This will be achieved through more efficient enforcement; better control of compliance with new legislative provisions, additionally improved horizontal compatibility of wider chemical safety legislation, as well as through further capacity/capability development and institution building.

Project 8 - Development and Implementation of the Computerised Information System on General Product Safety (2003/004-938.08)

This is basically a twinning light project which will provide Slovene market surveillance authorities with the support necessary to establish a computer supported information network designed to fulfil the requirements on information exchange contained in the General Product Safety (GPS) Directive and thus apply the acquis in the area of Freedom of Movement of Goods. The twinner will analyse the existing information network in the Member States, prepare an assessment of needs in Slovenia and prepare an action plan. Within the framework of the project the national authorities will purchase licensed software and the ICSMS database. Training should also be provided to national officials.

Project 9 - Guides to good hygiene practice and HACCP implementation in trade (retail) sector (2003/004-938.09)

This is another twinning light project which will help the Slovene authorities prepare a model of a “guide” to good hygiene practice in the entire trade sector (wholesale, distribution and retail). On the basis of the model every market operator will then have to prepare its own “Hazard Analysis and Critical Control Point” (HACCP) plan which will then have to be implemented. The twinner will provide training of market operators and organise consultations for management personnel in trade. This work will take place in the context of EU Directives providing that undertakings engaged in foodstuffs and public supply of drinking water shall, by means of internal control, monitor and ensure health and hygiene of foodstuffs throughout all stages of manufacture and trade.

Objective 2 – To assist Slovenia in the field of Justice and Home Affairs

Project 10 - Future external border of EU: Stredišče ob Drav, Starod, Dragonja (2003/004-938.10)

The overall objective of this project is to enable Slovenia to implement the acquis with regard to protecting the border of the Republic of Slovenia, in particular the border to Croatia, becoming after the implementation of Schengen the future border of the EU, to its standards and procedures, and in accordance with the Schengen acquis and the title IV of the Treaty establishing the EC respectively, as well as with regard to the veterinary, phytosanitary and health inspection capacity and procedures in line with the EU standard inspection facilities at the border crossings.

Two international border crossings will be established at the border line with Sredisce ob Dravi and Starod and properly equipped. The new infrastructure will enable better co-ordination and will improve working conditions. The existing border crossings at Sredisce ob Dravi and Starod can not be used for the future external border of the EU, because they are approximately 1,700 metres from the border line and proper control over the movement of people and goods can not be assured and traffic jams are formed.
An international border crossing will be constructed at Dragonja, completely upgraded and properly equipped. The free movement of persons and goods will be improved. The new infrastructure will enable better co-ordination and will improve working conditions.

**Project 11 - Ministry of Interior: General Police Directorate (2003/004-938.11)**

This is an investment project which will equip the Slovene Police force and the Ministry of the Interior for carrying out efficient border control surveillance according to EU standards and procedures. The equipment will assure efficient communication and co-operation between police units both at the national level and internationally.

The first component is to equip thirty police units along the border with Croatia with technical protection systems (fire and burglary). As part of the long-term project of setting up a complete digital radio system 1000 installations of radio terminal equipment will be supplied for the needs of police communication within police directorates in the border area. Equipment for collecting and transferring fingerprints (workstations, server, livescanners, flatbed scanners, printers and software) will be installed at two remote locations connected with the central site and from there to EURODAC. There will be permanent leased lines available 24 hours a day with link always up and running. The reserve location for CPU back-up location will be fully operational and staff will be trained to use the equipment properly. Training will also concern the taking of fingerprints.

The second component provides for the level of technical equipment for border control and surveillance to be improved. Devices will be supplied for detecting authenticity of documents, equipment for detecting radioactive materials and explosives, system for vehicle surveillance, will enable advanced control at border crossings, detecting criminal activities and assuring appropriate safety of police officers. Police patrols beyond the border crossings will be equipped with vehicles enabling an efficient surveillance of the green border. Vehicles with special equipment will enable special mobile units to detect illegal trafficking and to check authenticity of documents. Hand held thermal images will enable efficient border surveillance at night. Police officers will be trained and skilled for proper use of the equipment purchased.

**Project 12 – Ministry of the Interior - Asylum Section, Police Directorate - part 2 (2003/004-938.12)**

This project is designed to help Slovenia meet EU standards and requirements concerning reception and accommodation of immigrants and asylum seekers. The project to establish a new Home for Asylum Seekers in Ljubljana and renovating the Aliens’ Centre in Veliki Otok near Postojna are already supported by the Phare National programme in 2001 and are in the implementation phase. The Interim Evaluation in February 2002 did not report any problems in the execution of the project. It is proposed to upgrade both projects to further fulfil requirements of reception and accommodation conditions for asylum seekers and other immigrants as well as an examination procedures according to the Dublin Convention and Commission proposals for a common EU asylum system.

The first component of the upgrade concerns the Asylum Home. Some Asylum seekers may be allowed to stay in the country without enjoying freedom of movement for the time of the examination procedure; they need special treatment and separate facilities. With the project of the asylum Home a separate building with all necessary facilities and additional enclosed recreational grounds is foreseen.
The second component concerns the Aliens’ Centre. Within the project of the Aliens’ Centre (facilities for 600 people) the outdoor grounds will be renovated and reshaped, including sewerage system, access roads and pavements, green areas and sports/recreational facilities.

**Objective 3: To support Economic and Social Cohesion**

**Project 13 - Establishment of one-stop-shop system (Slovene acronym VEM) (2003/004-938.13)**

The aim of this project is to increase the efficiency of the public administration to foster national competitiveness and to provide a legal framework to support start-ups and faster growth of existing SMEs. The project will take the form of a grant scheme which will offer access to up to forty different information points to a one-stop-shop system, based on Information-Communication-Technology (ICT) that will enable entrepreneurs to register at one point which will also provide related information to their business. This VEM system will ensure the ICT-connection between different public administration bodies and between different databases and registers needed for getting the one-stop-shops information. The project will prepare for Priority n° 1 of the SPD “Promotion of corporate sector and competitiveness”.

**Project 14 - Improving digital literacy of unemployed (2003/004-938.14)**

This project will take the form of a grant scheme which will improve the overall digital literacy of the unemployed and allow for the foundation of experience in operating an integrated scheme of interventions in conformity with EU Structural Funds regulations and practice, especially in line with the European Social Fund. The grant scheme will help build partnerships at regional and local levels, improve IT training skills and capacities of trainers and improve the digital literacy of the unemployed in order to tackle the digital divide and enable the most disadvantaged groups of people to develop basic IT skills as well as to increase their job-seeking, working and learning opportunities. The types of activities eligible for the grant scheme are training of trainers, identification, motivation and selection of trainees within target groups and implementation of actual IT training programmes. The target groups will be teachers and instructors in schools and other educational training institutions and staff in non-profit and non-governmental organisations or public sector operators involved in assistance to unemployed. In addition, the following groups will be targeted for training: young unemployed, unemployed persons under the age of 25 whose employment opportunities would increase by acquiring the basic and key IT skills, women, the disabled and long-term and hard to place unemployed. The Employment Service of Slovenia will serve as secretariat to the Ministry of Labour, Family and Social Affairs, overall responsible body for the management of the grant scheme, and deal with the monitoring of the projects selected. It will thus be tested in its future role of final beneficiary for measures co-financed by the European Social Fund. The project will prepare for Priority n° 2 of the SPD “Knowledge, Human Resource Development and Employment”.

**Project 15 - Consolidation of selected technology centres (2003/004-938.15)**

In Slovenia the transfer of knowledge and ideas from R&D institutions to the business sector and vice versa is very weak and SMEs have very limited capacity in R&D human resources. This project will take the form of a grant scheme designed to promote Technological Infrastructures and their relationships with SMEs. It will encourage Technology centres to increase R&D activities and the links between the business sector and universities and public research centres. It will create and support operationally a small number of technology
Competence centres in highly specialised technological fields which will contribute to selected sectors or geographical clusters. It will also establish a selected number of regional Technology Advisory Centres which will provide regional foci of knowledge and support, enabling SMEs to develop projects. The project will prepare for Priority n° 1 of the SPD “Promotion of corporate sector and competitiveness”.

**Project 16 - Science and Technology University Spin-off Incubators (2003/004-938.16)**

The goal of the Spin-off incubator project is to develop the process of pre-incubation of technology or scientific projects at Universities and other institutes of higher education, helping students and researchers to transform business ideas and projects into start-up companies. The up to three Spin-off Incubators will accelerate the creation of new technology-based firms and the marketing of business ideas emerging from the academic world. It will provide advice, working premises and grants to teams of entrepreneurs and researchers. Besides giving a concrete starting point for business ideas, Spin-off incubators will also offer consultation and expertise in developing business and serve as a one-stop point for locating further assistance in financing, market testing, intellectual property rights or other areas. Through successful operations University-based spin-off incubators will foster the promotion of entrepreneurship in a positive way and support regional and cluster development policy objectives. The activities that will be supported include the recruitment of a coordinator for the incubator, the establishment of offices for co-ordination which function also as a contact and information point, setting up furniture, IT equipment and data connections, identify corporate sponsors, marketing, establishing links with existing incubator services, technology parks and technology centres. The project will prepare for Priority n° 1 of the SPD “Promotion of corporate sector and competitiveness”.

**Project 17 - Life-Long Learning (2003/004-938.17)**

The overall aim of the project is to raise the level of lifelong learning culture in Slovenia by assuring quality, relevancy and accessibility of education, training and counselling as key elements of lifelong learning policy with the aim of improving knowledge, skills and competencies within a personal, civic, social and/or employment perspective. A grant scheme has been designed to produce the development of modularised and competence base educational programmes which can be implemented in at least two economic branches together with at least ten new shorter training modules/courses developed and implemented on a pilot basis which relate to basic skills and the recognition of competences acquired in formal and non-formal forms of learning. At least 500 persons would be trained in pilot courses and at least 1000 teachers, trainers and staff trained in pilot TT courses. The activities will enhance mainly the processes of improvement of vocational education and training programme supply and of education and training teachers, trainers and staff as well as other interested partners in order to enable them to follow and successfully implement the changes brought by the new VET (Vocational Education and Training) and lifelong learning concepts and approaches. The project will prepare for Priority n° 2 of the SPD “Knowledge, Human Resource Development and Employment”.

**Project 18 - Development and Management of Business zones (2003/004-938.18)**

The objective of this grant scheme is to support activities which will lead to the provision of organised and suitable space for the establishment and operation of different kinds of businesses, mainly related to production activities that are preferably executed outside urban areas. There is a recognised need to provide general infrastructure (water, electricity, communications, sewage etc.) to be used by each business unit and to provide global services
to businesses (management and marketing consulting, warehouse facilities and transportation). Provision of these facilities helps to promote and support the development of existing and the creation of new businesses, the promotion and support for the creation of new employment possibilities, attract new investment and achieve positive environmental effects since businesses are grouped in zones rather than being dispersed. Actions that can be supported by the grant scheme include feasibility and pre-feasibility studies, land ownership and use inventory, documents for modifying physical plans, building plans, establishing the financial engineering, provision of building permits and environmental impact assessments and studies on marketing opportunities and the labour market. The project will prepare for Priority n° 1 of the SPD “Promotion of corporate sector and competitiveness”.


This is a twinning light project designed to help the Ministry of Education, Science and Sport in setting up an appropriate Information System with respect to its activities under the European Social Fund. The project will train staff, prepare internal procedures and assure on appropriate Monitoring Information System for quality and efficient management and implementation of Structural Funds' operations.

**Objective 4: Mobility Schemes Complementary Fund**

**Project 20 – Complementary Fund (2003/004-938.20)**

The project will provide small grants to supporting individual candidates’ participation in the community exchange and mobility actions, in particular applicable for Leonardo and Socrates where priority is given since they will have a considerable impact on actions aimed at raising quality, EU internal market relevancy, transparency of education and training, as well as promoting innovation with a view to improve the competitiveness of the Slovene economy. The objective is to lessen the financial burden on the final beneficiaries of the mobility schemes. A similar project was included in the 1999 and 2002 programmes.

**Objective 5: to prepare for Cross-Border Co-operation with Croatia (External Border Initiative 2003)**

**Project 21: Construction of Sewage and Waste Water Treatment Plant at Obreže. (2003/004-938.21)**

This project will support the construction of a waste water treatment plant and the building and upgrading of the sewage systems of the small border settlements in the Municipality of Obreže where the main land crossing between Slovenia and Croatia is being extended. The water pollution which originates on the Slovene side at present will be increased in the near future by the extension of the border crossing including the construction of the EU External Border Phytosanitary and Veterinary Controls. The investment is an alleviating measure and will substantially reduce the overall water pollution levels and this will be of benefit to communities on both sides of the border.

**Project 22: Project Preparation Facility for cross-border area at Slovenia-Croatia border (2003/004-938.22)**

The objective of this institution building project is to help prepare the Slovene side of the Slovenia - Croatia cross-border area to develop social, economic and cultural development projects. This initiative will prepare a project pipeline for the future Interreg IIIA Programme
by developing contracts and networks among local and regional authorities so as to strengthen their capacity to manage the project cycle. Training for local development managers and feasibility studies will be supported by a grant scheme.

2. BUDGET

The following table specifies the EU contribution to the Programme:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Sub-programme and Projects</th>
<th>PHARE Budget</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>INV</td>
<td>IB</td>
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<tr>
<td>Objective 1</td>
<td>Investment into the Acquis / Internal Market (CRS CODE 43010)</td>
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<td>2003/004-938.01</td>
<td>Upgrading of Information System within IACS and Phytosanitary and Veterinary Information System</td>
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<tr>
<td>2003/004-938.02</td>
<td>Eradication of Rabies</td>
<td>125,000</td>
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<tr>
<td>2003/004-938.03</td>
<td>Public Procurement in Slovenia</td>
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<td>280,000</td>
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<tr>
<td>2003/004-938.04</td>
<td>New financial approach for investment in Public Railway Infrastructure</td>
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<td>2003/004-938.05</td>
<td>Optimal Structure of Slovenian Motor Vehicles System</td>
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<td>350,000</td>
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<td>2003/004-938.06</td>
<td>Development and Strengthening of the national INTRASTAT system</td>
<td>220,000</td>
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<td>2003/004-938.07</td>
<td>Further development of chemical safety</td>
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<td>2003/004-938.08</td>
<td>Development and Implementation of the Computerised Information System on General Product Safety</td>
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<td>2003/004-938.09</td>
<td>Guides to good hygiene practice and HACCP implementation in trade (retail) sector</td>
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<td>Objective 2</td>
<td>Justice and Home Affairs (CRS CODE 15030)</td>
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<td>2003/004-938.10</td>
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<td>2003/004-938.11</td>
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<td>MoI - Asylum Section - Police Directorate - part 2</td>
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<td>Objective 3</td>
<td>To support Economic and Social Cohesion (CRS CODE 43010)</td>
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<td>2003/004-938.14</td>
<td>Improving digital literacy of unemployed</td>
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<td>2003/004-938.15</td>
<td>Consolidation of selected technology centres</td>
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<td>2003/004-938.16</td>
<td>Science and Technology University Spin-off incubators</td>
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<td>2003/004-938.17</td>
<td>Life-Long Learning</td>
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<td>2003/004-938.18</td>
<td>Development and Management of Strategic Zones</td>
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<td>2003/004-938.19</td>
<td>Development of Structural Assistance Monitoring Capacities</td>
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<td>Objective 4</td>
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<td>Objective 5</td>
<td>Prepare for CBC with Croatia – External Border Initiative 2003 (CRS CODE 43010)</td>
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<td>2003/004-938.21</td>
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<td>2003/004-938.22</td>
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</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>33,540,000</td>
<td>4,360,000</td>
</tr>
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</table>

In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds.
The Community contribution may amount to up to 75% of the total eligible\(^1\) public expenditure.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of PHARE assistance.

3. IMPLEMENTATION ARRANGEMENTS

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision and the Agreement on the Implementation of EDIS (EDIS Implementation Agreement; EIA) concluded between Slovenia and the Commission\(^2\). Prior to the conclusion of said Agreement, implementation will exceptionally follow Phare Decentralised Implementation System (DIS) procedures\(^3\). Extended Decentralisation will, however, apply from the date of accession, 1\(^{st}\) May 2004, at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Implementation Agreement and/or the DIS Manual as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD as well as the Structural and Cohesion Funds.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the Phare funds. He shall ensure that the Phare rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

b.) Project size

All investment projects will receive a minimum Phare grant of €2 million, except those in the following areas:
- Eradication of Rabies, Project 2, Phare Grant €125,000, total cost €545,000

\(^1\) Taxes are not an element eligible for co-financing
\(^3\) in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999
- Public procurement, Project 3, Phare Grant € 170,000, total cost € 230,000
- Intrastat, Project 6, Phare Grant € 880,000, total cost € 1,174,000
- Chemical Safety, Project 7, Phare Grant € 800,000, total cost € 1,100,000
- Asylum Home and Aliens’ Home, Phare Grant € 500,000, total cost € 667,000.

The proposed grants are smaller than € 2 million in size because they concern equipment purchases which do not require such a large amount of grant. It is recalled that Slovenia is a small country with a two million population and a correspondingly small Phare overall grant.

c.) Deadline for contracting and execution of contracts; programming deadline

All contracts must be concluded by 30th November 2005.

Execution of all contracts must end by 30th November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d.) Clearance of Accounts Procedure and Recovery of Funds

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation and Art. 42 of the Implementing Rules to the Financial Regulation will be put in place.

Any proven irregularity or fraud discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission’s approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

(a) reduce or cancel any advance;

(b) cancel all or part of the assistance granted to the measure.

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5 Commission Regulation 2342/2002 of 23 December 2002
6 As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document
The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO 2 months after all payments have been made, showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

e.) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Slovenia in December 1998. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Central Bank.

aa) Transfer of Funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally, representing pre-financing will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/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 PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Two further transfers of up to 30% each of the funds to be managed locally will be made. The second transfer will be triggered when 5% of the budget has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35% of the total budget in force has been disbursed. A fourth transfer will be made when 70% of the total budget in force is disbursed and when all expenditure has been incurred (i.e. full contracted). No later than 2 months after all payments have been made the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made. (closure of expenditure).

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7 as defined in Art. 81.1.b.ii of the Financial Regulation
8 as defined in Art. 105 of the Implementing Rules
Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agency

The National Fund will transfer funds to the IA, the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the Establishment of the National Fund.

Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each 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 relevant CFCU/IA.

For those contracts with funds retained for a warranty period 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 of 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. 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.

c.) Interest

In principle, all bank accounts\(^9\) 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.

f.) Implementing Agencies will be responsible for sub-programmes as follows:

The CFCU as Implementing Agency will be responsible for all sub-programmes. Additionally, the following ministries and institutions will play an important technical role:

<table>
<thead>
<tr>
<th>Sub-programme and Project</th>
<th>Implementing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/004-938.01 Upgrading of Information System within IACS and Phytosanitary and Veterinary Information System</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>2003/004-938.02 Eradication of Rabies</td>
<td>Veterinary Administration</td>
</tr>
<tr>
<td>2003/004-938.03 Public Procurement in Slovenia</td>
<td>Public Procurement Office</td>
</tr>
<tr>
<td>2003/004-938.04 New financial approach for investment in Public Railway Infrastructure</td>
<td>Ministry of Transport, Directorate for Rail Transport</td>
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</tbody>
</table>

\(^9\) in particular, but not exclusively, accounts run by the NF, the CFCU and IAs
<table>
<thead>
<tr>
<th>Sub-programme and Project</th>
<th>Implementing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/004-938.05 Optimal Structure of Slovenian Motor Vehicles System</td>
<td>Ministry of Transport, Directorate for Roads</td>
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<tr>
<td>2003/004-938.06 Development and Strengthening of the national INTRASTAT system</td>
<td>Statistical Office of the Republic of Slovenia</td>
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<tr>
<td>2003/004-938.07 Further development of chemical safety</td>
<td>Ministry of the Economy</td>
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<tr>
<td>2003/004-938.08 Development and Implementation of the Computerised Information System on General Product Safety</td>
<td>Ministry of the Economy</td>
</tr>
<tr>
<td>2003/004-938.09 Guides to good hygiene practice and HACCP implementation in trade (retail) sector</td>
<td>Ministry of the Economy</td>
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<tr>
<td><strong>Objective 2 Justice and Home Affairs</strong></td>
<td></td>
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<tr>
<td>2003/004-938.10 Future external border of EU: Središče ob Dravi, Starod, Dragonja</td>
<td>Joint Services of the Government</td>
</tr>
<tr>
<td>2003/004-938.11 Ministry of the Interior: General Police Directorate</td>
<td>Ministry of the Interior</td>
</tr>
<tr>
<td>2003/004-938.12 MoI - Asylum Section - Police Directorate - part 2</td>
<td>Ministry of the interior</td>
</tr>
<tr>
<td><strong>Objective 3 Investment Into Economic and Social Cohesion</strong></td>
<td></td>
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<tr>
<td>2003/004-938.13 Establishment of one-stop-shops system (Slovene acronym VEM)</td>
<td>National Agency for Regional Development</td>
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<tr>
<td>2003/004-938.14 Improving digital literacy of unemployed</td>
<td>Ministry of Labour, Family and Social Affairs</td>
</tr>
<tr>
<td>2003/004-938.15 Consolidation of selected technology centres</td>
<td>National Agency for Regional Development</td>
</tr>
<tr>
<td>2003/004-938.16 Science and Technology University Spin-off incubators</td>
<td>National Agency for Regional Development</td>
</tr>
<tr>
<td>2003/004-938.17 Life-Long Learning</td>
<td>Ministry of Labour, Family and Social Affairs</td>
</tr>
<tr>
<td>2003/004-938.18 Development and Management of Strategic Zones</td>
<td>National Agency for Regional Development</td>
</tr>
<tr>
<td><strong>Objective 4 Mobility Schemes Complementary Fund</strong></td>
<td></td>
</tr>
<tr>
<td>2003/004-938.20 Complementary Fund</td>
<td>EY Programmes Agency</td>
</tr>
<tr>
<td><strong>Objective 5 CBC Croatia – External Border Initiative 2003</strong></td>
<td></td>
</tr>
<tr>
<td>2003/004-938.21 Construction of Sewage and Waste Water Treatment Plant at Obrežje</td>
<td>Ministry of Environment, Spatial Planning and Energy</td>
</tr>
<tr>
<td>2003/004-938.22 Project Preparation Facility for cross-border area at Slovenia-Croatia border</td>
<td>National Agency for Regional Development</td>
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</table>

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^\text{10}\) are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented\(^\text{11}\).

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^\text{12}\) must be documented\(^\text{13}\).

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

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\(^\text{10}\) DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997

\(^\text{11}\) in Annex EIA to the corresponding investment project fiche

\(^\text{12}\) DIR 92/43/EEC; OJ 206/7; 22.7.1992

\(^\text{13}\) in Annex Nature Conservation to the corresponding investment project fiche
h.) Special rules for certain components for the programme

**Twinning**
The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

**Grant Schemes**
For Grant Schemes in the field of Economic and Social Cohesion the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.
- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.
- Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Slovenia will be required, in conformity with the provisions of chapter 6 of the Practical Guide (decentralised ex-ante control).
- The implementation of selected projects through provision of works, supplies and services, sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement regulations in the Practical Guide.
- Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner (**cf. Section 11 and Annex 4 of the 2003 PHARE Programming Guide**), the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Delegation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Delegation and the National Authorities following the above mentioned assessment exercise.
- Grant schemes will not involve projects for which PHARE contribution is more than € 2 million and less than € 50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the present Financing Memorandum.
4. MONITORING AND EVALUATION

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. 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. Furthermore, the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

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

5. AUDIT AND ANTI-FRAUD MEASURES

a.) By the Candidate Countries\textsuperscript{14}

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of national or Community law\textsuperscript{15}, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:
(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

\textsuperscript{14} in accordance with the rules set down in Art. 54 of the Financial Regulation
\textsuperscript{15} defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).
(ii) non-disclosure of information in violation of a specific obligation, with the same effect, 
(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94\(^{16}\).

In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

b.) By the Commission

All Financing Memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and audits by the Court of Auditors. This includes on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96\(^{17}\).

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies 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.

6. VISIBILITY / PUBLICITY

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

7. 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 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.

\(^{16}\) OJ L 178; 12.7.94; p. 43-46

\(^{17}\) OJ L 292; 15.11.1996; p. 2-5