



**THE COURT OF AUDIT
OF THE REPUBLIC OF SLOVENIA**



**THE ACCOUNTS CHAMBER
OF THE RUSSIAN FEDERATION**

**JOINT REPORT ON THE RESULTS OF THE
PARALLEL AUDIT OF THE IMPLEMENTATION OF THE MEMORANDUM
BETWEEN THE GOVERNMENTS OF THE RUSSIAN FEDERATION AND THE
REPUBLIC OF SLOVENIA ON IMPORTANT PROJECTS FOR EXPANSION OF THE
BILATERAL ECONOMIC COOPERATION SIGNED IN MOSCOW
ON 17 NOVEMBER 2010**

Joint Audit Report is based on the National Reports of the Accounts Chamber of the Russian Federation and the Court of Audit of the Republic of Slovenia.

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1. INTRODUCTION

The Accounts Chamber of the Russian Federation (hereinafter: the Accounts Chamber) and the Court of Audit of the Republic of Slovenia (hereinafter: the Court of Audit) carried out a parallel audit on the implementation of the Memorandum between the Governments of the Russian Federation and the Republic of Slovenia on important projects for expansion of the bilateral economic cooperation (hereinafter: the Memorandum on important projects) signed by the Government of the Russian Federation and the Government of the Republic of Slovenia (hereinafter: the Government) on 17 November 2010 in Moscow.

The grounds for the implementation of the parallel audit is the Agreement on parallel audit by the Accounts Chamber of the Russian Federation and the Court of Audit of the Republic of Slovenia (hereinafter: the Agreement on parallel audit) signed by the two Supreme Audit Institutions on 29 April 2013 in Moscow. The Agreement defines in detail the cooperation of the Supreme Audit Institutions in the implementation of the audit.

1.1 Purpose of the Audit

The purpose of the audit agreed by the Supreme Audit Institutions is to assess the status of economic cooperation between the Russian Federation and the Republic of Slovenia taking into consideration the fulfilling of the Programme for the implementation of the Memorandum on important projects for expansion of the bilateral economic cooperation (hereinafter: the Programme of important projects).

1.2 Audit Approach

Both Supreme Audit Institutions also agreed on the questions they would seek answers to during the implementation of the audit. These questions provided the basis for the audit approach taken by the audit teams of the Supreme Audit Institutions in the implementation of the audit. Moreover, they provided the basis for the structure of the joint audit report. Various methods of examination, verification as well as analytical methods, questionnaires and interviews were notably applied at the auditees during the implementation of the audit.

The Supreme Audit Institutions carried out the parallel audit in accordance with their respective national legislation and prepared their separate audit reports (national audit reports). The national audit reports respectively findings of the parallel audit provided the basis for the present joint audit report, which includes all the important conclusions from the national reports.

In the joint audit report, audit findings that due to differences in national legislation respectively differences in the powers of the Supreme Audit Institutions are not entirely comparable are presented

separately for either Supreme Audit Institution. This is also the reason that the present joint report does not indicate specific projects and the results achieved with the implementation thereof. In accordance with the national legislation, the Court of Audit has no authority to audit the operations of the contractors under specific projects, who are not users of public funds.

1.3 Audit Scope

In Moscow, on 17 November 2010, the Republic of Slovenia and the Russian Federation signed a Declaration on Partnership for Modernisation (hereinafter: the Partnership Declaration). The Partnership Declaration is based on the Joint Statement of the European Union and the Russian Federation (hereinafter: the Statement) adopted at the European Union - Russian Federation Summit held on 31 May and 1 June 2010 in Rostow-on-Don.

At the signing of the Partnership Declaration, the Governments of the Russian Federation and the Republic of Slovenia also signed the Memorandum on important projects, in which they expressed their readiness to facilitate the stimulating and encouraging of mutual investments into the innovative technologies, creation and market promotion of modern competitive goods as well as confirmed their aspiration for the expansion of high value-added goods and high-technology products share in trade volume.

The Memorandum on important projects is not an international agreement and does not establish the rights and obligations, regulated by the international law (the penultimate paragraph of the Memorandum).

In accordance with the last point (Point 9) of the Memorandum on important projects, the Programme of important projects was developed; the realisation of the Programme would provide the basis for the fulfilling of the objectives of the Memorandum on important projects. The Programme of important projects was approved by the Intergovernmental Russia-Slovenia Commission for Trade, Economic, Scientific and Technical Cooperation (hereinafter: the Intergovernmental Commission) at its VIII Meeting, which took place on 15 and 16 February 2011 in Moscow.

Upon the approval of the Programme of important projects, the Governments of the Russian Federation and the Republic of Slovenia placing the priority on the Programme implementation, agreed to conduct the further monitoring of its implementation on regular basis according to the effective legislation, which should contribute to the promotion of bilateral cooperation on the basis of equality, mutual benefit and reciprocity as well as to the realisation of individual projects within the framework of cooperation in the interest of modernisation. The Programme of important projects should be regularly updated with new projects.

At its IX Meeting held on 27 and 28 November 2012 at Brdo pri Kranju, the Intergovernmental Commission discussed and coordinated the Programme of important projects in accordance with the agreement that the Programme be divided into the projects currently under implementation, projects the implementation of which demands additional work coordination at both sides (potential projects) and the implemented projects.

At the X Meeting of the Intergovernmental Commission, which took place on 15 and 16 October 2013 in Moscow, the representatives of the Russian Federation and the Republic of Slovenia initially (re)established that the Programme of important projects provided the basis for the Slovenia-Russia business circles' cooperation. The projects under the Programme of important projects were assessed as innovative, with high technological content and designed to further strengthen the cooperation between the Russian Federation and the Republic of Slovenia in the fields of science, production and investments. Highlighted at the Meeting was also active implementation of the initiatives in the field of bilateral cooperation between the regions of the Russian Federation and the Republic of Slovenia within their business circles.

The Programme of Important Projects

It was agreed at the VIII Meeting of the Intergovernmental Commission that 31 economic projects be included in the Programme of important projects, i.e. from the fields of:

1. energy industry;
2. energy efficiency and energy savings;
3. industry, including telecommunications and information technologies;
4. mutual investments and economic cooperation (internationalisation);
5. strengthening of cooperation in the sphere of innovations and science and research activities.

The Programme of important projects, agreed by the Intergovernmental Commission at its IX Meeting, involved 37 projects. In accordance with the agreement of the co-chairs of the Intergovernmental Commission prior to the IX Meeting, 19 projects of the Programme of important projects were classified in the category "Projects under implementation" and 18 projects in the category "Potential projects". One project, i.e. from the field of industry, including telecommunications and information technologies, had been implemented after the VIII Meeting of the Intergovernmental Commission.

At the X Meeting, the number of projects approved by the Intergovernmental Commission was reduced to 35 projects: 18 projects in the "Projects under implementation" category, 16 projects in the "Potential Projects" category and one project in the "Implemented Projects" section.

2. ARRANGEMENT OF THE FIELD OF ECONOMIC COOPERATION

In examining the arrangement of the field of economic cooperation, the Accounts Chamber of the Russian Federation and the Court of Audit of the Republic of Slovenia aimed to establish the state of the arrangement of the field concerned in the Russian Federation and the Republic of Slovenia. And to this end, it sought answers to the questions of who were the competent authorities at the national level, how was the cooperation between them, how they cooperated with the contractors under the Programme of important projects and how was the cooperation between the two states. They wanted to know whether the organisation of the competent authorities and their functioning related to the implementation of the Memorandum on important projects respectively the Programme of important projects provided an adequate basis for the achievement of objectives set by the Russian Federation and the Republic of Slovenia in the field of economic cooperation.

2.1 Organisation of the Interaction between the Public Authorities of the Russian Federation and the Public Authorities of the Republic of Slovenia

In accordance with the Memorandum on important projects, the implementation of the Programme of important projects is being monitored by the Intergovernmental Commission.

The Commission was established in compliance with the Protocol between the Government of the Russian Federation and the Government of the Republic of Slovenia on the establishment of an Intergovernmental Russia-Slovenia Commission for Trade, Economic, Scientific and Technical Cooperation (hereinafter: the Protocol on the establishment of an Intergovernmental Commission), signed by the two Governments on 19 February 1993 in Ljubljana.

The Intergovernmental Commission is composed of the representatives of both the Russian and the Slovenian part, appointed by the competent authorities of the parties to the Protocol on the establishment of an Intergovernmental Commission respectively by the Government of each state. The Chair (co-Chair from the Slovenian side) of the Slovenian part of the Intergovernmental Commission, usually the Minister of Foreign Affairs, and the Slovenian Members of the Commission are designated by the Government. In pursuance to the Order of the Government of the Russian Federation of 21 July 2012, No 1329, N Nikifirov, Minister of Communication and Mass Media of the Russian Federation, is appointed Chair of the Russian part of the Intergovernmental Commission. On 20 November 2012, Karl Viktor Erjavec, Minister of Foreign Affairs, was appointed Chair of the Slovenian part of the Intergovernmental Commission by the Government Decision No 51003-17/2012/4.

The Intergovernmental Commission is the basic platform for the interaction between the executive authorities and the public authorities of the Russian Federation and the Republic of Slovenia in the implementation of the Programme of important projects.

The Intergovernmental Commission is a permanently operational body and as a rule its meetings are held once a year, rotating between the Russian Federation and the Republic of Slovenia under the leadership of either of the co-Chairs of the Intergovernmental Commission. From its establishment to the end of the year 2013, the Intergovernmental Commission organised ten meetings¹, of which the last three were held during the period covered by the audit.

In the interest of the improved cooperation and the increased effectiveness thereof, the meetings of the Intergovernmental Commission are preceded by regular meetings of co-Chairs of the Commission and their deputies. In the period covered by the audit, the co-Chairs met on three occasions, i.e. on 9-10 October 2011 in Ljubljana, on 1 October 2012 in Moscow and on 29 July 2013 in Cerklje na Gorenjskem. At such meetings, the co-Chairs of the Intergovernmental Commission discuss the progress made in the field of economic cooperation and confirm the proposed agenda for the meetings of the Intergovernmental Commission. The meetings are thus considered the preparatory meetings for the meetings of the Intergovernmental Commission.

The organisational, administrative and other Secretary functions related to the functioning of the Intergovernmental Commission, notably the coordination and monitoring of the progress in the implementation of important projects, are carried out by the national parts of the Secretariats of the Intergovernmental Commission. The Secretariat of the Russian part of the Intergovernmental Commission is active under the Ministry of Economic Development of the Russian Federation while the Secretariat of the Slovenian part of the Intergovernmental Commission is represented by the Ministry of Foreign Affairs.

The Accounts Chamber of the Russian Federation assesses that no major problems impeding the implementation of the Programme projects were pointed out during the meetings of the Intergovernmental Commission, meetings of the national parts of the Intergovernmental Commission and within the interaction between the Secretariats of the national parts of the Intergovernmental

¹ Meetings of the Intergovernmental Commission:
 I Meeting, held on 15-16 June 1993 in Ljubljana;
 II Meeting, held on 8-12 December 1995 in Ljubljana;
 III Meeting, held on 21-23 May 1997 in Moscow;
 IV Meeting, held on 17-18 December 2002 in Portorož;
 V Meeting, held on 29 May 2006 in Moscow;
 VI Meeting, held on 25 May 2007 in Ljubljana;
 VII Meeting, held on 22 May 2009 in Ljubljana;
 VIII Meeting, held on 15-16 on 19 February 2011 in Moscow;
 IX Meeting, held on 27-28 November 2012 at Brdo pri Kranju; and
 X Meeting, held on 15-16 October 2013 in Moscow.

Commission. Such assessment is shared also by the Court of Audit, whose national audit report reveals comparable conclusions. The Accounts Chamber also states that no serious problems were highlighted during the implementation of the Programme projects by the Slovenian companies in the Russian Federation. Similar was established by the Court of Audit for the Russian companies operating in the Republic of Slovenia.

2.2 Performance of Official Administrative and Regulatory Legal Acts connected with the Implementation of the Programme of Important Projects

The national reports accompanying the audit identify the difference in the performance of official administrative and regulatory legal acts connected with the implementation of the Memorandum on important projects respectively the Programme of important projects.

In its national audit report, the Accounts Chamber indicates that according to the Regulation on the Russian part of the Intergovernmental Commission for Trade, Economic, Scientific and Technical Cooperation between the Russian Federation and foreign states, adopted by the Decision of the Government of the Russian Federation No 678 of 6 September 1992, the Chair of the Russian part of the Intergovernmental Commission contributes the proposals aimed at the implementation of the reached arrangements to the Government of the Russian Federation following the meetings. The Government of the Russian Federation (Central Office of the Government of the Russian Federation) assigns the federal executive authorities to provide the observance of the arrangements reached during the meetings of the Intergovernmental Commission.

In order to enable timely and effective implementation of the decisions and recommendations related to the Programme of important projects, adopted at the meetings of the Intergovernmental Commission, the relevant tasks were timely allocated to the involved federal executive authorities, the executive authorities of the constituent entities of the Russian Federation and the organisations responsible for the implementation of specific projects under the Programme of important projects. These tasks involve regular monitoring of the implementation of the Programme projects, development of proposals for updating the Programme with new projects as well as quarterly provision of information on the state of the Programme implementation to the Secretariat of the Russian part of the Intergovernmental Commission.

The results of control activities show that the Russian ministries, institutions and organisations responsible for the implementation of specific projects of the Programme, generally fulfil these tasks.

The participation of federal executive authorities in the implementation of the Programme of important projects is provided within the framework of their main activities; the participation of enterprises and organisations is provided within the implementation of the mutually beneficial projects (contracts).

The national report prepared by the Court of Audit shows that in the Republic Slovenia the organisational issues related to the work of the Governmental Commission are addressed in the period between the respective meetings of the Commission by the Secretariat of the Intergovernmental Commission, which is

responsible also for the continuous monitoring of the development of cooperation between the two states under the Agreement on trade and economic cooperation.

The preparations for the meetings of the Intergovernmental Commission and the subsequent meetings are attended also by the representatives of the competent authorities, predominantly the ministries, who appoint the members of the Slovenian part of the Intergovernmental Commission for each meeting separately. Such members are confirmed to participate at a particular meeting of the Intergovernmental Commission as delegates also by the Government. It is the task and the responsibility of the representatives of the competent authorities to comply with the arrangements provided for in the Protocol of the meeting in the field under their authority. In the implementation of tasks from their respective fields of work, the representatives are directly responsible to their superiors. In the framework of such cooperation, the Ministry of Foreign Affairs respectively the Secretariat of the Slovenian part of the Intergovernmental Commission assume the role of a coordinator and head of an individual meeting.

It is the assessment of the Court of Audit that the Slovenian part of the Intergovernmental Commission performs its tasks in accordance with the Protocol on the establishment of an Intergovernmental Commission.

The procedure for the preparation of the meeting of the Intergovernmental Commission and the implementation thereof is under the authority of the Ministry of Foreign Affairs, within the directorate respectively sectors responsible for public diplomacy and bilateral economic cooperation and economic promotion. The work, however, is directly coordinated by the Secretariat of the Slovenian part of the Intergovernmental Commission. The preparation of the meeting includes the adoption of the Government decision, which forms an important part of the procedure. The decision confirms the starting points² for the meeting of the Intergovernmental Commission. The Government also approves the delegation³ to attend the meeting. After the meeting, the Government, by way of a decision, adopts a report on the meeting⁴, which includes also the Protocol of the meeting. In the period between the individual meetings, the Government, however, does not influence directly the work of the Intergovernmental Commission respectively the Slovenian part of the Intergovernmental Commission.

² The starting points for the VIII Meeting of the Intergovernmental Commission, taking place on 15 and 16 February 2011 in Moscow, No ZDG016/2011 of 31 January 2011; the starting points for the IX Meeting of the Intergovernmental Commission, taking place on 27 and 28 November 2012 at Brdo pri Kranju, No ZdG049/2012 of 9 November 2012 and its amendment No ZGB053/2012 of 13 November 2012; the starting points for the X Meeting of the Intergovernmental Commission, taking place on 15 and 16 October 2013 in Moscow, No 51003-14/2013/4 of 10 October 2013.

³ Government Decisions No 51003-2/2011/2 of 10 February 2011, No 51003-17/2012/4 of 20 November 2012, No 51003-14/2013/4 of 10 October 2013.

⁴ Government Decisions No 51003-2/2011/5 of 22 March 2011, No 51003-17/2012/7 of 2 January 2013. The report of the X Meeting has not yet been adopted by the Government since it is still in the process of coordination at the Ministry of Foreign Affairs.

2.3 Organisation of Interaction between the Competent Public Authorities and Contractors under Specific Projects

The difference in the organisation of interaction between the competent public authorities and contractors under specific projects is already evident from the Programme of important projects. Indicated among the contractors under projects at the Russian side are also public authorities whereas at the Slovenian side the public authorities as the contractors under projects are listed only exceptionally. Such difference is observed also in the findings of the respective national audit reports.

In the Russian Federation, federal executive authorities exercised direct interaction with economic entities during the development of the Programme and formulation of proposals for the inclusion of new projects. The interaction between the public authorities of the Russian Federation and Russian legal entities - participants of the projects within the framework of the implementation of the Programme - is exercised with the consideration of the list of contractors under the Programme specific projects and the profile of the specified legal bodies.

The following authorities of the Russian Federation were involved in the implementation of the Programme: the Ministry of Energy of the Russian Federation, the Ministry of Communication and Mass Media of the Russian Federation, the Ministry of Transport of the Russian Federation, the Ministry of Industry and Trade of the Russian Federation, the Government of the Moscow Region, the executive authorities of the constituent entities of the Russian Federation as well as the local authorities of the city districts and municipal districts.

The Accounts Chamber establishes that the Ministry of Transport of the Russian Federation, specified as the contractor of three projects of the Programme, did not take part in the implementation of these projects. In the new version of the Programme, the Ministry of Transport of the Russian Federation was excluded from the list of contractors under the specified projects.

Also excluded from the list of contractors in the Programme was the Ministry of Trade and Industry of the Russian Federation.

It is indicated in the national audit report of the Court of Audit that two ministries are listed among the Slovenian contractors under the Programme of important projects, i.e. the Ministry of Infrastructure and Spatial Planning of the Republic of Slovenia as the contractor under one project from the field of energy industry, which is currently in the process of implementation, and the Ministry of Education, Science and Sport of the Republic of Slovenia as the contractor under two projects from the field of industry, including telecommunications and information technologies, of which one is classified in the category of projects under implementation and one in the category of potential projects.

The contractors under the Programme of important projects cooperate notably with the Secretariat of the Slovenian part of the Intergovernmental Commission, which monitors the cooperation of the Slovenian contractors with the partners from the Russian Federation and carries out periodic inspection of the realisation of individual business projects, which takes place every three to five months.

In this part of the audit, the Court of Audit assesses that the competent authorities are not sufficiently active in submitting proposals for the improvement of economic cooperation and in identifying and

monitoring projects under their responsibility. The Court of Audit is of the opinion that the Government should establish adequate policies to enable a more active approach of the competent authorities within the Slovenian part of the Intergovernmental Commission.

3. EFFECTIVENESS OF THE ACHIEVEMENT OF OBJECTIVES OF ECONOMIC COOPERATION

This section of the audit examined the influence of the implementation of the Programme of important projects on the strengthening of the bilateral economic cooperation between the Russian Federation and the Republic of Slovenia. To this end, the state of the economic cooperation between the states, including the dynamics and structure of turnover, dynamics and structure of mutual investments and other indexes, was verified and analysed. In the implementation of the Programme of important projects, the two Supreme Audit Institutions took a different approach to the analysis, within the scope of their powers.

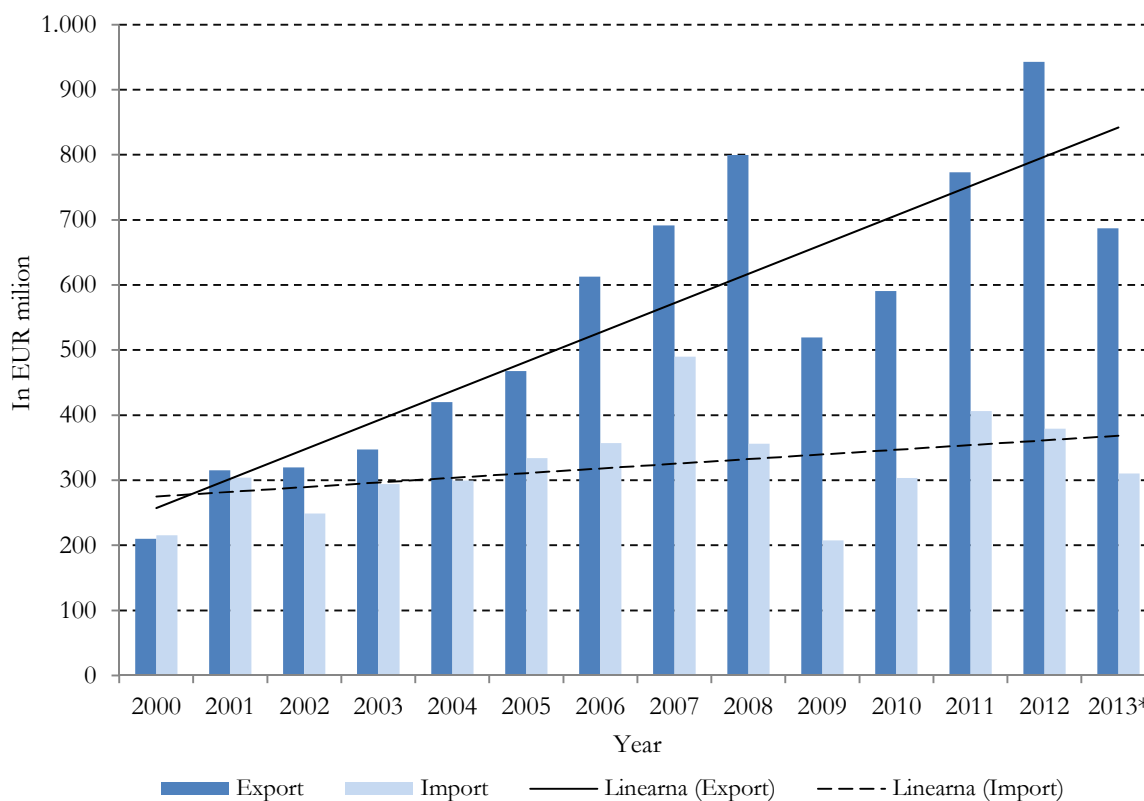
3.1 State of the Economic Cooperation between the Russian Federation and the Republic of Slovenia

In their respective national audit reports, both the Accounts Chamber and the Court of Audit summarise the assessment of the Governments of both states that the Memorandum on important projects can be ascribed a great value, since it stimulates and encourages mutual investments and may have a positive impact on the broadening of the trade of goods and services and the diversification and improvement of its structure as well as on the growth of share of high value-added goods and high-technology products in the turnover. The Programme of important projects is treated by both Governments as a priority area of bilateral cooperation.

The implementation of the projects specified in the Memorandum on important projects is aimed at refreshing and actualising the trade and economic relations, searching for and implementing project-oriented proposals related to the introduction of new/joint productions based upon modern technologies and innovations as well as developing investment cooperation.

According to the data of the Statistical Office of the Republic of Slovenia, which also provided the source for the data in the national report of the Court of Audit, the Republic of Slovenia recorded an increase in its external trade turnover with the Russian Federation in 2012 by the amount of 12.1 percent compared to 2011; in 2012, the export of the Republic of Slovenia to the Russian Federation increased by 21.9 percent compared to 2012 while the import to the Republic of Slovenia from the Russian Federation decreased by 6.7 percent. In the year 2012, the Russian Federation was the seventh most important trade partner of the Republic of Slovenia (sixth among the states the Republic of Slovenia exports to and thirteenth among the states the Republic of Slovenia imports from).

Figure 1: External trade turnover of the Republic of Slovenia with the Russian Federation



Notes: The data do not include services and foreign direct investments.

*The year 2013 includes only data for the first eight months.

Source: the Ministry of Foreign Affairs

According to the data of the Federal Customs Service of the Russian Federation, which provided the source for the data in the national report of the Accounts Chamber, the external turnover between the Russian Federation and the Republic of Slovenia in 2012 increased by 7.3 percent compared to 2011. The export of the Russian Federation to the Republic of Slovenia in 2012 decreased by 10.3 percent compared to 2011 whereas the import to the Russian Federation from the Republic of Slovenia increased by 3.3 percent. The negative balance of the Russian Federation in its external trade turnover with the Republic of Slovenia amounted to USD 936.1 million in 2012. The Republic of Slovenia lies in 59th place among the trade partners of the Russian Federation; it holds the 73th place in export and 40th in import.

The external turnover between the Russian Federation and the Republic of Slovenia in 2012, both in terms of export and import, outgrew the levels of pre-crisis 2008. The positive dynamics of the bilateral cooperation is facilitated by its substantial project filling as well as by the aspiration of both states for the diversification and development of effective cooperation mechanisms and forms.

The trade and economic relations between the Russian Federation and the Republic of Slovenia are characterised by a persisting significant negative balance, i.e. according to the data of the Accounts

Chamber in the amounts of USD 808.7 million in 2011 and USD 936.1 million in 2012, and according to the data of the Court of Audit, in the amounts of EUR 367.1 million in 2011 and EUR 563.7 million in 2012.

It is indicated in the national report of the Accounts Chamber (the national report of the Court of Audit does not indicate such data) that the greatest share in the structure of the Russian export to Slovenia in 2012 was held by mineral products (70.2 percent), followed by metals and metal products (20.8 percent). In 2012, the main export goods were petroleum gases and other hydrocarbon gases (44.9 percent), petroleum and petroleum products (18.8 percent), unprocessed nickel (11.3 percent), ferroalloys (6.6 percent), coal, bricks, pellets and other solid fuel types made of coal (5.9 percent), food products and agricultural supplies (5.5 percent).

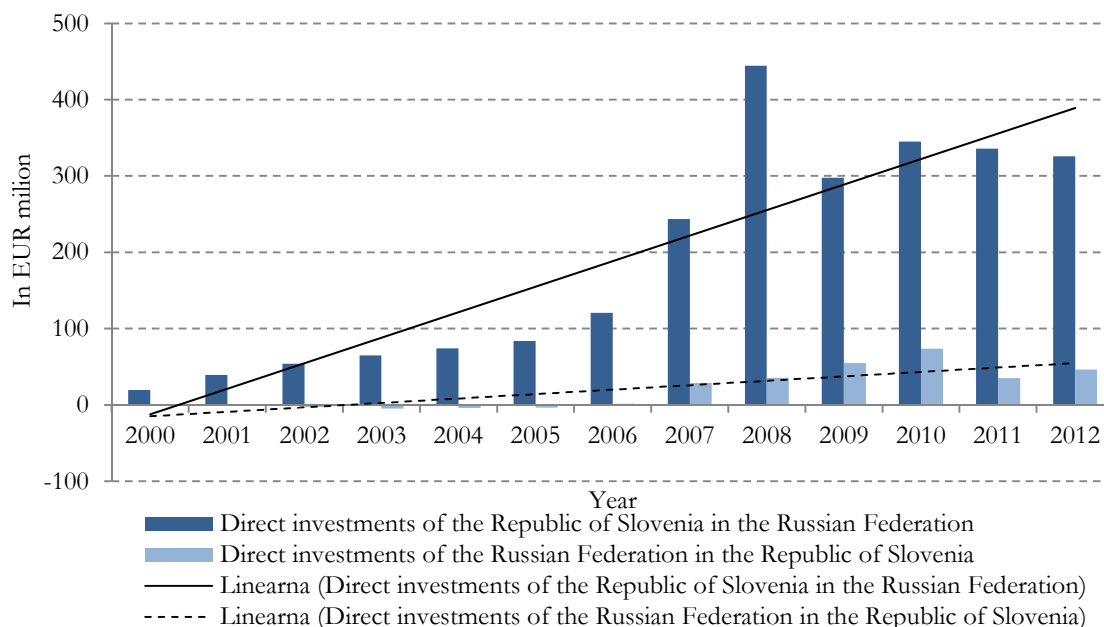
The Russian import structure, on the other hand, was formed by the following product groups: chemical industry products and rubber (55.4 percent), cars, equipment, transport vehicles (30.8 percent). The main imported goods in 2012 were pharmaceutical products (29 percent), human and animal blood, antisera and other blood fractions (7.5 percent).

It is stated in the national reports of both Supreme Audit Institutions that in the Protocol of the X Meeting of the Intergovernmental Commission the Governments note the trends in the field of direct investments between the two states to be bright and promising. The Russian Federation takes fifth place by the Republic of Slovenia direct investments volume abroad.

The Accounts Chamber establishes that no restrictive or discriminatory measures are taken against Russian entrepreneurs in the Republic of Slovenia. The business conditions are favourable for the Russian companies. The selection of the participants of investments projects in the Republic of Slovenia, which belongs to the European Union legal field, is carried out according to the results of the competitions, taking into account the competitiveness of the tenders of the prospective investors. These issues were not specifically considered by the Court of Audit, nevertheless, such findings can be found in the Protocols of the meetings and other documents dealing with the cooperation between the two states.

According to the data from the national report of the Court of Audit, the Russian Federation held the fourth place in terms of the value of Slovenian investments abroad in 2011, which represented the share of 5.6 percent of all the Slovenian investments abroad. The highest share of Slovenian investments is to be found in the Moscow region. In the year 2011, the investments of the Russian Federation in the Republic of Slovenia amounted to 0.78 percent of all the foreign investments in the Slovenian economy. In the year 2012, the amount of investments of both states decreased. In terms of its investments in the Russian Federation, the Republic of Slovenia classified fifth. At the end of the year 2012, the investments amounted to 5.8 percent of all the Slovenian investments abroad. At the end of the year 2012, the investments of the Russian Federation in the Republic of Slovenia amounted to 0.4 percent of all the foreign investments in the Slovenian economy.

Figure 2: Direct investments



Note: The data on foreign direct investments include equity, assets and liabilities; the value can also be negative.

Source: Bank of Slovenia

By the end of 2012, according to the data of the Accounts Chamber, the amount of USD 164.2 million of Slovenian investments were accumulated at the Russian economy, i.e. USD 114.6 million of direct investments, USD 21.3 million of indirect investments and USD 28.3 million of other investments. In 2012, the amount of USD 67.6 million of Slovenian investments were submitted to the Russian economy, i.e. USD 34.5 million of direct investments, USD 17.2 million of indirect investments and USD 15.9 million of other investments.

By the end of 2012, the amount of USD 82.7 million of Russian investments were accumulated at the Slovenian economy, i.e. USD 1.2 million of direct investments, USD 36.4 million of indirect investments and USD 45.1 million of other investments. In 2012, the amount of USD 2.9 million of Russian investments was submitted to the Slovenian economy, i.e. USD 1.2 million of direct investments and USD 1.7 million of other investments.

There are differences in the statistical data provided by the Federal Customs Service of the Russian Federation and the Statistical Office of the Republic of Slovenia. According to the Protocol of the X Meeting of the Intergovernmental Commission, the Secretariat of the Slovenian part of the Commission submitted the Study of the Statistical Office of the Republic of Slovenia of the reasons for the differences in the statistical data between the Russian Federation and the Republic of Slovenia to the Secretariat of the Russian part of the Commission. The main reason lies in different methodology, applied by the statistical bodies for the evaluation of trade flows between the two states. These reasons are objective and could not be addressed in more detail during the implementation of the audit.

Both Supreme Audit Institutions establish that the evaluation of the increase in the volume of trade and economic ties between the Russian Federation and the Republic of Slovenia, which is the direct consequence of the implementation of the Memorandum on important projects, seems impossible based on the material presented within the control activity.

3.2 State of the Implementation of the Programme of Important Projects

The information on a specific project in the Programme of important projects includes data on the contractors under the project, the name of the project, the expected results, the deadline for the implementation of the project as well as the update on the progress in the implementation of the project and the reasons for any amendments of the terms of cooperation between the Russian and Slovenian partners or of the project deadlines. In providing the information about the project, stated in the Programme of important projects, the agreed method of reporting and monitoring the progress in the implementation of the project is applied within the Intergovernmental Commission, which prior to any meeting examines at the contractors under the project and at the competent authorities the progress made in the implementation of the project respectively the reasons for any amendments in the agreements.

The Court of Audit has no authority to identify the facts and the risks of failure to implement, untimely or incomplete implementation of the Programme of important projects, since the contractors under specific projects do not fall within the public sector and are not financed by public funds. Also the Accounts Chamber states in its national report that in the majority of instances the contractors refused to provide the complete information on the project due to confidentiality. Therefore, indicated below are only the findings that do not include the results of the implementation of individual projects but are rather related to the Programme of important project as a whole.

It can be established from the Programme of important projects that the Programme does not involve the complete cooperation between the Russian Federation and the Republic of Slovenia. Moreover, in its national audit report, the Court of Audit specifically states that the objectives of individual projects are not sufficiently linked to the objectives of the economic cooperation between the Russian Federation and the Republic of Slovenia. The objectives of a particular project from the Programme of important projects may provide the basis for the identification of the expected results and the project deadlines, yet the expected results are not defined clearly enough and more importantly, the majority of the expected results is not measurable.

Table 1: Projects by specific fields of economic cooperation

Field / Projects	VIII Meeting	IX Meeting	X Meeting
<i>Energy industry</i>	5	5	5
- under implementation		3	3
- potential		2	2
<i>Energy efficiency and energy savings</i>	3	3	2
- under implementation		0	0
- potential		3	2
<i>Industry, including telecommunications and information technologies</i>	14	21	20
- under implementation		13	12
- potential		7	7
- implemented		1	1
<i>Mutual investments and economic cooperation</i>	4	3	3
- under implementation		2	2
- potential		1	1
<i>Strengthening of cooperation in the sphere of innovations and science and research activities</i>	5	5	5
- under implementation		1	1
- potential		4	4
Total	31	37	35

The comparison with the initial Programme of important projects shows that five projects were excluded based on the common interest of the contractors from both sides. The final version of the Programme of important projects includes nine new projects. The deadlines for the implementation of the 24 projects included in the initial Programme were examined. It was established that for 11 projects the deadlines remained the same throughout. Three projects had no deadline determined, three projects were marked as a continuous process, the implementation deadline for three projects was replaced by the status of a continuous process and six projects had their implementation deadline extended for the period of one to two years.

The national report of the Court of Audit also shows that the audit question raised, i.e. did the projects for the expansion of the bilateral economic cooperation, agreed based on the Memorandum on important projects, contribute to the achievement of policy objectives in the field of economic cooperation with the Russian Federation, respectively, is the effectiveness in the field of economic cooperation related to the implementation of the Memorandum on important projects and not with other factors, cannot be answered with certainty.

The economic cooperation between the Russian Federation and the Republic of Slovenia is reflected in the favourable trends of trade turnover and direct investments. Yet such trends cannot be attributed exclusively to the projects respectively the Programme of important projects, since the Programme does not define measurable objectives and neither does it determine adequate indicators, the monitoring of which would enable the indisputable attribution of the effectiveness of the economic cooperation between the Russian Federation and the Republic of Slovenia to specific activities or in the present case, to the implementation of the Programme of important projects.

4. CONCLUSIONS

Notwithstanding the differences in the national reports, arising from different regulation of the field of auditing and different approaches and responsibilities of the two Supreme Audit Institutions, the conclusions of the national audits are similar. Indicated below are the conclusions that are common to both national audits:

1. The Partnership Declaration and the Memorandum on important projects are not international agreements and do not establish rights and obligations, regulated by the international law.
2. The Governments of both states, the parties to the Memorandum on important projects, consider the Programme of important projects a priority in the context of the economic cooperation between the two states. The Programme is a systematised list of projects. In the Russian Federation, it is the economic operators, together with the state institutions, that are the contractors under specific projects. As a rule, the contractors in the Republic of Slovenia, on the other hand, are the economic operators, while the state institutions are rarely included. For each project in the Programme of important projects, the name of the projects, the expected results, the implementation deadlines as well as the state of the project are specified. The newest version of the Programme of important projects involves 35 projects, of which 18 are classified in the "Projects under implementation" category, 16 under the "Potential projects" category and one under the "Implemented projects" category. The specified projects are classified according to the fields of economic cooperation, agreed between the two states.
3. No allocation of state budget funds is provided for the implementation of the projects under the Programme of important projects.
4. The Programme of important projects does not reflect the complete scope of the economic cooperation between the Russian Federation and the Republic of Slovenia, it does, however, represent an additional element of bilateral cooperation.
5. The implementation of the Programme of important projects is monitored by the Intergovernmental Commission at regular meetings and the meetings of the Chairs of the national parts of the Intergovernmental Commission.
6. In the Russian Federation, the federal executive authorities and the executive authorities of the constituent entities of the Russian Federation in cooperation with the organisations responsible for the implementation of specific projects under the Programme of important projects, in accordance with the directives of the Government of the Russian Federation, monitor the implementation of the Programme projects, contribute proposals for the inclusion of new projects in the Programme of important projects and submit the information on the state of the implementation of the projects to the Secretariat of the Russian part of the Intergovernmental Commission on a regular basis. In the Republic of Slovenia, the contractors under the Programme of important projects cooperate notably with the Secretariat of the Slovenian part of the Intergovernmental Commission, which monitors the cooperation of the Slovenian contractors with the partners from the Russian Federation and carries

out periodic inspection of the realisation of individual business projects, which takes place every three to five months.

7. The newest version of the Programme of important projects covers all the fields of economic cooperation, agreed between the two states during the preparation of the initial version of the Programme of important projects.
8. No project under the Programme of important projects was completed during the implementation of the audit. In the period covered by the audit, however, there was one project completed, i.e. from the field of industry, including telecommunications and information technologies.
9. The comparison of the initial Programme of important projects with the newest version shows that five projects were excluded based on the common interest of the contractors from both sides. The newest version of the Programme of important projects includes nine new projects.
10. In the newest version of the Programme, the Ministry of Transport of the Russian Federation and the Ministry of Industry and Trade of the Russian Federation are excluded from the list of contractors.
11. The deadlines for the implementation of the 26 projects included in the initial Programme were examined. It was established that for 11 projects the deadlines remained the same throughout. Three projects had no deadline determined, three projects were marked as a continuous process, the implementation deadline for three projects was replaced by the status of a continuous process and six projects had their implementation deadline extended for the period of one to two years.
12. The implementation of the projects specified in the Memorandum on important projects is aimed at refreshing and actualising the trade and economic relations, searching for and implementing project-oriented proposals related to the introduction of new/joint productions based upon modern technologies and innovations as well as developing investment cooperation. The implementation of the projects under the Programme of important projects might in the future become an additional growth engine for the trade turnover between the Russian Federation and the Republic of Slovenia and might contribute to the changes in its structure.
13. The external turnover between the Russian Federation and the Republic of Slovenia in 2012, both in terms of export and import, increased compared to 2011 and outgrew the levels of pre-crisis 2008. No drastic changes have been observed in the mutual trade structure during the past period; the trade and economic ties between the two states have been characterised by a persistent negative balance of the Russian Federation in its external trade turnover with the Republic of Slovenia.
14. The economic cooperation between the Russian Federation and the Republic of Slovenia is reflected in the favourable trends of trade turnover and direct investments. Yet such trends cannot be attributed exclusively to the projects respectively the Programme of important projects.
15. The inclusion of new projects in the Programme of important projects demonstrates that there is room for the further strengthening of the trade and economic ties between the two states.

5. RECOMMENDATIONS

Based on the common findings, notably the conclusions of the parallel audit, the Accounts Chamber and the Court of Audit recommend the co-Chairs of the Intergovernmental Commission to consider the joint report and:

1. examine the possibilities for the improved monitoring of the implementation of projects, which would enable a realistic and comparable assessment of a particular implementation phase based on the expected result, both between the projects and between the national parts of the Intergovernmental Commission respectively the states;
2. recommend the contractors under projects and the competent authorities more active cooperation in the exchange of information on potential obstacles during the implementation of the projects;
3. call upon the competent authorities to draw more attention to the issues that may arise during the implementation of the projects under the Programme of important projects, in order to increase the volume of mutual investments and improve the structure of the trade turnover between the states.

For the
Court of Audit of the Republic of Slovenia
President of the
Court of Audit of the Republic of Slovenia

For the
Accounts Chamber of the Russian Federation
Chairwoman of the
Accounts Chamber of the Russian Federation

_____ T. Vesel

_____ T. A. Golikova