COMMISSION DECISION
OF 1999

Establishing a Business Support Programme,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe, as last amended by Regulation (EC) No 1266/99 of 21 June 1999, and in particular article 9 thereof,

Whereas Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe,

Whereas the measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries of Central and Eastern Europe,

HEREBY DECIDES AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted.

Article 2

The maximum amount of Community assistance shall be 6 MEUR to be financed through Budget line B7-500.

Done in Brussels,

For the Commission

1
FINANCING PROPOSAL

BUSINESS SUPPORT PROGRAMME 1999

1. IDENTIFICATION

Beneficiary: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia.

Programme: Business Support Programme (BSP) 1999; to provide assistance to business organisations in the countries of Central and Eastern Europe (CEECs) in preparing themselves as well as local businesses for accession to the European Union.

Year: 1999

Cost: 6 MEUR

Implementing Authority: European Commission, SCR

Expiry Dates: 31 December 2000 (contracting)

31 December 2001 (disbursement)

Sector: PR

Group: L

Budget Line: B7 - 500

Programme co-ordinator: Bardo Gavazzoli Schettini DGIA

Implementation Task Manager: Tom Robbert SCR

2. SUMMARY

During the period since 1991, the development of the private sector was essential to enable CEECs to achieve the transition to a market economy. To facilitate this, the European Commission has supported business development initiatives through the various national Phare programmes as well as through multi-country programmes such as JOP and COOPME. These programmes have supported a variety of business and SME development initiatives.

Over the next few years, and before the first accessions of the CEECs to the European Union, it will be necessary for national policies and institutions to be adapted so that they can meet the necessary political, institutional and economic conditions. However, this will not be sufficient to ensure that enlargement is a success. It is crucial that business operators can also adapt themselves to this new context. Of particular importance will be the ability of these operators to adapt their management, production methods and product specifications to the Community ‘acquis’, in particular to the rules concerning the Single Market, be it through legislation or standards.
In this perspective, the BSP was approved by the Commission in 1998 in order to assist CEEC business operators, via their representative and support bodies, in meeting the requirements of accession and the demands of the Single Market. The bulk of Phare support is earmarked for a package of actions designed to strengthen CEEC business organisations as a whole.

The BSP currently consists of the following components:

i. Support to Business Representative Organisations and businesses
ii. Support to the activities in the textile sector
iii. Support to the Representative Organisations in the Agricultural Sector
iv. Support to institutions in the area of industrial property

Because of the increasing interest the EU and CEEC business representative organisations have shown toward this programme, it is proposed to allocate an additional budget of 6 MEUR only to the component (i. Support to Business Representative Organisations and businesses).

Logical Framework
Programme objectives results, sources of information and assumptions and risks are presented in the attached logical framework matrix.

3. BACKGROUND

Phare has already provided significant support for the business sector in CEECs through the JOP, COOPME and RIPP programmes and now with the SME Finance facility as well. Since 1991 JOP has been providing important assistance, through a range of financial intermediaries, for the creation of joint venture companies between enterprises in the EU and in CEECs. Its continuation has been the object of a separate financing proposal which received a positive opinion of the Phare Management Committee in 1998.

The COOPME programme, for its part, has provided a mechanism aiming to improve the capability of associations of businesses in the CEECs to expand relations and twinning arrangements between counterpart associations in EU, as well as to support co-operation and partnership between enterprises in the two regions. In particular, the COOPME programme supported innovative initiatives by business organisations in the EU and in the CEECs in order to provide concrete assistance to CEEC businesses as well as to facilitate their adaptation to the new competitive and regulatory context which is emerging as part of the transition process. COOPME has received 13 MECU for the period 1994-1997.

The protection of industrial property (patents, trademarks, industrial designs and utility models) is a common concern to all CEECs and has an impact on foreign investment since, when properly functioning, it facilitates inward technology transfer. The RIPP programme

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1 The Financing proposal of the Business Support Programme was approved by the Phare management Committee n: 67 of 19th November 1998
has been focused mainly on the reinforcement or establishment of national Patent and Trademark Offices, the creation of modern documentation system and the development of computerised management tool for these offices. Phare assistance in this field started in 1992 and has been continuous with RIPP-II in 1994 and RIPP-III in 1995. In total, Phare dedicated 9 MECU to the reinforcement of industrial property protection in Central and Eastern Europe.

The JOP, COOPME as well as RIPP Programmes have been subject to independent assessments and the general outcome has been satisfactory. The BSP builds upon these experiences and provides a framework for supporting similar activities according to the new objectives of Phare for the candidate countries. In addition, it will also seek to help CEEC business representative organisations play their various roles through “twinning” type of arrangements and networking with counterparts in the EU.

3.2 Socio-economic context

The development of a strong private sector in the candidate countries is a crucial element of the transformation process initiated in 1989, and is essential in minimising the tensions that will arise as a result of the process of accession to the EU. In this context, it is necessary to ensure that CEEC businesses are able to fully adjust to Community rules and standards. This will enable them to compete in the wider Single Market. It is also essential that business support organisations in the CEECs are able to provide appropriate assistance to their member companies, as is the case in the EU.

In the years leading up to “1992” the Commission pointed out that the Single Market would become effective in a gradual process depending as much on the behaviour of economic agents as on the adoption of Community legislation and its transposition into national law. Enterprises in CEECs and their support organisations will face a particularly severe challenge in meeting the needs of the Single Market. This is because, unlike businesses in current EU Member States, they will join a fully functioning Single Market rather than one which is gradually evolving.

The changes which businesses from CEECs will need to anticipate and implement as part of adjusting to the Single Market rules and supporting European standards are varied and relate to all aspects of their operations, from procurement and production to marketing and sales, not to forget human resources management, social issues, and technological and financial matters. A smooth adaptation to the Community “acquis” will ensure that CEEC companies are able to take full advantage of the opportunities that accession to the Single Market will create for them, while minimising the disruptions it could imply. Previous experience shows that co-operation between business support organisations from the EU and the CEECs can play a key role in ensuring that CEEC businesses will adapt to the “acquis” and are therefore able to face increased competition in larger markets.

3.3 Relationship to other programmes
The BSP reflects the priority attached by the Commission to the role of national programmes and will therefore support only those twinning arrangements that can better include activities with a multi-national component. This programme should also complement the activities of the Phare Multi-country SME Finance Facility and of the JOP Programme. Business operators need a favourable legal, regulatory and administrative environment. The Phare programme has been supporting the relevant authorities through \textit{TAIEX, PRAQ} (Quality Assurance), and the Customs and Environment programmes. Since all these are in part concerned with the provision of information to private sector intermediaries and companies, it will have to be ensured that the BSP does not overlap with their activities. In particular, synergy with \textit{TAIEX} will be ensured in relation with those activities focused on information on approximation and implementation of the EU legislation in the CEECs. During the period of operation of the BSP, participation in the \textit{“Third Multiannual Programme for SMEs in the European Union”} run by DGXXIII will be open to all associated countries. Appropriate co-ordination will therefore be ensured between the two programmes.

\textbf{4. OBJECTIVES OF THE PROGRAMME}

The wider objective of this programme is to assist business operators within the CEECs to develop a capacity to cope with the need to adapt to the Community “acquis”. The intermediate objectives of the programme are the strengthening of business support bodies and networks in the CEECs through twinning actions with their counterparts in the Union. The immediate objectives of the BSP are the development of partnership contacts and co-operation actions for business sectoral/horizontal organisations and the support, through such bodies, of activities aimed at helping CEEC companies to adjust to the Community “acquis”.

\textbf{5. DESCRIPTION OF THE PROGRAMME}

The programme comprises four components. The first one, which is the object of this proposal, is open to the benefit of all sectoral and horizontal business representative organisations in the CEECs. The other three remain unchanged and will not receive any additional funds. Their aim is to give support to activities focused to some specific sectors and issues where special attention is needed. The components are as follows:
\begin{itemize}
  \item [i.] Support to Business Representative Organisations and businesses
  \item [ii.] Support to the activities in the textile sector
  \item [iii.] Support to the Representative Organisations in the Agricultural Sector
  \item [iv.] Support to institutions in the area of industrial property
\end{itemize}

\textbf{5.1 Support to Business Representative Organisations and businesses}
Business operators need the support of institutions capable of effectively representing them and advocating their interests vis-à-vis national governments, interest groups and the public opinion. Through the strengthening of such bodies the legitimate interests and expectations of business operators can also be more adequately taken into consideration in the process of adopting, implementing and enforcing the “acquis”.

In addition, the existence of well functioning business representative bodies in the CEECs and appropriate co-operation between these bodies and their counterparts in the European Union can provide a unique tool for designing and implementing programmes with a view to helping CEEC companies adjust their organisation, management and production methods to the constraints of the Single Market.

Under this component the BSP will support two specific actions:

1. Strengthening of CEEC business support organisations;
2. Strengthening the activities of business support organisations in helping CEEC companies to adjust to the Community acquis.

This component of the programme is meeting unexpectedly high interest from the EU and CEEC business representative sectoral and horizontal organisations. It is therefore likely that some good project proposals submitted under this component might not be supported because of the limited current budget available.

With this financing proposal the Commission will provide 6MEUR of additional fund to better satisfy the demand for support from the beneficiary organisations.

The two sub-component are as follows:

5.1.1. Strengthening of CEEC business representative organisations

Under this priority, support would be given to projects focused on partnerships and twinning operations between business representative organisations (at horizontal or sectoral level) in the CEECs and in the EU. In order to manage this process in a cost effective and efficient manner a reduced number of representative business support organisations or consortia of such organisations will be selected and contracted to develop two-year programmes of integrated twinning activities. These programmes should only benefit CEEC-based horizontal or sectoral business support organisations. They could be designed, proposed and implemented either by European level organisations or by consortia of national level organisations.

The programmes selected may for example include the following activities:

- technical assistance on organisational aspects (financing, networking with sister organisations, public relations and promotional activities, setting up of IT networks or tools, etc.);
- training (on issues such as relations with decision-making public authorities, provision of information services, etc.);
- awareness raising and promotion of best practices on issues such as technology, quality and benchmarking, promotion of industrial co-operation, assistance to partner searches, social policy issues, etc.;
The methods used for delivering such assistance may include:
• secondment of EU experts to CEEC organisations;
• internships of CEEC staff members in EU partner organisations;
• creation of a network between the organisations participating in the project.

5.1.2. Strengthening the activities of business support organisations in helping CEEC companies adjust to the Community acquis

Earlier experiences, notably under the COOPME programme, have shown that cooperation between EU and CEEC businesses can play a significant role in helping CEEC businesses adapt to the challenges of accession to the EU, and in particular to the changes that will arise at the company level as a result of the need to adapt to the Community “acquis”.

Under this specific action of the BSP programme, appropriate support will be provided by sectoral and horizontal business representative organisations in the EU to their counterparts in the CEECs so that the latter can help their member companies adapt to the parts of the Community acquis relevant to their specific sectors.

This assistance would be provided as part of integrated programmes that may cover some or all of the following issues:
• the strengthening of the ability of local associations in assessing the practical implications of EU sectoral legislation on the activities of companies;
• the provision of assistance to the definition of improvement plans with a view to adapting the management, organisation, production methods and product lines of companies to the relevant Community “acquis” and to European standards.
• the introduction of relevant technological solutions and other innovations with a view to implementing these improvement plans;
• the assistance to the design and implementation of EU-compatible quality policies.

The following methods and tools could be used, among others, to provide assistance:
• Long / medium term training activities;
• Networking activities;
• Technical support (e.g. secondment of industry experts);

The eligible bodies will be EU and CEEC sectoral and horizontal business support organisations. Consortia may also include sectoral EU or CEEC technological centres.

The BSP programme may support proposals also including the development of those networks aiming at promoting the use of new technological tools in relations to business information and co-operation.

5.1.3 Eligible bodies, calls for proposals and ratio for the additional budget
The eligible bodies will be EU/CEEC business representative organisations, whether horizontal or sectoral.
The two sub-components were translated into two joint calls for proposals published in the E. C. Official Journal C 183 of 29th June 1999. The expiry date for the submission of the projects proposal is fixed for 15th October 1999.

Projects will be selected by the programme’s Steering Committee (see below 9.1.). The proposals will be evaluated according to their relevance with regard to the programme’s objectives, of their technical quality and added value. A preference will be given to those programmes with the broadest geographic coverage in terms of the number of CEECs covered and with a view to maximising economies of scale. The projects are intended to last for a period of two years and have a long term impact in relation to the CEECs’ needs.

The additional financial support from the Commission under this component will be allocated according to the financial breakdown (see point 7. Budget). Being this as additional budget, the same procedure as currently stated in the calls for proposals published in the E. C. Official Journal C 183 will be applied. Therefore the Commission co-financing for each selected programme will not as a general rule exceed 90% of the total costs. For those projects submitted under the call related to the point 5.1.1 the co-financing will be for a maximum of 2 MEUR. For those projects submitted under the call related to the point 5.1.2 the co-financing will be for a maximum of 1 MEUR.

5.2
The other components of the BSP 1998 Remain unchanged.
They are:
- Support to the activities in the textile sector (statistical data collection)
- Support to the Representative Organisations in the Agricultural Sector
- Support to institutions in the area of industrial property

6. ACTIVITIES OF OTHER DONORS AND CO-ORDINATION

Co-ordination with the activities of other donors will be encouraged. In particular, under RIPP-III there have been regular contacts with the World Intellectual Property Organisation. The exchange of information will be continued and activities will be co-ordinated where appropriate.

7. BUDGET
Phare will provide additional 6M€ from the 1999 budget to finance the selected projects under the first component described above.

**Financial Breakdown**

<table>
<thead>
<tr>
<th>Component</th>
<th>Financial allocation (MEUR)</th>
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<tbody>
<tr>
<td>1.a. Strengthening of business support organisations</td>
<td>4</td>
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<tr>
<td>1.b. Strengthening the activities of business support organisations</td>
<td>2</td>
</tr>
<tr>
<td>2. Support to the activities of OETH in the CEECs</td>
<td>None</td>
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<tr>
<td>3. Support to representative organisations in the agricultural sector</td>
<td>None</td>
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<tr>
<td>4. Support to institutions in the area of intellectual property</td>
<td>None</td>
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<tr>
<td>5. Project monitoring activities</td>
<td>None</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6</strong></td>
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**8. IMPLEMENTATION**

The programme will be implemented by the European Commission on behalf of national authorities through the Steering Committee. The implementation provisions may be reviewed from time to time.

**8.1. Steering Committee**

The Steering Committee will be composed of the representatives of the Commission services concerned. It will be in charge of the selection and decisions on any individual projects under components 5.1.1 and 5.1.2 of the programme. The Steering Committee’s decisions will be based on the relevance of projects in terms of the Commission’s policy objectives and their technical quality and good value for money. The Steering Committee will meet regularly and may take decisions on specific monitoring activities in relation to the implementation of the programme. External expert may also be invited when specific assistance is needed.

In case of industrial property, the Commission will continue to held regular co-ordination meetings with representatives of the national industrial property offices and the EPO to discuss progress and approve work programmes of the latter.
9. AUDIT AND MONITORING

The Commission services shall monitor the implementation of the Programme on the basis of regular reports from the contractors and may sign contracts with independent consultants to follow the progress of the Programme and its components and carry out an ex-post evaluation after completion of the programme. To facilitate monitoring a detailed set of performance criteria will be defined in keeping with programme objectives. The intermediaries and final beneficiaries shall undertake to have their relevant accounts audited by the Court of Auditors, the European Commission or its designated agents when required.

10. SPECIAL CONDITIONS

For all categories of projects, the organisations acting as partners should provide at least part of the matching contributions from their own resources (either in finance or in kind) to guarantee their effective involvement in the project.

All project costs should ultimately benefit organisations in the countries of Central and Eastern Europe.

No financial assistance will be provided to companies. Companies will therefore only benefit indirectly from the programme.

11. RISKS AND ASSUMPTIONS

The programme assumes a sustained effort by CEECs to press ahead with making further progress in relation to the transformation and reform process. The main risks are (i) that activities which might be financed will have limited impact on enterprise development and (ii) that CEEC business support organisations will prove unable to play their role as foreseen by the programme. Given that the programme aims precisely at improving the ability of CEEC business support organisations to provide better services through networking and partnerships with EU counterparts, these risks seem limited.
Logframe matrix

<table>
<thead>
<tr>
<th>Wider Objectives</th>
<th>Indicators of achievement</th>
<th>Sources of information</th>
<th>Risks and assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening the business sector in CEECs with reference to the “acquis”</td>
<td>Increased competitiveness of businesses in CEECs</td>
<td>National statistics, OECD, Eurostat.</td>
<td>CEECs continue commitment to development of business friendly environment</td>
</tr>
</tbody>
</table>

**Intermediate objectives**

| Strengthening of sectoral/horizontal business representatives organisations in CEECs | Number of intermediaries assisted through twinning actions | Evaluation Reports, internal Commission sources, feedback from business operators, representative organisations in EU and CEECs | Genuine interest from EU and CEEC representatives organisations |
| Provision of better services to companies | Number of registration of industrial patents and trade marks in CEECs | | Supportive environment in CEECs for co-operation with EU organisations |
| Strengthening the industrial property institutions in CEECs | | | |

**Immediate objectives**

| Joint actions and co-operation activities between sectoral/horizontal EU and CEEC associations | Number and quality of twinning actions proposals submitted | As above | sufficient level of interest, adequate capacity for proposal preparation |
| Joint actions and co-operation activities between Patent offices in EU and CEECs | Number of patent offices assisted | Reports on joint activities, internal Commission sources, feedback from business operators in CEECs | Supportive environment in CEECs for co-operation with EU organisations |

**Outputs**

| Stronger business representative organisations and patent offices in CEECs | Results of the twinning actions | Reports on joint activities, monitoring and evaluation of the programme | Risk of low efficiency of intermediaries in relation to the actions supported |
| Awareness of businesses on the Community “acquis” | As above | As above | As above |

**Inputs**

| Information sessions, brochures, workshops, institutional support | Number and volume of activities | Programme monitoring and evaluations | Such inputs provide the best method in relation to programme objectives |
| Technical assistance and training to staff from business representative organisations | As above | As above | Intermediaries have capability to provide inputs relevant to final beneficiaries |
Anticipated quarterly disbursement schedule

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<tr>
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<th>1/4</th>
<th>2/4</th>
<th>3/4</th>
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<td>1</td>
<td>1</td>
<td>2</td>
<td>6MEUR</td>
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