COMMISSION DECISION
OF 2000

Establishing a multi-beneficiary programme for the phasing out of the programme to promote SME joint ventures and other joint agreements (JOP).

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 4,75 MEUR to be financed through Budget line B7-030B and 250,000 EUR to be financed through Budget line B7-030A.

Done in Brussels,

For the Commission
FINANCING PROPOSAL

PHASING OUT OF THE PROGRAMME TO PROMOTE SME JOINT VENTURES AND OTHER JOINT AGREEMENTS (JOP)

1. IDENTIFICATION

Beneficiary: 10 applicant countries of CEE
Programme: JOP Programme: to facilitate the creation and development of joint ventures and other forms of SME co-operation in the CEECs.
Year: 2000
Cost: 5 MEUR
Implementing Authority: European Commission, DG Enlargement
Expiry Date: 31st December 2002 (contracting) 31st December 2006 (disbursement)
Sector: PR
Group: L
Budget Line: B7–030A: 250.000 EUR
B7–030B: 4,75 MEUR
Task Manager: Bardo Gavazzoli Schettini - DG Enlargement (with sub-delegation agreement with DG ECFIN-SOF)

2. SUMMARY

The development of the private sector, and particularly SMEs, is essential to enable the CEECs to complete the transition to a market economy and to pave the way to accession to join the EU. To facilitate this process the Commission launched the JOP programme, which has received the following budget allocations:

1991: 20 MEUR
1993: 27.5 MEUR
1995: 70 MEUR
1997: 7 MEUR
1998: 20 MEUR

JOP has proved generally successful. However after nine years this programme is now to be considered no longer in line with the needs related to the new changed economic priorities in the candidate countries, as well as with the new prospects opened up by the development of the enlargement process.

The decision of closing this programme also reflects the new Phare guidelines, which concentrate the support to the SMEs under social and economic cohesion schemes, including
SME co-operation and business contacts. Finally, the experience gained in managing the programme and the changed market expectations also lead to the conclusion that JOP appears not to fully satisfy the actual demand from the SMEs in the candidate countries.

The objective of the present Financing Proposal is to provide the necessary means to allow a smooth phasing out of the JOP programme whereby treating the pending applications that have been received before the fixed deadlines without penalising the final beneficiary SMEs.

The Commission’s intention to phase out JOP was communicated to the Financial Intermediaries (FIs) of the network of JOP during the general meeting of October 20, 1999. On the basis of the legal obligations with the FIs, the Commission therefore decided to fix as deadline March 6, 2000 for the applications to be received on Facility 1, 2 and 4.

As far as the applications for grants under Facility 3 are concerned, the Commission decided that the appropriate deadline would have been September 30, 2000 in order to give the beneficiary SME the necessary time to conclude the feasibility studies under Facility 2 and to prepare the applications for Facility 3.

3. STRATEGY

One of the key objectives of the Community’s Phare programme has been to promote investment in the private sector and - in this context- to foster the creation of Joint Ventures. In the framework of the accession process the support for a performing SME sector is indeed particularly important in order to help companies in the candidate countries to meet the Copenhagen competitiveness criteria.

Following the new pace of the accession process, Phare's support to this area has been adapted to reflect the maturing needs of the applicant countries, most notably through the launch in 1999 of the SME Finance Facility and introduction from 2000 of economic and social cohesion support, which includes substantial funds for productive sector “enterprise” investments. These adaptations come on top of the traditional Phare institution building, restructuring and networking support to the enterprise sector that has been underway since the early 90’s.

Along these new objectives, the Commission also decided that multi-beneficiary programmes should only be used where the Accession Partnerships identify a priority in a sector and where there is a specific justification for a multi-country approach - such as economies of scale, the need to promote regional co-operation or the need for certain types of delivery mechanisms. In addition, Phare support is given with preference to those multi-beneficiary programmes which are decided centrally, but implemented through national implementing mechanisms.

In this perspective new forms of support to the private sector will be financed by Phare according to the specific needs in this sector of targeted areas in each candidate country.
In addition, now that the basic infrastructures for the development of the SME sector are in place in all the candidate countries, SMEs increasingly need to have easier access to the local or national facilities in order to be prepared more effectively for accession.

On the other hand, when the JOP programme was launched by the Commission in 1991 the goal was to develop a different and innovative approach to the enhancement of the SMEs investment through business co-operation. However, since the local CEEC partners usually appeared not to be able to play a leading role in that context, the JOP programme has granted financing mainly to the EU companies in order to ensure effectiveness of the Commission’s support.

During these last nine years the JOP programme has therefore been primarily targeting and supporting Community SMEs seeking for business co-operation in the CEECs.

The programme is based on a network of Financial Intermediaries (FIs), whose task is to appraise the eligibility and viability of the investment projects. FIs act as the channel for financing and procedural interface between the SMEs and the Commission, thus putting their economic expertise at the Community disposal.

Despite the changes made during 1999 following the Financing Proposal presented to the Phare Management Committee in 1998, the Commission experienced some difficulties in finding a suitable way to invite and select new reliable FIs from the candidate countries. The difficulties encountered by the Commission for the extension of the programme to the CEECs FIs caused as a consequence that JOP has remained to the benefit of mainly EU SMEs. Yet, so far CEEC SMEs had “de facto” limited access to the programme, since they were obliged to contact and liaise with the FIs of the network based in the EU countries.

As for the results, the JOP Activity Report\(^1\) (Annex 5) illustrates that -since the creation of JOP- on the whole 3107 requests for financing were examined, of which 2008 were approved. More than \(\frac{3}{4}\) of the accepted applications concerned the co-financing for activities related to the feasibility studies under Facility 2.
As of June 2000, 731 applications under the Facility 2 have been closed and 300 Joint Ventures have been created through this programme with a success rate of 41%.

4. OBJECTIVES AND DESCRIPTION

Following the decision to discontinue JOP communicate during the meeting with the FIs on October 20, 1999 the Commission gave assurance that the closing of this programme wouldn’t prevent the submission of the applications already under preparation. With this engagement, the Commission aimed to avoid major disruptions for those SMEs that were already preparing their proposals with the FIs and committing themselves for business investments.

\(^1\) The JOP Activity Report is issued by DG ECFIN sixmonthly.
The objective of this Proposal is therefore to ensure that such a provision is fulfilled and therefore to allow the smooth phasing out of the JOP programme without penalising the final beneficiary SMEs.

The Commission, by letter dated February 1, 2000, set as deadline March 6, 2000, for the submission of applications under Facilities 1, 2 and 4, whereas the requests for JOP contribution under Facility 3 was fixed for September 30, 2000. The same letter also announced that the EuroJOP Data service would continue to be available throughout the year 2000.

The justification for a different deadline for Facility 3 is due to the necessity to provide applicants with a sufficient time to fulfil the obligations of the feasibility studies under Facility 2 and to comply with the existing requirements of Facility 3.

The ratio of the Commission’s support under JOP is indeed to provide a “package” of co-financing aiming to facilitate the feasibility studies for the creation of the JV as well as the start up of the new enterprise. The applications for start-up investments of the newly created JV under Facility 3 can therefore be regarded as the logical consequence of the support already granted under Facility 2. Moreover, many SMEs declared that their applications for Facility 2 were submitted in view of the possibility of the support under Facility 3 as well.

All the requests for Facility 1, 2 and 4 received by March 6, 2000 and the requests for Facility 3 submitted not later than September 30, 2000 can indeed benefit from the budget allocated under this Financing Proposal once the budgetary appropriations allocated to the “JOP programme 1998” are exhausted².

A brief description of the programme is as follows:

**Facility 1**

It covers general measures to foster development of Joint Ventures. The main category of measures is the co-financing of general interest events on Joint Ventures, including seminars. These have been targeted mainly at members of the FI network but also address various non-profit organisations such as chambers of commerce, industry federations, professional bodies and investment promotion agencies. The seminars included previously a JOP promotion.

Facility 1 also has provided EuroJOP Data, an information service accessible to SMEs via FIs in the network. It has provided background information on a given country plus a list of useful contacts and addresses. Geographic coverage now extends to all CEECs.

This service will be discontinued the 31.12.2000. In order not to lose the information already gathered by EuroJop Data, the Commission may organise the transfer of the information by that date to those beneficiary countries that express interest in receiving their own EuroJOP Data dossier in an electronic version.

² The updated situation of the commitment under the JOP programme is enclosed in annex 4
Facility 2

This is for financing feasibility or pre-feasibility studies to help SME’s to make sound investment decisions for the creation of a Joint Venture or other type of co-operation agreements (JVA or JPMA). This Facility has supported the preparation of pre-feasibility and feasibility studies for:

✓ The creation of Joint Ventures Companies (JVC).

✓ The creation of Joint Venture Agreements (JVA) of a less permanent nature that relate to business co-operation in fields such as sub-contracting.

✓ The creation of Joint Production and Marketing Agreements (JPMA).

Assistance of 50% of the feasibility study costs has been provided with a maximum of EUR 75,000 for JVCs and EUR 50,000 for JVAs or JPMAs.

Facility 3

This Facility, which allowed for access to finance for Joint Ventures in the form of equity or quasi-equity or a guarantee was discontinued as of December 31, 1997. This was replaced by a new Facility 3 with the aim to provide further support to enterprises participating in the above Facility 2 who decide to proceed with the co-operation activity.

Under this Facility, the Programme makes available up to a maximum of 150,000 EUR or 10% of the value of the investment or a third of the cash investment (whichever is the less), inclusive of the support through the above Facility 2 for pre-feasibility/feasibility studies. In case of JVA’s and JPMA’s, the Facility 3 contribution covers the second half of the eligible feasibility study costs up to a total amount of EUR 100,000 (Facility 2 contribution included).

Facility 4

This Facility has provided grants to co-finance know-how transfer, especially training. The assistance available has been up to a maximum of 50% of eligible costs with Phare support not to exceed EUR 100,000.

FI network

The programme is based on a network of FIs, mainly from EU Member States. In order to ensure the success of JOP the Commission has developed its partnership with the FIs members of the network, who have knowledge of their SME clients and their economic and financial environment that the Commission could never emulate.

There are currently 82 FIs and their task has been to promote the programme, appraise and forward projects eligible for Community support. They have acted as the channel for financing
and procedural interface between SMEs and the Commission, thus putting their economic expertise at the Community disposal.

The Commission’s role is to verify the eligibility for financing of projects appraised by the FIs as well as the respect of the value for money and additionality criteria and to ensure, in collaboration with the network, that projects are properly monitored.

5. BUDGET

According to the enclosed (annex 3) budgetary simulations of DG ECFIN in relation to the outstanding applications (as well as the requests received by September 30, 2000 in case of the Facility 3), approvals and success rates justify a budget of 5 MEUR to allocate in order to ensure to cover all the requests.

It has to be noted that the pipeline of applications under Facility 1, 2 and 4 received by the Commission at the deadline of 6 March, 2000 represents 330 applications, totaling an estimation of Phare co-financing of 3,5 MEUR.
To date around 19% of the Facility 2 applications are being turned into new JVs. Therefore 81 new requests for grants under Facility 3 have been received and will be screened by the Commission, totaling an estimation of Phare co-financing of 3,7 MEUR.

As for the expiry date proposed for the disbursement, this is chosen taking into account the experience drawn from the previous JOP budgetary allocations and, in particular, the long duration of the project cycle.

6. IMPLEMENTATION ARRANGEMENTS

Rules to be applied are identical to those approved by the Commission Decision of May 15, 1998. However, in view of ensuring further simplification in the management of the remained applications, it is proposed that the JOP Facility 3 “contribution to investment” is calculated only on the basis of 10% of the investment made. This provision will also apply to the Facility 3 applications currently under examination and not approved yet.

The proposed change will also harmonise JOP with the rules of the Joint European Venture (JEV) programme, which might be accessible to the candidate countries in the next future.

The programme will be implemented by the European Commission on behalf of the national authorities. The implementation provisions may be reviewed from time to time; any such review will be subject to written agreement between the Commission and the national authorities.

Decisions on any individual projects under the programme will be taken by the Commission under the guidance of the Steering Committee composed by representatives of DGs Enlargement, Enterprise and Economic-Financial Affairs.
The Directorate General Economic-Financial Affairs, to which the JOP programme has been sub-delegated, will continue benefiting of the provision stated in the Financing Proposal of JOP 1998, in particular of the support of the Technical Assistance Office (TAO) in conformity with the workload for the years 2001 to 2003. It has to be noted that the existing TAO was selected and contracted following a tendering process according to Phare rules and procedures under JOP 1998. The TAO will therefore ensure the management of the programme till the closure of JOP under the existing management arrangements.

Consequently, in order to ensure the fulfilment of the management tasks until the closure of the programme, up to a maximum of 5% of the overall budget under this Financing Proposal may be assigned to the Technical Assistance Office.

As for the TAO’s activities, it is responsible for disseminating information on the programme, collection and analysis of individual project proposals, preparation of individual contracts and individual payments, assistance to quality control and reporting to the Commission on progress under each programme component.

7. AUDIT AND EVALUATION

The Commission services shall:

- monitor the implementation of the Programme on the basis of regular reports and
- carry out an ex-post evaluation after completion of the programme.

The Financial Intermediaries and final beneficiaries shall undertake to have their relevant accounts available for auditing by the Court of Auditors, the European Commission or its designated agents when required.

8. VISIBILITY/PUBLICITY

Taking into account that the programme is virtually closed, the Commission will not undertake any particular measure to ensure the publicity for the programme. However, the Commission shall ensure that the results of the ex-post evaluation of the programme will be circulated adequately. This will be done in close relationship with the EU Delegations.

9. SPECIAL CONDITIONS

none
Annexes:

Annex 1   Logframe matrix
Annex 2   Cumulative quarterly contracting and disbursement schedules
Annex 3a+b  Budget simulations
Annex 4   Budgetary situation of JOP 1998 (as of October 1, 2000)
Annex 5   Activity Report from DG ECFIN
ANNEX 1

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 competitiveness of the SME sector in CEECs in preparation for</td>
<td>Increased competitiveness of SME sector in CEECs</td>
<td>National statistics, OECD, Eurostat, EBRD and World Bank.</td>
<td>CEECs continued commitment to development of SME friendly environment</td>
</tr>
<tr>
<td>the accession through co-operation actions to facilitate accession</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of partnership between enterprises in CEECs and EU</td>
<td>Volume and quality of joint ventures and other co-operation agreements</td>
<td>As above, plus internal Commission sources and evaluation reports</td>
<td>EU and CEEC SMEs interested in co-operation. EU assistance offered can act as incentive for such actions.</td>
</tr>
<tr>
<td>Immediate objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of co-operation</td>
<td>Number of SMEs that have explored co-operation</td>
<td>As above</td>
<td>As above</td>
</tr>
<tr>
<td>Provide a solid basis for co-operation decisions</td>
<td>Number of co-operation contracts signed and implemented</td>
<td>As above</td>
<td></td>
</tr>
<tr>
<td>Facilitate the transfer of know how</td>
<td>Training activities developed</td>
<td>As above</td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs informed about co-operation opportunities</td>
<td>Number of SMEs reached</td>
<td>Programme statistical resources</td>
<td>Risk of consultant or intermediary driven actions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>As above</td>
<td></td>
</tr>
<tr>
<td>Pre-feasibility and feasibility studies completed.</td>
<td>Number and quality of studies completed</td>
<td>As above + implemented</td>
<td>As above</td>
</tr>
<tr>
<td>Success grant awarded</td>
<td>Number of people trained per level and type</td>
<td>As above</td>
<td>As above</td>
</tr>
<tr>
<td>People trained</td>
<td>Number of people trained</td>
<td>As above</td>
<td>As above</td>
</tr>
</tbody>
</table>

**Inputs**

| Business co-operation events, workshops, training, brochures, EuroJop Data dossiers. | Number and volume of activities | Programme statistical resources | Risk of consultant or intermediary driven actions |
| Technical assistance for pre-feasibility and feasibility studies. | Number of reports/studies | As above | As above |
| Transfer of know-how and training | Number of programmes and people involved | As above | As above |

**ANNEX 2**

**Cumulative quarterly contracting schedule**

<table>
<thead>
<tr>
<th>Year</th>
<th>1/4</th>
<th>2/4</th>
<th>3/4</th>
<th>4/4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0</td>
<td>0</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5 MEUR</td>
</tr>
<tr>
<td>2001</td>
<td>1.5</td>
<td>1.5</td>
<td>2</td>
<td>2</td>
<td>3.5 MEUR</td>
</tr>
<tr>
<td>2002</td>
<td>1</td>
<td>0.5</td>
<td>0.3</td>
<td>0.2</td>
<td>1 MEUR</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 MEUR</td>
</tr>
</tbody>
</table>

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Cumulative quarterly disbursement schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>1/4</th>
<th>2/4</th>
<th>3/4</th>
<th>4/4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0,1</td>
<td>0,05 MEUR</td>
</tr>
<tr>
<td>2001</td>
<td>0,2</td>
<td>0,3</td>
<td>0,5</td>
<td>0,6</td>
<td>0,8 MEUR</td>
</tr>
<tr>
<td>2002</td>
<td>0,8</td>
<td>0,8</td>
<td>0,6</td>
<td>0,6</td>
<td>1,4MEUR</td>
</tr>
<tr>
<td>2003</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>1 MEUR</td>
</tr>
<tr>
<td>2004</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>1 MEUR</td>
</tr>
<tr>
<td>2005</td>
<td>0,3</td>
<td>0,3</td>
<td>0,2</td>
<td>0,2</td>
<td>0,50 MEUR</td>
</tr>
<tr>
<td>2006</td>
<td>0,2</td>
<td>0,1</td>
<td>0,1</td>
<td>0,1</td>
<td>0,25 MEUR</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 MEUR</td>
</tr>
</tbody>
</table>

ANNEX 3.b

Comments on budgetary simulations made by DG ECFIN (October 1, 2000)

A – Amount necessary for Facility 3 applications 3,65 MEUR

Explanation:
1. **Average Phare contribution per application Facility 2**: EUR 22000
2. **Estimated Facility 2 still open at the end of 2000**: around 419 files
3. **Success rate of Facility 2 applications**: 19% (creation of JV, which allow to apply to Facility 3)
   i.e. 419 x 0.194 = 81 Facility 3 applications
4. **Average investment per Facility 3 application**: 450.000 EUR
5. **Phare contribution for Facility 3 (10% of the JV’s investment)**: 45.000 EUR
6. **Amount necessary for Facility 3 applications**: 81 x 45.000 (average Phare contribution per application)
   = 3,65 MEUR

<table>
<thead>
<tr>
<th>B – Amount necessary to cover the applications for Facilities 1,2 and 4</th>
<th>1,1 MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation:</td>
<td></td>
</tr>
<tr>
<td>1. <strong>Total amount necessary for all applications for Facilities 1,2 and 4 received up to March 6, 2000</strong>: 3,5 MEUR</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Amount still to be committed under JOP 1998 budget</strong>: 2,4 MEUR</td>
<td></td>
</tr>
<tr>
<td>3. 3,5 MEUR – 2,4 MEUR = 1,1 MEUR</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C – Budget to be allocated for the Technical Assistance Unit:</th>
<th>0,25 MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% budget = 0,25 MEUR</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL:**

A+B+C = 5 MEUR
## ANNEX 4

### Budgetary situation of JOP 1998
(as of October 1, 2000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial amount</td>
<td>20 MEUR</td>
</tr>
<tr>
<td>Commitments</td>
<td>17.6 MEUR</td>
</tr>
<tr>
<td>Disbursement</td>
<td>6.4 MEUR</td>
</tr>
<tr>
<td>To be committed</td>
<td>2.4 MEUR</td>
</tr>
</tbody>
</table>