COMMISSION DECISION
OF 2001

Establishing a Phare multi-beneficiary programme “SME Finance Facility Phase 2 with the EIB” in 2001,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) N° 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe\(^1\), as last amended by Regulation (EC) N° 2666/2000\(^2\), and in particular Article 9 thereof,

Whereas:

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

2. 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,

HAS DECIDED 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 30 MEUR to be financed through Budget line B7-030 in 2001.

Done in Brussels,

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1 OJ n° L375/11 du 23/12/1989
2 OJ no. L038 of 08/02/2001
For the Commission
FINANCING PROPOSAL
SME FINANCE FACILITY PHASE 2 WITH
THE EUROPEAN INVESTMENT BANK (EIB)

1. IDENTIFICATION

Countries: The 10 candidate countries from Central and Eastern Europe
Programme title: Small and Medium-Sized Enterprise Finance Facility Phase 2 with the EIB
Year: 2001
Cost: 30 MEUR
Implementing Authority: European Commission
Disbursement - 31.12.2006
Sector: PR
Group: L
Budget Line: B7-030
Task Management: Bardo Gavazzoli (DG ELARG) - implementation will be assured through a sub-delegation arrangement with the ECFIN DG

2. SUMMARY

A strong small and medium-sized enterprise (SME) sector is an essential element in the candidate countries’ preparation for accession to the European Union.

In Agenda 2000 and the Phare New Orientations the lack of a dynamic and sound SME sector was identified as a key stumbling block to accession and it was stressed that one of the main factors preventing the growth of SMEs is the reluctance and the inexperience of the financial sector in the candidate countries to provide equity and debt finance to SMEs. In response, these two documents called on the Phare programme to establish a new financial instrument - the SME Finance Facility - to induce financial intermediaries in the candidate countries from Central and Eastern Europe to expand and to maintain in the long term their debt and equity financing of SMEs.

A pilot Phase 1 of the Facility was launched by Phare in co-operation with the EBRD in 1999. Under that pilot Phase EBRD and Phare funds have been jointly mobilised through a special fund to provide tailored SME loans, technical assistance, guarantee, equity and management support to financial intermediaries (i.e. banks and investment funds) in the region, which then provide funding as sub-loans or equity to their SME clients. On 11th December 2000 the Facility formally entered into Phase 2 where other additional sponsors joined the programme1

1 Cfr. the Financing Proposal with the CEB/KfW approved at the 80th Phare Management Committee of 18 July 2000.
and on 12\textsuperscript{th} January 2001 the scheme was further consolidated with the signing of an
Arrangement under Phase 2 of the SME Finance Facility between the Commission and the
EBRD. In addition, the Commission launched on June 2000 an assessment exercise on the
activity led under the Phase 1 of the Facility with the EBRD. The final report, which was issued
in January 2001, recommended giving consideration to the involvement of other IFIs in the
Programme as well as to sound out the potential market needs for \textit{leasing} operations.

On this background, within the framework of the Phase 2 the present Financing Proposal deals
with the previously announced extension of the Facility by involving the EIB as a sponsor. The
EIB will implement the \textit{Loan, Guarantee and Leasing Window (LGLW)} in its renovated form.

As far as the \textit{Equity Window (EW)} is concerned, no additional funding request is formulated.

The additional Phare contribution to the Facility will be 30 MEUR, and the EIB will contribute
to this programme a target amount of 300 MEUR. These EIB and Phare resources will be used
for Projects under the LGLW. The procedures for implementing this Financing Proposal will be
set down in a Contribution Arrangement to be signed following the approval of this Financing
Proposal.

3. STRATEGY

It is widely recognised that SMEs play a vital role in the generation of a dynamic economy and
in particular in the creation of new employment in the EU as well as in the candidate countries.
However, SMEs are often undercapitalised and face significant problems in raising debt
finance and in obtaining risk capital, or subordinated debt.

3.1 The Policy Framework

Financing problems of SMEs in the CEE candidate countries are becoming increasingly serious
because of the rapid growth in the sector combined with the continued reluctance and
inexperience of banks and investment funds to provide finance to the sector.

According to EUROSTAT surveys, in most of the candidate countries between 70-85\% of the
SMEs indicated that a lack of funds is a primary constraint on their development.

It is usual for most emerging SMEs, especially the small ones, to have no access to risk capital
other than the personal resources of the founders. The raising of debt finance is also difficult
for SMEs as banks are often reluctant to lend to them. The lending risk inherent in new firms
and expanding SMEs is high and difficult to assess, and is increased by their usual low
capitalisation. Loans are often not available to SMEs because of lack of collateral, making new
projects particularly difficult to finance. Also, there is frequently a perception that the costs of
administering small loans are disproportionately high and that larger loans generate a higher
income stream, leading banks to concentrate their efforts on larger companies. Experience in
most industrialised countries shows that unless stimulated through focused schemes such as the
SME Finance Facility, banks tend to focus on large companies, thereby undermining SME and
micro enterprises financing.

On this background the New Orientations of Phare specifically called for the establishment of a
horizontal SME Facility for the region as a whole: “A horizontal facility for small and medium
enterprises (SME) will be available to remedy the shortage of investment capital available to
SMEs.”
In response to these policy indications, the Commission launched the SME Finance Facility Phase 1 with the EBRD, approved by the Phare Management Committee on 19th November 1998. This programme proved to be successful so far. The Commission has therefore decided to consolidate the scheme by providing additional support to the partner financial institutions as well as inviting other IFIs to participate in the programme. In this context, CEB and KfW were involved in the Facility from 11th December 2000.

In addition, in the light of the recommendations formulated in the framework of the report on the assessment of Phase 1 issued in January 2001, the Commission invited the EBRD, CEB and KfW to sound out the potential market needs for leasing operations.

A positive reception of this proposal by the financial intermediaries in the candidate countries was found. Leasing is indeed perceived as an effective mechanism for financing SMEs, since the risk of a financial lease is at least as good as that of a secured loan. In fact, SMEs that may not qualify for bank lending may qualify for a financial lease due to the different status of the security, (the lessor -the leasing company- retains the title of property in a financial lease). The financial lease, which allows the transfer of ownership to the lessee (the SME) at the end of the lease, corresponds indeed to a form of providing long term finance to SME.

Through the LGLW, the Commission has decided to promote the development of lending and leasing mechanisms through an appropriate grant support to eligible banks and leasing companies in the framework of the Facility.

Although the present financing proposal only deals with the LGLW, a further extension of the EW has already been envisaged by involving the European Investment Fund (a subsidiary of the EIB) as a sponsor.

3.2 The SME Finance Facility: overview

The SME Finance Facility objective is to persuade financial intermediaries in the CEEC to expand and sustain their business to SMEs through providing incentives and other support to overcome their lack of experience and to cover the special administrative costs and risks involved.

A SME Finance Facility Project is a tailored financial package (including Phare incentives and IFI funding) to a financial intermediary (ie. investment fund, bank, or leasing company), which may be combined with additional co-financing from that financial intermediary, to be channelled to individual micro-enterprises or SMEs as equity, loans or financial leases (these are termed as Sub-Projects).

As for the eligible support envisaged, the specific incentives financed through the Phare programme on specific Projects may be granted through two co-ordinated Windows: the Equity Window and the Loan, Guarantee and Leasing Window.

As far as the EIB Projects are concerned, the Community would provide financing through the Loan, Guarantee and Leasing Window (LGLW). The Community would finance the following types of incentives:

Towards Participating Banks (PBs)

(1) transaction fee incentives on loans or credit lines provided by the EIB to banks for on-lending to SMEs;
(2) a partial first-loss guarantee on the SME loan portfolio of the banks;

(3) technical assistance to strengthen the bank's capacity to service micro-enterprises and SME customers.

Towards Participating Leasing Companies (PLCs)

(4) transaction fee on loans or credit lines provided by the EIB to leasing companies for their SME operations;

(5) technical assistance to strengthen the leasing company’s capacity to service micro-enterprises and SME customers.

Towards Participating Banks and Participating Leasing Companies

(6) other types of incentives which can be proposed by the EIB as far as they meet the objectives and enhance the Facility.

3.3 Development of the Facility: the context

Following the launch of the operations with EBRD under Phase 1, the Commission carried out a marketing initiative towards IFIs to elicit additional interest and possible commitments to Phase 2 of the Facility.

The Commission therefore extended the invitation to participate in the Facility Phase 2 to the Nordic Environmental Finance Corporation (NEFCO), the Nordic Investment Bank (NIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). These IFIs have been invited to the Facility because they were already contacted in the preparation of Phase 1, as well as in their quality as signatory bodies of the Memorandum of Understanding on Co-operation for Pre-Accession Preparation of Central and East European Countries. In addition the EIB was also invited to participate in the Facility.

To date, following the approval of the Financing Proposal by the 80th Phare Management Committee of 18 July 2000, an agreement is operational since 11th December 2000 with the Council of Europe Development Bank (in association with Kreditanstalt für Wiederaufbau - KfW) for its participation in the Facility under the Loan and Guarantee Window.

Technical discussions were also held with the European Investment Bank concerning its possible involvement in the SME Finance Facility. This Commission’s initiative was acknowledged and recommended by the Assessment report of January 2001.

In relation to the EIB’s involvement in the SME Finance Facility, the table hereafter shows that the resources dedicated by Phare will be 30 MEUR committed together with a target amount of 300 MEUR of EIB Resources.

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2 The Memorandum of Understanding was signed with these IFIs on 30th March 2000.
These resources must be committed and used within the SME Finance Facility under a co-ordinated approach. This implies that under Phase 2, it is up to the Commission to ensure that:

- The procedure of approval of Projects takes into account the necessity to meet the confidentiality requirements of the respective sponsors.
- The necessary co-ordination between the sponsors is in place so as to ensure the maximum efficiency of the Facility and to allow exchanges of experience.

These aspects are detailed in Section 5. To complement the information on the Commission role of co-ordination the following diagram highlights the management structure of the Facility at the present stage where the Loan and Guarantee Window is extended to become the LGLW.
PHASE 2

STEERING COMMITTEE
Commission to co-ordinate the Facility
(COMMISSION + EBRD + CEB/KfW + EIB)

CO-FINANCING MEMBERS to approve the Projects
EUROPEAN COMMISSION

EBRD
LGLW
EW

CEB/KfW
LGLW

EIB
LGLW

CO-FINANCING MEMBERS to approve the Projects
EUROPEAN COMMISSION

CEB/KfW
LGLW
3.4 The EIB involvement

EIB would concentrate on LGLW. Its participation in Phase 2 of the SME Finance Facility would consist in combining EIB’s normal global loans for on-lending to SMEs, with Phare grant resources.

The proposed main grant element would be in the form of a Transaction Fee of 5,000 EUR per Sub-Project. However, this Transaction Fee may not exceed 25% of the Sub-Project amount. This would give an appropriate incentive to the intermediaries to expand and maintain their SME financing.

The Sub-Project may be refinanced under the Bank’s global loans already approved or to be approved in due course by the EIB’s Board of Directors. Within the framework of the approved global loans a separate window would be established at operational level, typically for an amount of 5 to 15 MEUR (the minimum is expected to be 3 MEUR, the maximum 30 MEUR). The size of the window in relation to the global loan would respectively depend on the SME financing strategy of the local financial intermediary concerned.

As for the sub-loan or/and lease maturities, these would normally depend on the economic life of the Sub-Project in accordance with the EIB’s normal terms and conditions as approved within the framework of each individual global loan. In principle, such maturities may range from 4 to 12 years. However, shorter maturities may be proposed by the EIB where necessary.

As soon as appropriate, EIB intends to inform intermediaries in its network in the candidate countries about the scheme. It is therefore expected that the Facility would be implemented rapidly through the EIB’s existing network of financial intermediaries.

Considering the resources committed by the EIB and the Community, as a preliminary estimation it is expected to implement around 6,000 Sub-Projects (loans/leasing) at the level of SMEs.

Other possible development

In the next future the Facility scheme with the EIB may be implemented in Turkey Cyprus and Malta, depending to the availability of Community and EIB resources. In such a case the Commission will ensure that the respective resources are committed and managed separately from those under the present Proposal.

4. OBJECTIVE OF THIS FINANCING PROPOSAL

The primary objective of the SME Finance Facility with the EIB is to induce financial intermediaries in the ten candidate countries from Central and Eastern Europe to expand and to maintain in the long term their financing operation to SMEs. In order to meet the new and maturing needs of SMEs in the applicant countries, the Commission intends through this Financing Proposal to expand the existing activities under the LGLW with the involvement of the EIB by expanding the eligible Financial Intermediaries Participating Banks and Participating Leasing Companies.
Secondary objectives of this Financing Proposal are (i) to leverage the largest amount of co-financing with the Community grant through co-financing with the EIB; (ii) to ensure greatest efficiency of the management of these complex financial schemes by delegating implementation to the EIB, whose expertise is extensive in these areas.

The way to achieve these objectives is to mobilise further financing from the EIB through a SME Facility Special Fund so as to provide additional tailored credit lines to support banks and leasing companies in the Eligible Countries. Each Project approved by the Commission and signed between the EIB and the participating banks and/or the leasing companies corresponds to the provision of sub-loans or financial leases to their SME clients.

5 DESCRIPTION OF SME FACILITY PHASE 2 WITH THE EIB

5.1 Co-ordination

The EIB as well as the other sponsors are authorised to commit Phare resources into those Projects meeting the Facility requirements under a co-ordinated approach. This implies defining mechanisms that are applicable to all sponsors for:

(a) the approval of Projects which will be submitted respectively by the EIB, the EBRD or CEB/KfW;

(b) the co-ordination on the implementation of the Facility so as to make sure that:
   - there is no overlap between the Projects of the respective sponsors and;
   - a balanced country coverage is reached between the sponsors.

All Projects being submitted or to be submitted in the future by the EIB will be approved according to the existing principles of the Phase 2.

5.2 The rationale for Phase 2 with the EIB

The EIB was set up in 1958 under the Treaty of Rome to lend to projects furthering European Union policies. While strengthening weaker EU regions has always been its main goal, the Bank also lends to projects outside the European Union under the Union’s co-operation policy toward third countries. Since 1990, nearly EUR 14 billion were lent to projects in the ten Central European countries which have applied for EU membership.

In line with the EIB's specific role to assist the candidates for EU membership, its global loans may bring much-needed long-term funds through selected financial intermediaries to SMEs and smaller infrastructure schemes. In particular, as an increasingly active borrower in the local currencies of Central Europe, the EIB is increasingly able to offer credits in local currency, thereby eliminating the foreign exchange risk also for its smaller clients.

In the light of the results achieved so far under the SME Finance Facility, the Commission -by involving the EIB in the scheme- intends, i) to expand further the Facility within the candidate countries so as to maximise the impact of this programme; ii) to ensure maximal geographical coverage and iii) to increase the effectiveness of the Facility by involving the leasing companies as potential beneficiaries.
Through this Financing proposal, the Commission intends to reach these specific objectives by granting the necessary support of 30 MEUR to the EIB Projects under the LGLW. The Bank has agreed to target a parallel contribution of 300 MEUR.

To be noted that the existing management and co-ordination aspects under the Facility will not be modified following the participation of the EIB. In particular, the Commission maintains its role within the Steering Committee so as to guarantee the necessary co-ordination between the partners IFIs while ensuring the confidentiality of the operations of each partner with the CEEC financial intermediaries.

5.3 The Contribution Arrangement

A specific Contribution Arrangement between the Commission and the EIB will be signed in due course. It will contain provisions about the Community contribution and the types of incentives under the LGLW to be granted in parallel to the EIB loans or credit lines, as previously indicated under section 3.2 and further described under section 5.5.1.

To maximise the efficiency of the programme implementation, the Commission intends to transfer the Phare contribution to a Fund at the EIB. The EIB would administer the Fund as well as manage and supervise the Projects co-financed under this programme.

5.4 The Operations to be financed

The SME Facility’s operations will be similar to those already undertaken under the Facility with CEB/KfW and with EBRD. These are described in the diagram overleaf.
The SME Finance Facility Phase 2 with the EIB

**Funds**
- Phare amount: 30MEUR
- EIB target amount: 300MEUR

**Project Proposals**
Tailored packages directed at Participating Banks and Participating Leasing Companies in the CEEC

**Project Approval by the Co-financing Members**
Commission and the EIB approve Project proposals

**Project Agreements**
- EIB agreements signed with relevant Participating Banks or Participating Leasing Companies.
- Contain tailored components from the Loan and Guarantee and Leasing Window of the Facility

**Participating Bank and Leasing Companies**
Implement the agreement signed with EIB by providing individual loans or financial leases to individual SMEs.
5.5 Project description

LGLW Projects 3 financed under the Facility will involve provision of Phare funds and EIB resources (as a loan or credit line) through specific agreements with Participating Banks (PBs) or Participating Leasing Companies (PLCs), which shall on-lend or lease directly to SMEs.

Where the Transaction Fee is the only component financed with Community resources, these will be attributed to each Project with local PBs and PLCs with a leverage not lower than 10/1 in favour of Phare.

For Projects involving EIB resources plus various components, including as appropriate Transaction Fee, Technical Co-operation , Guarantees and other approved incentives, the following conditions will apply.

- the ratio between the EIB resources and the Community resources dedicated to the Transaction Fee should equal 10/1 at least;
- the ratio between the EIB resources and the total Community resources allocated to the Project will be higher than or equal to 5/1.

The size of each Project agreed with the PB or the PLC will be, in principle, between 5-15 MEUR and the maximum sub-loan or financial lease per SME beneficiary will be of 250,000 EUR, thereby establishing a clear additionality vis-à-vis the existing financial instruments available to SMEs in Central and Eastern Europe.

5.5.1 Categories of Incentives Financed from Phare resources

The Phare contribution may be used for one or more of the following components in varying proportions depending on the Project’s specific needs:

Towards PBs and PLCs

(1) Transaction Fee (TF)

TF will be applicable to each individual Sub-Project having a maturity according to EIB practices, that has been found eligible under the Facility and paid flat, up-front. The TF will not exceed 5,000 EUR and will be limited to 25% of any Sub-Project. Prepayment may be envisaged but funds will have to be re-employed if the expected maturity is not reached, in accordance with EIB’s normal practices.

(2) Technical Co-operation (TC)

Phare resources may be provided to PBs and PLCs for institution building purposes. The aim of TC is, among other things, to:

- install management information systems specifically geared towards SME portfolios;
- recruit and train PBs and PLCs staff in SME customer support and small loan appraisal/lease, supervision and loan/lease administration skills;

3 As the present financing proposal does not deal with Projects under the EW, the description under this section is given for LGLW Projects only.
• assist in the introduction and implementation of organisational and managerial procedures and practices involved with SME lending/lease;

• strengthen administrative, credit and management capacities.

(3) Other incentives

Subject to specific approval of the Co-financing Members -representing the Commission and the EIB, other appropriate incentives for the benefit of PBs or PLCs may be granted.

Towards PBs

(4) Loan Guarantee

Phare contribution may be used, where appropriate, to provide a partial guarantee on the SME sub-loan portfolio managed by the PBs. This guarantee is limited to a maximum of 40% of the loss per Sub-Project.

5.5.2 Ceilings

For Technical Co-operation

No more than 50% of overall Fund resources may be used for Technical Co-operation. The Co-financing Members may raise this 50% ceiling up to 70% if considered necessary for the objectives of the Facility. The amount of Technical Co-operation to be allocated to each Project is not subject to the above limit, but will be determined according to the needs of each Project.

As an example:

An arrangement offered to a Participating Bank on a Project might consist of:

(1) A window identified on an existing EIB loan or credit line for on-lending to the SMEs.

(2) A Transaction Fee which shall produce the attractive margin required to induce Participating Banks to take the loan and undertake the necessary organisation changes, such as the specialisation of loan officers and branches to SME lending.

An arrangement offered to a Participating Leasing Company on a Project might consist of:

(1) A loan or credit line provided by the EIB to the PLC linked to the financial lease agreements to be contracted with the SMEs.

(2) A transaction fee to be paid from the Phare resources to the PLC.

The type and the precise mix of the support offered under individual Projects may vary from country to country and may depend on the Project’s specific circumstances.
5.6 Procedure of Project approval and management

The EIB shall prepare the Project proposals for support under the Facility with the relevant local Participating Banks and Participating Leasing Companies in the candidate country.

The Co-financing Members (the Commission and the EIB) will approve the Project proposals and supervise the implementation of the activities to be carried out under the Facility through reports and audits. The Facility’s support to Projects will be provided through loans and credit lines for Participating Banks and Participating Leasing Companies combined with the incentives provided from Phare through the Fund (Transaction Fee, Guarantees, Technical Co-operation, and others). Obviously, each Project shall finance many more Sub-Projects in individual SMEs.

In accordance with the existing practice, the EIB shall manage the Projects and engage the Participating Banks and Participating Leasing Companies in the candidate countries to provide finance to or to establish Financial Lease agreement with SMEs (ie Sub-Projects) on a day to day basis.

SMEs eligible for support through Sub-Projects are enterprises employing not more than 250 people.

5.7 The Administrative Structure

The Fund

The Commission and the EIB intend to transfer the Community contribution in a trust account opened in the books of the EIB which is created in the framework of the SME Finance Facility. This account would be managed by the EIB.

The Steering Committee and co-ordination issues

Since the involvement of CEB/KfW the SME Facility has entered into Phase 2, where different partners are involved in the financing operations to support the SMEs in the candidate countries. It is therefore important to ensure the necessary co-ordination between the different IFIs involved so as to avoid overlaps of activity and all risk of duplication of funds to the same Participating Banks or Participating Leasing Companies.

The Steering Committee’s role will be to ensure co-ordination and complementarity between the Projects supported by the Phare contribution under the Facility.

The Steering Committee under Phase 2 comprises three representatives of the Commission and one representative each, respectively, of other IFIs and FIs having signed similar Contribution Arrangements with the Commission.

The Commission through the Steering Committee will also supervise the correct implementation of the Facility.

All decisions of the Steering Committee are made by unanimity. The Steering Committee convenes at the request of any of its members, but meets at least twice per year and a

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3 The definition of eligible SMEs derives from Commission Recommendation 96/280/EC of 3 April 1996.
representative of the Commission chairs the meetings. The Steering Committee shall, in particular:

(1) monitor financial and operational progress of the Facility;
(2) review, as appropriate, publications reporting on the Facility;
(3) review the experiences of the Facility overall with a view to proposing improvements;
(4) co-ordinate activities of the Facility so as to avoid duplication and overlap between sponsors.

*The Co-financing Members and approval of Projects*

Project proposals will be submitted to and agreed only by the Co-financing Members, i.e. those members of the Steering Committee representing the Commission and the financial institutions involved in the decision of co-financing of each specific Project (in this case two representatives of the Commission and one representative of the EIB).

By their approval of the Project, the Co-financing Members authorise the mobilisation of the Resources of the Fund. The Commission also ensures the confidentiality of the Projects proposed by the Co-financing Members.

*The Secretariat*

The Secretariat ensures the co-ordination between the Commission and all the sponsors for matters related to Projects, Steering Committee organisation and administration of the Fund. It shall continue to be administered by the Commission (DG ECFIN/FOS).

6. **BUDGET**

This Financing Proposal consists of 30 MEUR from the Community budget. Included in this figure is the *management fee* paid by the Commission to the EIB, which is equal to 1.20% of each tranche of the Contribution released to the Fund and corresponding to a maximum amount of 360,000 EUR. In addition, the annual cost for auditing the Fund would be paid separately from the Fund resources.

The Commission shall not provide any additional amount to support the ordinary EIB costs resulting from this Arrangement, except where duly justified.

**Figure 6a: Phare Contribution**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Allocation</th>
<th>Investment*</th>
<th>Institution Building*</th>
<th>TC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Window</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Loan/Guarantee/Leasing Window</td>
<td>100%</td>
<td>100%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

* Institution Building, Investment Support and Technical Co-operation cannot be separated out as distinct Phare actions under the SME Facility but are considered as integral components of each investment support Project financed under the Facility.
Figure 6b: Co-Financing to SME Facility

<table>
<thead>
<tr>
<th>WINDOWS</th>
<th>PHARE</th>
<th>EIB</th>
<th>Financial Intermediary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Window</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Loan/Guarantee/Leasing</td>
<td>+</td>
<td>+</td>
<td>+/-</td>
</tr>
<tr>
<td>Window</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+</td>
<td>+</td>
<td>+/-</td>
</tr>
</tbody>
</table>

Co-financing from the Participating Banks in the Loan, Guarantee and Leasing Window will vary depending on the circumstances of the Project.

7. IMPLEMENTATION ARRANGEMENTS

Implementation shall be delegated to the EIB on the basis of the Contribution Arrangement. The Commission’s supervision will be exercised throughout the duration of the programme through the Steering Committee and through activities of monitoring and evaluation, various reports and audits.

As for the Commission, the implementation of this Proposal shall be assured through a sub-delegation arrangement with DG ECFIN/FOS.

Building on the general description of the programme given in section 5 of this Financing Proposal, this section explores in greater detail implementation principles.

7.1 Implementation Principles

(1) As well as the basic aspects of the Facility set out in this Financing Proposal, there are certain principles of implementation that can be highlighted hereunder:

(2) Those Projects which address key problems in the relevant country’s National Programme for the Adoption of the Acquis will be particularly welcomed, as well as those focusing on micro-enterprises and those encouraging sub-projects which aim at protecting the environment (e.g. encouraging the introduction of cleaner technologies).

(3) The modalities of the Community Contribution to be paid into an interest bearing account in the EIB would be set down in the Contribution Arrangement.

(4) After an initial advance, the Commission will approve the release of further funds to the SME Facility Special Fund in tranches. All funds remaining unused or revolving within the Fund will be re-used for the purpose of the SME Facility according to the same rules and procedures.

(5) Fund resources will be attributed to each Project in light of specific conditions. However, particular attention will be paid to the ratio between EIB resources and Community resources as agreed in the Contribution Arrangement.

(6) The Commission shall exercise its responsibility over the use of the Community funds for the duration of the Facility on the basis of monitoring reports and accounts provided by the EIB in accordance with the rules set down in the Contribution Arrangement.
(7) The Facility with EIB in the framework of this Financing proposal will be available for all candidate countries from Central and Eastern Europe and an effort will be made to reach a balanced country usage although, of course. However, the final Project selection must be made on the basis of the quality of the proposals.

(8) The specific procedures relating to the implementation of the Project will be set down in Project agreements with the Participating Bank or the Participating Leasing Company, in accordance with Section 7.4.

(9) Until termination of the SME Facility Special Fund’s activities, the interest earned on the account and possible funds paid out from the Fund and recovered from Projects shall be returned to the SME Facility Special Fund for use again on new Projects. The EIB is also committed to the continuation of the operations until the termination of the SME Facility Special Fund’s activities. Any funds remaining at termination shall be returned to the Commission.

7.2 Eligibility Criteria

Eligible Participating Banks and Participating Leasing Companies

Selection of PBs and PLCs will concentrate on their credit worthiness and branch networks or regional presence. Selection will also take into account the possible previous involvement in institution building programmes.

The selection criteria will include, among other things, geographic location, market competition between banks/leasing companies, business potential, branch management competence, commitment to SME lending/operations, openness to new technology and willingness to devote personnel.

On an exceptional basis, a state-owned bank may also participate in the SME Facility. Criteria for participation of a state-owned bank will include geographic outreach, assistance to its privatization and the existence of credible financial and commercial autonomy.

Eligible SMEs

Enterprises eligible for Sub-Projects must comply with the definition of SME as per Commission Recommendation of 3 April 1996 (OJ L 107 of 30 April 1996). The term SME includes the individual entrepreneur. Eligible SMEs must:

(1) have majority private ownership and control or be in the final stage of the process of privatisation;

(2) not be conducting business in activities such as, gambling, real estate, banking, insurance or financial intermediation and the manufacture, supply or trade in arms, as well as activities on EIB’s Environmental Exclusion List.

Eligible Expenditure at SME level

Funds utilisation by SMEs may be for the financing of investment in fixed assets and working capital and may involve new projects, or the modernisation or expansion of existing business within sectors in the following non-exhaustive list: manufacturing industry, agro-allied business, hotel, tourism, energy saving and environment, construction, trade and services.
Eligible Countries

Under the Phare programme, the Facility Phase 2 with the EIB is open to Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

7.3 Project Selection and Approval

After preparation by the EIB, Project proposals will be presented to the Co-financing Members representing the Commission and the EIB. The approval will be given through written procedure and the acceptance or rejection of a Project proposal by the Co-financing Members will be confirmed within twenty working days of its submission.

The unanimous agreement from the Co-financing Members is required. The Secretariat shall ensure the co-ordination of the written procedure.

Subject to the legal obligation of bank secrecy and the rules of confidentiality, the Commission shall have access to all relevant information in connection with the Project proposals.

The Co-financing Members shall assess Project proposals according to their compliance with the following criteria:

1. the compliance with the Arrangement and its appendices, including degree of compliance with eligibility criteria;
2. the impact of the proposed Projects on accession and on SME development in the Eligible Countries;
3. the country in which the Project is located, taking into account the objective of the Facility to be implemented over time in all Eligible Countries;
4. the degree to which the requested grant leverages additional funds from Partners and PBs or PLCs;
5. the coherence of the proposed allocation of Fund Resources with other approved Projects.

EIB may submit Projects not complying with the rules and criteria set down in sections 5.5, 7.1 and 7.2. In such a case, EIB shall highlight any exceptions and provide justifications. The Co-financing Members shall consider such exceptions on their merits and on a case by case basis.

By their approval of the Project, the Co-financing Members authorise the mobilisation of Fund Resources.

7.4 Implementation of Projects

The administration of the Phare funds shall be undertaken by the EIB under the monitoring of the Commission, and shall not be implemented according to the standard Phare Decentralised Implementation System.

The precise procedures for implementation of the Projects shall be set down in the specific Project agreements (i.e. contracts) signed between the EIB and respectively the Participating Banks or the Participating Leasing Companies. Project agreements shall specify the terms and conditions applicable to the use of Partners and Fund resources and shall ensure that those
relevant provisions resulting from the Arrangement will be incorporated in the agreements between the PBs or the PLCs and the SMEs.

Project agreements shall encompass specific, objectively verifiable criteria by which Sub-Project compliance with agreed rules will be controlled.

Subject to the rules of confidentiality, the Secretariat of the Steering Committee shall be provided with copies of these Project agreements. To be noted that these documents will be available only to the Co-financing Members.

In the case of default on Project agreements, the EIB will undertake recovery proceedings in a manner consistent with the care and diligence applied in EIB projects financed out of its ordinary resources. The Commission will assist in this process where required.

It shall also be ensured that the Community State aid rules are respected.

8. MONITORING, ASSESSMENT AND EVALUATION

The EIB will be responsible for monitoring the implementation of actions under the Contribution Arrangement and for providing the following reports.

(1) Monthly financial statements – a summary statement of the Fund account indicating the situation of the Fund, at the beginning and the end of the month, any transaction (with value date) and providing explanation and justification of any transaction.

(2) Quarterly pipeline report – a summary of the Projects in the pipeline and a forecast of commitments and disbursements from the Fund.

(3) Semi-annual progress report: this will be an assessment of activities under the Arrangement for the first six months including:
   
   (a) all financial matters relating to the Arrangement’s operation, including duration of sub-loans and relation of other loan terms to general market conditions in the country concerned;
   
   (b) compliance of Sub-Projects with Project agreements and articles of the Arrangement;
   
   (c) information on Sub-Projects including, as a minimum, numbers of Sub-Projects, sectors covered, number of employees per beneficiary SME and total assets and turnover and interest rates. To meet confidentiality requirements, data may be provided on an aggregated basis.

(4) An annual report on the Arrangement’s operations from the end of each year. It will a substantial assessment and include for the second half of the year the same kind of information as requested above to assess the activities under the Arrangement and also cover as a minimum:
(a) contribution of activities under the Arrangement to pre-accession efforts of the
country concerned;

(b) the leverage achieved by Fund Resources on additional Partner and private
sector funds. The number of PBs and PLCs still maintaining their SME
operations after termination of support from the Fund;

(c) any other information deemed useful to measure the impact of the Facility in
terms of its original objective "to alleviate the financing problems of small and
medium-sized enterprises in the Phare eligible countries".

(5) A final report established at the termination of the Arrangement shall include
information deemed necessary to assess the overall impact of the Arrangement since
its commencement.

The Commission shall also carry out, from time to time, assessments of the activities. To this
purpose Commission’s agents or duly authorised representatives may pay monitoring visits
down to the Sub-Project level. The Commission also exercise its responsibilities through
reviewing the audited accounts and reports produced by the EIB and through its own
independent assessment and audits. Finally, an ex-post evaluation will be carried out after
completion of the programme.

9. ANTI-FRAUD MEASURES AND AUDIT

All financing memoranda as well as the resulting contracts are subject to supervision and
financial control by the Commission (including the European Anti-fraud Office) and the Court
of Auditors.

In order to ensure efficient protection of the financial interests of the Community, the
Commission can conduct check-ups and inspections on site -down to the Sub-Project level- in
accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96
dated from November 11, 1996, concerning on-the-spot checks and inspections carried out by
the Commission in order to protect the European Communities' financial interests against fraud
and other irregularities.

The procedures foreseen in Art. 15 para 3 of Commission Regulation No. 2222/2000 dated
from June 7, 2000, on the communication in case of irregularities and the putting in place of a
system to administrate the information in this field shall apply.

The Project agreements to be concluded by the EIB with the financial intermediaries, as well as
agreements between the latter and beneficiaries of Sub-Projects, shall contain provisions to this
effect. Relevant documentation should be maintained at all levels for a period of five years after
closure of the Project.

There shall be full coordination between the EIB, the Commission Services and Court of
Auditors to minimise any potential disruption to activities.
10. **VISIBILITY**

All Projects financed under the Facility involving Community funds shall reflect explicitly the input of the Commission through: (i) announcements in the national press of the FI concerned; and; (ii) inclusion of specific clauses promoting visibility in the Sub-Projects supported at the FI level.

In addition, under Phase 2, the EIB will make appropriate publicity to its activities and will undertake appropriate marketing measures.

11. **SPECIAL CONDITIONS**

**Termination**

The funding of the SME Facility Phase 2 Special Fund may terminate on 31st December 2003 if the resources as outlined in this Financing Proposal are not designated for Projects by the Co-financing Members. While the disbursement expiry date of the Phare budget is 31st December 2006, the whole Phase 2 of the Facility with the EIB shall terminate on 31st December 2011.

The funding of the SME Facility Special Fund may be terminated if the EIB or Commission fails to perform any of their material obligations under the Facility.

Any Phare funds on the SME Facility Special Fund at termination of the Phase 2 with the EIB shall be returned to the Commission in accordance with the Contribution Arrangement. Any funds remaining due to the SME Facility Special Fund at termination shall be returned to the Commission when such resources are received in the SME Facility Special Fund.

The Commission shall exercise its responsibility over the use of funds through the duration of the programme in accordance with its Financial Regulation applicable to the General Budget of the European Communities of 21st December 1977 as amended.

12. **RISKS AND ASSUMPTIONS**

At the operational level, the main risk is that the Participating Banks and Leasing Companies supported by the SME Facility will not continue their SME operations once the Facility support has ended. This risk is however considered low, since experience with similar programmes elsewhere shows that financial intermediaries tend to continue on their own once they have the capacity to administer such loans or leases, have gone through the learning curve and have realised the profit potential of such SME operations.

At the policy level, the Facility assumes a sustained effort by the candidate countries to press ahead with making further progress in relation to SME regulations and laws, most particularly in the adoption of the acquis communautaire as it relates to SMEs. A further risk is that Sub-Projects financed will have limited impact on SME development. Given the experience of other SME programmes and the changes, which the Facility has introduced, the risks of poor impact would seem limited.
Annexes

1. Definitions
2. Project proposal format
3. Log-frame Matrix
4. Cumulative contracting and disbursement schedule
5. Visibility/ Publicity
6. Summary for the Official Journal
ANNEX 1

DEFINITIONS

Except as defined otherwise herein, capitalised terms shall have the meanings attributed to them in this article:

(1) **Contribution** - the contribution to the Fund of 30 MEUR by the European Community.

(2) **Co-financing Members** - Members of the Steering Committee involved in the decision of financing a Project: 2 representatives of the Commission, 1 representative of the EIB.

(3) **Eligible Countries** - Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

(4) **EIB Resources** – resources earmarked by the EIB for use by the Facility Phase 2 Projects in co-financing with Fund Resources.

(5) **Facility** - The SME Finance Facility involving Facility Phase 1 and Facility Phase 2.

(6) **Facility Phase 1** - the first phase of the SME Finance Facility where the sponsors were the Commission and the EBRD.

(7) **Facility Phase 2** - the second phase of the SME Finance Facility where the sponsors are the Commission, the EIB and other IFIs, possibly working in association with national Financing Institutions.

(8) **Financial Lease** - A form of financing corresponding to an agreement whereby the lessee (an SME) will use an asset owned by the lessor, stipulating that the lessee will pay a rental to the lessor for a certain period of time and stipulating that -at the end of that period of time- the lessee is entitled to the ownership of the asset subject to the payment of the residual value of the asset or an agreement presenting similar characteristics.

(9) **Fund resources** - consist of the contribution, interest earned on the Fund account and funds initially paid out from the Fund and recovered from Projects.

(10) **IFIs** - International Financial Institutions. Where appropriate, the wording also covers an IFI working in association with a National Financing Institution (such as CEB and KfW).

(11) **Participating Bank (PB)** - the Bank establishing a Project with the EIB, which shall lend to the SMEs. The PBs are banks operating in the Eligible Countries, including locally registered, licensed or incorporated entities and also subsidiaries or branches of EC banks.

(12) **Participating Leasing Company (PLC)** - the Leasing Company establishing a Project with the EIB, which shall establish financial lease agreements directly with the SMEs. The PLCs are companies operating in the Eligible Countries, including locally registered licensed or incorporated entities and also subsidiaries or branches of EC Leasing Companies.

(13) **Project** - a financial package with a PB or a PLC, which would include Fund and EIB Resources and comprise one or more of the components according to the arrangement:
- transaction fee, technical co-operation, guarantee and other approved incentives for arrangement with PBs or;
- transaction fee, technical co-operation, and other approved incentives for arrangements with PLCs.

(14) **Sub-Project** - sub-loan or Financial Lease to an individual SME.
ANNEX 2

PROJECT PROPOSAL FORMAT

The EIB submits Project proposals which will in principle comprise the following items. The same format is used for Projects with PBs or PLCs. These proposal format may be changed with the agreement of the Co-Financing Members if so required:

1  The PB /PLC
   1.1 Introduction
   1.2 Current financial position and due diligence statement on PB or PLC by EIB.

2  The Project
   2.1 Objectives
   2.2 Description, including impact on employment
   2.3 Outline of Agreement: Principal terms and conditions
   2.4 Environmental Issues
   2.5 Indicators of achievement for monitoring and evaluation
   2.6 Risks and risk-mitigating measures

3  The SME Facility’s Involvement
   3.1 Eligibility criteria, including any exceptions to the rules set down in the Rules of Procedure and justification for these exceptions and monitoring criteria
   3.2 Accession and transition impact, including policy statement on commitment to long term lending to SMEs
   3.3 Additionality
   3.4 Modalities of Phare support, including a breakdown of use of Fund Resources and any exceptions to the rules set down in the Rules of Procedure and supporting justifications for such exceptions

4  Implementation
   4.1 Start-up and implementation timetable
   4.2 Disbursement schedule
   4.3 Monitoring and reporting, including reports to Steering Committee
   4.4 Termination
   4.5 Visibility, including specific provisions for Commission visibility
   4.6 Audit
### ANNEX 3

#### LOG-FRAME MATRIX

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td><strong>Indicators of Achievement</strong></td>
<td><strong>Sources of Information</strong></td>
<td><strong>Assumptions and Risks</strong></td>
</tr>
<tr>
<td>1. To induce financial intermediaries in the ten eligible countries to expand and to maintain in the long term financing operation to SMEs</td>
<td>1. Participating financial intermediaries’ approach to SME operations after Facility’s closure.</td>
<td>1. participating financial intermediaries 2. participating SMEs 3. annual reports</td>
<td>1. financial intermediaries will not be able to sustain lending/leasing in the long term 2. economic policies conducive to SME development are not implemented, thereby undermining Facility and participating FI efforts</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td><strong>Indicators of Achievement</strong></td>
<td><strong>Sources of Information</strong></td>
<td><strong>Assumptions and Risks</strong></td>
</tr>
<tr>
<td>1. Greater access to finance among participating SME’s in the region.</td>
<td>1. Increased SME lending related to the Facility operations in each PB/PLC compared with the number of general SME lending/leases as monitored by the national central bank.</td>
<td>1. participating financial intermediaries 2. participating SMEs 3. assessment reports 4. evaluation reports 5. SME sector studies 6. Central banks data on SME lending 7. WB, EIB or equivalent study on equity investments in the beneficiary countries</td>
<td>1. financial intermediaries will not be able to sustain lending/leasing in the long term 2. IFIs will not be well co-ordinated which produces overlaps of activity and duplication of funds to the same PBs or PLCs.</td>
</tr>
<tr>
<td>2. Expanded capacities of Participating Banks (PBs) and Participating Leasing Companies (PLCs) to serve the needs of SMEs.</td>
<td>2. Approach of PB/PLC to SME operations in terms of: lending/leasing policy in place; SME tailored system of appraisal; trained staff.</td>
<td>2. participating SMEs</td>
<td>2. participating SMEs</td>
</tr>
<tr>
<td>3. Example to other potential financial intermediaries that operating with SME’s is possible.</td>
<td>3. Interest of other financial intermediaries in the Facility and SME’s in general, although such a general indicator cannot be used to directly gauge the Facility’s performance.</td>
<td>3. assessment reports</td>
<td>3. assessment reports</td>
</tr>
<tr>
<td><strong>Inputs</strong></td>
<td><strong>Indicators of Achievement</strong></td>
<td><strong>Sources of Information</strong></td>
<td><strong>Assumptions and Risks</strong></td>
</tr>
<tr>
<td><strong>Projects</strong> with Financial Intermediaries in support of SMEs. The Facility’s support to Projects shall be provided through a project, Loan, Guarantee and Leasing Window for PBs/PLCs including - loan funds, transaction fees, guarantees, technical assistance, and other approved incentives. Each Project will then finance individual Sub-Projects which are defined as loans or financial leases in individual SMEs</td>
<td>1. number of financial intermediaries participating in the Facility 2. number of Sub-Projects financed.</td>
<td>1. participating financial intermediaries 2. participating SMEs 3. assessment reports 4. evaluation reports</td>
<td>1. identification of suitable Projects and Sub-Projects 2. administrative efficiency 3. financial sounders and operational capacities of PBs and PLCs</td>
</tr>
</tbody>
</table>
ANNEX 4

Cumulative contracting and disbursement schedule

<table>
<thead>
<tr>
<th>MEUR</th>
<th>30.11.01</th>
<th>31.12.01</th>
<th>31.03.02</th>
<th>30.06.02</th>
<th>30.09.02</th>
<th>31.12.02</th>
<th>31.03.03</th>
<th>30.06.03</th>
<th>31.12.03</th>
<th>31.03.04 to 31.12.06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Disbursed</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>14</td>
<td>14</td>
<td>21</td>
<td>21</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

Please note that this disbursement table is an approximation. The actual disbursements will depend on the demand of the Projects financed under the Facility which have not yet been selected.
ANNEX 5

Visibility / Publicity

INFORMATION AND PUBLICITY FOR THE PHARE, ISPA AND SAPARD PROGRAMMES OF THE EUROPEAN COMMUNITIES

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Specific provisions concerning ISPA are included in:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations
for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:
   - billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
   - permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:
   - measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
   - measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.
4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, Ispa or Sapard Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, Ispa or Sapard Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, Ispa or Sapard should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.
Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. **Special arrangements concerning billboards, commemorative plaques and posters**

In order to ensure the visibility of measures part-financed by the Phare, Ispa or Sapard Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

**Billboards**

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

**Commemorative plaques**

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. **Final provisions**

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language,
which will contain detailed design guidelines in electronic form and this will be available upon request.
ANNEX 6
Summary for the Official Journal

SME Finance Facility (Phase 2) with the European Investment Bank (EIB)

The Commission has agreed on financing to the multicountry programme SME Finance Facility (Phase 2) with the EIB. With this financing the EIB becomes the third Commission’s partner for the operations under the SME Finance Facility.

The European Community will contribute of 30 MEUR from budget line B7-030 to this programme, which must be implemented by 31st December 2003.

Implementation
The general objective of the SME Finance Facility is to induce financial intermediaries in the candidate countries to expand and to maintain their long term debt and equity financing of SME operations.

Under the SME Finance Facility the European Community’s grants and EIB funds are jointly mobilised through a special fund to provide namely tailored SME loans, financial leases, guarantees, management support and other incentives to the participating banks or leasing companies of Central Eastern European candidate countries to the EU. Banks or leasing companies will then co-finance and market these components to their SME clients.

The SME Finance Facility was launched with a pilot Phase 1 with the EBRD on 1999. The European Commission consolidated the SME Finance Facility under a new Phase 2 in 2000 by extending the programme to the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW).

Now with 30MEUR of financing to the EIB operations, the Commission intends to further develop its co-operation with the International Financial Institutions in the framework of the Facility.

Further information about the SME Finance Facility programme can be obtained from:

(a) The Commission internet service at:
or
http://europa.eu.int/comm/economy_finance/fos/sme/sme002_en.htm

(b) European Commission Directorate General Enlargement:
Mr. Bardo Gavazzoli Schettini,
Tel: (32-2) 299 31 58
Fax: (32-2) 295 95 40

(c) European Commission Directorate General Economic and Financial Affairs – Financial Operations Service:
Mr. Joseph Salacz
Tel: (352) 4301 36 248
Fax: (352) 4301 36 439