DECISION No 593/2004/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 21 July 2004
amending Council Decision 2000/819/EC on a multiannual programme for enterprise and entre-
preneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005)
(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE
EUROPEAN UNION,

Having regard to the Treaty establishing the European Com-
munity, and in particular Article 157(3) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Economic and
Social Committee ( 1),

After consulting the Committee of the Regions,

Acting in accordance with the procedure laid down in Article
251 of the Treaty ( 2),

Whereas:

(1) On 5 November 1997, the Commission adopted Deci-
sion 97/761/EC approving a support mechanism for the
creation of transnational joint ventures for SMEs in the
Community ( 3).

(2) The ETF Start-up Facility, the Joint European Venture
(JEV) programme and the SME Guarantee Facility were
measures provided for in Council Decision 98/347/EC of
19 May 1998 on measures of financial assistance for
innovative and job-creating small and medium-sized
enterprises (SMEs) — the growth and employment initia-
tive ( 4).

(3) The multiannual programme set up by Decision
2000/819/EC ( 5), aims at improving the financial envir-
onment for business, in particular by improving the
functioning of the ETF Start-up Facility, amending the
SME Guarantee Facility and, with regard to JEV, by
using, for the benefit of undertakings planning to enter
into a transnational partnership, the commitments
effected up until 31 December 2000 under Decision
98/347/EC.

(4) The purpose of the ETF Start-up Facility, JEV
programme, and SME Guarantee Facility must be to effi-
ciently address market failures in the access for SMEs to
risk capital through enhancing participation of both
private and public actors, with the aim of reaching distri-
bution rates of 100 %.

(5) According to point IV of Annex II to Decision
2000/819/EC, experience has shown that the JEV
programme needs to be simplified in order to enable
SMEs’ requests for financial contributions to be dealt
with quickly by the financial intermediaries and
Commission departments and to ensure that Community
resources are used correctly. It was also stated that the
Commission was examining the possibility of adapting
the eligibility criteria in order to respond more effec-
tively to the needs of SMEs with regard to cross-border
investments, including those in applicant States.

(6) On 10 October 2002 the European Parliament adopted
a resolution on the Report from the Commission to the
European Parliament and the Council on Growth and
Employment Initiative — measures on financial assis-
tance for innovative and job-creating small and
medium-sized enterprises (SMEs) ( 6), where it notes that
the JEV programme in its current form is no longer
appropriate.

(7) The Commission’s evaluation of the Growth and
Employment Initiative as at 29 May 2002 concludes that
the take-up of the JEV programme by the market is low,
the job creation effect limited and the administrative
cost very high and that JEV should be phased out as
soon as possible.

(8) For reasons of cost-efficiency, the Community should
withdraw progressively from programmes that involve
micro-management of small amounts of money, as is the
case with the projects financed under the JEV
programme.

(9) After careful analysis, it has to be concluded that a
substantial simplification of the JEV programme is not
possible, since any substantial change to the structure or
eligibility criteria of the programme would change its
nature and therefore be outside the scope of the legal
basis (Decision 98/347/EC). Therefore it would not be
possible to use the remaining committed budget nor
would it be possible to use the budget for projects invol-
vling the then accession countries and the candidate
countries.

(7) Opinion delivered on 30 June 2004 (not yet published in the Offi-
cial Journal).
( ) Opinion of the European Parliament of 22 April 2004 (not yet
published in the Official Journal) and Council Decision of
( ) OJ L 333, 29.12.2000, p. 84. Decision amended by the 2003 Act
of Accession.
The budget for the JEV programme was committed on the basis of framework agreements signed with the financial intermediaries in the JEV network, thus creating a direct legal relationship between the Commission and these intermediaries. Therefore a replacement of these existing framework agreements with direct legal agreements between the Commission and SMEs, which, in this particular programme, would have resulted in simplification and improved protection of the financial interests of the Community, is not possible.

Only relatively minor procedural changes would be possible without losing the remaining committed budget, and these are deemed to be insufficient to ensure that the JEV programme performs significantly better.

It is not possible to use the remaining committed budget for projects involving the then accession countries and the candidate countries, since this budget was committed under the Growth and Employment Initiative (1998-2000) and is therefore reserved exclusively for those states that are members of the European Union and European Economic Area, as provided by Decision 98/347/EC.

Since the phasing-out of the other two European transnational joint venture programmes — European Community Investment Partners (ECIP) for the developing countries in Asia, Latin America, the Mediterranean region and South Africa (ALAMEDSA countries) in 1999 and the Programme to promote SME joint ventures and other joint agreements (JOP) in the Central and Eastern European Countries (CEECs) and New Independent States (NIS) in 2000 — many financial intermediaries in the JEV network have scaled down or ceased this activity because of the low volume of JEV applications from SMEs with the result that in the majority of Member States, in reality, it is no longer possible to apply for participation in the programme.

In view of the clear conclusion of the evaluation, it is not considered appropriate to propose replacing the JEV programme with a similar one.

The phasing-out of the JEV programme should not affect the rights and obligations of the Community, the financial intermediaries or the beneficiaries (SMEs) that relate to approved projects.

In observance of their legitimate expectations, the financial intermediaries should be allowed to present applications for financial contributions for SMEs for a certain period after this Decision has been adopted.

On 23 October 2003 the European Parliament adopted a resolution on entrepreneurship in Europe, where it calls for the establishment of systems allowing improved access, in particular for small and micro-enterprises, to European Investment Bank-European Investment Fund funds for investments in new technologies and investments linked to training.

For the purpose of promoting innovation, research and development and entrepreneurship by SMEs, as requested by the Barcelona Council, an environment favourable to private sector investment in research and development, in particular through venture capital, should be encouraged.

The Commission has committed itself to reforming the existing multiannual programme for enterprise and entrepreneurship in due time taking into account the necessity of promoting cooperation between enterprises and business organisations and of supporting dialogue between horizontal and sectoral or professional organisations of small and micro-enterprises and craft enterprises.

The Council of 26 November 2002 stated that Member States, the Commission and financial institutions should consider how to improve the financial framework for biotechnologies.

The European Parliament requested, in its resolution on life sciences and biotechnologies of 21 November 2002 (\(^1\)), that the Commission should identify how to overcome the issue of insufficient funding regarding biotech start-ups and asked the European Investment Bank to give favourable consideration to follow-up actions.

Decision 2000/819/EC should be amended accordingly, HAVE ADOPTED THIS DECISION:

Article 1

Decision 2000/819/EC is hereby amended as follows:

1. Article 5(1) shall be replaced by the following:

   '1. The Commission shall submit to the European Parliament and to the Council an annual report on the implementation of the financial instruments of this programme for 2004 as well as a similar end report for 2005 (the final year).';

2. Annex I shall be amended as follows:

   (a) in the first indent of point 4(a)(i), the first sentence shall be replaced by the following:

   "— by investing in relevant specialised venture capital funds, particularly in seed funds, smaller funds, funds operating regionally or funds focused on specific sectors or technologies, or venture capital funds financing R&D, e.g. funds linked to research centres and science parks which in turn provide risk capital for SMEs."

(b) in point 4(a)(i) the following subparagraph shall be added:

“The start-up phase is normally defined as up to five years. However, for companies in specific high technology sectors, in particular life sciences, the start-up phase can be up to 10 years, due to the extended pre-commercialisation product development and testing phases that are characteristic of these particular sectors.”

(c) in point 4(a)(iv), the following subparagraphs shall be added:

“The Joint European Venture programme shall be phased out.

The financial intermediaries may present applications for financial contributions from SMEs to the Commission until 29 December 2004.

Applications and projects shall be dealt with according to Article 4 and Annex II of Council Decision 98/347/EC of 19 May 1998 on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (SMEs) — the growth and employment initiative (†).

(†) OJ L 155, 29.5.1998, p. 43.’

(d) in the first indent of point 5, the word ‘fifth’ shall be deleted;

3. in Annex II, point IV shall be deleted.

Article 2

This Decision shall enter into force on the twentieth day following its publication in the Official Journal of the European Union.

Article 3

This Decision is addressed to the Member States.

Done at Strasbourg, 21 July 2004.

For the European Parliament
The President
J. P. BORREL

For the Council
The President
A. NICOLAI