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**Proposals for  
COUNCIL DECISIONS**

concerning the Community position within the Association Council  
on the participation of Bulgaria, the Czech Republic, Estonia,  
Hungary, Poland, Romania and the Slovak Republic in  
the Community programme in the field of small- and  
medium-sized enterprises

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(presented by the Commission)



## Explanatory Memorandum

On several occasions, the European Council has recognised the opening up of Community programmes to the participation of the associated countries of Central Europe as an important step forward in their preparation for accession. In the conclusions of its meeting of 12 and 13 December 1997 in Luxembourg, the European Council reiterated the importance of such participation, as a tool for making candidate countries acquainted with the Union's policies and working methods.

In addition to the Community programmes in such fields as education, training and youth, it is now proposed to open up the programme in the field of small and medium-sized enterprises for the participation of Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania and the Slovak Republic from 1998 onwards.

The Third Multiannual Programme is the cornerstone of the Community's SME Policy. It provides the basis for actions which aim at raising the awareness of a significant number of SMEs to the challenges of a business strategy which increases their competitive position towards improving their share of transnational and international trade. A positive effect of this would be to generate employment opportunities.

In line with the analysis presented in the Commission's SME policy Paper for the Madrid European Council<sup>1</sup>, the following five priority policy objectives are set out together with an outline of the actions which need to be taken at Community level:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information services;
4. Enhance SMEs' competitiveness and improve their access to research, innovation and training;
5. Promote entrepreneurship and support special target groups.

In view of maximising efficiency in the support to the SME sector in Central Europe, the Community should aim at a high degree of coherence between the opening up of the Third Multiannual Programme for SMEs, the opening up of other Community Programmes that contain actions directed towards SMEs, the national Phare Programmes, and other existing or planned support activities directed towards SMEs in the candidate countries.

The Third Multiannual Programme is focused on SMEs, irrespective of their sector, legal form or location within the European Economic Area. After the entry into force of Association Council Decisions, the Programme will be extended to the candidate countries in Central Europe who have confirmed their interest in participating.

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<sup>1</sup> "SMEs: a dynamic source of employment, growth and competitiveness in the European Union", Report presented by the Commission to the Madrid European Council, CSE(95) 2087.

The Third Multiannual Programme covers the period 1 January 1997 to 31 December 2000.

The associated countries are already acquainted with some areas of the programme, mainly the information area (Euro Info Correspondence Centres exist in all the associated countries) and the business co-operation measures (ad-hoc participation of many SMEs from these countries in Europartenariat and INTERPRISE events and participation in the business co-operation networks BC-NET and BRE). The candidate countries were offered a menu of different alternatives for participation in the programme and the Association Council Decisions reflect the choice made by each country.

The number of small and medium-sized enterprises and their share of employment is growing in the Central European countries, and this development is likely to continue over the coming years. The governments in the candidate countries have begun to recognise the political and economic importance of supporting SMEs and, on the whole, policies to that effect have become a significant part of the transition process.

Despite considerable progress, SMEs in candidate countries are still a long way from having the level of support and resources that exist in the EU, e.g., in support services, policy co-ordination, or in development of appropriate legal and regulatory frameworks. The enterprises in the candidate countries need to prepare for EU membership and the increased competitive pressures to which they are likely to be exposed.

In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and their SME representative organisations for future accession.

According to the provisions of the Europe Agreements or their Additional Protocols, participating candidate countries will meet themselves the costs resulting from their participation; they are, however, entitled to use part of their National Phare allocations for complementing their contributions from their own budgets. Bulgaria, The Czech Republic, Estonia, Hungary, Poland, Romania and the Slovak Republic have confirmed to the Commission in writing their willingness to participate in the Community programme in the field of small and medium-sized enterprises as from 1998 and to make available the necessary budgetary appropriations, as calculated by the Commission services. They envisage paying part of their financial contribution from their national budgets and part from their Phare allocations.

A question of particular importance to these countries is the way in which they will be associated to the management and decision making process of the programme to which they will contribute financially. As mentioned in the Presidency conclusions of the Luxembourg European Council of 12 and 13 December 1997, their participation will be an opportunity to get acquainted with the Community's legislation and proceedings. In the draft Association Council decisions, it is proposed that they will be closely involved in the evaluation of their participation in the programme, be invited to co-ordination meetings prior to the meetings of the Management Committee, and informed about its results.

The main issues addressed in the annexed draft Decisions of the Association Councils adopting the terms and conditions for the participation of Bulgaria, the Czech Republic,

Estonia, Hungary, Poland, Romania and the Slovak Republic in the Community programme in the field of small and medium-sized enterprises are the following:

- the seven countries concerned shall participate, unless otherwise provided in the Decisions, in all actions of the Third Multiannual Programme for SMEs (1997-2000); in practice, Hungary and Poland expressed their wish to participate in all the actions of the Programme, while Bulgaria, the Czech Republic, Estonia, Romania and Slovak Republic opted for a partial participation; conditions for submission, assessment and selection of applications will be the same as for the Member States of the Community (Annex I, paragraphs 1 and 2), up to the level of their financial contributions (Annex II, paragraph 2).
- the financial contributions of these countries and the rules governing their contributions are defined in Annex I, paragraph 4 and in Annex II.
- these countries shall be associated to the evaluation of their participation in the Programme (Annex I, paragraph 6).
- they shall be invited to co-ordination meetings prior to the meetings of the Programme Committee and will be informed about its results (Annex I, paragraph 7)
- the Decision shall apply for the duration of the Programme (i.e. 31.12.2000, Article 2 of the Association Council Decision).

The adoption of Association Council Decisions to allow Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania and the Slovak Republic to participate in the Community programme in the field of small and medium-sized enterprises as from 1998 will offer these countries the opportunity to actively integrate in the Community's policy in this area, in the framework of the pre-accession strategy. It is, therefore, of considerable political importance.

Subject to their capacity to fulfil the relevant administrative and budgetary requirements and, in the case of Slovenia, to the entry into force of its Europe agreement, other applicant countries should also be able to join the programme in the course of 1998.

In order to allow the participation of Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania and the Slovak Republic in the Community programme in the field of small and medium-sized enterprises as from early 1998, the Council is requested to adopt the annexed draft Decisions.

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of Bulgaria in the Community programme in the field of small and medium-sized enterprises**

98/0078 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, first alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Bulgaria, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, Bulgaria may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for the participation of Bulgaria in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provides that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Bulgaria, of the other part, concerning the participation of Bulgaria in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997

**Draft Decision n°..../98 of the EC-Bulgarian Association Council of.....1998  
adopting the terms and conditions for the participation of Bulgaria in the  
Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Bulgaria of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Bulgaria, of the other part, concerning Bulgaria's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, Bulgaria may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of Bulgaria in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

Bulgaria shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L347 of 31.12.1993

<sup>2</sup> OJ N° L317 of 30.12.1995

## ANNEX I

### **Terms and conditions for the participation of Bulgaria in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. Bulgaria will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme"), except the organisation of IBEX events in 1998 and 1999, in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of Bulgaria will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by Bulgaria will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. Bulgaria will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and Bulgaria will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Bulgaria and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of Bulgaria in the Programme will be continuously evaluated on a partnership basis involving Bulgaria and the Commission of the European Communities. Bulgaria will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.



7. Without prejudice to the procedures referred to in Article 4 of the Decision on the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, Bulgaria will be invited to co-ordination meetings on any question concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform Bulgaria about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF BULGARIA TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of Bulgaria will cover;
  - financial support from the Programme to the participation of Bulgarian entities in activities as defined in Annex I.1.,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Bulgaria's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Bulgarian beneficiaries will not exceed the contribution paid by Bulgaria, after deduction of the supplementary administrative costs.

Should the contribution paid by Bulgaria to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Bulgarian beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to Bulgaria.

3. Bulgaria's annual contribution will be of ECU 726,102 in 1998 and 1999 and of ECU 833,102 in 2000. From these sums, an amount of ECU 47,502 in 1998 and 1999 and ECU 54,502 in 2000 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from Bulgaria's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of Bulgaria.  
Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to Bulgaria a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

Bulgaria will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by Bulgaria on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. Bulgaria will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.

6. Of the remaining costs of its participation in the Programme, Bulgaria will pay ECU 0 in 1998, ECU 97,719 in 1999 and ECU 278,739 in 2000 from its national budget. Subject to regular Phare programming procedures, the remaining ECU 678,600 in 1998, ECU 580,881 in 1999 and ECU 499,861 in 2000 will be paid from Bulgaria's annual Phare allocation.

# FINANCIAL STATEMENT

## **1. TITLE OF OPERATION**

Participation of Bulgaria in the Third Multiannual Programme for SMEs.

## **2. BUDGET HEADING INVOLVED**

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

## **3. LEGAL BASIS**

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Additional Protocol to the Europe Agreement with Bulgaria (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 317/95, page 24),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

## **4. DESCRIPTION OF OPERATION**

### **4.1. General objective**

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

Bulgaria's participation in the Community programme for SMEs will further contribute to its preparation for accession within the framework of a reinforced preaccession strategy. It will also enable Bulgaria to familiarise itself with the procedures and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with Bulgaria entered into force on 1 August 1996 and provides for Bulgaria's participation in a wide range of areas, amongst which small and medium-sized enterprises.

Bulgaria confirmed its willingness to participate also in other Community programmes, notably in the fields of energy and human resources.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

#### 5.1. Non-compulsory expenditure

#### 5.2. Differentiated appropriations

#### 5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that Bulgaria itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement Bulgaria's contribution (through its national Phare allocation), Bulgaria will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of the Bulgarian contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for Bulgaria's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with Bulgaria, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, Bulgaria has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Distributive Trade (130,000 ECU)
- Actions within the field of Crafts and Small Enterprises (20,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 10 centres plus 20,000 ECU for a decentralised information campaign = 420,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (41.86 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 58,600 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)
- For the year 2000 only: The subvention for one IBEX event (subcontracting). The maximum contribution from the EU is 100,000 ECU, and this must not exceed 25% of the total budget for the event. (However, given the size of these events, it is at present not foreseen to organise more than one per year in Central Europe.)

The cost of Bulgaria's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) will thus in 1998 and 1999 be ECU 726,102 per year and in the year 2000 ECU 833,102, including an additional 7% to cover administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by Bulgaria - have to be deducted, is divided

per year as follows (subject to the procedures for programming the PHARE programme): In 1998, 0% of the operational costs will be covered from Bulgaria's national budget and 100% from the annual PHARE allocation for Bulgaria; in 1999, 14.4% of the operational costs will be covered from Bulgaria's national budget and 85.6% from the annual PHARE allocation for Bulgaria; in the year 2000, 35.8% of the operational costs will be covered from Bulgaria's national budget and 64.2% from the annual PHARE allocation for Bulgaria.

## 7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Bulgaria	of which Phare
<b>Small and medium-sized enterprises</b>	678,600	678,600	778,600	2,135,800	376,458	1,759,342

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within the field of Distributive Trade	130,000	130,000	130,000	390,000
Actions within Crafts & Small Enterprises	20,000	20,000	20,000	60,000
Support to the EICCs	420,000	420,000	420,000	1,260,000
Business Co-operation				
- Europartenariat	58,600	58,600	58,600	175,800
- INTERPRISE	50,000	50,000	50,000	150,000
Sub-contracting:				
IBEX	-	-	100,000	100,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years--	TOTAL
<b>Commitment appropriations</b>	678,600	580,881	499,861	0	1,759,342
<b>Payment appropriations<sup>(*)</sup></b>					
1998	135,720				135,720
1999	407,160	116,176			523,336
2000	135,720	348,529	99,972		584,220
subsequent years		116,176	399,889		516,065
<b>Total</b>	<b>678,600</b>	<b>580,881</b>	<b>499,861</b>		<b>1,759,342</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	0	97,719	278,739	0	376,458
administrative part	47,502	47,502	54,502	0	149,506
<b>Total</b>	<b>47,502</b>	<b>145,221</b>	<b>333,241</b>	<b>0</b>	<b>525,964</b>

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.



The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## **9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

### **9.1. Specific and quantified objectives; target population**

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Bulgaria. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Bulgaria. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries for the business sector.

### **9.2. Grounds for the operation**

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a

significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

The private sector share in production and employment has grown considerably since the start of the economic restructuring process. A large share of enterprises are SMEs, and it is likely that the Bulgarian economy will remain characterised by a large percentage of SMEs over coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy, complementing other efforts to develop and strengthen the sector. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of Bulgaria to the programme and Bulgaria's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

– Choice of ways and means

With a contribution from Bulgaria's national budget, supplemented by one from PHARE, Bulgaria's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Bulgarian nationals in Community networks will make a definite contribution to preparing Bulgaria for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Bulgarian citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Bulgarian beneficiaries.

### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision.

Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudice the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		Source		duration
	Permanent posts	Temporary posts	Existing resources of the DG or department concerned	Additional resources	3 years (1998-2000)
Officials or temporary staff					
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources (Technical assistance, item A-7002)		0.3		0.3	
<b>TOTAL</b>	<b>0.9</b>	<b>0.3</b>	<b>0.9</b>	<b>0.3</b>	from 1998

## 10.2. Overall financial impact of the human resources

		in ECU
	Total	Method of calculation (total cost of the action for the period 1998-2000)
Officials	291,600	$0,9 * 108,000 \text{ ECU} * 3 \text{ years}$
Temporary staff		
Other resources (Technical assistance, item A-7002)	90,000	$0,3 * 100,000 \text{ ECU} * 3 \text{ years}$
<b>TOTAL</b>	<b>381,600</b>	

The expenditure of item A-7002 (technical assistance) will be met from the receipts (art. 4§2, third indent of the Financial Regulation) received from the Bulgarian participation in Community Programmes (see 5.3. of the Financial Statement).

10.3. Increase in other administrative expenditure as a result of the operation

		in ECU
Budget heading (No and title)	Total	Method of calculation (total cost of the action for the period 1998-2000)
A701 - missions	19,426	4 missions per year for the whole Programme, to be executed within the different Programme strands opened (annual cost of missions 6475ECU).  Participation of 5 Bulgarian representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 8,350 ECU).  Cost of the presence of 1 Bulgarian representative at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
A7030 - meetings	25,050	
A7031 - meetings of committees	15,030	
<b>Total</b>	<b>59,506</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Bulgarian participation in Community Programme: (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of the Czech Republic in the Community programme in the field of small and medium-sized enterprises**

98/0079 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, the Czech Republic may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for the participation of the Czech Republic in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provides that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, concerning the participation of the Czech Republic in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997

**Draft Decision n°..../98 of the EC-Czech Republic Association Council of.....1998 adopting the terms and conditions for the participation of the Czech Republic in the Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Czech Republic of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, concerning the Czech Republic's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, the Czech Republic may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of the Czech Republic in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

The Czech Republic shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L360/1 of 31.12.1994

<sup>2</sup> OJ N° L317/44 of 30.12.1995



## ANNEX I

### **Terms and conditions for the participation of the Czech Republic in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. The Czech Republic will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme"), except the organisation of IBEX events, in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of the Czech Republic will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by the Czech Republic will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. The Czech Republic will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and the Czech Republic will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between the Czech Republic and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of the Czech Republic in the Programme will be continuously evaluated on a partnership basis involving the Czech Republic and the Commission of the European Communities. The Czech Republic will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.

7. Without prejudice to the procedures referred to in Article 4 of the Decision on the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, the Czech Republic will be invited to co-ordination meetings on any question concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform the Czech Republic about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF THE CZECH REPUBLIC TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of the Czech Republic will cover;
  - financial support from the Programme to the participation of Czech entities in activities as defined in Annex I.1.,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from the Czech Republic's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Czech beneficiaries will not exceed the contribution paid by the Czech Republic, after deduction of the supplementary administrative costs.

Should the contribution paid by the Czech Republic to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Czech beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to the Czech Republic.

3. The Czech Republic's annual contribution will be of ECU 654,626 from 1998. From this sum, an amount of ECU 42,826 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from the Czech Republic's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of the Czech Republic.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to the Czech Republic a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

The Czech Republic will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by the Czech Republic on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. The Czech Republic will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.
  
6. Of the remaining costs of its participation in the Programme, the Czech Republic will pay ECU 411,800 from its national budget.

Subject to regular Phare programming procedures, the remaining ECU 200,000 will be paid from the Czech Republic's annual Phare allocation.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Participation of the Czech Republic in the Third Multiannual Programme for SMEs.

### 2. BUDGET HEADING INVOLVED

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

### 3. LEGAL BASIS

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alineathereof,

Additional Protocol to the Europe Agreement with the Czech Republic (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 317/95, page 44),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

### 4. DESCRIPTION OF OPERATION

#### 4.1. General objective

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

The Czech Republic's participation in the Community programme for SMEs will come in addition to those Community programmes in which it already participates, e.g. Leonardo da Vinci, Socrates and Youth for Europe, and will further contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable the Czech Republic to familiarise itself with the procedures and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated

country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with the Czech Republic entered into force on 1 February 1996 and provides for the Czech Republic's participation in a wide range of areas, amongst which small and medium-sized enterprises.

The Czech Republic confirmed its willingness to participate also in other Community programmes, notably in the fields of culture, energy and environment.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

#### 5.1. Non-compulsory expenditure

#### 5.2. Differentiated appropriations

#### 5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that the Czech Republic itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement the Czech Republic's contribution (through its national Phare allocation), the Czech Republic will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of the Czech Republic's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for the Czech Republic's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with the Czech Republic, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, the Czech Republic has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme except IBEX.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Distributive Trade (130,000 ECU)
- Actions within the field of Crafts and Small Enterprises (100,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 7 centres plus 20,000 ECU for a decentralised information campaign = 300,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (22.71 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 31,800 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)

The cost of the Czech Republic's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) from 1998 will thus be ECU 654,626 per year including 7% administrative costs.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by the Czech Republic - have to be deducted, is divided per year as follows: 411,800 ECU of the operational costs will be covered from the Czech Republic's national budget and - subject to the

procedures for programming the Phare programme - 200,000 ECU from the annual Phare allocation for the Czech Republic.

7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which the Czech Republic	of which Phare
<b>Small and medium-sized enterprises</b>	611,800	611,800	611,800	1,835,400	1,235,400	600,000

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within the field of Distributive Trade	130,000	130,000	130,000	390,000
Actions within Crafts & Small Enterprises	100,000	100,000	100,000	300,000
Support to the EICCs	300,000	300,000	300,000	900,000
Business Co-operation				
- Europartenariat	31,800	31,800	31,800	95,400
- INTERPRISE	50,000	50,000	50,000	150,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None



7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	200,000	200,000	200,000	0	600,000
<b>Payment appropriations<sup>(*)</sup></b>					
1998	40,000				40,000
1999	120,000	40,000			160,000
2000	40,000	120,000	40,000		200,000
subsequent years		40,000	160,000		200,000
<b>Total</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>		<b>600,000</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	411,800	411,800	411,800	0	1,235,400
administrative part	42,826	42,826	42,826	0	128,478
<b>Total</b>	<b>454,626</b>	<b>454,626</b>	<b>454,626</b>	<b>0</b>	<b>1,363,878</b>

**8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1. Specific and quantified objectives; target population

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in the Czech Republic. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for the Czech Republic. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, Trade Associations, and other intermediaries of the business sector.

### 9.2. Grounds for the operation

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

The vast majority of enterprises in the Czech Republic are SMEs and close to 90% of them are very small. Important modifications in the employment structure have taken place, in particular the absorption of part of the redundant labour force from agriculture and large state firms by small and medium sized enterprises, especially in the service sector. The support since 1991 for the small and medium enterprises (SME) as part of the private sector development has been an important key to economic and employment growth in the Czech Republic.

The Czech economy will remain characterised by a large percentage of SMEs over the coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of the Czech Republic to the programme and the Czech Republic's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

– Choice of ways and means

With a contribution from the Czech Republic's national budget, supplemented by one from PHARE, the Czech Republic's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Czech nationals in Community networks will make a definite contribution to preparing the Czech Republic for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Czech citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Czech beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudge the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	
Officials or temporary staff					1998-2000
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

10.2. Overall financial impact of additional human resources

		in ECU
	Total	Method of calculation (total cost of the action for the period 1998-2000)
Officials Temporary staff Other resources (indicate budget heading)		
<b>TOTAL</b>	<b>0</b>	

10.3. Increase in other operating expenses as a result of the operation

		in ECU
Budget heading (No and title)	Total	Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	71,898	Technical assistance 23,966 ECU per year.
A1300 - missions	16,500	5 missions per year for the whole Programme, to be executed within the different Programme strands opened (annual cost of missions 5,500 ECU).
A2500 - meetings	25,050	Participation of 5 Czech representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 8,350 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Czech representatives at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>128,478</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Czech participation in Community Programmes (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of Estonia in the Community programme in the field of small and medium-sized enterprises**

98/0080 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Estonia, of the other part, has been concluded by Decision of the Council and the Commission of.....,

Whereas according to Article 108 of the Europe Agreement, Estonia may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and the terms and conditions for participation of Estonia in the activities shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provide that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes,

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Estonia, of the other part, concerning the participation of Estonia in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997



**Draft Decision n°..../98 of the EC-Estonia Association Council of.....1998  
adopting the terms and conditions for the participation of Estonia in the  
Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Estonia, of the other part, and in particular Article 108 thereof,<sup>1</sup>

Whereas according to Article 108 of the Europe Agreement, Estonia may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 108 of the Europe Agreement the terms and conditions for the participation of Estonia in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

Estonia shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L.....

## ANNEX I

### **Terms and conditions for the participation of Estonia in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. Estonia will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme"), except the organisation of IBEX events, in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of Estonia will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by Estonia will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. Estonia will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and Estonia will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Estonia and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of Estonia in the Programme will be continuously evaluated on a partnership basis involving Estonia and the Commission of the European Communities. Estonia will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.
7. Without prejudice to the procedures referred to in Article 4 of the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, Estonia will be invited to co-ordination meetings on any question

concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform Estonia about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF ESTONIA TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of Estonia will cover;
  - financial support from the Programme to the participation of Estonian entities in activities as defined in Annex I.1,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Estonia's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Estonian beneficiaries will not exceed the contribution paid by Estonia, after deduction of the supplementary administrative costs.

Should the contribution paid by Estonia to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Estonian beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to Estonia.

3. Estonia's annual contribution will be of ECU 368,294 from 1998. From this sum, an amount of ECU 24,094 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from Estonia's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of Estonia.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to Estonia a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

Estonia will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by Estonia on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. Estonia will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.

6. Estonia will pay ECU 288,200 of the remaining costs of its participation in the Programme from its national budget.

Subject to regular Phare programming procedures, the remaining ECU 56,000 will be paid from Estonia's annual Phare allocation.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Participation of Estonia in the Third Multiannual Programme for SMEs.

### 2. BUDGET HEADING INVOLVED

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

### 3. LEGAL BASIS

Treaty establishing the European Community, and in particular Article 130, article 3, in conjunction with Article 228, article 3, 1st alinea thereof,

Article 108 of the Europe Agreement with Estonia (Articles 228 and 238) of ....., providing for the opening-up of Community programmes (OJ No .....

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

### 4. DESCRIPTION OF OPERATION

#### 4.1. General objective

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

Estonia's participation in the Community programme for SMEs will contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable Estonia to familiarise itself with the procedures and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated

country. This decision also lays down the practical arrangements for opening up the programmes.

The Europe Agreement with Estonia entered into force on ....., Article... provides for Estonia's participation in a wide range of areas, amongst which small and medium-sized enterprises.

Estonia has confirmed its willingness to participate also in other Community programmes, notably in the fields of education, vocational training, youth, environment, health and research and technical development.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. Non-compulsory expenditure

5.2. Differentiated appropriations

5.3. Type of revenue involved

Since Article 108 of the Europe Agreement stipulates that Estonia itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as Article 108 states that the Community may supplement Estonia's contribution (through its national Phare allocation), Estonia will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of Estonia's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for Estonia's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Europe Agreement with Estonia, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, Estonia has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Distributive Trade (130,000 ECU)
- Actions within the field of Crafts and Small Enterprises (30,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 2 centres plus 20,000 ECU for a decentralised information campaign = 100,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (24.43 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 34,200 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)

The cost of Estonia's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) from 1998 will thus be ECU 368,294 per year, including 7% administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by Estonia - have to be deducted, is divided per year as follows: 288,200 ECU of the operational costs will be covered from Estonia's national budget and - subject to the procedures for programming the Phare programme - 56,000 ECU from the annual PHARE allocation for Estonia.



7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Estonia	of which Phare
<b>Small and medium-sized enterprises</b>	344,200	344,200	344,200	1,032,600	864,600	168,000

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within the field of Distributive Trade	130,000	130,000	130,000	390,000
Actions within Crafts & Small Enterprises	30,000	30,000	30,000	90,000
Support to the EICCs	100,000	100,000	100,000	300,000
Business Co-operation				
- Europartenariat	33,925	33,925	33,925	101,775
- INTERPRISE	50,000	50,000	50,000	150,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	56,000	56,000	56,000	0	168,000
<b>Payment appropriations<sup>(*)</sup></b>					
1998	11,200				11,200
1999	33,600	11,200			44,800
2000	11,200	33,600	11,200		56,000
subsequent years		11,200	44,800		56,000
<b>Total</b>	<b>56,000</b>	<b>56,000</b>	<b>56,000</b>		<b>168,000</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	288,200	288,200	288,200	0	864,600
administrative part	24,094	24,094	24,094	0	72,282
<b>Total</b>	<b>312,294</b>	<b>312,294</b>	<b>312,294</b>	<b>0</b>	<b>936,882</b>

**8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1. Specific and quantified objectives; target population

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Estonia. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Estonia. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries of the business sector.

### 9.2. Grounds for the operation

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

As a result of the reform policy creating a market economy and supported by the privatisation process, the number of private companies has grown rapidly since the late 1980s. The SMEs' contribution to employment has increased annually. The Estonian economy is likely to remain characterised by a large percentage of SMEs over the coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of Estonia to the programme and Estonia's precarious budgetary situation, assistance from PHARE as provided for in Article 108 of the Europe Agreement is essential.

– Choice of ways and means

With a contribution from Estonia's national budget, supplemented by one from PHARE, Estonia's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Estonian nationals in Community networks will make a definite contribution to preparing Estonia for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Estonian citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Estonian beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

#### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudge the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	1998-2000
Officials or temporary staff					
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

### 10.2. Overall financial impact of the additional human resources

	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
Officials		
Temporary staff		
Other resources (indicate budget heading)		
<b>TOTAL</b>	0	

10.3. Increase in other operating expenses as a result of the operation

		in ECU
Budget heading (No and title)	Total	Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	33,222	Technical assistance 11,074 ECU/ year.
A1300 - missions	9,000	2 missions per year for the whole Programme (annual cost 3,000 ECU).
A2500 - meetings	15,030	Participation of 3 Estonian representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 5,010 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Estonian representative at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>72.282</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Estonian participation in Community Programmes (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of Hungary in the Community programme in the field of small and medium-sized enterprises**

98/0081 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3 in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Hungary, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, Hungary may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for participation of Hungary in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provide that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Hungary, of the other part, concerning the participation of Hungary in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997



**Draft Decision n°..../98 of the EC-Hungary Association Council of.....1998  
adopting the terms and conditions for the participation of Hungary in the  
Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Hungary of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Hungary, of the other part, concerning Hungary's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, Hungary may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of Hungary in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

Hungary shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L347 of 31.12.1993

<sup>2</sup> OJ N° L317 of 30.12.1995

## ANNEX I

### **Terms and conditions for the participation of Hungary in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. Hungary will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme") in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of Hungary will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by Hungary will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. Hungary will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and Hungary will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Hungary and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of Hungary in the Programme will be continuously evaluated on a partnership basis involving Hungary and the Commission of the European Communities. Hungary will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.
7. Without prejudice to the procedures referred to in Article 4 of the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, Hungary will be invited to co-ordination meetings on any question

concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform Hungary about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF HUNGARY TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of Hungary will cover;
  - financial support from the Programme to the participation of Hungarian entities in activities as defined in Annex I.1,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Hungary's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Hungarian beneficiaries will not exceed the contribution paid by Hungary, after deduction of the supplementary administrative costs.

Should the contribution paid by Hungary to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Hungarian beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to Hungary.

3. Hungary's annual contribution will be of ECU 896,981 from 1998. From this sum, an amount of ECU 58,681 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from Hungary's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of Hungary.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to Hungary a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

Hungary will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by Hungary on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. Hungary will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.

6. Hungary will pay 50% of the remaining costs of its participation in the Programme from its national budget.

Subject to regular Phare programming procedures, the remaining 50% will be paid from Hungary's annual Phare allocation.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Participation of Hungary in the Third Multiannual Programme for SMEs.

### 2. BUDGET HEADING INVOLVED

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

### 3. LEGAL BASIS

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Additional Protocol to the Europe Agreement with Hungary (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 317/95, page 30),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

### 4. DESCRIPTION OF OPERATION

#### 4.1. General objective

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

Hungary's participation in the Community programme for SMEs will come in addition to those Community programmes in which it already participates, e.g. Leonardo da Vinci, Socrates and Youth for Europe, and will further contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable Hungary to familiarise itself with the procedures

and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with Hungary entered into force on 1 February 1996 and provides for Hungary's participation in a wide range of areas, amongst which small and medium-sized enterprises.

Hungary confirmed its willingness to participate also in other Community programmes, notably in the fields of culture and the audio-visual sector, health and social policy and research and technical development.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. Non-compulsory expenditure

5.2. Differentiated appropriations

5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that Hungary itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement Hungary's contribution (through its national Phare allocation), Hungary will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of Hungary's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for Hungary's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with Hungary, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, Hungary has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Distributive Trade (130,000 ECU)
- Actions within the field of Crafts and Small Enterprises (100,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 10 centres plus 20,000 ECU for a decentralised information campaign = 420,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (27.71 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 38,800 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)
- The subvention for one IBEX event (subcontracting). The maximum contribution from the EU is 100,000 ECU, and this must not exceed 25% of the total budget for the event. (However, given the size of these events, it is at present not foreseen to organise more than one per year in Central Europe.)

The cost of Hungary's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-



2000) from 1998 will thus be ECU 896,981 per year, including 7% administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by Hungary - have to be deducted, is divided per year as follows: 50% of the operational costs will be covered from Hungary's national budget and - subject to the procedures for programming the Phare programme - 50% from the annual PHARE allocation for Hungary.

7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Hungary	of which Phare
Small and medium-sized enterprises	838.300	838.300	838.300	2.514.900	1.257.450	1.257.450

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within the field of Distributive Trade	130,000	130,000	130,000	390,000
Actions within Crafts & Small Enterprises	100,000	100,000	100,000	300,000
Support to the EICCs	420,000	420,000	420,000	1,260,000
Business Co-operation				
- Europartenariat	38,800	38,800	38,800	116,400
- INTERPRISE	50,000	50,000	50,000	150,000
Sub-contracting:				
IBEX	100,000	100,000	100,000	300,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	419.150	419.150	419.150	0	1.257.450
<b>Payment appropriations<sup>m</sup></b>					
1998	83,830				83,830
1999	251,490	83,830			335,320
2000	83,830	251,490	83,830		419,150
subsequent years		83,830	335,320		419,150
<b>Total</b>	<b>419.150</b>	<b>419.150</b>	<b>419.150</b>		<b>1.257.450</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	419.150	419.150	419.150	0	1.257.450
administrative part	58.681	58.681	58.681	0	176.043
<b>Total</b>	<b>477.831</b>	<b>477.831</b>	<b>477.831</b>	<b>0</b>	<b>1.433.493</b>

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1. Specific and quantified objectives; target population

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Hungary. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Hungary. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries for the business sector.

### 9.2. Grounds for the operation

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a

significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

Since the start of the economic restructuring process, the share of SMEs in production, employment, export and investment has grown dramatically in Hungary. This is not only the result of the creation of many new micro-businesses, but also of the disappearance of many large, state-owned industrial and mining companies. Given its structure and comparative advantages, the Hungarian economy will remain characterised by a large percentage of SMEs. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of Hungary to the programme and Hungary's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

– Choice of ways and means

With a contribution from Hungary's national budget, supplemented by one from PHARE, Hungary's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Hungarian nationals in Community networks will make a definite contribution to preparing Hungary for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Hungarian citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Hungarian beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

#### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudge the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	1998-2000
Officials or temporary staff					
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

### 10.2. Overall financial impact of the additional human resources

	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
Officials Temporary staff Other resources (indicate budget heading)		
<b>TOTAL</b>	0	

10.3. Increase in other operating expenses as a result of the operation

		in ECU
Budget heading (No and title)	Total	Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	116,688	Technical assistance 38,896 ECU per year.
A1300 - missions	19,275	5 missions per year for the whole Programme, to be executed within the different Programme strands opened (annual cost of missions 6,425 ECU).
A2500 - meetings	25,050	Participation of 5 Hungarian representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 8,350 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Hungarian representative at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>176,043</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Hungarian participation in Community Programmes (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of Poland in the Community programme in the field of small and medium-sized enterprises**

98/0082 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Poland, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, Poland may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for the participation of Poland in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provides that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Poland, of the other part, concerning the participation of Poland in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997



**Draft Decision n°..../98 of the EC-Poland Association Council of.....1998  
adopting the terms and conditions for the participation of Poland in the Community  
Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland, of the other part, concerning Poland's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, Poland may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of Poland in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

Poland shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L348/1 of 31.12.1993

<sup>2</sup> OJ N° L317/34 of 30.12.1995

## ANNEX I

### **Terms and conditions for the participation of Poland in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. Poland will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme") in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of Poland will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by Poland will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. Poland will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and Poland will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Poland and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the programmes according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of Poland in the Programme will be continuously evaluated on a partnership basis involving Poland and the Commission of the European Communities. Poland will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.

7. Without prejudice to the procedures referred to in Article 4 of the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, Poland will be invited to co-ordination meetings on any question concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform Poland about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF POLAND TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of Poland will cover;
  - financial support from the Programme to the participation of Polish entities in activities as defined in Annex I.1,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Poland's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Polish beneficiaries will not exceed the contribution paid by Poland, after deduction of the supplementary administrative costs.

Should the contribution paid by Poland to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Polish beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to Poland.

3. Poland's annual contribution will be of ECU 1,006,014 from 1998. From this sum, an amount of ECU 65,814 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from Poland's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of Poland.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to Poland a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

Poland will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by Poland on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. Poland will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.

6. Poland will pay 3% (1998), 13% (1999) and 23% (2000) of the remaining costs of its participation in the Programme from its national budget.

Subject to regular Phare programming procedures, 97% (1998), 87% (1999) and 77% (2000) will be paid from Poland's annual Phare allocation.

# FINANCIAL STATEMENT

## **1. TITLE OF OPERATION**

Participation of Poland in the Third Multiannual Programme for SMEs.

## **2. BUDGET HEADING INVOLVED**

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

## **3. LEGAL BASIS**

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Additional Protocol to the Europe Agreement with Poland (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 317/95, page 34),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

## **4. DESCRIPTION OF OPERATION**

### **4.1. General objective**

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

Poland's participation in the Community programme for SMEs will contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable Poland to familiarise itself with the procedures and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated

country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with Poland entered into force on 1 March 1997 and provides for Poland's participation in a wide range of areas, amongst which small and medium-sized enterprises.

Poland has confirmed its willingness to participate also in other Community programmes, notably in the fields of education, vocational training, youth, culture and the audio-visual sector, energy, and research and technology.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

#### 5.1. Non-compulsory expenditure

#### 5.2. Differentiated appropriations

#### 5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that Poland itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement Poland's contribution (through its national Phare allocation), Poland will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of Poland's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for Poland's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with Poland, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, Poland has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Distributive Trade (130,000 ECU)
- Actions within the field of Crafts and Small Enterprises (100,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 12 centres plus 20,000 ECU for a decentralised information campaign = 500,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (43 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 60,200 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)
- The subvention for one IBEX event (subcontracting). The maximum contribution from the EU is 100,000 ECU, and this must not exceed 25% of the total budget for the event. (However, given the size of these events, it is a present not foreseen to organise more than one per year in Central Europe.)

The cost of Poland's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) from 1998 will thus be ECU 1,006,014 per year, including 7% administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by Poland - have to be deducted, is divided as follows:



- in 1998, 3% of the operational costs will be covered from Poland's national budget and - subject to the Phare procedures for programming item B7-503 - 97% from the annual PHARE allocation for Poland;

- in 1999, 13% of the operational costs will be covered from Poland's national budget and - subject to the Phare procedures for programming item B7-503 - 87% from the annual PHARE allocation for Poland;

- in the year 2000, 23% of the operational costs will be covered from Poland's national budget and - subject to the procedures for programming the Phare programme - 77% from the annual PHARE allocation for Poland.

7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Poland	of which Phare
<b>Small and medium-sized enterprises</b>	940,200	940,200	940,200	2,820,600	366,678	2,453,922

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within the field of Distributive Trade	130,000	130,000	130,000	390,000
Actions within Crafts & Small Enterprises	100,000	100,000	100,000	300,000
Support to the EICCs	500,000	500,000	500,000	1,500,000
Business Co-operation				
- Europartenariat	60,200	60,200	60,200	180,600
- INTERPRISE	50,000	50,000	50,000	150,000
Sub-contracting:				
IBEX	100,000	100,000	100,000	300,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	911,994	817,974	723,954	0	2,453,922
<b>Payment appropriations<sup>(*)</sup></b>					
1998	182,398.8				182,398.8
1999	547,196.4	163,594.8			710,791.2
2000	182,398.8	490,784.4	144,790.8		817,974
subsequent years		163,594.8	579,163.2		742,758
<b>Total</b>	<b>911,994</b>	<b>817,974</b>	<b>723,954</b>		<b>2,453,922</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	28,206	122,226	216,246	0	366,678
administrative part	65,814	65,814	65,814	0	197,442
<b>Total</b>	<b>94,020</b>	<b>188,040</b>	<b>282,060</b>	<b>0</b>	<b>564,120</b>

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1. Specific and quantified objectives; target population

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Poland. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Poland. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries for the business sector.

### 9.2. Grounds for the operation

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

Polish SMEs play an important role in the economy. The number of people employed in SMEs has increased in recent years and is expected to grow as the privatisation process is carried further. A specific SME policy programme was adopted by the Polish Government in 1995, aiming at the development of SMEs, and recognising that SMEs have a positive influence on the industrial structure.

The Polish economy is likely to remain characterised by a large percentage of SMEs over coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of Poland to the programme and Poland's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

– Choice of ways and means

With a contribution from Poland's national budget, supplemented by one from PHARE, Poland's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Polish nationals in Community networks will make a definite contribution to preparing Poland for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Polish citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Polish beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

#### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudice the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	1998-2000
Officials or temporary staff					
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

### 10.2. Overall financial impact of the additional human resources

	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
Officials Temporary staff Other resources (indicate budget heading)		
<b>TOTAL</b>	0	

## 10.3. Increase in other operating expenses as a result of the operation

		in ECU
Budget heading (No and title)	Total	Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	139,362	Technical assistance 46,454 ECU per year.
A1300 - missions	18,000	5 missions per year for the whole Programme, to be executed within the different Programme strands opened (annual cost of missions 6,000 ECU).
A2500 - meetings	25,050	Participation of 5 Polish representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 8,350 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Polish representatives at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>197,442</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Polish participation in Community Programmes (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of Romania in the Community programme in the field of small and medium-sized enterprises**

98/0083 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Romania, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, Romania may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for participation of Romania in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provides that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and Romania, of the other part, concerning the participation of Romania in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997



**Draft Decision n°..../98 of the EC-Romania Association Council of.....1998  
adopting the terms and conditions for the participation of Romania in the  
Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Romania of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Romania, of the other part, concerning Romania's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, Romania may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of Romania in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

Romania shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L357/1 of 31.12.1994

<sup>2</sup> OJ N° L317/39 of 30.12.1995

## ANNEX I

### **Terms and conditions for the participation of Romania in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. Romania will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme"), except Distributive Trade, Crafts and Small Enterprises, and the organisation of IBEX events, in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of Romania will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by Romania will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. Romania will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and Romania will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between Romania and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of Romania in the Programme will be continuously evaluated on a partnership basis involving Romania and the Commission of the European Communities. Romania will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.

7. Without prejudice to the procedures referred to in Article 4 of the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, Romania will be invited to co-ordination meetings on any question concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform Romania about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF ROMANIA TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of Romania will cover;
  - financial support from the Programme to the participation of Romanian entities in activities as defined in Annex I.1,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from Romania's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Romanian beneficiaries will not exceed the contribution paid by Romania, after deduction of the supplementary administrative costs.

Should the contribution paid by Romania to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Romanian beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to Romania.

3. Romania's annual contribution will be of ECU 419,440 from 1998. From this sum, an amount of ECU 27,440 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from Romania's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of Romania.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to Romania a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

Romania will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by Romania on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. Romania will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.

6. Romania will pay 50% of the remaining costs of its participation in the Programme from its national budget.

Subject to regular Phare programming procedures, the remaining 50% will be paid from Romania's annual Phare allocation.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Participation of Romania in the Third Multiannual Programme for SMEs.

### 2. BUDGET HEADING INVOLVED

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

### 3. LEGAL BASIS

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Additional Protocol to the Europe Agreement with Romania (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 317/95, page 39),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

### 4. DESCRIPTION OF OPERATION

#### 4.1. General objective

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

Romania's participation in the Community programme for SMEs will come in addition to those Community programmes in which it already participates, e.g. Leonardo da Vinci, Socrates and Youth for Europe, and will further contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable Romania to familiarise itself with the procedures

and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with Romania entered into force on 1 August 1996 and provides for Romania's participation in a wide range of areas, amongst which small and medium-sized enterprises.

Romania confirmed its willingness to participate also in other Community programmes, notably in the fields of culture and the audio-visual sector, energy, environment, health and social policy.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

#### 5.1. Non-compulsory expenditure

#### 5.2. Differentiated appropriations

#### 5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that Romania itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement Romania's contribution (through its national Phare allocation), Romania will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of Romania's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for Romania's contribution to cover the cost of its participation is made under item 6091. The revenue will be allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with Romania, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, Romania has opted for a contribution based on the estimation of the real cost of participation in the strands Europartenariat, INTERPRISE, and Euro Info Correspondence Centres of the SME programme.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 6 centres plus 20,000 ECU for a decentralised information campaign = 260,000 ECU)
- Participation in Europartenariat events based on the current average participation of the country (58.57 enterprises/event x 2 events/year x 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 82,000 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)

The cost of Romania's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) from 1998 will thus be ECU 419,440 per year, including 7% administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by Romania - have to be deducted, is divided



per year as follows: 50% of the operational costs will be covered from Romania's national budget and - subject to the procedures for programming the Phare programme - 50% from the annual PHARE allocation for Romania.

7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Romania	of which Phare
Small and medium-sized enterprises	392,000	392,000	392,000	1,176,000	588,000	588,000

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Support to the EICCs	260,000	260,000	260,000	780,000
Business Co-operation				
- Europartenariat	82,000	82,000	82,000	246,000
- INTERPRISE	50,000	50,000	50,000	150,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	196,000	196,000	196,000	0	588,000
<b>Payment appropriations<sup>(*)</sup></b>					
1998	39,200				39,200
1999	117,600	39,200			156,800
2000	39,200	117,600	39,200		196,000
subsequent years		39,200	156,800		196,000
<b>Total</b>	<b>196,000</b>	<b>196,000</b>	<b>196,000</b>		<b>558,200</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	196,000	196,000	196,000	0	588,000
administrative part	27,440	27,440	27,440	0	82,320
<b>Total</b>	<b>223,440</b>	<b>223,440</b>	<b>223,440</b>	<b>0</b>	<b>670,320</b>

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1. Specific and quantified objectives; target population

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Romania. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Romania. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries for the business sector.

### 9.2. Grounds for the operation

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

The majority of Romanian enterprises can be classified as SMEs. SMEs are already making a significant contribution to economic recovery in Romania and they have the potential to play an increasingly important role in generating growth and employment. The Romanian economy is likely to remain characterised by a large percentage of SMEs over coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

- Need for Community financial aid

In view of the substantial financial contribution of Romania to the programme and Romania's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

- Choice of ways and means

With a contribution from Romania's national budget, supplemented by one from PHARE, Romania's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Romanian nationals in Community networks will make a definite contribution to preparing Romania for future membership.

- Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Romanian citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Romanian beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

#### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudge the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	
Officials or temporary staff					
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

### 10.2. Overall financial impact of the additional human resources

		in ECU
	<b>Total</b>	<b>Method of calculation (total cost of the action for the period 1998-2000)</b>
Officials		
Temporary staff		
Other resources (indicate budget heading)		
<b>TOTAL</b>	0	

10.3. Increase in other operating expenses as a result of the operation

Budget heading (No and title)	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	45,060	Technical assistance 15,020 ECU per year.
A1300 - missions	7,200	2 missions per year for the whole Programme, to be executed within the different Programme strands opened (annual cost of missions 2,400 ECU).
A2500 - meetings	15,030	Participation of 3 Romanian representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 5,010 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Romanian representative at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>82,320</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Romanian participation in Community Programmes (see § 5.3 of the financial statement).

**Proposal for a  
Council Decision  
of ...**

**concerning the Community position within the Association Council on the participation of the Slovak Republic in the Community programme in the field of small and medium-sized enterprises**

98/0084 (CNS)

**THE COUNCIL OF THE EUROPEAN UNION,**

Having regard to the Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Slovak Republic, of the other part, has been concluded by Decision of the Council and the Commission of 4 December 1995.

Whereas according to Article 1 of the Additional Protocol, the Slovak Republic may participate in Community framework programmes, specific programmes, projects or other actions notably in the field of small and medium-sized enterprises and, according to Article 2, the terms and conditions for the participation of the Slovak Republic in the activities referred to in Article 1 shall be decided by the Association Council,

Whereas, Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)<sup>1</sup> and in particular Article 7(1) thereof, provides that this programme shall be open to the participation of associated Central European countries in accordance with the conditions set out in the Additional Protocols to the Association Agreements on participation in Community programmes.

**HAS DECIDED AS FOLLOWS:**

The position to be taken by the Community within the Association Council established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Slovak Republic, of the other part, concerning the participation of the Slovak Republic in the Community programme in the field of small and medium-sized enterprises is the attached draft decision of the Association Council.

Done at Brussels,

For the Council,

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<sup>1</sup> OJ No L 6/25 of 10.01.1997



I

**Draft Decision n°..../98 of the EC-Slovak Republic Association Council of.....1998 adopting the terms and conditions for the participation of the Slovak Republic in the Community Programme in the field of small and medium-sized enterprises**

**THE ASSOCIATION COUNCIL**

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Slovak Republic of the other part,<sup>1</sup>

Having regard to the Additional Protocol to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Slovak Republic, of the other part, concerning the Slovak Republic's participation in Community programmes<sup>2</sup>, and in particular Article 1 and 2 thereof,

Whereas according to Article 1 of the said Additional Protocol, the Slovak Republic may participate in Community framework programmes, specific programmes, projects or other Community actions notably in the field of small and medium-sized enterprises,

Whereas according to Article 2 of the said Additional Protocol the terms and conditions for the participation of the Slovak Republic in the activities referred to in Article 1 are to be decided by the Association Council,

**HAS DECIDED AS FOLLOWS:**

Article 1

The Slovak Republic shall participate in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) according to the terms and conditions set out in Annexes I and II which shall form an integral part of this Decision.

Article 2

This Decision shall apply for the duration of the programme.

Article 3

This Decision shall enter into force on the first day of the month following its adoption.

For the Association Council

Done at

The Chairman

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<sup>1</sup> OJ N° L359/1 of 31.12.1994

<sup>2</sup> OJ N° L115 of 9.5.1996

## ANNEX I

### **Terms and conditions for the participation of the Slovak Republic in the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000)**

1. The Slovak Republic will participate in all activities of the Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) (hereinafter called "the Programme"), except Distributive Trade, in conformity, unless otherwise provided in this Decision, with the objectives, criteria, procedures and timelimits laid down in Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.
2. The terms and conditions for the submission, assessment and selection of applications related to eligible institutions, organisations and individuals of the Slovak Republic will be the same as those applicable to eligible institutions, organisations and individuals of the Community.
3. Where appropriate, in order to ensure the Community dimension of the Programme, transnational projects and activities proposed by the Slovak Republic will be required to include a minimum number of partners from the Member States of the Community. This minimum number will be decided in the framework of the implementation of the Programme, taking into account the nature of the various activities, the number of partners in a given project, and the number of countries participating in the Programme.
4. The Slovak Republic will pay each year a contribution to the general budget of the European Communities to cover the costs resulting from its participation in the Programme (see Annex II). The Association Committee is entitled to adapt this contribution whenever necessary.
5. The Member States of the Community and the Slovak Republic will make every effort, within the framework of the existing provisions, to facilitate the free movement and residence of all eligible persons to the Programme moving between the Slovak Republic and the Member States of the Community for the purpose of participating in activities covered by the Decision.
6. Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Community in relation to the evaluation of the Programme according to the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union (Article 6), the participation of the Slovak Republic in the Programme will be continuously evaluated on a partnership basis involving the Slovak Republic and the Commission of the European Communities. The

Slovak Republic will submit the necessary reports to the Commission and take part in other specific activities set out by the Community in that context.

7. Without prejudice to the procedures referred to in Article 4 of the Decision on a Third Multiannual Programme for Small and Medium-sized Enterprises (SMEs) in the European Union, the Slovak Republic will be invited to co-ordination meetings on any question concerning the implementation of this Decision prior to regular meetings of the Programme Committee. The Commission will inform the Slovak Republic about the results of such regular meetings.

8. The language to be used as regards the application process, contracts, reports to be submitted and other administrative arrangements for the Programme, will be one of the official languages of the Community.

## ANNEX II

### **FINANCIAL CONTRIBUTION OF THE SLOVAK REPUBLIC TO THE THIRD MULTIANNUAL PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE EUROPEAN UNION (1997 TO 2000).**

1. The financial contribution of the Slovak Republic will cover;
  - financial support from the Programme to the participation of Slovak entities in activities as defined in Annex I.1,
  - supplementary costs of an administrative nature related to the management of the Programme by the Commission stemming from the Slovak Republic's participation.
2. For every financial year, the aggregated amount of subsidies or any other financial support received from the Programme by the Slovak beneficiaries will not exceed the contribution paid by the Slovak Republic, after deduction of the supplementary administrative costs.

Should the contribution paid by the Slovak Republic to the general budget of the European Communities, after deduction of the supplementary administrative costs, be higher than the aggregated amount of subsidies or other financial support received by the Slovak beneficiaries from the Programme, the Commission will transfer the balance to the next budgetary exercise, and it will be deducted from the following year's contribution. Should such a balance be left when the Programme comes to an end, the corresponding amount will be reimbursed to the Slovak Republic.

3. The Slovak Republic's annual contribution will be of ECU 288,900 from 1998. From this sum, an amount of ECU 18,900 will cover supplementary administrative costs related to the management of the Programme by the Commission stemming from the Slovak Republic's participation.
4. The financial regulations applicable to the general budget of the Community will apply, notably to the management of the contribution of the Slovak Republic.

Upon entry into force of this Decision and at the beginning of each following year, the Commission will send to the Slovak Republic a call for funds corresponding to its contribution to the costs under this Decision.

This contribution will be expressed in ECU and paid into an ECU bank account of the Commission.

The Slovak Republic will pay its contribution to the annual costs under this Decision according to the call for funds and at the latest three months after the call for funds is sent. Any delay in the payment of the contribution shall give rise to the payment of interest by the Slovak Republic on the outstanding amount from the due date. The interest rate corresponds to the rate applied by the European Monetary Co-operation Fund, for the month of the due date, for its operations in ECU, increased by 1.5 percentage points.

5. The Slovak Republic will pay the supplementary administrative costs referred to in paragraph 3 from its national budget.
6. The Slovak Republic will pay 50% of the remaining costs of its participation in the Programme from its national budget.

Subject to regular Phare programming procedures, the remaining 50% will be paid from the Slovak Republic's annual Phare allocation.

# FINANCIAL STATEMENT

## **1. TITLE OF OPERATION**

Participation of the Slovak Republic in the Third Multiannual Programme for SMEs.

## **2. BUDGET HEADING INVOLVED**

B7-503 - Opening of Community Programmes to the associated countries of Central Europe

## **3. LEGAL BASIS**

Treaty establishing the European Community, and in particular Article 130, paragraph 3, in conjunction with Article 228, paragraph 3, 1st alinea thereof,

Additional Protocol to the Europe Agreement with the Slovak Republic (Articles 228 and 238) of 30 December 1995, providing for the opening-up of Community programmes (OJ No 115/96),

Council Decision (97/15/EC) of 9 December 1996 on a Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) and in particular Article 7(1) thereof.

## **4. DESCRIPTION OF OPERATION**

### **4.1. General objective**

The Third Multiannual Programme for SMEs has the following priority policy objectives:

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information and co-operation;
4. Enhance SME competitiveness and improve access to research, innovation and training;
5. Promote entrepreneurship and support specific target groups.

The Slovak Republic's participation in the Community programme for SMEs will contribute to its preparation for accession as a key feature of a reinforced preaccession strategy. It will also enable the Slovak Republic to familiarise itself with the procedures and methods used in the Community programme in the field of small and medium-sized enterprises.

The decision-making process for the opening-up of programmes involves a decision by the Association Council between the Union and the associated country. This decision also lays down the practical arrangements for opening up the programmes.

The Additional Protocol with the Slovak Republic entered into force on 1 July 1996 and provides for the Slovak Republic's participation in a wide range of areas, amongst which small and medium-sized enterprises.

The Slovak Republic confirmed its willingness to participate also in other Community programmes, notably in the fields of education, vocational training, youth, culture and the audio-visual sector, and energy.

#### 4.2. Period covered and arrangements for renewal

Until the end of the Community programme concerned, i.e. 31.12.2000. The Phare contribution, however, is dependent on decisions concerning the budget after 1999. ...

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

- 5.1. Non-compulsory expenditure
- 5.2. Differentiated appropriations
- 5.3. Type of revenue involved

Since the first paragraph of Article 3 of the Additional Protocol stipulates that the Slovak Republic itself will meet the costs resulting from its participation, it will be invited to transfer its contribution to item 6091 of the EU's budget receipts. However, as the second paragraph of Article 3 states that the Community may supplement the Slovak Republic's contribution (through its national Phare allocation), the Slovak Republic will contribute only part from its national budget, with the remainder being charged to heading B7-503. A transfer from the relevant Phare appropriations (article B7-500) to article B7-503 will be made upon receipt of the Slovak Republic's contribution.

### 6. TYPE OF EXPENDITURE OR REVENUE

- subsidy for co-financing with other sources in the public and/or private sector
- studies, training sessions, running costs of instruments, information
- no provision for all or part of the Community contribution to be reimbursed

As far as revenue is concerned, provision for the Slovak Republic's contribution to cover the cost of its participation is made under item 6091. The revenue will be

allocated to the items for expenditure on the programme in question and, where appropriate, to the relevant items of operating expenditure.

The total revenue expected is given under item 7.4.

## 7. FINANCIAL IMPACT

### 7.1. Method of calculating total cost of operation for 1998, 1999 and 2000 financial years (link between individual costs and total cost)

The calculation is based on the following preconditions:

- each partner country's contribution to the financing of the activities referred to in the Protocol is calculated according to the principle that the country bears the cost of participation itself. Heading 6091 has been created in the statement of budget revenue for that purpose;
- the Community may decide on a case-by-case basis to pay a supplement to the partner country's contribution. The supplement may be in the form of a contribution under the national PHARE programme.

Based on the Additional Protocol with the Slovak Republic, the financial and budgetary arrangements for the programme concerned are as follows: Among four alternatives, the Slovak Republic has opted for a contribution based on the estimation of the real cost of participation in all the strands of the SME programme except Distributive Trade.

This allows for financial contributions in the following areas (guideline for maximum levels indicated within parenthesis):

- Actions within the field of Crafts and Small Enterprises (50,000 ECU)
- Support to the Euro Info Correspondence Centres (EICC), based on the current number (EICC and substructures) (40,000 ECU x 2 centres = 80,000 ECU)
- Participation of Slovakian SMEs in Europartenariat events (2 events/year, 700 ECU paid to the National Counsellor per SME for costs, promotion, etc. = 40,000 ECU)
- The subvention for one INTERPRISE event per year in the country (the maximum contribution from the EU is 50,000 ECU, and this must not exceed 50% of the total budget for the event)
- The subvention for one IBEX event (subcontracting, 50,000 ECU).

The cost of the Slovak Republic's participation in the Third Multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997-2000) from 1998 will thus be ECU 288,900 per year, including 7% administrative cost.

The above-mentioned figure, from which the supplementary administrative costs - to be borne exclusively by the Slovak Republic - have to be deducted, is divided per year as follows: 50% of the operational costs will be covered from the Slovak Republic's national budget and - subject to the procedures for



programming the Phare programme - 50% from the annual Phare allocation for the Slovak Republic.

7.2. Itemised breakdown of cost

Programme	1998	1999	2000	in ECU		
				Total	of which Slovakia	of which Phare
Small and medium-sized enterprises	270,000	270,000	270,000	810,000	405,000	405,000

Breakdown of costs per strand where financial contributions can be received:

Programme strand	1998	1999	2000	Total
Actions within Crafts & Small Enterprises	50,000	50,000	50,000	150,000
Support to the EICCs	80,000	80,000	80,000	80,000
Business Co-operation				
- Europartenariat	40,000	40,000	40,000	120,000
- INTERPRISE	50,000	50,000	50,000	150,000
Sub-contracting:				
IBEX	50,000	50,000	50,000	150,000

7.3. Operational expenditure on studies, expert meetings, etc., included in Part B: None

7.4. Schedule for multiannual operations

Amounts to be charged to item B7-503

	1998	1999	2000	subsequent years	TOTAL
<b>Commitment appropriations</b>	135,000	135,000	135,000	0	405,000
<b>Payment appropriations<sup>(*)</sup></b>					
1998	27,000				27,000
1999	81,000	27,000			108,000
2000	27,000	81,000	27,000		135,000
subsequent years	0	27,000	108,000		135,000
<b>Total</b>	<b>135,000</b>	<b>135,000</b>	<b>135,000</b>		<b>405,000</b>

(\*) Schedule based on the method of payment currently applying to this programme.

The foreseeable annual receipts are as follows:

Item 6091	1998	1999	2000	subsequent years	TOTAL
operational part	135,000	135,000	135,000	0	405,000
administrative part	18,900	18,900	18,900	0	56,700
<b>Total</b>	<b>153,900</b>	<b>153,900</b>	<b>153,900</b>	<b>0</b>	<b>461,700</b>

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

All the Commission's contracts, agreements and other legal commitments provide for on-the-spot checks by the Commission and Court of Auditors. Among other things, the beneficiaries of the operations are obliged to file reports and financial statements. These are analysed from the point of view of their content and the eligibility of the expenditure in line with the objective of Community financing.

The anti-fraud provisions of the basic budget headings apply to this heading too when adapted to the case of the countries of Central and Eastern Europe.

## **9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

### **9.1. Specific and quantified objectives; target population**

The Third Multiannual Programme for SMEs is the cornerstone of the Community's SME Policy. It provides the basis for concrete actions which help to exploit the SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation.

In principle, the actions in the Third Multiannual Programme for SMEs could possibly interest all the SMEs in Slovakia. However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs in the European Union, 1.5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). As a second example, one million SMEs in the EU could be targeted by the partnership actions. The same proportions could be taken as an orientation also for Slovakia. The target of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and Industry, the Trade Associations and other intermediaries for the business sector.

### **9.2. Grounds for the operation**

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

Since 1989 the increase in the number and importance of SMEs, not least in terms of share of employment, in the Slovak Republic has been impressive. Much of the growth in the number of SMEs has been spurred on by the privatisation process. A majority of enterprises are very small entities of self employed people. The Slovakian economy is likely to remain characterised by a large percentage of SMEs over coming years. These enterprises will need to prepare for EU membership and the increased competitive pressures this is likely to expose them to. In this context, the opening up of Community programmes is an important element of the pre-accession strategy. The participation in this particular programme can in a positive manner contribute to preparing SMEs and SME representative organisation for future accession.

– Need for Community financial aid

In view of the substantial financial contribution of the Slovak Republic to the programme and the Slovak Republic's precarious budgetary situation, assistance from PHARE as provided for in Article 3(2) of the Additional Protocol is essential.

– Choice of ways and means

With a contribution from the Slovak Republic's national budget, supplemented by one from PHARE, the Slovak Republic's participation will contribute to getting acquainted with the internal policies and proceedings of the Community in the field of Small and medium-sized enterprises. The integration of Slovakian nationals in Community networks will make a definite contribution to preparing the Slovak Republic for future membership.

– Main factors of uncertainty which could affect the specific results of the operation

Since projects will be selected according to qualitative criteria, it will only be possible to measure the real impact on the basis of Slovakian citizens' and SMEs' capacity to respond to the calls for proposal to be launched by the Commission under the programme.

### 9.3. Evaluation of the operation

The evaluation procedures included in the Third Multiannual programme for SMEs will also cover operations financed for Slovakian beneficiaries.

#### 9.3.1 Performance indicators

The indicators are chosen in function of the type of action undertaken.

As an example, in the field of Euro Info Centres (EICs), there is a contract with an external audit firm that evaluates the quality systems set in place by the EICs as well as their activity in relation to set objectives. For each EIC, an evaluation grid containing 13 criteria relating, among other, to quality is applied and the "performance" of each EIC is rated on a scale of 1 to 4 for each criteria. In adding up the points for each EIC, it is then possible to determine whether or not it satisfies the minimum criteria. If this is not the case, the EIC is excluded from the network and the procedure for finding a replacement is initiated. An evaluation report is published every six months.

For the business co-operation networks, an annual evaluation of the network members is based on the number of co-operation profiles introduced into the databases, the respect of the code of professional conduct, promotional activities in the network, rate of participation in events organised by the Commission (e.g. monitoring, annual conference), and the contributions of members to the working groups.

For other actions, the immediate impact of the activities undertaken can be measured by the participation in conferences and seminars organised to assure the implementation of the foreseen actions, the feed-back in media, the interest of professional organisations, reactions from entrepreneurs, the number of enterprises participating in pilot actions, and the distribution of publications.

In the case of actions specifically in favour of crafts and small enterprises, the indicators include the number of craft enterprises and micro-enterprises benefiting from finance stemming from the action.

#### 9.3.2 Modalities and periodicity of the foreseen evaluation

The Council Decision of 9 December 1996 regarding the Third Multiannual Programme for SMEs (Article 6) obliges the Commission to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the regions, no later than the end of 1999, an external evaluation of the implementation of the Decision, in order to assess whether the original objectives have been met, including a cost-effectiveness evaluation.

#### 9.3.3 Assessment of results

The results of the evaluations are generally diffused to the concerned population and can give rise to modifications regarding actions undertaken or new proposals for actions.

A report on the execution of the Multiannual Programme is every year submitted to the Management Committee established by the Council Decision. Reports on the results of the participation of the associated Central European countries concerned in the programme would in the same manner be submitted to the Committee as well as to the countries concerned.

## 10. ADMINISTRATIVE EXPENDITURE

The allocation of required administrative resources for this action will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional credits authorised by the budget authority. The supplementary needs can not, in any case, prejudice the decision that the Commission will need to take concerning:

- a) the request of new posts in the framework of the APB
- b) the resources allocation

### 10.1. Impact on the number of posts

Type of post	Staff required to manage the operation		including		duration
	Permanent posts	Temporary posts	using existing resources of the departments concerned	using additional resources	
Officials or temporary staff					1998-2000
A	0.5		0.5		
B	0.2		0.2		
C	0.2		0.2		
Other resources					
<b>TOTAL</b>	0.9		0.9		from 1998

### 10.2. Overall financial impact of the additional human resources

	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
Officials Temporary staff Other resources (indicate budget heading)		
<b>TOTAL</b>	0	

10.3. Increase in other operating expenses as a result of the operation

Budget heading (No and title)	Total	in ECU
		Method of calculation (total cost of the action for the period 1998-2000)
A1178/A238 - technical assistance	19,440	Technical assistance 6,480 ECU per year.
A1300 - missions	7,200	2 missions per year for the whole Programme (annual cost 2,400 ECU).
A2500 - meetings	15,030	Participation of 3 Slovakian representatives per year in meetings organised under the different Programme strands (annual cost of participation in meetings 5,010 ECU).
A2510 - meetings of committees	15,030	Cost of the presence of 1 Slovakian representative at consultative meetings (3/year) - exchange about the Programme and information about the work in the Management Committee (annual cost of participation in meetings 5,010 ECU).
<b>Total</b>	<b>56,700</b>	

The above expenditure will be met from the receipts (article 4§2, third indent of the financial regulation) received from the Slovakian participation in Community Programmes (see § 5.3 of the financial statement).

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