COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.12.1998
COM(1998)752 final

REPORT FROM THE COMMISSION

ECIP

EUROPEAN COMMUNITY INVESTMENT PARTNERS

PROGRESS REPORT 1995
PROGRESS REPORT 1996
PROGRESS REPORT 1997

ECIP

EUROPEAN COMMUNITY INVESTMENT PARTNERS

PROGRESS REPORT 1995

EXECUTIVE SUMMARY

ECIP's primary objective is to facilitate the creation, in eligible developing countries of Asia, Latin America and the Mediterranean and South Africa (ALAMEDSA), of private joint ventures that will contribute to the economic development of the countries concerned. To this end it has been designed to provide financial support to joint ventures at all stages of their development. Support is provided by financing facilities each targeting a different stage in the creation and early life of a joint venture.

ECIP was started in 1988 to run for a three year pilot period to 1991 with MECU 30 budget. The success of ECIP during its first three years led to the scheme being given a formal legal and budgetary basis with the adoption by the Council of Ministers on 3rd February 1992 of Regulation (EEC) N° 319/92. The Regulation provided for a further three year trial period and increased budgetary resources (ECU 31.4m for 1992 and ECU 39m for each of 1993 and 1994) were made available. The Regulation expired on 31st December 1994, but the Council and Parliament approved the continuation of ECIP on the same basis in 1995 with a budget of MECU 42.

On 27th July 1994 the Commission had made its proposal for continuation and consolidation of the ECIP instrument after 1994. The European Parliament had given its first reading of the Commission's proposal under "urgency" cooperation procedure in October 1994 and the plenary at Strasbourg on 28th October 1994 issued its favourable opinion. Intensive discussions between the Commission and the Council from September 1994 led to the Council's First Reading Common Position approval, with amendments, on 22nd May 1995. After the Parliament Second Reading discussions continued in the Council during 1995. On 29th January 1996 the Council approved a new ECIP Regulation N° 213/96.

The new Regulation carries forward the main features of the previous ECIP Regulation and also incorporates: a) improvements to the detailed conditions of the existing financial facilities; b) a new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects; c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and d) provisions for reinforced information, and for coordination with other EU investment promotion actions. And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive. The validity of the new regulation is for a five year period until end-1999.

From 1988 to end-1995 the Commission has received 2141 formal requests for ECIP financing of which 1539 have been approved for MECU 172,1 of ECIP financing. In 1995 the number of requests for ECIP financings increased by 30% to 634. The MECU volume of funds requested increased by 36% from MECU 64,2 in 1994 to MECU 87,0 in 1995. ECIP consumed all the 1995 budgetary credits available to it and approved 444 actions for MECU 50,7 finance in 1995.

In the context of total private capital flows to the developing world the annual ECIP funding of ECU 42 millions (1995) remains modest. But the focus of ECIP on match-making and project identification (Facility 1), feasibility studies (Facility 2), and on training and management (Facility 4) enhances ECIP's financial multiplier effect and orients ECIP towards upgrading the development quality and the economic impact of the flow of private investments to developing countries.

The Commission hereby presents its progress report on ECIP in respect of 1995. The report comprises three detailed sections. Part One is an introduction that rehearses the background to the instrument, how the instrument works and the general policies adopted by the Commission in operating the programme. Part Two describes major developments in ECIP that occurred in 1995 and analyses ECIP actions in 1995 (and over the period 1988 – 1995) by sector, geographical region, facility and financial institution. Finally, Part Three provides detailed statistical annexes and other information.

ECIP PROGRESS REPORT 1995

CONTENTS

PART ONE

THE ROLE OF FOREIGN DIRECT INVESTMENT (FDI) AND ECIP IN THE DEVELOPMENT PROCESS

1.1. DEVELOPMENT FINANCE AND FOREIGN DIRECT INVESTMENT (FDI): THE ROLE OF THE PRIVATE SECTOR IN THE DEVELOPMENT PROCESS.

The 1990's have seen a huge increase in the net financial flows to the developing countries from US$ 100 billions in 1990 to around US$ 200 billions in 1995. All of this major increase has been in the flows of private resources. While public Official Development Assistance from developed governments has remained at ±US$ 60 billions each year between 1990 and 1995, private flows have increased more than five fold in that period to total over US$ 200 billions in 1995. In 1990 private capital flows were less than public ODA flows, but by 1995 they represented four times ODA.

In the same period there has also been a remarkable broadening in the composition of private capital flows to developing countries. Whereas previously commercial bank lending used to account for more than 65 percent of all private flows, Foreign Direct Investment (FDI) has now emerged as the most important component of private capital flows. And, starting from a negligible level in 1989, portfolio flows - both bonds and equities - have increased sharply so that in 1995-96 they accounted for more than a third of total private capital flows.

A factor encouraging these increases has been the sustained improvement in the domestic economic fundamentals in many developing countries following their shift towards more free market and liberal economic policies. The resulting growing capital requirements for privatisation, private investment, and private infrastructure financing cannot be met from official development finances sources, and private financial markets have attempted to meet these demands. Private financial flows are at the leading edge of the trend towards globalisation of trade and production..

Private capital flows and the FDI component of them are highly concentrated on a few large developing countries. During the early nineties (1990-95) just a dozen countries (China, Mexico, Brazil, Korea, Malaysia, Argentina, Thailand, Indonesia, Russia, India, Turkey and Hungary) accounted for over 80% of net private flows, and the majority (140) of the 166 developing countries accounted for less 5% of private capital net flows to developing countries.

The destination for private capital flowing to the developing economies has also shifted away from governments to the private sector. Borrowing by the public sector now accounts for less than a fifth of total private flows. The bulk of capital flows to developing countries is passing through market channels to private investments which represent an increasingly dominant proportion of net investment in the developing countries as the roles of both the state and of Official Development Assistance (ODA) decline both in relative and in absolute real terms. It is in this context that the role of ECIP is particularly important to improve the developmental quality of these private financial flows.

1.2. ECIP - A EUROPEAN UNION RESPONSE TO THE NEEDS OF PRIVATE SECTOR INVESTORS.

ECIP provides co-financing to help develop mutually beneficial private investment actions in which EU and local operators are cooperating in joint ventures in developing countries. ECIP acts as a catalyst to improve the quality and the volume of Foreign Direct investment (FDI) in the developing countries of Asia, Latin America, the Mediterranean and South Africa (the ALAMEDSA countries).

ECIP has been designed to provide support to EU/ALAMEDSA joint ventures at all stages of their development through five financing facilities each targeting a different stage in the creation and the early life of a joint venture (see next section).

ECIP has two distinctive features which are particularly appropriate to private investors. It is a decentralised instrument offered as a financial product through a network of Financial Institutions (FIs). And it its a market demand-driven instrument since no priority sectors or regions are "a priori" earmarked. Allocation of funds is on the basis of the quality of applicants and the positive development impact of their proposed investments. There are no programmed quotas by facility nor by country.

With these parameters the Commission started implementing ECIP in 1988. The original ECIP scheme was for a three year trial period (1988-1991). Then the geographical scope of the instrument was limited to 28 countries in Asia, Latin America and the Mediterranean, with a MECU 30 budget for a three year period. The success of ECIP during that trial period led to the scheme being given a formal legal and budgetary basis by the Council of Ministers in February 1992 with Regulation (EEC) No. 319/92. This provided for a further three year trial period (1992-94). Increased budgetary resources were made available by the budgetary authority (MECU 31,4 for 1992 and MECU 39 for each of 1993 and 1994). This Regulation expired in December 1994. From December 1994 until January 1996, ECIP continued to work on the basis of an extension of the 1992 Regulation. The second ECIP Regulation was finally adopted by the Council on 29 January 1996. This new ECIP regulation is valid from for five years and includes an indicative financial reference amount of MECU 250 for the five years (1995 to end-1999). 57 ALAMEDSA countries are presently beneficiaries of the scheme being the countries of Asia, Latin America, and the Mediterranean which presently "benefit from Community development cooperation measures." South Africa has been included in ECIP since 1994.

1.3. PROCEDURES AND POLICIES: HOW ECIP WORKS.

1.3.1. Procedures

ECIP support in 1995 was provided by the four financing facilities defined under the 1992 ECIP Regulation each targeting a different stage in the creation and early life of a joint venture. The terms and conditions of the financing available vary between facilities, as the table below shows. Total financing under Facilities 2, 3 and 4 for any given project is limited to ECU 1M.

ECIP Facilities available in 1995.

ECIP Facilities				
	Facility 1	Facility 2	Facility 3	Facility 4
Type of operation	Identification of potential projects and partners	Operations prior to the launching of a joint venture	Financing of capital requirements	Human resource development: training and management assistance
Beneficiaries	Chambers of commerce, professional associations and FIs. Not individual firms.	EC or ALAMED companies wishing to undertake a joint venture investment project.	Joint ventures established by partners from the EC and the eligible country. Local companies making investments under a licensing and technical co-operation agreement with an EC company.	
Access	Direct to EC or through an FI	Application through FI only.		
Type of finance	Grant	Interest free advance. Later converted to grant, loan or equity.	Equity holding or equity loan.	Interest free advance
Amount	Maximum of ECU 100,000	Maximum of ECU 250,000	Maximum of ECU 1,000,000	Maximum of ECU 250,000
Limits	50% of costs	50% of costs	20% of capital	50% of costs

The Facilities are managed in a decentralised way through a network of financial institutions and investment promotion bodies. Applications for financing under Facilities 2, 3 and 4 must be made through one of the financial institutions (hereinafter referred to as "FIs") in the ECIP network (see annexes for the latest list). The FIs are commercial, merchant or development banks. For example, all the EU member states' development banks are in the ECIP network and they play a key role in running the scheme, but membership of the network is open to any bank, subject to the opinion of the ECIP Committee in Brussels. The network of FIs represents one of the distinctive features of the ECIP scheme: namely, its decentralised mode of operation which emphasises subsidiarity. The FIs operate the scheme in accordance with their usual procedures within overall controls set out in a Framework Agreement signed between each FI and the Commission. The system enables the Commission to ensure a consistency in delivery of the instrument while profiting from the FIs' financial expertise and local knowledge. In addition, the local presence of FIs in the eligible (ALAMEDSA) countries ensures that local businesses seeking to attract foreign investment can gain access to ECIP through an institution close to their place of business.

Applications for financing under Facility 1 may be made either directly by the eligible applicant organisation to the Commission, or through an FI the same way as for Facilities 2, 3 and 4.

The Commission retains the final decision on each action financed. All proposals received by the Commission are discussed at the monthly ECIP Steering Committee in Brussels, an internal Commission working Committee which comprises members of the relevant Commission services. So every month the Steering Committee delivers an opinion on the basis of which the Commission takes a position on each financing request and informs the beneficiaries.

The practice followed once funding has been approved depends on the type of case:

(i) Where an application has been made directly to the Commission by an eligible body under Facility One such as a Chamber of Commerce of investment promotion agency the Commission concludes a financing agreement directly with them that provides for the moneys to be disbursed by the Commission in instalments.

(ii) Where an application has come through an FI (i.e. in all other cases), a financing agreement is signed with the FI. This sets out the conditions under which the Commission wishes the FI to disburse the funds to the final beneficiary (usually in instalments). The total amount of the ECIP contribution is then transferred by the Commission to the FI. The FI then enters into a "back to back agreement" with the final beneficiary, and disburses the ECIP contribution to the final beneficiary according to the agreed schedule and conditions.

Where the case is under Facility 3, the EC funds will be disbursed by the FI to the joint venture beneficiary in exchange for share certificates or other documents evidencing the participation taken in the capital of the joint venture in question. These certificates will normally be in the name of the FI, and held by the FI on behalf of the EC (called "indirect participation"). In certain cases, statutory consents may prevent such indirect participation via the FI. The ECIP Committee approved guidelines in 1992 allowing the EC to take a direct participation in the joint venture in such cases (see also below).

The Commission services have established ECIP as an ongoing continuous financial instrument. From 1988 to end-1995, 2141 separate individual financing requests have been received and processed in this way. The ECIP Steering Committee meets monthly and the

Commission approves them in monthly batches in order to give a continuous and relatively rapid service to the FI and so to the private investors who are the final beneficiaries.

1.3.2. Policies

As provided for in the ECIP Regulation, the Commission has two essential conditions which must be met before an action is approved. First, the action should, given reasonable expectations, have a chance to be financially viable. Secondly, the action should contribute to local economic development. In meeting these conditions, the instrument is intended to be as flexible and as market-driven as possible. Formal restrictions placed upon the instrument are those in the ECIP Regulation (319/92) excluding large multinational firms from the benefit of ECIP, giving some preference to SMEs (small and medium-sized enterprises) and the condition that actions must relate to joint ventures with at least one European partner and one partner from the eligible country. ECIP does not exclude large companies since their stronger management and financial capacities mean that they can invest in more difficult situations with a positive impact on the development of least developed regions. In addition, projects approved by the Commission have to be compatible with overall Community policy and with the developmental criteria set out in the Regulation.

The Commission has continued the approach noted in the previous reports of facilitating implementation of the scheme by avoiding unnecessary constraints. For example, no priority sectors are identified, there are no geographical quotas, nor are there quotas limiting the number of actions per Facility. Each project is judged on its own merits in accordance with the Regulation.

In 1995 the Commission has continued with the specific operational policies outlined in previous progress reports:

i) The Commission has continued its ongoing information programme for promotion of the instrument (see below).

ii) In setting priorities for such promotion activities, the Commission is mindful of the fact that, while the scheme is available to operators in all the beneficiary countries and the member states in the same way, ECIP will be more effective in countries which have shown themselves to be open to foreign investment.

iii) In addition, in accordance with the Council's wishes, the Commission, while preserving the essentially market driven nature of the instrument, tries to ensure a wide and balanced geographical spread of active FIs in its network. This helps ensure that firms' access to ECIP is not impeded by a lack of representation, or inadequate representation, in any given region. Therefore, while the Commission does not require banks to join the network, it has given priority attention to applications from new FIs in countries or regions, in both the member states and the eligible countries, where representation has to date been limited. The Commission has also kept the quality and performance of the existing FIs under continuous review, to ensure that all FIs are effective in offering ECIP to their local business communities (see below).

iv) The Commission has reinforced the orientation of the scheme towards small and medium-sized enterprises ("SMEs"). By their very nature all the Facility One actions are oriented towards SMEs. And over 80% of all the Facility Two, Three and Four actions approved since 1988 have concerned beneficiary SME firms. This reflects the provisions of the Regulation, which provides for SME applications to have a priority status but without excluding larger firms, most notably in cases concerning particular development benefits such as technology transfer which larger firms are better equipped to deliver. However, large multinational undertakings are expressly excluded by the Regulation.

v)The Commission has also continued to focus ECIP activities on Facility 1, 2 and 4 actions. As in previous years, this does not mean that Facility 3 was discarded in 1995. However, the Commission's main objective has continued to be to use ECIP funds in ways that best encourage joint venture creation with a maximum multiplier effect rather than simply to build up an investment portfolio. This means that ECIP funds are best allocated to activities, such as investment identification programmes, feasibility studies/pilot projects and training actions where other sources of financing are least available.

So ECIP remains a comprehensive and integral scheme. It covers all stages in the process of creating a joint venture, from identification of projects through feasibility studies to equity funding and ongoing training. This is an important and unique feature of ECIP which is maintained and indeed reinforced in the Council's 1996 regulation for the continuation of the instrument until end-1999.

PART TWO

ECIP ACTIVITY REPORT FOR 1995

2.1 IMPROVEMENTS IN THE NEW ECIP REGULATION APPROVED ON 29th JANUARY 1996

The re-negotiation during 1995 leading to the approval by the Council on 29th January 1996 of the new ECIP Council Regulation (EC) N° 213/96 (O.J. L.28/2 of 6.2.1996, see annex) will allow the Commission to implement further improvements to ECIP but only during 1996. The new Regulation carries forward the main features of the previous ECIP Regulation and also incorporates:

a) improvements to the detailed conditions of the existing financial facilities;

b) the new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects;

c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and

d) provisions for reinforced information, and for coordination with other EU investment promotion actions such as the JOP, ALINVEST, MEDINVEST, ASIAINVEST, the South Africa Business Council, the systems managed by DG XXIII (BCNET, BRE, Euro-info Centres etc.) as well as with the European Investment Bank's risk capital activities.

And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive.

The validity of the new Regulation for a five year period until end-1999 is allowing the Commission thoroughly to implement the reinforcements foreseen for financial management.

The specific improvements in the ECIP financing facilities negotiated in 1995 and applied since January 1996 are as follows:

Facility One "B":
This Facility has been enlarged to cover operations which relate "to the preparation of a privatisation, or a Build Operate Transfer (BOT) or a Build Operate Own (BOO) scheme in infrastructure, utilities or environmental services". In such cases ALAMEDSA governments or public agencies in those countries can access Facility One to finance evaluation studies and preparation of tender documents by an EU consultant. In such cases, the condition is that any subsequent tender process is open to international including EU operators, and Facility One support is increased to 100% of the cost of the action up to a ceiling of ECU 200,000.

Facility Two:
The new ECIP regulation provides that, within the overall financing limit of ECU 250,000 for Facility Two, a grant of up to ECU 10,000 is available to finance 50% of the cost of a pre-feasibility mission by the final beneficiary as a preliminary to financing the full feasibility study or pilot project.

In proposing this modification, the Commission had taken account of the fact that individual companies may need assistance at the pre-feasibility stage (for instance, in identifying a partner) directly, rather than through an organisation such as a chamber of commerce under Facility One. In addition, effective support at this stage now enables project sponsors either to "filter out" at once any unviable proposals and so avoid unnecessary expenditure on a full feasibility study, or better to prepare any subsequent feasibility study. This innovation takes account of similar provisions under the EC's JOP financial instrument for the PHARE and TACIS countries.

The SME orientation of ECIP has been reinforced by the provision (Article 4 para 3) whereby "where the action is successful, the Community contribution may be more than 50% and up to 100% of the cost for SMEs."

Facility Four:
The Commission in 1994 proposed to change the type of finance for Facility 4 to a grant from the previous interest free advance. The Council Regulation has approved this proposal but limited such grant financing to (SMEs) small and medium-sized enterprises (larger enterprises can still obtain an interest free advance under Facility Four). This responds to comments expressed frequently by business operators and the FIs that, since employees who benefit from training programmes can subsequently leave the employment of the joint venture, expenditure on training should attract grant and not loan finance.

Since the new ECIP Regulation was approved only at the beginning of 1996 (29.1.96) the old financing conditions of Regulation 319/92 have been applied to all ECIP actions approved for finance in 1995.

2.2 FINANCING REQUESTS AND APPROVALS

The following sections provide a strategic commentary on the detailed statistical tables in the annexes to this report (see Part Three).

Financing Requests

During 1995 the number of requests for ECIP financings increased by 30% to 634. The MECU volume of funds requested also increased by 36% from MECU 64,2 in 1994 to MECU 87,0 in 1995. There was an increase in the number of requests for Facilities One and Two. And a similar number of requests for Facility Three and Four were received in 1995 as in 1994. In 1995 ECIP consumed all of the MECU 42 budgetary credits available to it in 1995.

Number of ECIP Financings requested

	1994	1995
Facility 1	158	194
Facility 2	276	388
Facility 3	37	37
Facility 4	15	15
Total	486	634

Approvals

During 1995, 444 new ECIP financing actions were approved bringing the total cumulative number of individual ECIP actions approved for financing 1988-95 to 1539. Over the 8 years as the Commission's management has become more and more rigorous and, as the growth in financings requested has exceeded the growth in the budgetary credits, the % rate of approval of the financing requests has decreased from an average of 73% during 1988-94 to 70% in 1995. This does not represent a decline in the quality of applications. Rather, there has been a significant concomitant improvement in both the quality of the applications received and in the rigorousness of their appraisal by the Commission.

ECIP ACTIONS APPROVED (All regions)

	ANNUAL		CUMULATIVE	
	All Regions		All Regions	
	1995		1988-1995	
Facility	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU
1	134	8.410.597	500	26.580.545
2	279	32.948.142	894	95.763.715
3	19	7.488.843	103	44.299.514
4	12	1.807.245	42	5.482.136
TOTALS	**444**	**50.654.827**	**1.539**	**172.125.910**

2.3 GEOGRAPHICAL DISTRIBUTION

Detailed information on ECIP actions broken down by region appears in the Annexes Part Three. Herewith please find some strategic comments on these trends.

1995
APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	224	51%	29.183.570	58%
Latin America	132	30%	12.496.587	25%
Mediterranean	64	14%	6.572.964	13%
South Africa	19	4%	2.316.706	4%
Multiregional	5	1%	85.000	0%
Total	**444**	**100%**	**50.654.827**	**100%**

Asia as, in previous years, in 1995 remained the lead region for ECIP actions. Asia accounted for 51% of projects approved, and 58% of amounts approved. Asia accounts for over 75% of the population of the ALAMEDSA countries and over 40% of the GNP.

1988 – 1995
CUMULATIVE APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	676	44%	79.513.332	46%
Latin America	473	31%	50.028.878	29%
Mediterranean	344	22%	38.697.832	22%
South Africa	22	1%	2.859.891	2%
Multiregional	24	2%	1.025.977	1%
Total	**1,539**	**100%**	**172.125.910**	**100%**

Latin America accounted in 1995 for 30% of the number of projects approved and 25% of the ECU value of ECIP financing. On a cumulative basis 1988-95 it absorbed 31% of the numbers approved and 29% of the value of ECIP financings. Latin America accounts for 12% of the population and 37% of the GNP of the ALAMEDSA countries as a whole.

The Mediterranean countries by the end of 1995 accounted on a cumulative basis (1988-95) for 22% of the number of ECIP actions approved and 22% of the ECU volume of financings although this region accounts for only 8% of the population and less than 20% of the GNP of the ALAMEDSA countries as a whole.

Although South Africa only became eligible for ECIP in mid-1994 already by 31.12.1995 MECU 2,9 of ECIP financing had been committed for 22 specific actions approved.

Despite the tendency for Foreign Direct Investment (FDI) to focus mainly on a few large developing countries (See Part One above) ECIP has itself contributed towards a more widespread geographic distribution of FDI. The geographical distribution of ECIP financings has been widespread with less concentration on the major countries. From 1988 to 1995 only 54% of the total ECIP budget went towards the 7 largest ALAMEDSA economies (Argentina, Brazil, China, India, Indonesia, Mexico and Turkey) although these 7 countries took 74% of all the ALAMEDSA Foreign Direct Investment in the same period. So ECIP has encouraged a wider geographic spread of FDI towards smaller and less developed countries.

2.4 BREAKDOWN BY FACILITY

1995
APPROVALS by FACILITY

	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average ECIP financing in ECU
Facility 1	134	30%	8.410.597	17%	62.766
Facility 2	279	63%	32.948.142	65%	118.094
Facility 3	19	4%	7.488.843	15%	394.150
Facility 4	12	3%	1.807.245	3%	150.604
Total	444	**100%**	**50.654.827**	**100%**	**114.087**

The emphasis placed by the Commission on Facilities 1, 2 and 4 and not on Facility 3 (referred to in section 1.2 above) is confirmed from the figures shown above and in Annex (Part Three). Facilities 1, 2 and 4 accounted for 96% of the number of approvals in 1995. This maintains the situation in previous years (1988-94) where Facilities 1, 2 and 4 accounted for 93% of approvals. So Facility 3 represented 4% of the number project approvals in 1996 and 7% in previous years. The trend for low use of Facility 4, noted in previous progress reports continued.

2.5 SECTORAL ANALYSIS

The breakdown of ECIP approvals by Standard Industrial Classification sector in provided in the annexes.

The breakdown by major sector was as follows:-

SECTORAL BREAKDOWN OF ECIP APPROVALS 1988-95

SECTOR	%
Manufacturing	47
Agriculture and agri-food	22
Services	14
Multisector	5
Mining and energy	6
Transport and communications	4
Construction and Engineering	2
TOTAL	100

2.6. THE NETWORK OF ECIP FINANCIAL INSTITUTIONS (FI) AND THEIR ACTIVITIES

One of the key features of the ECIP instrument is its decentralised management with much of the implementation being undertaken by the FIs (Financial Institutions) in the network. All the FIs sign a standard "Framework Agreement" contract with the EC which sets out the legal relationship between them and the Commission, and the procedures to be followed. The Commission has over the years provided for the FIs to take an increasing role in the management of ECIP.

Given that all proposals submitted under Facilities 2,3 and 4 must come through an FI, it is essential that the FI network should cover the EU member states and as many as possible of the eligible countries. So, already in 1995 banks from Austria, Finland, and Sweden have been incorporated into the network following the favourable opinion of the ECIP Committee, as a result ECIP has active FIs in all member states of the EU. Similarly, the inclusion of three banks from South Africa was completed early in 1995.

At the end of 1995 there were 108 FI in the ECIP network. Their distribution by type and region was as follows:-

Number of FI	Asia	LA	MED	South Africa	Multiregional (Worldwide)	EC	Totals
Development Banks	9	10	3	0	4	13	39
Commercial and Merchant Banks	8	10	8	3	0	40	69
Totals	17	20	11	3	4	53	108

LA = Latin America   Part Three of this document lists these institutions.
MED = Mediterranean

During 1995, 74% (MECU 37,2) of ECIP actions approved were channelled through EU FI. Local ALAMEDSA FI accounted for MECU 7,2 (14%) of ECIP approvals. And MECU 6,3 (12%) of the actions approved were directly (Facility 1) for chambers of commerce and industry associations. Care should be taken in interpreting these figures. It cannot be assumed, for instance, that the amounts approved for FIs of any one member state represent the total ECIP support flowing to companies solely from that member state. ECIP allows applications to be made by one of the several partners in the joint venture. ECIP allows applicants to use any FI in the network, they are not restricted to FI only in their own country. Approvals for an FI in one country may often therefore involve a beneficiary (or several) from another country. The figures therefore do not represent ECIP financing benefiting companies from a.country.

Factors which affect distribution between FIs and between the various countries relate to the willingness of FIs in a given country to become members of the ECIP network; the type of bank; the way in which FIs promote the instrument once accepted into the network. Wider factors for each country also include: the presence of strong industrial associations to diffuse information about ECIP in the country in question; the availability of other local publicly funded investment promotion programmes and the attractiveness of their terms and conditions relative to ECIP; the division of FDI between large firms and SMEs; and historical and commercial links with the ALAMEDSA eligible countries.

The Commission's objective is that as many business operators as possible undertaking a profitable and developmentally beneficial joint venture investment in an eligible country should be aware of the support that ECIP can offer them and should be able to access the scheme. To achieve this objective and to reduce the influence of the factors noted above, the Commission undertakes information and promotional activities, and has introduced incentives to encourage effective promotion of the instrument by all the FIs.

2.7. AWARENESS AND PROMOTION OF ECIP

In 1995 the Commission continued its programme of general awareness of ECIP. Over 25.000 separate direct mailings were made of these brochures by the Commission's services during the year. In addition many FI's and investment promotion agencies also printed and distributed many more ECIP brochures to their own members and clientele, often in local non-EU languages.

2.8. RELATIONS WITH THE EIB AND COORDINATION WITH OTHER EC INSTRUMENTS

The Commission continued operational coordination of ECIP with other investment promotion instruments managed at EU level. The cooperation and coordination with the European Investment Bank (EIB) as regards operations in the Mediterranean was facilitated by the continued operation of the "Gentleman's Agreement" concluded in 1992 between the EIB and ECIP in 1992. The EIB has written to the Commission stating that "...there now exists a satisfactory complementary and equilibrium between ECIP and EIB operations".

In addition to the internal and operational coordination within the Commission's services as regards the respective individual actions to be financed under ECIP and other EC economic cooperation programmes, the Commission is studying the setting up of specific arrangements to diffuse and exploit the information, partner lists, and studies financed under Facilities 1 and 2 of ECIP through the networks and outlets and information systems in the AL-INVEST focal points, the EU/Mediterranean Business Centres, the Asia/EC Business info Centres (EBICs) and the networks and systems managed by DG XXIII and III within the EC and elsewhere such as BCNET and BRE which will allow further to improve the effective access to the benefits of ECIP, especially for SMEs.

PART THREE: ANNEXES

Annex 3.1	Requests and approvals statistics
Annex 3.2	Commitment and payment appropriations
Annex 3.3	ECIP eligible countries
Annex 3.4	ECIP Financial Institutions network
Annex 3.5	ECIP Council Regulation 319/92 of 3 Feb 1992 and the New ECIP Regulation 213/96 of 29.01.96

Annex 3.1 Requests and approvals statistics

ECIP Steering Committee Approvals

OVERWIEW

1995
APPROVALS by FACILITY and REGION

	Latin America 1995		Asia 1995		Mediterranean 1995		South Africa 1995		Multiregional 1995		All Regions 1995	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	69	4,557,478	38	2,458,627	15	1,010,210	7	299,282	5	85,000	134	8,410,597
Facility 2	57	5,633,266	166	21,401,860	47	4,516,592	9	1,396,424			279	32,948,142
Facility 3	6	2,305,843	9	3,562,000	1	1,000,000	3	621,000			19	7,488,843
Facility 4			11	1,761,083	1	46,162					12	1,807,245
Total	132	12,496,587	224	29,183,570	64	6,572,964	19	2,316,706	5	85,000	444	50,654,827

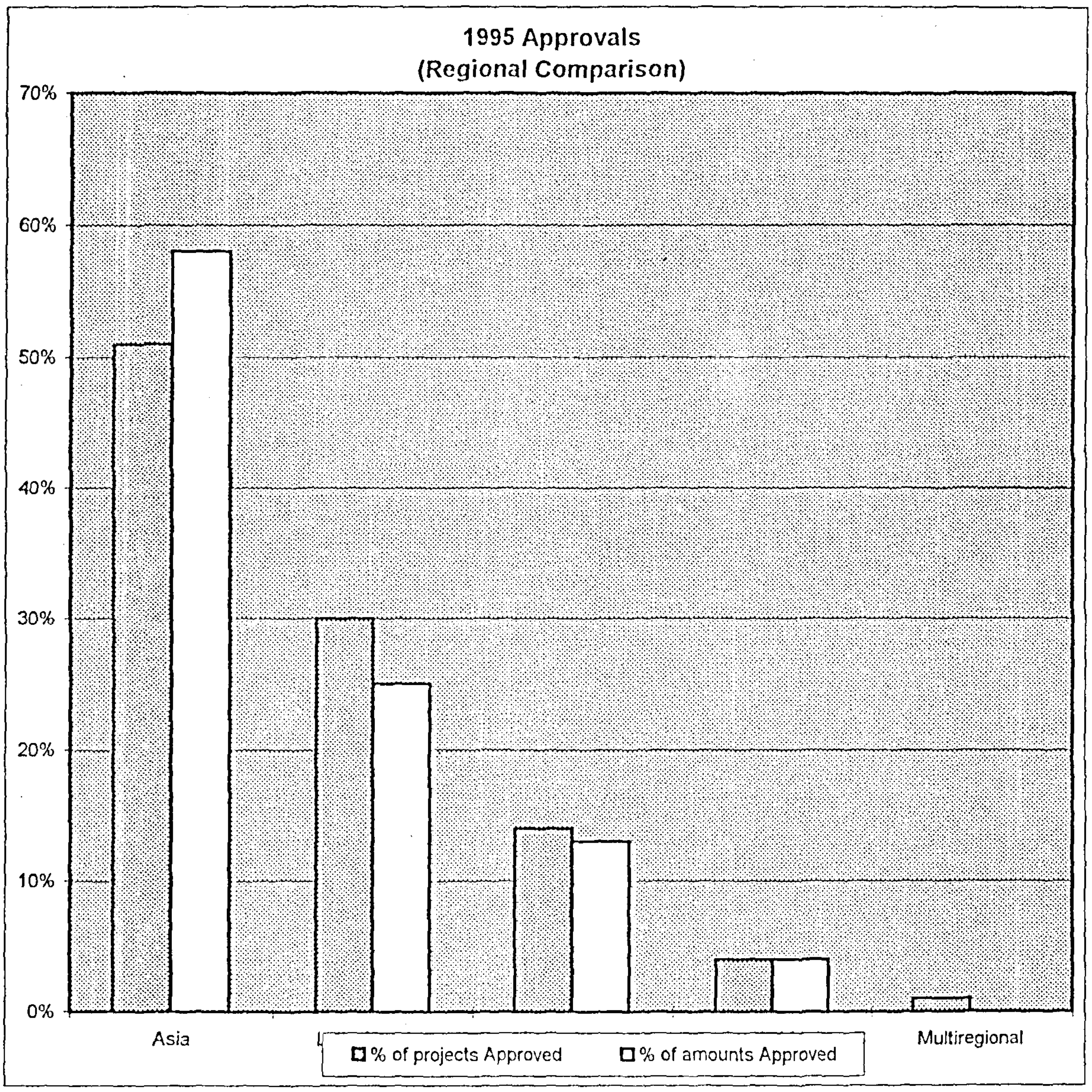
1988 - 1995
Cumulative APPROVALS by FACILITY and REGION

	Latin America 1988-1995		Asia 1988-1995		Mediterranean 1988-1995		South Africa 1988-1995		Multiregional 1988-1995		All Regions 1988-1995	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	198	11,385,858	162	8,755,406	108	5,226,237	9	342,467	23	870,577	500	26,580,545
Facility 2	238	23,687,274	456	52,261,031	190	18,263,586	9	1,396,424	1	155,400	894	95,763,715
Facility 3	34	14,642,668	36	15,621,561	29	12,914,285	4	1,121,000			103	44,299,514
Facility 4	3	313,078	22	2,875,334	17	2,293,724					42	5,482,136
Total	473	50,028,878	676	79,513,332	344	38,697,832	22	2,859,891	24	1,025,977	1,539	172,125,910

ECIP Steering Committee Approvals

1995
APPROVALS by REGION

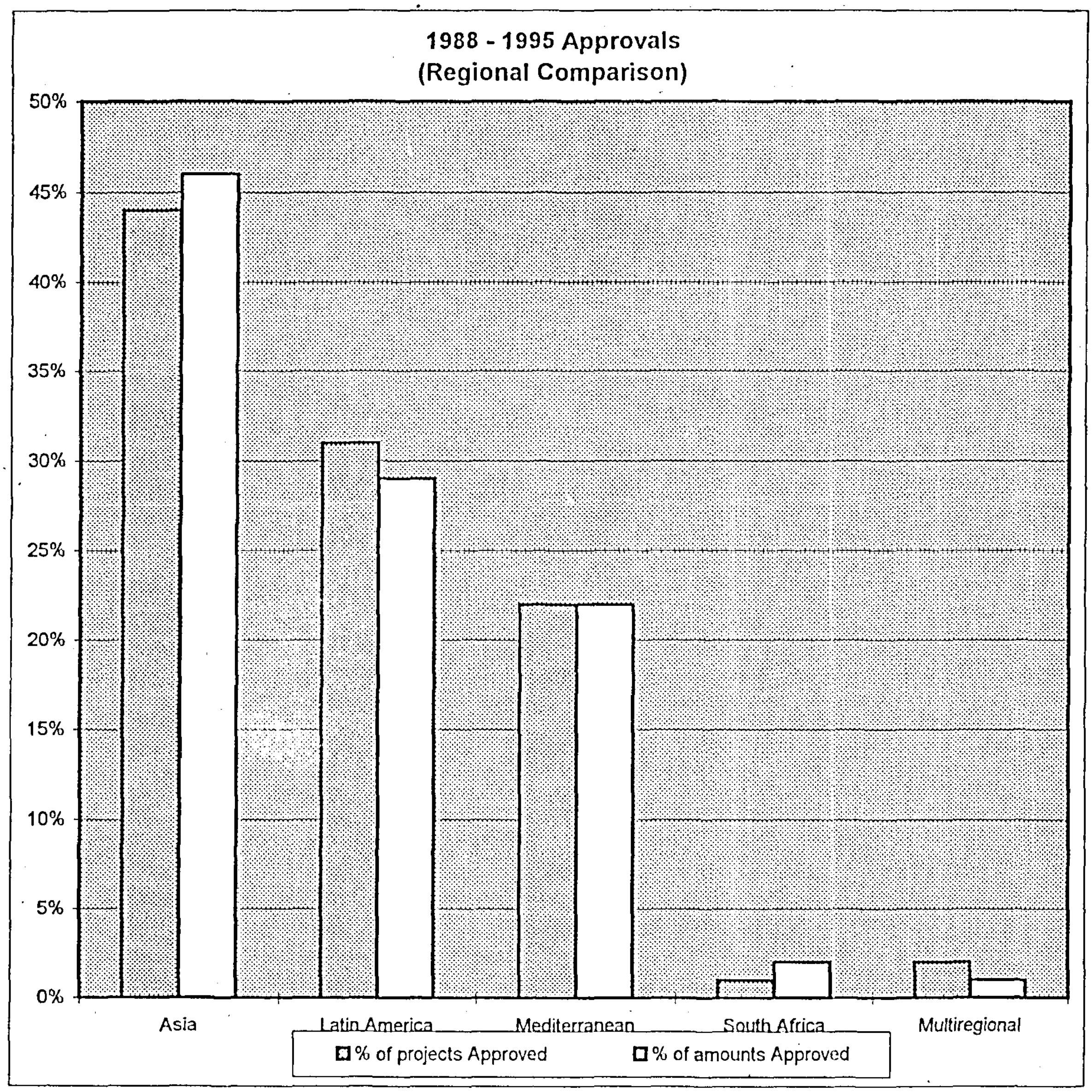
	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	224	51%	29,183,570	58%
Latin America	132	30%	12,496,587	25%
Mediterranean	64	14%	6,572,964	13%
South Africa	19	4%	2,316,706	4%
Multiregional	5	1%	85,000	0%
Total	**444**	**100%**	**50,654,827**	**100%**



ECIP Steering Committee Approvals

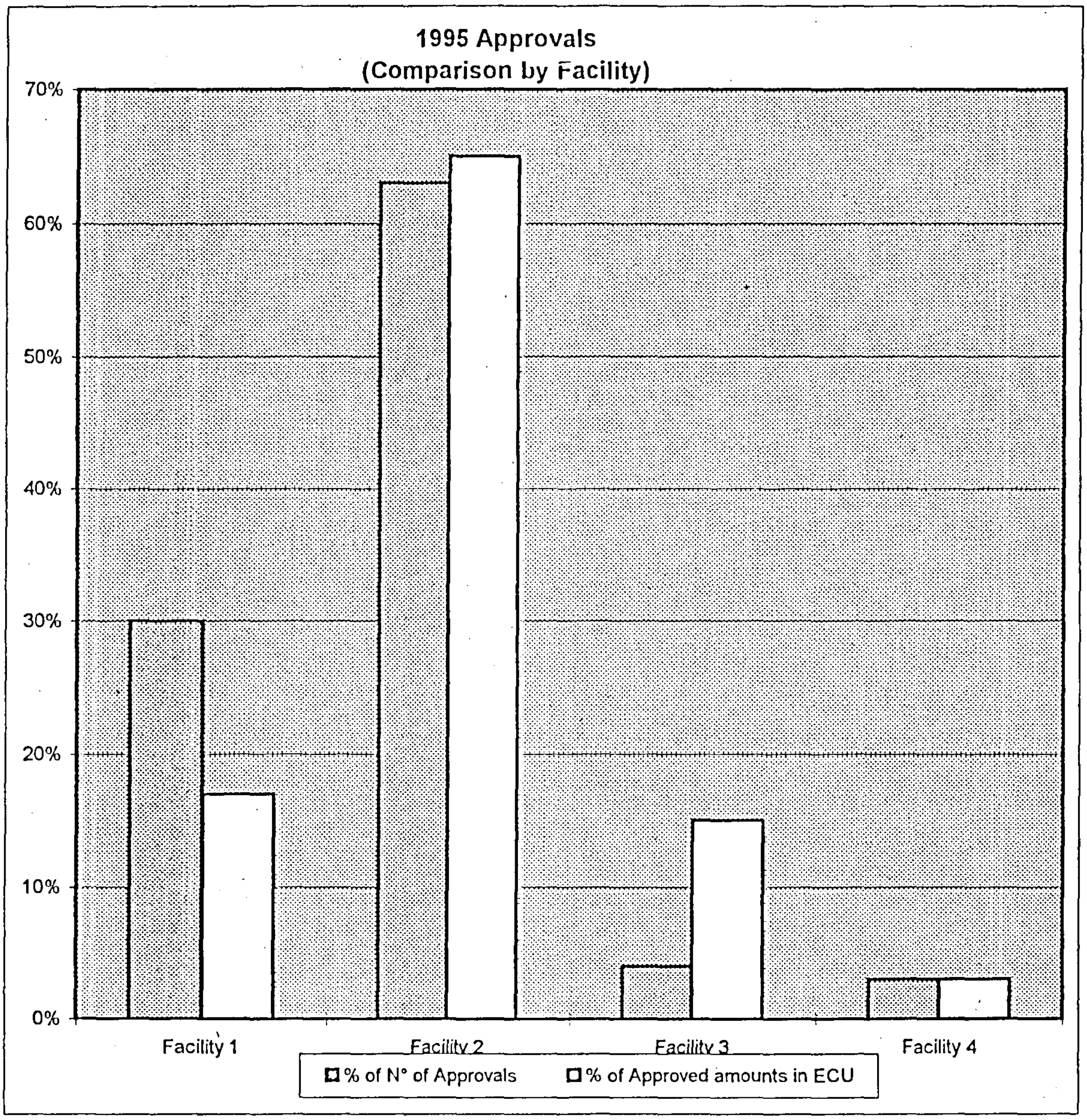
1988 - 1995
CUMULATIVE APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	676	44%	79,513,332	46%
Latin America	473	31%	50,028,878	29%
Mediterranean	344	22%	38,697,832	22%
South Africa	22	1%	2,859,891	2%
Multiregional	24	2%	1,025,977	1%
Total	**1,539**	**100%**	**172,125,910**	**100%**



1995
APPROVALS by FACILITY

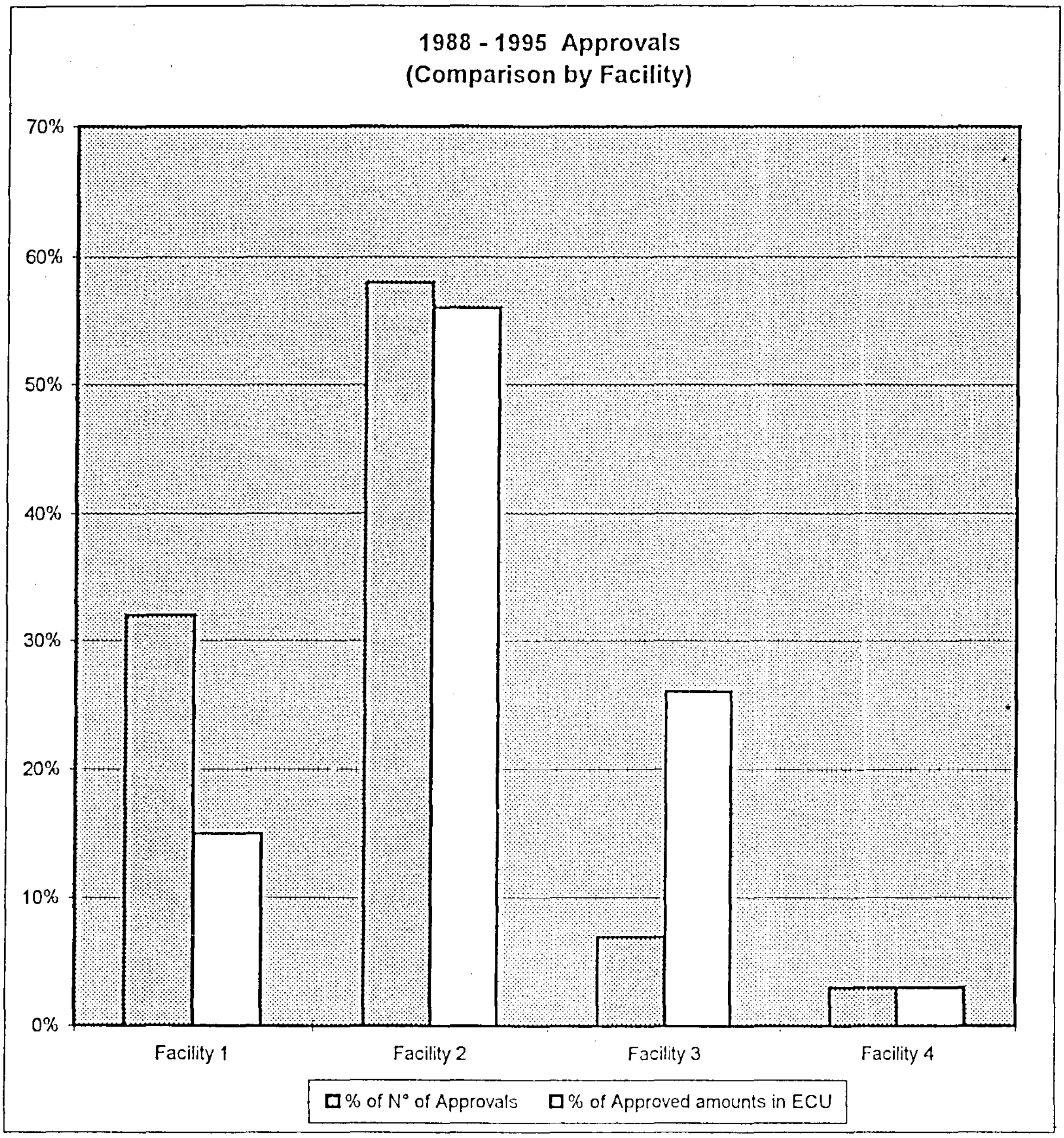
	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	134	30%	8,410,597	17%	62,766
Facility 2	279	63%	32,948,142	65%	118,094
Facility 3	19	4%	7,488,843	15%	394,150
Facility 4	12	3%	1,807,245	3%	150,604
Total	**444**	**100%**	**50,654,827**	**100%**	**114,087**



ECIP Steering Committee Approvals

1988 - 1995
CUMULATIVE APPROVALS by FACILITY

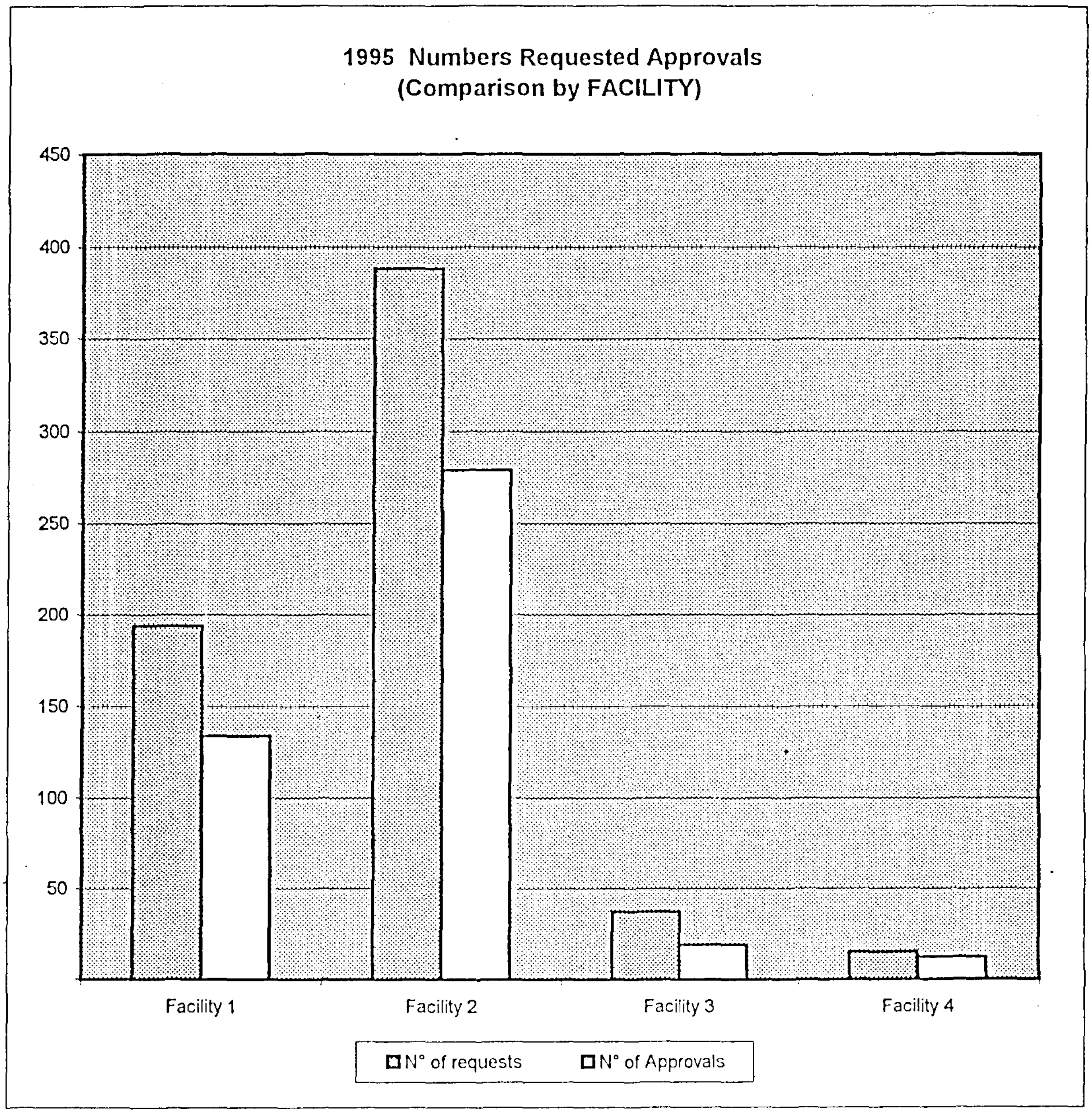
	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	500	32%	26,580,545	15%	53,161
Facility 2	894	58%	95,763,715	56%	107,118
Facility 3	103	7%	44,299,514	26%	430,092
Facility 4	42	3%	5,482,136	3%	130,527
Total	**1,539**	**100%**	**172,125,910**	**100%**	**111,843**



ECIP Steering Committee Approvals

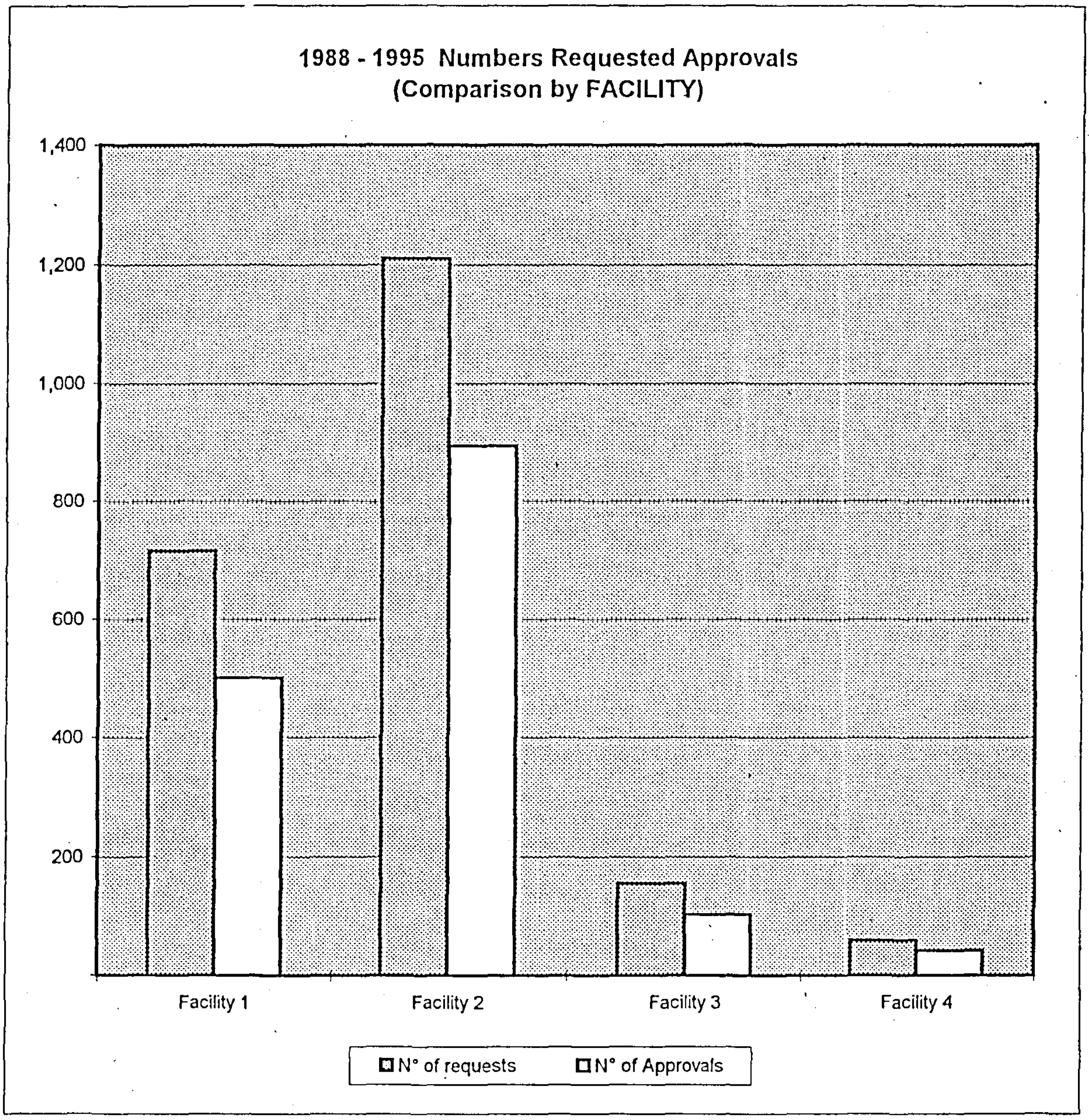
1995
NUMBERS REQUESTED AND APPROVED by FACILITY

	N° of requests	N° of Approvals	% of requests Approved
Facility 1	194	134	69%
Facility 2	388	279	72%
Facility 3	37	19	51%
Facility 4	15	12	80%
Total	634	444	70%



1988 - 1995
CUMULATIVE NUMBERS REQUESTED AND APPROVED by FACILITY

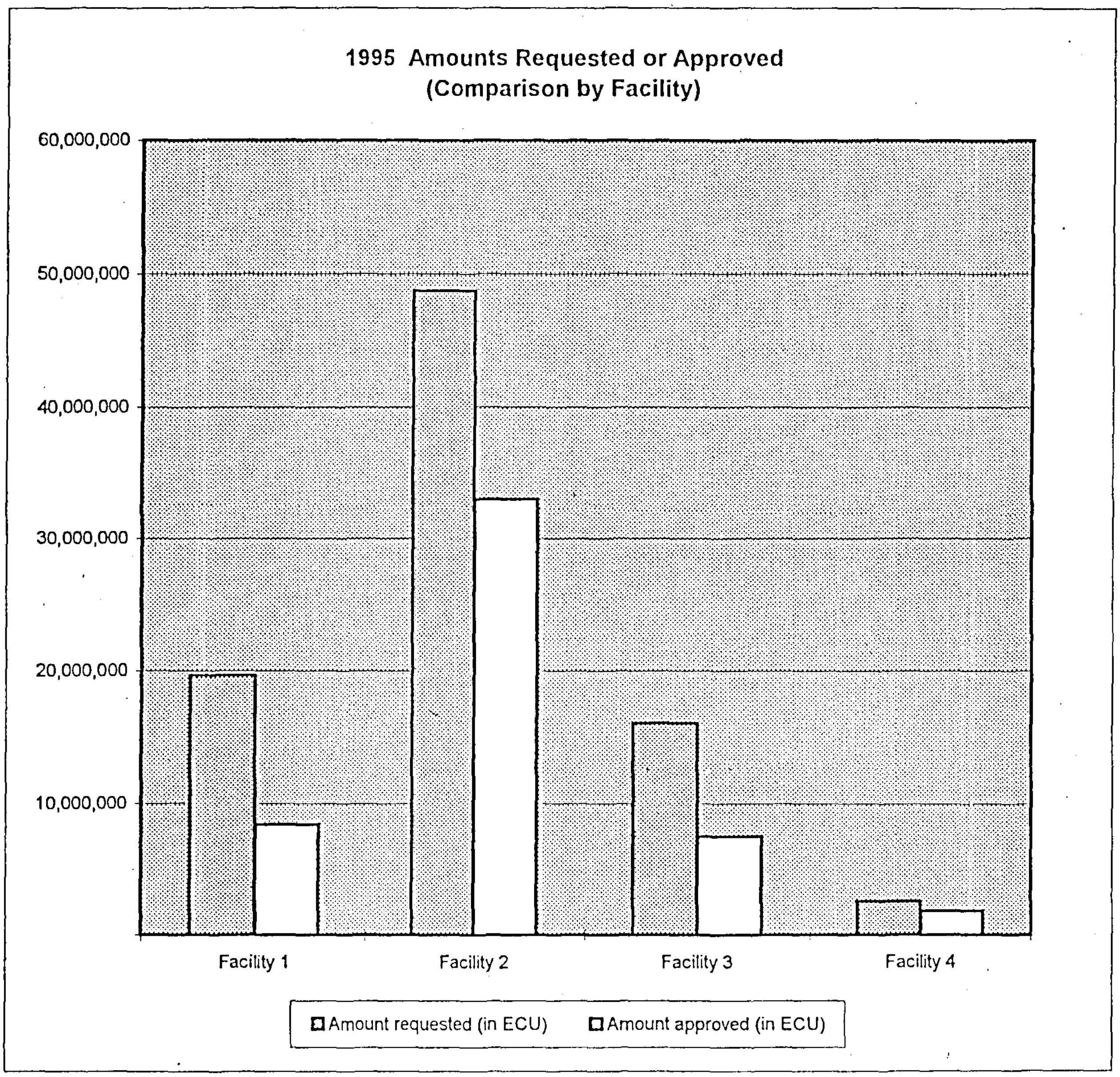
	N° of requests	N° of Approvals	% of requests Approved
Facility 1	715	500	70%
Facility 2	1,211	894	74%
Facility 3	155	103	66%
Facility 4	60	42	70%
Total	2,141	1,539	72%



ECIP Steering Committee Approvals

1995
AMOUNTS REQUESTED and APPROVED by FACILITY

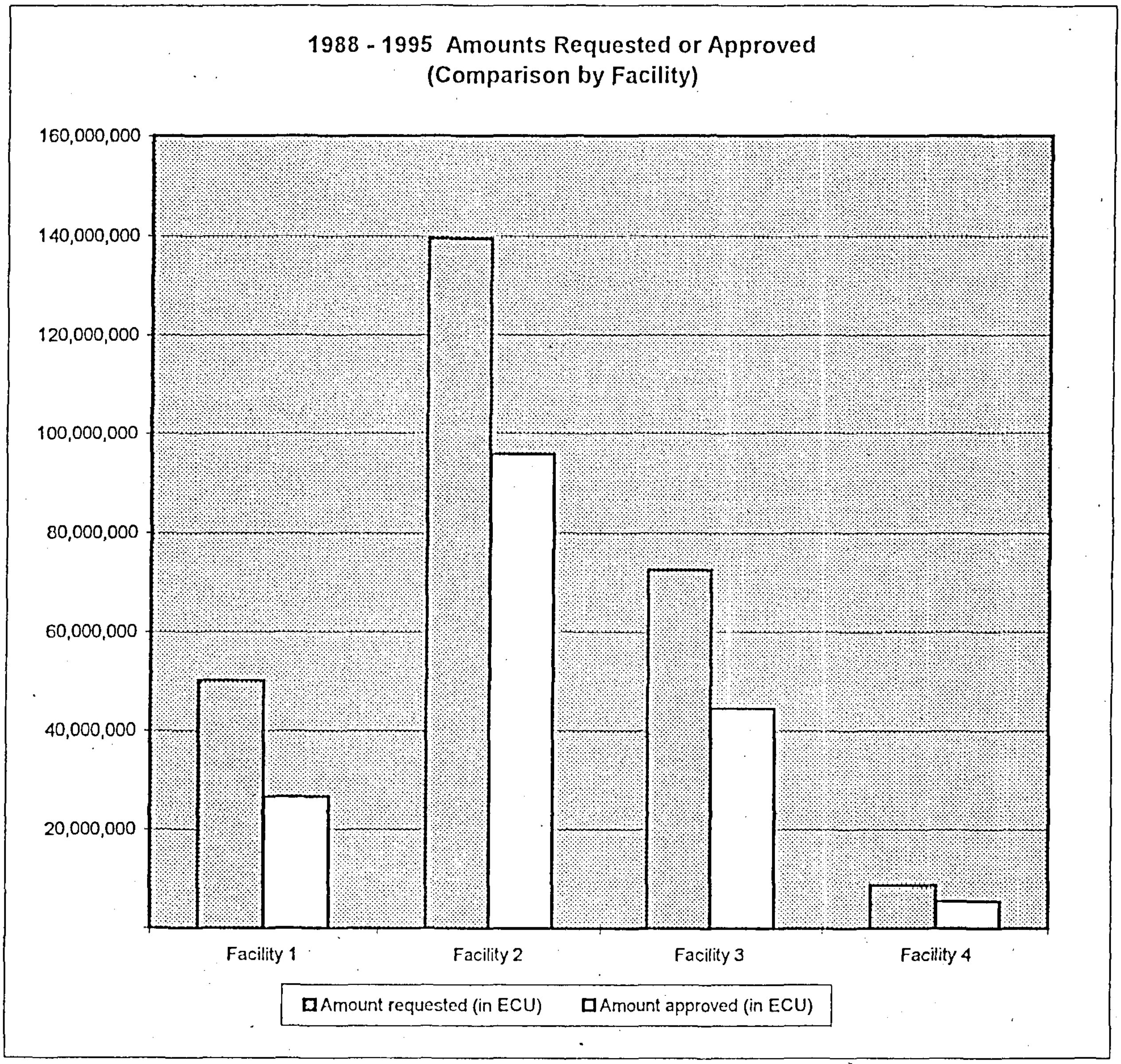
	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	19,662,368	8,410,597	43%
Facility 2	48,739,104	32,948,142	68%
Facility 3	16,095,260	7,488,843	47%
Facility 4	2,533,391	1,807,245	71%
Total	87,030,123	50,654,827	58%



ECIP Steering Committee Approvals

1988 - 1995
CUMULATIVE AMOUNTS REQUESTED and APPROVED by FACILITY

	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	50,114,814	26,580,545	53%
Facility 2	139,457,989	95,763,715	69%
Facility 3	72,489,998	44,299,514	61%
Facility 4	8,826,317	5,482,136	62%
Total	270,889,118	172,125,910	64%



ECIP Steering Committee Approvals

1988 - 1995
APPROVALS by FACILITY and YEAR

	N° of requests	Amounts requested by FI/FB	N° of projects approved in Steering Committee	ECU amounts approved in Steering Committee	% of requests approved	% of amounts approved
Facility 1						
1988	5	233,850	5	231,000	100%	99%
1989	12	683,755	9	419,370	75%	61%
1990	26	1,196,940	20	853,348	77%	71%
1991	65	3,755,447	52	2,718,023	80%	72%
1992	105	6,141,035	87	4,648,289	83%	76%
1993	139	7,647,976	90	4,090,857	65%	53%
1994	169	10,793,443	103	5,209,060	61%	48%
1995	194	19,662,368	134	8,410,598	69%	43%
Cumulative	715	50,114,814	500	26,580,545	70%	53%
Facility 2						
1988	4	330,075	3	279,000	75%	85%
1989	31	1,806,617	23	1,404,920	74%	78%
1990	78	9,312,502	69	7,404,722	88%	80%
1991	85	8,562,471	68	6,149,065	80%	72%
1992	116	14,669,705	90	9,799,837	78%	67%
1993	209	22,462,543	160	16,643,732	77%	74%
1994	300	33,574,972	202	21,134,297	67%	63%
1995	388	48,739,104	279	32,948,142	72%	68%
Cumulative	1,211	139,457,989	894	95,763,715	74%	69%
Facility 3						
1988	2	840,000	2	580,000	100%	69%
1989	7	1,703,500	6	1,454,500	86%	85%
1990	11	4,738,200	11	4,043,000	100%	85%
1991	11	4,946,000	8	2,546,000	73%	51%
1992	25	11,260,436	16	6,788,081	64%	60%
1993	24	13,074,019	16	7,209,552	67%	55%
1994	38	19,832,583	25	14,189,538	66%	72%
1995	37	16,095,260	19	7,488,843	51%	47%
Cumulative	155	72,489,998	103	44,299,514	66%	61%
Facility 4						
1990	4	633,645	4	514,917	100%	81%
1991	2	270,000	2	175,000	100%	65%
1992	11	1,503,563	9	1,001,338	82%	67%
1993	12	1,942,054	7	1,090,931	58%	56%
1994	16	1,943,664	8	892,705	50%	46%
1995	15	2,533,391	12	1,807,245	80%	71%
Cumulative	60	8,826,317	42	5,482,136	70%	62%
Grand Total	2,141	270,889,118	1,539	172,125,910	72%	64%

ECIP Steering Committee Approvals

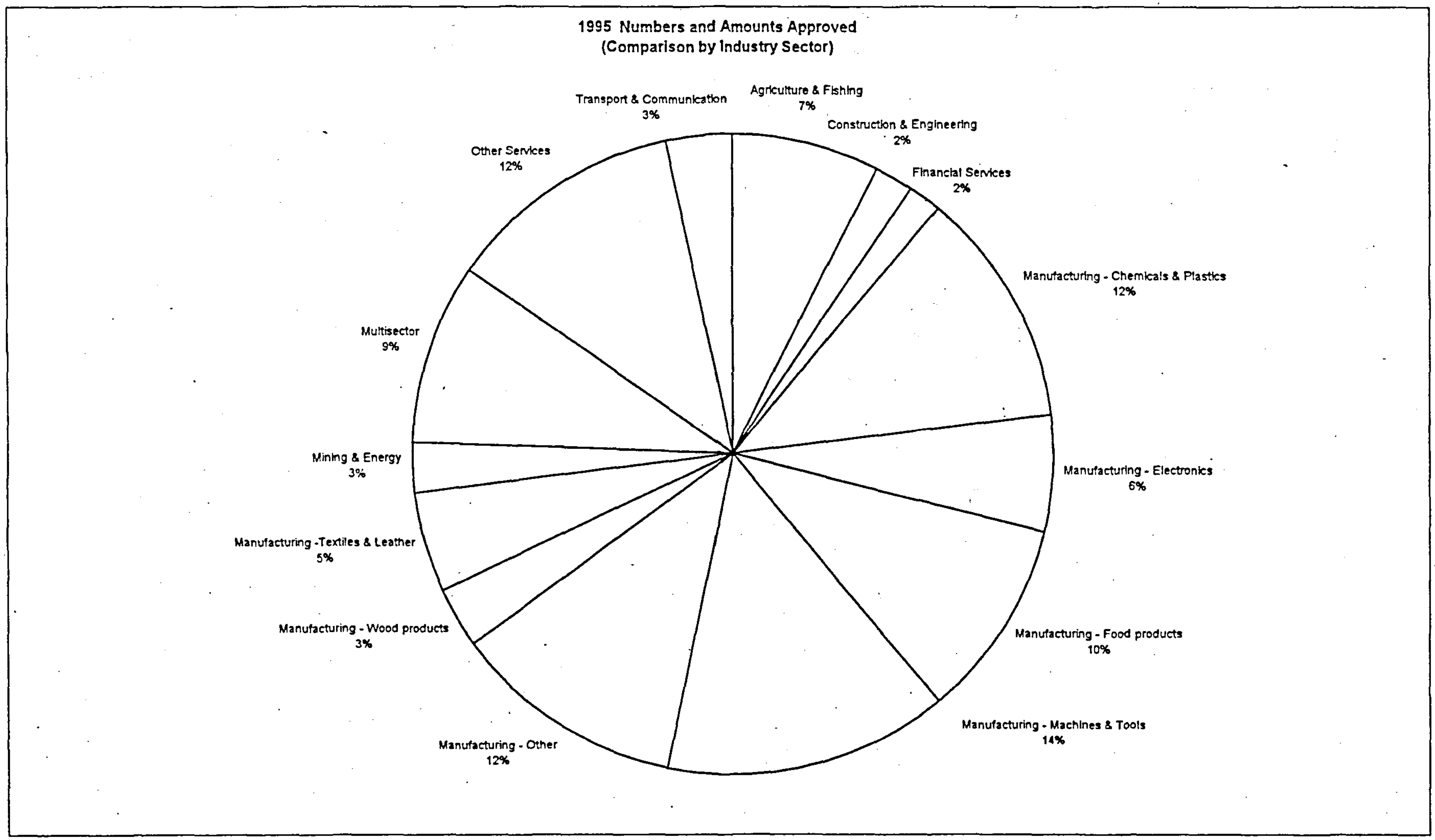
1995
NUMBERS and AMOUNTS by INDUSTRY SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved. amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	%	Approved amounts in ECU	%
Agriculture & Fishing	13	1,107,327	13	1,304,885	5	347,246	1	31,365	0	0	32	7%	2,790,823	6%
Construction & Engineering	5	426,684	3	451,486	1	100,000	1	206,885	0	0	10	2%	1,185,055	2%
Financial Services	3	97,985	1	4,228	0	0	1	500,000	2	50,000	7	2%	652,213	1%
Manufacturing - Chemicals & Plastics	14	1,278,190	32	4,552,150	6	805,151	1	133,987	0	0	53	12%	6,769,478	13%
Manufacturing - Electronics	2	233,221	20	2,203,289	5	483,590	0	0	0	0	27	6%	2,920,100	6%
Manufacturing - Food products	10	1,187,143	22	2,266,953	8	792,307	4	551,271	0	0	44	10%	4,797,674	9%
Manufacturing - Machines & Tools	14	1,202,532	44	6,240,618	8	494,359	1	34,000	0	0	67	14%	7,971,509	16%
Manufacturing - Other	13	1,899,034	34	4,371,941	6	580,870	0	0	0	0	53	12%	6,851,845	14%
Manufacturing - Wood products	3	127,635	4	1,039,585	2	189,600	1	40,889	1	7,500	11	3%	1,405,209	3%
Manufacturing -Textiles & Leather	4	214,356	12	1,911,949	5	1,241,096	2	191,104	0	0	23	5%	3,558,505	7%
Mining & Energy	1	45,508	11	1,453,326	0	0	0	0	0	0	12	3%	1,498,834	3%
Multisector	24	1,835,814	8	738,993	3	247,177	4	197,645	1	9,000	40	9%	3,028,629	6%
Other Services	23	2,499,871	12	1,542,461	13	1,190,340	2	234,750	1	18,500	51	12%	5,485,922	11%
Transport & Communication	3	341,287	8	1,101,706	2	101,228	1	194,810	0	0	14	3%	1,739,031	3%
TOTAL	132	12,496,587	224	29,183,570	64	6,572,964	19	2,316,706	5	85,000	444	100%	50,654,827	100%

30

ECIP Steering Committee Approvals

1995
NUMBERS and AMOUNTS by INDUSTRY SECTOR

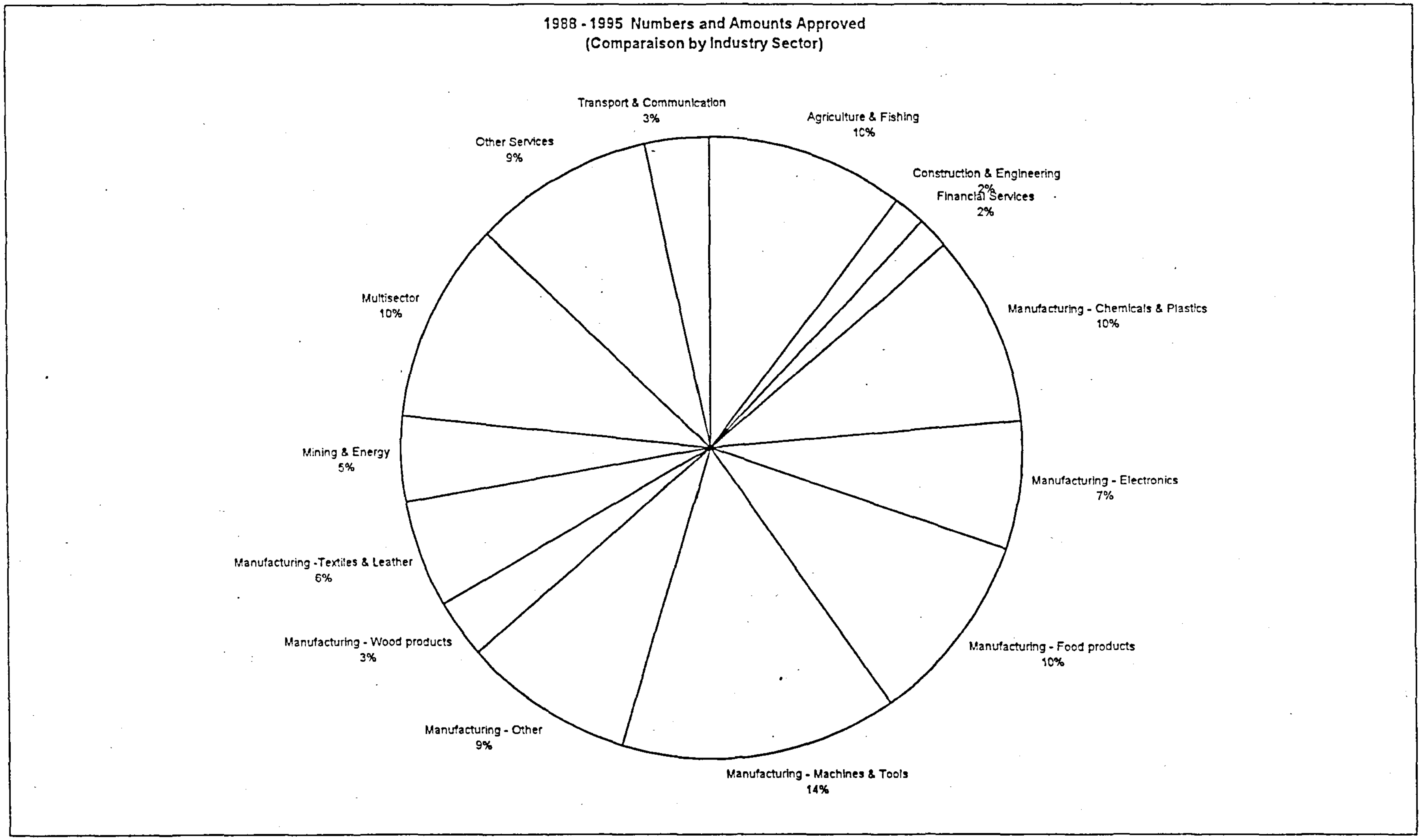


ECIP Steering Committee Approvals

1988 - 1995
CUMULATIVES NUMBERS and AMOUNTS by INDUSTRY SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	%	Approved amounts in ECU	%
Agriculture & Fishing	61	6,668,963	54	4,884,903	38	7,008,425	1	31,365	0	0	154	10%	18,593,656	11%
Construction & Engineering	11	1,310,543	10	1,301,548	2	151,452	1	206,885	1	80,000	25	2%	3,050,428	2%
Financial Services	6	1,597,985	9	1,580,481	7	2,665,792	2	1,000,000	3	73,403	27	2%	6,917,661	4%
Manufacturing - Chemicals & Plastics	36	2,687,303	81	10,291,719	35	3,913,314	1	133,987	1	155,400	154	10%	17,181,723	10%
Manufacturing - Electronics	26	2,270,510	53	6,668,172	23	1,920,532	0	0	0	0	102	7%	10,859,214	6%
Manufacturing - Food products	50	7,134,898	74	8,223,342	27	2,832,895	4	551,271	0	0	155	10%	18,742,406	11%
Manufacturing - Machines & Tools	54	4,207,360	121	13,886,182	35	3,754,260	1	34,000	2	121,782	213	14%	22,003,584	12%
Manufacturing - Other	30	3,865,427	80	10,212,543	31	2,881,380	0	0	0	0	141	9%	16,959,350	10%
Manufacturing - Wood products	21	2,881,128	10	1,587,389	4	617,510	1	40,889	3	117,750	39	3%	5,244,666	3%
Manufacturing -Textiles & Leather	24	1,925,840	38	4,419,462	27	3,341,374	2	191,104	0	0	91	6%	9,877,780	6%
Mining & Energy	24	2,954,529	31	5,414,055	17	1,794,163	0	0	1	61,000	73	5%	10,223,747	6%
Multisector	67	4,291,106	38	2,213,816	40	1,926,369	5	222,155	12	398,142	162	10%	9,051,588	5%
Other Services	46	6,562,359	51	6,008,204	47	4,221,821	3	253,425	1	18,500	148	9%	17,064,309	10%
Transport & Communication	17	1,670,927	26	2,821,516	11	1,668,545	1	194,810	0	0	55	3%	6,355,798	4%
TOTAL	473	50,028,878	676	79,513,332	344	38,697,832	22	2,859,891	24	1,025,977	1,539	100%	172,125,910	100%

1988 - 1995
CUMULATIVES NUMBERS and AMOUNTS by INDUSTRY SECTOR



ECIP Steering Committee Approvals

1995

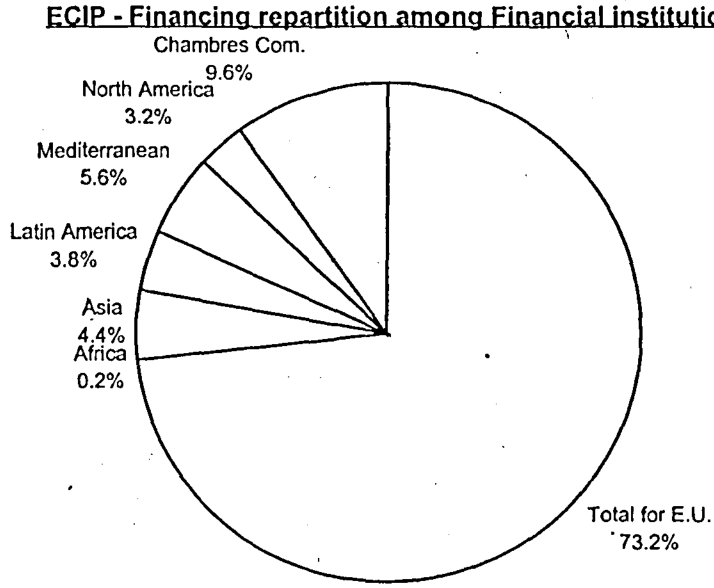
NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	1	1	250,000
Belgium	2	7	1,028,965
Denmark	1	14	2,892,265
France	6	56	6,777,236
Germany	2	10	2,489,948
Greece	1	1	80,000
Ireland	1	2	235,353
Italy	6	83	8,334,656
Luxembourg	3	26	3,754,010
Netherlands	4	9	990,670
Portugal	2	5	617,680
Spain	4	43	5,757,048
United Kingdom	4	35	3,988,737
Total for E.U.	37	292	37,196,568
Eligible regions			
Africa	1	4	416,148
Asia	8	26	3,738,302
Latin America	5	18	1,881,595
Mediterranean	5	10	1,150,573
Total for Eligible regions	19	58	7,186,618
Total ...			
Chambres Com.	77	94	6,271,641
Grand Total	133	444	50,654,827

1988 - 1995
CUMULATIVES NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	1	1	250,000
Belgium	4	71	7,271,866
Denmark	1	57	15,456,336
France	6	221	26,781,840
Germany	3	30	7,048,026
Greece	1	1	80,000
Ireland	1	6	388,691
Italy	6	255	25,228,980
Luxembourg	3	32	4,771,352
Netherlands	4	69	6,912,419
Portugal	3	14	1,284,762
Spain	5	137	14,072,181
United Kingdom	4	120	16,384,342
Total for E.U.	**42**	**1,014**	**125,930,795**
Eligible regions			
Africa	1	4	416,148
Asia	14	70	7,577,739
Latin America	14	55	6,564,979
Mediterranean	9	91	9,571,471
Multiregional	2	21	5,482,235
Total for Eligible regions	**40**	**241**	**29,612,572**
Total ...			
Chambres Com.	**185**	**284**	**16,582,543**
Grand Total	**267**	**1,539**	**172,125,910**

ECIP - Financing repartition among Financial institution



ECIP Steering Committee Approvals

1988 - 1995
CUMULATIVE APPROVALS by COUNTRY

Country	N° of projects approved	ECU amounts approved
Algeria	11	973,670
Argentina	72	9,314,808
Bahrain	1	9,401
Bangladesh	4	249,329
Bolivia	7	960,270
Brazil	74	9,192,497
Cambodia	1	126,455
Chile	52	3,677,776
China	211	27,789,903
Colombia	21	1,548,758
Costa Rica	11	466,153
Cuba	11	674,912
Cyprus	28	1,741,229
Ecuador	11	493,456
Egypt	26	5,451,839
El Salvador	2	100,462
Guatemala	3	363,740
Honduras	3	327,251
India	108	13,627,026
Indonesia	75	9,181,252
Israel	28	3,750,321
Jordan	4	435,435
Kuwait	2	115,217
Lebanon	5	270,460
Macau	2	26,341
Malaysia	46	3,757,599
Maldives	1	1,000,000
Malta	9	1,570,798
Mexico	118	15,659,028
Morocco	75	6,564,251
Nepal	2	248,244
Nicaragua	2	62,145
Oman	3	115,698
Pakistan	11	943,199
Palestine	2	254,301
Panama	1	58,925
Paraguay	1	95,000
Peru	9	1,137,228
Philippines	44	5,531,259
Saudi Arabia	6	270,047
Singapore	15	1,562,616
South Africa	22	2,859,891
Sri Lanka	25	4,113,385
Syria	1	77,748
Thailand	39	3,576,227
Tunisia	69	6,643,355
Turkey	56	8,977,738
United Arab Emirates	2	103,664
Uruguay	10	532,233
Venezuela	32	3,062,174
Viet Nam	64	5,764,396
Yugoslavia	3	365,365
Multi Region	98	6,351,437
TOTAL	**1,539**	**172,125,910**

Annex 3.2 Commitment and payment appropriations

ECIP 1995 - Consommation des crédits

(ligne B7-5000)

ENGAGEMENTS

(en ECU)

crédits	42.000.000	
consommation	**41.830.492**	*99,6%*
solde	169.508	

PAIEMENTS

crédits	35.000.000	
	+ 2.000.000	*(transfert)*
	37.000.000	
consommation	**36.974.258**	*99,9%*
solde	25.742	

Annex 3.3 ECIP eligible countries

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, April 1995

EC INVESTMENT PARTNERS
ELIGIBLE COUNTRIES

Latin America	Mediterranean Region and Middle East	Asia
Argentina	Algeria	Bangladesh
Bolivia	Bosnia	Brunei
Brazil	Croatia	Bhutan
Chile	Cyprus	Cambodia
Colombia	Egypt	China
Costa Rica	Gulf Cooperation Council countries	India
Cuba	Iran	Indonesia
Ecuador	Israel	Laos
El Salvador	Jordan	Macao
Guatemala	Lebanon	Malaysia
Honduras	Malta	Maldives
Mexico	Morocco	Mongolia
Nicaragua	Palestinian Autonomous Territories and remaining Occupied Territories	Nepal
Panama		Pakistan
Paraguay	Syria	Philippines
Peru	Tunisia	Singapore
Uruguay	Turkey	Sri Lanka
Venezuela	Yemen	Thailand
		Vietnam

Republic of South Africa

Member States of the European Union (for information)

Austria	Germany	Netherlands
Belgium	Greece	Portugal
Denmark	Ireland	Spain
Finland	Italy	Sweden
France	Luxembourg	United Kingdom

Annex 3.4 ECIP Financial Institutions network

[redacted]
ECIP

EC INVESTMENT PARTNERS

FINANCIAL INSTITUTIONS HAVING SIGNED A FRAMEWORK AGREEMENT WITH THE COMMISSION OF THE EUROPEAN COMMUNITIES

(SITUATION AS AT 26th FEBRUARY 1996)

42

	NAME	CONTACT	TITLE	ADDRESS	TOWN	COUNTRY	PHONE	FAX
ABN	ABN AMRO	Mr. Theo L. Boerkoel	International Business Support	Foppingadreef 22	1100 EA AMSTERDAM	NETHERLANDS	31 20 628 49 12	31 20 629 52 14
AIB	ALLIED IRISH BANKS	Mr Martin Slattery		P.O. BOX 2748 IFSC	DUBLIN 1	IRELAND	353 1 8740 222	353 1 679 71 27
ARB	ARAB BANK PLC	Mr. Mufleh Akel	Senior Manager	Shmeisani P.O. Box 950544-5	AMMAN	JORDAN	962 6 660 131	962 6 606 793 962 6 606 830
AFC	ASEAN FINANCE CORPORATION	Mr Roland Eu	Vice President	180 Cecil Street P.O. Box 174	0106 SINGAPORE	SINGAPORE	65 224 71 55	65 225 07 27
AFI	ASIAN FINANCE AND INVESTMENT CORP	Mr. Aftab A. Qureshi	Senior Vice President	24th Floor Pacific Star Bldg. Makati Avenue - Makati	1200 METRO MANILA	PHILIPPINES	632 817 38 06	632 816 32 09
ATB	ASIATRUST BANK	Mr. Dionisio C. Ong	President	Asiatrust Bank Building 1424 Quezon Avenue	Quezon City, METRO MANILLA	PHILIPPINES	632 922 90 18	632 922 21 21
BDB	BAHRAIN DEVELOPMENT BANK	Mr. Khalid Shaheen	Acting Chief Executive	P.O. Box 20501	MANAMA	BAHRAIN	973 537 007	973 534 005
BNL	BANCA NAZIONALE DEL LAVORO	Mr Giorgio Bialetti	Area Commerciale Direzione Centrale	Via Veneto 119	00187 ROMA	ITALIA	39 6 47 02 61 20	39 6 47 02 67 18
SER	BANCA SERFIN	Lic. Alexis Kretchmar	Subdirector Financiamentos Internationales	Av 16 de Septiembre n° 38 4th floor	06069 MEXICO DF	MEXICO	525 518 24 82	525 511 31 18
BBV	BANCO BILBAO VIZCAYA	Mr Ramon De Miguel		Paseo de la Castellana 81, planta 21	28046 MADRID	ESPANA	34 1 374 61 61	34 1 374 64 32

BCA	BANCO CENTRO AMERICANO DE INTEGRACION ECONOMICA	Mr. Carlos Watson	Manager Foreign Affairs and Planning	Apartado Postal 772	TEGUCIGALPA	HONDURAS	504 37 96 54	504.37 98 81
CON	BANCO CONCEPCION	Sr. Alberto East Fernandez	Gerente	Huerfanos 1072-5° Piso	SANTIAGO	CHILE	56 2 69 82 741	56 2 69 60 271
BFE	BANCO DE FOMENTO E EXTERIOR	Mr Amador Mota de Morais	Deputy Manager of DAC - Investment and Foreign Trade	Av. Casal Ribeiro - 59	1000 LISBOA	PORTUGAL	351 1 356 10 71	351 1 54 09 22
BUE	BANCO DE LA PROVINCIA DE BUENOS AIRES	Sr Eugenio Cánepa	Sub Gerente de Banca de Inversion	San Martin 108-Piso 22	1004 BUENOS AIRES	ARGENTINA	54 1 331-3136/5869	54 1 331 31 36
VEN	BANCO DE VENEZUELA	Mr. Jean-François Montalant	International Banking Vice-President	Torre Banco de Venezuela - Esquina de Sociedad - Apartado Postal 6268	1010 CARACAS	VENEZUELA	58 2 501 37 37 58 2 501 37 35	58 2 501 37 04 58 2 501 37 47
DES	BANCO DEL DESARROLLO	Sr.Mariano Navarrete	Asesoria Financiera	Av. Libertador Bernardo O'Higgins 949 - 18° Nivel - Casilla 1801-C	SANTIAGO	CHILE	56 2 638 49 28	56 2 671 91 30
PAC	BANCO DEL PACIFICO	Sr. Marcel J. Laniado		P. Ycasa 200	GUAYAQUIL	ECUADOR	593 566 010	593 564 636
BAN	BANCO ESPANOL DE CREDITO	Ms Teresa Garcia Montiel	Sub Director General	Paseo de la Castellana 103	28046 MADRID	ESPANA	34 1 338 93 22	34 1 319 38 00
BEX	BANCO EXTERIOR DE ESPANA	Mr Marcos Saldana	Sub Director General	Goya 14	28001 MADRID	ESPANA	34-1-537 84 05	34-1-537 82 19
BIB	BANCO INDUSTRIAL SA	Sr Juan Otero Steinhart	Vice President Ejecutivo	Av 16 de Julio 1628 - Casilla Correo 1290	LA PAZ	BOLIVIA	591-2-391 457	591-2-392 013
BAX	BANCO NACIONAL DE MEXICO	Lic. Fernando Peon Escalante	Director General	Isabel la Católica, 44	06000 MEXICO DF	MEXICO	525 726 90 80	525 520 07 30

BNU	BANCO NACIONAL ULTRAMARINO	Mrs Margarida Barros Gomes	Deputy General Manager	Avenida 5 De Outubru 175	1050 LISBON	PORTUGAL	351-1-7937137	351-1-7938952
BPA	BANCO PORTUGUES DO ATLANTICO	Mr André Pinto Bessa	Assistant General Manager - International Division	Rua do Ouro 110	1100 LISBON	PORTUGAL	351-1-346 13 21	351-1-347 53 15
ROB	BANCO ROBERTS	Senor Carlos Olmo		Av. de Mayo 701 P. 27	BUENOS AIRES	ARGENTINA	541 331 05 82	541 334 64 05
SAB	BANCO SABADELL	Mr Josep Girbaú	Division Internacional	Pl. Catalunya, 1 Apartado P O Box 1	08201 SABADELL	SPAIN	34 3 728 92 89	34 3 725 97 33
STD	BANCO SANTANDER	Sr Juan Luis Aramburu		Paseo de la Castellana 75 - Edificio AZCA	28046 MADRID	ESPANA	34 1 342 36 23 34 1 342 36 15	34 1 342 33 82
WIE	BANCO WIESE	Mr. Llosa Barber	Gerente Principal	Jiron Cuzco 245	LIMA	PERU		51 14 512 320
MER	BANCOMER	Sr. Jose Plyego		Av. Universidad 1200 - Col. XOCO	03339 MEXICO D.F.	MEXICO	525 534 00 34	525 621 47 58 525 621 76 35
SHI	BANGLADESH SHILPA BANK	Mr Akmal Husain	Managing Director	8 Rajuk Avenue - POBox 975	DHAKA	BANGLADESH	PABX 235 15 09	8 802 833 275
BAU	BANK AUSTRIA	Mr F Fornaroli	Senior Regional Manager	Am Hof, 2	1010 VIENNA	AUSTRIA	43 1 71191 6971	43 1 71191 6989
BEQ	BANKERS EQUITY LTD	Mr. I. H. Shamsi	Senior Executive Vice President	Finance and Trade Centre Sharea Faisal	KARACHI 74400	PAKISTAN	92 21 525 314	92 21 568 21 06
HAP	BANK HAPOALIM B.M.	Mr Joseph Schwartz	Sr Vice President - Industrial Finance Department Manager	45 Rothschild Blvd.	65785 TEL AVIV	ISRAEL	972-3-567 44 14	972-3-567 57 95
LEU	BANK LEUMI LE ISRAEL BM	Mr Benjamin Naveh	Deputy Head of Corporate Division	30-32 Yehuda Halevi Street - P.O. Box 2	61000 TEL AVIV	ISRAEL	972-3-5149903	972-3-5148636

44

[redacted]
ECIP

BBL	BANQUE BRUXELLES LAMBERT	Mr Jean-Pierre Marcelle	Direction Grande Exportation	Avenue Marnix 24	1050 BRUXELLES	BELGIQUE	547 31 67	547 89.31
BDE	BANQUE DE DEVELOPPEMENT ECONOMIQUE DE TUNISIE	Mr Sadok Belkaid	Directeur Général Adjoint	34, rue Hédi Karray El Manzah IV 1004 B.P. n°48	1080 TUNIS Cedex	TUNISIE	216 1 718 000 216 1 719 999	216 1 713 744
BME	BANQUE MAROCAINE DU COMMERCE EXTERIEUR	Mr M'Fadel El Halaissi	Directeur Central	140, Avenue Hassan II	CASABLANCA	MOROCCO	212 2 20 04 20	212 2 20 04 90
BMI	BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE	Mr Ibnou Zair	Direction E Etudes économiques	26, Place Mohammed V	CASABLANCA	MOROCCO	212 2 268866	212 2 266044
BNP	BANQUE NATIONALE DE PARIS	M Jacques Poutard		Boulevard des Italiens 27	75009 PARIS	FRANCE	33 1 40 14 59 13	33 1 40 14 79 49
PAR	BANQUE PARIBAS (LUXEMBOURG)	Mr L.F. Durand	Directeur Général	10A Bld. Royal	L 2449 LUXEMBOURG	LUXEMBOURG	352 46 461	352 46 46 41 41
BAP	BAPINDO	Mr. Sjahrizal	Managing Director	JL R.P. Soeroso 2-4	JAKARTA 10002	INDONESIA	62 21 321 908	62 21 230 34 91
BYB	BYBLOS BANK SAL	Mr François Bassil	Chairman - General Manager	Verdun Street Byblos Building - P.O. Box 11	5605 BEIRUT	LEBANON	961 18 98 200	961 18 98 209
CGD	CAIXA GERAL DE DEPOSITOS	Mme M.J. Constancio	Director	Avenida João XXI, 63	LISBOA 1000 CODEX	PORTUGAL	351 1 790 53 89	351 1 790 50 97
CAR	CARIPLO	Mr. Mazzamuto		Via G. Verdi, 11	20121 MILANO	ITALIA	39 2 886 61	39 2 8866 3250 39 2 8866 3240
CIC	CIC BANQUES	Mr Hugues Dexant		4 rue Gaillon	75 107 PARIS CEDEX 02	FRANCE	33-1-42 66 70 00	33-1-42 66 78 90

CIM	CIMB COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD	Mrs. Carol Tan	Manager Finance	10th-12th floor, Commerce Square Jala Semantan, Damansara Heights	50490 KUALA LUMPUR	MALAYSIA	60 3 253 66 88	60 3 253 55 22
COF	COFIDES	Mr. Felipe Carballo Rios		c/Principe de Vergara, 132 - Planta 12	28002 MADRID	ESPANA	34 1 562 60 08	34 1 561 00 15
COM	COMMERZBANK	M. W. Tuttlies	First Vice President	Neue Mainzer Str. 32-36	6000 FRANKFURT	GERMANY	49 69 13624780	49 69 13622123
CDC	COMMONWEALTH DEVELOPMENT CORPORATION	Mr D. Thompson		One Bessborough Gardens	LONDON SW1V2JQ	UNITED KINGDOM	44 171 828 4488	44 171 828 65 05
COR	CORFO	Mr Francisco Troncoso	Subgerente de Relaciones Internacionales	Calle Moneda 921	SANTIAGO	CHILE	562 638 05 21	562 671 10 58
CAF	CORPORACION ANDINA DE FOMENTO	Ms Janet Cardenas		Torre Central Pisos 5 al 10 - Avenida Luis Roche - Altamira	CARACAS	VENEZUELA	582 284 21 53	582 284 28 80
VAL	CORPORACION FINANCIERA DEL VALLE S.A.	Mme. Marcela Gómez	Int. Trade Advisor	Carrera 7 n° 33-42 Apartado 14480	BOGOTA	COLOMBIA	57 1 287 87 53	57 1 285 59 45
CND	CORPORACION NACIONAL PARA EL DESARROLLO	Sr Alejandro Conforte	Gerente General	Casilla de Correo 977	CP 11000 MONTEVIDEO	URUGUAY	5982 955764	5982 959 662
CPI	CORPORACION PRIVADA DE INVERSIONES DE CENTRO AMERICA	Mr Mauricio Gomez	General Manager	Avenida Central II Apartado 8609	1000 SAN JOSE	COSTA RICA	506 290 51 51	506 290 21 26
CAB	CREDITANSTALT-BANKVEREIN	Ms F. Werdisheim		Schottengasse 6	1011 WIEN	AUSTRIA	43 1 531 31 44 17	43 1 535 69 46
CEL	CREDIT EUROPEEN	Mr Eric Dralans		52, route d'Esch	2965 LUXEMBOURG	LUXEMBOURG	352 44 99 11	352 44 99 12 31

[redacted]

CLY	CREDIT LYONNAIS	M. Cossardeaux		19 Bd des Italiens B.P.12	75079 PARIS CEDEX 02	FRANCE	33 1 42 95 70 00	33 1 42 95 14 30
CDB	CYPRUS DEVELOPMENT BANK	Mr Andreas Pourgouras	Senior Manager, Corporate Banking Division	Alpha House, 50 Makarios III Ave, P.O.B. 1415	NICOSIA	CYPRUS	357 2 45 75 75	357 2 46 43 22
DEG	DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH	Ms. Edith Chatzipetros		Belvederestrasse 40	50933 KOLN	GERMANY	49 221 498 60	49 221 498 62 90
DBA	DEUTSCHE BANK AG	Mr Stein		Bd du Souverain, 100	1170 BRUXELLES	BELGIQUE	32 2 674 37 82	32 2 674 37 52
DFC	DEVELOPMENT FINANCE CORPORATION OF CEYLON	Mr. M.R. Prelis	Director/General Manager	DFCC Building, 73/5, Galle Road	COLOMBO 3	SRI LANKA	94 1 440 366	94 1 440 376
SPB	DIE SPARKASSE IN BREMEN	Mr. C. Graf von Bernstorff		Am Brill 1-3	28078 BREMEN	GERMANY	49 421 1790	49 421 179 22 81
ETB	ETBA (Hellenic Industrial Development Bank)	Dr S. Kakaounaki	International Activities Division	87, Syngrou Avenue	117 45 ATHENS	GREECE	30 1 9294872	30 1 9242933
EUB	EUROPA BANK AG (Dresdner Bank Group)	Ms Marion Meinl	Corporate Finance	13, rue Beaumont B.P. 734	2017 LUXEMBOURG	LUXEMBOURG	352 47 08 30 45	352-47 08 30 39
EUR	EUROTURK BANK	Mr Yavuz Canevi	Managing Director	Buyukdere Caddesi - Yapi Kredi Plaza C Blok K.8 D.- Daire 22/23	80620 Levent ISTANBUL	TURKEY	90 212 279 70 70	90 212 264 14 00
EXI	EXPORT-IMPORT BANK OF INDIA	Mr. T.C. Venkat Subramanian	General Manager	Centre One - Floor 21 W.T.C.- Cuffe Parade	BOMBAY 400 005	INDIA	91 22 218 52 72	91 22 218 80 76
FIN	FINLOMBARDA	Prof. Avv. G. Ghidini	Presidente	Piazza Belgioioso, 2	20121 MILANO	ITALY	39 2 76 04 41	39 2 78 08 19
FFN	FINNFUND	Mr Tuomas Rytsölä	Investment Operations	P O Box 391 Ratakatu 27	00121 HELSINKI	FINLAND	358 0 348 434	358 0 3484 3346

FII	FIRST INTERNATIONAL INVESTMENT BANK LTD	Mr F S Aijazuddin	Chief Executive	7th floor, Shaheen Commercial Complex Dr. Ziauddin Ahmed Road P.O. Box 1345	KARACHI	PAKISTAN	92 21 519042 - 46	92 21 5680841 92 21 2630678
FNB	FIRST NATIONAL BANK	Mr Henri Joubert	Senior Manager	PO Box 1064	JOHANNESBURG 2000	REPUBLIC OF SOUTH AFRICA	27 11 352 4433	27 11 371 7255
GIR	GIROCREDIT	Ms S. Rohn-Papalexiou	Area Manager	Herrengasse, 12	1010 VIENNA	AUSTRIA	43 1 711 94 27 79	43 1 712 96 65
ICI	ICICI (INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA)	Mr. Jhaveri	Dep. Managing Director	163 Backbay Reclamation	BOMBAY 400 020-25	INDIA	91 22 202 51 15	91 22 204 65 82
IDB	IDBI (INDUSTRIAL DEVELOPMENT BANK OF INDIA)	Mr. S. H. Khan	Chairman and Managing Director	IDBI Towers 23 Floor - Cuffe Parade	BOMBAY 400 005	INDIA	91 22 218 52 08	91 22 218 81 37
IKB	IKB/DEUTSCHE INDUSTRIEBANK	Mr Volker Kipp		Postfach 10 11 18	40002 DUSSELDORF	GERMANY	49 211 8221 946	49 211 8221 766
IFU	INDUSTRIALIZATION FUND FOR DEVELOPING COUNTRIES (IFU)	Mr B. Jakobsen	Department Director	Bremerholm 4	1069 COPENHAGEN	DENMARK	45 33 14 25 75	45 33 32 25 24
IFI	INSTITUTO DE FOMENTO INDUSTRIAL	Mrs. Claudia Carvajalino Batres		Calle 16 no 6-66 Piso 14	BOGOTA D.E.	COLOMBIA	57 1 283 86 13	57 1 286 81 16
IMF	INSTITUTO MOBILIZADOR DE FONDOS COOPERATIVOS	Dr. Jacobo Laks		Rivadavia 1944/52	1033 BUENOS AIRES	ARGENTINA	953 74 62 87	
IIC	INTER AMERICAN INVESTMENT CORPORATION	Mr Jean Olivier Fraisse	Finance and Administration	1300 New York Avenue	WASHINGTON DC 20577	USA	1 202 623 39 30	1 202 623 23 60

IFC	INTERNATIONAL FINANCE CORPORATION	Mr A. Bose	Manager	1818H Street N.W.	WASHINGTON DC 20433	USA	1 202 473 05 52	1 202 676.1513
ING	INTERNATIONALE NEDERLANDEN BANK NV	Mr. Edmar Van Aart		Amsterdamse Poort Bijlmerplein 888	1102 MG AMSTERDAM	NETHERLANDS	31 20 563 52 84	31 20 563 57 00
INB	INVESTITIONS-BANK NRW	Dr. Frank Borstelmann	Entwicklungsproje kte	Karl-Arnold-Platz 1	40474 DÛSSELDORF	GERMANY	49 211 8267696	49 211 8266218
SAN	ISTITUTO BANCARIO SAN PAOLO DI TORINO	Mr Guido Turani	First Senior Manager	Piazza San Carlo 156	10121 TORINO	ITALIA	39 11 555 2128	39 11 555 64 01
ICE	ISTITUTO NAZIONALE PER IL COMMERCIO ESTERO (ICE)	Mrs Patrizia Pelliccia	Oficio per la Cooperazione Industriale	Via Liszt 21	00144 ROMA EUR	ITALIA	39 6 599 22 02	39 6 59 64 74 38
KBB	KREDIETBANK N.V.	Mme. Karine De Beule	Foreign Trade and International Payments Division (8666)	Havenlaan, 2	1080 BRUSSELS	BELGIUM	02 4228689 02 4227111	02 4228181
KBL	KREDIETBANK S.A. Luxembourgeoise	Mr. J.-L. de Potesta	Corporate Finance	43, Boulevard Royal	2955 LUXEMBOURG	LUXEMBOURG	352.47 97 29 78	352.46 00 19 352 47 97 26 49
MDC	MALTA DEVELOPMENT CORPORATION	Prof. J.V. Bannister	Chairman	Mriehel P.O. Box 571	VALETTA CMR 01	MALTA	356 448 944	356 448 966
MEE	MEES PIERSON NV	Mr A M Condé Mr J A C Ritzema		Herengracht 548 P O Box 293	1000 AG AMSTERDAM	THE NETHERLANDS	31 20 5274048 31 20 5274568	31 20 5274839
MID	MIDLAND BANK PLC	Mr. Peter Oates	Assistant Director	Watling Court 47/53 Cannon Street	London EC4M 5SQ	UNITED KINGDOM	44 171 260 8717	44 171 260 66 47
MON	MONTE DEI PASCHI DI SIENA	Mr Carlo Pensa	International Division	3, Piazza Salimbeni	53100 SIENA	ITALY	39 577 294 111	39 577 294 313
MOR	MORGAN GRENFELL	Mr Ken Thomas		23 Great Winchester Street	LONDON EC 2P 2AX	UNITED KINGDOM	44 171 588 4545	44 171 826 71 30

1,9

NAF	NACIONAL FINANCIERA SNC	Lic. Eduardo Mapes	Subdirector de Promoción de Inversiones	Insurgentes Sur 1971 - Torre III Piso 13 - Col. Guadalupe Inn	01020 MEXICO DF	MEXICO	525 325.6618/6619/6674	525 325.60.09
NDB	NATIONAL DEVELOPMENT BANK	Mr Ranjit Fernando	General Manager	40 Navam Mawatha - POBox 1825	COLOMBO 2	SRI LANKA	437 35 03	94 1 440 262
NDF	NATIONAL DEVELOPMENT FINANCE CORPORATION	Mr Javed Mahmood	Senior Vice President	6th Floor, Finance & Trade Centre Shara-e- Faisal	KARACHI	PAKISTAN	62 21 525 240	
NED	NEDBANK	Mrs Jennifer Brown	International Finance Unit	100 Main Street	JOHANNESBURG 2001	REPUBLIC OF SOUTH AFRICA	27 11 630 7444	27 11 630 7370
FMO	NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)	Mr H.G.A.M. Schopman		40 Koningskade	2596 AA DEN HAAG	NETHERLANDS	31 70 314 96 96	31 70 324 61 87
NIA	NIAGA BANK	Mr Bambang Kuswijayanto	TSL Officer	Niaga Tower, 7th Floor J1. Jend. Sudirman Kav. 58	JAKARTA 12190	INDONESIA	62 21 2505151	62 21 2505205
PAX	PAX-BANK	Mr C. Berndorff	Mitglied des Vorstandes	Von-Werth Strasse 25-27	50000 KÖLN 1	GERMANY	49 221 1601512	49 221 1601590
PDC	PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES	Mr Edwin T. Uy	Vice-President	6764, Ayala Avenue MAKATI	METRO MANILA 1200	PHILIPPINES	63 2 810 02 31	63 2 819 53 76
RAB	RABOBANK	Mr Niek Streefkerk	Agri-Project Finance Team	Croeselaan 18	UTRECHT	NETHERLANDS	31 30 216 41 02	31 30 216 19 20
SIM	SIMEST	Dott. Giovanni Scaiola Mr. Camillo Maria Pulcinelli	Direttore	Via A. Farnese 4	00192 ROMA	ITALIA	39 6 32 344 47	39 6 32 407 30

SBI	SOCIETE BELGE D'INVESTISSEMENT INTERNATIONAL	Mr P. Berthe	Directeur Général	Rue Montoyer 63	1040 BRUXELLES	BELGIQUE	230 27 85	231 13 31
PRO	SOCIETE DE PROMOTION ET DE PARTICIPATION POUR LA COOPERATION ECONOMIQUE (PROPARCO)	M. Pierre Arnaud	Directeur Général	Cité du Retiro Rue Boissy d'Anglas 35/37	75379 PARIS CEDEX 08	FRANCE	33 1 40 06 31 31	33 1 40 06 38 38
SGF	SOCIETE GENERALE	Mr. B. Planchamp	Direction des Affaires Internationales	Tour Société Générale 17, cours Valmy	92977 Paris La Défense 7	FRANCE	33 1 42 14 72 15	33 1 42 14 90 61
SOF	SOFINASIA	Mme Landemaine	Directeur Général	Rue Tiquetonne 64	75002 PARIS	FRANCE	33 1 42 21 01 75	33 1 42 21 41 06
STB	STANDARD BANK	Mr G B Nolan	Senior Manager	P O Box 8288	JOHANNESBURG 2000	REPUBLIC OF SOUTH AFRICA	27 11 636 5548	27 11 636 4577
SCH	STANDARD CHARTERED	M. M. C. Puzey	Head of Aid and Development Services	1, Aldermanbury Square	LONDON EC2V 7SB	UNITED KINGDOM	44 171 280 7399	44 171 280 7875
SWE	SWEDFUND	Mr Olle Arefalk	Managing Director	Box 3286	103 65 STOCKHOLM	SWEDEN	46 8 7259400	46 8 203093
WAF	WAFABANK	Mr Azzedine El Hilali	Directeur de la Division Europe	163, Avenue Hassan II	CASABLANCA	MOROCCO	212 2 265151	212 2 470398

51

Annex 3.5 ECIP Council Regulation 319/92 of 3 Feb 1992 and the New ECIP Regulation 213/96 of 29.01.96

I

(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 319/92

of 3 February 1992

on the implementation for a trial period of the European Communities Investment Partners financial instrument for countries of Latin America, Asia and the Mediterranean region

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission [1],

Having regard to the opinion of the European Parliament [2],

Whereas the Community is implementing financial, technical and economic cooperation with the developing countries of Latin America, Asia and the Mediterranean region;

Whereas in order to strengthen such cooperation, it is necessary, *inter alia,* to encourage mutually beneficial investment, particularly by small and medium-sized undertakings (SMUs);

Whereas the Council has reached a consensus on the importance of the role of the private sector in the development process;

Whereas joint ventures and investment by Community undertakings in developing countries can bring certain benefits for these countries, including the transfer of capital, know-how, employment, the transfer of training and expertise, increased export possibilities and the meeting of local needs;

Whereas a three-year pilot scheme was launched in 1988 to promote, via an European Communities Investment Partners financial instrument (ECIP), the creation of joint ventures between the Community and countries of Latin America, Asia and the Mediterranean region;

Whereas on 18 December 1990 the Council adopted guidelines on new forms of cooperation to benefit Asia and Latin America on the one hand and the Mediterranean region on the other;

Whereas although the results obtained to date have revealed this instrument to have some potential to attain these objectives, it is still necessary to determine the precise role it could play within the range of cooperation facilities with Latin America, Asia and the Mediterranean region;

Whereas the continuation and extension of the instrument for a further three-year trial period from 1 January 1992 is therefore necessary to confirm the utility of this instrument and perfect the way in which it is implemented, in order that full use may be made of the possibilities of mutually beneficial action in the countries of Latin America, Asia and the Mediterranean region;

Whereas the broadest possible participation by undertakings in all Member States should be encouraged;

Whereas all the Member States should be encouraged to participate in the promotion of their investments in the countries of Latin America, Asia and the Mediterranean region through financial institutions specializing in development;

Whereas the objectives and operating criteria of the instrument need to be defined;

Whereas the Treaty does not provide, for the adoption of this Regulation, powers other than those of Article 235,

HAS ADOPTED THIS REGULATION:

Article 1

1. For a three-year trial period starting on 1 January 1992, and as part of its economic cooperation with the countries of Latin America, Asia and the Mediterranean region, the Community shall operate special cooperation schemes aimed at promoting mutually beneficial investment by Community operators, particularly in the form of joint ventures with local operators in the countries eligible.

[1] OJ No C 81, 26. 3. 1991, p. 6.
[2] OJ No C 183, 15. 7. 1991, p. 464.

2. Account being taken of their respective possibilities and needs, SMUs will receive priority in application of the scheme, while large multinational undertakings will be ineligible.

Article 2

The EC Investment Partners financial instrument (ECIP), hereinafter referred to as the 'instrument', shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50 % of the cost of the operation up to a ceiling of ECU 100 000 (Facility No 1);
2. interest-free advances for feasibility studies and other action by operators intending to set up joint ventures or to invest, not exceeding 50 % of the cost up to a ceiling of ECU 250 000 (Facility No 2);
3. capital requirements of a joint venture or a local company with licensing agreements, in order to meet investment risks peculiar to developing countries, through participation in the provision of equity, or by equity loans not exceeding 20 % of the joint venture's capital up to a ceiling of ECU 1 million (Facility No 3);
4. interest-free advances, not exceeding 50 % of the cost up to a ceiling of ECU 250 000, for training, technical assistance or management expertise of an existing joint venture, or joint venture about to be set up, or a local company with licensing agreements (Facility No 4).

The aggregate amount made available under Facilities Nos 2, 3 and 4 may not exceed ECU 1 million per project.

Article 3

1. The financial institutions shall be selected by the Commission, further to the opinion of the Committee defined in Article 8, from among development banks, commercial banks, merchant banks and investment promotion bodies.

2. Financial institutions which have submitted proposals in accordance with the criteria defined in Article 6 will receive fees in accordance with arrangements to be determined by the Commission.

Article 4

1. With regard to Facility No 1 set out in Article 2, financing applications may be submitted either directly to the Commission by the institution, association or body carrying out the identification of partners and projects, or through a financial institution.

2. In the case of Facilities Nos 2, 3 and 4 set out in Article 2, applications may be submitted by the undertakings concerned solely through the financial institutions defined in Article 3. Community funds for the participating undertakings shall be applied for and provided exclusively through the financial institution.

3. With regard to Facility No 2 set out in Article 2, the financial institutions and undertakings shall be required to share the project risk; where this is successful, however, the Community contribution may be more than 50 % of the cost.

4. In the case of Facility No 3 set out in Article 2, the financial institutions shall provide financing at least equal to that provided by the Community. This facility shall be reserved, where the Community is concerned, for SMUs; exceptions will be possible in cases for which specific justification is provided having particular significance for development policy, for instance technology transfer.

5. In the case of Facility No 4 set out in Article 2, the financial institutions shall make a financial contribution to the project of an amount at least equal to that made by the Community.

6. Framework agreements signed by the Commission with the financial institutions shall explicitly stipulate that the Court of Auditors has the power, in accordance with Article 206a of the Treaty, to audit the operations of these institutions with respect to financial projects funded by the general budget of the European Communities.

Article 5

1. Contributions awarded under the instrument shall, depending upon the circumstances and pursuant to Article 2, be either grants or interest-free advances, or participations in the provision of equity or equity loans.

Participations in the capital shall in principle be acquired by the financial intermediaries on their own behalf. However, in exceptional cases, particularly where in view of the legal situation in a Community Member State, or in other cases to be specified, a participation in the capital on behalf of a financial intermediary is impossible, the Commission may instruct a financial establishment to hold a participation on the Community's behalf.

The commercial, industrial, investment and financial decisions of the joint undertakings set up under the instrument shall be taken exclusively by those undertakings.

2. For Facility No 2 set out in Article 2, interest-free advances shall be reimbursed according to the arrangements to be determined by the Commission, on the understanding that the final repayment periods are to be as short as possible and shall in no instance exceed five years. Such advances shall not be refundable where the studies have produced negative results.

3. For Facility No 3 set out in Article 2, participations by virtue of this instrument shall be disposed of at the earliest opportunity once the project becomes viable, having regard to the Community's rules of sound financial management.

4. Loan repayment, the realization of participations and interest and dividend payments will generate renewable funds which will be held on deposit by the financial intermediaries on behalf of the Community and will be managed in accordance with the requirements of the instrument and pursuant to the principles of sound management, security and yield appropriate to the investment. These funds will be allocated for the operations of the instrument or will bear interest at market rates and will be used in such a way as to curtail use of funds from the general budget of the European Communities for operations under the instrument. All assets held by the financial intermediaries are to be paid back to the Community if the intermediary ceases to be associated with the instrument or if the instrument ceases to operate.

Article 6

1. Projects shall be selected by the financial institution or, in the case of Facility No 1 set out in Article 2, by the Commission and the financial institution in the light of the appropriations adopted by the budget authority and on the basis of the following criteria:

(a) the anticipated soundness of the invstment and the quality of the promoters;

(b) the contribution to development in particular in terms of:

— impact on the local economy;

— creation of added value;

— creation of local jobs;

— promotion of local entrepreneurs;

— transfer of technology and know-how and development of the techniques used;

— acquisition of training and expertise by managers and local staff;

— implications for women;

— creation of local jobs in circumstances which do not involve exploiting employees;

— impact on the balance of trade and balance of payments;

— impact on the environment;

— manufacture and supply to the local market of products hitherto difficult to obtain or substandard;

— use of local raw materials and resources.

2. The financial financing decision shall be taken by the Commission, which shall verify compliance with the criteria set out in paragraph 1 and compatibility with the various aspects of Community policies and the mutual benefit to the Community and the developing country concerned.

Article 7

Countries eligible shall be the developing countries of Latin America, Asia and the Mediterranean region which have previously benefited from Community development cooperation measures or which have concluded regional or bilateral cooperation or association agreements with the Community.

Article 8

1. The Commission shall implement the instrument in accordance with this Regulation.

2. In carrying out this task, the Commission shall be assisted, as appropriate, by the Committee set up under Article 11 of Regulation (EEC) No 442/81 (1) or by the Committee set up under Article 6 (1) of Regulation (EEC) No 3973/86 (2).

3. (a) The following shall be adopted under the procedure laid down in paragraph 4:

— the choice of financial intermediaries in the light of their experience and aptitude for making a preliminary selection of the projects in accordance with the criteria set out in Article 6;

— guidelines on direct participation.

(b) Furthermore, the Committee may examine, at the Commission's initiative or at the request of one of its members, any question connected with the implementation of this Regulation, in particular:

— information on the projects funded over the previous year;

— the terms of reference of the independent appraisal provided for in Article 9;

— any other information which the Commission wants to submit to it.

4. With regard to the matters mentioned in paragraph 3 (a), the representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according

(1) OJ No L 48, 21. 2. 1981, p. 8.
(2) OJ No L 370, 30. 12. 1986, p. 5.

to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairmann shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the mesures envisaged are not in accordance with the opinion of the Committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of one month from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

5. The European Investment Bank shall be entrusted with the administration of the action taken with the countries of the Mediterranean region under the instrument as soon as it states that it is in a position to take on that task.

Article 9

1. The Commission shall send to the European Parliament and to the Council, by 30 April each year at the latest, a progress report showing the projects selected, the appropriations granted and the repayments to the general budget of the European Communities and including annual statistics for the previous year.

2. The Commission shall forward the results of an independent appraisal of the instrument to the European Parliament and the Council by 31 March 1994 at the latest.

3. The Council shall ask the Court of Auditors to deliver an opinion on the implementation of the instrument by 31 December 1993.

Article 10

To enable the instrument to continue after the three-year trial period, a Decision by the Council, acting on a Commission proposal, subsequent to the opinion of the European Parliament and taking into account the conclusions of the independent appraisal referred to in Article 9 (2), will be necessary.

Article 11

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Communities*.

It shall apply with effect from 1 January 1992.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 3 February 1992.

For the Council

The President

João PINHEIRO

COUNCIL REGULATION (EC) No 213/96

of 29 January 1996

on the implementation of the European Communities investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission [1],

Acting in accordance with the procedure of Article 189c of the Treaty [2],

Whereas the Community is implementing financial, technical and economic cooperation with the developing countries of Latin America, Asia and the Mediterranean region, and with South Africa;

Whereas in order to strengthen such cooperation, it is necessary, *inter alia,* to encourage mutually beneficial investment, particularly by small and medium-sized enterprises (SMEs);

Whereas the Council has reached a consensus on the importance of the role of the private sector in the development process;

Whereas joint ventures and investment by Community undertakings in developing countries can bring certain benefits for these countries, including the transfer of capital, know-how, employment, the transfer of training and expertise, increased export possibilities and the meeting of local needs;

Whereas a three-year pilot scheme was launched in 1988 to promote, via a European Communities Investment Partners (ECIP) financial instrument, the creation of joint ventures between the Community and countries of Latin America, Asia and the Mediterranean region and was continued and extended for a further three year trial period from 1 January 1992 by Regulation (EEC) No 319/92 [3];

Whereas the Court of Auditors delivered an opinion in December 1993 pursuant to Article 9 (3) of Regulation (EEC) No 319/92 on the implementation of ECIP, which concluded that it meets a real need of which the market takes no or only inadequate account, and made specific recommendations for improvements in its management;

Whereas the European Parliament and the Council have considered the results of the independent appraisal forwarded to them in March 1994 in conformity with Article 9 (2) of Regulation (EEC) No 319/92 which concluded that ECIP has met its principal objective of promoting mutually beneficial investment by Community and local operators in EC/local joint ventures in the countries of Asia, Latin America and the Mediterranean, and that the ECIP instrument should be further continued and reinforced;

Whereas the Council adopted on 25 February 1992 Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America [4] and on 29 June 1992 Regulation (EEC) No 1763/92 concerning financial cooperation in respect of all Mediterranean non-member countries [5];

Whereas the continuation and extension of the instrument is therefore necessary in order that full use may be made of the possibilities of mutually beneficial action in the countries of Latin America, Asia and the Mediterranean region;

Whereas the Council on 19 April 1994 concluded that to encourage Community investments in SMEs in South Africa, advantages equivalent to the ECIP or its follow-up instrument could be granted to South Africa, and that specific financing of this instrument would be provided to that end;

Whereas it is necessary to take account of democracy and human rights issues, and to promote investments which improve working conditions, in particular for women, do not exploit employees and exclude unacceptable practices such as forced labour and slavery;

Whereas the broadest possible participation by undertakings in all Member States should be encouraged;

Whereas all the Member States should be encouraged to participate in the promotion of their investments in the countries of Latin America, Asia, the Mediterranean region and South Africa through financial institutions specializing in development;

[1] OJ No C 287, 15. 10. 1994, p. 7.
[2] Opinion of the European Parliament of 28 October 1994 (OJ No C 323, 21. 11. 1994, p. 497), Council Common Position of 22 May 1995 (OJ No C 160, 26. 6. 1995, p. 8) and Decision of the European Parliament of 28 November 1995 (OJ No C 339, 18. 12. 1995).
[3] OJ No L 35, 12. 2. 1992, p. 1.
[4] OJ No L 52, 27. 2. 1992, p. 1.
[5] OJ No L 181, 1. 7. 1992, p. 5. Regulation as amended by Regulation (EC) No 1735/94 (OJ No L 182, 16. 7. 1994, p. 6).

Whereas a financial reference amount, within the meaning of point 2 of the Statement of 6 March 1995 by the European Parliament, Council and Commission has been inserted in this Regulation for the entire duration of the programme, without the budget authority's powers as defined in the Treaty being thereby affected,

HAS ADOPTED THIS REGULATION:

Article 1

1. As part of its economic cooperation with the countries of Latin America, Asia, the Mediterranean region, and South Africa, the Community shall operate for the period 1995-1999 special cooperation schemes aimed at promoting mutually beneficial investment by Community operators, particularly in the form of joint ventures with local operators in the countries eligible including tripartite operations with other developing countries to promote regional integration.

2. Account being taken of their respective possibilities and needs, SMEs will receive priority in application of the scheme, while large multinational undertakings will be ineligible.

Article 2

The European Communities Investment Partners (ECIP) financial instrument, hereinafter referred to as the 'instrument', shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50 % of the cost of the operation up to a ceiling of ECU 100 000; however, where the operation relates to the preparation of a privatization, or a Build Operate and Transfer (BOT) or a Build Operate and Own (BOO) scheme in infrastructure, utilities or environmental services where an eligible country government or public agency is the beneficiary this facility may be increased to 100 % of the cost of the operation up to a ceiling of ECU 200 000 (Facility No 1);

2. interest-free advances for feasibility studies and other action by operators intending to set up joint ventures or to invest, not exceeding 50 % of the cost up to a ceiling of ECU 250 000, within which pre-feasibility travel costs of ECU 10 000 maximum may be financed by grant (Facility No 2);

3. capital requirements of a joint venture or a local company with licensing agreements, in order to meet investment risks peculiar to developing countries, through participation in the provision of equity or by equity loans not exceeding 20 % of the joint venture's capital up to a ceiling of ECU 1 million (Facility No 3);

4. interest-free advances and grants not exceeding 50 % of the cost up to a ceiling of ECU 250 000, for training, technical assistance or management expertise of an existing joint venture, or joint venture about to be set up, or of a local company with a licensing agreement (Facility No 4).

The aggregate amount made available under Facilities Nos 2, 3 and 4 may not exceed ECU 1 million per project.

Article 3

1. The financial institutions shall be selected by the Commission, further to the opinion of the Committee, defined in Article 9, from among development banks, commercial banks, merchant banks and investment promotion bodies.

2. Financial institutions which have submitted proposals in accordance with the criteria defined in Article 6 will receive fees in accordance with arrangements to be determined by the Commission.

Article 4

1. With regard to Facility No 1 set out in Article 2, financing applications may be submitted either directly to the Commission by the institution, association or body carrying out the identification of partners and projects, or through a financial institution.

2. In the case of Facilities Nos 2, 3 and 4 set out in Article 2, applications may be submitted by the undertakings concerned solely through the financial institutions defined in Article 3. Community funds for the participating undertakings shall be applied for and provided exclusively through the financial institution.

3. With regard to Facility No 2 set out in Article 2, the financial institutions and undertakings shall be required to share the project risk; where the action is successful, however, the Community contribution may be more than 50 % and up to 100 % of the cost for SMEs.

4. In the case of Facility No 3 set out in Article 2, the financial institutions shall provide financing at least equal to that provided by the Community. This facility shall be reserved, where the Community is concerned, for SMEs; exceptions will be possible in cases for which specific justification is provided having particular significance for development policy, for instance technology transfer.

5. In the case of Facility No 4 set out in Article 2 interest-free advance finance will be provided as regards the costs of training, technical assistance and management expertise, and, for SMEs only, the costs of training, technical assistance and management expertise provided by external sources or by the European partner to the joint venture shall be eligible for grant finance under this facility.

6. Framework agreements signed by the Commission with the financial institutions shall explicitly stipulate that the Court of Auditors has the power, in accordance with Article 188c of the Treaty, to audit the operations of these institutions with respect to financial projects funded by the general budget of the European Communities.

Article 5

1. Contributions awarded under the instrument shall, depending upon the circumstances and pursuant to Article 2, be either grants or interest-free advances, or participations in the provision of equity or equity loans.

Participation in the equity or equity loans shall in principle be acquired or provided by the financial institutions on their own behalf. However, in exceptional cases,

— where the financial institution cannot intervene in its own name for regulatory or legal reasons or because of its statutes; or

— where the Community's direct financial participation is necessary to reinforce in a decisive manner the capacity of the promoters to raise other financial resources which could not normally be moblilized due to the particular political situation or to specific legal obstacles in the host country of the joint venture;

the Commission may authorize a financial institution to hold a direct participation on the Community's behalf.

Only projects with a particular development or environmental impact or significance for technology transfer shall qualify for such direct participation.

The commercial, industrial, investment and financial decisions of the joint undertakings set up under the instrument shall be taken exclusively by those undertakings.

2. For Facility No 2 set out in Article 2, interest-free advances shall be reimbursed according to the arrangements to be determined by the Commission, on the understanding that the final repayment periods are to be as short as possible and shall in no instance exceed five years. Such advances shall not be refundable where the actions have produced negative results.

3. For Facility No 3 set out in Article 2, participations by virtue of this instrument shall be disposed of at the earliest opportunity once the project becomes viable, having to the Community's rules of sound financial management.

4. Equity loan and advance repayments, the realization of participations, and interest and dividend payments will be accounted for by recovery orders and paid back to the general budget of the European Communities. This will be done on an annual basis after the annual audit provided for in Article 10 (3), in reconciliation with the budget accounts as at 31 December of that year and the amounts involved will be reported in the progress report for that year provided for at Article 10 (1). All assets held by the financial institution are to be paid back to the Community if the institution ceases to be associated with the instrument or if the instrument ceases to operate.

Article 6

1. Projects shall be selected by the financial institution or, in the case of Facility No 1 set out in Article 2, by the Commission and the financial institution, in the light of the appropriations adopted by the budget authority and on the basis of the following criteria:

(a) the anticipated soundness of the investment and the quality and good repute of the promoters;

(b) the contribution to development, in particular in terms of:

— impact on the local economy;

— creation of added value;

— promotion of local entrepreneurs;

— transfer of technology and know-how and development of the techniques used;

— acquisition of training and expertise by managers and local staff;

— implications for women and improvement of their working conditions;

— creation of local jobs with conditions of work which do not involve exploiting employees;

— impact on the balance of trade and balance of payments;

— impact on the environment;

— manufacture and supply to the local market of products hitherto difficult to obtain or substandard;

— use of local raw materials and resources.

2. The final financing decision shall be taken by the Commission, which shall verify compliance with the criteria set out in paragraph 1 and compatibility with Community policies, in particular development cooperation policy, and the mutual benefit to the Community and the developing country concerned.

Article 7

Countries eligible shall be the developing countries of Latin America, Asia and the Mediterranean regions which benefit from Community development cooperation measures or which have concluded regional or bilateral cooperation or association agreements with the Community, and South Africa.

Article 8

The financial reference amount for the implementation of this programme, for the period 1995-1999, is ECU 250 million.

Annual appropriations shall be authorized by the budgetary authority within the limit of the financial perspective.

Article 9

1. The Commission shall implement the instrument in accordance with this Regulation.

2. In carrying out this task, the Commission shall be assisted, as appropriate, by the Committee set up under Article 15 of Regulation (EEC) No 443/92 or by the Committee referred to in Article 7 (1) of Regulation (EEC) No 1763/92, and these Committees shall also deal, for the purposes of ECIP, with matters related to South Africa, in the absence of a specific Committee.

3. The following shall be adopted under the procedure laid down in paragraph 4:

— the choice of financial institutions in the light of their experience and aptitude for making a preliminary selection of the projects in accordance with the criteria set out in Article 6;

— revision of the amounts and/or financing conditions under each facility and the aggregate amount available under Facilities 2, 3 and 4 as laid down in Article 2 in a way consistent with other provisions of this Regulation.

4. With regard to the matters mentioned in paragraph 3, the representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions, which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States, within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of one month from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

5. Furthermore, the Committee may examine, at the Commission's initiative or at the request of one of its members, any question connected with the implementation of this Regulation; in particular:

— information on the projects funded over the previous year;

— the terms of reference of the independent appraisal provided for in Article 10;

— any other information which the Commission wants to submit to it.

6. In order to ensure consistency of cooperation and to improve complementarity between operations, the Commission and the European Investment Bank shall exchange any relevant information on financing that they envisage granting.

7. The Commission will ensure that due account is taken of relevant information concerning the implementation of ECIP as well as comparable instruments of the Community such as JOPP, Alinvest, Medinvest, and others as appropriate, in order to establish a coordinated approach to promote private investment in developing countries.

Article 10

1. The Commission shall send to the European Parliament and to the Council, by 30 April each year at the latest, a progress report showing the projects selected and their economic impact, notably total investment, the number of joint ventures and jobs created as well as the appropriations granted and the repayments to the general budget of the European Communities and including annual statistics for the previous year.

2. The Commission shall forward the results of an independent appraisal of the instrument to the European Parliament and the Council before the end of 1998.

This report must permit an assessment of the implementation of the principles of good financial management, economy and a cost/benefit analysis of the instrument.

3. Without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities, the Commission shall obtain each year an independent financial audit of the financial institutions and of the Facility 1 beneficiary organizations, as regards the ECIP funds that they have received. The Commission shall make specific provision in the framework and specific financing agreements for anti-fraud measures, in particular a mechanism for the recovery of advances which are not fully justified after such audit.

4. Use of external technical assistance may be made, as appropriate, on condition that the technical assistance financed is directly linked to the special nature of the ECIP instrument and is of direct benefit to the Alamed countries and South Africa. The costs of such technical assistance shall be limited to 5 % of the budgetary credits available, not including the fees paid to the financial institutions which shall be imputed to the credits allocated to each individual action financed.

Article 11

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities* and shall expire on 31 December 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 January 1996.

For the Council

The President

S. AGNELLI

ECIP

EUROPEAN COMMUNITY INVESTMENT PARTNERS

PROGRESS REPORT 1996

62

EXECUTIVE SUMMARY

ECIP's primary objective is to facilitate the creation, in eligible developing countries of Asia, Latin America and the Mediterranean and South Africa (ALAMEDSA), of private joint ventures that will contribute to the economic development of the countries concerned. To this end it has been designed to provide financial support to joint ventures at all stages of their development. Support is provided by five financing facilities each targeting a different stage in the creation and early life of a joint venture.

ECIP was started in 1988 to run for a three year pilot period to 1991 with MECU 30 budget. The success of ECIP during its first three years led to the scheme being given a formal legal and budgetary basis with the adoption by the Council of Ministers on 3rd February 1992 of Regulation (EEC) N° 319/92. The Regulation provided for a further three year trial period and increased budgetary resources (ECU 31.4m for 1992 and ECU 39m for each of 1993 and 1994) were made available. The Regulation expired on 31st December 1994, but the Council and Parliament approved the continuation of ECIP on the same basis in 1995 with a budget of MECU 42.

On 29th January 1996 the Council approved a new ECIP Regulation N° 213/96. The new Regulation carries forward the main features of the previous ECIP Regulation and also incorporates: a) improvements to the detailed conditions of the existing financial facilities; b) a new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects; c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and d) provisions for reinforced information, and for coordination with other EU investment promotion actions. And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive. The validity of the new regulation is for a five year period until end-1999.

From 1988 to end-1996 the Commission has received 2666 formal requests for ECIP financing of which 1882 have been approved for MECU 219,1 of ECIP financing. In 1996 the number of requests for ECIP financings stabilised. The MECU volume of funds requested declined marginally by 3% from MECU 87,0 in 1995 to MECU 84,1 in 1996. And, following large increases in previous years, the number of financing requests declined by 17% to 525 in 1996. Nevertheless ECIP consumed all the 1996 budgetary credits available to it and approved a further 343 actions for MECU 47,0 finance in 1996.

In 1996 ECIP has encountered procedural complications and delays within the Commission's services. In particular following comments from the European Court of Auditors the Commission's administrative and legal services decided that from 1996 that each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. As a result the time lag between making a financing request and receiving a specific contract increased from 3 to 6 months between end-1995 and end-1996 and this has seriously reduced ECIP's responsiveness to beneficiaries' requests and severely discouraged their demand for ECIP finance.

In 1995 and into 1996 as the discussions continued between the Commission and the Council and the Parliament on the continuation of ECIP, the Commission did not attempt to promote increased demand for ECIP. In 1996 the Commission's focus was on improving management capacities to reinforce financial management, audit, reporting and anti-fraud measures. Pending the expansion of the capacity to manage the increased volumes, despite over 200 expressions of interest from new Financial Institutions (FIs) the Commission recruited only one new FI to the ECIP network in 1996 and many FIs outside the ECIP network who had applied were requested to wait until after the Technical Assistance was put into place. In 1996 108 FIs were in the ECIP network.

On February 1st and 2nd 1996 the Commission hosted a major conference in Brussels. Vice President of the Commission Mr Manuel Marín opened the conference in a keynote speech stressing that ECIP is now part of a wide set of programmes managed by the Commission to encourage economic cooperation between EU and Asian, Latin American and Mediterranean business operators. The guest of honour, Mr Jannik Lindbaek, Executive Vice President of the International Finance Corporation, underlined the importance of the ECIP instrument, and of the cooperation between ECIP and the IFC. This two-day conference was attended by over 200 bankers coming from over 80 EU and ALAMEDSA Financial Institutions in the ECIP network.

In the context of total private capital flows of over ECU 225 billions to the developing world in 1996 the annual ECIP funding of ECU 50 millions (1996) remains modest. But the focus of ECIP on match-making and project identification (Facility 1), feasibility studies (Facility 2), and on training and management (Facility 4) enhances ECIP's financial multiplier effect and orients ECIP towards upgrading the development quality and the economic impact of the flow of private investments to developing countries.

On the basis of detailed analysis of 608 of the individual detailed Final Reports on 608 individual ECIP actions the Commission estimates that each ECU of ECIP financing is associated with over 10 ECU of investments in the developing countries. ECU 172 millions of ECIP actions executed are reported to be associated with about ECU 1,8 billions of private investment projects. Over 18.000 EU and local firms have been involved as partners in these actions. 1162 joint ventures are reported to have been created. And over 29.000 jobs are reported to have been created in these joint ventures. The Commission still maintains a critical reserve on these findings and has launched the international tender for the "Independent Appraisal of ECIP" foreseen in Article 10 para 2 of the Regulation whose purpose is to confirm and evaluate these results.

In the framework of the Commission's Sound and Efficient Management Programme (SEM 2000) during 1996 the Commission implemented three major reinforcements to its financial management, audit and reporting capabilities which had been proposed in 1994 to the Council and Parliament and approved as a part of the new ECIP Regulation. These innovations were: (i) an Independent Financial Audit; (ii) anti-fraud measures; and (iii) a Technical Assistance Unit.

The Commission hereby presents its progress report on ECIP in respect of 1996. The report comprises five detailed sections. Part One is an introduction that rehearses the background to the instrument, how the instrument works and the general policies adopted by the Commission in operating the programme. Part Two describes major developments in ECIP that occurred in 1996 and analyses ECIP actions in 1996 (and over the period 1988 – 1996) by sector, geographical region, facility and financial institution. Part Three contains a set of estimates and analyses as regards the economic impact of ECIP. Part Four provides a description of the substantial additional measures introduced by the Commission 1996 to reinforce financial management of ECIP. Finally, Part Five provides detailed statistical annexes and other information.

ECIP PROGRESS REPORT 1996

CONTENTS

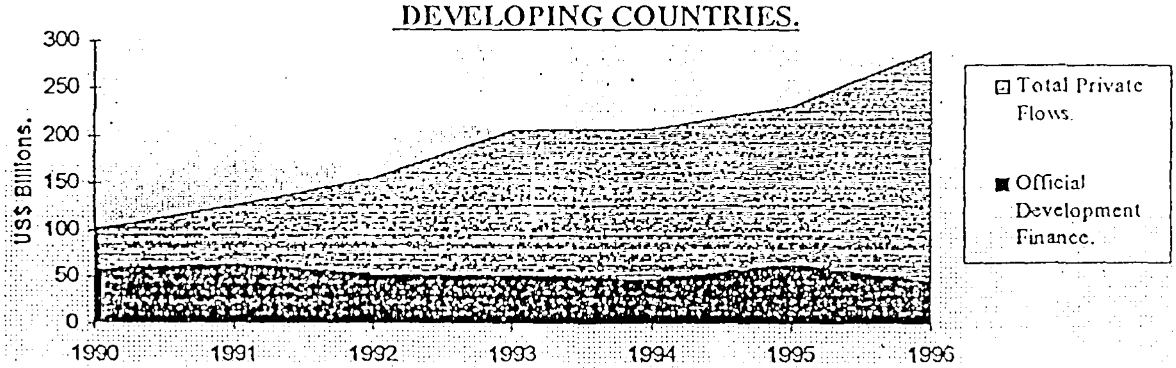
PART ONE

THE ROLE OF FOREIGN DIRECT INVESTMENT (FDI) AND ECIP IN THE DEVELOPMENT PROCESS

1.1. DEVELOPMENT FINANCE AND FOREIGN DIRECT INVESTMENT (FDI): THE ROLE OF THE PRIVATE SECTOR IN THE DEVELOPMENT PROCESS.

The 1990's have seen a huge increase in the net financial flows to the developing countries from US$ 100 billions in 1990 to over US$ 285 billions in 1996. All of this major increase has been in the flows of private resources. While public Official Development Assistance from developed governments has remained at ±US$ 60 billions each year between 1990 and 1996, private flows have increased more than five fold in that period to total over US$ 225 billions in 1996. In 1990 private capital flows were less than public ODA flows, but by 1996 they represented five times ODA.

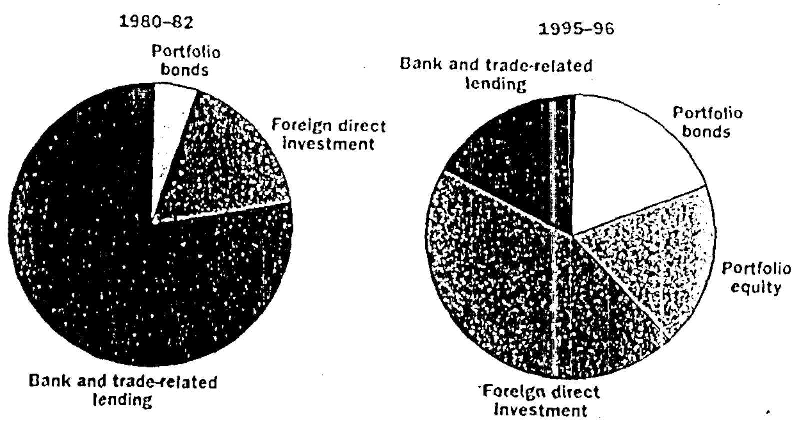
AGGREGATE NET LONG TERM RESOURCE FLOWS TO DEVELOPING COUNTRIES.



(Source = Private Capital Flows to Developing Countries. World Bank, 1997).

In the same period there has also been a remarkable broadening in the composition of private capital flows to developing countries. Whereas previously commercial bank lending used to account for more than 65 percent of all private flows, Foreign Direct Investment (FDI) has now emerged as the most important component of private capital flows. And, starting from a negligible level in 1989, portfolio flows - both bonds and equities - have increased sharply so that in 1995-96 they accounted for more than a third of total private capital flows.

Composition of Net Private Capital Flows to Developing Countries, 1980–82 and 1995–96



Source: World Bank data.

Source: World Bank, Private Capital Flows to Developing Countries, 1997.

A factor encouraging these increases has been the sustained improvement in the domestic economic fundamentals in many developing countries following their shift towards more free market and liberal economic policies. The resulting growing capital requirements for privatisation, private investment, and private infrastructure financing cannot be met from official development finances sources, and private financial markets have attempted to meet these demands. Private financial flows are at the leading edge of the trend towards globalisation of trade and production.

Private capital flows and the FDI component of them are highly concentrated on a few large developing countries. During the early nineties (1990-95) just a dozen countries (China, Mexico, Brazil, Korea, Malaysia, Argentina, Thailand, Indonesia, Russia, India, Turkey and Hungary) accounted for over 80% of net private flows, and the majority (140) of the 166 developing countries accounted for less 5% of private capital net flows to developing countries.

The destination for private capital flowing to the developing economies has also shifted away from governments to the private sector. Borrowing by the public sector now accounts for less than a fifth of total private flows. The bulk of capital flows to developing countries is passing through market channels to private investments which represent an increasingly dominant proportion of net investment in the developing countries as the roles of both the state and of Official Development Assistance (ODA) decline both in relative and in absolute real terms. It is in this context that the role of ECIP is particularly important to improve the developmental quality of these private financial flows.

1.2. ECIP - A EUROPEAN UNION RESPONSE TO THE NEEDS OF PRIVATE SECTOR INVESTORS.

ECIP provides co-financing to help develop mutually beneficial private investment actions in which EU and local operators are cooperating in joint ventures in developing countries. ECIP acts as a catalyst to improve the quality and the volume of Foreign Direct investment (FDI) in the developing countries of Asia, Latin America, the Mediterranean and South Africa (the ALAMEDSA countries).

ECIP has been designed to provide support to EU/ALAMEDSA joint ventures at all stages of their development through five financing facilities each targeting a different stage in the creation and the early life of a joint venture (see next section).

ECIP has two distinctive features which are particularly appropriate to private investors. It is a decentralised instrument offered as a financial product through a network of Financial Institutions (FIs). And it its a market demand-driven instrument since no priority sectors or regions are "a priori" earmarked. Allocation of funds is on the basis of the quality of applicants and the positive development impact of their proposed investments. There are no programmed quotas by facility nor by country.

With these parameters the Commission started implementing ECIP in 1988. The original ECIP scheme was for a three year trial period (1988-1991). Then the geographical scope of the instrument was limited to 28 countries in Asia, Latin America and the Mediterranean, with a MECU 30 budget for a three year period. The success of ECIP during that trial period led to the scheme being given a formal legal and budgetary basis by the Council of Ministers in February 1992 with Regulation (EEC) No. 319/92. This provided for a further three year trial period (1992-94). Increased budgetary resources were made available by the budgetary authority (MECU 31,4 for 1992 and MECU 39 for each of 1993 and 1994). This Regulation expired in December 1994. From December 1994 until January 1996, ECIP continued to work on the basis of an extension of the 1992 Regulation. The second ECIP Regulation was finally adopted by the Council on 29 January 1996. This new ECIP regulation is valid for five years and includes an indicative financial reference amount of MECU 250 for the five years (1995 to end-1999). 57 ALAMEDSA countries are presently beneficiaries of the scheme being the countries of Asia, Latin America, and the Mediterranean which presently "benefit from Community development cooperation measures." South Africa has been included in ECIP since 1994.

1.3. PROCEDURES AND POLICIES: HOW ECIP WORKS.

1.3.1. Procedures

ECIP support is provided by five financing facilities each targeting a different stage in the creation and early life of a joint venture. The terms and conditions of the financing available vary between facilities, as the table below shows regarding the ECIP facilities available in 1996. Total financing under Facilities 2, 3 and 4 for any given project is limited to ECU 1M.

E C I P

European Community Investment Partners

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 1B
Type of operation	Identification of potential joint venture projects and partners	Feasibility studies or pilot projects	Joint venture capital requirements	Training, technical or management assistance	Preparation of a privatization or a Build Operate Transfer (BOT) or a Build Operate Own (BOO) scheme in private infrastructure, utilities or environmental services
Beneficiaries	Chambers of commerce, professional associations and ECIP financial institutions representing a group of companies Individual companies may not benefit from this facility	Companies wishing to undertake a joint venture, a privatization or a private infrastructure project	Joint ventures established in the Alamedsa countries with locals by EU partners, or local companies which operate under a licensing and technical assistance agreement with an EU company		Alamedsa governments and public agencies
Type of ECIP finance	Grant of up to 50% of the eligible costs	Interest-free advance of up to 50% of the eligible costs	Equity holding or equity loan of up to 20% of the incremental capital of the joint venture	Interest-free loan for large companies, or a grant for small and medium-sized companies, of up to 50% of the eligible costs	Grant of up to 100% of the eligible costs
			The financial institution must cofinance the project		
Maximum amount available	ECU 100 000	ECU 250 000 (within this amount 50% of pre-feasibility travel costs may be financed up to ECU 10 000)	ECU 1 000 000	ECU 250 000	ECU 200 000
		The maximum total support per project is ECU 1 000 000			
Access	The beneficiary may apply either directly to the EC or through an ECIP financial institution	Application must be made through an ECIP financial institution			The beneficiary may apply either directly to the EC or through an ECIP financial institution
How to apply	1. Use of the ECIP application forms is required. 2. Obtain application form and latest list of financial institutions from EC (Brussels fax: (32 2) 299 02 04) or an ECIP financial institution. 3. Complete the application form including all required annexes and explanations. 4. For facilities 1 and 1B apply directly to the Commission or through an ECIP financial institution. 5. For facilities 2, 3 and 4 it is required that all applications are channelled through an ECIP financial institution. The European Commission will not deal with facilities 2, 3 or 4 applications which are not channelled through an ECIP financial institution.				

The Facilities are managed in a decentralised way through a network of financial institutions and investment promotion bodies. Applications for financing under Facilities 2, 3 and 4 must be made through one of the financial institutions (hereinafter referred to as "FIs") in the ECIP network (see annexes for the latest list). The FIs are commercial, merchant or development banks. For example, all the EU member states' development banks are in the ECIP network and they play a key role in running the scheme, but membership of the network is open to any bank, subject to the opinion of the ECIP Committee in Brussels. The network of FIs represents one of the distinctive features of the ECIP scheme: namely, its decentralised mode of operation which emphasises subsidiarity. The FIs operate the scheme in accordance with their usual procedures within overall controls set out in a Framework Agreement signed between each FI and the Commission. The system enables the Commission to ensure a consistency in delivery of the instrument while profiting from the FIs' financial expertise and local knowledge. In addition, the local presence of FIs in the eligible (ALAMEDSA) countries ensures that local businesses seeking to attract foreign investment can gain access to ECIP through an institution close to their place of business.

Applications for financing under Facility 1 may be made either directly by the eligible applicant organisation to the Commission, or through an FI the same way as for Facilities 2, 3 and 4.

Applications for the new Facility 1B for "Preparation of Privatisation of Private Infrastructure" studies must come from the eligible country (ALAMEDSA) government or public authority applying to the Commission.

The Commission retains the final decision on each action financed. All proposals received by the Commission are discussed at the monthly ECIP Steering Committee in Brussels, an internal Commission working Committee which comprises members of the relevant Commission services. So every month the Steering Committee delivers an opinion on the basis of which the Commission takes a position on each financing request and informs the beneficiaries.

The practice followed once funding has been approved depends on the type of case:

(i) Where an application has been made directly to the Commission by an eligible body under Facility One such as a Chamber of Commerce of investment promotion agency, or by an ALAMEDSA government or public agency in the case of Facility 1B, the Commission concludes a financing agreement directly with them that provides for the moneys to be disbursed by the Commission in instalments.

(ii) Where an application has come through an FI (i.e. in all other cases), a financing agreement is signed with the FI. This sets out the conditions under which the Commission wishes the FI to disburse the funds to the final beneficiary (usually in instalments). The total amount of the ECIP contribution is then transferred by the Commission to the FI. The FI then enters into a "back to back agreement" with the final beneficiary, and disburses the ECIP contribution to the final beneficiary according to the agreed schedule and conditions.

Where the case is under Facility 3, the EC funds will be disbursed by the FI to the joint venture beneficiary in exchange for share certificates or other documents evidencing the participation taken in the capital of the joint venture in question. These certificates will normally be in the name of the FI, and held by the FI on behalf of the EC (called "indirect participation"). In certain cases, statutory consents may prevent such indirect participation via the FI. The ECIP Committee approved guidelines in 1992 allowing the EC to take a direct participation in the joint venture in such cases (see also below).

The Commission services have established ECIP as an ongoing continuous financial instrument. From 1988 to end-1996, 2666 separate individual financing requests have been received and processed in this way. The ECIP Steering Committee meets monthly and the Commission approves them in monthly batches in order to give a continuous and relatively rapid service to the FI and so to the private investors who are the final beneficiaries.

1.3.2. Policies

As provided for in the ECIP Regulation, the Commission has two essential conditions which must be met before an action is approved. First, the action should, given reasonable expectations, have a chance to be financially viable. Secondly, the action should contribute to local economic development. In meeting these conditions, the instrument is intended to be as flexible and as market-driven as possible. Formal restrictions placed upon the instrument are those in the ECIP Regulation (213/96) excluding large multinational firms from the benefit of ECIP, giving some preference to SMEs (small and medium-sized enterprises) and the condition that actions must relate to joint ventures with at least one European partner and one partner from the eligible country. ECIP does not exclude large companies since their stronger management and financial capacities mean that they can invest in more difficult situations with a positive impact on the development of least developed regions. In addition, projects approved by the Commission have to be compatible with overall Community policy and with the developmental criteria set out in the Regulation.

The Commission has continued the approach noted in the previous reports of facilitating implementation of the scheme by avoiding unnecessary constraints. For example, no priority sectors are identified, there are no geographical quotas, nor are there quotas limiting the number of actions per Facility. Each project is judged on its own merits in accordance with the Regulation.

In 1996 the Commission has continued with the specific operational policies outlined in previous progress reports:

i) The Commission has continued its ongoing information programme for promotion of the instrument (see below).

ii) In setting priorities for such promotion activities, the Commission is mindful of the fact that, while the scheme is available to operators in all the beneficiary countries and the member states in the same way, ECIP will be more effective in countries which have shown themselves to be open to foreign investment.

iii) In addition, in accordance with the Council's wishes, the Commission, while preserving the essentially market driven nature of the instrument, tries to ensure a wide and balanced geographical spread of active FIs in its network. This helps ensure that firms' access to ECIP is not impeded by a lack of representation, or inadequate representation, in any given region. Therefore, while the Commission does not require banks to join the network, it has given priority attention to applications from new FIs in countries or regions, in both the member states and the eligible countries, where representation has to date been limited. The Commission has also kept the quality and performance of the existing FIs under continuous review, to ensure that all FIs are effective in offering ECIP to their local business communities (see below).

iv)The Commission has reinforced the orientation of the scheme towards small and medium-sized enterprises ("SMEs"). By their very nature all the Facility One actions are oriented towards SMEs. And over 80% of all the Facility Two, Three and Four actions approved since 1988 have concerned beneficiary SME firms. This reflects the provisions of the Regulation, which provides for SME applications to have a priority status but without excluding larger firms, most notably in cases concerning particular development benefits such as technology transfer which larger firms are better equipped to deliver. However, large multinational undertakings are expressly excluded by the Regulation.

Furthermore since January 1996 under the new Council regulation (213/96) SMEs benefit from two additional specific financial advantages under ECIP. Firstly, under Article 4, para 3 an increase of Facility 2 financing for feasibility studies and pilot actions above 50% is provided for and limited to SMEs. And, secondly, under Article 4 para 5 SMEs can obtain Facility 4 funds as a grant - while larger companies can only obtain an interest-free advance.

v) As in previous years, the Commission continued to focus ECIP activities on Facility 1, 2 and 4 actions. This does not mean that Facility 3 was discarded in 1996. Indeed the high success rate and high financial multiplier effect of the Facility 3 actions implemented 1988-96 suggest that the emphasis on Facility 3 should be reinforced in future. The Commission's main objective is to use ECIP funds in ways that best encourage joint venture creation with a maximum multiplier effect where other sources of financing are least available.

vi) During 1996 the new grant Facility 1B of ECIP has been introduced to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa to prepare privatisation and private infrastructure (PPI) projects and to improve their local development effects. By providing front-end grant finance at the preparation stage, the EC aims to improve the changes for successful completion of the PPI project, reduce costly duplication of preparatory steps and to expand the opportunities for European businesses to participate in the PPI process.

The 1B facility has shown slow implementation for a variety of reasons: i) the large multinational companies which execute most of these projects are excluded from ECIP; ii) the amount ECU 200.000 is too small vis à vis the cash needs of most major privatisation projects; and iii) and the Commission has been particularly careful to make sure that the local policy and institutional frameworks justify this 100% grant financing and this policy analysis and dialogue delays and complicates implementation. The Commission is studying these problems, and seeking solutions. If they cannot be resolved the Commission may have to consider abandoning this facility.

Overall ECIP remains a comprehensive and integral scheme and now also encompasses privatisation and private infrastructure. It covers all stages in the process of creating a joint venture, from identification of projects through feasibility studies to equity funding and ongoing training. This is an important and unique feature of ECIP which is maintained and indeed reinforced in the Council's 1996 regulation for the continuation of the instrument until end-1999.

PART TWO

ECIP ACTIVITY REPORT FOR 1996

2.1 IMPROVEMENTS IN THE NEW ECIP REGULATION APPROVED ON 29th JANUARY 1996

The approval by the Council on 29th January 1996 of the new ECIP Council Regulation (EC) N° 213/96 (O.J. L.28/2 of 6.2.1996, see annex) allowed the Commission to begin to implement further improvements to ECIP during 1996. The new Regulation carries forward the main features of the previous ECIP Regulation and also incorporates:

a) improvements to the detailed conditions of the existing financial facilities;

b) the new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects;

c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and

d) provisions for reinforced information, and for coordination with other EU investment promotion actions such as the JOP, ALINVEST, MEDINVEST, ASIAINVEST, the South Africa Business Council, the systems managed by DG XXIII (BCNET, BRE, Euro-info Centres etc.) as well as with the European Investment Bank's risk capital activities.

And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive.

The validity of the new Regulation for a five year period until end-1999 is allowing the Commission thoroughly to implement the reinforcements foreseen for financial management which are described in later sections of this report (especially Part Four).

The specific improvements in the ECIP financing facilities since January 1996 are as follows:

Facility One "B":
This Facility has been enlarged to cover operations which relate "to the preparation of a privatisation, or a Build Operate Transfer (BOT) or a Build Operate Own (BOO) scheme in infrastructure, utilities or environmental services". In such cases ALAMEDSA governments or public agencies in those countries can access Facility One to finance evaluation studies and preparation of tender documents by an EU consultant. In such cases, the condition is that any subsequent tender process is open to international including EU operators, and Facility One support is increased to 100% of the cost of the action up to a ceiling of ECU 200,000.

Facility Two:
The new ECIP regulation provides that, within the overall financing limit of ECU 250,000 for Facility Two, a grant of up to ECU 10,000 is available to finance 50% of the cost of a pre-feasibility mission by the final beneficiary as a preliminary to financing the full feasibility study or pilot project.

In proposing this modification, the Commission had taken account of the fact that individual companies may need assistance at the pre-feasibility stage (for instance, in identifying a partner) directly, rather than through an organisation such as a chamber of commerce under Facility One. In addition, effective support at this stage now enables project sponsors either to "filter out" at once any unviable proposals and so avoid unnecessary expenditure on a full feasibility study, or better to prepare any subsequent feasibility study. This innovation takes account of similar provisions under the EC's JOP financial instrument for the PHARE and TACIS countries.

The SME orientation of ECIP has been reinforced by the provision (Article 4 para 3) whereby "where the action is successful, the Community contribution may be more than 50% and up to 100% of the cost for SMEs."

Facility Four:
The Commission in 1994 proposed to change the type of finance for Facility 4 to a grant from the previous interest free advance. The Council Regulation has approved this proposal but limited such grant financing to (SMEs) small and medium-sized enterprises (larger enterprises can still obtain an interest free advance under Facility Four). This responds to comments expressed frequently by business operators and the FIs that, since employees who benefit from training programmes can subsequently leave the employment of the joint venture, expenditure on training should attract grant and not loan finance.

Since the new ECIP Regulation was approved just at the beginning of 1996 (29.1.96) the new financing conditions (and other changes) of Regulation 213/96 have been applied to all new ECIP actions approved for finance in 1996.

2.2 FINANCING REQUESTS, APPROVALS AND CONTRACTS AND PROBLEMS IN THEIR IMPLEMENTATION.

The following sections provide a strategic commentary on the detailed statistical tables in the annexes to this report (see Part Five).

Financing Requests

During 1995 and into 1996 as the discussions continued between the Commission and the Council and the Parliament on the continuation of ECIP, the Commission did not attempt to promote increased demand for ECIP. In 1996 the Commission's focus was on improving management (Technical Assistance) capacities to reinforce financial management, audit, reporting and anti-fraud measures. Pending the expansion of the capacity to manage the increased volumes, despite of over 200 expressions of interest from new Financial Institutions, the Commission recruited only one new FI to the ECIP network in 1996 and many FIs outside the ECIP network who had applied were requested to wait until after the Technical Assistance was put into place.

ECIP encountered procedural complications and delays within the Commission's services. Following comments from the European Court of Auditors the Commission's administrative services decided that from 1996 each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. From 1996 this procedure delayed the replies to beneficiaries by several months and so discouraged demand for ECIP finance. At the same time the Commission's services have become more rigid in applying all the detailed contractual criteria before issuing any contracts.

As a result of this conservative policy in 1996 the number of requests for ECIP financings stabilised. The MECU volume of funds requested declined marginally by 3% from MECU 87,0 in 1995 to MECU 84,1 in 1996. And, following large increases in previous years, the number of financing requests declined by 17% to 525 in 1996.

There was decline in the number of requests for Facilities One and Two. A similar number of requests for Facility Three were received in 1996 as in 1995. And there was a significant threefold increase in the demand for Facility Four probably due to the new grant financing conditions introduced by the new Regulation.

Number of ECIP Financings requested

	1995	1996
Facility 1	194	144
Facility 2	388	302
Facility 3	37	35
Facility 4	15	44
Total	634	525

Nevertheless in 1996 ECIP still consumed even earlier (October) in the 1996 budgetary year than in previous years all of the MECU 50 budgetary credits available to it in 1996 (see part four below) and the Commission was obliged to "carry over" MECU 14,7 for 106 in principle approvals from November and December 1996 for formal commitment and contract in January 1997 under the 1997 budget appropriations.

Approvals

During 1996, 343 new ECIP financing actions were approved bringing the total cumulative number of individual ECIP actions approved for financing 1988-96 to 1882. Over the 9 years as the Commission's management has become more and more rigorous and, as the growth in financings requested has exceeded the growth in the budgetary credits, the % rate of approval of the financing requests has decreased from an average of 73% during 1988-94 to 70% in 1995 and to 65% in 1996. This does not represent a decline in the quality of applications. Rather, there has been a significant concomitant improvement in both the quality of the applications received and in the rigorousness of their appraisal by the Commission.

ECIP ACTIONS APPROVED (All regions)

	ANNUAL All Regions 1996		CUMULATIVE All Regions 1988-1996	
Facility	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU
1	93	6.370.778	593	32.951.324
2	192	25.087.208	1.086	120.850.923
3	29	12.064.605	132	26.364.119
4	29	3.449.700	71	8.931.836
TOTALS	**343**	**46.972.291**	**1.882**	**219.098.202**

Facility One, probably because most of the requests do not benefit from the management filter and the assistance of the FI, and because a grant is being requested, has had the lowest approval rate of all four facilities at 55% for the period 1988-1996, partly because the Commission is careful to avoid overlapping ECIP finance with similar ALINVEST, ASIAINVEST and MEDA actions. The Facility Two approval rate follows the general trend declining from 74% in 1994 down to 68% in 1995, and to 66% in 1996. Facility Three exhibits an even lower approval rate of 47% for 1995 and 1996 which reflects the Commission's particularly careful policy as regards Fac 3 financings and the rigorous application of the principles of financial additionality, and of the required matching financial contribution from the FI before approving any facility 3.

It is significant to note that demand for Facility Four tripled between 1995 and 1996 – probably due to the introduction of grant financing conditions. But the rate of approvals has fallen from 80% in 1995 to 66% in 1996 because the Commission has been particularly rigorous regarding the provision of a specific and detailed list of persons to be trained and of detailed management assistance actions to be carried out before approving Facility Four grant financings. The administrative and procedural delays within the Commission's services have also contributed to slowing down the implementation of this facility.

Contracts signed

All ECIP "approvals" issued by the Commission require the Financial Institution (FI) and the Final Beneficiary (FB) to accept stringent financial, economic, technical and developmental conditions and to sign specific contract agreements committing them to respect these conditions. That 21% by ECU volume and 14% by numbers of the final beneficiaries either do not accept these conditions or, after signature of the contract, decide that they cannot fulfil them and so renounce the financing is a reflection of the "due diligence" during implementation by all parties. In this context it should not be forgotten that in all cases the Final Beneficiaries have to cofinance at least 50% (Fac 1,2 and 4) of the action costs, and in the case of Facility 3 at least 60%. Furthermore for Facilities 3 and 4 the Financial Institution must also provide funds to match the cofinance from the ECIP funding.

Given these factors, combined with practical difficulties for ECIP Final Beneficiaries to execute ECIP actions and to invest in developing countries it is normal that the overall rate of execution of ECIP contracts in not 100%. 81% of the actions by the end of 1996 had been the subject of specific signed contracts. If Facilities 1,2 and 4 are considered apart from Facility 3 then this figures rises to 90%. And a large part of the 10% represents 183 contracts which were in the process of signature as at 31.12.96.

ECIP ACTIONS APPROVED AND CONTRACTED (1988-96)

Facility	Actions approved up to 31.12.96	Contracts signed	Contracts as a % of Approvals
1	593 (100%)	531	90%
2	1,086 (100%)	884	81%
3	132 (100%)	59	45%
4	71 (100%)	52	73%
Totals	**1,882 (100%)**	**1,526**	**81%**

Facility 3 is quite different from the other facilities in that only about half (45% as at 31.12.96) of the approved financings actually lead to signed contracts. This is normal for three important reasons: (i) the various cofinanciers (EU partner, local partner, and FI) are all required actually to provide proof of their cash commitment; (ii) the legal documentation is costly and often difficult to agree; and (iii) the Commission and the FI are particularly diligent as regards fulfilment of all the technical, economic, legal and financial conditions for Facility 3 actions. A one in two rate of signature and disbursement is normal for development risk capital actions.

2.3 GEOGRAPHICAL DISTRIBUTION

Detailed information on ECIP actions broken down by region appears in the Annexes Part Five. Herewith please find some strategic comments on these trends.

1996
APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	165	48%	24.062.012	51%
Latin America	115	33%	13.672.557	29%
Mediterranean	45	13%	4.653.030	10%
South Africa	13	4%	4.266.285	9%
Multiregional	5	2%	318.407	1%
Total	**343**	**100%**	**46.972.291**	**100%**

Asia as, in previous years, in 1996 remained the lead region for ECIP actions. Asia accounted for 48% of projects approved, and 51% of amounts approved. The 1996 results show an increase in the share for Asia compared to previous years (1988-95), when Asia accounted for 44% of approved projects and 40% of amounts committed. Asia accounts for over 75% of the population of the ALAMEDSA countries and over 40% of the GNP.

1988 – 1996
CUMULATIVE APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	841	45%	103.575.344	47%
Latin America	588	31%	63.701.435	29%
Mediterranean	389	21%	43.350.863	20%
South Africa	35	2%	7.126.176	3%
Multiregional	29	1%	1.344.384	1%
Total	**1.882**	**100%**	**219.098.202**	**100%**

Latin America accounted in 1996 for 31% of the number of projects approved and 29% of the ECU value of ECIP financing. On a cumulative basis 1988-96 it absorbed 31% of the numbers approved and 29% of the value of ECIP financings. Latin America accounts for 12% of the population and 37% of the GNP of the ALAMEDSA countries as a whole.

The Mediterranean countries by the end of 1996 accounted on a cumulative basis (1988-96) for 21% of the number of ECIP actions approved and 20% of the ECU volume of financings although this region accounts for only 8% of the population and less than 20% of the GNP of the ALAMEDSA countries as a whole. Nevertheless, despite previous years showing a rise in ECIP approvals for the Mediterranean, in 1996 13% of the number of actions and 10% of the financing volume concerned the Mediterranean. This is partly explained by the fact that there are comparatively fewer ECIP FIs in this region and that the ECIP's activity there is complemented by that of the European Investment Bank (EIB). It clearly indicates that the growth performance, local economic, political, regulatory and legal environments in the Mediterranean are less favourable to incoming european investors than in Asia and Latin America.

Although South Africa only became eligible for ECIP in mid-1994 already by 31.12.1996 MECU 7,1 of ECIP financing had been committed for 35 specific actions approved, and three major local banks integrated into the ECIP FI network.

Despite the tendency for Foreign Direct Investment (FDI) to focus mainly on a few large developing countries (See Part One above) ECIP has itself contributed towards a more widespread geographic distribution of FDI. The geographical distribution of ECIP financings has been widespread with less concentration on the major countries. From 1988 to 1995 only 44% of the total ECIP budget went towards the 7 largest ALAMEDSA economies (Argentina, Brazil, China, India, Indonesia, Mexico and Turkey) although these 7 countries took 74% of all the ALAMEDSA Foreign Direct Investment in the same period. So ECIP has encouraged a wider geographic spread of FDI towards smaller and less developed countries.

2.4 BREAKDOWN BY FACILITY

1996
APPROVALS by FACILITY

	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average ECIP financing in ECU
Facility 1	93	28%	6.370.779	14%	68.503
Facility 2	192	56%	25.087.208	53%	130.663
Facility 3	29	8%	12.064.605	26%	416.021
Facility 4	29	8%	3.449.699	7%	118.955
Total	**343**	**100%**	**46.972.291**	**100%**	**136.945**

The emphasis placed by the Commission on Facilities 1, 2 and 4 and not on Facility 3 (referred to in section 1.2 above) is confirmed from the figures shown above and in Annex (Part Five). Facilities 1, 2 and 4 accounted for 92% of the number of approvals in 1996. This maintains the situation in previous years (1988-95) where Facilities 1, 2 and 4 accounted for 93% of approvals. So Facility 3 represented 8% of the number project approvals in 1996 and 7% in previous years.

During 1996 the average ECU amounts of each Facility remained broadly the same as in previous years. The average size of Facility 3 ECIP financings remained above ECU 400.000 and the average size of Facility 1 and 2 Financings has remained broadly the same over time at ECU 68.000 (Fac 1) and ECU 130.000 (Fac 2). Actual capital requirements for a joint venture greatly exceed pre-start up costs, and also the ECU 1m ceiling on Facility 3, four times higher than that for Facilities 2 and 4 permits larger ECIP commitments per ECIP action.

The trend for low use of Facility 4, noted in previous progress reports has been reversed. Facility 4 approvals in 1996 increased threefold from under 3% of total numbers approved in 1995 to 8+% in 1996. This increase in Facility 4 is probably due to the changed financial conditions in the new Regulation, which since 1996 allow SMEs to obtain grant finance under Facility 4 for human resource development. In ECU amounts this increase in approvals for Facility 4 consumed 7% of the ECIP budget for 1996 as opposed to only 3.6% in 1995.

2.5 SECTORAL ANALYSIS

The breakdown of ECIP approvals by Standard Industrial Classification sector in provided in the annexes.

The breakdown by major sector is as follows:-

SECTORAL BREAKDOWN OF ECIP APPROVALS 1988-96

SECTOR	%
Manufacturing	49
Agriculture and agri-food	20
Services	13
Multisector	7
Mining and energy	6
Transport and communications	3
Construction and Engineering	2
TOTAL	100

With 49% of approved funding from 1988 to 1996 manufacturing has been lead sector for ECIP financings and increased to 63% in 1996. Machinery, electronics and chemicals are the most important manufacturing sub-sectors. ECIP financings for Asia show a higher concentration on manufacturing with 74% of all ECIP funding for Asia. Two other regions saw their share of manufacturing-related actions increase as well: Latin America up from 46% in 1995 to 49% in 1996; and South Africa from 19% in 1995 to 45% in 1996. On the other hand the Mediterranean countries had only an average of 42% manufacturing-related actions from 1988 to 1995, and only 11% in 1996.

The agri-food sector (including fishing) accounted for 17% of the ECIP approved budget in 1996, up from 16% in 1995. From 1988 to 1996 it had been on average 20%. Latin American agri-food projects increased from 22% (1995) to 27% (1996) of their total share. Asia shows a consistently low agri-food interest with 13% in 1995 and 14% in 1996. The Mediterranean decreased from 18% in 1995 to 17% in 1996. Although the agri-food sector as a whole is stable at around 20%, specific project content has started in 1996 moving away from agricultural production towards food-processing activities. Agri-food processing projects share of the agri-food sector went up from 25% to 90% between 1988 and 1996. Overall ECIP has been involved in less and less agricultural production projects over the years.

The service industries (including financial services) share of ECIP has slowly decreased, from an average 15% from 1988 to 1994, to 13% in 1995 and only 10% in 1996. The Commission has been particularly conservative in appraising and approving financing requests for service sector industries such as tourism, and personal services in view of their possible negative social and developmental impacts.

Activities in the mining, energy, transport and construction sectors have taken 11% of approved amounts up to the end of 1996.

2.6. THE NETWORK OF ECIP FINANCIAL INSTITUTIONS (FI) AND THEIR ACTIVITIES

One of the key features of the ECIP instrument is its decentralised management with much of the implementation being undertaken by the FIs (Financial Institutions) in the network. All the FIs sign a standard "Framework Agreement" contract with the EC which sets out the legal relationship between them and the Commission, and the procedures to be followed. The Commission has over the years provided for the FIs to take an increasing role in the management of ECIP.

Given that all proposals submitted under Facilities 2,3 and 4 must come through an FI, it is essential that the FI network should cover the EU member states and as many as possible of the eligible countries. So, already in 1995 banks from Austria, Finland, and Sweden have been incorporated into the network following the favourable opinion of the ECIP Committee, as a result ECIP has active FIs in all member states of the EU. Similarly, the inclusion of three banks from South Africa had been completed early in 1995, and the Austrian state development bank FGG joined the network in 1996.

At the start of 1996 there were 108 FI in the ECIP network. Their distribution by type and region was as follows:-

Number of FI	Asia	LA	MED	South Africa	Multiregional (Worldwide)	EC	Totals
Development Banks	9	10	3	0	4	13	39
Commercial and Merchant Banks	8	10	8	3	0	40	69
Totals	17	20	11	3	4	53	108

LA = Latin America
MED = Mediterranean

Annex 7 in Part Five of this document lists these institutions.

Given limited staff resource levels and procedures, the Commission's ability to manage an increased FI network is limited. It is for this reason that the Commission has attached the highest importance to the technical assistance provisions in the new ECIP Regulation, which after they are fully operational will allow the Commission to extend the FI network in ALAMEDSA countries that are not covered adequately. The FIs from the EU member states represent a less significant demand on Commission management resources (e.g. shorter learning curve, fewer legal or regulatory constraints) than developing country FIs. Accordingly, in 1996, pending the reinforcement of ECIP's financial management capacities (by a Technical Assistance Unit) given the management burden involved in each FI relationship, the Commission continued appraising the performance and structure of the existing FI network and felt it justified only to extend the ECIP FI network in the particularly important individual case of FGG the Austrian state development finance institution. All 11 members of EDFI (European Development Finance Institutions) are therefore in the ECIP network, as well as 97 other EU and ALAMEDSA Financial Institutions.

The Commission during 1996 and 1997 has kept under continuous review the quality and performance of all the banks in the network. It is currently in discussion with some 25 of the FIs in the ALAMEDSA countries who seem not to be giving a high priority to ECIP, as evidenced by their low levels of ECIP activity. The Commission is investigating with these FIs the reasons for their relative inactivity and, depending on the responses, and after the opinion of the ECIP Committee, may choose not to renew the Framework Agreements with them and to sign Framework Agreements with other FI who have expressed interest.

During 1996, 81% (MECU 38,2) of ECIP actions approved were channelled through EU FI. Local ALAMEDSA FI accounted for MECU 5,9 (13%) of ECIP approvals. And MECU 2,8 (6%) of the actions approved were directly (Facility 1) for chambers of commerce and industry associations. Care should be taken in interpreting these figures. It cannot be assumed, for instance, that the amounts approved for FIs of any one member state represent the total ECIP support flowing to companies solely from that member state. ECIP allows applications to be made by one of the several partners in the joint venture. ECIP allows applicants to use any FI in the network, they are not restricted to FI only in their own country. Approvals for an FI in one country may often therefore involve a beneficiary (or several) from another country. The figures therefore do not represent ECIP financing benefiting companies from a country. For example, most of the finance via Luxembourg FI is due to a German bank (EUROPA Bank – which is part of the Dresner Bank Group) based there, the majority of whose clients are German.

Factors which affect distribution between FIs and between the various countries relate to the willingness of FIs in a given country to become members of the ECIP network; the type of bank; the way in which FIs promote the instrument once accepted into the network. Wider factors for each country also include: the presence of strong industrial associations to diffuse information about ECIP in the country in question; the availability of other local publicly funded investment promotion programmes and the attractiveness of their terms and conditions relative to ECIP; the division of FDI between large firms and SMEs; and historical and commercial links with the ALAMEDSA eligible countries.

The Commission's objective is that as many business operators as possible undertaking a profitable and developmentally beneficial joint venture investment in an eligible country should be aware of the support that ECIP can offer them and should be able to access the scheme. To achieve this objective and to reduce the influence of the factors noted above, the Commission undertakes information and promotional activities, and has introduced incentives to encourage effective promotion of the instrument by all the FIs.

2.7. AWARENESS AND PROMOTION OF ECIP

Immediately following the formal approval by the Council on 29 January 1996 of the new ECIP Regulation, the Commission hosted on February 1st and 2nd 1996 a major conference in Brussels. Vice President of the Commission Mr Manuel Marin opened the conference in a keynote speech stressing that ECIP is now part of a set of programmes managed by the Commission to encourage economic cooperation between EU and Asian, Latin American and Mediterranean business operators. The guest of honour, Mr Jannik Lindback, Executive Vice President of the International Finance Corporation, underlined the importance of the ECIP instrument, and of the cooperation between ECIP and the IFC.

This two-day conference in February 1996 was attended by over 200 bankers coming from over 80 EU and ALAMEDSA Financial Institutions. In addition to enabling an exchange of views on ECIP policy between the FIs' representatives and Commission staff, the FIs were also able to discuss among themselves. A whole day of the two-day conference programme was devoted to detailed explanations and interpretation of the financial and budgetary management requirements of the EC Financial Regulation and of the ECIP Regulation in order to reinforce the FIs' sound financial management of ECIP budgetary funds.

In 1996 the Commission continued its programme of general awareness of ECIP. New information brochures were designed to take account of the new ECIP Regulation and distributed. Over 35.000 separate direct mailings were made of these brochures by the Commission's services during the year. In addition many FI's and investment promotion agencies also printed and distributed many more ECIP brochures to their own members and clientele, often in local non-EU languages. ECIP information actions are executed in cooperation with the Commission's delegations and the other economic cooperation programmes financed in Asia, Latin America, Mediterranean and South Africa, and within the EU in particular the awareness programmes carried out by DG XXIII for SMEs.

To encourage FIs to market ECIP themselves, the Commission continued to cofinance (50% as a grant Facility 1) focused and practical promotional activities. Generally these actions imply local translation and production of ECIP documents, and then their distribution, followed by promotional seminars and presentations. In 1996 9 FI's obtained at total of ECU 138.142 for cofinancing (50%) of 9 separate information programmes. Additional decentralised information efforts by many of the FI are also executed without recourse to ECIP funds. As a result ECIP information is available also in many non-European languages such as: Mandarin Chinese, Arabic, Indonesia Bahasa, and Turkish, for example.

In June 1996 in Brussels the Commission organised, with Asian Development Bank, World Bank and IFC Group technical participation, a seminar on the Preparation of Privatisation and Private Infrastructure to discuss and to help develop the procedures for the new Facility One B of ECIP. The seminar was attended by European and ALAMEDSA bankers, staff from the European Investment Bank, and various senior representatives of major European contractors and consultants in the field. The seminar allowed the Commission to take account of and to incorporate the economic operators concerns into the design of the facility (see next section 2.8).

2.8. FACILITY 1B FOR PRIVATISATION AND PRIVATE INFRASTRUCTURE (PPI)

Privatisation and private participation in infrastructure ("PPI") has increased rapidly in recent years as some developing countries have opened up their infrastructure sectors to finance and management by the private sector. PPI may be the only way for a developing country to meet the often huge growth in infrastructure needed to keep pace with its development. PPI can bring with it increased efficiency in construction and operation. PPI can also reduce financing and management burdens on public sector institutions. PPI may also have other indirect benefits for the host country. A successful PPI project can strengthen the local financial sector, act as a valuable demonstration project for other PPI initiatives in the country or region, and create domestic constituencies for further liberalisation.

The grant Facility 1B of ECIP introduced in the new ECIP Regulation has been designed to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa to prepare PPI projects and to improve their local development effects. Facility 1B has been developed in recognition of the fact that PPI projects are complex, and that many public agencies have limited experience in this new and fast developing technique. By providing front-end grant finance at the preparation stage, the Facility 1B aims to improve the changes for successful completion of the PPI project, reduce costly duplication of preparatory steps and expand the opportunities for European Businesses to participate in the PPI process. ECIP Facility 1B can provide up to 100% grant support for eligible expenditure with a maximum of ECU 200 000 per action.

The Discussions by the Commission with contractors, consultants, financial institutions and governments (see section 2.7 above) allowed the Commission during 1996 to develop the general guidelines for ECIP Facility 1B. (These are provided in detail in Annex 9, Part Five.)

As a result of the complexity and political and economic importance of PPI actions, and because the funding is as a 100% grant, the Commission has been particularly selective in approving and managing ECIP Fac 1B actions. During 1996 one set of actions (MECU 1) for "Preparation of Privatisation and Private Infrastructure" in Vietnam was approved in principle but not committed since the implementation of this action is to be assisted and monitored by the putting into place of a full-time Build Operate and Own / Build Operate and Transfer Technical Assistance in Vietnam (funded by the EU Budget Line for Economic Cooperation with Asia EUROTAPVIET project).

The 1B facility has shown slow implementation for a variety of reasons: i) the large multinational companies which execute most of these projects are excluded from ECIP; ii) the amount ECU 200.000 is too small vis à vis the cash needs of most major privatisation projects; and iii) and the Commission has been particularly careful to make sure that the local policy and institutional frameworks justify this 100% grant financing. This policy analysis and dialogue delays and complicates implementation.

2.9. RELATIONS WITH THE EIB AND COORDINATION WITH OTHER EC INSTRUMENTS

The Commission continued operational coordination of ECIP with other investment promotion instruments managed at EU level. The cooperation and coordination with the European Investment Bank (EIB) as regards operations in the Mediterranean was facilitated by the continued operation of the "Gentleman's Agreement" concluded in 1992 between the EIB and ECIP in 1992. The EIB has written to the Commission stating that "...there now exists a satisfactory complementary and equilibrium between ECIP and EIB operations".

In addition to the internal and operational coordination within the Commission's services as regards the respective individual actions to be financed under ECIP and other EC economic cooperation programmes, the Commission is studying the setting up of specific arrangements to diffuse and exploit the information, partner lists, and studies financed under Facilities 1 and 2 of ECIP through the networks and outlets and information systems in the AL-INVEST focal points, the EU/Mediterranean Business Centres, the Asia/EC Business info Centres

(EBICs) and the networks and systems managed by DG XXIII and III within the EC and elsewhere such as BCNET and BRE which will allow further to improve the effective access to the benefits of ECIP, especially for SMEs.

A basic review of these various different instruments is necessary in order to reinforce their coherence and complementarity. Most of the newer programmes provide "softer" grant money with less rigorous eligibility criteria than ECIP's strict and conservative banking approach. Avoidance of overlaps and greater coordination could be achieved by a detailed review and comparison of all these instruments.

An encouraging development has been the tendency of other donors and EU policy areas to copy the ECIP instrument, adapted to local needs and circumstances. For example, an ACIP – Asian Community Investment Programme – now exists with four financing facilities to encourage Asian investors to invest in India; and a J.E.V. Joint European Venture programme has been introduced with EU funding to promote cross-border SME joint ventures between EU member states.

PART THREE

THE ECONOMIC IMPACTS OF ECIP FINANCINGS

3.1. THE RESULTS OF ECIP ACTIONS

In the context of total private capital flows of over ECU 225 Billions to the developing world in 1996 the annual ECIP funding of ECU 50 Millions (1996) remains modest. But the focus of ECIP on match-making and project identification (Facility 1), feasibility studies (Facility 2), and on training and management (Facility 4) enhances ECIP's financial multiplier effect and orients ECIP towards upgrading the developmental quality and the economic impact of the flow of private investments to developing countries.

On the basis of detailed analysis of 608 individual detailed Final Reports on 608 individual ECIP actions the Commission estimates that each ECU of ECIP financing is associated with over 10 ECU of investments in the developing countries. ECU 172 millions of ECIP actions executed are reported to be associated with about ECU 1,8 Billions (=1.795 millions) of private investment projects. Over 18.000 EU and local firms have been involved as partners in these 1526 actions. 1162 joint ventures are reported to have been created. And over 29.000 jobs are reported to have been created in these joint ventures.

These global estimates are based on a detailed economic impact reporting system which analyses the results of every ECIP action. The economic impact of ECIP is estimated by the Commission by assessing the detailed Final Report on each individual action. Up to the end of 1996, 1,882 actions have been approved, resulting in 1,526 contracted ECIP actions. 1,029 Final reports had been received and 608 of those had been assessed by the time of writing this report.

ECIP ACTIONS APPROVED, CONTRACTED, ASSESSED (1988-96)

Facility	Approved	Contracts already signed	Final Reports assessed
1	593	531	266
2	1,086	884	314
3	132	59	19
4	71	52	9
Totals	(100%) **1,882**	(81%) **1,526**	(32%) **608**

There is a substantial time lag between the approval of an action, contract signature, execution and then its report. The facilities take between 18 months (Facility 1), 24-36 months (Facility 4), 3 years (Facility 2), and up to 10 years (Facility 3) on average to be completed and to present their Final Report. As a result, at the time of writing, 853 of the 1882 actions approved until 31.12.96 were still in progress and their final reports awaited.

The Commission has been conservative in reporting the results of completed actions. Only if the Final Report has been received and a joint venture has been created, are investment, resulting employment and other development factors taken into the reported impact totals. All other actions, where the final outcomes of an action are not available have not been included in the economic impact data analysed below.

Throughout this report the economic impact of ECIP is measured on the basis of the 608 action reports analysed in detail and then calculated on the basis of success rates per facility. The tables included in this chapter each have one column of actual results relating to the 608 researched actions (*Reports Evaluated*) and another column with the (*Estimated for all contracted)* results for the total 1526 actions contracted.

Annex 5.2 contains more details of the data for each facility and a detailed explanation of the methodology and analysis used to arrive at the data.

3.2. JOINT VENTURE CREATION

Based on the 608 completed and reported actions ECIP has helped to create 523 reported joint ventures. Based on the same rates of success the 1882 actions approved 1988-96 would lead to the establishment of 1162 joint ventures. The breakdown of these figures by facility is shown below:

ECIP JOINT VENTURES CREATED (1988-96)		
Facility	**608 Reports evaluated**	**Estimates for all 1526 contracted**
1	420	840
2	77	217
3	17	53
4	9	52
Totals	**523**	**1162**

The nature and quality of results of each facility differ as follows:-

Facility One assists Chambers of Commerce, industry associations, and FIs with matching activities. Based on the 266 Final Reports evaluated, around 420 joint ventures are reported to follow from these 266 Facility One actions. On that basis it can be estimated that some 840 joint ventures might be expected to follow the total of 531 Facility One actions contracted to end-1996. These Facility One numbers represent the reported intentions to created joint ventures. Many will take some years to be realised. For this reason the Commission has not included their investment or employment creation projections in its overall estimates for the economic impact of ECIP, and double-counting does not occur.

ECIP FACILITY ONE RESULTS (1988-96) JVs REPORTED		
	266 Reports evaluated	**Estimates for all 531 contracted**
Number of actions	266	531
Results	**Reported**	**Estimated**
Firms involved	8,000	16,000
Resulting joint ventures	420	840

266 Facility One Final Reports show an involvement of over 8,000 companies, so an estimated 16,000 companies should benefit from ECIP support under the 531 Facility One actions approved. On average 30 companies are involved in each Facility One, so that it costs on average of ECU 2000 to ECIP for each company involved.

On the basis of 314 Final Reports Facility Two is reported to have a one in four JV creation success rate since 77 out of 314 actions are reported to have led to a joint venture. On that basis the total 884 actions contracted could lead potentially to 217 joint ventures.

ECIP FACILITY TWO RESULTS (1988-96) JVs CREATED		
	314 Reports evaluated	**Estimates for all 884 contracted**
Number of actions	314	884
Number of joint ventures resulting	77	217

Facility Three is very different from Facility Two measured at the contractual level since the ECIP funding goes to the establishment of the joint venture itself. As a result there is (and has to be) a 100% success rate at contractual level. 91% of these represent fully subscribed and disbursed equity and equity loan participations and the remaining 9% represent those cases for which contracts are signed and the Financial Institution is still in the process of completing the financial and legal "due diligence" before subscribing the ECIP funds for equity or an equity loan.

Facility Three exhibits a low (45%) rate of contracts signature following in principle approval by the Commission. This is normal since the various partners in the joint venture and the FI are obliged actually to agree complex legal contracts and to subscribe cash to the JV before the ECIP Facility Three contract can be signed and disbursed. This 1 in 2 signature and disbursement rate is to be expected in development risk capital financing and reflects the Commission's (and the FIs') conservative and careful financial management as regards Facility Three before disbursing ECIP funds.

FACILITY THREE RESULTS (1988-96) JVs CREATED		
	19 Reports evaluated	**Estimates all 59 contracted**
Number of actions	19	59
Number of joint ventures created	17	53

Accordingly, of 132 Facility Three actions approved 1988-96, 59 have been the subject of full contracts signature and 53 of those have actually been totally "executed" and ECIP funds have been disbursed to the joint venture.

A particularly interesting statistic is that one third of Facility Three actions follow a Facility Two preparation study and financing.

Facility Four finances training, management and technical assistance for joint ventures. As such, since the JV must be created to apply for and to receive the ECIP funds it has a 100% JV creation rate, since the contracts cannot be signed and disbursed until the JV exists.

FACILITY FOUR RESULTS (1988-96) JVs CREATED		
	9 Reports evaluated	**Estimates all 52 contracted**
Number of actions	9	52
Number of joint ventures	9	52

The real measure of Facility Four's impact is therefore its qualitative support to the human resources and to the management of each JV (see section 3.4 below).

3.3 · INVESTMENT CREATION

The 1526 ECIP actions contracted 1988-96 will, on the basis of conservative reports and estimates, be associated with ECU 1,8 Billions (=1,795 millions) of joint venture investments:-

ECIP		
INVESTMENT CREATION IN MECU (1988-96)		
Facility	**608 Reports evaluated**	**Estimated for all 1526 contracts signed**
1	PM	PM
2	MECU 444	MECU 1,251
3	MECU 109	MECU 340
4	MECU 35	MECU 204
Totals	**MECU 588**	**MECU 1,795**

(PM: Pour Mémoire. The Commission has not taken intentions resulting from Facility One meetings into these totals.)

Since Facility One results are always sometime after the closure and Final Report of the action the Commission is conservative in not quoting any "investment creation" effect from Facility One. Although the 420 reported JVs from Facility One should certainly have an important additional investment effect eventually which could be added to the above totals.

Only the investment effects of Facilities Two, Three and Four are discussed here. Of the 608 specific reports analysed 103 JVs created report MECU 588 invested. For the total 1526 actions contracted (Facs Two, Three and Four) MECU 1.795 is estimated to be in the pipeline relating to 322 joint ventures.

The average total investment per successful ECIP joint venture is 5,600 000 ECU based on conservative calculation. 98% of all ECIP's successful JVs involve less than MECU 27 total investment each and can hence be considered SMEs:-

	TOTAL INVESTMENT IN ECIP-SUPPORTED JOINT VENTURES		
	LESS THAN MECU 5 INVESTMENT	MECU 5 TO 27 INVESTMENT	MORE THAN MECU 27 INVESTMENT
% of JVs by number	59%	39%	2%

An ECIP funding-investment multiplier can be calculated as a ratio of all the ECIP funding approved and contracted for that facility and the investments generated through successful joint ventures resulting from that facility.

Facility Two has a funding-investment multiplier of 14, the result of the one in four actions success rate, an average ECIP cost of ECU 111.000 per action, and an average of MECU 7 per successful Facility Two joint venture. This multiplier of 14 does not include repayments to the EC budget. If loan repayments of successful actions are considered as reductions in the net funds provided by ECIP, the Facility Two funding multiplier goes up from 14 to 20.

Facility Three with an average ECIP cost of ECU 410.000 has a similar funding-investment multiplier (14). This facility generally requires a larger amount of funding per action, whilst generating similar investments per company (MECU 6.4) as Facility Two. The resulting multiplier is corrected upward because all Facility Threes which are contracted succeed in the sense that the JV is created. Furthermore, as Facility Three has a high "success rate", repayments to the EC budget could amount to 87% of all funding provided, leading to a potential multiplier calculation (after repayments) of 100 times net cost to the EU budget.

The Facility Four has a slightly higher ECIP cost average per action (ECU 125.000) than Facility Two. And Facility Four is associated with a lower average total investment per joint venture of MECU 3.9 and it is particularly oriented towards SMEs.

3.4. EMPLOYMENT AND TRAINING

Specific Final Reports already received for the 103 JVs created following Facilities Two, Three and Four show 9300 jobs created. On that basis the 322 JVs expected to be created after Facilities Two, Three and Four are estimated to involve approximately 29.000 jobs.

EMPLOYMENT (1988-96) Number of jobs created		
Facility	**608 Reports evaluated**	**Estimated Total for all 1526 contracts signed**
1	PM	PM
2	6,600	18,500
3	1,700	5,200
4	1,000	5,700
Totals	**9,300**	**29,400**

(No jobs created estimate is made for Facility One).

The average joint venture created after ECIP support involves about 90 employees. 98% of the JVs created employed less than 250 persons and can therefore be classified as SMEs:

	Number of employees per joint venture created			
	Less than 10	10-50	51-250	More than 250
% of JVs created	7	44	47	2%

Under Facility Four, in addition to the management and technical assistance provided, some 1560 employees are reported to have, or still be receiving training funded by ECIP.

3.5. OTHER DEVELOPMENT FACTORS (ENVIRONMENT, TECHNOLOGY TRANSFER)

The Commission assesses the environmental impact and risks of each ECIP action before approving each action. 8% of the Facility Two approvals were required to include an environmental assessment in their feasibility study in order to clarify, address and mitigate the risks. 12% of the actions were considered to have a potentially significant positive impact on the environment (such as cleaner diesel engines production unit, wind energy project, etc.). 80% of the actions were considered to have an acceptable impact and level of risks for the environment.

95% of ECIP-supported actions which resulted in a joint venture show positive elements of transfer of know-how, profitable to both partners in the enterprise. All ECIP actions involve some sort of technology and know-how exchanges. 5% of the cases approved concern projects with appropriate levels of technology, such as artisan or handicraft-type production units.

3.6. ASSESSMENT AND FOLLOW-UP OF ECIP ACTIONS

ECIP is a decentralised programme without direct contractual contact between the final beneficiaries and the Commission's staff, and with standardised reporting procedures on projects executed by the FI. For the impact assessment the Commission relies on the end-of-action report, so-called *Final Report*, which each beneficiary has to make available through its Financial Institution and which the Financial Institution assesses and comments upon, before making the last disbursement to the beneficiary. As the ECIP instrument matures and as more and more Final Reports are available in 1997 the Commission has initiated a programme of on-the-ground inspections by independent consultants. In 1997 JVs and FIs in China, India, Indonesia, Tunisia, Morocco and Mexico have been inspected by independent consultants and their on-the-ground findings will be included in the next ECIP Progress Report. The 1998 programme of on-the-ground inspections is planned to cover JVs and FIs in South Africa and Chile.

PART FOUR

FINANCIAL MANAGEMENT

4.1. SOUND AND EFFICIENT FINANCIAL MANAGEMENT

In the framework of the Commission's Sound and Efficient Management Programme (SEM 2000) during 1996 the Commission implemented three major reinforcements to its financial management, audit and reporting capabilities which had been proposed in 1994 to the Council and Parliament and approved as a part of the new ECIP Regulation N° 213/96 Council of 29th January 1996. These innovations were:-

- an Independent Financial Audit;
- anti-fraud measures; and
- a Technical Assistance Unit

as provided for in Article 10 para 3 and 4 of the ECIP Regulation (See Annex 8).

ECIP encountered procedural complications and delays within the Commission's services. Following comments from the European Court of Auditors the Commission's administrative services decided that from 1996 each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. From 1996 this procedure delayed the replies to beneficiaries by several months and discouraged demand for ECIP finance. At the same time the Commission's services have become more rigid in applying all the detailed contractual criteria before issuing any contracts.

4.2. INDEPENDENT FINANCIAL AUDIT

During 1996 "...the independent financial audit of the financial institutions and of the Facility 1 beneficiary organisations, as regards the ECIP funds they received." unquote (Article 10 para 3 of ECIP Regulation 213/96) was executed by Coopers & Lybrand Reviseurs d'Entreprises (Belgium).

The contract with Coopers & Lybrand had been placed after an open international tender in conformity with Council Directive 92/50/EC of 18th June 1992 relating to the coordination for the award of public service contracts. The contract for a total price of ECU 674.450 for a period of 26 months was signed by the Commission in May 1996, and the audit as at 31.12.95 was delivered by Coopers & Lybrand in December 1996 included the following elements: (i) a complete audit of the ECIP action and financial institution contractual and payment files in the Commission's offices in Brussels including a reconciliation with the Commission's SINCOM budgetary accounts; (ii) visit and audit reports of the accounts of 47 ECIP financial institutions and Facility 1 beneficiaries located in 17 EU and ALAMEDSA states were executed and delivered; and (iii) an overall audit report, balance sheet and revenue and expenditure account was produced. In this way an audit of the contractual and financial records relating to over 80% of the ECU volume of ECIP transactions was executed in 1996. At the time of writing (January 1998) Coopers & Lybrand had begun work on the audit as at 31.12.97.

4.3. ANTI-FRAUD MEASURES

As required by Article 10 para 3 of the new ECIP Regulation the Commission "...made specific provision in the framework and the specific financing agreements for anti-fraud measures, in particular a mechanism for the recovery of advances which are not justified after audit" unquote by including strong contractual provisions in all ECIP contractual agreements (see Annex 5.10 for full text thereof).

4.4. TECHNICAL ASSISTANCE

As provided for in Article 10 para 4 of the ECIP Regulation (213/96) the Commission launched open international tenders in 1996 (in accordance with Council Directive 92/50/EC) and, after taking particular care to introduce specific safeguards and regards conflict of interest and confidentiality, a contract was signed in December 1996 with Arthur Andersen & Co (Belgium) for a total amount of ECU 1.969.778 to provide the services of an ECIP Technical Assistance Unit (TAU) for 24 months from January 1997 onwards.

The role of the TAU can be summarised, non-exhaustively, as follows:
- To deal with all requests from the public for information on ECIP, primarily by dispatch of ECIP information materials.
- To evaluate and process requests for ECIP funding.
- To follow-up and manage all dossiers on a continuing basis.
- To maintain correct and up-to-date files on all ECIP transactions – past, present and future.
- To maintain a complete accounting record of all commitments, contracts, payments, reimbursements and due dates, and on a six monthly basis produce a balance sheet and revenue and expenditure account for ECIP reconciled with the Commission's SINCOM accounts or equivalent.
- To maintain and update computerised records of ECIP transactions to ensure timely availability of correct management information.

The TAU provides these services under the control of the Commission's services and the Commission retains control and signature as regards all decisions to finance, contracts, commitments and payments.

Arthur Andersen set up and operated the TAU from January 1997 to 15 July 1997 and then, after the cancellation of that contract, and after a further invitation to tender (in accordance with Article 11.3. of Council Directive 92/50/EC) a replacement contract was signed in July 1997 with GOPA-Consultants (D) for a total amount of ECU 1.167.920 for 12 months' TAU service from 1st August 1997 to 1st August 1998, in order to ensure the continuity of the offer of ECIP. At the time of writing (Jan 1998) that Technical Assistance Unit (TAU) was operating smoothly and contributing significantly to the improved management of ECIP.

4.5. BUDGETARY APPROPRIATIONS AND REIMBURSEMENTS TO THE EC BUDGET.

The 1996 budgetary appropriations for ECIP under budget line B7-8720 were as follows:-

Consumption of ECIP B7-8720
Budgetary credits 1996

	MECU	%
Commitment credits available	50,00	100,00%
Commitments made	49,99	99,98%
Payments credits available	45,00	100%
Payments accounted for	42,60	94,67%

During the last three months of 1996 (October, November and December) 106 individual ECIP financings for an amount of MECU 14,67 were approved in principle by the Commission but, due to insufficient 1996 credits their budgetary commitment had to be carried over to January 1997 for formal approval and commitment against the ECIP B7-8720 credits for 1997. No repayments to the EC budget as regards ECIP were received during 1996.

PART FIVE: ANNEXES

Annex 5.1	Requests and approvals statistics
Annex 5.2	Economic impact estimates
Annex 5.3	Commitment and payment appropriations
Annex 5.4	Independent financial audit
Annex 5.5	Technical assistance
Annex 5.6	ECIP eligible countries
Annex 5.7	ECIP Financial Institutions network
Annex 5.8	ECIP Council Regulation 213/96 of 29.01.96
Annex 5.9	Guidelines for Facility 1B for preparation of privatisation and private infrastructure projects
Annex 5.10	Anti-fraud measures

Annex 5.1 Requests and approvals statistics

ECIP Steering Committee Approvals

OVERVIEW

1996
APPROVALS by FACILITY and REGION

	Latin America 1996		Asia 1996		Mediterranean 1996		South Africa 1996		Multiregional 1996		All Regions 1996	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	43	3,314,278	30	2,023,419	15	897,044	1	54,500	4	81,537	93	6,370,778
Facility 2	56	6,898,557	100	13,495,926	26	3,244,070	9	1,211,785	1	236,870	192	25,087,208
Facility 3	8	2,566,159	17	6,228,446	1	270,000	3	3,000,000			29	12,064,605
Facility 4	8	893,563	18	2,314,221	3	241,916					29	3,449,700
Total	**115**	**13,672,557**	**165**	**24,062,012**	45	4,653,030	13	4,266,285	5	318,407	343	46,972,291

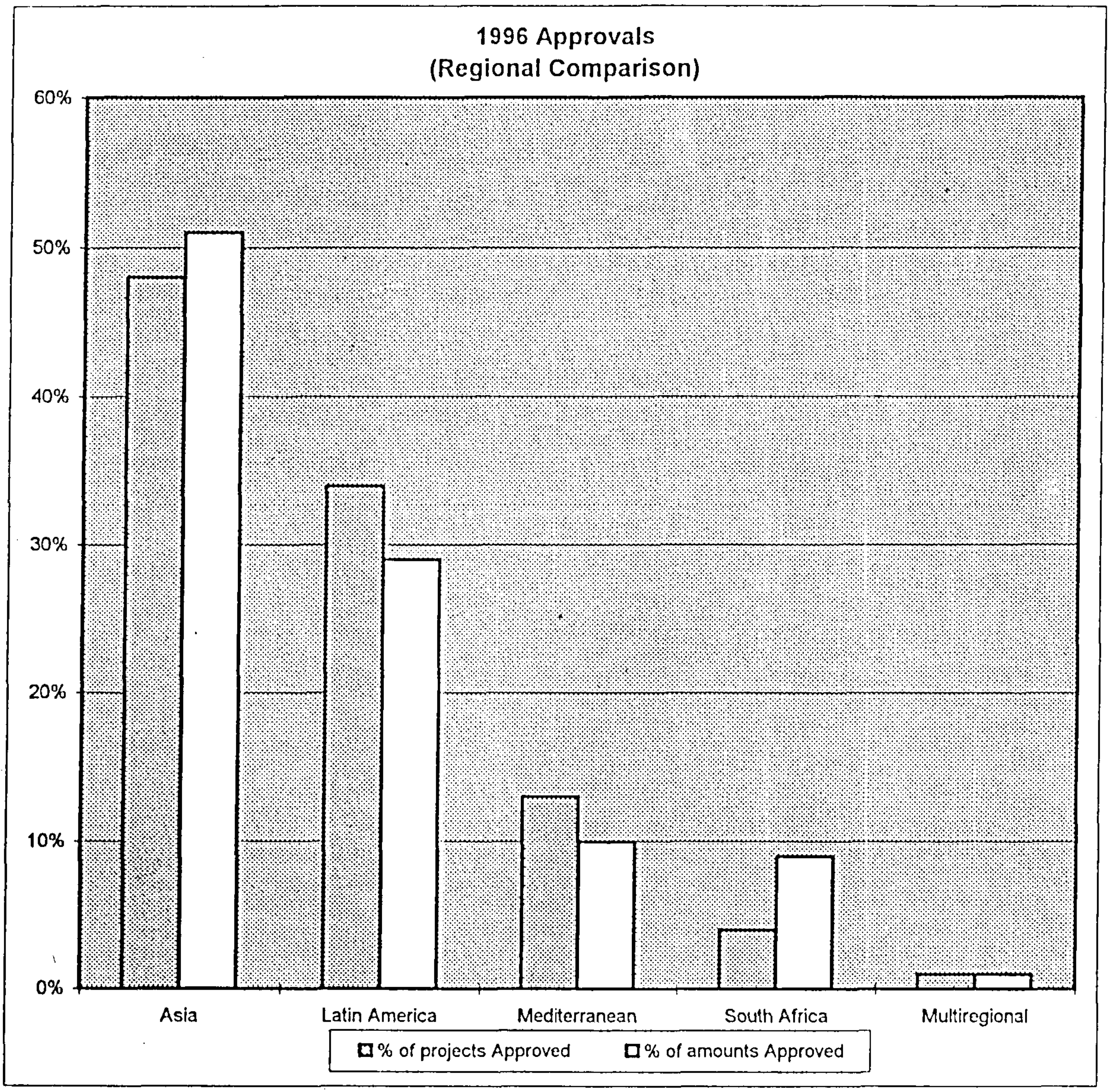
1988 - 1996
Cumulative APPROVALS by FACILITY and REGION

	Latin America 1988-1996		Asia 1988-1996		Mediterranean 1988-1996		South Africa 1988-1996		Multiregional 1988-1996		All Regions 1988-1996	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	241	14,700,136	192	10,778,825	123	6,123,281	10	396,967	27	952,114	593	32,951,323
Facility 2	294	30,585,831	556	65,756,957	216	21,507,656	18	2,608,209	2	392,270	1,086	120,850,923
Facility 3	42	17,208,827	53	21,850,007	30	13,184,285	7	4,121,000			132	56,364,119
Facility 4	11	1,206,641	40	5,189,555	20	2,535,640					71	8,931,836
Total	**588**	**63,701,435**	**841**	**103,575,344**	**389**	**43,350,862**	**35**	**7,126,176**	**29**	**1,344,384**	**1,882**	**219,098,201**

ECIP Steering Committee Approvals

1996
APPROVALS by REGION

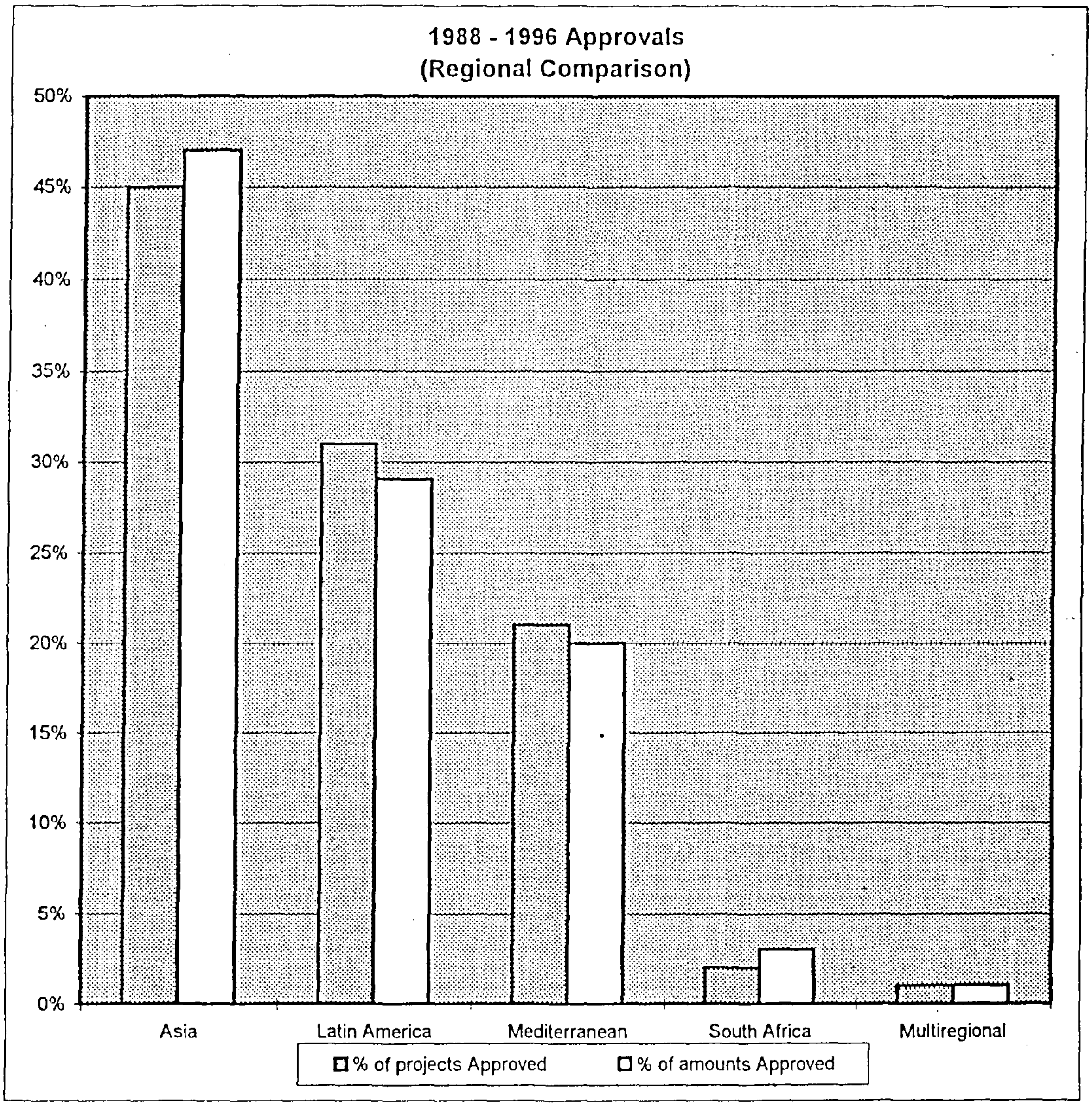
	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	165	48%	24,062,012	51%
Latin America	115	34%	13,672,557	29%
Mediterranean	45	13%	4,653,030	10%
South Africa	13	4%	4,266,285	9%
Multiregional	5	1%	318,407	1%
Total	343	100%	46,972,291	100%



ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE APPROVALS by REGION

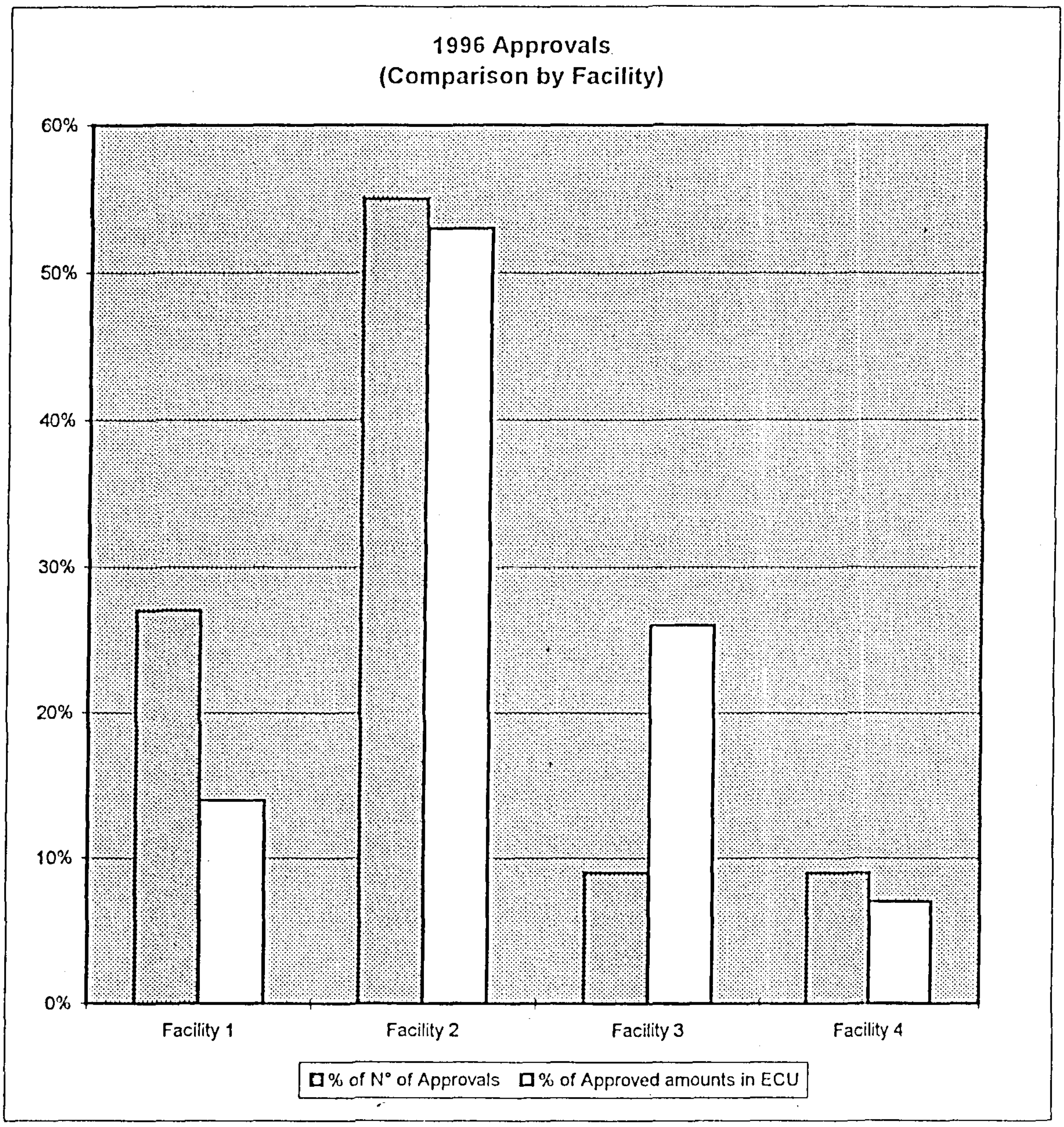
	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	841	45%	103,575,344	47%
Latin America	588	31%	63,701,435	29%
Mediterranean	389	21%	43,350,862	20%
South Africa	35	2%	7,126,176	3%
Multiregional	29	1%	1,344,384	1%
Total	**1,882**	**100%**	**219,098,201**	**100%**



ECIP Steering Committee Approvals

1996
APPROVALS by FACILITY

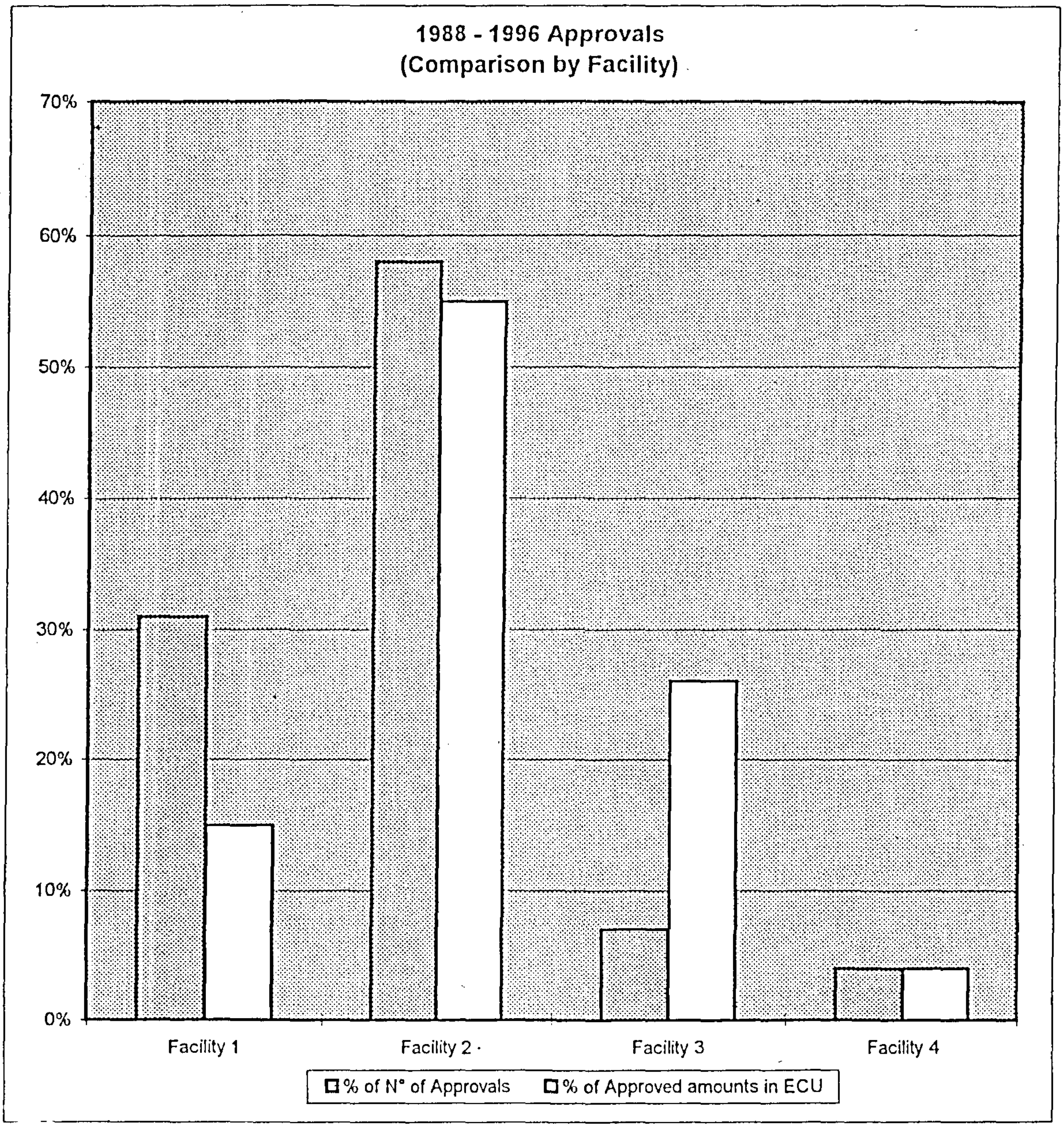
	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	93	27%	6,370,778	14%	68,503
Facility 2	192	55%	25,087,208	53%	130,663
Facility 3	29	9%	12,064,605	26%	416,021
Facility 4	29	9%	3,449,700	7%	118,955
Total	343	100%	46,972,291	100%	136,945



ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE APPROVALS by FACILITY

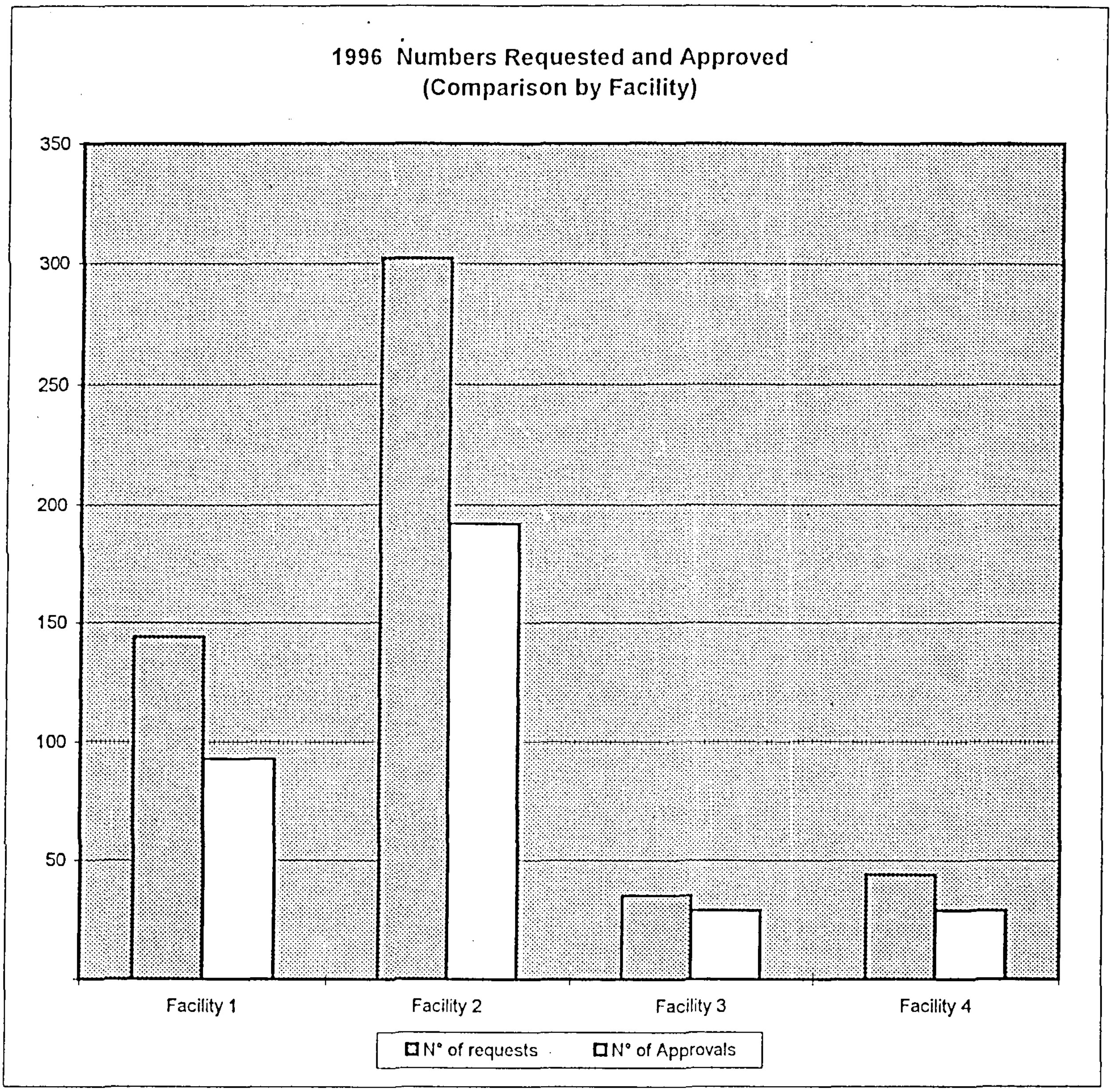
	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	593	31%	32,951,323	15%	55,567
Facility 2	1,086	58%	120,850,923	55%	111,281
Facility 3	132	7%	56,364,119	26%	427,001
Facility 4	71	4%	8,931,836	4%	125,801
Total	**1,882**	**100%**	**219,098,201**	**100%**	**116,418**



ECIP Steering Committee Approvals

1996
NUMBERS REQUESTED and APPROVED by FACILITY

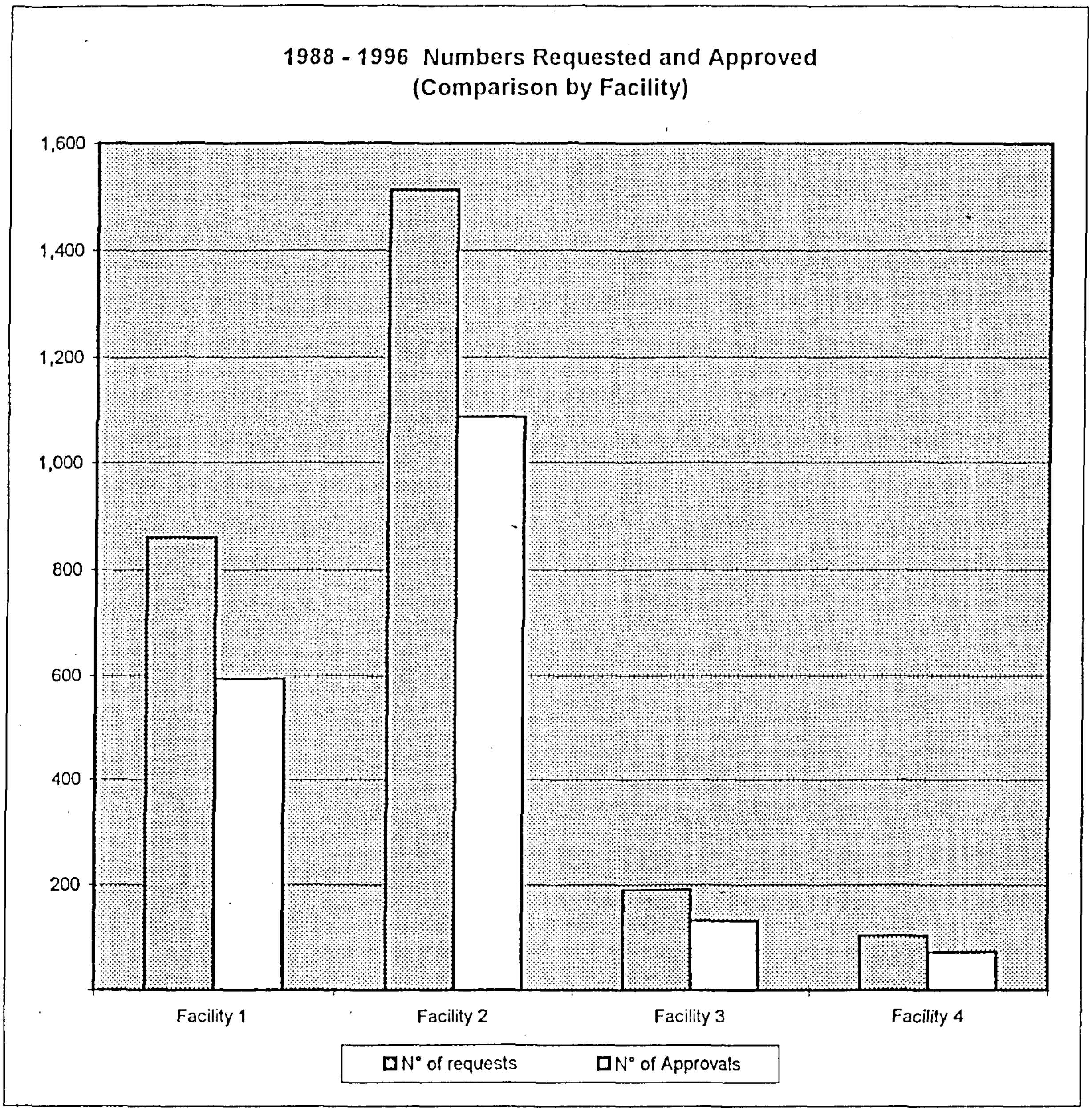
	N° of requests	N° of Approvals	% of requests Approved
Facility 1	144	93	65%
Facility 2	302	192	64%
Facility 3	35	29	83%
Facility 4	44	29	66%
Total	**525**	**343**	**65%**



ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE NUMBERS REQUESTED and APPROVED by FACILITY

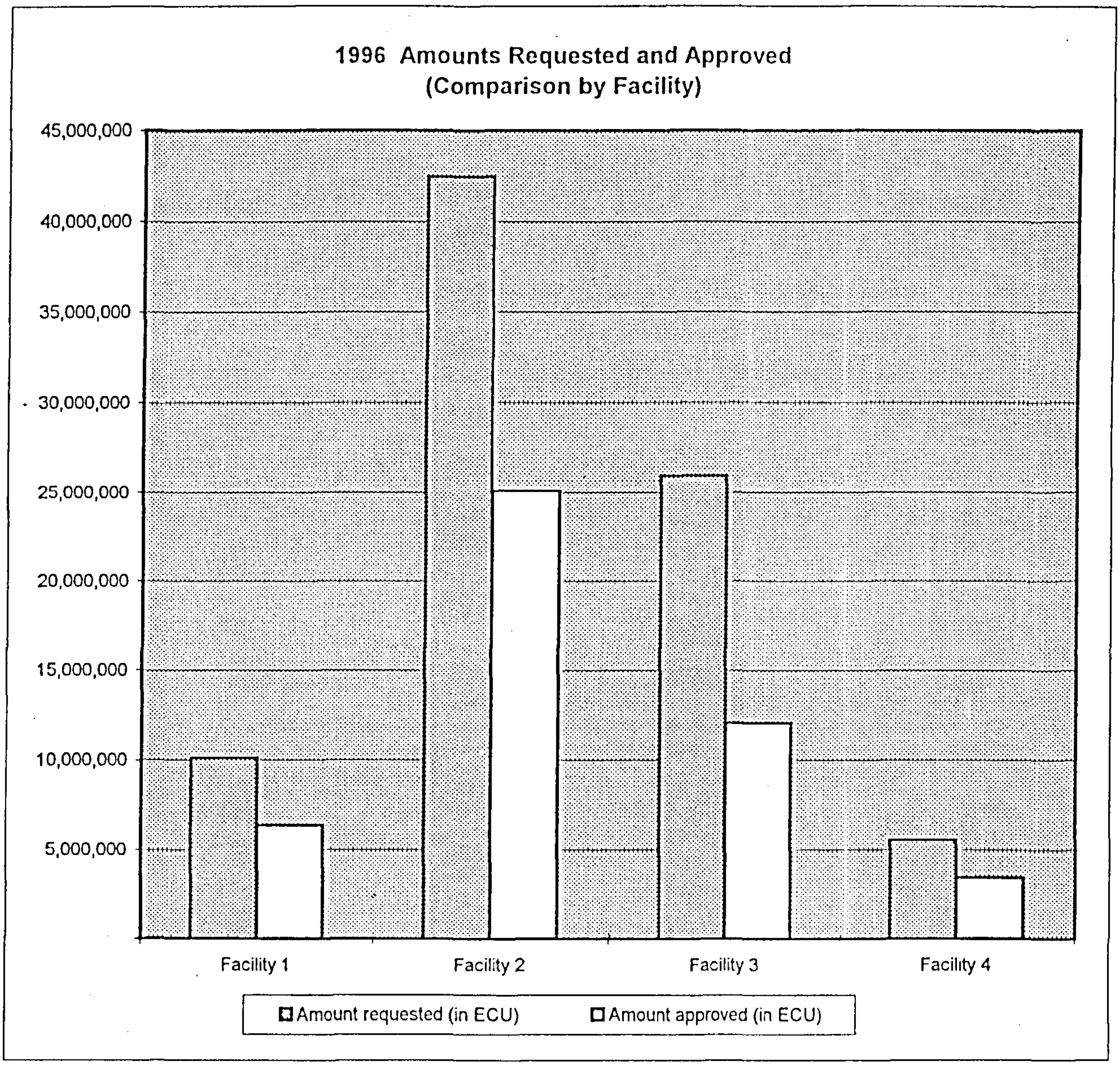
	N° of requests	N° of Approvals	% of requests Approved
Facility 1	859	593	69%
Facility 2	1,513	1,086	72%
Facility 3	190	132	69%
Facility 4	104	71	68%
Total	**2,666**	**1,882**	**71%**



ECIP Steering Committee Approvals

1996
AMOUNTS REQUESTED and APPROVED by FACILITY

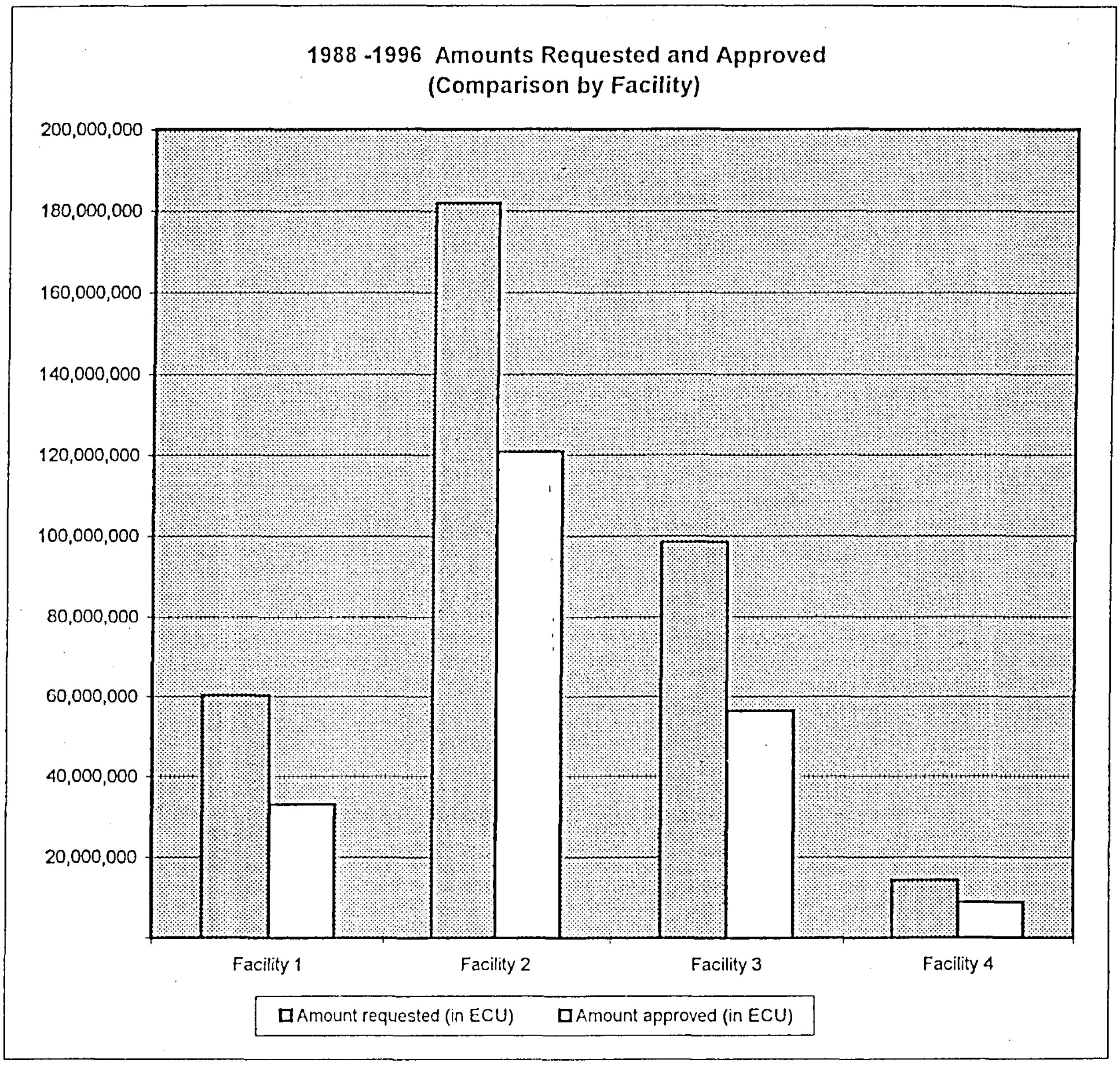
	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	10,116,038	6,370,778	63%
Facility 2	42,470,052	25,087,208	59%
Facility 3	25,909,932	12,064,605	47%
Facility 4	5,555,959	3,449,700	62%
Total	**84,051,981**	**46,972,291**	**56%**



ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE AMOUNTS REQUESTED and APPROVED by FACILITY

	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	60,230,852	32,951,323	55%
Facility 2	181,928,041	120,850,923	66%
Facility 3	98,399,930	56,364,119	57%
Facility 4	14,382,276	8,931,836	62%
Total	**354,941,099**	**219,098,201**	**62%**



ECIP Steering Committee Approvals

1988 - 1996
APPROVALS by FACILITY and YEAR

	N° of requests	Amounts requested by FI/FB	N° of projects approved in Steering Committee	ECU amounts approved in Steering Committee	% of requests approved	% of amounts approved
Facility 1						
1988	5	233,850	5	231,000	100%	99%
1989	12	683,755	9	419,370	75%	61%
1990	26	1,196,940	20	853,348	77%	71%
1991	65	3,755,447	52	2,718,023	80%	72%
1992	105	6,141,035	87	4,648,289	83%	76%
1993	139	7,647,976	90	4,090,856	65%	53%
1994	169	10,793,443	103	5,209,060	61%	48%
1995	194	19,662,368	134	8,410,598	69%	43%
1996	144	10,116,038	93	6,370,779	65%	63%
Cumulative	859	60,230,852	593	32,951,323	69%	55%
Facility 2						
1988	4	330,075	3	279,000	75%	85%
1989	31	1,806,617	23	1,404,920	74%	78%
1990	78	9,312,502	69	7,404,722	88%	80%
1991	85	8,562,471	68	6,149,065	80%	72%
1992	116	14,669,705	90	9,799,837	78%	67%
1993	209	22,462,543	160	16,643,732	77%	74%
1994	300	33,574,972	202	21,134,297	67%	63%
1995	388	48,739,104	279	32,948,142	72%	68%
1996	302	42,470,052	192	25,087,208	64%	59%
Cumulative	1,513	181,928,041	1,086	120,850,923	72%	66%
Facility 3						
1988	2	840,000	2	580,000	100%	69%
1989	7	1,703,500	6	1,454,500	86%	85%
1990	11	4,738,200	11	4,043,000	100%	85%
1991	11	4,946,000	8	2,546,000	73%	51%
1992	25	11,260,436	16	6,788,081	64%	60%
1993	24	13,074,019	16	7,209,552	67%	55%
1994	38	19,832,583	25	14,189,538	66%	72%
1995	37	16,095,260	19	7,488,843	51%	47%
1996	35	25,909,932	29	12,064,605	83%	47%
Cumulative	190	98,399,930	132	56,364,119	69%	57%
Facility 4						
1990	4	633,645	4	514,917	100%	81%
1991	2	270,000	2	175,000	100%	65%
1992	11	1,503,563	9	1,001,338	82%	67%
1993	12	1,942,054	7	1,090,931	58%	56%
1994	16	1,943,664	8	892,705	50%	46%
1995	15	2,533,391	12	1,807,245	80%	71%
1996	44	5,555,959	29	3,449,700	66%	62%
Cumulative	104	14,382,276	71	8,931,836	68%	62%
Grand Total	2,666	354,941,099	1,882	219,098,201	71%	62%

ECIP Steering Committee Approvals

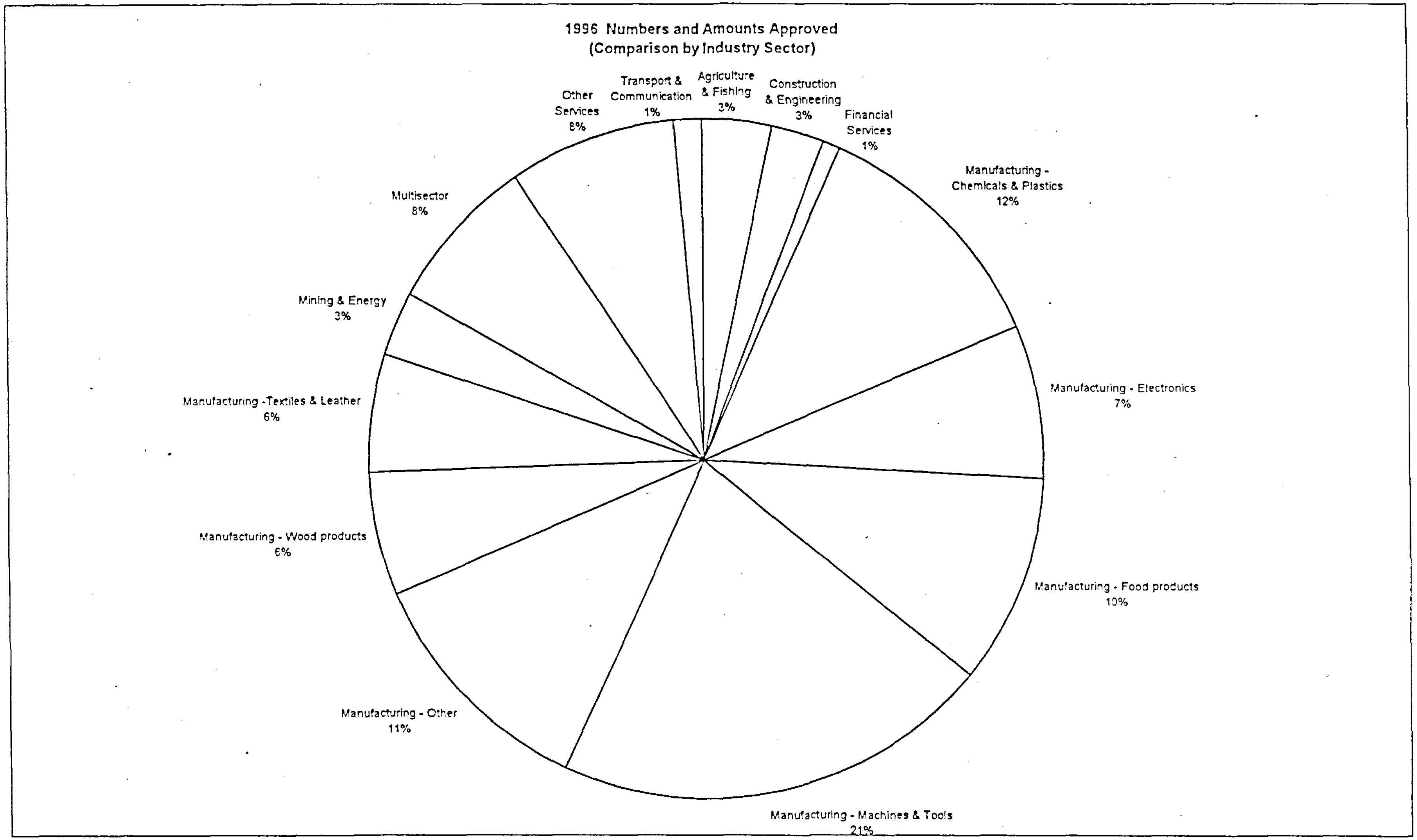
1996
NUMBERS and AMOUNTS APPROVED by Industry SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	%	Approved amounts in ECU	%
Agriculture & Fishing	4	500,054	4	783,563	2	90,468	0	0	0	0	10	3%	1,374,085	3%
Construction & Engineering	2	196,060	1	173,705	5	329,732	1	1,000,000	0	0	9	3%	1,699,497	4%
Financial Services	0	0	1	350,000	0	0	0	0	3	56,537	4	1%	406,537	1%
Manufacturing - Chemicals & Plastics	10	830,851	23	3,441,215	6	612,550	1	220,000	0	0	40	12%	5,104,616	11%
Manufacturing - Electronics	4	457,173	20	2,224,514	0	0	1	88,600	0	0	25	7%	2,770,287	6%
Manufacturing - Food products	16	2,967,881	12	2,441,599	7	750,274	0	0	0	0	35	10%	6,159,754	13%
Manufacturing - Machines & Tools	24	2,187,145	43	6,651,732	6	650,294	0	0	1	236,870	74	21%	9,726,041	20%
Manufacturing - Other	11	1,776,009	20	2,096,579	6	786,406	2	355,701	0	0	39	11%	5,014,695	11%
Manufacturing - Wood products	7	544,933	9	1,088,356	3	303,769	1	222,459	0	0	20	6%	2,159,517	5%
Manufacturing -Textiles & Leather	6	451,459	9	1,939,628	3	376,601	2	1,022,449	0	0	20	6%	3,790,137	8%
Mining & Energy	3	600,549	5	1,303,109	0	0	1	128,932	0	0	9	3%	2,032,590	4%
Multisector	13	977,932	8	510,658	4	152,324	1	54,500	1	25,000	27	8%	1,720,414	4%
Other Services	14	1,936,276	8	800,740	2	427,992	3	1,173,644	0	0	27	8%	4,338,652	9%
Transport & Communication	1	246,235	2	256,614	1	172,620	0	0	0	0	4	1%	675,469	1%
TOTAL	115	13,672,557	165	24,062,012	45	4,653,030	13	4,266,285	5	318,407	343	100%	46,972,291	100%

107

ECIP Steering Committee Approvals

1996
NUMBERS and AMOUNTS APPROVED by Industry SECTOR



ECIP Steering Committee Approvals

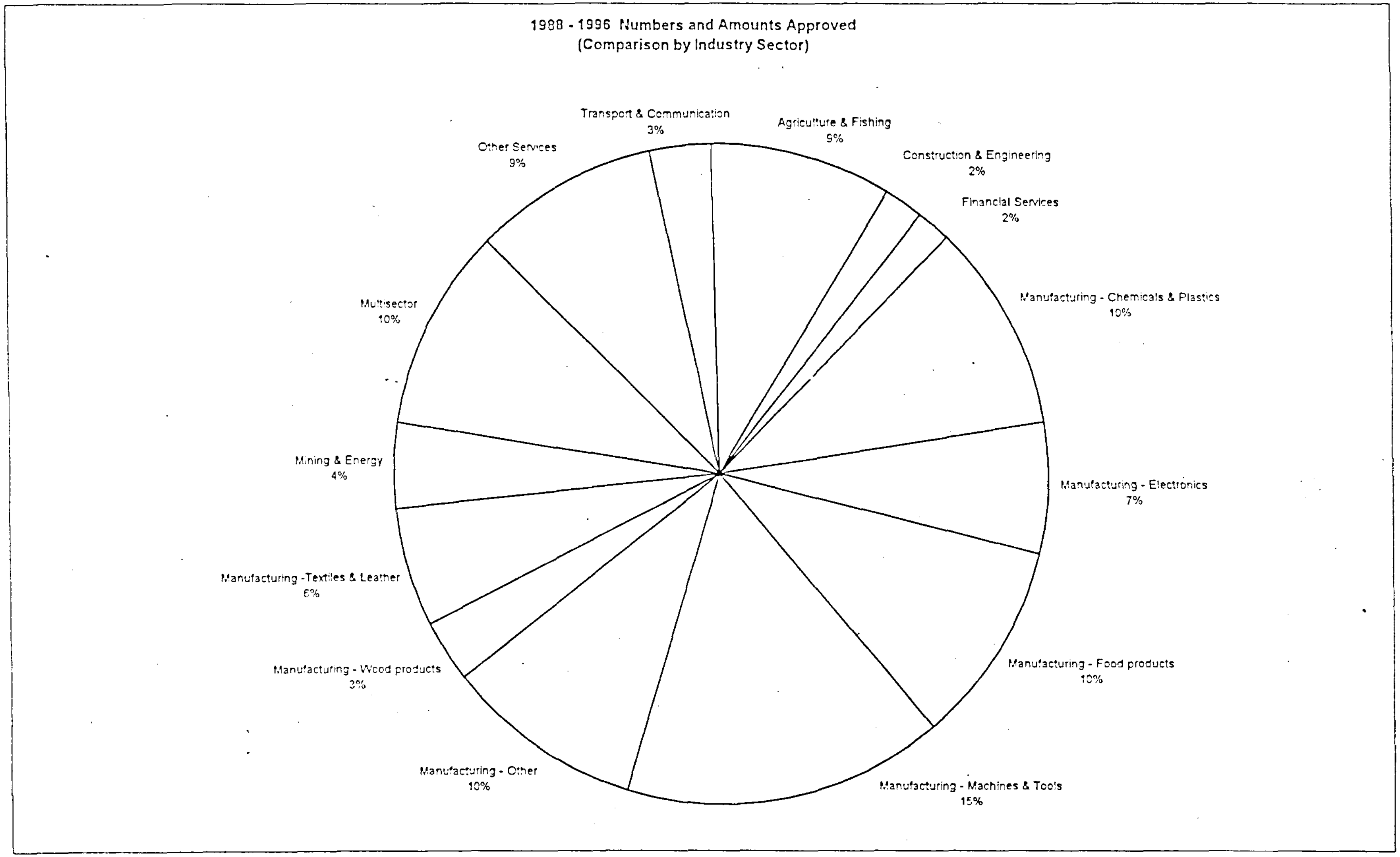
1988 - 1996
CUMULATIVE NUMBERS and AMOUNTS APPROVED by Industry SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	%	Approved amounts in ECU	%
Agriculture & Fishing	65	7,169,017	58	5,668,466	39	7,098,893	1	31,365	0	0	163	9%	19,967,741	9%
Construction & Engineering	13	1,506,603	11	1,475,253	7	481,184	2	1,206,885	1	80,000	34	2%	4,749,925	2%
Financial Services	6	1,597,985	10	1,930,481	7	2,665,792	2	1,000,000	6	129,940	31	2%	7,324,198	3%
Manufacturing - Chemicals & Plastics	46	3,518,154	104	13,732,934	41	4,525,864	2	353,987	1	155,400	194	10%	22,286,339	10%
Manufacturing - Electronics	30	2,727,683	73	8,892,686	23	1,920,532	1	88,600	0	0	127	7%	13,629,501	6%
Manufacturing - Food products	66	10,102,779	86	10,664,941	34	3,583,169	4	551,271	0	0	190	10%	24,902,160	12%
Manufacturing - Machines & Tools	78	6,394,504	164	20,537,914	41	4,404,554	1	34,000	3	358,652	287	15%	31,729,624	15%
Manufacturing - Other	41	5,641,436	100	12,309,122	37	3,667,786	2	355,701	0	0	180	10%	21,974,045	10%
Manufacturing - Wood products	28	3,426,061	19	2,675,745	7	921,279	2	263,348	3	117,750	59	3%	7,404,183	3%
Manufacturing -Textiles & Leather	30	2,377,299	47	6,359,090	30	3,717,975	4	1,213,553	0	0	111	6%	13,667,917	6%
Mining & Energy	28	3,555,078	36	6,717,164	17	1,794,163	1	128,932	1	61,000	83	4%	12,256,337	6%
Multisector	78	5,269,039	46	2,724,474	44	2,078,693	6	276,655	13	423,142	187	10%	10,772,003	5%
Other Services	62	8,498,635	58	6,808,944	50	4,649,813	6	1,427,069	1	18,500	177	9%	21,402,961	10%
Transport & Communication	17	1,917,162	29	3,078,130	12	1,841,165	1	194,810	0	0	59	3%	7,031,267	3%
TOTAL	588	63,701,435	841	103,575,344	389	43,350,862	35	7,126,176	29	1,344,384	1,882	100%	219,098,201	100%

[redacted]

ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE NUMBERS and AMOUNTS APPROVED by Industry SECTOR



ECIP Steering Committee Approvals

1996

NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	2	4	157,063
Belgium	2	10	728,129
Denmark	1	15	5,651,394
Finland	1	1	468,400
France	6	50	6,242,661
Germany	3	6	1,644,887
Ireland	1	1	77,888
Italy	7	97	11,183,457
Luxembourg	2	13	2,192,439
Netherlands	3	4	733,395
Portugal	3	2	442,733
Spain	6	52	7,017,585
Sweden	1	1	97,184
United Kingdom	4	14	1,583,548
Total for E.U.	42	270	38,220,763
Eligible regions			
Africa	3	5	638,552
Asia	3	11	1,462,805
Latin America	4	12	1,544,193
Mediterranean	3	3	258,193
Multiregional	1	2	2,000,000
Total for Eligible regions	14	33	5,903,743
Total ...			
Chambres Com.	34	40	2,847,785
Grand Total	90	343	46,972,291

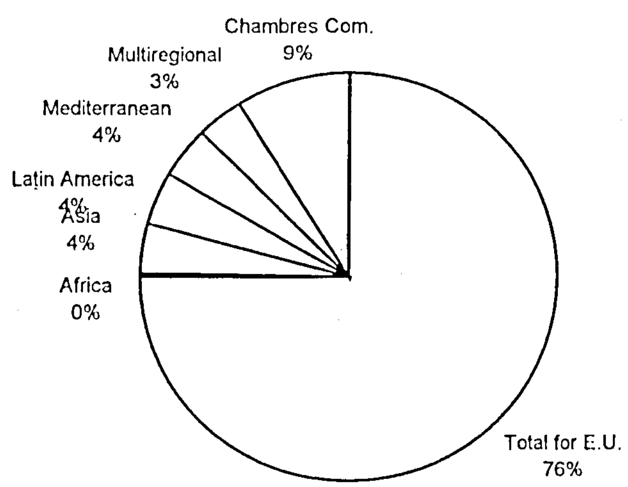
ECIP Steering Committee Approvals

1988 - 1996

CUMULATIVES NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	2	5	407,063
Belgium	4	81	7,999,995
Denmark	1	72	21,107,730
Finland	1	1	468,400
France	6	271	33,024,501
Germany	4	36	8,692,913
Greece	1	1	80,000
Ireland	1	7	466,579
Italy	7	352	36,412,437
Luxembourg	3	45	6,963,791
Netherlands	4	73	7,645,814
Portugal	3	16	1,727,495
Spain	6	189	21,089,766
Sweden	1	1	97,184
United Kingdom	4	134	17,967,890
Total for E.U.	**48**	**1,284**	**164,151,558**
Eligible regions			
Africa	3	9	1,054,700
Asia	15	81	9,040,544
Latin America	15	67	8,109,172
Mediterranean	9	94	9,829,664
Multiregional	2	23	7,482,235
Total for Eligible regions	**44**	**274**	**35,516,315**
Total ...			
Chambres Com.	203	324	19,430,328
Grand Total	295	1,882	219,098,201

ECIP - Financing repartition among Financial institution



ECIP Steering Committee Approvals

1988 - 1996
CUMULATIVE APPROVALS by COUNTRY

Country	N° of projects approved	ECU amounts approved
Algeria	11	973,670
Argentina	96	11,902,479
Bahrain	1	9,401
Bangladesh	6	869,043
Bolivia	9	1,148,810
Brazil	100	12,041,850
Cambodia	2	288,005
Chile	63	4,805,225
China	292	40,825,132
Colombia	24	2,393,384
Costa Rica	11	466,153
Cuba	22	1,947,720
Cyprus	28	1,741,229
Ecuador	11	493,456
Egypt	28	5,586,224
El Salvador	4	283,952
Guatemala	3	363,740
Honduras	4	359,905
India	146	17,717,027
Indonesia	83	10,144,561
Israel	32	4,167,898
Jordan	5	522,067
Kuwait	2	115,217
Lebanon	9	579,788
Macau	2	26,341
Malaysia	55	4,844,378
Maldives	1	1,000,000
Malta	10	1,600,575
Mexico	135	18,701,548
Morocco	86	7,801,225
Nepal	2	248,244
Nicaragua	4	175,576
Oman	4	117,595
Pakistan	11	943,199
Palestine	3	318,436
Panama	2	308,925
Paraguay	2	147,000
Peru	11	1,334,688
Philippines	49	6,263,200
Saudi Arabia	8	472,097
Singapore	17	1,653,870
South Africa	36	7,147,716
Sri Lanka	26	4,178,323
Syria	2	327,748
Thailand	47	5,675,194
Tunisia	78	7,597,947
Turkey	63	9,879,522
United Arab Emirates	3	167,563
Uruguay	13	714,300
Venezuela	35	3,343,533
Viet Nam	72	6,722,329
Yugoslavia	3	365,365
Multi Region	110	7,275,830
TOTAL	**1,882**	**219,098,201**

Annex 5.2 Economic impact estimates

ANNEX 5.2

ECONOMIC IMPACT DATA

HOW TO READ THE STATISTICS RELATING TO THE ECONOMIC IMPACT REPORT

Contracts and Reports
Data quoted in Part Three, Economic Impact, of this Report, are based on a systematic assessment of action results. 607 actions, all approved before 1 January 1997, have been analysed. From 1988 to end 1996, 1,882 actions were approved, leading to 1,526 contracts. Of those contracted, ECIP has, up to now, received 1,029 Final Reports (64% of actions contracted). Of those, 608 have been analyzed (40% of actions contracted).

ACTIONS APPROVED, CONTRACTED, ASSESSED (1988-96)

Facility	Approved	Contracted	Assessed
1	593	531	266
2	1,086	884	314
3	132	59	19
4	71	52	9
Totals	(100%) 1,882	(81%) 1,526	(32%) 608

Impact methodology: investment, joint ventures and jobs
The Regulation requires the Commission to report on the economic impact, *'notably total investment, the number of joint ventures and jobs created'* (art. 10). These economic effects reported by final beneficiaries, are presented by facility.

The economic impact of ECIP approved actions is measured on the basis of the results of 607 actions researched and on the basis of resulting success rates per facility. The following charts have a column relating to those researched actions (*Reported*), which are preceded by the numbers researched (*Evaluated*) and the amount of funding relating to those researched actions. The second columns in the charts present the *Estimated* results for all the actions approved (based on the success rates per facility). Again here, the estimated results are preceded by the total number of actions contracted relating to the facility and the amount of funding (*All contracted*).

FACILITY ONE RESULTS (1988-96)

	Evaluated	All contracted
Number of actions	266	531
ECIP funding (MECU)	14	30

Results	Reported	Estimated
Firms involved	8,000	16,000
Resulting JVs	420	840

FACILITY TWO RESULTS (1988-96)

	Evaluated	All contracted
Number of actions	314	884
ECIP funding (MECU)	31	98

Results	Reported	Estimated
Investments (MECU)	444	1,251
Joint ventures	77	217
Employment	6,600	18,500

FACILITY THREE RESULTS (1988-96)

	Evaluated	All contracted
Number of actions	19	59
ECIP funding (MECU)	8	24

Results	Reported	Estimated
Investments (MECU)	109	340
Joint ventures	17	53
Employment	1,700	5,200

FACILITY FOUR RESULTS (1988-96)

	Evaluated	All contracted
Number of actions	9	52
ECIP funding (MECU)	1.4	6.5

Results	Reported	Estimated
Investments (MECU)	35	204
Joint ventures	9	52
Employment	1,000	5,700
People trained	270	1,560

Annex 5.3 Commitment and payment appropriations

Annex 5.3

Commitment and payments appropriations
ECIP 1996
EC Budget line B7-8720

	Credits available (A)	Credits consumed (B)	A/B %
Commitments	50.000.000	49.999.400	100%
Payments	45.000.000	42.617.524	94,71%

Annex 5.4 Independent financial audit

Annex 5.4 Independent Financial Audit

Terms of Reference

The Commission intends to place a contract with independent accountants/auditors to establish an accounting plan for the ECIP financial instrument and execute a complete year-end financial audit of the ECIP financial institutions and of the Facility 1 beneficiaries of ECIP in order to verify the ECIP balance sheet and revenue/expenditure accounts as at 31st December each year. The accountants will reconcile these ECIP financial statements with the Commission's Balance Sheet and Revenue and Expenditure accounts at the end of each year. This exercise will be repeated annually from 31st December 1995 until 31st December 1999 inclusive for the year-end closure of ECIP accounts. The contract period will be initially for two years with possible annual continuations for each of another two years.

The contractor will be responsible for studying the nature of the ECIP instrument and its finances, and for defining and agreeing with the Commission appropriate audit systems and an accounting plan and manual for ECIP. This should be compatible with the Commission's internal archives, and the resources available within DG I N/S, and in particular its computerised Management Information System for ECIP. The ECIP balance sheet as at 31st December and the ECIP revenue and expenditure account for the previous year should be reconciled with the Commission's overall Balance Sheet and Revenue and Expenditure accounts for the same period and dates.

The contractor must take into account the requirements of the relevant EU regulations (in particular the ECIP Regulation 319/92 and its successor, and the Financial Regulation Applicable to the General Budget of the EC). The contractor will also, as far as possible, apply the provisions of the relevant EU directives as regards accounting and financial reporting.

Sampling, valuation, inspection and other reporting and auditing procedures will be based on recognised best international practice in the EU and ALAMEDSA states.

During the course of the establishment of the accounting plan, of the audit methodology, and of the audit system the contractor will take into account the need to audit the ECIP Technical Assistance Unit (TAU) being set up under a separate contract from early in 1996.

The contractor will also take especial account of the provision in the new ECIP regulation that quote:

> "Article 5 (4) Equity loan and advance repayments, the realisation of participations, and interest and dividend payments will be accounted for by recovery orders and paid back to the general budget of the European Communities. This will be done on an annual basis after the annual audit provided for in Article 10 (3), in reconciliation with the budget accounts as at 31st December of that year, and the amounts involved will be reported in the progress report for that year provided for at Article 10 (1). All assets held by the financial institution are to be paid back to the Community if the institution ceases to be associated with the instrument or if the instrument ceases to operate." unquote

so that the annual audit will help the Commission to fulfil this obligation.

This independent audit is to be carried out without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities.

Annex 5.5 Technical assistance

Annex 5.5. Technical Assistance

List of ECIP Technical Assistance Actions Contracted 1996

ITEM	CONTRACTORS	DURATION	ECU AMOUNT
Technical Assistance Unit	Arthur Andersen & Co (Belgium)	24 months contract (cancelled 15.7.97)	1.969.778
Independent Financial Audit	Coopers & Lybrand (Reviseurs d'Entreprises Belgium)	26 months ongoing	674.450
ECIP conference of Financial Institutions 1-2 Feb 1996	Various reimbursables	3 days 1,2,3 Feb 1996	7951
ECIP Fac 1B conference with IFC, World Bank, FI and Contractors Brussels	International Finance Corporation et alia direct reimbursables only.	3 days June 1996	15.228
Promotion and information conference on ECIP Ho Chi Minh City Vietnam logistics & organisation	M. J-L. Petit	2 days May 1996	8.235
Production and printing of ECIP leaflets	EU Office of Publications	Not applicable	15.982
Total			**2.691.624**

Annex 5.6 ECIP eligible countries

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, February 1996

EC INVESTMENT PARTNERS
ELIGIBLE COUNTRIES

Latin America

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Venezuela

Mediterranean Region and Middle East

Algeria
Bosnia
Croatia
Cyprus
Egypt
Gulf Cooperation Council countries
Iran
Israel
Jordan
Lebanon
Malta
Morocco
Palestinian Autonomous Territories and remaining Occupied Territories
Syria
Tunisia
Turkey
Yemen

Asia

Bangladesh
Brunei
Bhutan
Cambodia
China
India
Indonesia
Laos
Macao
Malaysia
Maldives
Mongolia
Nepal
Pakistan
Philippines
Singapore
Sri Lanka
Thailand
Vietnam

Republic of South Africa

Member States of the European Union (for information)

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain
Sweden
United Kingdom

Annex 5.7 ECIP Financial Institutions network

LIST OF ECIP FINANCIAL INSTITUTIONS

EUROPEAN UNION

ABN AMRO Amsterdam
ALLIED IRISH BANKS Dublin
BANCA NAZIONALE DEL LAVORO Rome
BANCO BILBAO VIZCAYA Madrid
BANCO DE FOMENTO E EXTERIOR Lisbon
BANCO ESPANOL DE CREDITO Madrid
BANCO EXTERIOR DE ESPANA Madrid
BANCO NACIONAL ULTRAMARINO Lisbon
BANCO PORTUGUES DO ATLANTICO Lisbon
BANCO SABADELL Barcelona
BANCO SANTANDER Madrid
BANK AUSTRIA Vienna
BANQUE NATIONALE DE PARIS Paris
BBL (Banque Bruxelles Lambert / Bank Brussel Lambert) Brussels
CAIXA GERAL DE DEPOSITOS Lisbon
CARIPLO Milan
CDC (Commonwealth Development Corporation) London
Groupe CIC Paris
COFIDES (Compania Espanola de Financiación del Desarrollo) Madrid
COMMERZBANK Frankfurt
CREDITANSTALT Vienna
CREDIT EUROPEEN Luxembourg
CREDIT LYONNAIS Paris
DEG (German Investment and Development Company) Cologne
DEUTSCHE BANK AG Brussels
DIE SPARKASSE IN BREMEN Bremen
ETBA (Hellenic Industrial Development Bank) Athens
EUROPA BANK (Dresdner Bank Group) Luxembourg
FGG (Finanzierungsgarantie Gesellschaft mit beschränkter Haftung) Vienna
FINLOMBARDA Milan
FINNFUND Helsinki
FMO (Netherlands Development Finance Company) The Hague
GENERALE BANK Brussels
GIROCREDIT Vienna
ICE (Istituto Nazionale per il Commercio Estero) Rome
IFU (Industrialization Fund for Developing Countries) Copenhagen
IKB DEUTSCHE INDUSTRIEBANK Düsseldorf
ING BANK Amsterdam
INVESTITIONS-BANK NRW Düsseldorf
ISTITUTO BANCARIO SAN PAOLO DI TORINO Turin
KREDIETBANK INTERNATIONAL GROUP Brussels/Luxembourg
MEES PIERSON Amsterdam
MIDLAND BANK PLC London
MONTE DEI PASCHI DI SIENA Siena
MORGAN GRENFELL London
PARIBAS Luxembourg
PAX BANK Cologne
PROPARCO (Société de Promotion et de Participation pour la Coopération Economique) Paris
RABOBANK Utrecht
SBI / BMI (Belgian Corporation for International Investment) Brussels
SIMEST Rome
SOCIETE GENERALE Paris
SOFINASIA Paris
STANDARD CHARTERED London
SWEDFUND Stockholm

ASIA

ASIATRUST Manila
BANCO NACIONAL ULTRAMARINO Macao
BANGLADESH SHILPA BANK Dhaka
BANKERS EQUITY LTD Karachi
BAPINDO Jakarta
CIMB (Commerce International Merchant Bankers Berhad) Kuala Lumpur
DEVELOPMENT FINANCE CORPORATION OF CEYLON Colombo
EXIM BANK Bombay
FIRST INTERNATIONAL INVESTMENT BANK LTD (INTERBANK) Karachi
ICICI (Industrial Credit and Investment Corporation of India) Bombay
IDBI (Industrial Development Bank of India) Bombay
NATIONAL DEVELOPMENT BANK Colombo
NATIONAL DEVELOPMENT FINANCE CORPORATION Karachi
NIAGA BANK Jakarta
PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES Manila
STANDARD CHARTERED MERCHANT BANK ASIA LIM. Singapore

LATIN AMERICA

BANCA BNL DO BRASIL Sao Paolo
BANCA NAZIONALE DEL LAVORO S.A. Buenos Aires
BANCA SERFIN Mexico
BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA Tegucigalpa
BANCO CONCEPCION Santiago
BANCO DE LA PROVINCIA DE BUENOS AIRES Buenos Aires
BANCO DEL DESARROLLO Santiago
BANCO DEL PACIFICO Guayaquil
BANCO DE VENEZUELA Caracas
BANCO INDUSTRIAL La Paz
BANCOMER Mexico
BANCO NACIONAL DE MEXICO Mexico
BANCO ROBERTS Buenos Aires
BANCO WIESE Lima
CORFO Santiago
CORPORACION ANDINA DE FOMENTO Caracas
CORPORACION FINANCIERA DEL VALLE Bogotá
CORPORACION NACIONAL PARA EL DESARROLLO Montevideo
CORPORACION PRIVADA DE INVERSIONES DE CENTRO AMERICA San José
IFI (Instituto de Fomento Industrial) Bogotá
INSTITUTO MOVILIZADOR DE FONDOS COOPERATIVOS Buenos Aires
NACIONAL FINANCIERA SNC Mexico

MEDITERRANEAN

ARAB BANK PLC Amman
BAHRAIN DEVELOPMENT BANK Bahrain
BANK HAPOALIM Tel Aviv
BANK LEUMI Tel Aviv
BANQUE DE DEVELOPPEMENT ECONOMIQUE DE TUNISIE Tunis
BANQUE MAROCAINE DU COMMERCE EXTERIEUR Casablanca
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE Casablanca
BYBLOS BANK Beirut
CYPRUS DEVELOPMENT BANK Nicosia
EUROTURK BANK Istanbul
MALTA DEVELOPMENT CORPORATION Malta
WAFABANK Casablanca

SOUTH AFRICA

FIRST NATIONAL BANK Johannesburg
NEDBANK Johannesburg
STANDARD BANK Johannesburg

MULTILATERAL

ASEAN FINANCE CORPORATION Singapore
ASIAN FINANCE AND INVESTMENT CORP. Manila
IFC (International Finance Corporation) Washington
INTER AMERICAN INVESTMENT CORPORATION Washington

Annex ·5.8 ECIP Council Regulation 213/96 of 29.01.96

COUNCIL REGULATION (EC) No 213/96

of 29 January 1996

on the implementation of the European Communities investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission (1),

Acting in accordance with the procedure of Article 189c of the Treaty (2),

Whereas the Community is implementing financial, technical and economic cooperation with the developing countries of Latin America, Asia and the Mediterranean region, and with South Africa;

Whereas in order to strengthen such cooperation, it is necessary, *inter alia,* to encourage mutually beneficial investment, particularly by small and medium-sized enterprises (SMEs);

Whereas the Council has reached a consensus on the importance of the role of the private sector in the development process;

Whereas joint ventures and investment by Community undertakings in developing countries can bring certain benefits for these countries, including the transfer of capital, know-how, employment, the transfer of training and expertise, increased export possibilities and the meeting of local needs;

Whereas a three-year pilot scheme was launched in 1988 to promote, via a European Communities Investment Partners (ECIP) financial instrument, the creation of joint ventures between the Community and countries of Latin America, Asia and the Mediterranean region and was continued and extended for a further three year trial period from 1 January 1992 by Regulation (EEC) No 319/92 (3);

Whereas the Court of Auditors delivered an opinion in December 1993 pursuant to Article 9 (3) of Regulation (EEC) No 319/92 on the implementation of ECIP, which concluded that it meets a real need of which the market takes no or only inadequate account, and made specific recommendations for improvements in its management;

Whereas the European Parliament and the Council have considered the results of the independent appraisal forwarded to them in March 1994 in conformity with Article 9 (2) of Regulation (EEC) No 319/92 which concluded that ECIP has met its principal objective of promoting mutually beneficial investment by Community and local operators in EC/local joint ventures in the countries of Asia, Latin America and the Mediterranean, and that the ECIP instrument should be further continued and reinforced;

Whereas the Council adopted on 25 February 1992 Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America (4) and on 29 June 1992 Regulation (EEC) No 1763/92 concerning financial cooperation in respect of all Mediterranean non-member countries (5);

Whereas the continuation and extension of the instrument is therefore necessary in order that full use may be made of the possibilities of mutually beneficial action in the countries of Latin America, Asia and the Mediterranean region;

Whereas the Council on 19 April 1994 concluded that to encourage Community investments in SMEs in South Africa, advantages equivalent to the ECIP or its follow-up instrument could be granted to South Africa, and that specific financing of this instrument would be provided to that end;

Whereas it is necessary to take account of democracy and human rights issues, and to promote investments which improve working conditions, in particular for women, do not exploit employees and exclude unacceptable practices such as forced labour and slavery;

Whereas the broadest possible participation by undertakings in all Member States should be encouraged;

Whereas all the Member States should be encouraged to participate in the promotion of their investments in the countries of Latin America, Asia, the Mediterranean region and South Africa through financial institutions specializing in development;

(1) OJ No C 287, 15. 10. 1994, p. 7.
(2) Opinion of the European Parliament of 28 October 1994 (OJ No C 323, 21. 11. 1994, p. 497), Council Common Position of 22 May 1995 (OJ No C 160, 26. 6. 1995, p. 8) and Decision of the European Parliament of 28 November 1995 (OJ No C 339, 18. 12. 1995).
(3) OJ No L 35, 12. 2. 1992, p. 1.
(4) OJ No L 52, 27. 2. 1992, p. 1.
(5) OJ No L 181, 1. 7. 1992, p. 5. Regulation as amended by Regulation (EC) No 1735/94 (OJ No L 182, 16. 7. 1994, p. 6).

Whereas a financial reference amount, within the meaning of point 2 of the Statement of 6 March 1995 by the European Parliament, Council and Commission has been inserted in this Regulation for the entire duration of the programme, without the budget authority's powers as defined in the Treaty being thereby affected,

HAS ADOPTED THIS REGULATION:

Article 1

1. As part of its economic cooperation with the countries of Latin America, Asia, the Mediterranean region, and South Africa, the Community shall operate for the period 1995-1999 special cooperation schemes aimed at promoting mutually beneficial investment by Community operators, particularly in the form of joint ventures with local operators in the countries eligible including tripartite operations with other developing countries to promote regional integration.

2. Account being taken of their respective possibilities and needs, SMEs will receive priority in application of the scheme, while large multinational undertakings will be ineligible.

Article 2

The European Communities Investment Partners (ECIP) financial instrument, hereinafter referred to as the 'instrument', shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50 % of the cost of the operation up to a ceiling of ECU 100 000; however, where the operation relates to the preparation of a privatization, or a Build Operate and Transfer (BOT) or a Build Operate and Own (BOO) scheme in infrastructure, utilities or environmental services where an eligible country government or public agency is the beneficiary this facility may be increased to 100 % of the cost of the operation up to a ceiling of ECU 200 000 (Facility No 1);

2. interest-free advances for feasibility studies and other action by operators intending to set up joint ventures or to invest, not exceeding 50 % of the cost up to a ceiling of ECU 250 000, within which pre-feasibility travel costs of ECU 10 000 maximum may be financed by grant (Facility No 2);

3. capital requirements of a joint venture or a local company with licensing agreements, in order to meet investment risks peculiar to developing countries, through participation in the provision of equity or by equity loans not exceeding 20 % of the joint venture's capital up to a ceiling of ECU 1 million (Facility No 3);

4. interest-free advances and grants not exceeding 50 % of the cost up to a ceiling of ECU 250 000, for training, technical assistance or management expertise of an existing joint venture, or joint venture about to be set up, or of a local company with a licensing agreement (Facility No 4).

The aggregate amount made available under Facilities Nos 2, 3 and 4 may not exceed ECU 1 million per project.

Article 3

1. The financial institutions shall be selected by the Commission, further to the opinion of the Committee, defined in Article 9, from among development banks, commercial banks, merchant banks and investment promotion bodies.

2. Financial institutions which have submitted proposals in accordance with the criteria defined in Article 6 will receive fees in accordance with arrangements to be determined by the Commission.

Article 4

1. With regard to Facility No 1 set out in Article 2, financing applications may be submitted either directly to the Commission by the institution, association or body carrying out the identification of partners and projects, or through a financial institution.

2. In the case of Facilities Nos 2, 3 and 4 set out in Article 2, applications may be submitted by the undertakings concerned solely through the financial institutions defined in Article 3. Community funds for the participating undertakings shall be applied for and provided exclusively through the financial institution.

3. With regard to Facility No 2 set out in Article 2, the financial institutions and undertakings shall be required to share the project risk; where the action is successful, however, the Community contribution may be more than 50 % and up to 100 % of the cost for SMEs.

4. In the case of Facility No 3 set out in Article 2, the financial institutions shall provide financing at least equal to that provided by the Community. This facility shall be reserved, where the Community is concerned, for SMEs; exceptions will be possible in cases for which specific justification is provided having particular significance for development policy, for instance technology transfer.

In the case of Facility No 4 set out in Article 2 interest-free advance finance will be provided as regards the costs of training, technical assistance and management expertise, and, for SMEs only, the costs of training, technical assistance and management expertise provided by external sources or by the European partner to the joint venture shall be eligible for grant finance under this facility.

6. Framework agreements signed by the Commission with the financial institutions shall explicitly stipulate that the Court of Auditors has the power, in accordance with Article 188c of the Treaty, to audit the operations of these institutions with respect to financial projects funded by the general budget of the European Communities.

Article 5

Contributions awarded under the instrument shall, depending upon the circumstances and pursuant to Article 2, be either grants or interest-free advances, or participations in the provision of equity or equity loans.

1. Participation in the equity or equity loans shall in principle be acquired or provided by the financial institutions on their own behalf. However, in exceptional cases,

— where the financial institution cannot intervene in its own name for regulatory or legal reasons or because of its statutes ; or

— where the Community's direct financial participation is necessary to reinforce in a decisive manner the capacity of the promoters to raise other financial resources which could not normally be moblilized due to the particular political situation or to specific legal obstacles in the host country of the joint venture ;

the Commission may authorize a financial institution to hold a direct participation on the Community's behalf.

Only projects with a particular development or environmental impact or significance for technology transfer shall qualify for such direct participation.

The commercial, industrial, investment and financial decisions of the joint undertakings set up under the instrument shall be taken exclusively by those undertakings.

2. For Facility No 2 set out in Article 2, interest-free advances shall be reimbursed according to the arrangements to be determined by the Commission, on the understanding that the final repayment periods are to be as short as possible and shall in no instance exceed five years. Such advances shall not be refundable where the actions have produced negative results.

3. For Facility No 3 set out in Article 2, participations by virtue of this instrument shall be disposed of at the earliest opportunity once the project becomes viable, having to the Community's rules of sound financial management.

4. Equity loan and advance repayments, the realization of participations, and interest and dividend payments will be accounted for by recovery orders and paid back to the general budget of the European Communities. This will be done on an annual basis after the annual audit provided for in Article 10 (3), in reconciliation with the budget accounts as at 31 December of that year and the amounts involved will be reported in the progress report for that year provided for at Article 10 (1). All assets held by the financial institution are to be paid back to the Community if the institution ceases to be associated with the instrument or if the instrument ceases to operate.

Article 6

1. Projects shall be selected by the financial institution or, in the case of Facility No 1 set out in Article 2, by the Commission and the financial institution, in the light of the appropriations adopted by the budget authority and on the basis of the following criteria :

(a) the anticipated soundness of the investment and the quality and good repute of the promoters ;

(b) the contribution to development, in particular in terms of :

— impact on the local economy ;

— creation of added value ;

— promotion of local entrepreneurs ;

— transfer of technology and know-how and development of the techniques used ;

— acquisition of training and expertise by managers and local staff ;

— implications for women and improvement of their working conditions ;

— creation of local jobs with conditions of work which do not involve exploiting employees ;

— impact on the balance of trade and balance of payments ;

— impact on the environment ;

— manufacture and supply to the local market of products hitherto difficult to obtain or substandard ;

— use of local raw materials and resources.

2. The final financing decision shall be taken by the Commission, which shall verify compliance with the criteria set out in paragraph 1 and compatibility with Community policies, in particular development cooperation policy, and the mutual benefit to the Community and the developing country concerned.

Article 7

Countries eligible shall be the developing countries of Latin America, Asia and the Mediterranean regions which benefit from Community development cooperation measures or which have concluded regional or bilateral cooperation or association agreements with the Community, and South Africa.

Article 8

The financial reference amount for the implementation of this programme, for the period 1995-1999, is ECU 250 million.

Annual appropriations shall be authorized by the budgetary authority within the limit of the financial perspective.

Article 9

1. The Commission shall implement the instrument in accordance with this Regulation.

2. In carrying out this task, the Commission shall be assisted, as appropriate, by the Committee set up under Article 15 of Regulation (EEC) No 443/92 or by the Committee referred to in Article 7 (1) of Regulation (EEC) No 1763/92, and these Committees shall also deal, for the purposes of ECIP, with matters related to South Africa, in the absence of a specific Committee.

3. The following shall be adopted under the procedure laid down in paragraph 4:

— the choice of financial institutions in the light of their experience and aptitude for making a preliminary selection of the projects in accordance with the criteria set out in Article 6;

— revision of the amounts and/or financing conditions under each facility and the aggregate amount available under Facilities 2, 3 and 4 as laid down in Article 2 in a way consistent with other provisions of this Regulation.

4. With regard to the matters mentioned in paragraph 3, the representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions, which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States, within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of one month from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

5. Furthermore, the Committee may examine, at the Commission's initiative or at the request of one of its members, any question connected with the implementation of this Regulation; in particular:

— information on the projects funded over the previous year;

— the terms of reference of the independent appraisal provided for in Article 10;

— any other information which the Commission wants to submit to it.

6. In order to ensure consistency of cooperation and to improve complementarity between operations, the Commission and the European Investment Bank shall exchange any relevant information on financing that they envisage granting.

7. The Commission will ensure that due account is taken of relevant information concerning the implementation of ECIP as well as comparable instruments of the Community such as JOPP, Alinvest, Medinvest, and others as appropriate, in order to establish a coordinated approach to promote private investment in developing countries.

Article 10

1. The Commission shall send to the European Parliament and to the Council, by 30 April each year at the latest, a progress report showing the projects selected and their economic impact, notably total investment, the number of joint ventures and jobs created as well as the appropriations granted and the repayments to the general budget of the European Communities and including annual statistics for the previous year.

2. The Commission shall forward the results of an independent appraisal of the instrument to the European Parliament and the Council before the end of 1998.

This report must permit an assessment of the implementation [illegible] principles of good financial management, economy [illegible] a cost/benefit analysis of the instrument.

3. Without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities, the Commission shall obtain each year an independent financial audit of the financial institutions and of the Facility 1 beneficiary organizations, as regards the ECIP funds that they have received. The Commission shall make specific provision in the framework and specific financing agreements for anti-fraud measures, in particular a mechanism for the recovery of advances which are not fully justified after such audit.

4. Use of external technical assistance may be made, as appropriate, on condition that the technical assistance financed is directly linked to the special nature of the ECIP instrument and is of direct benefit to the Alamed countries and South Africa. The costs of such technical assistance shall be limited to 5 % of the budgetary credits available, not including the fees paid to the financial institutions which shall be imputed to the credits allocated to each individual action financed.

Article 11

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities* and shall expire on 31 December 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 January 1996.

For the Council

The President

S. AGNELLI

Annex 5.9 Guidelines for Facility 1B for preparation of privatisation and private infrastructure projects

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7 February 1997

EUROPEAN COMMUNITY INVESTMENT PARTNERS (ECIP).

FACILITY 1B FOR PRIVATISATION AND PRIVATE INFRASTRUCTURE PROJECTS - GUIDELINES

RATIONALE

Privatisation and private participation in infrastructure ("PPI") has increased rapidly in recent years as some developing countries have opened up their infrastructure sectors to finance and management by the private sector. PPI may be the only way for a developing country to meet the often huge growth in infrastructure needed to keep pace with its development. It can bring with it increased efficiency in construction and operation. PPI can also reduce financing and management burdens on public sector institutions.

PPI may also have other indirect benefits for the host country. A successful PPI project can strengthen the local financial sector, act as a valuable demonstration project for other PPI initiatives in the country or region, and create domestic constituencies for further liberalisation.

FINANCING AVAILABLE

The new grant Facility 1B of ECIP is designed to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa ("ALAMEDSA") to prepare PPI projects and to improve their local development effects.

Facility 1B has been developed by the European Commission ("EC") in recognition of the fact that PPI projects are complex, and that many public agencies have limited experience in this new and fast developing technique. By providing front-end grant finance at the preparation stage, the EC aims to improve the chances for successful completion of the PPI project, reduce costly duplication of preparatory steps and expand the opportunities for European businesses to participate in the PPI process.

ECIP Facility 1B can provide up to 100% grant support for eligible expenditure, with a maximum of ECU 200 000 per action.

TERMINOLOGY

The formal application for Fac. 1B must be made by the government of, or a public agency in, an eligible ALAMEDSA country ("the Public Agency") in respect of an activity ("the Action") commissioned by it in preparation for a private infrastructure or privatisation project ("the Project"). The action will be executed by an expert(s) from the EU, or by an expert(s) from the EU working together with an expert(s) from the host country.

ORGANISATIONS ELIGIBLE TO APPLY FOR FACILITY 1B - THE PUBLIC AGENCY

A government, government department or public agency planning to promote a specific privatisation or private infrastructure project, and with effective responsibility therefor.

Examples of eligible organisation: government department; privatisation commission; public corporation acting in the infrastructure sector (e.g port authority, road authority, airport authority); regional government; local authority; development agencies; regulatory authority responsible for regulating a utility or sector.

To be noted: The following are NOT eligible to apply for Facility 1B:

- Individual companies (though it should be noted that individual companies carrying out a PPI project *may* separately apply for ECIP Facilities 2, 3 and 4 where the case satisfies the eligibility criteria for those facilities);
- Consultants (who may not apply for Facility 1B but may benefit indirectly by being appointed by the Public Agency in agreement with the EC to carry out the Action).

THE PROJECT

1) Type of PPI

PPI can involve a range of ownership structures that can be summarised as follows

Ownership structure	Extent of private participation
Service contracts	Low
⇩	⇩
Management contracts	⇩
⇩	⇩
Leasing	⇩
⇩	⇩
Concessions	⇩
⇩	⇩
Build Operate Transfer (BOT)	⇩
⇩	⇩
Build Own Operate (BOO)	⇩
⇩	⇩
Divestiture	High

While in principle Facility 1B can apply to any of these privatisation options, the EC will prefer to target the facility on projects
i) that will lead to substantial incremental capital expenditure,
ii) that are financed and managed by the private sector operators, and
iii) that have substantial and visible positive development impacts on the host country.

Therefore Facility 1B will normally only apply to privatisation schemes involving **concessions, BOT, BOO or divestiture** where the private operator is required or expected to undertake substantial additional capital expenditure and is significantly involved in the management.

2) Sectors covered

Article 2(1) of the Council 's ECIP Regulation provides for Facility 1B to apply to schemes in "infrastructure, utilities or environmental services".

The EC will however prefer to apply Facility 1B only in sectors where successful completion of PPI projects is deemed to require such public assistance. Therefore, while no sector is absolutely excluded, the EC expects to target Facility 1B initially on projects in **water, ports, bridges and toll roads, urban services such as waste management, smaller scale power projects, sub-regional telecommunications**, where the positive development impacts on the local population are likely to be significant and are particularly visible.

THE ACTION

Facility 1B supports Actions undertaken by the Public Agency in preparation for an eligible PPI project. Examples of activities that might be supported by Facility 1B include:
- Preparation of an international call for tender
- Developing and drafting the technical specifications and standards
- Technical design
- Drafting of a concession contract
- Devising a financial and/or legal structure for the PPI project
- Drafting of any legislation required to realise the PPI project
- Initial environmental impact assessments required, including consultation exercises with the affected local population
- Structuring insurance arrangements
- Actions to improve the regulatory framework for the PPI project - e.g setting up the appropriate regulatory authority
- Actions to strengthen in general the legal framework for PPI - e.g drafting of cross-sectoral laws or regulations to define conditions for private involvement in infrastructure

Facility 1B can support up to 100% of the costs incurred on the Action, with a maximum of ECU 200 000 per Action.

APPRAISAL CRITERIA AND REQUIREMENTS

- The Action may either cover most or all of the preparations for the PPI project, or involve discrete and defined component(s) thereof.

- The Action must be executed by a European expert(s), or by a European expert working together with an expert(s) from the host country ("the Expert(s)"). The EC will prefer actions executed by a consortium of EU and local experts, since involvement of local consultants will increase local knowledge of PPI techniques and so may facilitate duplication of the privatisation elsewhere in the host country.

- Facility 1B will be available normally where the Public Agency is to award the concession or privatisation contract either through an international call for tenders or through a process of competitive bidding. In some cases (e.g first privatisations where knowledge of the local market and conditions is insufficient to specify a call for tenders) it may be appropriate to realise the PPI Project by a negotiated contract, but the Commission is only prepared to accept this on an exceptional and a case-by-case basis. The EC will anyway in all cases wish Actions and Projects supported by Facility 1B to be transparent, and will therefore prefer to apply Facility 1B only in cases where there will be international competitive bidding.

- The final report resulting from the Facility 1B Action will in principle always be in the public domain, and a copy must be provided to all companies that are either bidding in any subsequent call for tender or involved in competitive or direct negotiations with the Public Agency in respect of the Project.

- The Commission will be prepared to provide Fac. 1B funds in coordination and in parallel with other donors, so as to maximise the effects of the Fac. 1B contribution.

- The Commission will prefer to support Actions:
  i) that produce authoritative information or findings that
    - can be relied on by bidders in any subsequent tender or negotiation (and so avoid duplication of due diligence);
    - or could be of use in the preparation of other PPI projects; or
    - will stimulate the completion of PPI projects in general;
  ii) where the PPI project will be preceded by an international call for tender that will be open to bidders from the European Union; and
  iii) where the ECIP contribution (or the joint contribution of the EC and the other donor(s)) will constitute a material contribution to the preparation of the call for tender.

POLICY FRAMEWORK AND DIALOGUE BETWEEN THE EC AND THE PUBLIC AGENCY

In practice the EC will be willing to approve applications under Facility 1B where the Public Agency or government making the application has conducted a policy dialogue on PPI issues with the Commission and/or the donor community.

The "policy dialogue" referred to above is a horizontal action programme that aims at some or all of the following objectives:

- identification of projects and sectors that are most suitable for PPI in the host country
- strengthening and improving the legal, regulatory and accounting framework for PPI projects country
- actions to improve awareness of PPI techniques and spread it more widely among the key officials and operators (public and private)
- improving the capacity of local financial markets in the host country to support PPI projects
- improving the acceptability of PPI projects by consultation exercises with the local population
- liberalisation, opening up to international markets, market transition.

The Commission is prepared to consider providing technical assistance to the government or Public Agency to promote the objectives described above, and will apply Facility 1B where there is such a programme of technical assistance.

OUTLINE OF OPERATING PROCEDURES

The EC envisages the following process:

Commission conducts a policy dialogue with the government or Public Agency and agrees the sectors to be eligible "in principle" for Facility 1B actions

↓

Public Agency sends individual applications for a specific Action(s) to the Commission

↓

Commission appraises and approves (or not) the application

↓

Expert is chosen and appointed by the Public Agency in agreement with the Commission

↓

Action commences

↓

Public Agency discusses results of the Action with the Commission and incorporates the recommendations into its PPI process

↓

The Public Agency subsequently launches an international call for tenders open to international bidders.

THE LEGAL BASIS

Council Regulation (EC) No 213/96 ("the ECIP Regulation") specifies as follows:

Article 2 "The European Community Investment Partners (ECIP) financial instrument, hereinafter referred to as the "instrument", shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50% of the cost of the operation up to a ceiling of ECU 100 000; however, where the operation related to the preparation of a privatization, or a Build Operate and Transfer (BOT) or a Build Operate and Own (BOO) scheme in infrastructure, utilities or environmental services where an eligible country government or public agency is the beneficiary this facility may be increased to 100% of the cost of the operation up to a ceiling of ECU 200 000 (Facility No 1)."

Annex 5.10 Anti-fraud measures

Annex 5.10. Anti-fraud measures

Obligatory provisions in all ECIP Framework Agreement Contracts

quote:

"V. CONTROLS AND FOLLOW-UP OF EXECUTION

5.1. Controls by the EC and anti-fraud provisions

5.1.1 The Court of Auditors of the European Communities has the power, in accordance with article 188c of the EC Treaty, to audit the operations of the FI with respect to financial actions funded by the general budget of the European Communities under this Framework Agreement.

5.1.2 In accordance with Article 10.3 of the Council Regulation (EC) No. 213/96 of 29 January 1996, and without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities, the Commission must obtain each year an independent financial audit of the Financial Institutions and of the Facility 1 beneficiary organisations, as regards the ECIP funds that they have received. Pursuant to this obligation, the Commission will therefore be placing a contract with an independent audit firm to execute a financial audit of ECIP funds at each year end. The auditors will be requested to examine the books of a sample of ECIP FIs and Facility One beneficiaries as regards the ECIP funds managed by them so as to establish and verify the ECIP balance sheet and revenue/expenditure account as at each year end.

5.1.3 The FI shall make available to the Court of Auditors, the Commission, or any person appointed by any of them to exercise the right to control, which shall include the auditors referred to in 5.1.2 (the "EC Control Authorities") any information and documents in its possession which shall be requested by the EC Control Authorities, in order to enable the EC to fulfil its obligations in accordance with the Treaty and with Articles 4, 10(1), 10(2) and 10(3) of Council Regulation (EC) No. 213/96 of 29 January 1996.

5.1.4 At the Commission's request, the FI will use its best efforts to arrange for the EC Control Authorities to visit Projects funded under the Framework Agreement in order to monitor the execution of such Projects.

5.1.5 Should the FI fail to provide satisfactory documentary evidence to the EC Control Authorities of the use of funds for eligible purposes as described in the relevant Specific Agreements for the approved Action, the EC, notwithstanding the FI's liability under Clauses 10.5 and 10.6 of this Agreement, shall claim from the FI, as provided in Article 10.3 of Council Regulation (EC) No. 213/96 of 29 January 1996, the reimbursement of any funds advanced under the relevant Specific Agreements and Back to Back agreements. Such recovery by the EC from the FI may occur whether or not the FI is able in turn to recover the amount of the over-disbursement from the Final Beneficiary. Such funds will bear interest from the date of release from the FI to the FB at the market prevailing rates plus a default penalty margin of 2% per annum. The FI undertakes to include in all Back to Back Agreements a clause to that effect as required in Article 10.3 of Council Regulation (EC) No. 213/96 of 29 January 1996.

5.1.6 Any information and documents made available to the EC under this clause shall be treated in accordance with the confidentiality provisions of article 214 of the Treaty and Clause 15 of this Agreement.

5.2. <u>Follow up of Actions by the FI.</u>

5.2.1 The FI shall inform the EC of all facts or events known to it which might substantially prejudice or affect the conditions of execution of the Action. The FI will immediately inform the EC of any intention of the FB, of which the FI is aware, to create any security over assets of FB in favour of any party which might prevent the fulfilment of any obligation of the FB under a Back to Back Agreement.

5.2.2 The FI shall ensure that Back to Back Agreements prevent the FB from either assigning or using as a security in favour of third parties the rights resulting from the award of the Facilities.

5.2.3 For Facilities 1 and 2, the FI shall use reasonable efforts to inform itself of the financial condition of the FB, and shall provide to the EC any relevant information arising from such efforts.

5.2.4 For Facilities 3 and 4, the FI shall monitor the evolution of the FB in order to provide to the EC the information regarding the financial condition of the FB.

5.2.5 The FI will carry out, either on its own initiative or following the instructions and in accordance with the indications given to it by the EC Control Authorities, spot checks on the execution of the Actions, and shall inform immediately the EC of the results thereof.

5.2.6 The FI will provide the EC with progress or completion reports of the Action as specified in annex 3.

5.3. <u>Financial reporting.</u>

5.3.1 The FI shall send to the EC:

i) a half yearly report, on 30 June and on 31 December:

- on funds committed, disbursed or not,
- on the execution of agreements,
- on the operations of the ECIP account opened as per Clause 7.1.

ii) a yearly report, on 31 December, on assets held for the account of the EC (receivables, matured and non matured loans & participations), and their valuation according to the generally accepted accounting principles. This report shall be based on the latest financial statements of FB's available at that time.

5.3.2 The reports shall be transmitted to the EC at the latest two months after the dates mentioned above. The indicative form of reporting is attached in annex 4." unquote.

ECIP

EUROPEAN COMMUNITY INVESTMENT PARTNERS

PROGRESS REPORT 1997

EXECUTIVE SUMMARY

ECIP's primary objective is to facilitate the creation, in eligible developing countries of Asia, Latin America and the Mediterranean and South Africa (ALAMEDSA), of private joint ventures that will contribute to the economic development of the countries concerned. To this end it has been designed to provide financial support to joint ventures at all stages of their development. Support is provided by five financing facilities each targeting a different stage in the creation and early life of a joint venture.

ECIP was started in 1988 to run for a three year pilot period to 1991 with MECU 30 budget. The success of ECIP during its first three years led to the scheme being given a formal legal and budgetary basis with the adoption by the Council of Ministers on 3rd February 1992 of Regulation (EEC) N° 319/92. The Regulation provided for a further three year trial period and increased budgetary resources (ECU 31.4m for 1992 and ECU 39m for each of 1993 and 1994) were made available. The Regulation expired on 31st December 1994, but the Council and Parliament approved the continuation of ECIP on the same basis in 1995 with a budget of MECU 42.

On 29th January 1996 the Council approved a new ECIP Regulation N° 213/96. The new Regulation carries forward the main features of the previous ECIP Regulation and also incorporates: a) improvements to the detailed conditions of the existing financial facilities; b) a new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects; c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and d) provisions for reinforced information, and for coordination with other EU investment promotion actions. And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive. The validity of the new regulation is for a five year period until end-1999.

From 1988 to end-1997 the Commission has received 3315 formal requests for ECIP financing of which 2270 have been approved for MECU 256,4 of ECIP financing. In 1997 the number of requests for ECIP financings increased but their ECU value declined since fewer requests concerned Facility 3 for risk capital and more requests concerned Facilities 2 and 4, which on average cost much less. So the MECU volume of funds requested declined by 14% from MECU 84,1 in 1996 to MECU 72,4 in 1997. But the number of financing requests increased by 24% to 649 in 1997. ECIP consumed all the 1997 budgetary credits available to it and approved a further 388 actions for MECU 37,4 finance in 1997.

In 1996 and 1997 ECIP has encountered procedural complications and delays within the Commission's services. In particular following comments from the European Court of Auditors the Commission's administrative and legal services decided that from 1996 and again in 1997 that each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. As a result the time lag between making a financing request and receiving a specific contract increased from 3 to 6 months between end-1995 and end-1997 and this has seriously reduced ECIP's responsiveness to beneficiaries' requests and severely discouraged their demand for ECIP finance. At the same time the Commission's services have become more rigorous in applying all the detailed contractual criteria before issuing any contracts which further delays implementation.

In 1997 the Commission's focus was on improving management capacities to reinforce financial management, audit, reporting and anti-fraud measures. Pending the consolidation by Technical Assistance of the Commission's capacity to manage the increased volumes, despite over 200 expressions of interest from new Financial Institutions (FIs) the Commission had recruited only one new FI to the ECIP network in 1996 and many FIs outside the ECIP network who had applied were requested to wait during 1997 until after Technical Assistance was fully operational. At the end of 1997 108 FIs were in the ECIP network.

In the context of total private capital flows of over ECU 225 billions to the developing world in 1996 the annual ECIP budget of ECU 50,5 millions (1997) remains modest. But the focus of ECIP on match-making and project identification (Facility 1), feasibility studies (Facility 2), and on training and management (Facility 4) enhances ECIP's financial multiplier effect and orients ECIP towards upgrading the development quality and the economic impact of the flow of private investments to developing countries.

On the basis of detailed analysis of 1007 individual detailed Final Reports on 1007 individual ECIP actions the Commission estimates that each ECU of ECIP financing is associated with over 11 ECU of investments in the developing countries. ECU 219 millions of ECIP actions executed are reported to be associated with about ECU 2,5 Billions (=2.483 millions) of private investment projects. Over 30.000 EU and local firms have been involved as partners in these actions. 1195 joint ventures are reported to have been created. And over 38.000 jobs are reported to have been created in these joint ventures. The Commission still maintains a critical reserve on these findings and has launched the international tender for the "Independent Appraisal of ECIP" foreseen in Article 10 para 2 of the Regulation whose purpose is to confirm and evaluate these results.

In the framework of the Commission's Sound and Efficient Management Programme (SEM 2000) during 1997 the Commission continued to implement the three major reinforcements to its financial management, audit and reporting capabilities which had been proposed in 1994 to the Council and Parliament and approved as a part of the new ECIP Regulation. These innovations were: (i) an Independent Financial Audit; (ii) anti-fraud measures; and (iii) a Technical Assistance Unit. In addition the Commission is implementing a programme of on the ground project inspections by consultants for eight countries – Chile, China, Indonesia, India, Morocco, Mexico, Tunisia and South Africa – which concern over half of all the implemented actions.

The Commission hereby presents its progress report on ECIP in respect of 1997. The report comprises five detailed sections. Part One is an introduction that rehearses the background to the instrument, how the instrument works and the general policies adopted by the Commission in operating the programme. Part Two describes major developments in ECIP that occurred in 1997 and analyses ECIP actions in 1997 (and over the period 1988 – 1997) by sector, geographical region, facility and financial institution. Part Three contains a set of estimates and analyses as regards the economic impact of ECIP. Part Four provides a description of the ongoing measures introduced by the Commission 1997 to reinforce financial management of ECIP. Finally, Part Five provides detailed statistical annexes and other information.

ECIP PROGRESS REPORT 1997

CONTENTS

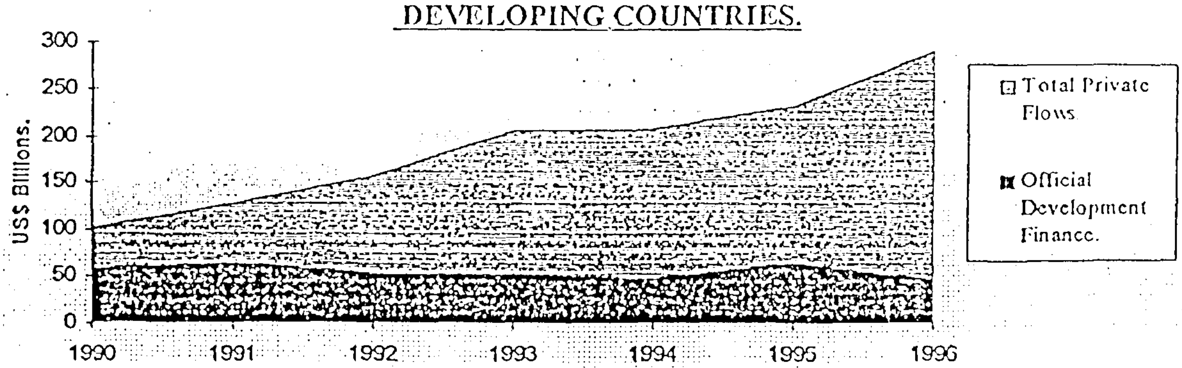
PART ONE

THE ROLE OF FOREIGN DIRECT INVESTMENT (FDI) AND ECIP IN THE DEVELOPMENT PROCESS

1.1. DEVELOPMENT FINANCE AND FOREIGN DIRECT INVESTMENT (FDI): THE ROLE OF THE PRIVATE SECTOR IN THE DEVELOPMENT PROCESS.

The 1990's have seen a huge increase in the net financial flows to the developing countries from US$ 100 billions in 1990 to over US$ 285 billions in 1996. All of this major increase has been in the flows of private resources. While public Official Development Assistance from developed governments has remained at ±US$ 60 billions each year between 1990 and 1996, private flows have increased more than five fold in that period to total over US$ 225 billions in 1996. In 1990 private capital flows were less than public ODA flows, but by 1996 they represented five times ODA.

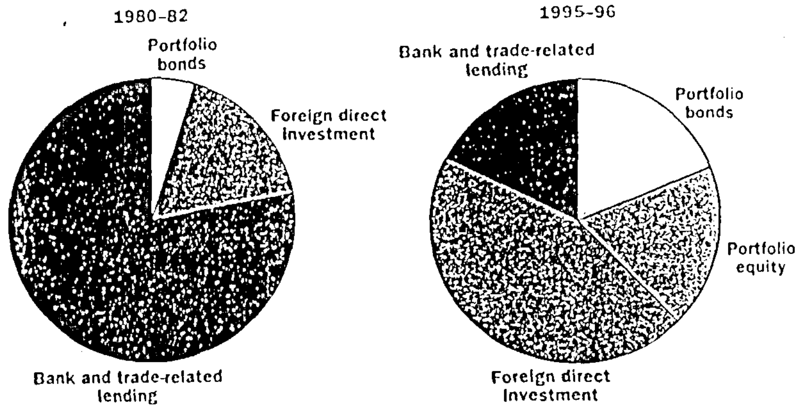
AGGREGATE NET LONG TERM RESOURCE FLOWS TO DEVELOPING COUNTRIES.



(Source = Private Capital Flows to Developing Countries. World Bank, 1997).

In the same period there has also been a remarkable broadening in the composition of private capital flows to developing countries. Whereas previously commercial bank lending used to account for more than 65 percent of all private flows, Foreign Direct Investment (FDI) has now emerged as the most important component of private capital flows. And, starting from a negligible level in 1989, portfolio flows - both bonds and equities - have increased sharply so that in 1995-96 they accounted for more than a third of total private capital flows.

Composition of Net Private Capital Flows to Developing Countries, 1980-82 and 1995-96



Source: World Bank data.

Source: World Bank, Private Capital Flows to Developing Countries, 1997.

A factor encouraging these increases has been the sustained improvement in the domestic economic fundamentals in many developing countries following their shift towards more free market and liberal economic policies. The resulting growing capital requirements for privatisation, private investment, and private infrastructure financing cannot be met from official development finances sources, and private financial markets have attempted to meet these demands. Private financial flows are at the leading edge of the trend towards globalisation of trade and production.

Private capital flows and the FDI component of them are highly concentrated on a few large developing countries. During the early nineties (1990-95) just a dozen countries (China, Mexico, Brazil, Korea, Malaysia, Argentina, Thailand, Indonesia, Russia, India, Turkey and Hungary) accounted for over 80% of net private flows, and the majority (140) of the 166 developing countries accounted for less 5% of private capital net flows to developing countries.

The destination for private capital flowing to the developing economies has also shifted away from governments to the private sector. Borrowing by the public sector now accounts for less than a fifth of total private flows. The bulk of capital flows to developing countries is passing through market channels to private investments which represent an increasingly dominant proportion of net investment in the developing countries as the roles of both the state and of Official Development Assistance (ODA) decline both in relative and in absolute real terms. It is in this context that the role of ECIP is particularly important to improve the developmental quality of these private financial flows.

1.2. ECIP - A EUROPEAN UNION RESPONSE TO THE NEEDS OF PRIVATE SECTOR INVESTORS.

ECIP provides co-financing to help develop mutually beneficial private investment actions in which EU and local operators are cooperating in joint ventures in developing countries. ECIP acts as a catalyst to improve the quality and the volume of Foreign Direct investment (FDI) in the developing countries of Asia, Latin America, the Mediterranean and South Africa (the ALAMEDSA countries).

ECIP has been designed to provide support to EU/ALAMEDSA joint ventures at all stages of their development through five financing facilities each targeting a different stage in the creation and the early life of a joint venture (see next section).

ECIP has two distinctive features which are particularly appropriate to private investors. It is a decentralised instrument offered as a financial product through a network of Financial Institutions (FIs). And it its a market demand-driven instrument since no priority sectors or regions are "a priori" earmarked. Allocation of funds is on the basis of the quality of applicants and the positive development impact of their proposed investments. There are no programmed quotas by facility nor by country.

With these parameters the Commission started implementing ECIP in 1988. The original ECIP scheme was for a three year trial period (1988-1991). Then the geographical scope of the instrument was limited to 28 countries in Asia, Latin America and the Mediterranean, with a MECU 30 budget for a three year period. The success of ECIP during that trial period led to the scheme being given a formal legal and budgetary basis by the Council of Ministers in February 1992 with Regulation (EEC) No. 319/92. This provided for a further three year trial period (1992-94). Increased budgetary resources were made available by the budgetary authority (MECU 31,4 for 1992 and MECU 39 for each of 1993 and 1994). This Regulation expired in December 1994. From December 1994 until January 1996, ECIP continued to work on the basis of an extension of the 1992 Regulation. The second ECIP Regulation was finally adopted by the Council on 29 January 1996. This new ECIP regulation is valid for five years and includes an indicative financial reference amount of MECU 250 for the five years (1995 to end-1999). 57 ALAMEDSA countries are presently beneficiaries of the scheme being the countries of Asia, Latin America, and the Mediterranean which presently "benefit from Community development cooperation measures." South Africa has been included in ECIP since 1994.

1.3. PROCEDURES AND POLICIES: HOW ECIP WORKS.

1.3.1. Procedures

ECIP support is provided by five financing facilities each targeting a different stage in the creation and early life of a joint venture. The terms and conditions of the financing available vary between facilities, as the table below shows as regards the ECIP facilities available in 1997. Total financing under Facilities 2, 3 and 4 for any given project is limited to ECU 1M.

E C I P

European Community Investment Partners

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 1B
Type of operation	Identification of potential joint venture projects and partners	Feasibility studies or pilot projects	Joint venture capital requirements	Training, technical or management assistance	Preparation of a privatization or a Build Operate Transfer (BOT) or a Build Operate Own (BOO) scheme in private infrastructure, utilities or environmental services
Beneficiaries	Chambers of commerce, professional associations and ECIP financial institutions representing a group of companies Individual companies may not benefit from this facility	Companies wishing to undertake a joint venture, a privatization or a private infrastructure project	Joint ventures established in the Alamedsa countries with locals by EU partners, or local companies which operate under a licensing and technical assistance agreement with an EU company		Alamedsa governments and public agencies
Type of ECIP finance	Grant of up to 50% of the eligible costs	Interest-free advance of up to 50% of the eligible costs	Equity holding or equity loan of up to 20% of the incremental capital of the joint venture The financial institution must cofinance the project	Interest-free loan for large companies, or a grant for small and medium-sized companies, of up to 50% of the eligible costs	Grant of up to 100% of the eligible costs
Maximum amount available	ECU 100 000	ECU 250 000 (within this amount 50% of pre-feasibility travel costs may be financed up to ECU 10 000) The maximum total support per project is ECU 1 000 000	ECU 1 000 000	ECU 250 000	ECU 200 000
Access	The beneficiary may apply either directly to the EC or through an ECIP financial institution	Application must be made through an ECIP financial institution			The beneficiary may apply either directly to the EC or through an ECIP financial institution

How to apply

1. Use of the ECIP application forms is required.
2. Obtain application form and latest list of financial institutions from EC (Brussels fax: (32 2) 299 02 04) or an ECIP financial institution.
3. Complete the application form including all required annexes and explanations.
4. For facilities 1 and 1B apply directly to the Commission or through an ECIP financial institution.
5. For facilities 2, 3 and 4 it is required that all applications are channelled through an ECIP financial institution. The European Commission will not deal with facilities 2, 3 or 4 applications which are not channelled through an ECIP financial institution.

The Facilities are managed in a decentralised way through a network of financial institutions and investment promotion bodies. Applications for financing under Facilities 2, 3 and 4 must be made through one of the financial institutions (hereinafter referred to as "FIs") in the ECIP network (see annexes for the latest list). The FIs are commercial, merchant or development banks. For example, all the EU member states' development banks are in the ECIP network and they play a key role in running the scheme, but membership of the network is open to any bank, subject to the opinion of the ECIP Committee in Brussels. The network of FIs represents one of the distinctive features of the ECIP scheme: namely, its decentralised mode of operation which emphasises subsidiarity. The FIs operate the scheme in accordance with their usual procedures within overall controls set out in a Framework Agreement signed between each FI and the Commission. The system enables the Commission to ensure a consistency in delivery of the instrument while profiting from the FIs' financial expertise and local knowledge. In addition, the local presence of FIs in the eligible (ALAMEDSA) countries ensures that local businesses seeking to attract foreign investment can gain access to ECIP through an institution close to their place of business.

Applications for financing under Facility 1 may be made either directly by the eligible applicant organisation to the Commission, or through an FI the same way as for Facilities 2, 3 and 4.

Applications for the new Facility 1B for "Preparation of Privatisation of Private Infrastructure" studies must come from the eligible country (ALAMEDSA) government or public authority applying to the Commission.

The Commission retains the final decision on each action financed. All proposals received by the Commission are discussed at the monthly ECIP Steering Committee in Brussels, an internal Commission working Committee which comprises members of the relevant Commission services. So every month the Steering Committee delivers an opinion on the basis of which the Commission takes a position on each financing request and informs the beneficiaries.

The practice followed once funding has been approved depends on the type of case:

(i) Where an application has been made directly to the Commission by an eligible body under Facility One such as a Chamber of Commerce of investment promotion agency, or by an ALAMEDSA government or public agency in the case of Facility 1B, the Commission concludes a financing agreement directly with them that provides for the moneys to be disbursed by the Commission in instalments.

(ii) Where an application has come through an FI (i.e. in all other cases), a financing agreement is signed with the FI. This sets out the conditions under which the Commission wishes the FI to disburse the funds to the final beneficiary (usually in instalments). The total amount of the ECIP contribution is then transferred by the Commission to the FI. The FI then enters into a "back to back agreement" with the final beneficiary, and disburses the ECIP contribution to the final beneficiary according to the agreed schedule and conditions.

Where the case is under Facility 3, the EC funds will be disbursed by the FI to the joint venture beneficiary in exchange for share certificates or other documents evidencing the participation taken in the capital of the joint venture in question. These certificates will normally be in the name of the FI, and held by the FI on behalf of the EC (called "indirect participation"). In certain cases, statutory consents may prevent such indirect participation via the FI. The ECIP Committee approved guidelines in 1992 allowing the EC to take a direct participation in the joint venture in such cases (see also below).

The Commission services have established ECIP as an ongoing continuous financial instrument. From 1988 to end-1997, 3315 separate individual financing requests have been received and processed in this way. The ECIP Steering Committee meets monthly and the Commission approves them in monthly batches in order to give a continuous and relatively rapid service to the FI and so to the private investors who are the final beneficiaries.

1.3.2. Policies

As provided for in the ECIP Regulation, the Commission has two essential conditions which must be met before an action is approved. First, the action should, given reasonable expectations, have a chance to be financially viable. Secondly, the action should contribute to local economic development. In meeting these conditions, the instrument is intended to be as flexible and as market-driven as possible. Formal restrictions placed upon the instrument are those in the ECIP Regulation (213/96) excluding large multinational firms from the benefit of ECIP, giving some preference to SMEs (small and medium-sized enterprises) and the condition that actions must relate to joint ventures with at least one European partner and one partner from the eligible country. ECIP does not exclude large companies since their stronger management and financial capacities mean that they can invest in more difficult situations with a positive impact on the development of least developed regions. In addition, projects approved by the Commission have to be compatible with overall Community policy and with the developmental criteria set out in the Regulation.

The Commission has continued the approach noted in the previous reports of facilitating implementation of the scheme by avoiding unnecessary constraints. For example, no priority sectors are identified, there are no geographical quotas, nor are there quotas limiting the number of actions per Facility. Each project is judged on its own merits in accordance with the Regulation.

In 1997 the Commission has continued with the specific operational policies outlined in previous progress reports:

i) The Commission has continued its ongoing information programme for promotion of the instrument (see below).

ii) In setting priorities for such promotion activities, the Commission is mindful of the fact that, while the scheme is available to operators in all the beneficiary countries and the member states in the same way, ECIP will be more effective in countries which have shown themselves to be open to foreign investment.

iii) In addition, in accordance with the Council's wishes, the Commission, while preserving the essentially market driven nature of the instrument, tries to ensure a wide and balanced geographical spread of active FIs in its network. This helps ensure that firms' access to ECIP is not impeded by a lack of representation, or inadequate representation, in any given region. Therefore, while the Commission does not require banks to join the network, it has given priority attention to applications from new FIs in countries or regions, in both the member states and the eligible countries, where representation has to date been limited. The Commission has also kept the quality and performance of the existing FIs under continuous review, to ensure that all FIs are effective in offering ECIP to their local business communities (see below).

iv) The Commission has reinforced the orientation of the scheme towards small and medium-sized enterprises ("SMEs"). By their very nature all the Facility One actions are oriented towards SMEs. And over 80% of all the Facility Two, Three and Four actions approved since 1988 have concerned beneficiary SME firms. This reflects the provisions of the Regulation, which provides for SME applications to have a priority status but without excluding larger firms, most notably in cases concerning particular development benefits such as technology transfer which larger firms are better equipped to deliver. However, large multinational undertakings are expressly excluded by the Regulation.

Furthermore since January 1996 under the new Council regulation (213/96) SMEs benefit from two additional specific financial advantages under ECIP. Firstly, under Article 4, para 3 an increase of Facility 2 financing for feasibility studies and pilot actions above 50% is provided for and limited to SMEs. And, secondly, under Article 4 para 5 SMEs can obtain Facility 4 funds as a grant - while larger companies can only obtain an interest-free advance.

v) As in previous years, the Commission continued to focus ECIP activities on Facility 1, 2 and 4 actions. This does not mean that Facility 3 was discarded in 1997. Indeed the high success rate and high financial multiplier effect of the Facility 3 actions implemented 1988-97 suggest that the emphasis on Facility 3 should be reinforced in future. The Commission's main objective is to use ECIP funds in ways that best encourage joint venture creation with a maximum multiplier effect where other sources of financing are least available. The results achieved to date indicate that more accent on on Facility 3 in the future could reinforce the effectiveness of ECIP, and in particular its development impact on the ground.

vi) During 1996 and 1997 the new grant Facility 1B of ECIP has been introduced to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa to prepare privatisation and private infrastructure (PPI) projects and to improve their local development effects. By providing front-end grant finance at the preparation stage, the EC aims to improve the changes for successful completion of the PPI project, reduce costly duplication of preparatory steps and to expand the opportunities for European businesses to participate in the PPI process.

During 1997 a MECU 1 grant allocation was approved for the Philippines to assist in privatising local water supplies and a set of actions (MECU 1) for "Preparation of Privatisation and private Infrastructure" in Vietnam was also committed in 1997 as well as 2 small studies for a possible privatisation in Brazil were approved in principle for ECU 200.000.

The 1B facility has shown slow implementation for a variety of reasons: i) the large multinational companies which execute most of these projects are excluded from ECIP; ii) the amount ECU 200.000 is too small vis à vis the cash needs of most major privatisation projects; and iii) and the Commission has been particularly careful to make sure that the local policy and institutional frameworks justify this 100% grant financing and this policy analysis and dialogue delays and complicates implementation. The Commission is studying these problems, and seeking solutions. If they cannot be resolved the Commission may have to consider abandoning this facility.

Overall ECIP remains a comprehensive and integral scheme and now also encompasses privatisation and private infrastructure. It covers all stages in the process of creating a joint venture, from identification of projects through feasibility studies to equity funding and ongoing training. This is an important and unique feature of ECIP which is maintained and indeed reinforced in the Council's 1996 regulation for the continuation of the instrument until end-1999.

PART TWO

ECIP ACTIVITY REPORT FOR 1997

2.1 THE ECIP REGULATION APPROVED ON 29th JANUARY 1996

The approval by the Council on 29th January 1996 of the new ECIP Council Regulation (EC) N° 213/96 (O.J. L.28/2 of 6.2.1996, see annex) allowed the Commission to begin to implement further improvements to ECIP during 1996 and to consolidate them in 1997. The new Regulation carried forward the main features of the previous ECIP Regulation and also incorporates:

a) improvements to the detailed conditions of the existing financial facilities;

b) the new Facility 1B ECU 200.000 grant for preparation of privatisation and private infrastructure projects;

c) provisions for significant measures to reinforce ECIP's financial management (a technical assistance unit), financial audit (the independent financial audit), and reinforced anti-fraud provisions; and

d) provisions for reinforced information, and for coordination with other EU investment promotion actions such as the JOP, ALINVEST, MEDINVEST, ASIAINVEST, the South Africa Business Council, the systems managed by DG XXIII (BCNET, BRE, Euro-info Centres etc.) as well as with the European Investment Bank's risk capital activities.

Since the new ECIP Regulation was approved just at the beginning of 1996 (29.1.96) the new financing conditions (and other changes) of Regulation 213/96 have been applied to all new ECIP actions approved for finance in 1996 and 1997.

And, at the initiative of the Council, the new ECIP Regulation includes a financial reference amount of ECU 250 millions for the five year period 1995-1999 inclusive.

The validity of the new Regulation for a five year period until end-1999 is allowing the Commission thoroughly to implement the reinforcements foreseen for financial management which are described in later sections of this report (especially Part Four).

2.2 FINANCING REQUESTS, APPROVALS AND CONTRACTS AND PROBLEMS IN THEIR IMPLEMENTATION.

The following sections provide a strategic commentary on the detailed statistical tables in the annexes to this report (see Part Five).

Financing Requests

During 1997 the Commission did not attempt to promote increased demand for ECIP. In 1997 the Commission's focus was again on improving ongoing Commission management (Technical Assistance) capacities to reinforce financial management, audit, reporting and anti-fraud measures. Pending the consolidation of the capacity to manage the increased volumes, despite of over 200 expressions of interest from new Financial Institutions, the Commission had recruited only one new FI to the ECIP network in 1996, and during 1997 many FIs outside the ECIP network who had applied were requested to wait until after the Technical Assistance was put into place and working efficiently.

ECIP continued to encounter procedural complications and delays within the Commission's services. Following comments from the European Court of Auditors the Commission's administrative services decided that from 1996 each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. In 1997 this procedure continued to delay the replies to beneficiaries by several months and so discouraged demand for ECIP finance. At the same time the Commission's services have become more rigorous in applying all the detailed contractual criteria before issuing any contracts which further delays implementation.

Despite this conservative policy in 1997 the number of requests for ECIP financings increased. On the one hand, the MECU volume of funds requested declined by 16% from MECU 84,1 in 1996 to MECU 72,4 in 1997. But the number of financing requests increased significantly by 24% to 649 in 1997. In particular the number of Facility 2 requests increased by 101 (an increase of 33%) and requests for Facility 4 increased by 21 (an increase of 43%) – by comparison to the previous year. And four Facility 1B approvals were given during 1997 —the first for this new facility.

Number of ECIP Financings requested

	1996	1997
Facility 1	144	153
Facility 2	302	403
Facility 3	35	26
Facility 4	44	63
Facility 1B	0	4
Total	525	649

In 1997 ECIP consumed all of the MECU 50,5 budgetary credits available to it in 1997 (see part four below) and the Commission was obliged to "carry over" MECU 3,3 for 46 actions the subject of in principle approvals from November and December 1997 for formal commitment and contract in January 1998 under the 1998 budget appropriations.

Approvals

During 1997, 388 new ECIP financing actions were approved bringing the total cumulative number of individual ECIP actions approved for financing 1988-97 to 2270. Over the 10 years as the Commission's management has become more and more rigorous and, as the growth in financings requested has exceeded the growth in the budgetary credits, the % rate of approval of the financing requests has decreased from an average of 73% during 1988-94 to 70% in 1995, to 65% in 1996, and to 60% in 1997. This does not represent a decline in the quality of applications. Rather, there has been a significant concomitant improvement in both the quality of the applications received and in the rigorousness of their appraisal by the Commission.

ECIP ACTIONS APPROVED (All regions)

	ANNUAL		CUMULATIVE	
	All Regions		All Regions	
	1997		1988-1997	
Facility	N° of Appro vals	Approved amounts in ECU	N° of Appro vals	Approved amounts in ECU
1	80	5.222.258	673	38.173.582
2	254	20.641.253	1.340	141.492.176
3	15	4.899.026	147	61.263.145
4	35	4.385.009	106	13.316.845
1B	4	2.200.000	4	2.200.000
TOTALS	**388**	**37.347.546**	**2.270**	**256.445.748**

Facility One, probably because most of the requests do not benefit from the management filter and the assistance of the FI, and because a grant is being requested, has had the lowest approval rate of all four facilities at 52% for the period 1988-1997, partly because the Commission is careful to avoid overlapping ECIP finance with similar ALINVEST, ASIAINVEST and MEDA actions. The Facility Two approval rate follows the general trend declining from 74% in 1994 down to 68% in 1995, and to 63% in 1997. Facility Three exhibits an even lower approval rate of 58% for 1997 which reflects the Commission's particularly careful policy as regards Fac 3 financings and the rigorous application of the principles of financial additionality, and of the required matching financial contribution from the FI before approving any facility 3.

It is significant to note that demand for Facility Four quadrupled between 1995 and 1997 – probably due to the introduction of grant financing conditions. But the rate of approvals has fallen from 80% in 1995, to 66% in 1996, and to 56% in 1997 because the Commission has been particularly rigorous regarding the provision of a specific and detailed list of persons to be trained and of detailed management assistance actions to be carried out before approving Facility Four grant financings. The administrative and procedural delays within the Commission's services have also contributed to slowing down the implementation of this policy.

Contracts signed

All ECIP "approvals" issued by the Commission require the Financial Institution (FI) and the Final Beneficiary (FB) to accept stringent financial, economic, technical and developmental conditions and to sign specific contract agreements committing them to respect these conditions. That 20% by ECU volume and 11% by numbers of the final beneficiaries either do not accept these conditions or, after signature of the contract, decide that they cannot fulfil them and so renounce the financing is a reflection of the "due diligence" during implementation by all parties. In this context it should not be forgotten that in all cases the Final Beneficiaries have to cofinance at least 50% (Fac 1,2 and 4) of the action costs, and in the case of Facility 3 at least 60%. Furthermore for Facilities 3 and 4 the Financial Institution must also provide funds to match the cofinance from the ECIP funding.

Given these factors, combined with practical difficulties for ECIP Final Beneficiaries to execute ECIP actions and to invest in developing countries it is normal that the overall rate of execution of ECIP contracts in not 100%. 88% of the actions by the end of 1997 had been the subject of specific signed contracts. If Facilities 1,2 and 4 are considered apart from Facility 3 then this figures rises to 90%. And a large part of the 10% represents 227 contracts which were in the process of signature as at 31.12.97.

ECIP ACTIONS APPROVED AND CONTRACTED (1988-97)

Facility	Actions approved up to 31.12.97	Contracts signed	Contracts as a % of Approvals
1	673 (100%)	640	95%
2	1340 (100%)	1181	88%
3	147 (100%)	78	53%
4	106 (100%)	99	93%
1B	4	0	0%
Totals	**2270 (100%)**	**1998**	**88%**

Facility 3 is quite different from the other facilities in that only about half (53% as at 31.12.97) of the approved financings actually lead to signed contracts. This is normal for three important reasons: (i) the various cofinanciers (EU partner, local partner, and FI) are all require actually to provide proof of their cash commitment; (ii) the legal documentation is costly and often difficult to agree; and (iii) the Commission and the FI are particularly diligent as regards fulfilment of all the technical, economic, legal and financial conditions for Facility 3 actions. A one in two rate of signature and disbursement is normal for development risk capital actions.

2.3 GEOGRAPHICAL DISTRIBUTION

Detailed information on ECIP actions broken down by region appears in the Annexes Part Five. Herewith please find some strategic comments on these trends.

1997
APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	146	38%	16.148.650	44%
Latin America	138	36%	13.455.961	36%
Mediterranean	79	20%	6.020.995	16%
South Africa	17	4%	1.637.970	4%
Multiregional	8	2%	83.970	0%
Total	**388**	**100%**	**37.347.546**	**100%**

Asia as, in previous years, in 1996 remained the lead region for ECIP actions – although less in the lead. Asia accounted for 38% of projects approved, and 44% of amounts approved. The 1997 results show a decrease in the share for Asia compared to previous years (1988-96), when Asia accounted for 47% of approved projects and 43% of amounts committed but the recent economic problems there probably account for 1997's lower share. Asia accounts for over 75% of the population of the ALAMEDSA countries and over 40% of the GNP.

1988 – 1997
CUMULATIVE APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	987	43%	119.723.994	47%
Latin America	726	32%	77.157.396	30%
Mediterranean	468	21%	49.371.858	19%
South Africa	52	2%	8.764.146	3%
Multiregional	37	2%	1.428.354	1%
Total	**2.270**	**100%**	**256.445.748**	**100%**

Latin America accounted in 1997 for 36% of the number of projects approved and 36% of the ECU value of ECIP financing. On a cumulative basis 1988-97 it absorbed 32% of the numbers approved and 30% of the value of ECIP financings. Latin America accounts for 12% of the population and about 37% of the GNP of the ALAMEDSA countries as a whole.

The Mediterranean countries by the end of 1997 accounted on a cumulative basis (1988-96) for 21% of the number of ECIP actions approved and 19% of the ECU volume of financings although this region accounts for only 8% of the population and less than 20% of the GNP of the ALAMEDSA countries as a whole. This is partly explained by the fact that there are comparatively fewer ECIP FIs in this region and that the ECIP's activity there is complemented by that of the European Investment Bank (EIB). It clearly indicates that the growth performance, local economic, political, regulatory and legal environments in the Mediterranean are less favourable to incoming european investors than in Asia and Latin America.

Although South Africa only became eligible for ECIP in mid-1994 already by 31.12.1997 MECU 8,8 of ECIP financing had been committed for 52 specific actions approved, and three major local banks integrated into the ECIP FI network.

Despite the tendency for Foreign Direct Investment (FDI) to focus mainly on a few large developing countries (See Part One above) ECIP has itself contributed towards a more widespread geographic distribution of FDI. The geographical distribution of ECIP financings has been widespread with less concentration on the major countries. From 1988 to 1997 only 55% of the total ECIP budget went towards the 7 largest ALAMEDSA economies (Argentina, Brazil, China, India, Indonesia, Mexico and Turkey) although these 7 countries took 74% of all the ALAMEDSA Foreign Direct Investment in the period 1988-1996. So ECIP has encouraged a wider geographic spread of FDI towards smaller and less developed countries.

2.4 BREAKDOWN BY FACILITY

1997
APPROVALS by FACILITY

	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average ECIP financing in ECU
Facility 1	80	21%	5.222.258	14%	65.278
Facility 2	254	65%	20.641.253	55%	81.265
Facility 3	15	4%	4.899.026	13%	326.602
Facility 4	35	9%	4.385.009	12%	125.286
Facility 1B	4	1%	2.200.000	6%	550.000
Total	**388**	**100%**	**37.347.546**	**100%**	**96.257**

The emphasis placed by the Commission on Facilities 1, 2 and 4 and not on Facility 3 (referred to in section 1.2 above) is confirmed from the figures shown above and in Annex (Part Five). Facilities 1, 2 and 4 accounted for 95% of the number of approvals in 1997. This increases on the situation in previous years (1988-96) where Facilities 1, 2 and 4 accounted for 92% of approvals. So Facility 3 represented 4% of the number project approvals in 1997 a decline from 7% in previous years. Facility 1B average approvals were in excess of the ECU 200.000 limits because two global allocations of MECU 1 were approved one for Vietnam and the other for the Philippines. The Commission is respecting the ECU 200.000 limit per action.

During 1997 the average ECU amounts of each Facility declined vis à vis previous years. The average size of Facility 3 ECIP financings declined to ECU 326.000 and the average size of Facility 1 and 2 Financings declined to ECU 65.000 (Fac 1) and ECU 81.000 (Fac 2). The drastic decline of average fac 2 costs (minus 38%) reflects much more rigorous costs criteria applied by the Commission. Actual capital requirements for a joint venture greatly exceed pre-start up costs, and also the ECU 1m ceiling on Facility 3, four times higher than that for Facilities 2 and 4 permits larger ECIP commitments per ECIP action under Facility 3.

The trend for higher use of Facility 4, noted in the 1996 progress report has continued in 1997. Facility 4 approvals in 1997 increased again from under 3% of total numbers approved in 1995 to 9% in 1997. This increase in Facility 4 is probably due to the changed financial conditions in the new Regulation, which since 1996 allow SMEs to obtain grant finance under Facility 4 for human resource development. In ECU amounts this increase in approvals for Facility 4 consumed 12% of the ECIP budget for 1997 as opposed to only 3.6% in 1995.

2.5 SECTORAL ANALYSIS

The breakdown of ECIP approvals by Standard Industrial Classification sector is provided in the annexes.

The breakdown by major sector is as follows:-

SECTORAL BREAKDOWN OF ECIP APPROVALS 1988-97

SECTOR	%
Manufacturing	48
Agriculture and agri-food	20
Services	12
Multisector	9
Mining and energy	6
Transport and communications	3
Construction and Engineering	2
TOTAL	100

With 48% of approved funding from 1988 to 1997 manufacturing has been lead sector for ECIP financings. Machinery, electronics and chemicals are the most important manufacturing sub-sectors. ECIP financings for Asia show a higher concentration on manufacturing with 72% of all ECIP funding for Asia. On the other hand the Mediterranean countries had only an average of 54% manufacturing-related actions from 1988 to 1997.

The agriculture and agri-food sector (including fishing) share of ECIP approvals from 1988 to 1997 it has been on average 20%. Specific project content has started in 1996 and 1997 moving away from agricultural production towards food-processing activities. Overall ECIP has been involved in less and less agricultural production projects over the years.

The service industries (including financial services) share of ECIP has slowly decreased, from an average 15% from 1988 to 1994, to 13% in 1995 and only 9% in 1997. The Commission has been particularly conservative in appraising and approving financing requests for service sector industries such as tourism, and personal services in view of their possible negative social and developmental impacts.

Activities in the mining, energy, transport and construction sectors have taken 10% of approved amounts up to the end of 1997.

2.6. THE NETWORK OF ECIP FINANCIAL INSTITUTIONS (FI) AND THEIR ACTIVITIES

One of the key features of the ECIP instrument is its decentralised management with much of the implementation being undertaken by the FIs (Financial Institutions) in the network. All the FIs sign a standard "Framework Agreement" contract with the EC which sets out the legal relationship between them and the Commission, and the procedures to be followed. The Commission has over the years provided for the FIs to take an increasing role in the management of ECIP.

Given that all proposals submitted under Facilities 2,3 and 4 must come through an FI, it is essential that the FI network should cover the EU member states and as many as possible of the eligible countries. So, already in 1995 banks from Austria, Finland, and Sweden had been incorporated into the network following the favourable opinion of the ECIP Committee, as a result ECIP has active FIs in all member states of the EU. Similarly, the inclusion of three banks from South Africa had been completed early in 1995, and the Austrian state development bank FGG joined the network in 1996.

In 1997 there were 108 FI in the ECIP network. Their distribution by type and region was as follows:-

Number of FI	Asia	LA	MED	South Africa	Multiregional (Worldwide)	EC	Totals
Development Banks	9	10	3	0	4	13	39
Commercial and Merchant Banks	8	10	8	3	0	40	69
Totals	17	20	11	3	4	53	108

LA = Latin America
MED = Mediterranean

Annex 7 in Part Five of this document lists these institutions.

Given limited staff resource levels and procedures, the Commission's ability to manage an increased FI network is limited. It is for this reason that the Commission has attached the highest importance to the technical assistance provisions in the new ECIP Regulation, which after they are fully operational will allow the Commission to extend the FI network in ALAMEDSA countries that are not covered adequately. The FIs from the EU member states represent a less significant demand on Commission management resources (e.g. shorter learning curve, fewer legal or regulatory constraints) than developing country FIs. Accordingly, in 1997, pending the reinforcement of ECIP's financial management capacities (by a Technical Assistance Unit) given the management burden involved in each FI relationship, the Commission continued appraising the performance and structure of the existing FI network and did not recruit any new FI to the ECIP network. All 11 members of EDFI (European Development Finance Institutions) are therefore in the ECIP network, as well as 97 other EU and ALAMEDSA Financial Institutions.

The Commission continued during 1997 to keep under continuous review the quality and performance of all the banks in the network. It is currently in discussion with some 25 of the FIs in the ALAMEDSA countries who seem not to be giving a high priority to ECIP, as evidenced by their low levels of ECIP activity. The Commission is investigating with these FIs the reasons for their relative inactivity and, depending on the responses, and after the opinion of the ECIP Committee, may choose not to renew the Framework Agreements with them and to sign Framework Agreements with other FI who have expressed interest.

During 1997, 73% (MECU 27,4) of ECIP actions approved were channelled through EU FI. Local ALAMEDSA FI accounted for MECU 5,1 (13%) of ECIP approvals. And MECU 2,6 (7%) of the actions approved were directly (Facility 1) for chambers of commerce and industry associations. And 7% (MECU 2,2) balance of ECIP funds was approved under Facility 1B for ALAMEDSA governments. Care should be taken in interpreting these figures. It cannot be assumed, for instance, that the amounts approved for FIs of any one member state represent the total ECIP support flowing to companies solely from that member state. ECIP allows applications to be made by one of the several partners in the joint venture. ECIP allows applicants to use any FI in the network, they are not restricted to FI only in their own country. Approvals for an FI in one country may often therefore involve a beneficiary (or several) from another country. The figures therefore do n . represent ECIP financing benefiting companies from a country. For example, most of the finance via Luxembourg FI is due to a German bank (EUROPA Bank – which is part of the Dresner Bank Group) based there, the majority of whose clients are German.

Factors which affect distribution between FIs and between the various countries relate to the willingness of FIs in a given country to become members of the ECIP network; the type of bank; the way in which FIs promote the instrument once accepted into the network. Wider factors for each country also include: the presence of strong industrial associations to diffuse information about ECIP in the country in question; the availability of other local publicly funded investment promotion programmes and the attractiveness of their terms and conditions relative to ECIP; the division of FDI between large firms and SMEs; and historical and commercial links with the ALAMEDSA eligible countries.

The Commission's objective is that as many business operators as possible undertaking a profitable and developmentally beneficial joint venture investment in an eligible country should be aware of the support that ECIP can offer them and should be able to access the scheme. To achieve this objective and to reduce the influence of the factors noted above, the Commission undertakes information and promotional activities, and has introduced incentives to encourage effective promotion of the instrument by all the FIs.

2.7. AWARENESS AND PROMOTION OF ECIP

In 1997 the Commission continued its programme of general awareness of ECIP. New information brochures were designed to take account of the new ECIP Regulation and distributed. Over 30.000 separate direct mailings were made of these brochures during the year. In addition many FI's and investment promotion agencies also printed and distributed many more ECIP brochures to their own members and clientele, often in local non-EU languages. ECIP information actions are executed in cooperation with the Commission's delegations and the other economic cooperation programmes financed in Asia, Latin America, Mediterranean and South Africa, and within the EU in particular the awareness programmes carried out by DG XXIII for SMEs.

To encourage FIs to market ECIP themselves, the Commission continued to cofinance (50% as a grant Facility 1) focused and practical promotional activities. Generally these actions imply local translation and production of ECIP documents, and then their distribution, followed by promotional seminars and presentations. In 1997 3 FI's obtained at total of ECU 60.025 for cofinancing (50%) of 3 separate information programmes. Additional decentralised information efforts by many of the FI are also executed without recourse to ECIP funds. As a result ECIP information is available also in many non-European languages such as: Vietnamese, Mandarin Chinese, Arabic, Indonesia Bahasa, and Turkish, for example.

2.8. FACILITY 1B FOR PRIVATISATION AND PRIVATE INFRASTRUCTURE (PPI)

Privatisation and private participation in infrastructure ("PPI") has increased rapidly in recent years as some developing countries have opened up their infrastructure sectors to finance and management by the private sector. PPI may be the only way for a developing country to meet the often huge growth in infrastructure needed to keep pace with its development. PPI can bring with it increased efficiency in construction and operation. PPI can also reduce financing and management burdens on public sector institutions. PPI may also have other indirect benefits for the host country. A successful PPI project can strengthen the local financial sector, act as a valuable demonstration project for other PPI initiatives in the country or region, and create domestic constituencies for further liberalisation.

The grant Facility 1B of ECIP introduced in the new ECIP Regulation has been designed to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa to prepare PPI projects and to improve their local development effects. Facility 1B has been developed in recognition of the fact that PPI projects are complex, and that many public agencies have limited experience in this new and fast developing technique. By providing front-end grant finance at the preparation stage, the Facility 1B aims to improve the changes for successful completion of the PPI project, reduce costly duplication of preparatory steps and expand the opportunities for European Businesses to participate in the PPI process. ECIP Facility 1B can provide up to 100% grant support for eligible expenditure with a maximum of ECU 200 000 per action. The Discussions by the Commission with contractors, consultants, financial institutions and governments (see section 2.7 above) allowed the Commission during 1996 to develop the general guidelines for ECIP Facility 1B. (These are provided in detail in Annex 9, Part Five.)

As a result of the complexity and political and economic importance of PPI actions, and because the funding is as a 100% grant, the Commission has been particularly selective in approving and managing ECIP Fac 1B actions. During 1996 one set of actions (MECU 1) for "Preparation of Privatisation and Private Infrastructure" in Vietnam was approved in principle but only committed in 1997 since the implementation of this action is to be assisted and monitored by the putting into place of a full-time Build Operate and Own / Build Operate and Transfer Technical Assistance in Vietnam (funded by the EU Budget Line for Economic Cooperation with Asia EUROTAPVIET project). During 1997 a MECU 1 grant allocation was approved for the Philippines to assist in privatising local water supplies. And 2 small studies for a possible privatisation in Brazil were approved in principle for ECU 200.000.

None of these actions has yet led to contracts and payments. The 1B facility has shown slow implementation for a variety of reasons: i) the large multinational companies which execute most of these projects are excluded from ECIP; ii) the amount ECU 200.000 is too small vis à vis the cash needs of most major privatisation projects; and iii) and the Commission has been particularly careful to make sure that the local policy and institutional frameworks justify this 100% grant financing and this policy analysis and dialogue delays and complicates implementation.

2.9. RELATIONS WITH THE EIB AND COORDINATION WITH OTHER EC INSTRUMENTS

The Commission continued operational coordination of ECIP with other investment promotion instruments managed at EU level. The cooperation and coordination with the European Investment Bank (EIB) as regards operations in the Mediterranean was facilitated by the continued operation of the "Gentleman's Agreement" concluded in 1992 between the EIB and ECIP in 1992. The EIB has written to the Commission stating that "...there now exists a satisfactory complementary and equilibrium between ECIP and EIB operations".

In addition to the internal and operational coordination within the Commission's services as regards the respective individual actions to be financed under ECIP and other EC economic cooperation programmes, the Commission is studying the setting up of specific arrangements to diffuse and exploit the information, partner lists, and studies financed under Facilities 1 and 2 of ECIP through the networks and outlets and information systems in the AL-INVEST focal points, the EU/Mediterranean Business Centres, the Asia/EC Business info Centres (EBICs) and the networks and systems managed by DG XXIII and III within the EC and elsewhere such as BCNET and BRE which will allow further to improve the effective access to the benefits of ECIP, especially for SMEs.

A basic review of these various different instruments is necessary in order to reinforce their coherence and complementarity. Most of the newer programmes provide "softer" grant money with less rigorous eligibility criteria than ECIP's strict and conservative banking approach. Avoidance of overlaps and greater coordination could be achieved by a detailed review and comparison of all these instruments.

An encouraging development has been the tendency of other donors and EU policy areas to copy the ECIP instrument, adapted to local needs and circumstances. For example, an ACIP – Asian Community Investment Programme – now exists with four financing facilities to encourage Asian investors to invest in India; and a J.E.V. Joint European Venture programme has been introduced with EU funding to promote cross-border SME joint ventures between EU member states.

PART THREE

THE ECONOMIC IMPACTS OF ECIP FINANCINGS

3.1. THE RESULTS OF ECIP ACTIONS

In the context of total private capital flows of over ECU 225 billions to the developing world in 1996 the annual ECIP funding of ECU 50,5 millions (1997) remains modest. But the focus of ECIP on match-making and project identification (Facility 1), feasibility studies (Facility 2), and on training and management (Facility 4) enhances ECIP's financial multiplier effect and orients ECIP towards upgrading the developmental quality and the economic impact of the flow of private investments to developing countries.

On the basis of detailed analysis of 1.007 of the individual detailed Final Reports on 1.007 individual ECIP actions the Commission estimates that each ECU of ECIP financing is associated with over 11 ECU of investments in the developing countries. ECU 219 millions of ECIP actions executed are reported to be associated with about ECU 2,5 Billions (=2.483 millions) of private investment projects. Over 30.000 EU and local firms have been involved as partners in these 1.998 actions. 1.195 joint ventures are reported to have been created. And over 38.000 jobs are reported to have been created in these joint ventures.

These global estimates are based on a detailed economic impact reporting system which analyses the results of every ECIP action. The economic impact of ECIP is estimated by the Commission by assessing the detailed Final Report on each individual action. Up to the end of 1997, 2.225 actions have been approved, resulting in 1.998 contracted ECIP actions. 1.179 Final reports had been received and 1.007 of those had been assessed by the time of writing this report.

ECIP ACTIONS APPROVED, CONTRACTED, ASSESSED (1988-97)

Facility	Approved	Contracts already signed	Final Reports assessed
1	678	640	438
2	1.300	1181	512
3	138	78	36
4	109	99	21
Totals	(100%) **2225***	(90%) **1.998**	(45%) **1.007**

(*The difference in approvals in Part Two represents the carryover 1997-8 for commitment.)

There is a substantial time lag between the approval of an action, contract signature, execution and then its report. The facilities take between 18 months (Facility 1), 24-36 months (Facility 4), 3 years (Facility 2), and up to 10 years (Facility 3) on average to be completed and to present their Final Report. As a result, at the time of writing, 1.046 of the 2225 actions approved until 31.12.97 were still in progress and their final reports awaited.

The Commission has been conservative in reporting the results of completed actions. Only if the Final Report has been received and a joint venture has been created, are investment, resulting employment and other development factors taken into the reported impact totals. All other actions, where the final outcomes of an action are not available have not been included in the economic impact data analysed below.

Throughout this report the economic impact of ECIP is measured on the basis of the 1.007 action reports analysed in detail and then calculated on the basis of success rates per facility. The tables included in this chapter each have one column of actual results relating to the 1.007 researched actions (*1007 Reports Evaluated*) and another column with the (*Estimates for all 1.998 contracted)* results for the total 1.998 actions contracted.

Annex 5.2 contains more details of the data for each facility and a detailed explanation of the methodology and analysis used to arrive at the data.

3.2. JOINT VENTURE CREATION

Based on the 1.007 completed and reported actions ECIP has helped to create 676 reported joint ventures. Based on the same rates of success the 2225 actions approved 1988-97 would lead to the establishment of 1.195 joint ventures. The breakdown of these figures by facility is shown below:

NUMBER OF JOINT VENTURES CREATED (1988-97)		
Facility	**1007 Reports Evaluated**	**Estimates for all 1.998 actions contracted**
1	484	707
2	138	318
3	33	71
4	21	99
Totals	**676**	**1.195**

The nature and quality of results of each facility differ as follows :

Facility One assists Chambers of Commerce, industry associations, and FIs with matching activities. Based on the 438 Final Reports evaluated, around 484 joint ventures are reported to follow from these 438 Facility One actions. On that basis it can be estimated that some 707 joint ventures might be expected to follow the total of 640 Facility One actions contracted to end-1997. These Facility One numbers represent the reported intentions to create joint ventures. Many will take some years to be realised. For this reason the Commission has not included their investment or employment creation projections in its overall estimates for the economic impact of ECIP, and double-counting does not occur.

ECIP FACILITY ONE RESULTS (1988-97) JVs CREATED		
	438 Reports Evaluated	**Estimates for all 640 contracted**
Number of actions	438	640
Results	**Reported**	**Estimated**
Firms involved	14.000	20.500
Resulting joint ventures	484	707

438 Facility One Final Reports show an involvement of over 14.000 companies, so an estimated 20.500 companies should benefit from ECIP support under the 640 Facility One actions approved. On average 32 companies are involved in each Facility One, so that it costs on average of ECU 1.800 to ECIP for each company involved.

On the basis of 512 Final Reports Facility Two is reported to have an over one in four JV creation success rate since 138 out of 512 actions are reported to have led to a joint venture. On that basis the total 1.181 actions contracted could lead potentially to 318 joint ventures.

ECIP FACILITY TWO RESULTS (1988-97) JVs CREATED		
	512 Reports evaluated	**Estimates for all 1181 contracted**
Number of actions	512	1.181
Number of joint ventures resulting	138	318

Facility Three is very different from Facility Two measured at the contractual level since the ECIP funding goes to the establishment of the joint venture itself. As a result there is (and has to be) a nearly 100% success rate at contractual level. 91% of these represent fully subscribed and disbursed equity and equity loan participations and the remaining 9% represent those cases for which contracts are signed and the Financial Institution is still in the process of completing the financial and legal "due diligence" before subscribing the ECIP funds for equity or an equity loan.

Facility Three exhibits a low (56 %) rate of contracts signature following in principle approval by the Commission. This is normal since the various partners in the joint venture and the FI are obliged actually to agree complex legal contracts and to subscribe cash to the JV before the ECIP Facility Three contract can be signed and disbursed. This 1 in 2 signature and disbursement rate is to be expected in development risk capital financing and reflects the Commission's (and the FIs') conservative and careful financial management as regards Facility Three before disbursing ECIP funds.

ECIP FACILITY THREE RESULTS (1988-97) JVs CREATED		
	36 Reports evaluated	**Estimates all 78 contracted**
Number of actions	36	78
Number of joint ventures created	33	71

Accordingly, of 138 Facility Three actions approved 1988-97, 78 have been the subject of full contracts signature and 71 of those have actually been totally "executed" and ECIP funds have been disbursed to the joint venture.

A particularly interesting statistic is that one third of Facility Three actions follow a Facility Two preparation study and financing.

Facility Four finances training, management and technical assistance for joint ventures. As such, since the JV must be created to apply for and to receive the ECIP funds it has a 100% JV creation rate, since the contracts cannot be signed and disbursed until the JV exists.

ECIP FACILITY FOUR RESULTS (1988-97) JVs CREATED		
	21 Reports evaluated	**Estimates all 99 contracted signed contracts**
Number of actions	21	99
Number of joint ventures	21	99

The real measure of Facility Four's impact is therefore its qualitative support to the human resources and to the management of each JV (see section 3.4 below).

3.3 INVESTMENT CREATION

The 1.998 ECIP actions contracted 1988-97 will, on the basis of conservative reports and estimates, be associated with ECU 2,5 Billions (=2.483 millions) of joint venture investments :

ECIP INVESTMENT CREATION IN MECU (1988-97)		
Facility	**1007 Reports evaluated**	**Estimated for all 1.998 contracts signed**
1	PM	PM
2	MECU 816	MECU 1.882
3	MECU 146	MECU 316
4	MECU 60	MECU 285
Totals	**MECU 1.022**	**MECU 2.483**

(PM: Pour Mémoire. The Commission has not taken intentions resulting from Facility One meetings into these totals.)

Since Facility One results are always sometime after the closure and Final Report of the action the Commission is conservative in not quoting any "investment creation" effect from Facility One. Although the 484 reported JVs from Facility One should certainly have an important additional investment effect eventually which could be added to the above totals.

Only the investment effects of Facilities Two, Three and Four are discussed here. Of the 1.007 specific reports analysed 192 JVs created report MECU 1.022 invested. For the total actions contracted (Facs Two, Three and Four) MECU 2.483 investment total is estimated to be in the pipeline relating to 488 joint ventures.

The average total investment per successful ECIP joint venture is 5.250.000 ECU. 95 % of all ECIP's successful JVs involve less than MECU 27 total investment each and can hence be considered SMEs:-

	TOTAL INVESTMENT IN ECIP-SUPPORTED JOINT VENTURES		
	LESS THAN MECU 5 INVESTMENT	MECU 5 TO 27 INVESTMENT	MORE THAN MECU 27 INVESTMENT
% of JVs by number	66 %	29 %	5 %

An ECIP funding-investment multiplier of 11 times has been calculated as a ratio of all the ECIP funding approved and contracted for all facilities and the investments generated through successful joint ventures resulting from all the facilities (not including reimbursements).

Facility Two has a funding-investment multiplier of 15, the result of the one in four actions success rate, an average ECIP cost of ECU 107.000 per action, and an average of ECU 6,000.000 per successful Facility Two joint venture. This multiplier of 15 does not include repayments to the EC budget. If repayments of successful Facility 2 actions are considered as reductions in the net funds provided by ECIP, the Facility Two funding multiplier goes up from 15 to 20.

Facility Three with an average ECIP cost of ECU 375.000 has a funding-investment multiplier of 12. This facility generally requires a larger amount of ECIP funding per action. The resulting multiplier is corrected upward because all Facility Threes which are contracted succeed in the sense that the JV is created. Furthermore, as Facility Three has a high "success rate", repayments to the EC budget could amount to about 90% of all funding provided, leading to a potential multiplier calculation (after repayments) of 100 times net cost to the EU budget.

The Facility Four has a slightly higher ECIP cost average per action (ECU 152.000) than Facility Two. And Facility Four is associated with a lower average total investment per joint venture of MECU 2,8 since it is particularly oriented towards SMEs by the conditions defined in the ECIP Regulation.

3.4. EMPLOYMENT AND TRAINING

Specific Final Reports already received for the 192 JVs created following Facilities Two, Three and Four show 15.400 jobs created. On that basis the 488 JVs expected to be created after all Facilities Two, Three and Four are all completed are estimated to involve approximately 38.200 jobs.

EMPLOYMENT (1988-97) Number of jobs created		
Facility	**1007 Reports**	**Estimated for 1998 contracted Total**
1	PM	PM
2	11.500	26.500
3	2.600	5.600
4	1.300	6.100
Totals	**15.400**	**38.200**

(No job creation estimate is made for Facility One).

The average joint venture created after ECIP support involves about 80 employees. 90% of the JVs created employed less than 250 persons and can therefore be classified as SMEs:

	Number of employees per joint venture created			
	Less than 10	10-50	51-250	More than 250
% of JVs created	8 %	42 %	40 %	10 %

Under Facility Four, in addition to the management and technical assistance provided, some 2.200 employees are reported to have, or still be receiving training funded by ECIP.

3.5. OTHER DEVELOPMENT FACTORS (ENVIRONMENT, TECHNOLOGY TRANSFER)

The Commission assesses the environmental impact and risks of each ECIP action before approving each action. 8% of the Facility Two approvals were required to include an environmental assessment in their feasibility study in order to clarify, address and mitigate the risks. 12% of the actions were considered to have a potentially significant positive impact on the environment (such as cleaner diesel engines production unit, wind energy project, etc.). 80% of the actions were considered to have an acceptable impact and level of risks for the environment.

95% of ECIP-supported actions which resulted in a joint venture show positive elements of transfer of know-how, profitable to both partners in the enterprise. All ECIP actions involve some sort of technology and know-how exchanges. 5% of the cases approved concern projects with appropriate levels of technology, such as artisan or handicraft-type production units.

3.6. ASSESSMENT AND FOLLOW-UP OF ECIP ACTIONS

ECIP is a decentralised programme without direct contractual contact between the final beneficiaries and the Commission's staff, and with standardised reporting procedures on projects executed by the FI. For the impact assessment the Commission relies on the end-of action report, the so-called *Final Report*, which each beneficiary has to make available through its Financial Institution and which the Financial Institution assesses and comments upon, before making the last disbursement to the beneficiary. As the ECIP instrument matures and as more and more Final Reports are available in 1997 the Commission has initiated a programme of on-the-ground inspections by independent consultants. In 1997 JVs and FIs in China, India, Indonesia, Tunisia, Morocco and Mexico have been inspected by independent consultants. The 1998 programme of on-the-ground inspections covers JVs and FIs in South Africa and Chile (see section 4.5 below).

PART FOUR

FINANCIAL MANAGEMENT

4.1. SOUND AND EFFICIENT FINANCIAL MANAGEMENT

In the framework of the Commission's Sound and Efficient Management Programme (SEM 2000) during 1997 the Commission continued to implement the four major reinforcements to its financial management, audit and reporting capabilities which had been proposed in 1994 to the Council and Parliament and approved as a part of the new ECIP Regulation N° 213/96 Council of 29th January 1996. These measures were:-

- an Independent Financial Audit;
- anti-fraud measures;
- a Technical Assistance Unit; and
- country impact on-the-ground project inspections by consultants

as provided for in Article 10 para 3 and 4 of the ECIP Regulation (See Annex 8).

But the administration of ECIP has not been trouble-free. Since 1996 and into 1997 ECIP has encountered procedural complications and delays within the Commission's services. In particular following comments from the European Court of Auditors the Commission's administrative and legal services decided that from 1996 and again in 1997 that each and every ECIP financing must be formally approved by the full College of Commissioners in Written Procedure. In 1996 and in 1997 this procedure delayed the Commission's replies to beneficiaries by several months and so discouraged demand for ECIP finance. At the same time the Commission's services have become more rigid in applying all the detailed contractual criteria before issuing any contracts. As a result the time lag between making a financing request and receiving a specific contract increased from 3 to 6 months between end-1995 and end-1997.

4.2. INDEPENDENT FINANCIAL AUDIT

During 1996 "...the independent financial audit of the financial institutions and of the Facility 1 beneficiary organisations, as regards the ECIP funds they received." unquote (Article 10 para 3 of ECIP Regulation 213/96) was executed by Coopers & Lybrand Reviseurs d'Entreprises (Belgium). At the time of writing (January 1998) Coopers & Lybrand was working on the audit as at 31.12.97. The contract with Coopers & Lybrand had been placed after an open international tender in conformity with Council Directive 92/50/EC of 18th June 1992 relating to the coordination for the award of public service contracts. The contract for a total price of ECU 674.450 for a period of 26 months was signed by the Commission in May 1996, and the audit as at 31.12.95 was delivered by Coopers & Lybrand in December 1996 included the following elements: (i) a complete audit of the ECIP action and financial institution contractual and payment files in the Commission's offices in Brussels including a reconciliation with the Commission's SINCOM budgetary accounts; (ii) visit and audit reports of the accounts of 47 ECIP financial institutions and Facility 1 beneficiaries located in 17 EU and ALAMEDSA states were executed and delivered; and (iii) an overall audit report, balance sheet and revenue and expenditure account was produced. In this way an audit of the contractual and financial records relating to over 80% of the ECU volume of ECIP transactions was executed in 1996 and the similar audit for 1997 is ongoing.

4.3. ANTI-FRAUD MEASURES

As required by Article 10 para 3 of the new ECIP Regulation the Commission "...made specific provision in the framework and the specific financing agreements for anti-fraud measures, in particular a mechanism for the recovery of advances which are not justified after audit" unquote by including strong contractual provisions in all ECIP contractual agreements (see Annex 5.10 for full text thereof).

4.4. TECHNICAL ASSISTANCE

As provided for in Article 10 para 4 of the ECIP Regulation (213/96) the Commission launched open international tenders in 1996 (in accordance with Council Directive 92/50/EC) and, after taking particular care to introduce specific safeguards and regards conflict of interest and confidentiality, a contract was signed in December 1996 with Arthur Andersen & Co (Belgium) for a total amount of ECU 1.969.778 to provide the services of an ECIP Technical Assistance Unit (TAU) for 24 months from January 1997 onwards.

The role of the TAU can be summarised, non-exhaustively, as follows:
- To deal with all requests from the public for information on ECIP, primarily by dispatch of ECIP information materials.
- To evaluate and process requests for ECIP funding.
- To follow-up and manage all dossiers on a continuing basis.
- To maintain correct and up-to-date files on all ECIP transactions – past, present and future.
- To maintain a complete accounting record of all commitments, contracts, payments, reimbursements and due dates, and on a six monthly basis produce a balance sheet and revenue and expenditure account for ECIP reconciled with the Commission's SINCOM accounts or equivalent.
- To maintain and update computerised records of ECIP transactions to ensure timely availability of correct management information.

The TAU provides these services under the control of the Commission's services and the Commission retains control and signature as regards all decisions to finance, contracts, commitments and payments.

Arthur Andersen set up and operated the TAU from January 1997 to 15 July 1997 and then, after the cancellation of that contract, and after a further invitation to tender (in accordance with Article 11.3. of Council Directive 92/50/EC) a replacement contract was signed in July 1997 with GOPA-Consultants (D) for a total amount of ECU 1.167.920 for 12 months' TAU service from 1st August 1997 to 1st August 1998, in order to ensure the continuity of the offer of ECIP. At the time of writing (Jan 1998) that Technical Assistance Unit (TAU) run by GOPA (D) Consultants was operating smoothly and contributing significantly to the improved management of ECIP.

4.5. ECIP COUNTRY PROJECT INSPECTIONS

During 1997 the Commission initiated a programme of rigorous on-the-ground inspections of the ECIP projects realised in the eligible countries. Eight countries were chosen in order to give a representative sample from all four continents concerned and to represent a wide range of types and levels of development. These countries: Chile, China, Indonesia, India, Morocco, Mexico, Tunisia and South Africa account for more than half of all the ECIP actions requested, approved and implemented and therefore already represent a substantial and representative sample. The terms of reference of these studies were identical to ensure cross-country comparisons, and to enable aggregation of the results found to compare them to the aims of the ECIP regulation (see Annex 5.2).

In conformity with standard EC procurement procedures via the framework contract procedure eight individual consultants have been contracted for the eight studies which cost a total of ECU 355.100 (or ECU 44.875 on average for each contract/study). These contracts were financed out of the ECIP Budget in accordance with Article 10 of the ECIP Regulation. Considering that these consultants reviewed 1.132 individual approved actions their work cost ECU 312 per action – a minimal cost. They also visited and interviewed many ECIP beneficiaries, financial institutions, government officials and chambers of commerce. 93 of ECIP's successful joint ventures investments have been visited by these consultants and they have provided detailed individual reports on these 93 investments which confirm the written Final Reports already held by the Commission. 20 of these project visits were witnessed by Commission officials as a sample check on the work.

These eight country inspections have therefore served to verify and confirm the reality on-the-ground as regards over half of the ECIP economic impact results which are quoted in this report. The Commission intends to continue these detailed on-the-ground inspections which reinforce the coherence of its files with the reality on the ground. All these detailed on-the-ground findings will be made available to the independent appraisers whose recommendations for the future of ECIP are awaited at the end of 1998. The country- and project-specific studies do not replace the formal "Independent Appraisal" of ECIP foreseen in Article 10.2. of the Regulation which has been initiated in 1998.

4.6. BUDGETARY APPROPRIATIONS AND REIMBURSEMENTS TO THE EC BUDGET.

The 1997 budgetary appropriations for ECIP under budget line B7-8720 were as follows:-

Consumption of ECIP B7-8720
Budgetary credits 1997

	MECU	%
Commitment credits available originally	50,5	100,00%
+Credits from "reemploi"	+2,5	+4,95%
Total credits available for commitment	53,0	104,95%
Total commitments made	52,2	103,37%
Payments credits available	48,5	100,00%
+Credits from reemploi	+1,5	+3,09%
Total payment credits available	50,0	103,09%
Payments accounted for	24,2	48,40%

During the last two months of 1997 (November and December) 46 individual ECIP financings for an amount of MECU 3,3 were approved in principle by the Commission but, due to insufficient 1997 credits their budgetary commitment had to be carried over to January 1998 for formal approval and commitment against the ECIP B7-8720 credits for 1998. The slowdown in payments execution reflects the procedural and administrative constraints that are described in para 4.1. above. During 1997 the Commission recovered ECU 7.132.226,59 of ECIP funds in accordance with Article 5.4 of the ECIP Regulation.

<u>PART FIVE: ANNEXES</u>

Annex 5.1 Requests and approvals statistics

OVERVIEW

1997
APPROVALS by FACILITY and REGION

	Latin America 1997		Asia 1997		Mediterranean 1997		South Africa 1997		Multiregional 1997		All Regions 1997	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	37	2,681,795	23	1,727,595	10	557,711	3	173,687	7	81,470	80	5,222,258
Facility 2	87	7,104,925	104	8,982,712	56	4,080,995	6	470,121	1	2,500	254	20,641,253
Facility 3	6	3,011,380	3	1,184,148	1	70,000	5	633,498	0	0	15	4,899,026
Facility 4	6	457,861	14	2,254,195	12	1,312,289	3	360,664	0	0	35	4,385,009
Facility 1B	2	200,000	2	2,000,000	0	0	0	0	0	0	4	2,200,000
Total	138	13,455,961	146	16,148,650	79	6,020,995	17	1,637,970	8	83,970	388	37,347,546

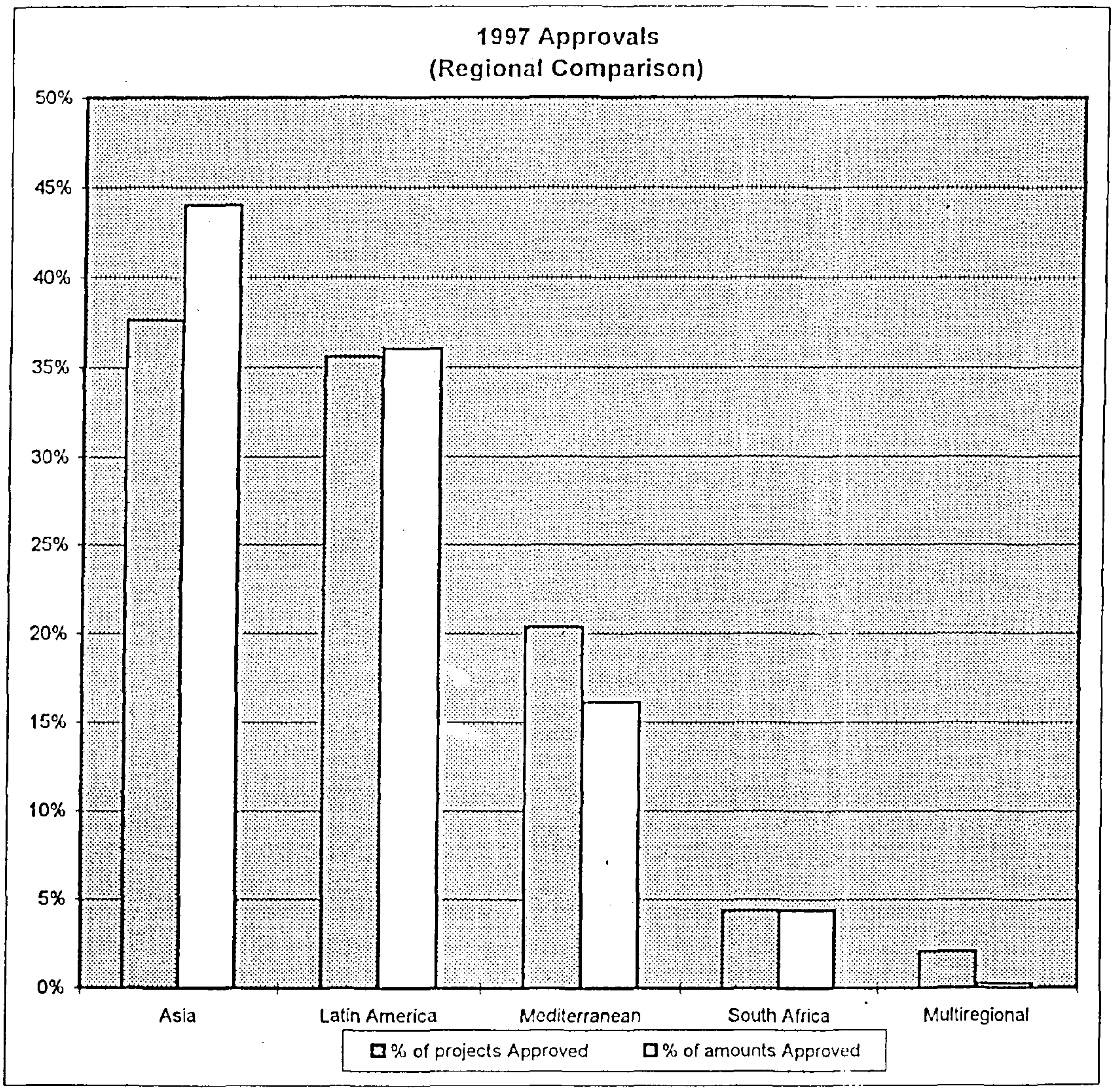
1988 - 1997
Cumulative APPROVALS by FACILITY and REGION

	Latin America 1988-1997		Asia 1988-1997		Mediterranean 1988-1997		South Africa 1988-1997		Multiregional 1988-1997		All Regions 1988-1997	
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU
Facility 1	278	17,381,931	215	12,506,420	133	6,680,992	13	570,654	34	1,033,584	673	38,173,581
Facility 2	381	37,690,756	660	74,739,669	272	25,588,651	24	3,078,330	3	394,770	1,340	141,492,176
Facility 3	48	20,220,207	56	23,034,155	31	13,254,285	12	4,754,498	0	0	147	61,263,145
Facility 4	17	1,664,502	54	7,443,750	32	3,847,929	3	360,664	0	0	106	13,316,845
Facility 1B	2	200,000	2	2,000,000	0	0	0	0	0	0	4	2,200,000
Total	726	77,157,396	987	119,723,994	468	49,371,857	52	8,764,146	37	1,428,354	2,270	256,445,747

ECIP Steering Committee Approvals

1997
APPROVALS by REGION

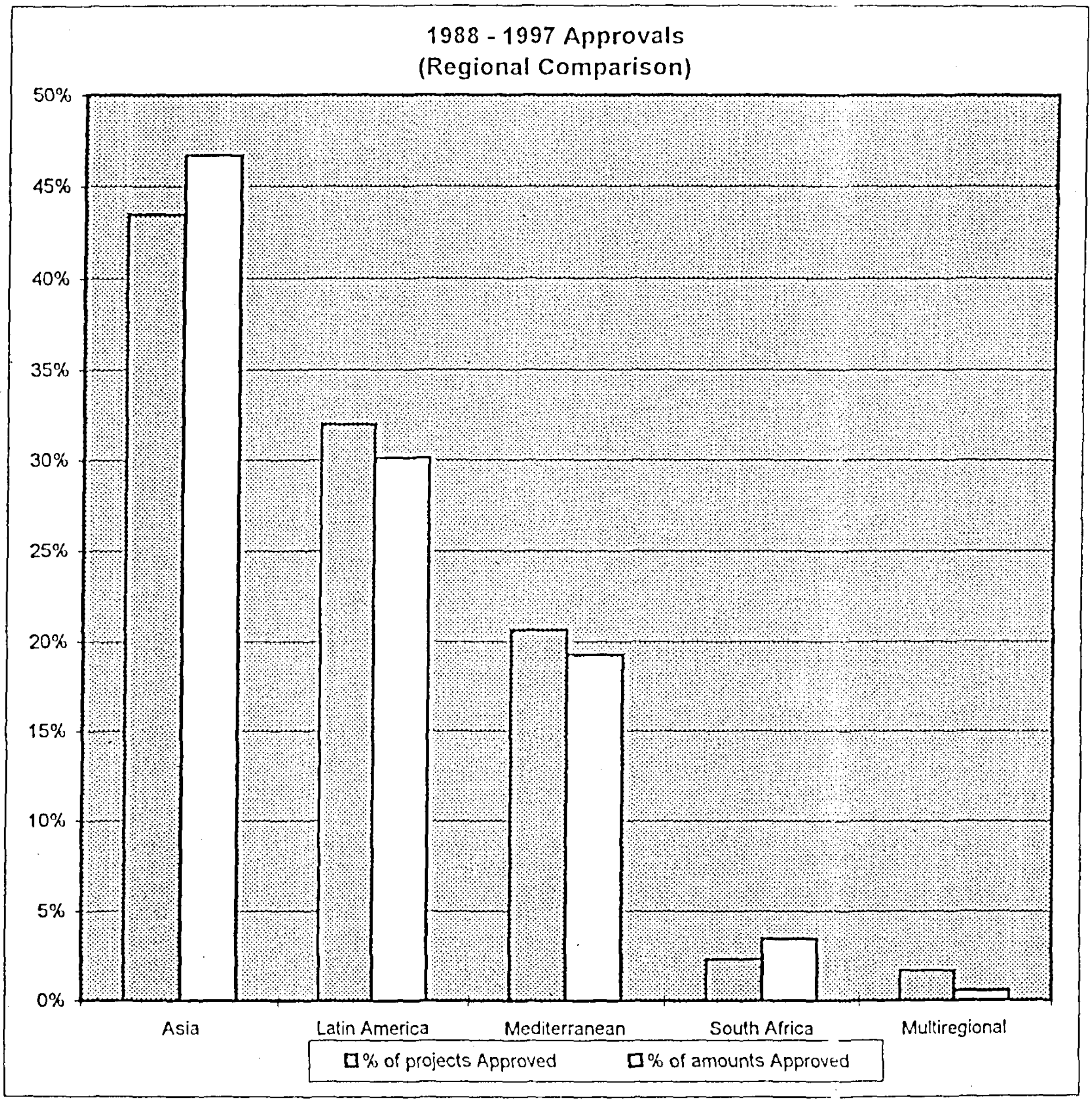
	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	146	38%	16,148,650	44%
Latin America	138	36%	13,455,961	36%
Mediterranean	79	20%	6,020,995	16%
South Africa	17	4%	1,637,970	4%
Multiregional	8	2%	83,970	0%
Total	388	100%	37,347,546	100%



ECIP Steering Committee Approvals

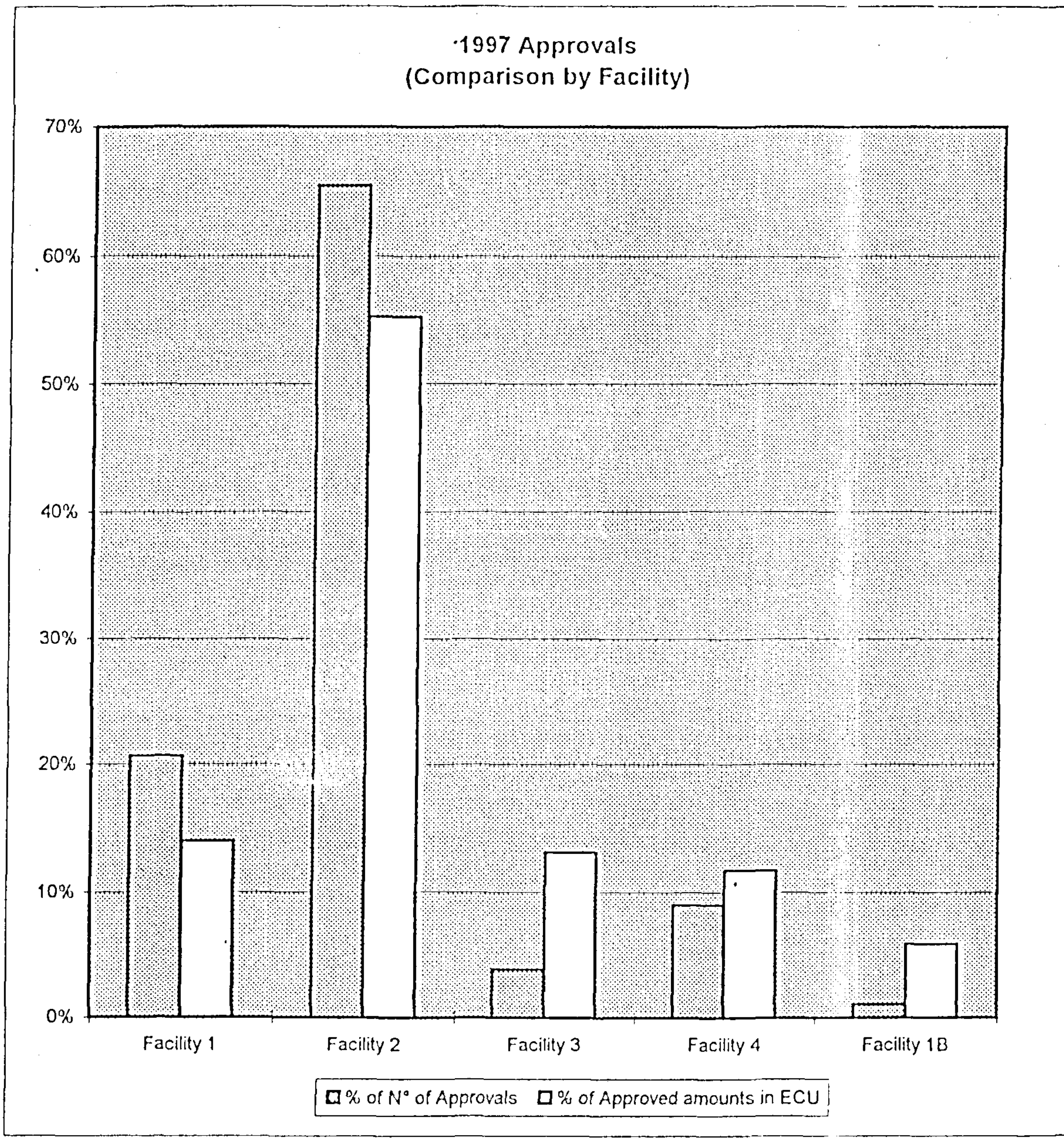
1988 - 1997
CUMULATIVE APPROVALS by REGION

	N° of Projects Approved	% of projects Approved	Amount in ECU	% of amounts Approved
Asia	987	43%	119,723,994	47%
Latin America	726	32%	77,157,396	30%
Mediterranean	468	21%	49,371,857	19%
South Africa	52	2%	8,764,146	3%
Multiregional	37	2%	1,428,354	1%
Total	2,270	100%	256,445,747	100%



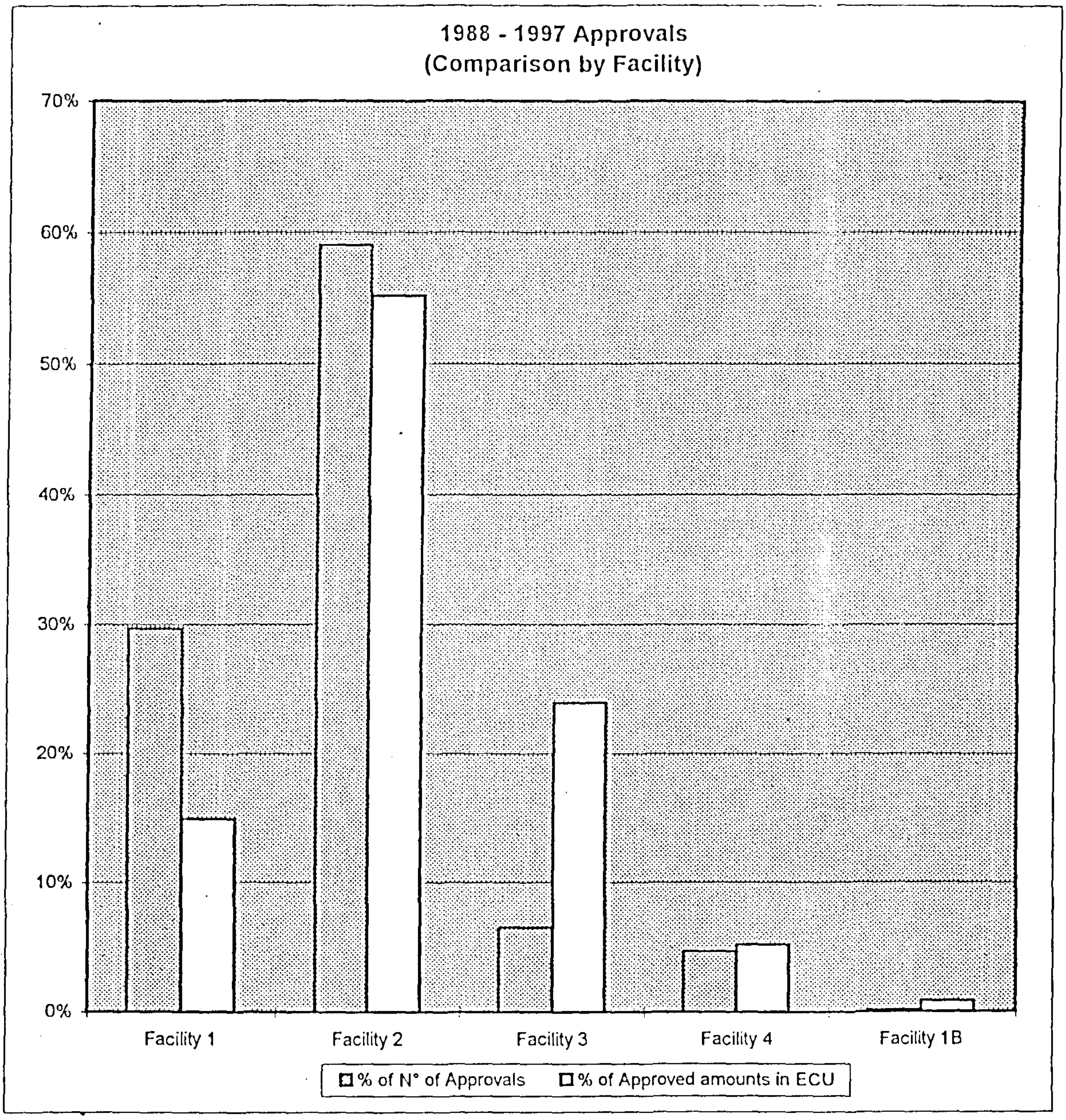
1997
APPROVALS by FACILITY

	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	80	21%	5,222,258	14%	65,278
Facility 2	254	65%	20,641,253	55%	81,265
Facility 3	15	4%	4,899,026	13%	326,602
Facility 4	35	9%	4,385,009	12%	125,286
Facility 1B	4	1%	2,200,000	6%	550,000
Total	388	100%	37,347,546	100%	96,257



1988 - 1997
CUMULATIVE APPROVALS by FACILITY

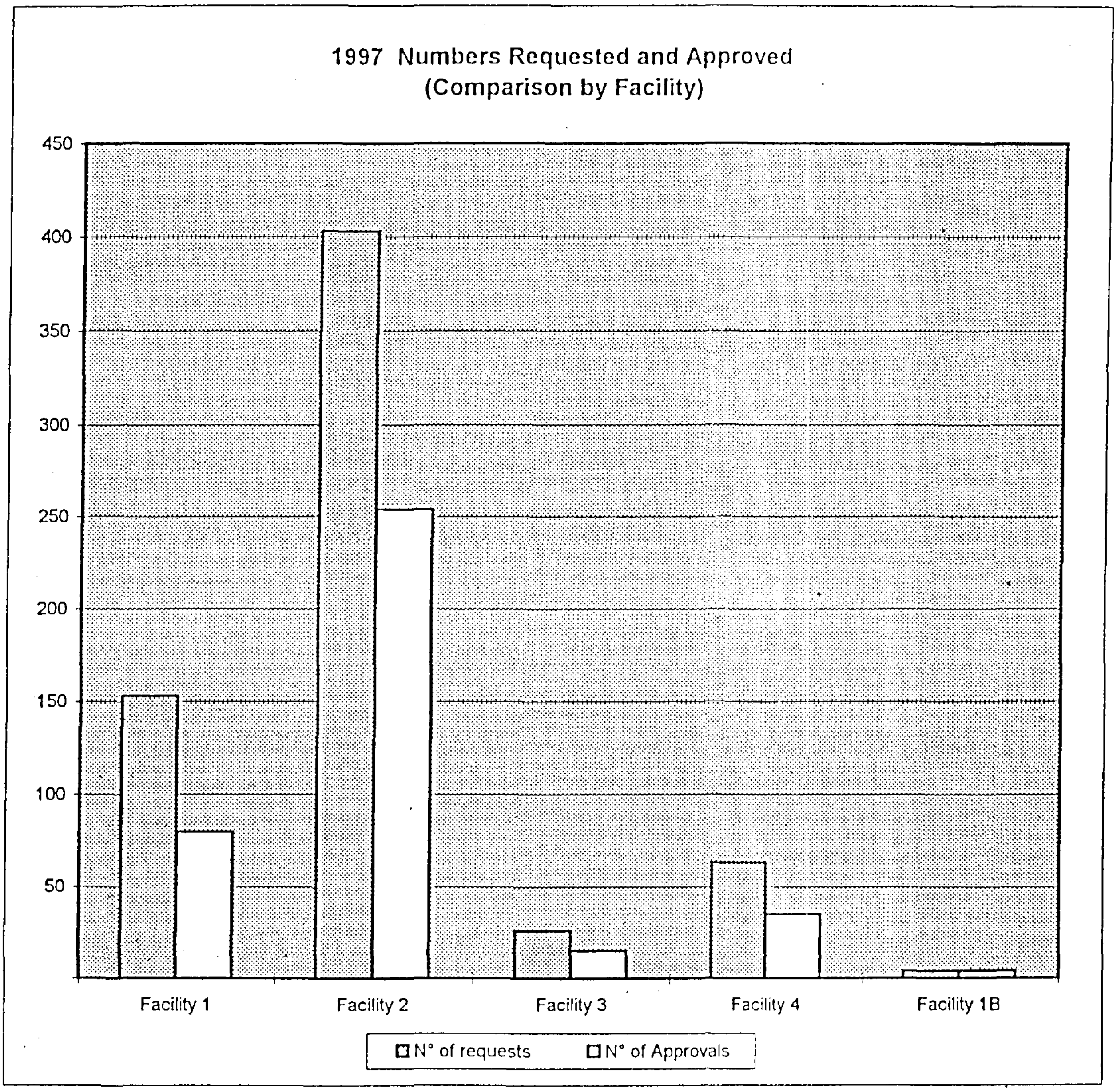
	N° of Approvals	% of N° of Approvals	Approved amounts in ECU	% of Approved amounts in ECU	Average project size in ECU
Facility 1	673	30%	38,173,581	15%	56,722
Facility 2	1,340	59%	141,492,176	55%	105,591
Facility 3	147	6%	61,263,145	24%	416,756
Facility 4	106	5%	13,316,845	5%	125,631
Facility 1B	4	0%	2,200,000	1%	550,000
Total	2,270	100%	256,445,747	100%	**112,972**



ECIP Steering Committee Approvals

1997
NUMBERS REQUESTED and APPROVED by FACILITY

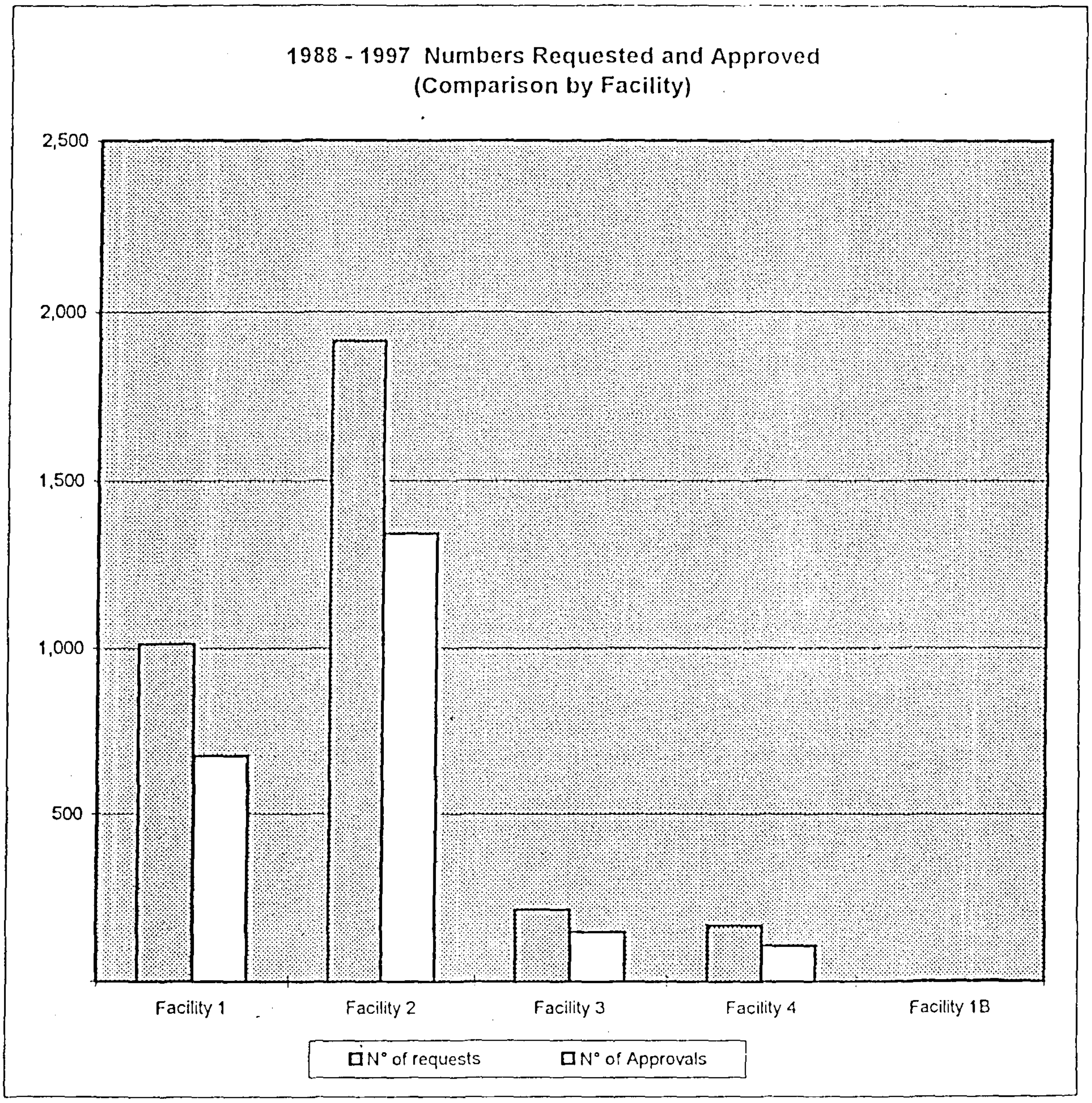
	N° of requests	N° of Approvals	% of requests Approved
Facility 1	153	80	52%
Facility 2	403	254	63%
Facility 3	26	15	58%
Facility 4	63	35	56%
Facility 1B	4	4	100%
Total	649	388	60%



ECIP Steering Committee Approvals

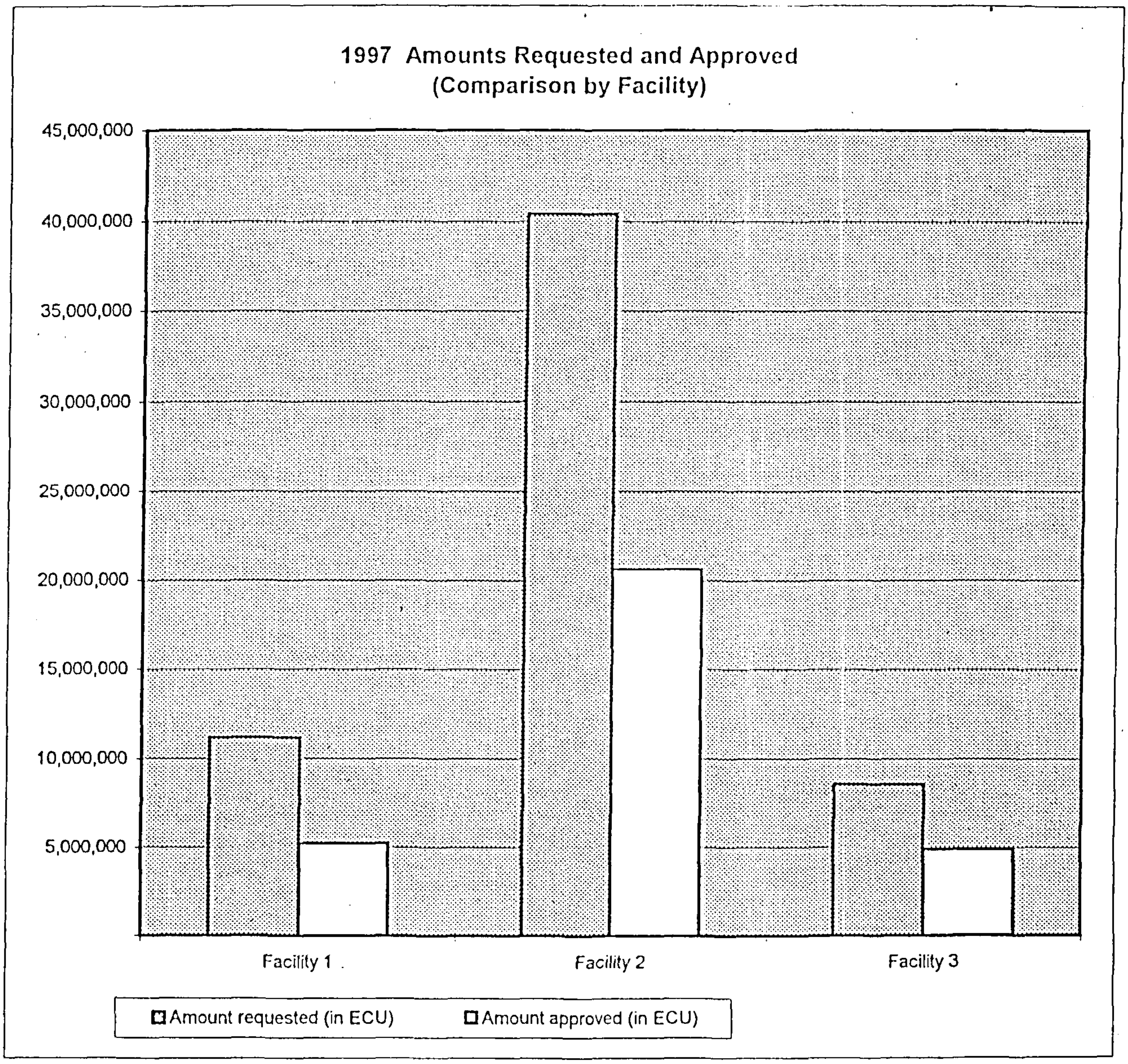
1988 - 1997
CUMULATIVE NUMBERS REQUESTED and APPROVED by FACILITY

	N° of requests	N° of Approvals	% of requests Approved
Facility 1	1,012	673	67%
Facility 2	1,916	1,340	70%
Facility 3	216	147	68%
Facility 4	167	106	63%
Facility 1B	4	4	100%
Total	3,315	2,270	68%



1997
AMOUNTS REQUESTED and APPROVED by FACILITY

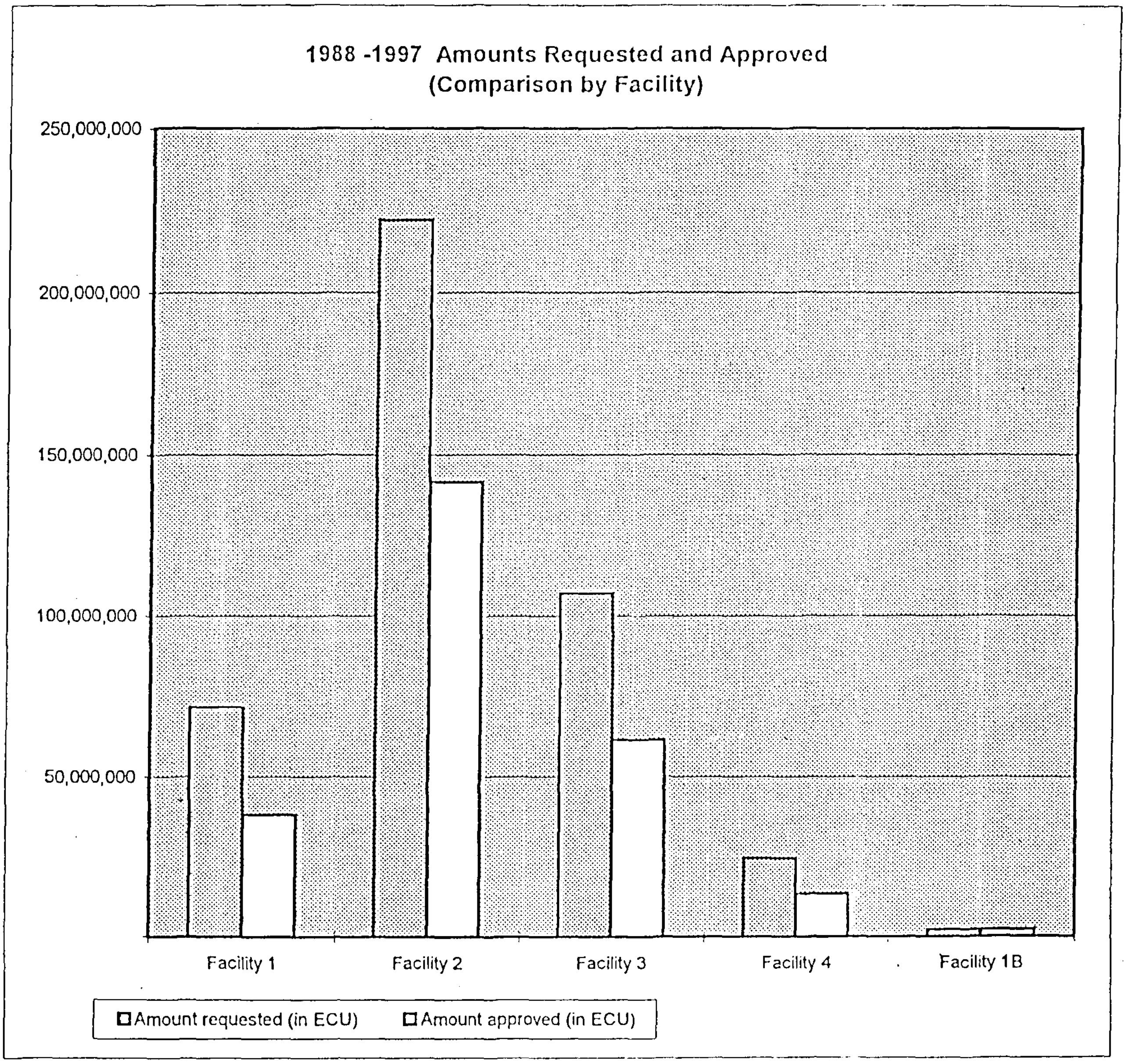
	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	11,153,078	5,222,258	47%
Facility 2	40,390,368	20,641,253	51%
Facility 3	8,575,014	4,899,026	57%
Facility 4	10,037,150	4,385,009	44%
Facility 1B	2,200,000	2,200,000	100%
Total	72,355,610	37,347,546	52%



ECIP Steering Committee Approvals

1988 - 1997
CUMULATIVE AMOUNTS REQUESTED and APPROVED by FACILITY

	Amount requested (in ECU)	Amount approved (in ECU)	% of requests Approved
Facility 1	71,383,930	38,173,581	53%
Facility 2	222,318,409	141,492,176	64%
Facility 3	106,974,944	61,263,145	57%
Facility 4	24,419,426	13,316,845	55%
Facility 1B	2,200,000	2,200,000	100%
Total	**427,296,709**	**256,445,747**	**60%**



1988 - 1997
APPROVALS by FACILITY and YEAR

	N° of requests	Amounts requested by FI/FB	N° of projects approved in Steering Committee	ECU amounts approved in Steering Committee	% of requests approved	% of amounts approved
Facility 1						
1988	5	233,850	5	231,000	100%	99%
1989	12	683,755	9	419,370	75%	61%
1990	26	1,196,940	20	853,348	77%	71%
1991	65	3,755,447	52	2,718,023	80%	72%
1992	105	6,141,035	87	4,648,289	83%	76%
1993	139	7,647,976	90	4,090,856	65%	53%
1994	169	10,793,443	103	5,209,060	61%	48%
1995	194	19,662,368	134	8,410,598	69%	43%
1996	144	10,116,038	93	6,370,779	65%	63%
1997	153	11,153,078	80	5,222,258	52%	47%
Cumulative	**1,012**	**71,383,930**	**673**	**38,173,581**	**67%**	**53%**
Facility 2						
1988	4	330,075	3	279,000	75%	85%
1989	31	1,806,617	23	1,404,920	74%	78%
1990	78	9,312,502	69	7,404,722	88%	80%
1991	85	8,562,471	68	6,149,065	80%	72%
1992	116	14,669,705	90	9,799,837	78%	67%
1993	209	22,462,544	160	16,643,732	77%	74%
1994	300	33,574,972	202	21,134,297	67%	63%
1995	388	48,739,104	279	32,948,142	72%	68%
1996	302	42,470,051	192	25,087,208	64%	59%
1997	403	40,390,368	254	20,641,253	63%	51%
Cumulative	**1,916**	**222,318,409**	**1,340**	**141,492,176**	**70%**	**64%**
Facility 3						
1988	2	840,000	2	580,000	100%	69%
1989	7	1,703,500	6	1,454,500	86%	85%
1990	11	4,738,200	11	4,043,000	100%	85%
1991	11	4,946,000	8	2,546,000	73%	51%
1992	25	11,260,436	16	6,788,081	64%	60%
1993	24	13,074,019	16	7,209,552	67%	55%
1994	38	19,832,583	25	14,189,538	66%	72%
1995	37	16,095,260	19	7,488,843	51%	47%
1996	35	25,909,932	29	12,064,605	83%	47%
1997	26	8,575,014	15	4,899,026	58%	57%
Cumulative	**216**	**106,974,944**	**147**	**61,263,145**	**68%**	**57%**
Facility 4						
1990	4	633,645	4	514,917	100%	81%
1991	2	270,000	2	175,000	100%	65%
1992	11	1,503,563	9	1,001,338	82%	67%
1993	12	1,942,054	7	1,090,931	58%	56%
1994	16	1,943,661	8	892,705	50%	46%
1995	15	2,533,392	12	1,807,245	80%	71%
1996	44	5,555,961	29	3,449,700	66%	62%
1997	63	10,037,150	35	4,385,009	56%	44%
Cumulative	**167**	**24,419,426**	**106**	**13,316,845**	**63%**	**55%**
Facility 1B						
1997	4	2,200,000	4	2,200,000	100%	100%
Cumulative	**4**	**2,200,000**	**4**	**2,200,000**	**100%**	**100%**
Grand Total	**3,315**	**427,296,709**	**2,270**	**256,445,747**	**68%**	**60%**

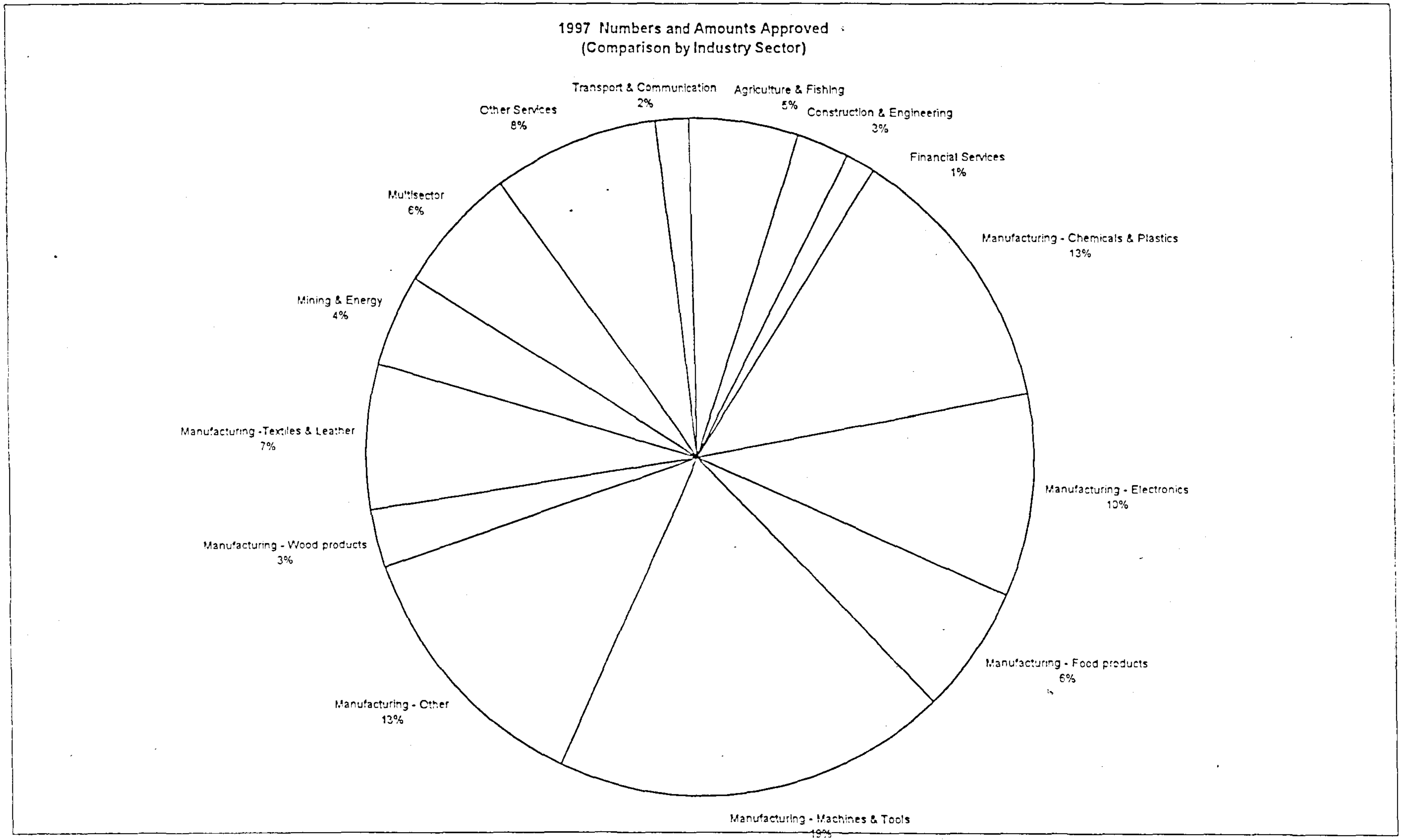
1997
NUMBERS and AMOUNTS APPROVED by Industry SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	%	Approved amounts in ECU	%
Agriculture & Fishing	11	881,288	3	312,218	4	476,666	1	82,931	0	0	19	5%	1,753,103	5%
Construction & Engineering	5	430,332	4	517,949	0	0	1	350,000	0	0	10	3%	1,298,281	3%
Financial Services	2	1,063,116	0	0	1	53,042	0	0	2	35,025	5	1%	1,151,183	3%
Manufacturing - Chemicals & Plastics	12	1,424,554	18	2,201,225	15	1,204,629	3	375,095	0	0	48	13%	5,205,503	14%
Manufacturing - Electronics	12	871,614	16	1,646,232	5	215,318	5	453,443	0	0	38	10%	3,186,607	9%
Manufacturing - Food products	12	640,875	9	583,117	2	143,870	1	0	0	0	24	6%	1,367,862	4%
Manufacturing - Machines & Tools	27	2,594,188	31	3,056,028	16	1,067,527	1	50,304	1	2,500	76	19%	6,770,547	17%
Manufacturing - Other	22	1,872,543	18	2,183,562	8	462,366	1	106,510	1	2,500	50	13%	4,627,431	12%
Manufacturing - Wood products	4	183,397	4	345,514	2	171,703	1	46,000	0	0	11	3%	746,614	2%
Manufacturing -Textiles & Leather	5	301,495	14	1,417,516	8	722,163	1	50,485	0	0	28	7%	2,491,659	7%
Mining & Energy	9	704,080	5	453,098	3	213,223	0	0	0	0	17	4%	1,370,401	4%
Multisector	7	1,423,710	10	2,650,423	3	251,119.0	0	0	4	43,945	24	6%	4,369,197	12%
Other Services	6	580,060	13	714,438	10	909,956.0	2	123,202	0	0	31	8%	2,327,656	6%
Transport & Communication	4	484,709	1	67,330	2	129,413.0	0	0	0	0	7	2%	681,452	2%
TOTAL	138	13,455,961	146	16,148,650	79	6,020,995	17	1,637,970	8	83,970	388	100%	37,347,546	100%

189

ECIP Steering Committee Approvals

1997
NUMBERS and AMOUNTS APPROVED by Industry SECTOR



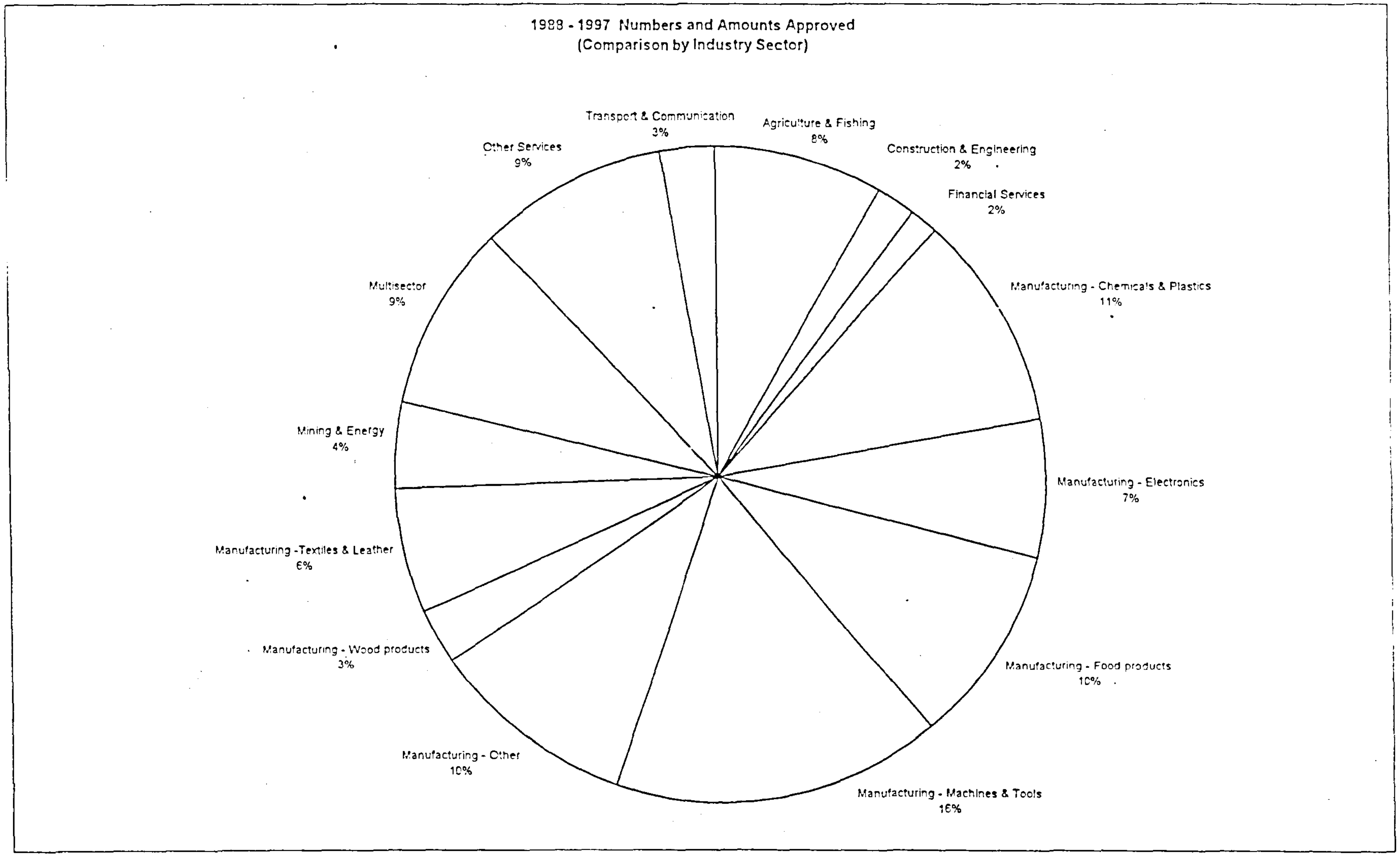
ECIP Steering Committee Approvals

1988 - 1997
CUMULATIVE NUMBERS and AMOUNTS APPROVED by Industry SECTOR

Sectors	Latin America		Asia		Mediterranean		South Africa		Multiregional		All Regions			
	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	Approved amounts in ECU	N° of Approvals	%	Approved amounts in ECU	%
Agriculture & Fishing	76	8,050,305	61	5,980,684	43	7,575,559	2	114,296	0	0	182	8%	21,720,844	9%
Construction & Engineering	18	1,936,935	15	1,993,202	7	481,184	3	1,556,885	1	80,000	44	2%	6,048,206	2%
Financial Services	8	2,661,101	10	1,930,481	8	2,718,834	2	1,000,000	8	164,965	36	2%	8,475,381	3%
Manufacturing - Chemicals & Plastics	58	4,942,708	122	15,934,159	56	5,730,493	5	729,082	1	155,400	242	11%	27,491,842	11%
Manufacturing - Electronics	42	3,599,297	89	10,538,918	28	2,135,850	6	542,043	0	0	165	7%	16,816,108	7%
Manufacturing - Food products	78	10,743,654	95	11,248,058	36	3,727,039	5	551,271	0	0	214	10%	26,270,022	11%
Manufacturing - Machines & Tools	105	8,988,692	195	23,593,942	57	5,472,081	2	84,304	4	361,152	363	16%	38,500,171	15%
Manufacturing - Other	63	7,513,979	118	14,492,684	45	4,130,152	3	462,211	1	2,500	230	10%	26,601,526	10%
Manufacturing - Wood products	32	3,609,458	23	3,021,259	9	1,092,982	3	309,348	3	117,750	70	3%	8,150,797	3%
Manufacturing -Textiles & Leather	35	2,678,794	61	7,776,605	38	4,440,138	5	1,264,038	0	0	139	6%	16,159,576	6%
Mining & Energy	37	4,259,158	41	7,170,262	20	2,007,386	1	128,932	1	61,000	100	4%	13,626,738	5%
Multisector	85	6,592,749	56	5,374,897	47	2,329,812	6	276,655	17	467,087	211	9%	15,141,200	6%
Other Services	68	9,078,695	71	7,523,382	60	5,559,769	8	1,550,271	1	18,500	208	9%	23,730,617	9%
Transport & Communication	21	2,401,871	30	3,145,460	14	1,970,578	1	194,810	0	0	66	3%	7,712,719	3%
TOTAL	726	77,157,396	987	119,723,994	468	49,371,857	52	8,764,146	37	1,428,354	2,270	100%	256,445,747	100%

ECIP Steering Committee Approvals

1988 - 1997
CUMULATIVE NUMBERS and AMOUNTS APPROVED by Industry SECTOR



192

ECIP Steering Committee Approvals

1997

NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	2	6	847,562
Belgium	3	10	851,383
Denmark	1	7	652,248
Finland	1	2	119,320
France	6	47	5,044,128
Germany	4	3	2,500
Ireland	1	3	144,710
Italy	7	120	10,219,211
Luxembourg	3	22	2,294,329
Netherlands	3	14	663,515
Portugal	2	3	125,002
Spain	6	47	5,503,826
Sweden	1	3	93,450
United Kingdom	3	15	875,089
Total for E.U.	43	302	27,436,273
Eligible regions			
Africa	1	1	106,510
Asia	4	14	1,328,143
Latin America	5	10	2,013,896
Mediterranean	5	19	1,645,670
Multiregional	0	0	0
Total for Eligible regions	15	44	5,094,219
Total ...			
Chambres Com.	32	38	2,617,054
Fac. 1B		4	2,200,000
Grand Total	90	388	37,347,546

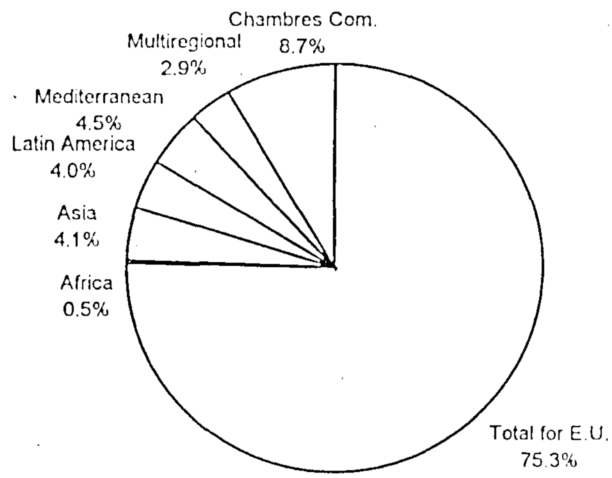
ECIP Steering Committee Approvals

1988 - 1997

CUMULATIVES NUMBERS and AMOUNTS by FINANCIAL INSTITUTIONS

	N° of F.I. member of ECIP network	N° of projects approved	ECU amounts approved
Countries of the E.U.			
Austria	2	11	1,254,625
Belgium	4	91	8,851,378
Denmark	1	79	21,759,978
Finland	1	3	587,720
France	6	318	38,068,629
Germany	4	39	8,695,413
Greece	1	1	80,000
Ireland	1	10	611,289
Italy	7	472	46,631,648
Luxembourg	3	67	9,258,120
Netherlands	4	87	8,309,329
Portugal	3	19	1,852,497
Spain	6	236	26,593,592
Sweden	1	4	190,634
United Kingdom	4	149	18,842,979
Total for E.U.	48	1,586	191,587,831
Eligible regions			
Africa	3	10	1,161,210
Asia	16	95	10,368,687
Latin America	15	77	10,123,068
Mediterranean	10	113	11,475,334
Multiregional	2	23	7,482,235
Total for Eligible regions	46	318	40,610,534
Total ...			
Chambres Com.	227	362	22,047,382
		4	2,200,000
Grand Total	321	2,270	256,445,747

ECIP - Financing repartition among Financial institution



ECIP Steering Committee Approvals

1988 - 1997
CUMULATIVE APPROVALS by COUNTRY

Country	N° of projects approved	ECU amounts approved
Algeria	12	1,017,525
Argentina	121	14,523,690
Bahrain	1	9,041
Bangladesh	6	869,044
Bolivia	11	1,258,812
Brazil	147	16,741,347
Cambodia	3	1,126,007
Chile	75	5,689,545
China	355	47,591,162
Colombia	29	2,701,469
Costa Rica	11	466,153
Cuba	32	2,850,193
Cyprus	36	2,340,412
Ecuador	12	587,082
Egypt	38	6,422,103
El Salvador	7	487,990
Guatemala	4	463,740
Honduras	5	428,838
India	183	21,161,795
Indonesia	99	11,206,639
Israel	33	4,287,904
Jordan	7	842,890
Kuwait	3	115,217
Lebanon	11	886,639
Macau	2	26,341
Malaysia	56	4,880,898
Maldives	1	1,000,000
Malta	15	2,048,876
Mexico	155	20,975,411
Morocco	103	9,189,824
Nepal	3	248,244
Nicaragua	4	175,576
Oman	5	175,688
Pakistan	11	943,200
Palestine	3	318,436
Panama	3	372,322
Paraguay	2	147,000
Peru	14	1,684,383
Philippines	51	7,363,220
Quatar	1	54,732
Saudi Arabia	10	514,308
Singapore	20	1,995,759
South Africa	53	8,785,698
Sri Lanka	29	4,364,352
Syria	4	649,324
Thailand	55	6,242,797
Tunisia	91	8,514,064
Turkey	77	10,664,671
United Arab Emirates	3	167,563
Uruguay	15	868,735
Venezuela	38	3,720,698
Viet Nam	84	8,553,215
Yugoslavia	3	365,365
Multi Region	118	7,359,810
TOTAL	2,270	256,445,747

Annex 5.2 Economic impact estimates

ANNEX 5.2

ECONOMIC IMPACT DATA

HOW TO READ THE STATISTICS RELATING TO THE ECONOMIC IMPACT REPORT

Contracts and Reports

Data quoted in Part Three, Economic Impact, of this Report, is based on a systematic assessment of action results for 1.007 individual actions, all approved before 1 January 1998. From 1988 to end 1997, 2.225 actions were approved, leading to 1.998 contracts. Of those 1.998 contracted, ECIP has received 1.179 Final Reports (59% of actions contracted). Of those reports 1.007 have been analyzed (85% of the reports received).

ACTIONS APPROVED, CONTRACTED, ASSESSED (1988-97)

Facility	Approved	Contracted	Reports Assessed
1	678	640	438
2	1.300	1.181	512
3	138	78	36
4	109	99	21
Totals	(100%) **2.225**	(90%) **1.998**	(45%) **1.007**

Impact methodology: investment, joint ventures and jobs

The ECIP Regulation requires the Commission to report on the economic impact, *'notably total investment, the number of joint ventures and jobs created'* (art. 10). These economic effects are presented below by facility.

The economic impact of ECIP actions is measured on the basis of the results of the 1.007 actions individually researched. On the basis of resulting success rates per facility an estimate for all the 1.998 contracted actions is calculated. The tables below show in their first column the reported results of the 1.007 researched actions (*Reported*). The second columns in the charts present the *Estimated* results for all the actions approved based on the success rates per facility found in the 1.007 individual reports.

FACILITY ONE RESULTS (1988-97)

	438 Reports Evaluated	Estimate for all 640 contracted
Number of actions	438	640
ECIP funding (MECU)	24	36
Results		
Firms involved	14.000	20.500
Resulting JVs	484	707

FACILITY TWO RESULTS (1988-97)

	Reports Evaluated	Estimate for all 1.181 contracted
Number of actions	512	1.181
ECIP funding (MECU)	54	124
Results		
Investments (MECU)	816	1.882
Joint ventures	138	318
Employment	11.500	26.500

FACILITY THREE RESULTS (1988-97)

	Reports Evaluated	Estimate for all 78 contracted
Number of actions	36	78
ECIP funding (MECU)	12,3	27
Results		
Investments (MECU)	146	316
Joint ventures	33	71
Employment	2.600	5.600

FACILITY FOUR RESULTS (1988-97)

	Reports Evaluated	Estimate for all 99 contracted
Number of actions	21	99
ECIP funding (MECU)	3,2	15
Results		
Investments (MECU)	60	285
Joint ventures	21	99
Employment	1.300	6.100
People trained	465	2.200

Annex 5.3 Commitment and payment appropriations

Annex 5.3

The 1997 budgetary appropriations for ECIP under budget line B7-8720 were as follows:-

Consumption of ECIP B7-8720
Budgetary credits 1997

	MECU	%
Commitment credits available originally	50,5	100,00%
+Credits from "reemploi"	+2,5	+4,95%
Total credits available for commitment	53,0	104,95%
Total commitments made	52,2	103,37%
Payments credits available	48,5	100,00%
+Credits from reemploi	+1,5	+3,09%
Total payment credits available	50,0	103,09%
Payments accounted for	24,2	48,40%

Annex 5.4 Balance sheet as at 31.12.97.

BILANS ECIP au 31/12/1997 - FORMAT DG XIX

		31/12/1997	31/12/1996	31/12/1995
ACTIF				
IV.B.1	Créances - participations	27.909.224,79	27.143.985,91	19.823.502,91
	Créances Business plans	1.000.000,00	1.000.000,00	1.000.000,00
V.A	Créances - prêts	93.218.574,01	91.654.150,41	66.769.827,32
VII.A.1	Prêts en attente de conversion	884.948,33	977.829,49	-
VII.B.4	IF - Ordres de recouvrements	19.476.673,36	16.246.722,27	12.006.594,08
VII.C.2	Avoirs auprès des IF	19.576.451,12	7.994.899,82	8.178.531,07
	TOTAL	162.065.871,61	145.017.587,90	107.778.455,38
PASSIF				
I.A	Capitaux propres + dettes envers la CE	162.065.871,61	145.017.587,90	107.778.455,38
	TOTAL	162.065.871,61	145.017.587,90	107.778.455,38

BILANS ECIP au 31/12/1997 - FORMAT DG XIX

	31/12/1997	31/12/1996	31/12/1995
PASSIF			
TOTAL ENGAGEMENTS ECIP	*278.564.501,36*	*230.123.353,30*	*182.805.744,04*
ENGAGEMENTS ECIP RESTANT A LIQUIDER	82.276.074,11	59.311.711,54	55.397.897,57
ENGAGEMENTS ECIP LIQUIDES	*196.288.427,25*	*170.811.641,76*	*127.407.846,47*
DEGAGEMENTS (CUMUL)	11.347.743,25	6.844.701,00	6.058.429,00
CE - BANQUE ECIP - REEMPLOI	947.666,39		
ENGAGEMENTS NETS	*185.888.350,39*	*163.966.940,76*	*121.349.417,47*
SUBVENTIONS (CUMULEES) - (F1)	25.052.846,64	21.402.444,00	16.338.220,00
SUBVENTIONS (CUMULEES) - F4	1.603.161,00		
SUBVENTIONS (CUMULEES) - F2	353.386,00		
SUBVENTIONS (CUMULEES) - FRAIS ADM.	553.026,50		
TOTAL SUBVENTIONS	*27.562.420,14*	*21.402.444,00*	*16.338.220,00*
SUBVENTIONS - CONTRATS CADRES	416.685,00	370.056,00	
FRAIS DE GESTION	3.518.110,37	2.986.445,99	2.173.203,99
FRAIS ADMIN. LIES AUX PROJETS	2.250.238,16	2.250.238,16	1.337.277,63
FRAIS BANCAIRES NON-ENGAGES	121.038,09	75.901,36	46.051,36
DIFFERENCES DE CHANGES			
TOTAL CHARGES	*6.306.071,62*	*5.682.641,51*	*3.556.532,98*
CAPITAUX PROPRES	*152.019.858,63*	*136.881.855,25*	*101.454.664,49*
CE - INTERETS BANCAIRES	9.165.448,73	7.546.421,31	5.882.651,04
CE - DIVIDENDES	61.755,11	31.078,66	31.078,66
CE - INTERETS SUR PRETS	799.038,68	538.462,22	390.427,22
CE - DIFFERENCES DE CHANGES	19.770,46	19.770,46	19.633,97
DETTES ENVERS CE	*10.046.012,98*	*8.135.732,65*	*6.323.790,89*
TOTAL PASSIF	162.065.871,61	145.017.587,90	107.778.455,38

203

	31/12/1997	31/12/1996	31/12/1995
ACTIF			
CREANCES - PARTICIPATIONS AU CAPITAL (F3)	27.909.224,79	27.143.985,91	19.823.502,91
CREANCES - BUSINESS PLANS (F2-F3-F4)	1.000.000,00	1.000.000,00	1.000.000,00
	28.909.224,79	*28.143.985,91*	*20.823.502,91*
CREANCES - AVANCES SANS INTERÊTS (F2)	88.597.754,64	87.102.243,10	63.367.261,85
CREANCES - PRÊTS SANS INTERÊTS (F4)	4.620.819,37	4.551.907,31	3.402.565,47
	93.218.574,01	*91.654.150,41*	*66.769.827,32*
PRETS EN ATTENTE DE CONVERSION	884.948,33	977.829,49	
IF - ORDRES DE RECOUVR. A REEMPLOYER - ETABLIS	368.868,36		
IF - ORDRES DE RECOUVR. A REEMPLOYER - A ETABLIR			
IF - ORDRES DE RECOUVR. A REAFFECTER - ETABLIS	2.638.823,00	2.279.221,63	
IF - ORDRES DE RECOUVR. A REAFFECTER - A ETABLIR	16.468.982,00	13.967.500,64	12.006.594,08
	19.476.673,36	*16.246.722,27*	*12.006.594,08*
AVOIRS AUPRES DES IFs	19.576.451,12	7.994.899,82	8.178.531,07
TOTAL ACTIF	**162.065.871,61**	**145.017.587,90**	**107.778.455,38**

204

Annex 5.5 Technical assistance

Annex 5.5 Technical Assistance

List of ECIP Technical Assistance Actions Contracted 1997

ITEM	CONTRACTORS	DURATION	ECU AMOUNT
Technical Assistance Unit	GOPA (D) Consultants	12 months contract	1.167.920
Information conferences on ECIP in Vietnam logistics & organisation	Mr Patrick VARAC + conference costs	One month	21.406
Production and printing of ECIP leaflets in Vietnam	Vietnamese printer	Not applicable	750
Framework Contract Global Commitment	C.E.P.T. II	Four country inspections studies 9 weeks each	385.000
Framework Contract Global Commitment	C.E.A.L.	For country inspection studies of 9 weeks each	100.000
Totals			**1.675.076**

Annex 5.6 ECIP eligible countries

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, December 1997

EC INVESTMENT PARTNERS ELIGIBLE COUNTRIES

Latin America

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Venezuela

Mediterranean Region and Middle East

Algeria
Cyprus
Egypt
Gulf Cooperation Council countries
Iran
Israel
Jordan
Lebanon
Malta
Morocco
Palestinian Autonomous Territories and remaining Occupied Territories
Syria
Tunisia
Turkey
Yemen

Asia

Bangladesh
Brunei
Bhutan
Cambodia
China **
India
Indonesia
Laos
Macao
Malaysia
Maldives
Nepal
Pakistan
Philippines
Singapore
Sri Lanka
Thailand
Vietnam

Republic of South Africa

** N.B. Actions concerning Hong Kong are not eligible for ECIP funding, although initiatives of a regional character which include Hong Kong may be considered.

Member States of the European Union (for information)

Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Portugal
Spain
Sweden
United Kingdom

Annex 5.7 ECIP Financial Institutions network

LIST OF ECIP FINANCIAL INSTITUTIONS

EUROPEAN UNION

ABN AMRO Amsterdam
ALLIED IRISH BANKS Dublin
BANCA NAZIONALE DEL LAVORO Rome
BANCO BILBAO VIZCAYA Madrid
BANCO DE FOMENTO E EXTERIOR Lisbon
BANCO ESPANOL DE CREDITO Madrid
BANCO EXTERIOR DE ESPANA Madrid
BANCO NACIONAL ULTRAMARINO Lisbon
BANCO PORTUGUES DO ATLANTICO Lisbon
BANCO SABADELL Barcelona
BANCO SANTANDER Madrid
BANK AUSTRIA Vienna
BANQUE NATIONALE DE PARIS Paris
BBL (Banque Bruxelles Lambert / Bank Brussel Lambert) Brussels
CAIXA GERAL DE DEPOSITOS Lisbon
CARIPLO Milan
CDC (Commonwealth Development Corporation) London
Groupe CIC Paris
COFIDES (Compania Espanola de Financiación del Desarrollo) Madrid
COMMERZBANK Frankfurt
CREDITANSTALT Vienna
CREDIT EUROPEEN Luxembourg
CREDIT LYONNAIS Paris
DEG (German Investment and Development Company) Cologne
DEUTSCHE BANK AG Brussels
DIE SPARKASSE IN BREMEN Bremen
ETBA (Hellenic Industrial Development Bank) Athens
EUROPA BANK (Dresdner Bank Group) Luxembourg
FGG (Finanzierungsgarantie Gesellschaft mit beschränkter Haftung) Vienna
FINLOMBARDA Milan
FINNFUND Helsinki
FMO (Netherlands Development Finance Company) The Hague
GENERALE BANK Brussels
GIROCREDIT Vienna
ICE (Istituto Nazionale per il Commercio Estero) Rome
IFU (Industrialization Fund for Developing Countries) Copenhagen
IKB DEUTSCHE INDUSTRIEBANK Düsseldorf
ING BANK Amsterdam
INVESTITIONS-BANK NRW Düsseldorf
ISTITUTO BANCARIO SAN PAOLO DI TORINO Turin
KREDIETBANK INTERNATIONAL GROUP Brussels/Luxembourg
MEES PIERSON Amsterdam
MIDLAND BANK PLC London
MONTE DEI PASCHI DI SIENA Siena
MORGAN GRENFELL London
PARIBAS Luxembourg
PAX BANK Cologne
PROPARCO (Société de Promotion et de Participation pour la Coopération Economique) Paris
RABOBANK Utrecht
SBI / BMI (Belgian Corporation for International Investment) Brussels
SIMEST Rome
SOCIETE GENERALE Paris
SOFINASIA Paris
STANDARD CHARTERED London
SWEDFUND Stockholm

ASIA

ASIATRUST Manila
BANCO NACIONAL ULTRAMARINO Macao
BANGLADESH SHILPA BANK Dhaka
BANKERS EQUITY LTD Karachi
BAPINDO Jakarta
CIMB (Commerce International Merchant Bankers Berhad) Kuala Lumpur
DEVELOPMENT FINANCE CORPORATION OF CEYLON Colombo
EXIM BANK Bombay
FIRST INTERNATIONAL INVESTMENT BANK LTD (INTERBANK) Karachi
ICICI (Industrial Credit and Investment Corporation of India) Bombay
IDBI (Industrial Development Bank of India) Bombay
NATIONAL DEVELOPMENT BANK Colombo
NATIONAL DEVELOPMENT FINANCE CORPORATION Karachi
NIAGA BANK Jakarta
PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES Manila
STANDARD CHARTERED MERCHANT BANK ASIA LIM. Singapore

LATIN AMERICA

BANCA BNL DO BRASIL Sao Paolo
BANCA NAZIONALE DEL LAVORO S.A. Buenos Aires
BANCA SERFIN Mexico
BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA Tegucigalpa
BANCO CONCEPCION Santiago
BANCO DE LA PROVINCIA DE BUENOS AIRES Buenos Aires
BANCO DEL DESARROLLO Santiago
BANCO DEL PACIFICO Guayaquil
BANCO DE VENEZUELA Caracas
BANCO INDUSTRIAL La Paz
BANCOMER Mexico
BANCO NACIONAL DE MEXICO Mexico
BANCO ROBERTS Buenos Aires
BANCO WIESE Lima
CORFO Santiago
CORPORACION ANDINA DE FOMENTO Caracas
CORPORACION FINANCIERA DEL VALLE Bogotá
CORPORACION NACIONAL PARA EL DESARROLLO Montevideo
CORPORACION PRIVADA DE INVERSIONES DE CENTRO AMERICA San José
IFI (Instituto de Fomento Industrial) Bogotá
INSTITUTO MOVILIZADOR DE FONDOS COOPERATIVOS Buenos Aires
NACIONAL FINANCIERA SNC Mexico

MEDITERRANEAN

ARAB BANK PLC Amman
BAHRAIN DEVELOPMENT BANK Bahrain
BANK HAPOALIM Tel Aviv
BANK LEUMI Tel Aviv
BANQUE DE DEVELOPPEMENT ECONOMIQUE DE TUNISIE Tunis
BANQUE MAROCAINE DU COMMERCE EXTERIEUR Casablanca
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE Casablanca
BYBLOS BANK Beirut
CYPRUS DEVELOPMENT BANK Nicosia
EUROTURK BANK Istanbul
MALTA DEVELOPMENT CORPORATION Malta
WAFABANK Casablanca

SOUTH AFRICA

FIRST NATIONAL BANK Johannesburg
NEDBANK Johannesburg
STANDARD BANK Johannesburg

MULTILATERAL

ASEAN FINANCE CORPORATION Singapore
ASIAN FINANCE AND INVESTMENT CORP. Manila
IFC (International Finance Corporation) Washington
INTER AMERICAN INVESTMENT CORPORATION Washington

Annex 5.8 ECIP Council Regulation 213/96 of 29.01.96

COUNCIL REGULATION (EC) No 213/96

of 29 January 1996

on the implementation of the European Communities investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130w thereof,

Having regard to the proposal from the Commission (1),

Acting in accordance with the procedure of Article 189c of the Treaty (2),

Whereas the Community is implementing financial, technical and economic cooperation with the developing countries of Latin America, Asia and the Mediterranean region, and with South Africa;

Whereas in order to strengthen such cooperation, it is necessary, *inter alia,* to encourage mutually beneficial investment, particularly by small and medium-sized enterprises (SMEs);

Whereas the Council has reached a consensus on the importance of the role of the private sector in the development process;

Whereas joint ventures and investment by Community undertakings in developing countries can bring certain benefits for these countries, including the transfer of capital, know-how, employment, the transfer of training and expertise, increased export possibilities and the meeting of local needs;

Whereas a three-year pilot scheme was launched in 1988 to promote, via a European Communities Investment Partners (ECIP) financial instrument, the creation of joint ventures between the Community and countries of Latin America, Asia and the Mediterranean region and was continued and extended for a further three year trial period from 1 January 1992 by Regulation (EEC) No 319/92 (3);

Whereas the Court of Auditors delivered an opinion in December 1993 pursuant to Article 9 (3) of Regulation (EEC) No 319/92 on the implementation of ECIP, which concluded that it meets a real need of which the market takes no or only inadequate account, and made specific recommendations for improvements in its management;

Whereas the European Parliament and the Council have considered the results of the independent appraisal forwarded to them in March 1994 in conformity with Article 9 (2) of Regulation (EEC) No 319/92 which concluded that ECIP has met its principal objective of promoting mutually beneficial investment by Community and local operators in EC/local joint ventures in the countries of Asia, Latin America and the Mediterranean, and that the ECIP instrument should be further continued and reinforced;

Whereas the Council adopted on 25 February 1992 Regulation (EEC) No 443/92 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America (4) and on 29 June 1992 Regulation (EEC) No 1763/92 concerning financial cooperation in respect of all Mediterranean non-member countries (5);

Whereas the continuation and extension of the instrument is therefore necessary in order that full use may be made of the possibilities of mutually beneficial action in the countries of Latin America, Asia and the Mediterranean region;

Whereas the Council on 19 April 1994 concluded that to encourage Community investments in SMEs in South Africa, advantages equivalent to the ECIP or its follow-up instrument could be granted to South Africa, and that specific financing of this instrument would be provided to that end;

Whereas it is necessary to take account of democracy and human rights issues, and to promote investments which improve working conditions, in particular for women, do not exploit employees and exclude unacceptable practices such as forced labour and slavery;

Whereas the broadest possible participation by undertakings in all Member States should be encouraged;

Whereas all the Member States should be encouraged to participate in the promotion of their investments in the countries of Latin America, Asia, the Mediterranean region and South Africa through financial institutions specializing in development;

(1) OJ No C 287, 15. 10. 1994, p. 7.
(2) Opinion of the European Parliament of 28 October 1994 (OJ No C 323, 21. 11. 1994, p. 497), Council Common Position of 22 May 1995 (OJ No C 160, 26. 6. 1995, p. 8) and Decision of the European Parliament of 28 November 1995 (OJ No C 339, 18. 12. 1995).
(3) OJ No L 35, 12. 2. 1992, p. 1.
(4) OJ No L 52, 27. 2. 1992, p. 1.
(5) OJ No L 181, 1. 7. 1992, p. 5. Regulation as amended by Regulation (EC) No 1735/94 (OJ No L 182, 16. 7. 1994, p. 6).

Whereas a financial reference amount, within the meaning of point 2 of the Statement of 6 March 1995 by the European Parliament, Council and Commission has been inserted in this Regulation for the entire duration of the programme, without the budget authority's powers as defined in the Treaty being thereby affected,

HAS ADOPTED THIS REGULATION:

Article 1

1. As part of its economic cooperation with the countries of Latin America, Asia, the Mediterranean region, and South Africa, the Community shall operate for the period 1995-1999 special cooperation schemes aimed at promoting mutually beneficial investment by Community operators, particularly in the form of joint ventures with local operators in the countries eligible including tripartite operations with other developing countries to promote regional integration.

2. Account being taken of their respective possibilities and needs, SMEs will receive priority in application of the scheme, while large multinational undertakings will be ineligible.

Article 2

The European Communities Investment Partners (ECIP) financial instrument, hereinafter referred to as the 'instrument', shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50 % of the cost of the operation up to a ceiling of ECU 100 000; however, where the operation relates to the preparation of a privatization, or a Build Operate and Transfer (BOT) or a Build Operate and Own (BOO) scheme in infrastructure, utilities or environmental services where an eligible country government or public agency is the beneficiary this facility may be increased to 100 % of the cost of the operation up to a ceiling of ECU 200 000 (Facility No 1);

2. interest-free advances for feasibility studies and other action by operators intending to set up joint ventures or to invest, not exceeding 50 % of the cost up to a ceiling of ECU 250 000, within which pre-feasibility travel costs of ECU 10 000 maximum may be financed by grant (Facility No 2);

3. capital requirements of a joint venture or a local company with licensing agreements, in order to meet investment risks peculiar to developing countries, through participation in the provision of equity or by equity loans not exceeding 20 % of the joint venture's capital up to a ceiling of ECU 1 million (Facility No 3);

4. interest-free advances and grants not exceeding 50 % of the cost up to a ceiling of ECU 250 000, for training, technical assistance or management expertise of an existing joint venture, or joint venture about to be set up, or of a local company with a licensing agreement (Facility No 4).

The aggregate amount made available under Facilities Nos 2, 3 and 4 may not exceed ECU 1 million per project.

Article 3

1. The financial institutions shall be selected by the Commission, further to the opinion of the Committee, defined in Article 9, from among development banks, commercial banks, merchant banks and investment promotion bodies.

2. Financial institutions which have submitted proposals in accordance with the criteria defined in Article 6 will receive fees in accordance with arrangements to be determined by the Commission.

Article 4

1. With regard to Facility No 1 set out in Article 2, financing applications may be submitted either directly to the Commission by the institution, association or body carrying out the identification of partners and projects, or through a financial institution.

2. In the case of Facilities Nos 2, 3 and 4 set out in Article 2, applications may be submitted by the undertakings concerned solely through the financial institutions defined in Article 3. Community funds for the participating undertakings shall be applied for and provided exclusively through the financial institution.

3. With regard to Facility No 2 set out in Article 2, the financial institutions and undertakings shall be required to share the project risk; where the action is successful, however, the Community contribution may be more than 50 % and up to 100 % of the cost for SMEs.

4. In the case of Facility No 3 set out in Article 2, the financial institutions shall provide financing at least equal to that provided by the Community. This facility shall be reserved, where the Community is concerned, for SMEs; exceptions will be possible in cases for which specific justification is provided having particular significance for development policy, for instance technology transfer.

5. In the case of Facility No 4 set out in Article 2 interest-free advance finance will be provided as regards the costs of training, technical assistance and management expertise, and, for SMEs only, the costs of training, technical assistance and management expertise provided by external sources or by the European partner to the joint venture shall be eligible for grant finance under this facility.

6. Framework agreements signed by the Commission with the financial institutions shall explicitly stipulate that the Court of Auditors has the power, in accordance with Article 188c of the Treaty, to audit the operations of these institutions with respect to financial projects funded by the general budget of the European Communities.

Article 5

1. Contributions awarded under the instrument shall, depending upon the circumstances and pursuant to Article 2, be either grants or interest-free advances, or participations in the provision of equity or equity loans.

Participation in the equity or equity loans shall in principle be acquired or provided by the financial institutions on their own behalf. However, in exceptional cases,

— where the financial institution cannot intervene in its own name for regulatory or legal reasons or because of its statutes; or

— where the Community's direct financial participation is necessary to reinforce in a decisive manner the capacity of the promoters to raise other financial resources which could not normally be moblilized due to the particular political situation or to specific legal obstacles in the host country of the joint venture;

the Commission may authorize a financial institution to hold a direct participation on the Community's behalf.

Only projects with a particular development or environmental impact or significance for technology transfer shall qualify for such direct participation.

The commercial, industrial, investment and financial decisions of the joint undertakings set up under the instrument shall be taken exclusively by those undertakings.

2. For Facility No 2 set out in Article 2, interest-free advances shall be reimbursed according to the arrangements to be determined by the Commission, on the understanding that the final repayment periods are to be as short as possible and shall in no instance exceed five years. Such advances shall not be refundable where the actions have produced negative results.

3. For Facility No 3 set out in Article 2, participations by virtue of this instrument shall be disposed of at the earliest opportunity once the project becomes viable, having to the Community's rules of sound financial management.

4. Equity loan and advance repayments, the realization of participations, and interest and dividend payments will be accounted for by recovery orders and paid back to the general budget of the European Communities. This will be done on an annual basis after the annual audit provided for in Article 10 (3), in reconciliation with the budget accounts as at 31 December of that year and the amounts involved will be reported in the progress report for that year provided for at Article 10 (1). All assets held by the financial institution are to be paid back to the Community if the institution ceases to be associated with the instrument or if the instrument ceases to operate.

Article 6

1. Projects shall be selected by the financial institution or, in the case of Facility No 1 set out in Article 2, by the Commission and the financial institution, in the light of the appropriations adopted by the budget authority and on the basis of the following criteria:

(a) the anticipated soundness of the investment and the quality and good repute of the promoters;

(b) the contribution to development, in particular in terms of:

— impact on the local economy;

— creation of added value;

— promotion of local entrepreneurs;

— transfer of technology and know-how and development of the techniques used;

— acquisition of training and expertise by managers and local staff;

— implications for women and improvement of their working conditions;

— creation of local jobs with conditions of work which do not involve exploiting employees;

— impact on the balance of trade and balance of payments;

— impact on the environment;

— manufacture and supply to the local market of products hitherto difficult to obtain or substandard;

— use of local raw materials and resources.

2. The final financing decision shall be taken by the Commission, which shall verify compliance with the criteria set out in paragraph 1 and compatibility with Community policies, in particular development cooperation policy, and the mutual benefit to the Community and the developing country concerned.

Article 7

Countries eligible shall be the developing countries of Latin America, Asia and the Mediterranean regions which benefit from Community development cooperation measures or which have concluded regional or bilateral cooperation or association agreements with the Community, and South Africa.

Article 8

The financial reference amount for the implementation of this programme, for the period 1995-1999, is ECU 250 million.

Annual appropriations shall be authorized by the budgetary authority within the limit of the financial perspective.

Article 9

1. The Commission shall implement the instrument in accordance with this Regulation.

2. In carrying out this task, the Commission shall be assisted, as appropriate, by the Committee set up under Article 15 of Regulation (EEC) No 443/92 or by the Committee referred to in Article 7 (1) of Regulation (EEC) No 1763/92, and these Committees shall also deal, for the purposes of ECIP, with matters related to South Africa, in the absence of a specific Committee.

3. The following shall be adopted under the procedure laid down in paragraph 4:

— the choice of financial institutions in the light of their experience and aptitude for making a preliminary selection of the projects in accordance with the criteria set out in Article 6;

— revision of the amounts and/or financing conditions under each facility and the aggregate amount available under Facilities 2, 3 and 4 as laid down in Article 2 in a way consistent with other provisions of this Regulation.

4. With regard to the matters mentioned in paragraph 3, the representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148 (2) of the Treaty in the case of decisions, which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States, within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of one month from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

5. Furthermore, the Committee may examine, at the Commission's initiative or at the request of one of its members, any question connected with the implementation of this Regulation; in particular:

— information on the projects funded over the previous year;

— the terms of reference of the independent appraisal provided for in Article 10;

— any other information which the Commission wants to submit to it.

6. In order to ensure consistency of cooperation and to improve complementarity between operations, the Commission and the European Investment Bank shall exchange any relevant information on financing that they envisage granting.

7. The Commission will ensure that due account is taken of relevant information concerning the implementation of ECIP as well as comparable instruments of the Community such as JOPP, Alinvest, Medinvest, and others as appropriate, in order to establish a coordinated approach to promote private investment in developing countries.

Article 10

1. The Commission shall send to the European Parliament and to the Council, by 30 April each year at the latest, a progress report showing the projects selected and their economic impact, notably total investment, the number of joint ventures and jobs created as well as the appropriations granted and the repayments to the general budget of the European Communities and including annual statistics for the previous year.

2. The Commission shall forward the results of an independent appraisal of the instrument to the European Parliament and the Council before the end of 1998.

This report must permit an assessment of the implementation of the principles of good financial management, economy and a cost/benefit analysis of the instrument.

3. Without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities, the Commission shall obtain each year an independent financial audit of the financial institutions and of the Facility 1 beneficiary organizations, as regards the ECIP funds that they have received. The Commission shall make specific provision in the framework and specific financing agreements for anti-fraud measures, in particular a mechanism for the recovery of advances which are not fully justified after such audit.

4. Use of external technical assistance may be made, as appropriate, on condition that the technical assistance financed is directly linked to the special nature of the ECIP instrument and is of direct benefit to the Alamed countries and South Africa. The costs of such technical assistance shall be limited to 5 % of the budgetary credits available, not including the fees paid to the financial institutions which shall be imputed to the credits allocated to each individual action financed.

Article 11

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities* and shall expire on 31 December 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 January 1996.

For the Council

The President

S. AGNELLI

Annex 5.9 Guidelines for Facility 1B for preparation of privatisation and private infrastructure projects

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 7 February 1997

EUROPEAN COMMUNITY INVESTMENT PARTNERS (ECIP).

FACILITY 1B FOR PRIVATISATION AND PRIVATE INFRASTRUCTURE PROJECTS - GUIDELINES

RATIONALE

Privatisation and private participation in infrastructure ("PPI") has increased rapidly in recent years as some developing countries have opened up their infrastructure sectors to finance and management by the private sector. PPI may be the only way for a developing country to meet the often huge growth in infrastructure needed to keep pace with its development. It can bring with it increased efficiency in construction and operation. PPI can also reduce financing and management burdens on public sector institutions.

PPI may also have other indirect benefits for the host country. A successful PPI project can strengthen the local financial sector, act as a valuable demonstration project for other PPI initiatives in the country or region, and create domestic constituencies for further liberalisation.

FINANCING AVAILABLE

The new grant Facility 1B of ECIP is designed to help governments and public agencies in the developing economies of Asia, Latin America, the Mediterranean and in South Africa ("ALAMEDSA") to prepare PPI projects and to improve their local development effects.

Facility 1B has been developed by the European Commission ("EC") in recognition of the fact that PPI projects are complex, and that many public agencies have limited experience in this new and fast developing technique. By providing front-end grant finance at the preparation stage, the EC aims to improve the chances for successful completion of the PPI project, reduce costly duplication of preparatory steps and expand the opportunities for European businesses to participate in the PPI process.

ECIP Facility 1B can provide up to 100% grant support for eligible expenditure, with a maximum of ECU 200 000 per action.

TERMINOLOGY

The formal application for Fac. 1B must be made by the government of, or a public agency in, an eligible ALAMEDSA country ("the Public Agency") in respect of an activity ("the Action") commissioned by it in preparation for a private infrastructure or privatisation project ("the Project"). The action will be executed by an expert(s) from the EU, or by an expert(s) from the EU working together with an expert(s) from the host country.

ORGANISATIONS ELIGIBLE TO APPLY FOR FACILITY 1B - THE PUBLIC AGENCY

A government, government department or public agency planning to promote a specific privatisation or private infrastructure project, and with effective responsibility therefor.

Examples of eligible organisation: government department; privatisation commission; public corporation acting in the infrastructure sector (e.g port authority, road authority, airport authority); regional government; local authority; development agencies; regulatory authority responsible for regulating a utility or sector.

To be noted: The following are NOT eligible to apply for Facility 1B:

- Individual companies (though it should be noted that individual companies carrying out a PPI project *may* separately apply for ECIP Facilities 2, 3 and 4 where the case satisfies the eligibility criteria for those facilities);
- Consultants (who may not apply for Facility 1B but may benefit indirectly by being appointed by the Public Agency in agreement with the EC to carry out the Action).

THE PROJECT

1) Type of PPI

PPI can involve a range of ownership structures that can be summarised as follows

Ownership structure	Extent of private participation
Service contracts ⇓ Management contracts ⇓ Leasing ⇓ Concessions ⇓ Build Operate Transfer (BOT) ⇓ Build Own Operate (BOO) ⇓ Divestiture	Low ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ ⇓ High

While in principle Facility 1B can apply to any of these privatisation options, the EC will prefer to target the facility on projects

i) that will lead to substantial incremental capital expenditure,
ii) that are financed and managed by the private sector operators, and
iii) that have substantial and visible positive development impacts on the host country.

Therefore Facility 1B will normally only apply to privatisation schemes involving **concessions, BOT, BOO or divestiture** where the private operator is required or expected to undertake substantial additional capital expenditure and is significantly involved in the management.

2) Sectors covered

Article 2(1) of the Council 's ECIP Regulation provides for Facility 1B to apply to schemes in "infrastructure, utilities or environmental services".

The EC will however prefer to apply Facility 1B only in sectors where successful completion of PPI projects is deemed to require such public assistance. Therefore, while no sector is absolutely excluded, the EC expects to target Facility 1B initially on projects in **water, ports, bridges and toll roads, urban services such as waste management, smaller scale power projects, sub-regional telecommunications**, where the positive development impacts on the local population are likely to be significant and are particularly visible.

THE ACTION

Facility 1B supports Actions undertaken by the Public Agency in preparation for an eligible PPI project. Examples of activities that might be supported by Facility 1B include:

- Preparation of an international call for tender
- Developing and drafting the technical specifications and standards
- Technical design
- Drafting of a concession contract
- Devising a financial and/or legal structure for the PPI project
- Drafting of any legislation required to realise the PPI project
- Initial environmental impact assessments required, including consultation exercises with the affected local population
- Structuring insurance arrangements
- Actions to improve the regulatory framework for the PPI project - e.g setting up the appropriate regulatory authority
- Actions to strengthen in general the legal framework for PPI - e.g drafting of cross-sectoral laws or regulations to define conditions for private involvement in infrastructure

Facility 1B can support up to 100% of the costs incurred on the Action, with a maximum of ECU 200 000 per Action.

APPRAISAL CRITERIA AND REQUIREMENTS

- The Action may either cover most or all of the preparations for the PPI project, or involve discrete and defined.component(s) thereof.

- The Action must be executed by a European expert(s), or by a European expert working together with an expert(s) from the host country ("the Expert(s)"). The EC will prefer actions executed by a consortium of EU and local experts, since involvement of local consultants will increase local knowledge of PPI techniques and so may facilitate duplication of the privatisation elsewhere in the host country.

- Facility 1B will be available normally where the Public Agency is to award the concession or privatisation contract either through an international call for tenders or through a process of competitive bidding. In some cases (e.g first privatisations where knowledge of the local market and conditions is insufficient to specify a call for tenders) it may be appropriate to realise the PPI Project by a negotiated contract, but the Commission is only prepared to accept this on an exceptional and a case-by-case basis. The EC will anyway in all cases wish Actions and Projects supported by Facility 1B to be transparent, and will therefore prefer to apply Facility 1B only in cases where there will be international competitive bidding.

- The final report resulting from the Facility 1B Action will in principle always be in the public domain, and a copy must be provided to all companies that are either bidding in any subsequent call for tender or involved in competitive or direct negotiations with the Public Agency in respect of the Project.

- The Commission will be prepared to provide Fac. 1B funds in coordination and in parallel with other donors, so as to maximise the effects of the Fac. 1B contribution.

- The Commission will prefer to support Actions:
  i) that produce authoritative information or findings that
    - can be relied on by bidders in any subsequent tender or negotiation (and so avoid duplication of due diligence);
    - or could be of use in the preparation of other PPI projects; or
    - will stimulate the completion of PPI projects in general;
  ii) where the PPI project will be preceded by an international call for tender that will be open to bidders from the European Union; and
  iii) where the ECIP contribution (or the joint contribution of the EC and the other donor(s)) will constitute a material contribution to the preparation of the call for tender.

POLICY FRAMEWORK AND DIALOGUE BETWEEN THE EC AND THE PUBLIC AGENCY

In practice the EC will be willing to approve applications under Facility 1B where the Public Agency or government making the application has conducted a policy dialogue on PPI issues with the Commission and/or the donor community.

The "policy dialogue" referred to above is a horizontal action programme that aims at some or all of the following objectives:

- identification of projects and sectors that are most suitable for PPI in the host country
- strengthening and improving the legal, regulatory and accounting framework for PPI projects country
- actions to improve awareness of PPI techniques and spread it more widely among the key officials and operators (public and private)
- improving the capacity of local financial markets in the host country to support PPI projects
- improving the acceptability of PPI projects by consultation exercises with the local population
- liberalisation, opening up to international markets, market transition.

The Commission is prepared to consider providing technical assistance to the government or Public Agency to promote the objectives described above, and will apply Facility 1B where there is such a programme of technical assistance.

OUTLINE OF OPERATING PROCEDURES

The EC envisages the following process:

Commission conducts a policy dialogue with the government or Public Agency and agrees the sectors to be eligible "in principle" for Facility 1B actions
↓
Public Agency sends individual applications for a specific Action(s) to the Commission
↓
Commission appraises and approves (or not) the application
↓
Expert is chosen and appointed by the Public Agency in agreement with the Commission
↓
Action commences
↓
Public Agency discusses results of the Action with the Commission and incorporates the recommendations into its PPI process
↓
The Public Agency subsequently launches an international call for tenders open to international bidders.

THE LEGAL BASIS

Council Regulation (EC) No 213/96 ("the ECIP Regulation") specifies as follows:

Article 2 "The European Community Investment Partners (ECIP) financial instrument, hereinafter referred to as the "instrument", shall offer four kinds of financing facility covering:

1. grants for the identification of projects and partners, not exceeding 50% of the cost of the operation up to a ceiling of ECU 100 000; however, where the operation related to the preparation of a privatization, or a Build Operate and Transfer (BOT) or a Build Operate and Own (BOO) scheme in infrastructure, utilities or environmental services where an eligible country government or public agency is the beneficiary this facility may be increased to 100% of the cost of the operation up to a ceiling of ECU 200 000 (Facility No 1)."

Annex 5.10 Anti-fraud measures

Annex 5.10. Anti-fraud measures

Obligatory provisions in all ECIP Framework Agreement Contracts

quote:

"V. CONTROLS AND FOLLOW-UP OF EXECUTION

5.1. Controls by the EC and anti-fraud provisions

5.1.1 The Court of Auditors of the European Communities has the power, in accordance with article 188c of the EC Treaty, to audit the operations of the FI with respect to financial actions funded by the general budget of the European Communities under this Framework Agreement.

5.1.2 In accordance with Article 10.3 of the Council Regulation (EC) No. 213/96 of 29 January 1996, and without prejudice to the responsibilities of the Commission and the Court of Auditors as laid down in the Financial Regulation applicable to the General Budget of the European Communities, the Commission must obtain each year an independent financial audit of the Financial Institutions and of the Facility 1 beneficiary organisations, as regards the ECIP funds that they have received. Pursuant to this obligation, the Commission will therefore be placing a contract with an independent audit firm to execute a financial audit of ECIP funds at each year end. The auditors will be requested to examine the books of a sample of ECIP FIs and Facility One beneficiaries as regards the ECIP funds managed by them so as to establish and verify the ECIP balance sheet and revenue/expenditure account as at each year end.

5.1.3 The FI shall make available to the Court of Auditors, the Commission, or any person appointed by any of them to exercise the right to control, which shall include the auditors referred to in 5.1.2 (the "EC Control Authorities") any information and documents in its possession which shall be requested by the EC Control Authorities, in order to enable the EC to fulfil its obligations in accordance with the Treaty and with Articles 4, 10(1), 10(2) and 10(3) of Council Regulation (EC) No. 213/96 of 29 January 1996.

5.1.4 At the Commission's request, the FI will use its best efforts to arrange for the EC Control Authorities to visit Projects funded under the Framework Agreement in order to monitor the execution of such Projects.

5.1.5 Should the FI fail to provide satisfactory documentary evidence to the EC Control Authorities of the use of funds for eligible purposes as described in the relevant Specific Agreements for the approved Action, the EC, notwithstanding the FI's liability under Clauses 10.5 and 10.6 of this Agreement, shall claim from the FI, as provided in Article 10.3 of Council Regulation (EC) No. 213/96 of 29 January 1996, the reimbursement of any funds advanced under the relevant Specific Agreements and Back to Back agreements. Such recovery by the EC from the FI may occur whether or not the FI is able in turn to recover the amount of the over-disbursement from the Final Beneficiary. Such funds will bear interest from the date of release from the FI to the FB at the market prevailing rates plus a default penalty margin of 2% per annum. The FI undertakes to include in all Back to Back Agreements a clause to that effect as required in Article 10.3 of Council Regulation (EC) No. 213/96 of 29 January 1996.

5.1.6 Any information and documents made available to the EC under this clause shall be treated in accordance with the confidentiality provisions of article 214 of the Treaty and Clause 15 of this Agreement.

5.2. Follow up of Actions by the FI.

5.2.1 The FI shall inform the EC of all facts or events known to it which might substantially prejudice or affect the conditions of execution of the Action. The FI will immediately inform the EC of any intention of the FB, of which the FI is aware, to create any security over assets of FB in favour of any party which might prevent the fulfilment of any obligation of the FB under a Back to Back Agreement.

5.2.2 The FI shall ensure that Back to Back Agreements prevent the FB from either assigning or using as a security in favour of third parties the rights resulting from the award of the Facilities.

5.2.3 For Facilities 1 and 2, the FI shall use reasonable efforts to inform itself of the financial condition of the FB, and shall provide to the EC any relevant information arising from such efforts.

5.2.4 For Facilities 3 and 4, the FI shall monitor the evolution of the FB in order to provide to the EC the information regarding the financial condition of the FB.

5.2.5 The FI will carry out, either on its own initiative or following the instructions and in accordance with the indications given to it by the EC Control Authorities, spot checks on the execution of the Actions, and shall inform immediately the EC of the results thereof.

5.2.6 The FI will provide the EC with progress or completion reports of the Action as specified in annex 3.

5.3. Financial reporting.

5.3.1 The FI shall send to the EC:

i) a half yearly report, on 30 June and on 31 December:

- on funds committed, disbursed or not,
- on the execution of agreements,
- on the operations of the ECIP account opened as per Clause 7.1.

ii) a yearly report, on 31 December, on assets held for the account of the EC (receivables, matured and non matured loans & participations), and their valuation according to the generally accepted accounting principles. This report shall be based on the latest financial statements of FB's available at that time.

5.3.2 The reports shall be transmitted to the EC at the latest two months after the dates mentioned above. The indicative form of reporting is attached in annex 4." unquote.