



COMMISSION OF THE EUROPEAN COMMUNITIES

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2000/0034 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**regarding the closure and liquidation of projects adopted by the Commission under
Council Regulation (EC) No 213/96 on the implementation of the European
Communities investment partners financial instrument for the countries of Latin
America, Asia, the Mediterranean region and South Africa**

(presented by the Commission)

EXPLANATORY MEMORANDUM

Council Regulation (EC) No. 213/96 of 29th January 1996 (the "Regulation") providing for the European Community Investment Partners financial instrument ("ECIP") in favour of the developing countries of Asia, Latin America, the Mediterranean and South Africa, expired 31.12.1999.

It is proposed now that a regulation of the European Parliament and the Council be approved for a further two years (until 31.12.2001) in order to finance the costs of the management of the closure and the winding down of the existing portfolio of projects, particularly to finance the necessary technical assistance. So the adoption of this regulation will imply the restriction on the use of the ECIP budget only for operational follow-up of actions already financed or for amendments to contracts already signed and for technical assistance (e.g. BATs and audit) to ensure the completion and closure of ongoing actions.

ECIP was operational between 1988 and 1999. ECIP promoted developmentally-friendly EC/local joint venture private investments in the eligible countries, and has offered as a decentralised programme to business operators via a network of 142 ECIP financial institutions (FI). During ECIP's twelve years 1988-99 of operations 2587 separate actions have been approved for EURO 291,7 millions of ECIP financing. According to the detailed reports provided to the Commission the results of ECIP actions financed up to end 98 show that over 34.000 EU and local firms have been involved in ECIP actions which have led to over 1300 joint ventures being set up involving over EURO 3,6 Billions of developmentally positive private investment in the developing countries. These results are to be re-evaluated by an independent appraisal study scheduled to report early in 2000 and to be sent to the Council and Parliament thereafter. The ECIP Annual Reports COM(1998)752 of 18.12.98 have already provided the Council and Parliament with the Commission's detailed analysis and statistics on ECIP's execution and results.

The Commission's services are presently making a long term reassessment of ECIP's policy purposes and operational design. This will take account of i) the rapid evolutions in the international economic and investment environment, ii) the views and experience of the financial institutions and the business operators who have been essential to the success of the instrument to date, and iii) particularly will identify measures to simplify and improve the financial management of ECIP. Better coordination in a transparent manner of ECIP with other similar EU instruments is also necessary. Since 1988, when ECIP began, the Commission has developed a wide gamut of other investment promotion and financing programmes for developing countries (ALINVEST, ASIAINVEST, MEDA, JOP, JEV and the instruments addressed to the ACP countries) which have purposes related to ECIP. ECIP's positioning, coordination and possible synergies with these other EU programmes are also being re-assessed. The design of a single instrument addressing all developing countries, which will include mechanisms to adapt to local conditions will be considered.

The four tasks: i) the independent evaluation study, ii) consultations and collection of the views of beneficiaries, business operators and financial institutions, iii) improvements and simplification of financial management and approval procedures, and iv) an inventory and policy coordination of the various similar EU investment promotion instruments will not be finished before mid-2000 at the earliest. So a proposal for an improved ECIP for the longer term will not be available to send to the Parliament and Council (for consideration in cooperation procedure for a new regulation) before mid-2000. Given the delays involved in

such negotiations with the Parliament and Council it is very unlikely that a substantially revised and improved ECIP regulation could be agreed and approved before 2001.

Accordingly the Commission now proposes to the Council and Parliament a regulation concerning the closure and winding down of the projects approved previously by the Commission in application of regulation (EC) N° 213/96 on the implementation of the European Communities Investment Partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa to ensure both i) continuity of the implementation and of sound ongoing management of actions already financed; and ii) to allow an adequate period fundamentally to reappraise the ECIP instrument and to develop and negotiate a revised programme and regulation. So the adoption of this regulation will imply the restriction on the use of the ECIP budget only for operational follow-up of actions already financed or for amendments to contracts already signed and for technical assistance (e.g. BATs and audit) to ensure the completion and closure of ongoing actions.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

Regarding the closure and liquidation of projects adopted by the Commission under Council Regulation (EC) No 213/96 on the implementation of the European Communities investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 179(1) thereof,

Having regard to the proposal from the Commission,¹

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

Whereas:

- (1) 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 expired on 31 December 1999.³
- (2) Using that Regulation as a basis, the Commission approved the financing of a number of projects which have not yet been fully completed and which may require further sums to be committed so that they can be closed.
- (3) The Commission should be empowered to take the action necessary to allow the existing project portfolio to be liquidated,

HAVE ADOPTED THIS REGULATION:

Article 1

1. The Commission shall take the steps needed to close and liquidate the projects adopted under 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.

¹ OJ C

² OJ C

³ OJ L 28, 6.2.1996, p. 2.

2. Those steps shall include any action required, pursuant to Council Regulation (EC) No 213/96 of 29 January 1996 and with the aim of liquidating the existing portfolio, to provide monitoring, management and auditing of operations for which the Commission has already adopted a financing decision, including the amendment of contracts already signed and the use of outside technical assistance.

Article 2

By 1 July 2001, the Commission shall supply the European Parliament and the Council with a report on the implementation of this Regulation, accompanied where required by appropriate recommendations.

Article 3

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

It shall apply until 31 December 2001.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

B7 - 872 : Promotion of Community investment in developing countries of Asia, Latin America, the Mediterranean and in South Africa by economic cooperation and trade agreements.

2. BUDGET HEADING(S) INVOLVED

B7 - 872

B7 - 872A

A0-7002

3. LEGAL BASIS

The Treaty establishing the European Community, and in particular Article 179(1).

The Commission is proposing a Parliament and Council Regulation regarding the closure and liquidation of projects adopted by the Commission under Council Regulation (EC) No 213/96 on the implementation of the European Communities investment partners financial instrument for the countries of Latin America, Asia, the Mediterranean region and South Africa with the sole aim of financing technical assistance (Technical Assistance Offices and audits) and other expenditure required to complete and close operations already financed. No further financing for new operations will be given after 31 December 1999.

Situation of the heading from the point of view of the requirement for a legal basis: legal basis proposed (appropriation cannot be used before this is adopted).

4. DESCRIPTION OF OPERATION

4.1 General objective

The 1988-1999 ECIP (European Community Investment Partners) programme seeks to stimulate economic cooperation between the EU and non-member countries by facilitating direct investment by EU firms (chiefly SMEs) in joint ventures in such countries (Latin America, Asia, the Mediterranean and South Africa) to promote regional integration. The aim has been to promote the transfer of know-how and technology, employment, added value, training and improved capabilities, and a recovery in the balance of payments.

ECIP seeks to :

- promote investment which improves working conditions in line with ILO basic conventions on issues such as child labour, union rights, collective bargaining and non-discrimination;

- regularly expand the network of partners in order to improve the network itself and ensure the widest possible geographical representation;
- place special emphasis on increasing SMEs' involvement in the instrument;
- maximise the multiplier effect between ECIP financing and the total investment generated;
- encourage the establishment of the largest possible number of joint ventures;
- maximise job creation.

During its twelve years of activity, ECIP has financed over 2500 operations. Financing takes the form of grants or conditionally repayable loans.

At the end of the programme's life (31/12/99), approximately 2000 operations with a value of approximately €250 million are still running.

To ensure proper management and closure of these operations, we will continue to need the services of the two Technical Assistance Offices which have been helping the Commission to run ECIP, and we will have to arrange the necessary auditing on closure.

To continue funding the Technical Assistance Offices while awaiting the approval of the legal basis for the transfer of necessary appropriations from the reserve (B0-040) to headings B7-872 and B7-872A (in the wake of the Commission proposal to the Parliament and Council), the cost of funding those Offices (€250 000 for February and March 2000) will be covered by appropriations from heading A-7002. DG RELEX's allocation will be increased to that end.

It should be pointed out that ECIP generates repayments into the Community budget, something which increases cost effectiveness. Repayments are estimated to be 20-40% of disbursements.

4.2 Period covered and arrangements for renewal

1.1.2000 - 31.12.2001

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 ~~Compulsory~~/Non-compulsory expenditure

5.2 Differentiated/~~Non-differentiated~~ appropriations

5.3 Type of revenue involved

6. TYPE OF EXPENDITURE OR REVENUE

Contracts for services and technical assistance.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (relation between individual and total costs)

7.2 Itemised breakdown of cost

Part B

Commitment appropriations EUR million (at current prices)

Breakdown	year n 2000	n+1	n+2	n+3	n+4	N+5 and subs. Yrs.	Total
Technical assistance B7-872A	2.205*	1.500	-	-	-	-	3.705
Expenditure connected with closing operations B7-872	1.000	-	-	-	-	-	1.000
Total	3.205	1.500	-	-	-	-	4.705

Part A

Breakdown	year n 2000	n+1	n+2	n+3	n+4	N+5 and subs. Yrs.	Total
Technical assistance A-7002	0,25	-	-	-	-	-	0,25

Total Parts A+ B (to be filled in)

Breakdown	year n 2000	n+1	n+2	n+3	n+4	N+5 and subs. Yrs.	Total

7.3 Schedule of commitment and payment appropriations

Commitment appropriations EUR million

	year n 2000	n+1	n+2	n+3	n+4	N+5 and subs. Yrs.	Total
Commitment appropriations	3,205	1,500					4,705
Payment appropriations							
year n 2000 n+1 n+2 n+3 n+4 n+5 and subs. yrs	2,000	1,205 800	700				3,205 1,500
Total	2,000	2,005	700				4,705

8. FRAUD PREVENTION MEASURES

- Specific control measures envisaged

Since 1995, ECIP balance statements have been issued on 30 June and 31 December.

Checks are made at all stages of project implementation (selection, drawing-up of contracts, payment by Commission departments).

The checks take account of contractual obligations and of the principles of sound financial management.

In addition to the verification measures laid down, there are audits and checks performed by the financial departments of the RELEX DG, the Financial Control DG and the Court of Auditors. These include on-the-spot checks, and they focus on programme expenditure and proper conduct of the operations. Special attention is devoted to the nature of expenditure (whether or not it is eligible), to adherence to the budgets (whether expenditure really has been incurred) and to supporting evidence (whether expenditure is proven). Arrangements have been made to monitor debt forecasts, the closure of operations and repayment of amounts owed.

Annual audits, carried out by independent accountants, are planned for 2000.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

- Specific objectives : liquidation of operations under way

9.2 Grounds for the operation

- Need for Community financial aid, with particular regard for the principle of subsidiarity

Since the aim is achieving closure of operations financed by the Community budget and those operations generate repayments into the Community budget, this is a measure motivated by sound financial management.

- Choice of ways and means

The measure in question (continuing the contracts of Technical Assistance Offices) is the only viable option in the light of the fact that the Offices have helped to run the programme and have the resources and instruments needed to achieve closure of the operations.

9.3 Monitoring and evaluation of the operation

10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

Actual mobilization of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional amounts authorized by the budgetary authority.

10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent posts	Temporary posts	Existing resources in the DG or department concerned	Additional resources	
					N.A.	2000
Officials or temporary staff	A	2	-	DG RELEX 2 RELEX 2 SCR RELEX 1 SCR 2	N.A.	2000
	B	2	2			
	C	1	2			
Other resources		-	-	-	N.A.	-
Total		5	4	See above	N.A.	-

If additional resources are required, indicate the pace at which they will have to be made available.

10.2 Overall financial impact of additional human resources

(EUR)

	Amounts	Method of calculation
Officials	540.000	(5 x 108.000 = 540.000)
Temporary staff	432.000	(4 x 108.000 = 432.000)
Other resources (indicate budget heading)		
Total	972.000	

The amounts given must express the total cost of additional posts for the entire duration of the operation, if this duration is predetermined, or for 12 months if it is indefinite.

10.3 Increase in other administrative expenditure as a result of the operation (including the cost of meetings of committees and groups of experts)

(EUR)

Budget heading (number and title)	Amounts	Method of calculation
Total		

The amounts given must correspond to total expenditure arising from the operation if its duration is predetermined or expenditure for 12 months if it is indefinite.