



## **JOINT VENTURE PHARE PROGRAMME**

**A European Community programme  
to facilitate the creation and development  
of joint ventures in the countries  
of Central and Eastern Europe**







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## 1. Foreword

Essential to the creation of a market economy in Central and Eastern Europe is the development of a healthy small and medium-sized enterprise sector. A vital role in this process is played by external investment, which brings with it much-needed management skills and technical know-how.

The joint venture Phare programme, JOPP, assists companies from within the Community who are setting up joint ventures, or who wish to expand existing ones with partners in the region.

In encouraging cooperation between companies from the Community and from Central and Eastern Europe, we hope further to support the efforts of these countries to become an integral part of the wider European trading system.

F. H. J. J. Andriessen  
Vice-President

Karel Van Miert  
Member of the Commission





## 2. Introduction

In 1991 the Commission decided to launch the JOPP (Joint venture Phare programme) as part of the Phare programme.

The programme's primary aim is to facilitate the creation and expansion of joint ventures in the countries of Central and Eastern Europe. The programme also aims to encourage foreign investment and the development of the competitive private sector in those countries.

It is aimed essentially at small and medium-sized enterprises from the European Community which wish to invest in joint ventures in the countries of Central and Eastern Europe.

JOPP offers a number of different types of support for the different stages in the creation and development of a joint venture, from the feasibility study and pilot projects to training and technology transfer, including financing requirements in the joint venture.

A network of financial intermediaries associated with the programme provides the link between the Commission of the European Communities and beneficiary companies.





### 3. Who can benefit from JOPP?

#### 1. What is a joint venture?

Any business with two or more shareholders is considered a joint venture.

For the purposes of JOPP:

- (a) the joint venture must be considered as such under the legislation of the country of Central and Eastern Europe concerned;
- (b) at least one shareholder must be from a Community country;
- (c) at least one shareholder must be based in one of the countries of Central and Eastern Europe;
- (d) at least 75% of the share capital must be held by the shareholder(s) in the EC and the countries of Central and Eastern Europe.

#### 2. What Community businesses can benefit from JOPP?

Any business which intends:

- (i) to create a joint venture in one of the countries of Central and Eastern Europe; or
- (ii) to expand or restructure an existing joint venture in one of the countries of Central and Eastern Europe.

This applies to businesses in all productive sectors, including the services sector, provided that they are making a direct investment that is not purely a financial investment.

The bank lending sector is excluded.

Priority will be given to small and medium-sized European businesses with:

- (i) fewer than 500 employees;
- (ii) net fixed assets below ECU 75 million;
- (iii) not more than one-third of the share capital held by a major company.

Priority will also be given to joint ventures created in one of the countries of Central and Eastern Europe whose net assets do not exceed ECU 10 million.



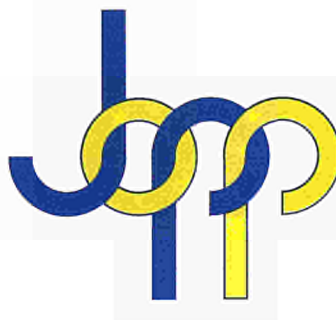
## 4. How can a business benefit from the programme?

In order to benefit from the JOPP programme the business must adopt the following procedure:

- (a) identify a potential partner in one of the countries of Central and Eastern Europe;
- (b) prepare a plan that will lead to the creation or expansion of a joint venture;
- (c) present the plan to one of the financial intermediaries that form part of the network.

The financial intermediary will assess the plan, and if its assessment is favourable, will submit it to the Commission of the European Communities;

- (d) once the project has been accepted by the Commission, the business will sign a financial agreement with the financial intermediary who submitted its project;
- (e) the Community contribution will be disbursed in accordance with the provisions laid down in the financial agreement.





## 5. Financial intermediaries: their role

The network of financial intermediaries provides the link between the beneficiary and the Commission of the European Communities.

The financial intermediary:

- (a) studies, analyses and forwards to the Commission of the European Communities the projects submitted by businesses wishing to benefit from the programme;
- (b) if necessary, arranges direct or indirect co-financing of the project submitted;
- (c) manages the disbursement of the Community contribution to the business whose project has been accepted;
- (d) monitors the implementation of the project.







## 6. Types of support

	<b>Preliminary phase</b>	<b>Co-financing phase</b>	<b>Technical assistance phase</b>
<b>Aim</b>	To cover part of the cost of the pre-feasibility and feasibility studies and pilot projects	To contribute to the financing requirements of a joint venture	To strengthen the human-capital base of joint ventures (technology transfer and training)
<b>Currency</b>	Ecu	Ecu	Ecu
<b>Form of the Community contribution</b>	Advance that may be converted to a grant under certain conditions	Finance for a maximum of 10 years	Interest-free loan repayable within 5 years
<b>Repayment currency</b>	Ecu	Local currency	Local currency
<b>Maximum amount of the Community contribution</b>	<ul style="list-style-type: none"> <li>• Pre-feasibility: ECU 2 500</li> <li>• Feasibility and pilot project: ECU 150 000</li> </ul>	ECU 1 million	ECU 150 000

**The maximum amount in contributions for the three phases must not exceed ECU 1 million per joint venture.**

# Preliminary phase



**Pre-feasibility studies**  
Maximum subsidy  
ECU 2 500

**Feasibility studies,  
pilot projects**  
Advance of 50%  
of the costs  
Maximum ECU 75 000

Joint  
venture  
created?

Subsidy covering  
100% of the  
external costs  
Maximum  
ECU 150 000

Study made  
available  
to the EEC?

Reimbursement  
to the EEC

Advance  
converted  
to a grant

**Maximum finance**  
Pre-feasibility: ECU 2 500  
Feasibility and  
pilot project  
ECU 150 000

## Preliminary phase

### 1. Aim

The aim of this phase is to provide financial support to cover part of the eligible costs involved in establishing a joint venture or implementing a significant diversification, expansion or development of activity in the case of an existing joint venture.

This preliminary phase can comprise not only market analysis, business plans and contract negotiations between the future partners in the joint venture but also the production of prototypes and the conduct of pilot projects.

An additional contribution may be made in respect of the costs of a pre-feasibility study that will yield the data required for a feasibility study or for contacts with the future partner.

### 2. Amount of the Community contribution and procedures

The amount of the Community contribution and procedures are as follows:

- (i) a maximum subsidy of **ECU 2 500** may be obtained for the pre-feasibility study. It is mainly designed to cover all costs relating to negotiations with the potential partner, such as travel and accommodation costs;
- (ii) for the feasibility study and pilot projects, the Commission of the European Communities may grant an **interest-free advance** of up to **50%** of the eligible costs, with a maximum of **ECU 75 000**.

#### Eligible costs include:

- (i) costs relating to the feasibility study, such as consultants' and experts' fees, accommodation and travel expenses, etc.;
- (ii) the costs of launching pilot projects or producing prototypes.

#### The following are not eligible:

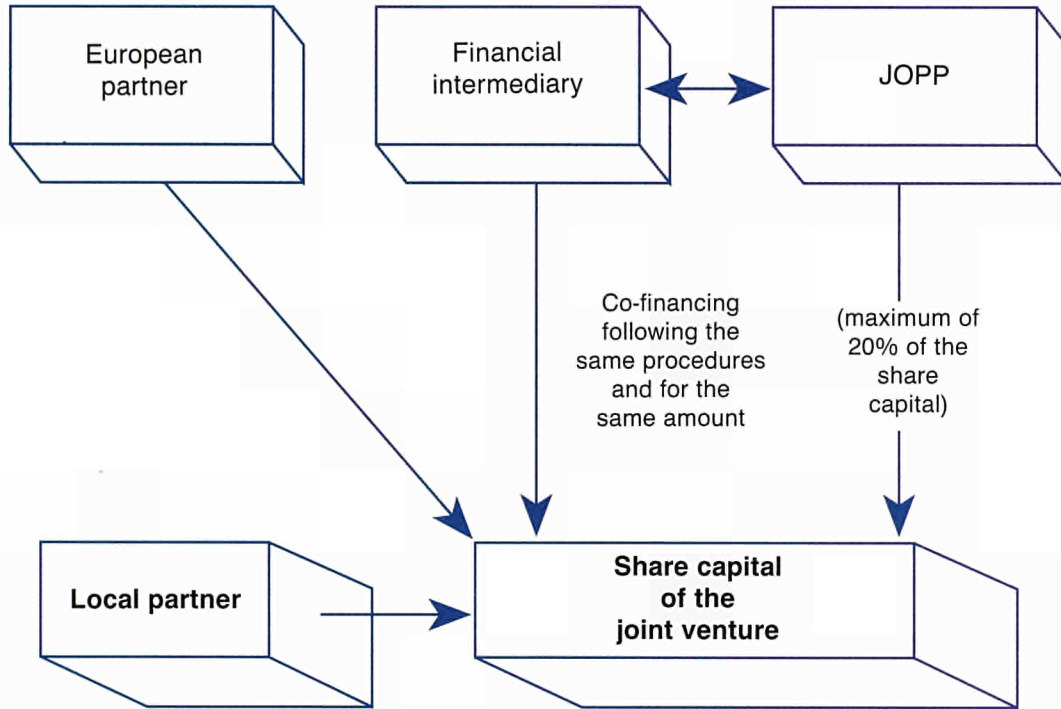
- (i) all costs not directly related to the feasibility study;
- (ii) salaries of staff of the joint venture or of potential partners in the joint venture.

The **Community advance** may subsequently be transformed into a grant if the joint venture is actually **established** within a period of **12 months**. In such cases, the remaining **50%** of eligible costs may also be borne by the Commission, with an overall limit of **ECU 150 000 (100%** of the eligible costs).

If the joint venture is **not established**, the beneficiary may choose between:

- (i) making the feasibility study **available** to the Commission, in which case the **Community advance** will be transformed into a **grant**;
- (ii) **repaying the Community advance** if the beneficiary does not wish to make the feasibility study available to the Commission.

**Co-financing phase**



**Half of the earnings on the EEC contribution will be surrendered to the joint venture**

## Co-financing phase

### 1. Aim

This phase is aimed at joint ventures being established or expanded.

The European Community will bear part of the risk of the joint venture by granting medium- and long-term finance, on condition that **other investors (financial intermediaries, acting directly or indirectly) also provide** such finance.

### 2. Amount of the Community contribution and procedures

The **Community contribution** will be granted in a **form similar** to that used by the **financial intermediary**, either directly or indirectly.

The finance provided by the financial intermediary may be in the form of:

- an acquisition of an equity shareholding;
- a convertible loan or a shareholder's loan.

The amount of the Community contribution must not exceed:

- (i) the amount of medium- and long-term financing granted directly or indirectly by the financial intermediary;
- (ii) the amount of the share in the joint venture held by the Community partner.

In addition, the **Community contribution** may **not exceed 20%** of the total **capital needs** of the joint venture.

### 3. Repayment

The Community contribution must be repaid within a period of no more than **10 years**.

The earnings on the Community contribution (dividends, capital gains, etc.) will be equal to the earnings due to the financial intermediary or other financial institution co-financing the venture.

The Commission will, however, surrender **half of those earnings** to the joint venture.

**Technical assistance phase**



**Training and transfer  
of know-how**



**Interest-free loan of 50%  
of the eligible costs  
Maximum ECU 150 000**



**Repayment  
in the fourth and  
fifth years in local  
currency**

## Technical assistance phase

### 1. Aim

This phase is designed to strengthen the human-capital base of new or existing joint ventures by co-financing specific technical assistance measures and the transfer of know-how.

### 2. Amount of the Community contribution and procedures

The **Community contribution** is in the form of an **interest-free loan** for up to **50%** of the eligible costs, with a ceiling of **ECU 150 000**.

#### **Eligible costs include:**

additional costs directly linked to training schemes and/or transfer of know-how incurred by the joint venture or one of its partners, for example the cost of attending training courses locally or in a Community country and special fees and commissions of internal experts directly connected with technical assistance or the transfer of know-how.

#### **The following are not eligible:**

normal salaries and costs of internal experts, even if they are involved in technical assistance or the transfer of know-how.

### 3. Repayment

Repayment of the **Community contribution** must be made from the **fourth year** and be completed by the **end of the fifth year**; it can be made in local currency, the exchange **risk on the loan** being borne by the Community.





## 7. Persons to be contacted

**JOPP** programme:

**Commission of the European Communities  
Directorate-General XVIII — Credit and Investments**

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**JOPP Assistance Unit**

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**Phare** programme:

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