cutting through complexity

PUBLIC SECTOR

EU Funds in Central and Eastern Europe

Progress Report 2007-2012

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KPMG in Central and Eastern Europe

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Foreword

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EU Funds in Central and Eastern Europe – Progress Report 2007-2012, has been compiled by KPMG's Government and Infrastructure team in Warsaw and is based on input from KPMG practices in Central and Eastern Europe (CEE).

Since countries in the CEE region joined the European Union (EU) in 2004 and 2007, it has become apparent that effective utilisation of EU support can foster successful economic performance. Being at the end of the 2007-2013 programming period allows for more strategic conclusions based on an analysis of the EU Structural and Cohesion Funds' (SCF) absorption rates. Developing an appropriate, focussed strategy for the allocation of EU SCF is only the first element, though a basic step in implementing EU cohesion policy. The successful implementation and absorption of EU SCF is contingent, not only upon the effectiveness of the Member States' administrative systems, but also on the activity of the potential beneficiaries.

There are several objectives of this report. First of all, it provides an overview of the progress of the National Strategic Reference Frameworks at nearly the end of the programming period 2007-2013. We believe that an analysis of these data is essential for the success of the next programming period, 2014-2020. Secondly, the report summarises the progress of one financial engineering instrument – Joint European Resources for Micro to Medium Enterprises (JEREMIE) – in each CEE country where it has been implemented. Finally, the report presents KPMG firms' credentials and know-how in advisory services related to EU SCF.

We trust that this report will assist stakeholders to develop a comprehensive picture of the implementation status in each CEE country and within the region as a whole.

This publication was prepared in March 2013, involving 10 KPMG practices in CEE. Our gratitude goes out to all of those KPMG professionals who provided country-level inputs and were part of the preparation process.

Introduction

Since the CEE countries became EU Member States, EU co-financing has become an essential factor for their development. EU SCF, accounting for 11.3% to 25% of their annual GDP, have significantly fostered regional cohesion. This mandates an overview and comparison of the implementation status of programmes co-financed from the SCF at the CEE level.

Purpose of the document

- To give an overall picture of EU SCF available during the 2007-2013 period in CEE countries;
- To provide the implementation progress of EU SCF structured by types of intervention at December 2012;
- To provide a brief summary on the application of the financial engineering instrument JEREMIE in CEE countries.

Structure of the document

- Introduction;
- CEE overview on EU co-financed interventions and their progress by the end of 2012;
- Country overviews;
- KPMG credentials and experience related to EU SCF.

Definitions

Available budget 2007-2013

The available budget 2007-2013 comprises EU contributions excluding national public contribution and private contributions. This budget is set in each country's National Strategic Reference Framework (NSRF) and is approved by the European Commission.

Contracted grants

Contracted grants are the amounts for which a contract has been signed by the Managing Authority or Intermediary/ Implementing Body and the beneficiary by 31 December 2012.

Paid grants

Paid grants are the amount of grants (including advance payments) which have been disbursed to beneficiaries by 31 December 2012.

Contracting ratio

Contracting ratio equals the amount of actual contracted grants in 2007-2012 divided by the budget available for 2007-2013.

Payment ratio

Payment ratio equals the amount of actual paid grants in 2007-2012 divided by the budget available for 2007-2013.

Intervention type

Intervention types used in this document are not based on any official classification. These were created in order to enable the comparability of data provided by CEE countries as each of them have different operational programmes (OP) at the national level. EU SCF were accordingly divided into four categories:

- Infrastructure, which contains development and modernisation, improvement of quality of life, minimisation of differences between EU countries (e.g. railway, roads, airports, thermo modernisation, waste treatment, hospital infrastructure, factory, educational infrastructure, cultural infrastructure, risk prevention, intelligent transport systems); etc
- Human Capital, which includes development competencies, knowledge, social and personality attributes to produce economic value; etc
- Research and Development (R&D) and IT and Communication sector (ITC), which comprises the discovery and creation of knowledge on scientific and technological topics and ITC e.g. data centre; etc
- Technical Assistance includes axis and OPs, which cover all horizontal support activities and processes in the fields of NSRFs preparation, management, implementation, monitoring, evaluation and control, as well as support of projects preparation and dissemination of information and promotion of the Structural and Cohesion Funds in CEE countries.

EU Structural and Cohesion Funds

This report introduces community co-funded programmes covered by each EU Member State's National Strategic Reference Framework aggregated into intervention types. Therefore, within the framework of this document we concentrate on the implementation of operational programmes co-funded by the following Structural and Cohesion Funds:

European Regional Development Fund (ERDF) The ERDF aims to promote economic and social cohesion by addressing main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from other Structural Funds.	• Investment which contributes to create sustainable jobs • Investment in infrastructure • Support for local and regional investments (SMEs, R&D, information society, etc.) • Financial instruments, i.e. JEREMIE
Cohesion Fund (CF) The purpose of the CF is to co-fund actions in the fields of environment and transport infrastructure of common interest with a view to promote economic and social cohesion and solidarity among EU Member States.	• Investment in major infrastructure projects (i.e. TEN-T) • Investment in major environmental projects • Support for renewable energy
European Social Fund (ESF) The ESF was set up to reduce differences in prosperity and living standards across EU Member States and regions. In order to promote employment conditions ESF supports companies to be better equipped to face new challenges.	• Improving human resources • Increasing the adaptability of workers and firms, enterprises and entrepreneurs • Improving access to employment and sustainability • Improving social inclusion

CEE overview

CEE countries included in this report

Bulgaria	Latvia	Romania
Czech Republic	Lithuania	Slovakia
Estonia	Poland	Slovenia
Hungary		

In KPMG terminology Central and Eastern Europe refers only to some European countries, not necessarily historically considered as a part of the CEE region. However in this report, we consider as CEE countries which are both in KPMG's CEE region and EU Member States.

Objectives

- Providing an overview of basic CEE country information;
- Aggregating data for EU funds and available budget in CEE countries for the period 2007-2013;
- Presented contracted and paid grants, contracting and payment ratios achieved in implementation of EU funds during 2007-2012;
- Summarising the JEREMIE financial engineering instrument in CEE countries.

General approach

All data included in this section are based on individual, publicly available country-level information derived from the CEE countries that are covered by this report:

- GDP and population data originate from the Eurostat database;
- Country figures have been collected by local KPMG practices and originate from ministries and other official institutions which collect data about EU funds implementation;
- Amounts of financial resources originate from the financial table of the related framework programmes of 2007-2013;
- Variation of exchange rates can impact the actual values of contracted and paid grants regarding those EU Member States which are not part of the eurozone;
- Exchange rates applied in calculations were the average European Central Bank exchange rates for the respective years;
- This year, for the first time, we have also included a classification by intervention type;
- All the averages calculated in the report are the weighted averages, where weights are constituted on the basis of the countries' or interventions' rates of the total budget;
- According to a schematic simplification showing contracting started in 2008, after six years of the programming period 83% of the available budget should have been contracted, while calculating the average on a time-proportional basis;
- According to a schematic simplification showing that payment started in 2009, after six years of the programming period 80% of the available budget should have been paid out, while calculating the average on a time-proportional basis.

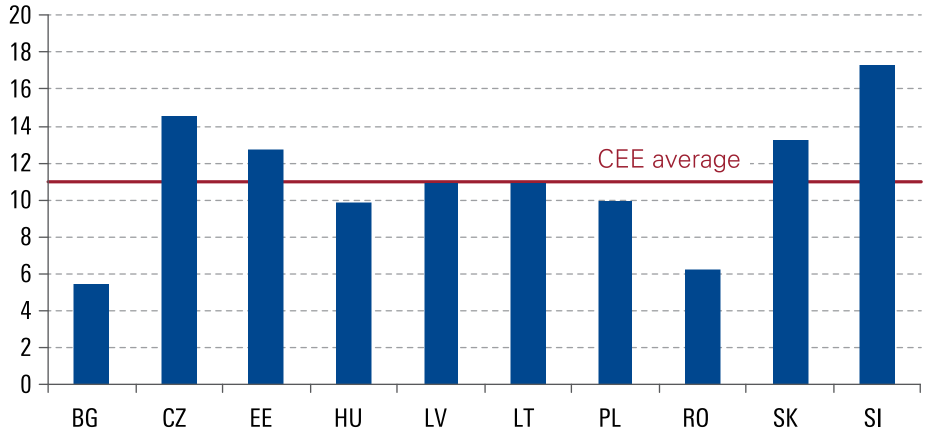
Basic CEE information on EU SCF in 2007-2013

The 10 CEE countries joined the EU in two stages:

- On 1 May 2004: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia;
- On 1 January 2007: Bulgaria, Romania.

In the 2007-2013 period the 10 CEE countries have access to EUR 178.94 billion in EU funds, i.e. from ERDF, CF and ESF, excluding national public and private contributions. This equals 18% of the annual GDP of the region. The following table and graphs show the population, GDP and breakdown of EU funds by country.

GDP per capita*



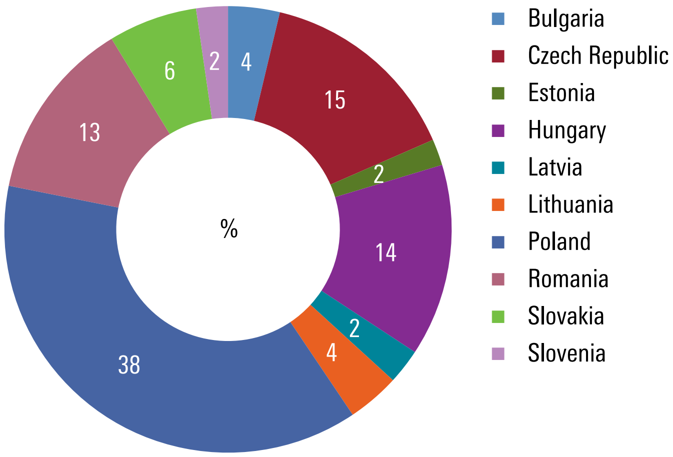
**) Based on EUROSTAT data, 2012, in EUR.*

Basic CEE information on national accounts and EU funds 2007-2013

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total	CEE average
Population (million)	7.4	10.5	1.3	10	2	3	38.5	21.4	5.4	2.1	101.5	10.2*
Annual GDP (EUR billion)	39.7	152.8	17	97.8	22.3	32.8	381.4	131.7	71.5	35.5	982.5	98.3*
GDP per capita	5,414	14,548	12,688	9,817	10,901	10,899	9,896	6,169	13,223	17,254	9,675	11,080.9*
EU funds 2007-13 (EUR billion)	6.67	26.31	3.40	24.92	4.55	6.78	67.19	23.53	11.50	4.10	178.9	-
EU funds per capita (EUR)	911	2,504	2,541	2,503	2,227	2,253	1,743	1,102	2,128	1,995	-	1,991
EU funds per GDP (%)	16.8%	17.2%	20.0%	25.5%	20.4%	20.7%	17.6%	17.9%	16.1%	11.6%	-	18.4%

**) The arithmetic average.*
Source: EUROSTAT data, 2012.

Breakdown of EU funds 2007-2013 by country



The amount of allocated EU funds varies by country (in %).

The amount of allocated EU funds varies by country – the highest budget is allocated for Poland, which hosts the biggest population compared to other CEE countries'. However, the EU funds per capita ratio is highest in the Czech Republic, Estonia and Hungary.

Poland and the Czech Republic account for more than 50% of the allocated EU funds. Together with Hungary and Romania, their total amount constitutes 80% of the total EU funds allocated for the CEE region. Countries with a relatively smaller population altogether hold a 20% share.

Progress achieved during the implementation of EU funds in 2007-2012

General information on progress for 2007-2012
In the period 2007-2013, altogether EUR 180.9 billion can be spent on national improvement of economic and social cohesion. Budgets were set according to different considerations among the EU Member States through their National Strategic Regional Framework Programmes.

During the six years of implementation of EU co-funded programmes beneficiaries signed contracts totalling nearly EUR 149 billion. This amount exceeded 80% of the budget available for the 7-year programming period.

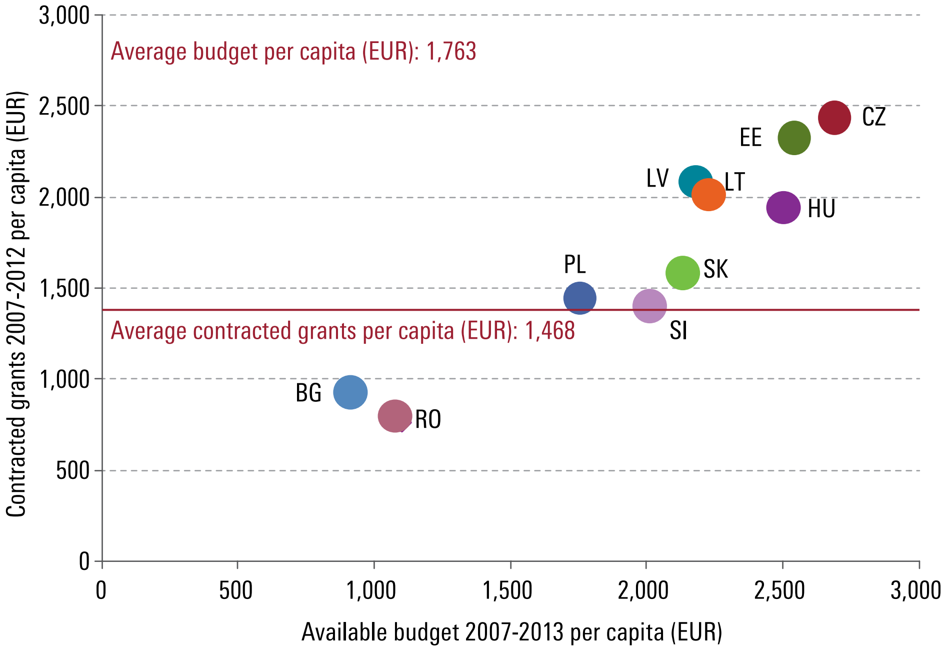
Up to the end of 2012 more than half of the contracted grants, i.e.EUR 79.4 billion, was disbursed to beneficiaries.

Accordingly, the following table shows all related data by country regarding the 2007-2012 period.

Basic CEE information on EU funds implementation 2007-2012

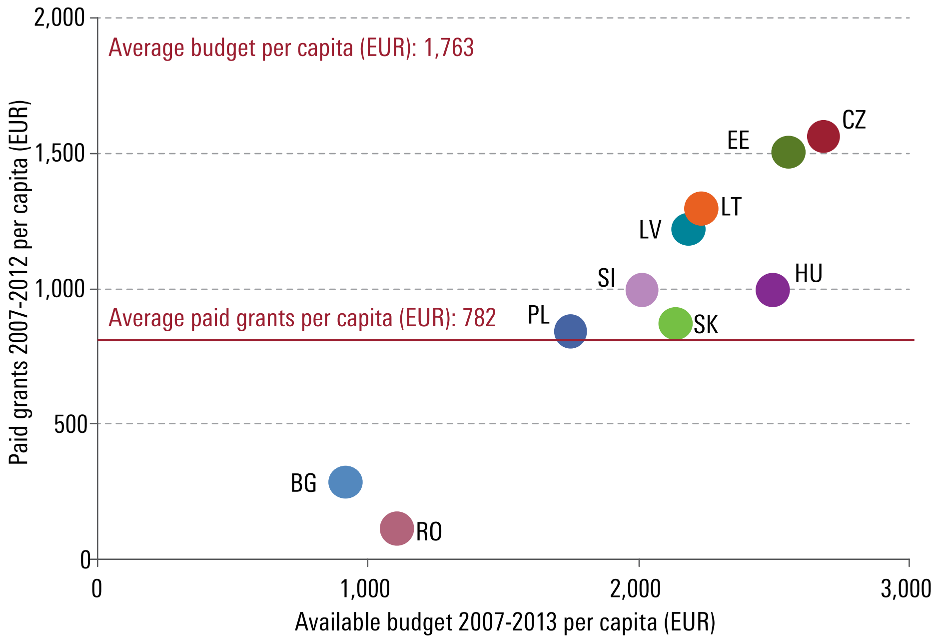
	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total	CEE average
Available budget 2007-2013 (EUR billion)	6.7	26.31	3.4	24.9	4.5	6.8	67.2	23.5	11.5	4.1	180.9	-
Available budget 2007-2013 per capita (EUR)	911	2,504	2,541	2,503	2,227	2,253	1,743	1,102	2,128	1,995	-	2,002
Contracted grants 2007-2012 (EUR billion)	6.7	25.6	3.1	19.5	4.3	6.1	55.9	16.4	8.4	3.0	149.0	-
Contracting ratio (in %)	100%	90%	91%	78%	94%	91%	83%	70%	73%	72%	-	83%
Paid grants 2007-2012 (EUR billion)	2.3	16.2	2.0	10.0	2.6	4.0	32.7	2.8	4.8	2.0	79.4	-
Payment ratio (in %)	34%	57%	59%	40%	56%	59%	49%	12%	41%	50%	-	44%

Available budget 2007-2013 per capita vs. contracted grants 2007-2012 per capita



While comparing both contracted grants and paid grants with available budget (all values calculated per capita), the Czech Republic and three Baltic countries took the lead. On the other side, ranked as last ones, are Bulgaria and Romania which all values are far below the CEE averages, but their contracting is performing a little bit better than their payment. The three countries which are the closest to all the CEE averages are: Poland, Slovakia and Slovenia.

Available budget 2007-2013 per capita vs. paid grants 2007-2012 per capita



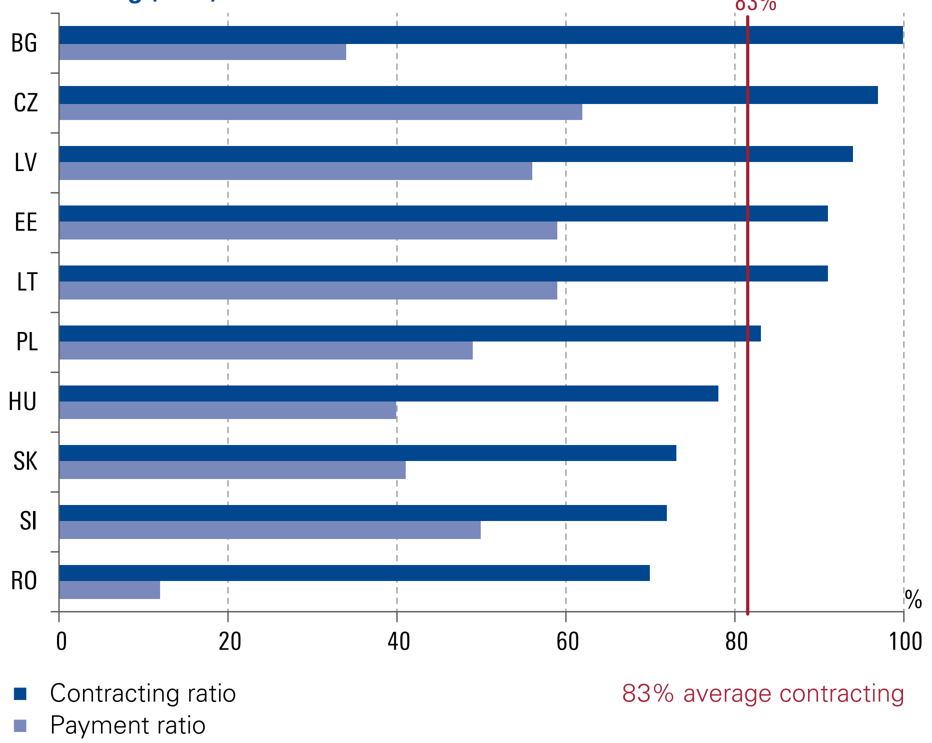
Contracting and payment ratio for 2007-2012 by country

After six years of implementation the 10 CEE countries have contracted altogether 83% of their budget allocated for the 7-year programming period.

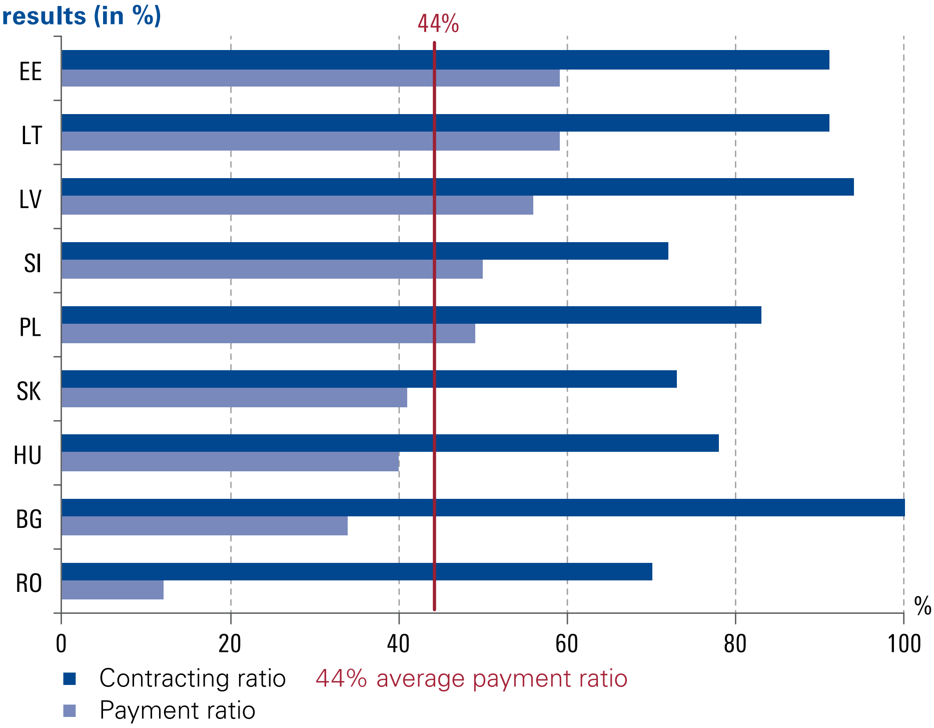
As of the end of 2012 Bulgaria's, the Czech Republic's and the Baltic countries' National Strategic Reference Framework programmes showed the highest contracting ratios, ranging between 91% and 100%, which is also outstanding on a time-proportional basis. The greatest progress was observed in Bulgaria which had been at the end of the ranking last year. At the end of 2012 the countries with the lowest contracting rates are Romania, Hungary, Slovakia and Slovenia, which are below both the comparative and time-proportional averages.

Payment ratios showed a slightly different pattern. The Czech Republic and the three Baltic countries took the lead.

Contracting ratio and payment ratio 2007-2012 according to the result of contracting (in %)



Contracting ratio and payment ratio 2007-2012 according to payment results (in %)



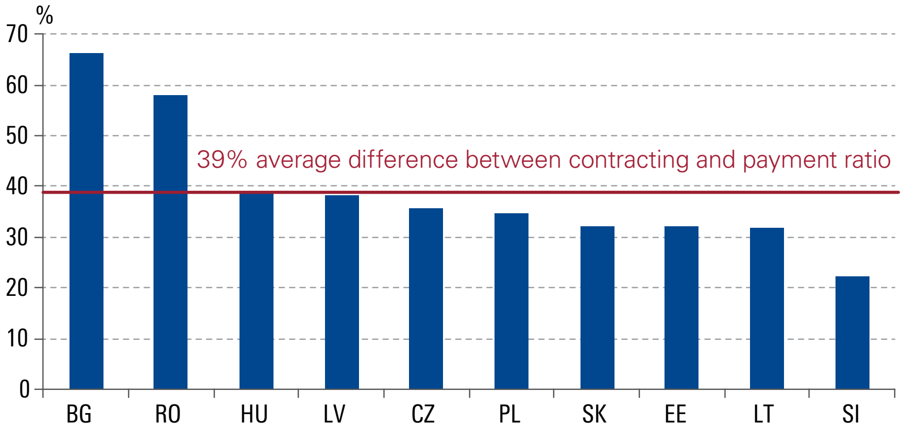
Differences between contracting and payment ratio, by country

An important factor in indicating the real level of EU funds management is the difference between contracted grants and paid grants. The smaller the difference between these two factors, the more efficient EU fund management is in terms of real distribution.

Slovenia is the leader in terms of distribution of EU funds, with only a 22% difference between contracted grants and paid grants. Slovakia, Estonia and Lithuania (at 32%) also achieved good results. The biggest differences between contracted grants and paid grants are found in Bulgaria (66%) and Romania (58%).

Country	2012 sum (in %)		
	Contracted grants	Paid grants	Difference between contracted grants and paid grants
Bulgaria	100%	34%	66%
Czech Republic	97%	62%	35%
Estonia	91%	59%	32%
Hungary	78%	40%	38%
Latvia	94%	56%	38%
Lithuania	91%	59%	32%
Poland	83%	49%	35%
Romania	70%	12%	58%
Slovakia	73%	41%	32%
Slovenia	72%	50%	22%
Average	83%	44%	39%

Differences between contracting and payment ratio, by country



2012 sum (in %)

Implementation of EU funds for 2007-2012, by intervention type

Available budget amounts by intervention type are presented in the following table.

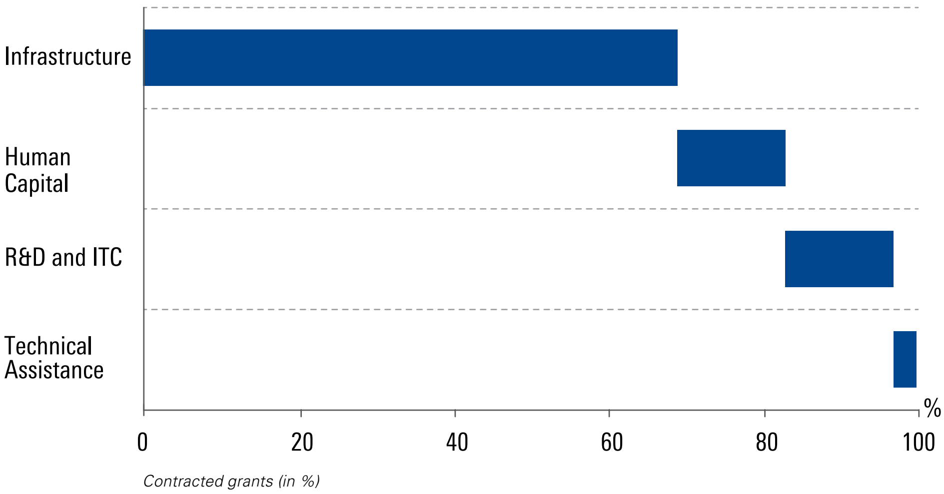
Available budget 2007-2013 (EUR billion)

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Infrastructure	5.1	24.0	2.0	20.6	3.2	4.3	40.0	12.8	8.4	1.5	122.0
Human Capital	1.1	4.3	0.8	2.3	0.6	0.9	10.2	3.4	0.9	0.7	25.2
R&D and ITC	0.2	1.8	0.6	0.8	0.6	1.4	13.3	1.4	2.1	1.7	24.0
Technical Assistance	0.3	1.1	0.1	1.1	0.1	0.2	2.1	0.2	0.1	0.1	5.3

Contracted and paid grants 2007-2012 split by intervention type

After six years of co-funded programme implementation, around 69% of grants supported operations related to infrastructure development. Meanwhile, both Human Capital and R&D and ITC-related interventions accounted for a 14% share of total contracted grants.

Contracting ratio by intervention type

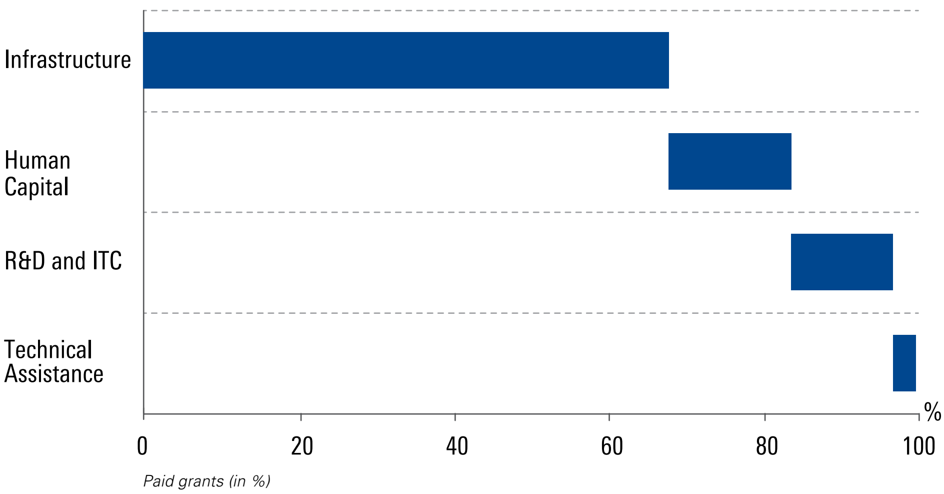


Different types of intervention by EU Member States

Type of intervention	Infrastructure	Human Capital	ITC and R&D	Technical Assistance
Country	Contracted grants (in %)			
Bulgaria	106%	85%	54%	81%
Czech Republic	81%	88%	87%	72%
Estonia	91%	93%	93%	56%
Hungary	80%	68%	66%	84%
Latvia	92%	103%	96%	87%
Lithuania	93%	92%	90%	53%
Poland	86%	84%	84%	67%
Romania	80%	83%	70%	66%
Slovakia	72%	88%	73%	98%
Slovenia	46%	90%	87%	97%
CEE average	83%	84%	82%	73%

There is a similar analysis of paid grants. Sixty-eight per cent of grants supported operations related to infrastructure development, Human Capital-related interventions accounted to a 16% share of the total contracted grants, while R&D and ITC comprised 13%. Once again, Technical Assistance interventions accounted for only 3%.

Payment ratio by intervention type



Types of intervention by EU Member States

Type of intervention	Infrastructure	Human Capital	ITC and R&D	Technical Assistance
Country	Paid grants (in %)			
Bulgaria	36%	32%	11%	26%
Czech Republic	54%	50%	38%	37%
Estonia	58%	71%	51%	52%
Hungary	40%	41%	31%	50%
Latvia	52%	78%	59%	47%
Lithuania	62%	65%	54%	43%
Poland	49%	55%	43%	46%
Romania	19%	33%	20%	19%
Slovakia	42%	54%	33%	48%
Slovenia	27%	54%	69%	48%
CEE average	45%	50%	42%	43%

Summary of findings

Implementation progress 2007-2012, by country

Six years into the implementation of the 2007-2013 programming period, almost EUR 149 billion of grants had been contracted by the 10 CEE countries. This amount represents 83% of the total available budget for the 2007-2013 period.

By the end of 2012, EUR 79.4 billion – i.e. 44% of the available budget and 53% of the contracted grants – had been paid to beneficiaries.

It is worth noting that high contracting ratios do not always lead to high payment ratios.

In the 2007-2013 programming period, contracting only began in 2008 and reached a reasonable level in 2009, while payments tended to lag by another year. Having this experience these countries should be able to better prepare operational procedures and pipelines for the next programming period. This would result in starting contracting in 2014 and payment in 2015, which would lead to more even distribution of EU funds in the next seven years.

Implementation progress 2007-2012 by intervention type

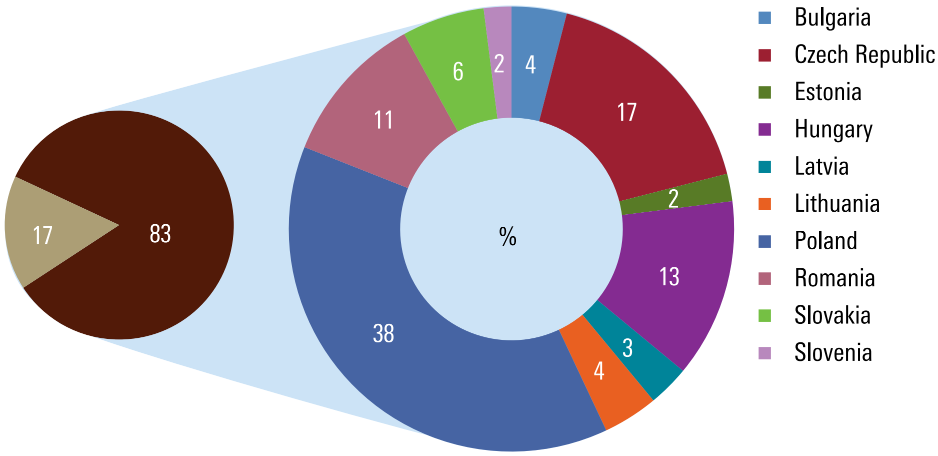
By the end of 2012 most intervention types performed around the average contracting ratio between 73% and 84%. Payment ratios of all intervention types were even closer to the average, ranging between 42% and 50%.

Most grants – comprising EUR 101.5 billion (i.e. 68% of total contracted grants) – were contracted to infrastructure-related projects.

Taking into consideration absolute values, again the most grants – EUR 54.5 billion (i.e. 69% of total paid grants) – were disbursed to infrastructure-related operations. However, these were Human Capital-related interventions which had the highest payment ratio, amounting to 50% of the available budget.

Contracted grants by country, 2007-2012

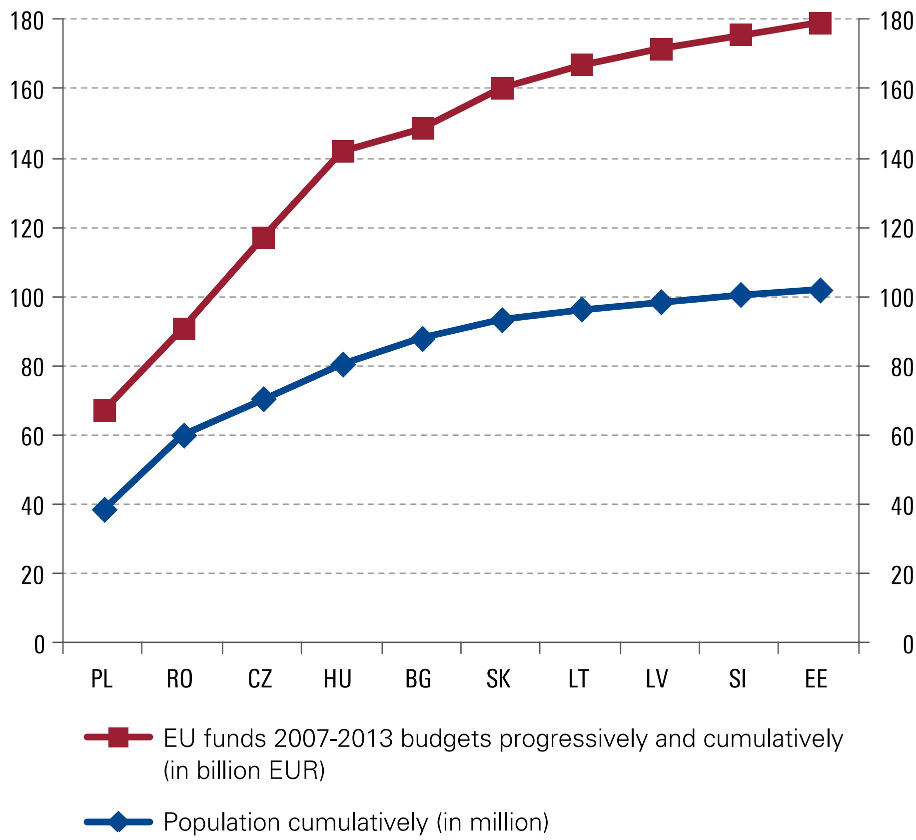
The graph below shows how much of the contracted funds (83%) go to each of the individual CEE countries.



Contracted fund amounts (in %) for each of the individual CEE countries

Contracted grants by country populations, 2007-2012

The chart below is a graphical representation of EU fund budget allocations for 2007-2013 versus CEE countries' populations.



Progressive summary of EU fund 2007-2013 budget allocations and CEE countries populations

Lessons learnt toward new financial perspective for 2014-2020

Looking back to 2007, when the current budgeting period started, and by analysing how different countries proceeded with the consumption of funds, accuracy of spending, quality of evaluations and final certification, we believe the following conclusions should be taken into consideration for the next budget period.

How might one improve the system of distribution of EU funds, so they can be contracted and paid in a more efficient way? The contracting and spending of EU funds is an important element of national economies hence it impacts the GDP of each country. A more balanced approach to contracting and spending will impact more than just economic data, especially in long-term infrastructure projects. Drawn out project preparation phases lead to peaks in contracting and spending that result in a low quality of delivery and increased risk for projects.

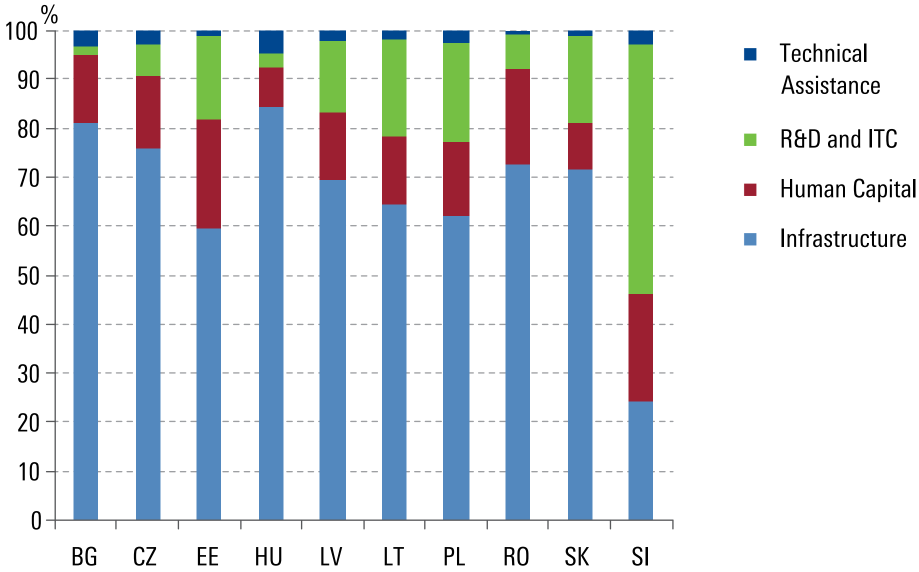
One way to achieve this can be via a carefully considered infrastructure planning process and risk management approach for all EU sponsored initiatives. Read more on KPMG's publications about infrastructure, which are published on the Global KPMG website*.

In the current financial budgeting period, the vast majority of EU funds have been spent on infrastructure. Whether these are roads, rails, airports, sewage water treatment plants, improvement of hospital buildings or development of city biking routes, all these investments aim at raising the quality of life in CEE countries to Western standards or at enabling markets to be part of a larger market (e.g. highway access allowed many countries to attract automotive industry manufacturers to establish production facilities in CEE).

Share of contracted grants by intervention type

The chart below is a summary of the SCF allocations for individual interventions in CEE countries.

Share of contracted grants by intervention type



SCF allocations for individual interventions in CEE countries

For the coming financial budgeting period it would be wise to analyse and discuss the portion of the investment going into infrastructure and its future costs of operations and long-term economic impact, versus R&D and ITC investments – in people, technologies and research. The real competitive advantage for the CEE countries may lie in the area of developing new skills for younger generations, to also become a knowledge outsourcing centre, as well as a low-cost production hub. The example of the numerous automakers cited above could inspire the region with the manufacturers to invest in R&D centres and people dedicated to discover of the engine, suspension technologies or future fuel or social attitudes towards safe driving R&D centres into our countries.

*) http://www.kpmg.com/Global/en/industry/Infrastructure/Pages/default.aspx

Joint European Resources for Micro to Medium Enterprises (JEREMIE)

JEREMIE is a joint financial engineering initiative developed through the cooperation of the European Commission, the European Investment Bank (EIB) and the European Investment Fund (EIF). The instrument offers EU Member States, through their Managing Authorities, the opportunity to use a portion of their Structural Funds to invest in micro, small and medium enterprises expansion and innovation, as well as new business creation by means of different revolving financial instruments.

In the framework of the instrument a Holding Fund is created, which in turn provides equity, loans and guarantees. The Holding Fund is managed by a Holding Fund Manager, which can be either the EIB or a national organisation. Financial services to micro, small and medium enterprises can be provided by financial intermediaries: typically commercial banks, saving co-operatives, microfinance organisations, or venture capital fund managers.

By the end of 2012, the JEREMIE initiatives had been launched in six CEE countries such as Bulgaria, Hungary, Lithuania, Poland, Romania, Slovakia.

More detail, including information about the JEREMIE programme, is presented in the "Country Overviews" section.

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia*
Loans	✓	×	×	✓	×	✓	✓	✓	✓	×
Guarantees	✓	×	×	✓	×	✓	✓	✓	✓	×
Venture Capital	✓	×	×	✓	×	✓	×	✓	✓	×

**) Slovenia did not initiate JEREMIE, because a similar fund, the Slovene Enterprise Fund had already existed.*

Country overviews

Bulgaria

EU programme information

Population	7.4 million
GDP per capita	EUR 5,414
EU Accession	1 January 2007

Source: EUROSTAT data, 2012

For the 2007-2013 programming period, Bulgaria's National Strategic Reference Framework was launched, covering seven Operational Programmes with an EUR 6.67 billion contribution from the ERDF, CF and ESF.

Proportionally, the available budget per capita value in Bulgaria is EUR 911 which is below the average figure for CEE and the lowest among all CEE countries' values.

2007-2012 progress report

Available budget	EUR 6.67 billion
Contracted grants	EUR 6.69 billion*
Contracting ratio	100%
Paid grants	EUR 2.28 billion
Payment ratio	34%

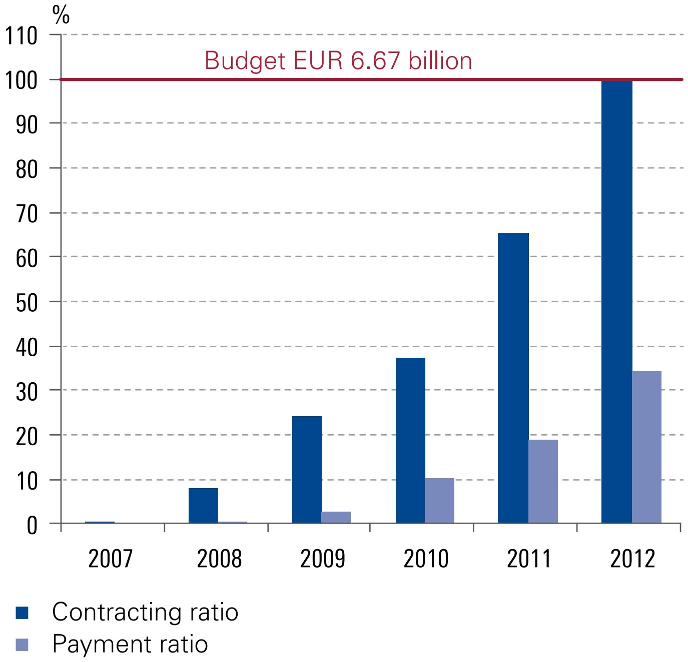
**) The contracted amount exceeds the budget because under two of the operational programmes (OP), namely OP Environment and OP Transport, the Managing Authorities have executed contracting which is higher than the respective budget.*

By the end of 2012, Bulgaria had contracted 100% and had disbursed 34% of the total budget allocated for the 2007-2013 period. Within the National Strategic Reference Framework, EUR 6.69 billion was contracted during the 6-year period of implementation, which amounts to over 100% of the allocated budget.

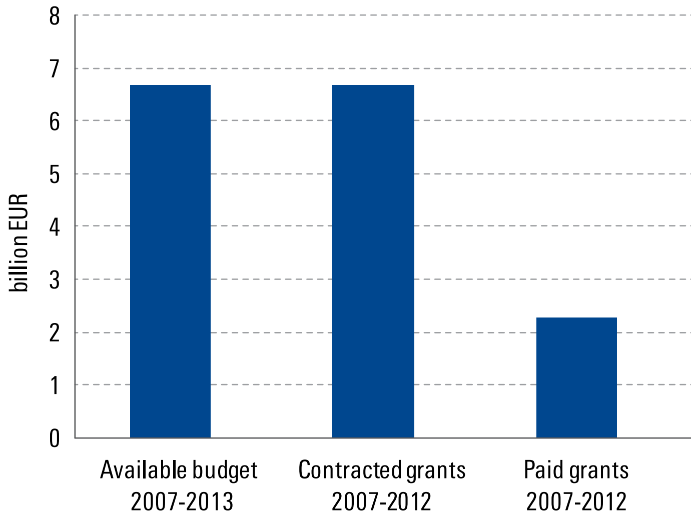
Out of the contracted amount EUR 2.28 billion has been paid out to the beneficiaries, totalling 34% of the allocated budget.

Compared to previous years' results, the contracted percentage of the Bulgarian NSRF has significantly increased and the contracting ratio is above ideal time-proportional and comparative progress. On the other hand, the 34% payment ratio is reckoned insufficient both time-proportionally and comparatively.

EU funds implementation progress in Bulgaria in 2007-2012 (in %)



EU funds implementation in Bulgaria as at December 2012 (in EUR billion)

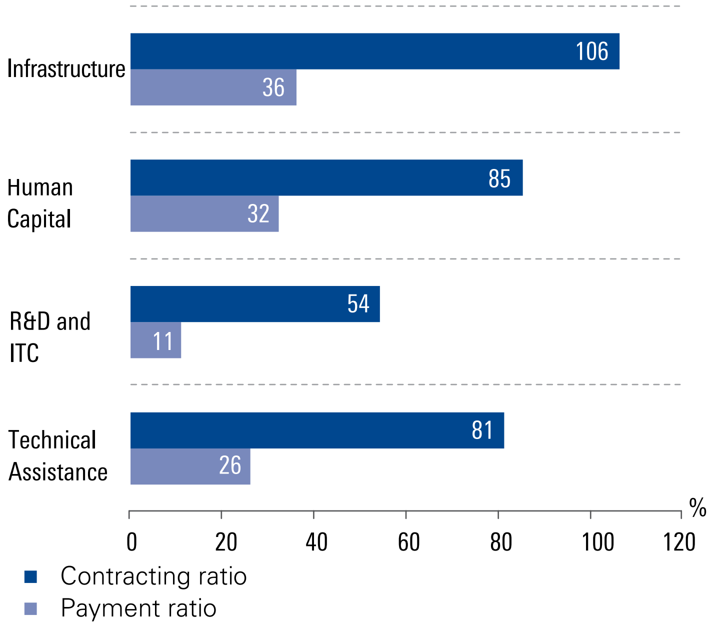


Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	106%
Human Capital	85%
R&D and ITC	54%
Technical Assistance	81%

The contracting ratio of the intervention types covered by the Bulgarian NSRF varies between 54% and 106%. Excluding Infrastructure, the operations related to Human Capital and Technical Assistance are progressing the best, with over 80% of allocated funds already having been contracted. R&D and ITC are at the end of the ranking, where only 54% of the available funds have been contracted.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓
Venture capital	✓

JEREMIE in Bulgaria covers a balanced mix of equity and debt instruments to address the existing major gaps between supply and demand of financial engineering instruments.

On the equity side, the initiative has developed a rich portfolio of instruments addressing all the stages of the life cycle of an enterprise: the Entrepreneurship Acceleration and Seed Financing Instrument for the enterprises in their pre-seed and seed stages, the Risk Capital Fund for enterprises in their early expansion stages, as well as Growth and Mezzanine Funds targeted at more mature, established companies seeking growth and expansion opportunities.

On the debt side, the initiative supports SMEs through a "First Loss Portfolio Guarantee" instrument aimed at decreasing the collateral levels and interest rates of loans to SMEs as well as Portfolio Risk Sharing Loans.

The main drivers of JEREMIE are well balanced equity and debt instruments providing favourable conditions and support at all stages of the life cycle of enterprises. The numerous financial engineering instruments (6) with a relatively large total available budget is another advantage of JEREMIE in Bulgaria.

Based on its relevant experience with financial engineering instruments, the European Investment Fund has customised the equity and debt instruments under JEREMIE in Bulgaria as to reflect the specific features of the market.

Bulgarian results by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised financial intermediaries
Loan	Yes	150.0	0.0	4
Guarantee	Yes	78.4	90.0*	5
Venture capital	Yes	102.0	2.1	5**

**) The amount exceeds the budget because the instrument requires the Financial Intermediaries to contribute resources five times larger than the public funds allocated, and the total budget coupled with the private contribution equals EUR 392 million.*

***) This number contains two intermediaries for equity products without private capital and three for the equity products with private capital. The three financial Intermediaries for the equity products with private capital are chosen, but the contracts with them would be signed after they fulfill the requirement for fundraising through private investments.*

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Czech Republic

EU programme information

Population	10.5 million
GDP per capita	EUR 14,548
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2013 period, the National Strategic Reference Framework covers 17 operational programmes: eight sectoral, seven regional and two Objective 2 OPs – with a total community contribution of EUR 26.31 billion.

Proportionally, the available budget per capita value in the Czech Republic is EUR 2,504, which is the highest amount compared to the corresponding amounts in other CEE countries.

2007-2012 progress report

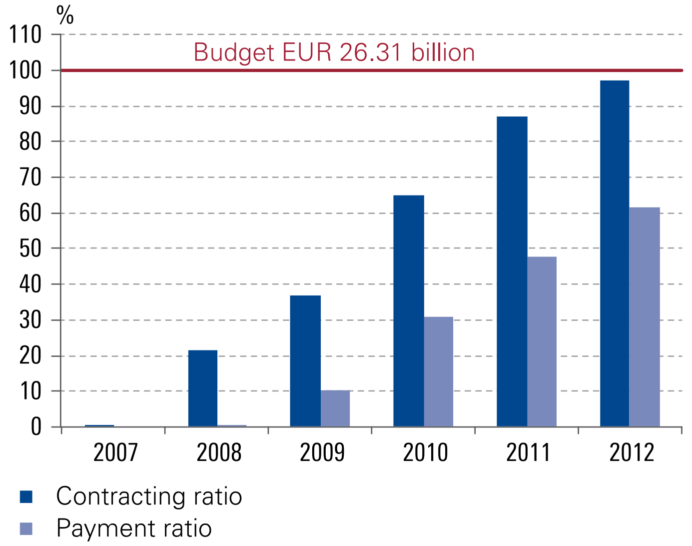
Available budget	EUR 26.31 billion
Contracted grants	EUR 25.56 billion
Contracting ratio	97%
Paid grants	EUR 16.21 billion
Payment ratio	62%

By the end of 2012, the Czech Republic had contracted altogether 97% and disbursed 62% of the total budget available in the framework of its EU co-funded development programmes for 2007-2013.

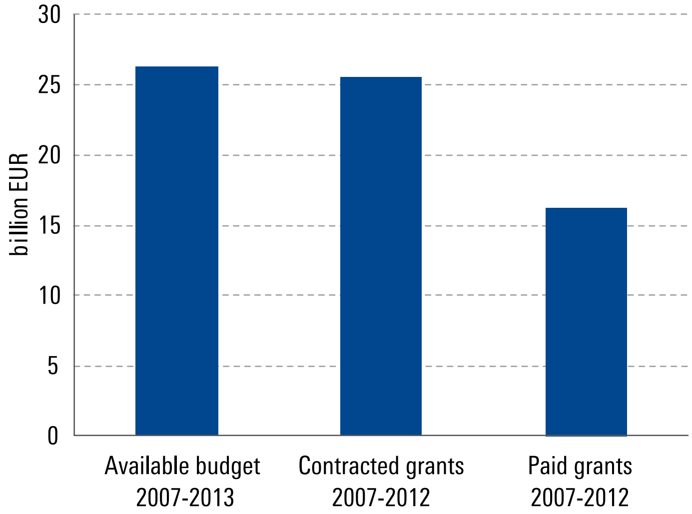
Within the Czech National Strategic Reference Framework EUR 25.56 billion was contracted, which accounts for 97% of the 7-year budget. Out of this amount, EUR 16.21 billion has been already paid to the beneficiaries, which represents 62% of the allocated budget.

The 97% contracting ratio is above the time proportional basis which means that the framework programme is on the right track until the end of the contracting period. The 62% payment ratio places the Czech Republic at the first place compared to the corresponding amounts in other CEE countries.

EU funds implementation progress in the Czech Republic in 2007-2012 (in %)



EU funds implementation in Czech Republic as at December 2012 (in EUR billion)



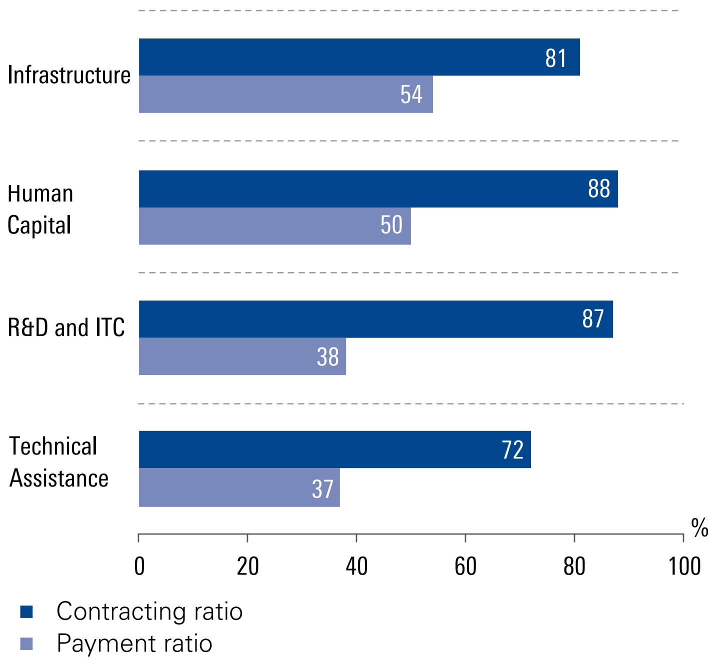
Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	81%
Human Capital	88%
R&D and ITC	87%
Technical Assistance	72%

By the end of 2012, operations related to Human Capital became the best interventions in the Czech Republic, since 88% of the available budget was contracted. The progress of all intervention types – except Technical Assistance whose contracting ratio achieved only 72% – is over 80% and remains close to or above the CEE average.

In terms of disbursement, only operations related to Infrastructure are above the CEE average, with a 54% payment ratio. The Human Capital-related interventions equal the CEE average and the other two intervention types remain below the CEE respective averages.

Contracted grants by intervention type (in %)



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Estonia

EU programme information

Population	1.3 million
GDP per capita	EUR 12,688
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In Estonia, the structural assistance under the National Strategic Reference Framework is implemented through three operational programmes with an EUR 3.4 billion contribution from the ERDF, CF and ESF in the 2007-2013 programming period.

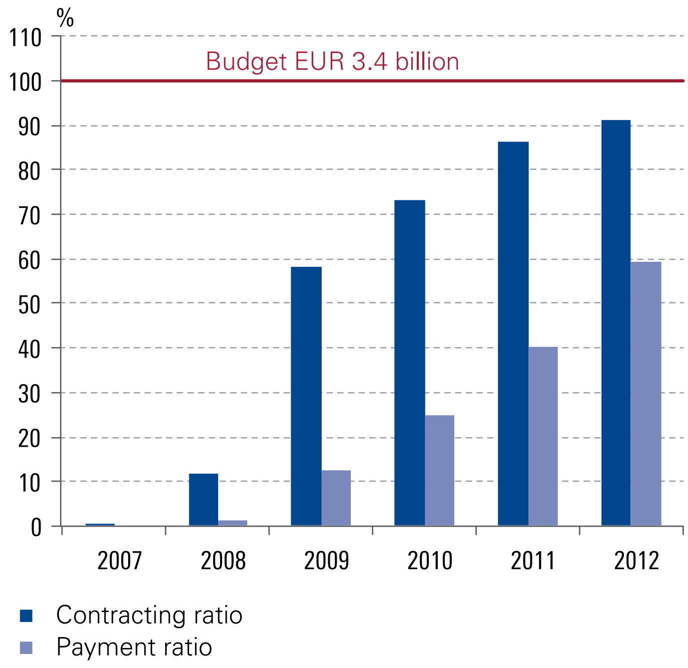
In 2012, EU funds per capita in Estonia were equal to EUR 2,541, which is well above the respective CEE average figure.

2007-2012 progress report

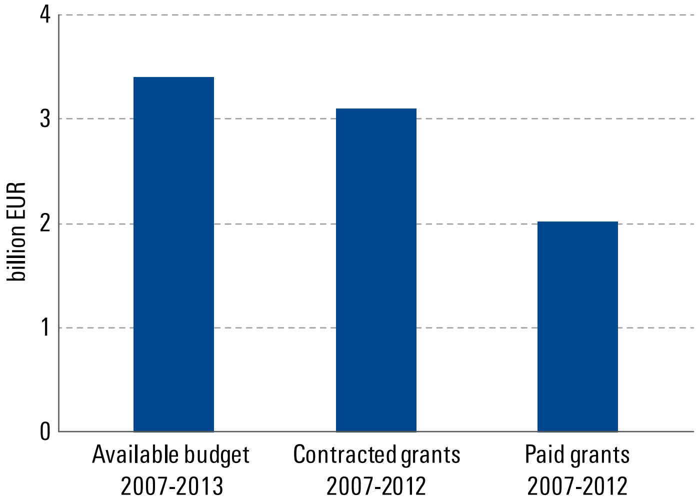
Available budget	EUR 3.4 billion
Contracted grants	EUR 3.11 billion
Contracting ratio	91%
Paid grants	EUR 2.02 billion
Payment ratio	59%

Within Estonia's National Strategic Reference Framework, the contracted amount totals EUR 3.11 billion, which means that Estonia contracted altogether 91% of the available budget, placing the country, together with Lithuania, in third place compared to the corresponding amounts in other CEE countries.

EU funds implementation progress in Estonia in 2007-2012 (in %)



EU funds implementation in Estonia as at December 2012 (in EUR billion)



Progress by intervention type

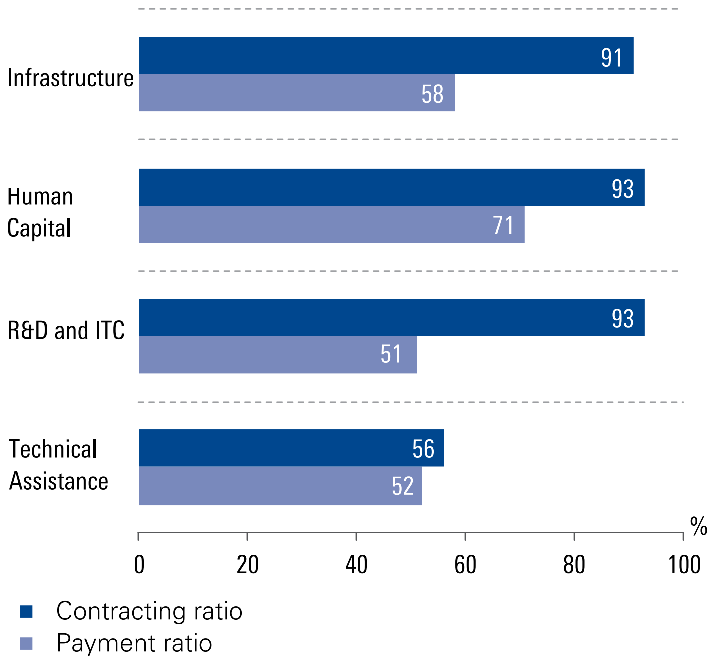
Contracting ratio by intervention type	
Infrastructure	91%
Human Capital*	93%
R&D and ITC	93%
Technical Assistance	56%

**) Human Capital includes export, marketing, enterprise development and international cooperation.*

Based on the contracting ratio projects related to Human Capital, as well as to R&D and ITC, exhibit the best progress. The contracting ratio of both interventions supported equals 93%, which is also outstanding on a time-proportional basis.

The biggest amount, comprising EUR 534 million, was paid out for Human Capital-related operations. Despite the fact that Technical Assistance-related operations have a low payment ratio, the average figure for all interventions in Estonia amounts to 59%, which is outstanding compared to the corresponding amounts in other CEE countries.

Contracted grants by intervention type (in %)



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Hungary

EU programme information

Population	10.0 million
GDP per capita	EUR 9,817
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2013 programming period, Hungary's National Strategic Reference Framework, the so-called 'New Hungary Development Plan', covers 15 operational programmes: seven sectoral, six regional, one Objective 2 and one technical assistance OP. The programme is implemented via EUR 24.92 billion in community ERDF, CF and ESF co-financing.

Accordingly, the available budget per capita figure stands at EUR 2,503, which is well above the respective CEE average.

2007-2012 progress report

Available budget	EUR 24.92 billion
Contracted grants	EUR 19.51 billion
Contracting ratio	78%
Paid grants	EUR 9.97 billion
Payment ratio	40%

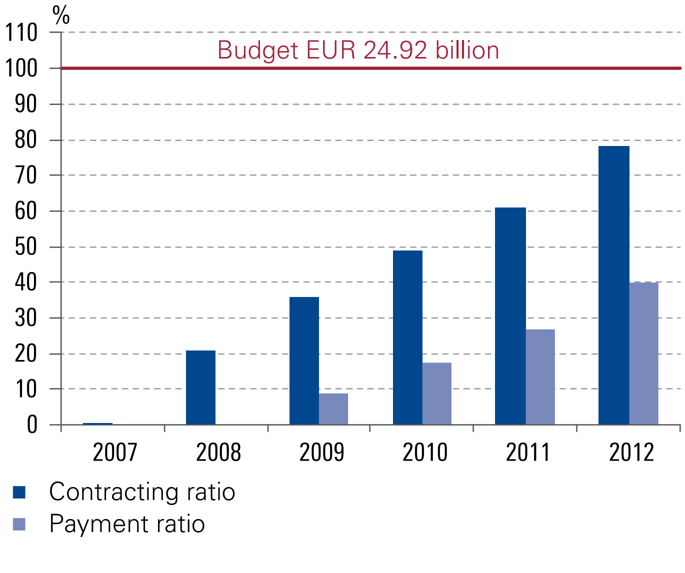
Hungary is well advanced on its way toward the end of EU funds implementation for the 2007-2013 period.

In six years of implementation, altogether EUR 19.51 billion in grants has been contracted within the New Hungary Development Plan, which means that the beneficiaries have already signed contracts for nearly 80% of the total available budget.

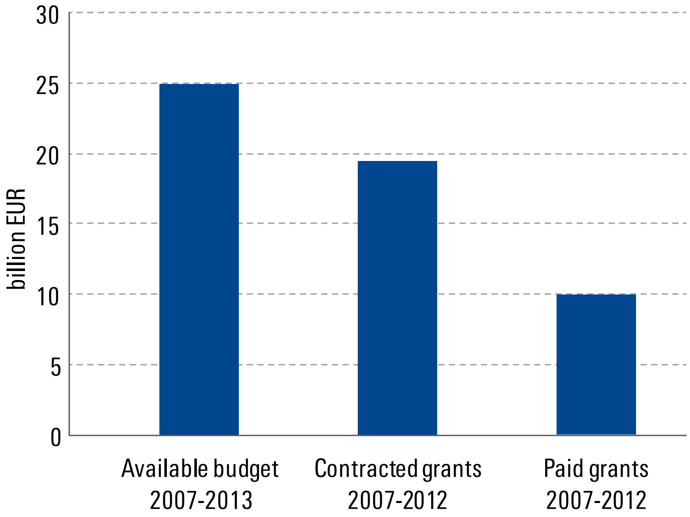
As far as disbursement is concerned, half of the contracted grants was paid out to the beneficiaries i.e. EUR 9.97 billion. This amount comprises 40% of the total funds allocated for the 2007-2013 programming period for Hungary.

On a time-proportional basis the contracting ratio is slightly below the expected figure. At the CEE level, the country has a middle ranking in terms of contracts and the third lowest position in terms of payments.

EU funds implementation progress in Hungary in 2007-2012 (in %)



EU funds implementation in Hungary as at December 2012 (in EUR billion)



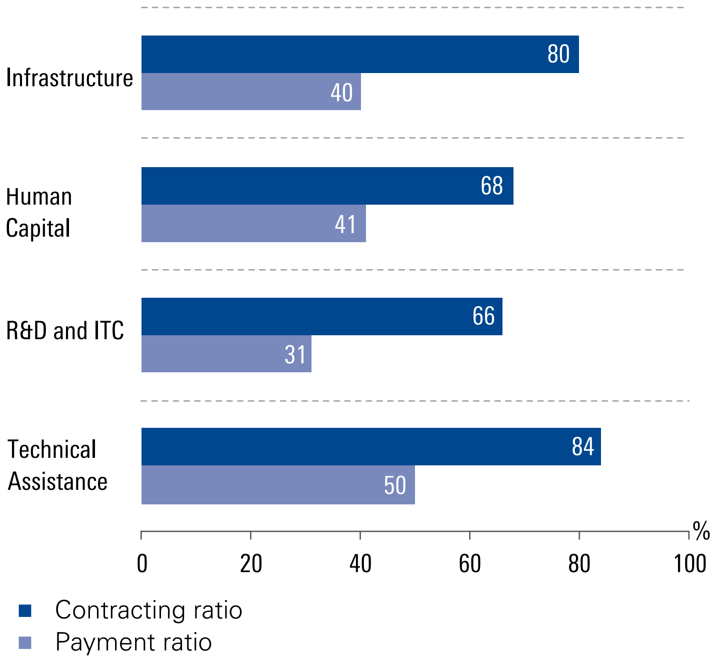
Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	80%
Human Capital	68%
R&D and ITC	66%
Technical Assistance	84%

By the end of 2012 contracting ratio by intervention type varied between 66% and 84%. Technical Assistance took the lead, with a contracting ratio amounting to 84%. Infrastructure had second place with contracting ratio of 80%, mainly due to transport-related projects. Human Capital, as well as R&D and ITC are slightly above 65% of the budget contracted.

An 84% contracting ratio for Technical Assistance-related operations is a good result at the CEE level, while in terms of Human Capital-related interventions the country is lagging behind in terms of its contracting ratio.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓

Between 2007 and 2013 Hungary's financial engineering instruments are handled both at sectoral and regional level in the NSRF: these instruments are included in the Economic Development OP (priority axis 4) and the Central Hungary OP (priority axis 1). The resources are available through a Holding Fund (MV Zrt., established by the Hungarian Development Bank) that refinances or co-finances financial intermediaries – by October 2012 altogether 128 intermediaries have been assigned.

The Hungarian JEREMIE programme started very early with the first loans issued already in January 2008. The success of the loan programme has lately been driven by the introduction of combined products, where beneficiaries could access grant- and loan-type of EU funding through a single proposal. Further financial instruments include guarantee programmes (where combined products have also been introduced) and venture capital funds.

Hungarian results by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised finalcial intermediaries
Loan	Yes	469.74	270.27	106
Guarantee	Yes	81.49*	7.71**	37
Venture capital	Yes	225.65	53.09	16

**) Allocated total budget: the maximum amount of honoured guarantee (which can be lost when the the guarantee is activated) is: EUR 81.49 million.*

***) Budget progress to date: EUR 7.71 million (the projected loss based on the actual guarantee). In Hungary maximum losses (20% of the value of guaranteed loans) are planned for under guarantee as budget and progress is 20% of guaranteed loans (expected loss).*

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Latvia

EU programme information

Population	2.0 million
GDP per capita	EUR 10,901
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2013 period Latvia's National Strategic Reference Framework programme covers three operational programmes, which are co-financed by the European Union for EUR 4.55 billion.

In Latvia the available budget per capita is EUR 2,227 which is the lowest among the Baltic countries, but still above the respective CEE average figure.

2007-2012 progress report

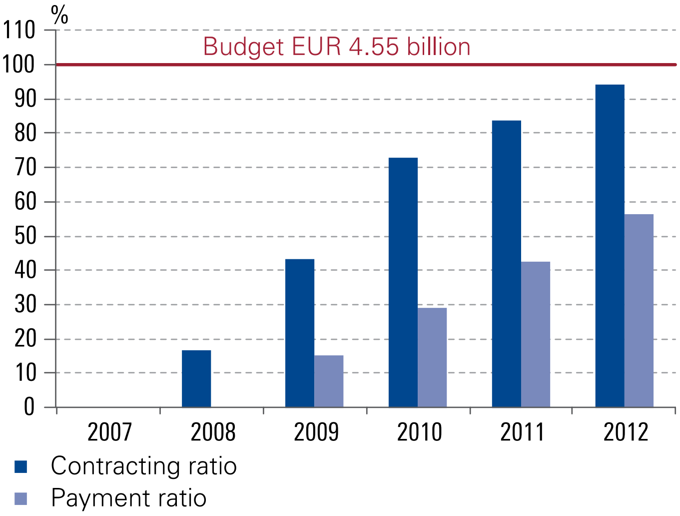
Available budget	EUR 4.55 billion
Contracted grants	EUR 4.29 billion
Contracting ratio	94%
Paid grants	EUR 2.56 billion
Payment ratio	56%

By the end of 2012 as part of the Latvian National Strategic Reference Framework programme, the level of contracted grants reached 94% with a 56% disbursement, which represents amounts of EUR 4.29 billion and EUR 2.56 billion, respectively.

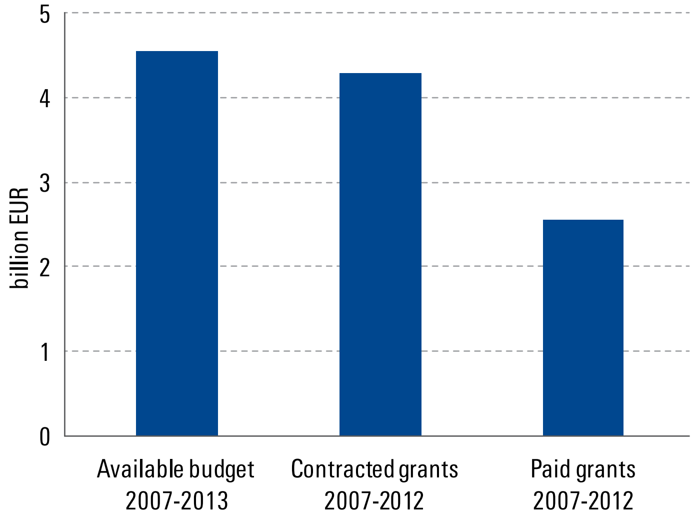
At year-end 2012 the Latvian programmes exhibited the second best performance in the region in terms of both contracted and paid grants share. On a time-proportional basis of all the framework programmes these achieved outstanding contracting ratios.

Compared to the previous years' results, Latvia contracting and payment ratios increased significantly, which means that all the programmes are on track until the end of the current programming period.

EU funds implementation progress in Latvia in 2007-2012 (in %)



EU funds implementation in Latvia as at December 2012 (in EUR billion)



Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	92%
Human Capital*	103%
R&D and ITC	96%
Technical Assistance	87%

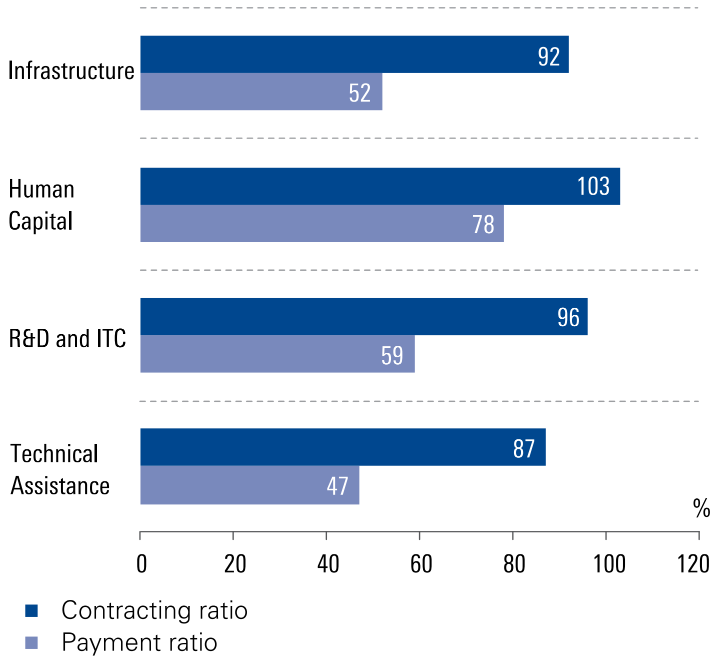
**) The government of the Republic of Latvia has confirmed the possibility for those authorities responsible for EU funds to undertake overcommitments in addition to approved EU funding. The aim of overcommitments is to ensure 100% absorption of available EU funds by compensating for unconformities and terminated contracts. As responsible authorities foresee in advance that some approved projects will not be implemented and contracts will be terminated, contracted grants (as at 31 December 2013) are higher than approved EU funding for OPs but do not exceed the EU funding including overcommitments. If deviations from what is planned occur and the implementation of projects is more successful than expected, overcommitments will be compensated for by the state budget.*

The contracting ratio by intervention type varies between 87% and 103%, and the average amounts to 94%, which is one of the best results compared to the corresponding amounts in other CEE countries.

All types of interventions remain above the CEE contracting ratio average, especially outstanding Human Capital related ones. Both Infrastructure and R&D and ITC interventions exceed 90% of the available budget.

In terms of payment, similarly to contracting, every intervention type is above the CEE average, and these are Human Capital-related interventions which took the lead. R&D and ITC took second place and was followed by Technical Assistance and Infrastructure which was at the end of the ranking.

Contracted grants by intervention type (in %)



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Lithuania

EU programme information

Population	3.0 million
GDP per capita	EUR 10,899
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2013 period ERDF, CF and ESF funding comprising EUR 6.78 billion was allocated to Lithuania's National Strategic Reference Framework.

Accordingly, the available budget per capita amounts to EUR 2,253, which is above the respective CEE average figure.

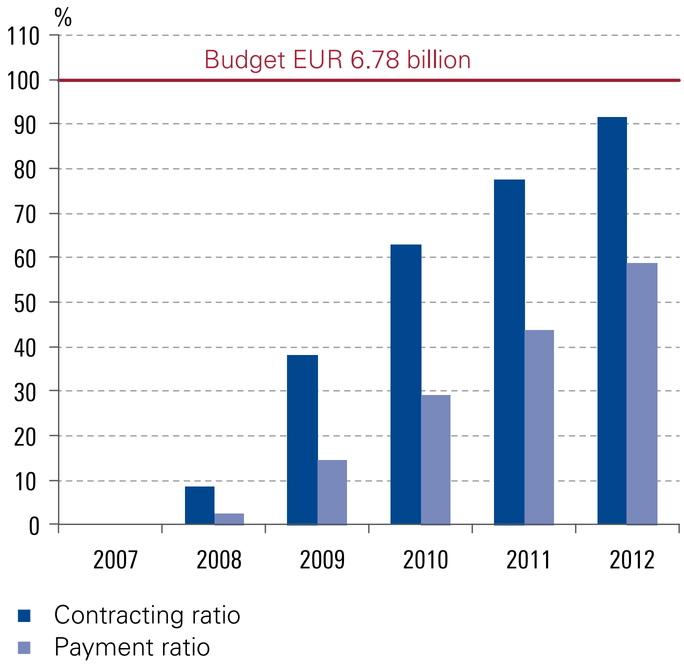
2007-2012 progress report

Available budget	EUR 6.78 billion
Contracted grants	EUR 6.13 billion
Contracting ratio	91%
Paid grants	EUR 3.99 billion
Payment ratio	59%

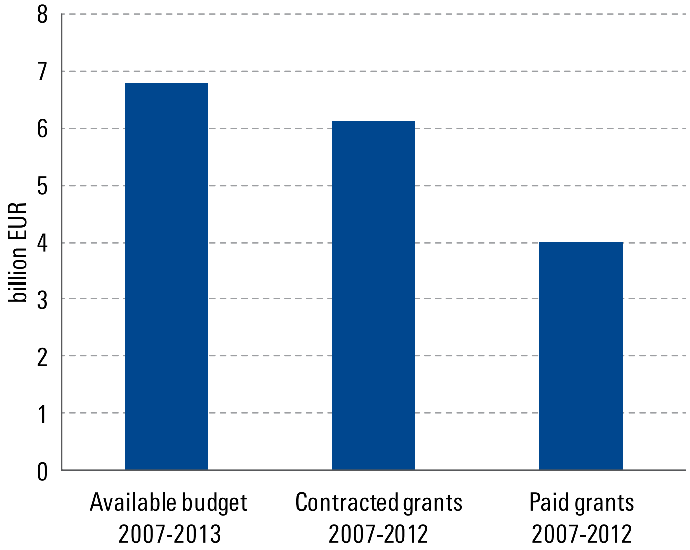
During the six years of implementation EUR 6.13 billion was contracted within the National Strategic Reference Framework, which consists of 91% of the total available budget for the period 2007-2013. The amount of paid grants reached EUR 3.99 billion, which is 59% of the allocated budget and 65% of the contracted grants.

The contracting ratio of the Lithuanian EU framework programme is high compared to the respective data in the CEE region.

EU funds implementation progress in Lithuania in 2007-2012 (in %)



EU funds implementation in Lithuania as at December 2012 (in EUR billion)



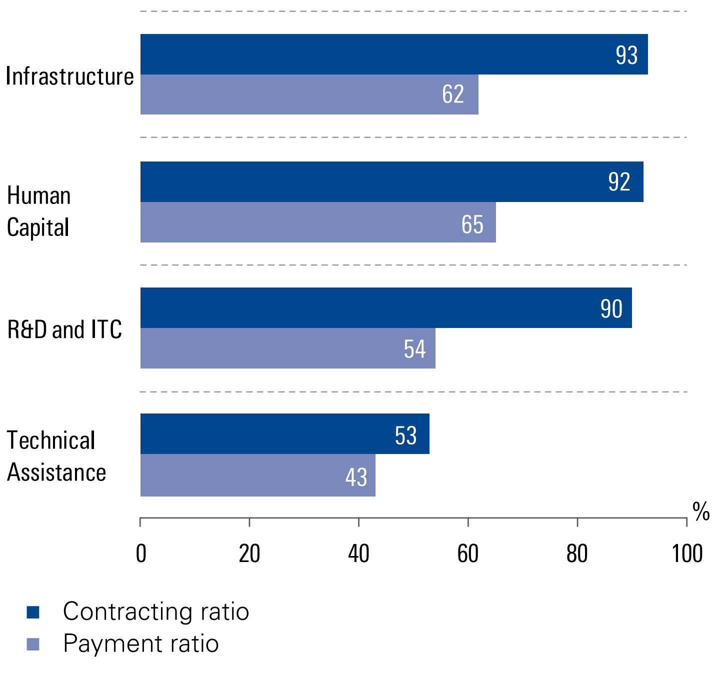
Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	93%
Human Capital	92%
R&D and ITC	90%
Technical Assistance	53%

The contracting ratio by intervention type varies widely, ranging from 53% to 93%. Interventions related to Infrastructure, Human Capital, as well as R&D and ITC are significantly above the CEE respective averages and the time-proportional basis, while Technical Assistance-related interventions' contracting ratio amounts to only 53% and remains far below the CEE average.

In terms of payment, all types of interventions are at or above the CEE respective averages and range between 43% and 65%. Similarly to contracting, Infrastructure and Human Capital have the highest payment ratio.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓

In the 2007-2013 programming period the JEREMIE initiative is financed from the Economic Growth OP in Lithuania. The financial instrument is operated in a Holding Fund system, where the Holding Fund Manager is the EIF .

In the framework of the Lithuanian JEREMIE programme the Holding Fund provides financial resources for the following debt- and equity-related financial instruments:

- A funded risk sharing product for small and medium sized enterprises, where the selected financial intermediary is a risk capital fund and a Baltic commercial bank.
  The financial instrument is designated to stimulate lending from financial intermediaries to SMEs and combines capital from the Holding Fund with capital provided from financial intermediaries on an equal basis.
- Portfolio guarantees were introduced as the so-called First Loss Portfolio Guarantees product, which provides additional finance to SMEs and helps to promote entrepreneurship by a selected commercial bank.
  The product has been available since April 2011.
- Seed and venture capital funds were started in 2011. According to recent plans the combined public and private investors' funds will provide financing for seed and equity investments in Lithuanian SMEs with high growth potential. The second part of the new instrument – the venture capital fund – could be the second stage for investments initially made from seed funds for further expansion of investee companies.

Lithuanian results achieved by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised finalcial intermediaries
Loan	Yes	127.99	68.99	5
Risk Capital Fund	Yes	48.42	7.18	3
Business Angels	Yes	7.99	1.91	2

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Poland

EU programme information

Population	38.5 million
GDP per capita	EUR 9,896
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In 2007-2013 period Poland's main programming document, the National Cohesion Strategy covers 21 operational programmes: four sectoral, 16 regional and one technical assistance OP.

The EU funds available for the framework programme are the equivalent of EUR 67.19 billion, which is the biggest amount devoted to development compared to the corresponding amounts in other CEE countries.

Proportionally, the available budget per capita value in Poland is EUR 1,743 which is slightly above the respective CEE average figure.

2007-2012 progress report

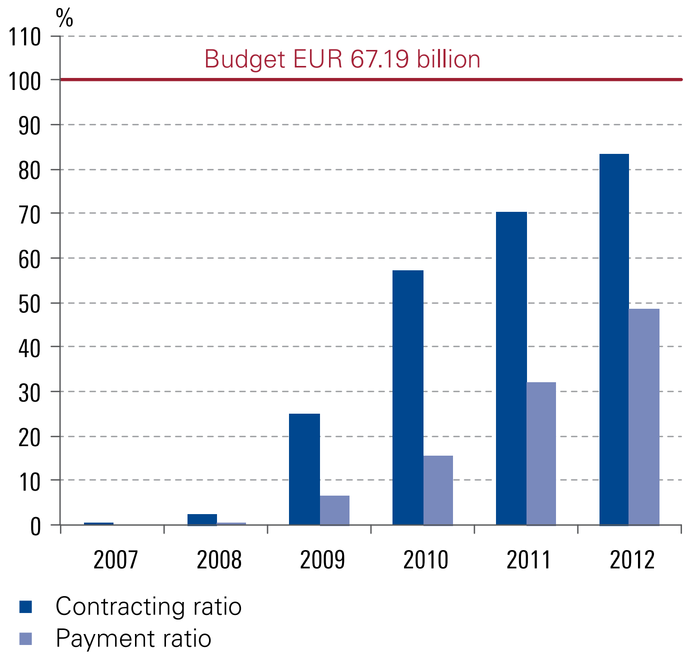
Available budget	EUR 67.19 billion
Contracted grants	EUR 55.93 billion
Contracting ratio	83%
Paid grants	EUR 32.74 billion
Payment ratio	49%

By the end of 2012 Polish beneficiaries had signed contracts for EUR 55.93 billion within the framework of the National Cohesion Strategy. This amount is slightly above 80% of the total budget.

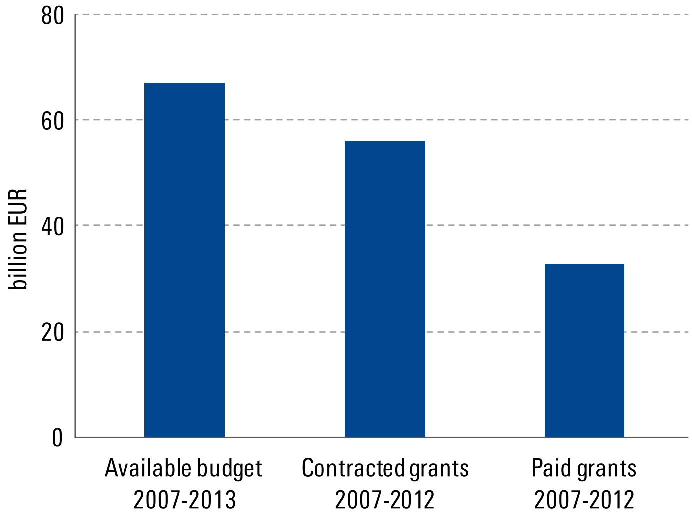
In the meantime, more than half of the contracted grants, i.e. EUR 32.74 billion, was disbursed to the beneficiaries, which represents at the same time nearly half of the total budget allocated for the 7-year period.

The EU programmes' contracting ratio increased by 13% in the last year.

EU funds implementation progress in Poland in 2007-2012 (in %)



EU funds implementation in Poland as at December 2012 (in EUR billion)



Progress by intervention type

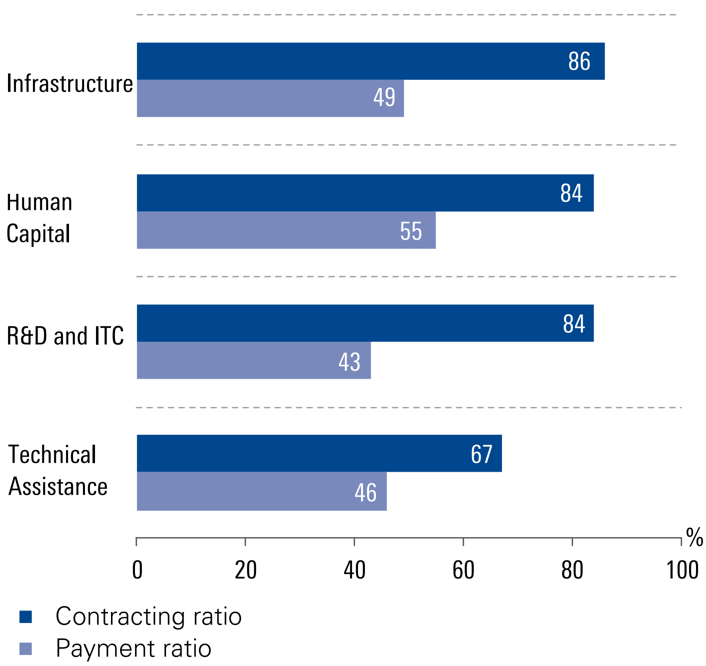
Contracting ratio by intervention type	
Infrastructure	86%
Human Capital	84%
R&D and ITC	84%
Technical Assistance	67%

The breakdown of the contracting ratios of the intervention types exhibits quite a small scale range: the contracting ratio of the interventions runs from 67% to 86%.

By the end of 2012 Infrastructure-related interventions showed the best contracting performance, with an 86% ratio. Two other intervention types followed with 84% contracting ratios – Human Capital and R&D and ITC. The three intervention types, with the exception of Technical Assistance, are around the respective CEE averages.

As far as payments were concerned, all intervention types were above the CEE respective averages and Human Capital-related operations led with a 55% payment ratio.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓

In Poland, there are three levels at which the JEREMIE initiatives are being implemented during the period 2007-2013:

- at a national level, through the Innovative Economy OP;
- at a secondary level for the Development of the Eastern Poland OP;
- at a regional level, in which seven regions are participating: Lower Silesia, Łódzkie, Pomerania, Greater Poland, West Pomerania, Mazovia, Kujawsko – Pomorskie.

On a national level a holding fund agreement was signed in March 2009 with the National Capital Fund (KFK). At the regional level the tasks of the Holding Fund Manager are carried out by Bank Gospodarstwa Krajowego, which operates as the state development bank of Poland. The financing agreements between Bank Gospodarstwa Krajowego and the managing authorities of the respective regional operational programmes were signed between July and August 2009.

Polish results by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised finalcial intermediaries
Loan	Yes	341.24	157.47	58
Guarantee	Yes		120.16	34
Venture capital	No	No	No	No

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Romania

EU programme information

Population	21.4 million
GDP per capita	EUR 6,169
EU Accession	1 January 2007

Source: EUROSTAT data, 2012

In the 2007-2013 period, the Romanian National Development Plan is being implemented through seven operational programmes: five sectoral, one regional and one technical assistance OP under the "Convergence" Objective.

In the framework of the National Development Plan Romania is scheduled to obtain EUR 23.53 billion from ERDF, CF and ESF.

The available budget per capita figure is EUR 1,102 which is below the respective CEE average figure.

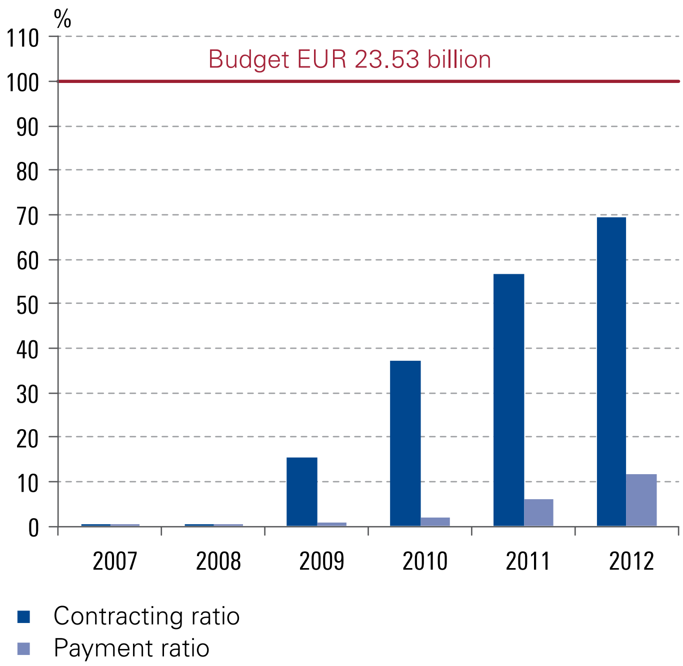
2007-2012 progress report

Available budget	EUR 23.53 billion
Contracted grants	EUR 16.36 billion
Contracting ratio	70%
Paid grants	EUR 2.78 billion
Payment ratio	12%

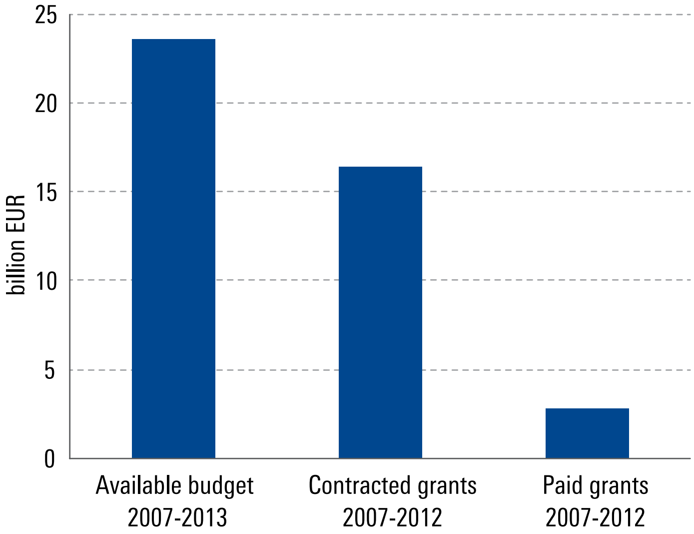
By December 2012 EUR 16.36 billion had been contracted in the framework of the Romanian National Development Plan. Thus, 70% of the budget was contracted in six years.
The contracting ratio is below both the CEE level's ratio and the time-proportional basis factor.

Out of this amount only EUR 2.78 billion was disbursed to the beneficiaries, accounting for only 12% of the budget available for seven years.

EU funds implementation progress in Romania in 2007-2012 (in %)



EU funds implementation in Romania as at December 2012 (in EUR billion)



Progress by intervention type

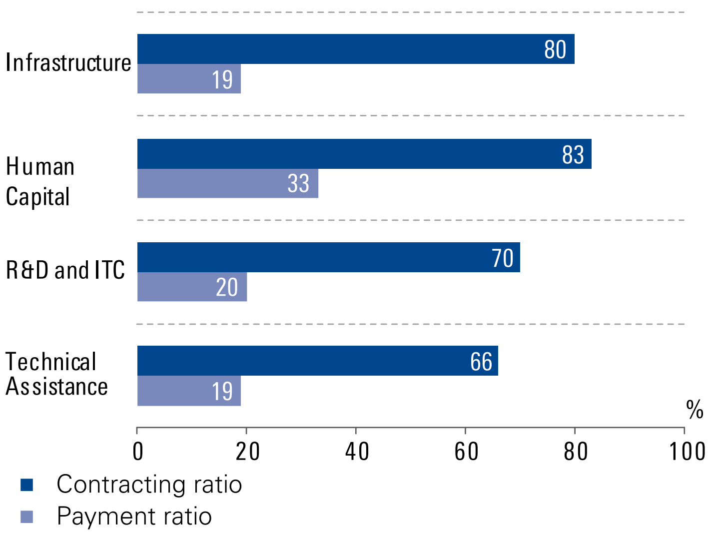
Contracting ratio by intervention type	
Infrastructure	80%
Human Capital	83%
R&D and ITC	70%
Technical Assistance*	66%

**) TA line includes data refering only to Technical Assistance Operational Programme. For the other operational programmes' TA Axis there is no official data available regarding the paid grants.*

By the end of 2012 the contracting ratios were highest for Human Capital- and Infrastructure-related operations. Both intervention types reached a contracting ratio of 80% or more, which is similar to the respective CEE averages. One lesser performing area is Technical Assistance, both at the national and regional levels.

Regarding disbursement, the payment ratios are among the lowest in CEE, ranging between 19% and 33% of the total available budget. Comparing contracted and paid grants, only 25% to 40% of contracted grants were paid to beneficiaries. Again, Human Capital-related operations performed the best, while both Infrastructure- and Technical Assistance-related interventions registered a low payment ratio.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓

In Romania, the JEREMIE Holding Fund is financed from the European Regional Development Fund within the framework of the Sectoral Operational Programme Increase of Economic Competitiveness, Priority Axis 1 "An innovative and eco-efficient productive system" – Key Area of Intervention 1.2 "Access to finance for SMEs". The selection of financial intermediaries which implement JEREMIE financial engineering instruments is performed by EIF through a "Call for Expression of Interest" process.

Despite the late and difficult start, at the end of 2012, JEREMIE Romania had set up four instruments: three guarantee agreements with three banks and one risk capital fund. The entire budget was contracted with the financial intermediaries. The additional resources were committed by the guarantee instruments at the level of the final recipients, from outside the operational programme. One-thousand SMEs were registered as support recipients through the loan guarantee instrument.

Romanian results by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised finalcial intermediaries
Loan				
Venture capital	Yes	10.0	Allocated (05.12.2012)	At least 1
Guarantee	Yes	80.5	20.0	3

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Slovakia

EU programme information

Population	5.4 million
GDP per capita	EUR 13,223
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2013 period, the National Strategic Reference Framework covers eight sectoral, one regional, one Objective 2 and one technical assistance OP, with a total community contribution of EUR 11.5 billion.

Proportionally, the available budget per capita value in Slovakia amounts to EUR 2,128, which is slightly above the CEE average.

2007-2012 progress report

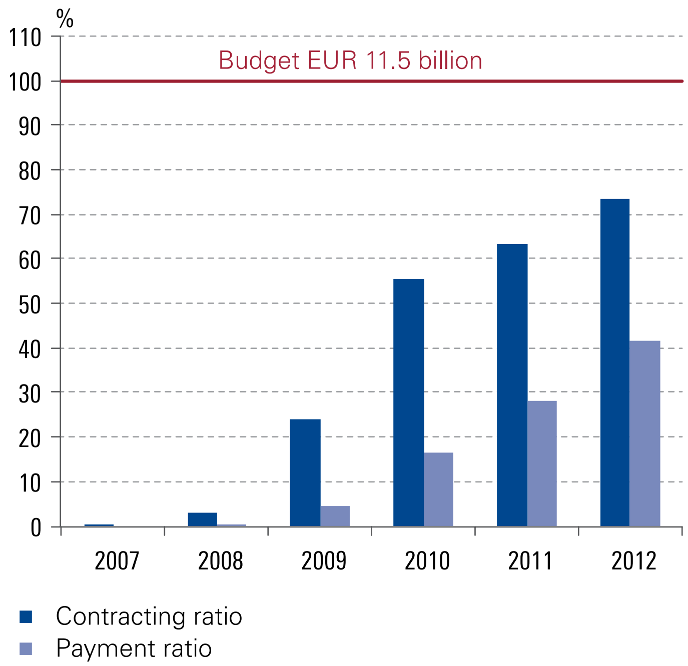
Available budget	EUR 11.5 billion
Contracted grants	EUR 8.45 billion
Contracting ratio	73%
Paid grants	EUR 4.77 billion
Payment ratio	41%

By the end of 2012, within the National Strategic Reference Framework Slovakia contracted altogether EUR 8.45 billion, which is almost three-fourths of the total budget available for EU co-financed development. Out of this amount EUR 4.77 billion was paid to the beneficiaries, accounting for 41% of the total budget allocated for seven years.

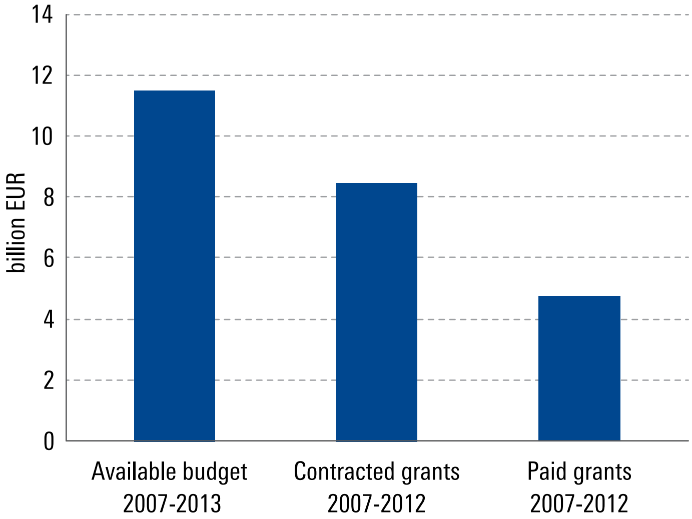
On a time-proportional basis the Slovak National Strategic Reference Framework has not met the expectations, but is not far from the average.

The payment ratio is slightly below the respective CEE average.

EU funds implementation progress in Slovakia in 2007-2012 (in %)



EU funds implementation in Slovakia as at December 2012 (in EUR billion)



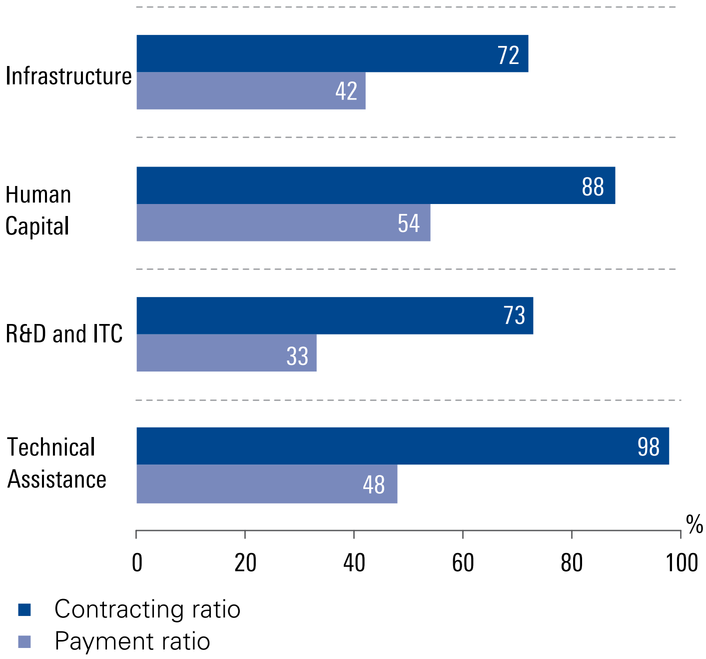
Progress by intervention type

Contracting ratio by intervention type	
Infrastructure	72%
Human Capital	88%
R&D and ITC	73%
Technical Assistance	98%

By the end of 2012 the contracting ratio was the highest for Technical Assistance-related operations, reaching 98%, which is outstanding at the CEE level. The Human Capital-related interventions also performed well, staying above the CEE average with an 88% contracting ratio. The other two intervention types are below the respective CEE averages.

Regarding disbursement, both Human Capital- and Technical Assistance-related operations had payment ratios above the respective average CEE figures, while Infrastructure, as well as R&D and ITC performed worse than the CEE average.

Contracted grants by intervention type (in %)



JEREMIE

JEREMIE financial instruments	
Loans	✓
Guarantee	✓
Venture Capital	✓

In Slovakia, the JEREMIE Holding Fund is financed from the EU Structural Funds under three 2007-2013 Operational Programmes (Operational Programme Competitiveness and Economic Growth, Operational Programme Research and Development, Operational Programme Bratislava Region) and is managed by EIF through the Slovak Guarantee and Development Fund.

Under JEREMIE in Slovakia the funds are allocated to risk capital instruments and are stemming from the Operational Programme Research and Development and the Operational Programme Bratislava Region. Calls for Expression of Interest to select Financial Intermediaries that will receive resources from the JEREMIE Holding Fund for Slovakia to implement the Risk Capital Financial Instruments were closed on 30 March 2012, and the EIF will not proceed with any further results.

Portfolio guarantees allow selected financial intermediaries to build up new portfolios of SME loans. The EIF selects the financial intermediary based on responses received from banks and other financial institutions to an open "Call for Expression of Interest". In August 2011 the EIF announced the Call for Expression of Interest for First Loss Portfolio Guarantee, which was closed on 28 October 2011, with four Financial Intermediaries selected.

The third financial instrument for the remaining funds is in the process of negotiation implementation of a Portfolio Risk Sharing Loan. First applicants for the financial budget are expected in 4Q/2014.

Slovak results achieved by the end of 2012

Elements	Element available in the country	Allocated total budget (in EUR m)	Budget progress to date (in EUR m)	Number of authorised finalcial intermediaries
Loan	Yes	13.3	-	-
Guarantee	Yes	49.7	-	4
Venture capital	Yes	31.0	-	-

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Slovenia

EU programme information

Population	2.1 million
GDP per capita	EUR 17,254
EU Accession	1 May 2004

Source: EUROSTAT data, 2012

In the 2007-2014 programming period the National Development Plan is Slovenia's main EU co-funded programme. The framework programme covers two sectoral and one regional operational programme with a total budget of EUR 4.1 billion from ERDF and ESF co-financing.

Accordingly, the Slovenian available budget per capita reaches EUR 1,995, which nearly equals the respective CEE average figure.

2007-2012 progress report

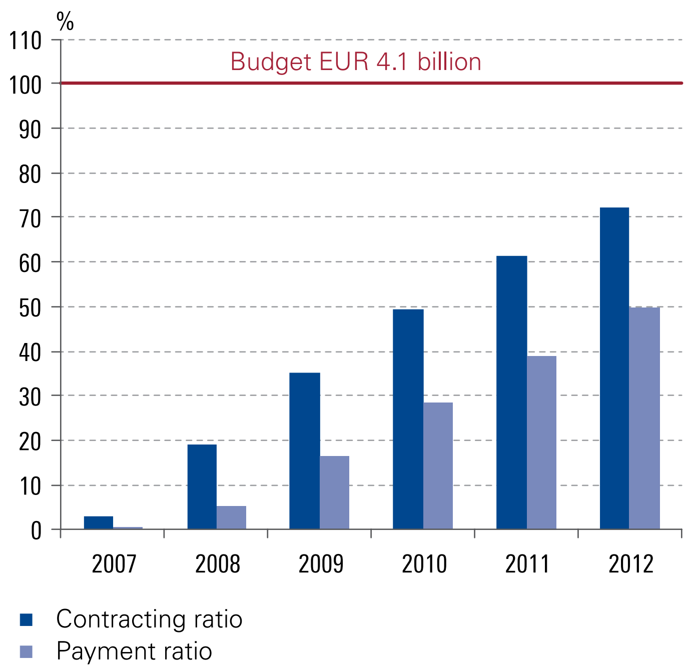
Available budget	EUR 4.1 billion
Contracted grants	EUR 2.96 billion
Contracting ratio	72%
Paid grants	EUR 2.05 billion
Payment ratio	50%

By December 2012 projects worth EUR 2.96 billion were contracted by the beneficiaries of the operational programmes of the Slovenian National Development Plan. This amount is around 70% of the total budget allocated for development in Slovenia for the 2007-2013 period.

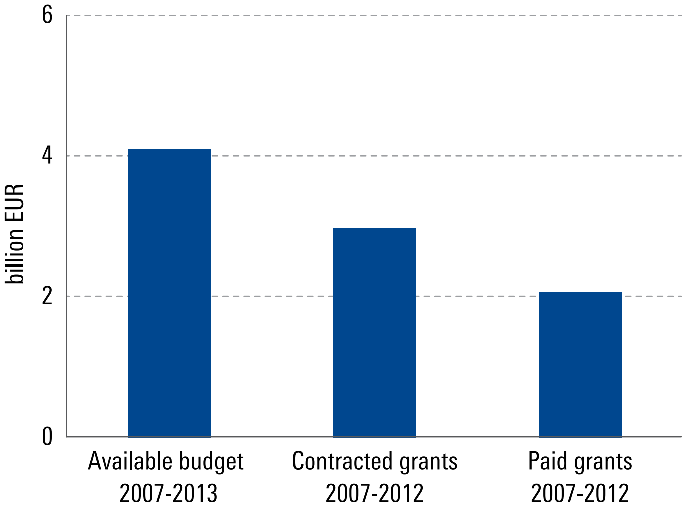
Out of the contracted grants, EUR 2.05 billion has been disbursed, accounting for almost 70% of the contracted grants and half of the total available budget for seven years.

The 50% payment ratio is slightly above the CEE average, but lags far behind the time-proportional ideal ratio.

EU funds implementation progress in Slovenia in 2007-2012 (in %)



EU funds implementation in Slovenia as at December 2012 (in EUR billion)



Progress by intervention type

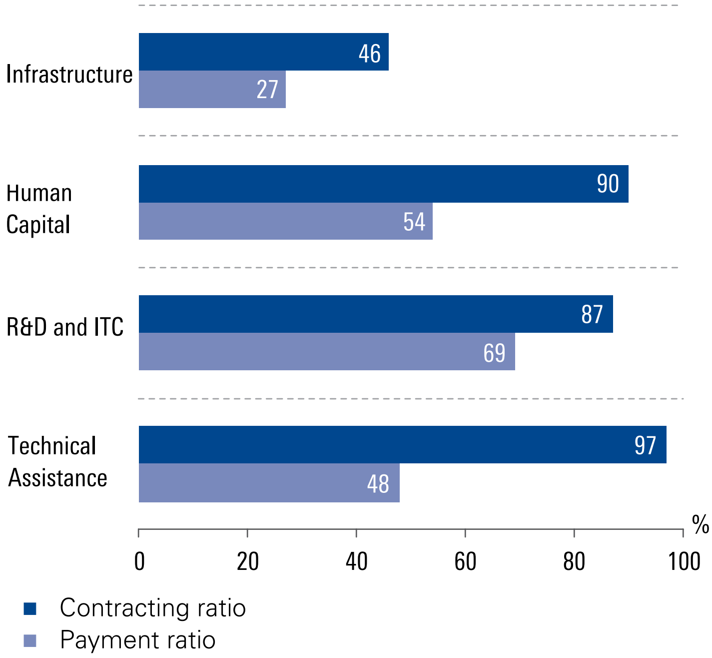
Contracting ratio by intervention type

Infrastructure	46%
Human Capital	90%
R&D and ITC	87%
Technical Assistance	97%

By the end of 2012 Technical Assistance-related operations progressed the best, reaching a 97% contracting ratio. The next two – Human Capital, and R&D and ITC – are also above the respective CEE averages, with contracting ratios of 90% and 87% respectively. Infrastructure-related operations amount to slightly above half of the CEE average and are at the end of the ranking in this category both in Slovenia and in the entire region.

Regarding disbursement, Infrastructure-related operations have the second lowest payment ratio in the region, at 27%, while R&D and ITC operations have the highest payment ratio in the CEE countries, at 69%.

Contracted grants by intervention type (in %)



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KPMG: Credentials and know-how

General information

KPMG firms have taken an active part in the entire process of EU funds managing: beginning from procurement, carrying on through evaluation, feasibility studies and grants auditing to overall project management.

KPMG practices work with companies from both the public and private sectors.

The following section presents some of KPMG firms in Central and Eastern Europe's biggest clients, as well as highlighting the firm's experience in the field of EU Funds.

KPMG firms' main clients within CEE

(EE) Ministry of Justice
(EE) Ministry of Social Affairs
(EE) Ministry of Finance
(EE) Tallinn City Council
(EE) Commercial clients

(LT) Customs of the Republic of Lithuania
(LT) Commercial clients

(PL) Ministry of Regional Development
(PL) Regional Labour Office in Krakow
(PL) City of Lodz
(PL) Marchal Office Silesian Voivodeship
(PL) National Water Management Authority
(PL) Polish Agency of Enterprise Development
(PL) Commercial clients

(CZ) Ministry of Regional Development
(CZ) Ministry of Health
(CZ) Ministry of Environment
(CZ) Ministry of Finance
(CZ) European Commission
(CZ) Prague City Council
(CZ) Commercial clients

(SI) Ministry of Agriculture and Environment
(SI) Ministry Of Public Administration
(SI) Commercial clients

(SR) Ministry of Finance and Economy of the Republic of Serbia
(SR) Ministry of Labour and Social Policy of the Republic of Serbia
(SR) National Bank of Serbia
(SR) European Integration Office, Government of the Republic of Serbia
(SR) National Bank of Serbia
(SR) Belgrade Fund for Political Excellence
(SR) Commercial clients

(SK) Ministry of Finance
(SK) Ministry of Agriculture and Rural Development
(SK) Ministry of Health
(SK) Ministry of Foreign Affairs
(SK) Government office
(SK) Geodesy, Cartography and Cadastre Authority
(SK) Commercial clients

(HU) Ministry of Regional Development and Public Works
(HU) Ministry of Economy
(HU) Ministry of Public Finance
(HU) National Office for Research and Technology
(HU) National Development Agency
(HU) Commercial clients

(RO) Ministry of Economy, Trade and Business Environment
(RO) Ministry of Agriculture and Rural Development
(RO) Ministry of Public Finance
(RO) Ministry of Education
(RO) Ministry of Labour
(RO) Romanian Immigration Bureau
(RO) Commercial clients

(BG) Council of Ministers
(BG) Ministry of Finance
(BG) Ministry of Regional Development and Public Works
(BG) Ministry of Economy, Energy and Tourism
(BG) Ministry of Environment and Waters
(BG) Municipalities
(BG) Commercial clients

Helping meet the challenges

KPMG practices have helped to realise numerous challenging projects related to EU funds. Experience shows how important detailed knowledge, professional support and know-how are in the realisation of such projects. The chart below offers general descriptions of some of the most complex projects involving KPMG firms. These are broken down by intervention type, as well as by economic sector.

PROJECT MANAGEMENT

Know-how to exploit | Procurement | Managing funds | Grants auditing

Infrastructure	Human Capital	R&D	EU funds management
(PL) Gazoproort – Preparation of feasibility study and financial model for the regasification terminal of LNG and its infrastructure in Swinoujscie.	**(RO) The Ministry of Labour, Family and Social Protection –** the MA SOPHRD, First interim evaluation of SOP HRD (the Sectoral Operational Programme Human Resources Development).	**(PL) Gazoproort –** Preparation of feasibility study and financial model for the terminal regasification of LNG and its infrastructure in Swinoujscie.	**(RO) Ministry of Public Finance –** Authority for Coordination of Structural Instruments – Carrying out evaluations during the Implementation of the National Strategic Reference Framework and the Operational Programme Technical Assistance.

PROJECT MANAGEMENT

Know-how to exploit | **Procurement** | Managing funds | Grants auditing

Infrastructure	R&D	ITC	EU funds management
(PL) EC1 – MPA Lodz City Revitalisation Programme – Investment Programme Cross-Sectional Analysis and Recommended Management Model.	**(HU) National Development Agency –** Evaluation of R&D Measure implementation (part of the evaluation of Economic Development Operational Programme 2007-2013).	**(SK) Ministry of Finance of the Slovak Republic –** Feasibility Study – "Development of eGovernment and ICT-based services".	**(RO) Ministry of Public Finance –** Authority for Coordination of Structural Instruments – Carrying out evaluations during the Implementation of the National Strategic Reference Framework and the Operational Programme Technical Assistance.

PROJECT MANAGEMENT

Know-how to exploit | Procurement | **Managing funds** | Grants auditing

Infrastructure

(HU) National Development Agency – Case studies of 21 best practices of the Environment and Infrastucture OP.

Human Capital

(EST) Estonian Ministry of Justice, Estonian Ministry of Social Affairs – Complete analysis of the as-is situation, benchmarked related practices in UK, USA and Denmark towards finding possible solutions for improvement.

R&D

(HU) National Development Agency – Evaluation of R&D Measure implementation (part of the evaluation of Economic Development Operational Programme 2007-2013).

EU funds management

(EST) Ministry of Finance Evaluating Ministry of Environment and Environmental Investment Centre – Readiness to comply with implementing the agency's tasks during the European Union structural assistance period 2007-2013.

PROJECT MANAGEMENT

Know-how to exploit | Procurement | Managing funds | **Grants auditing**

Infrastructure

(SR) Deposit Insurance Agency of the Republic of Serbia – Special Purpose Audit of the Project "Serbian Consolidation of Collection and Pension Administration Reform/PARIP Project".

R&D

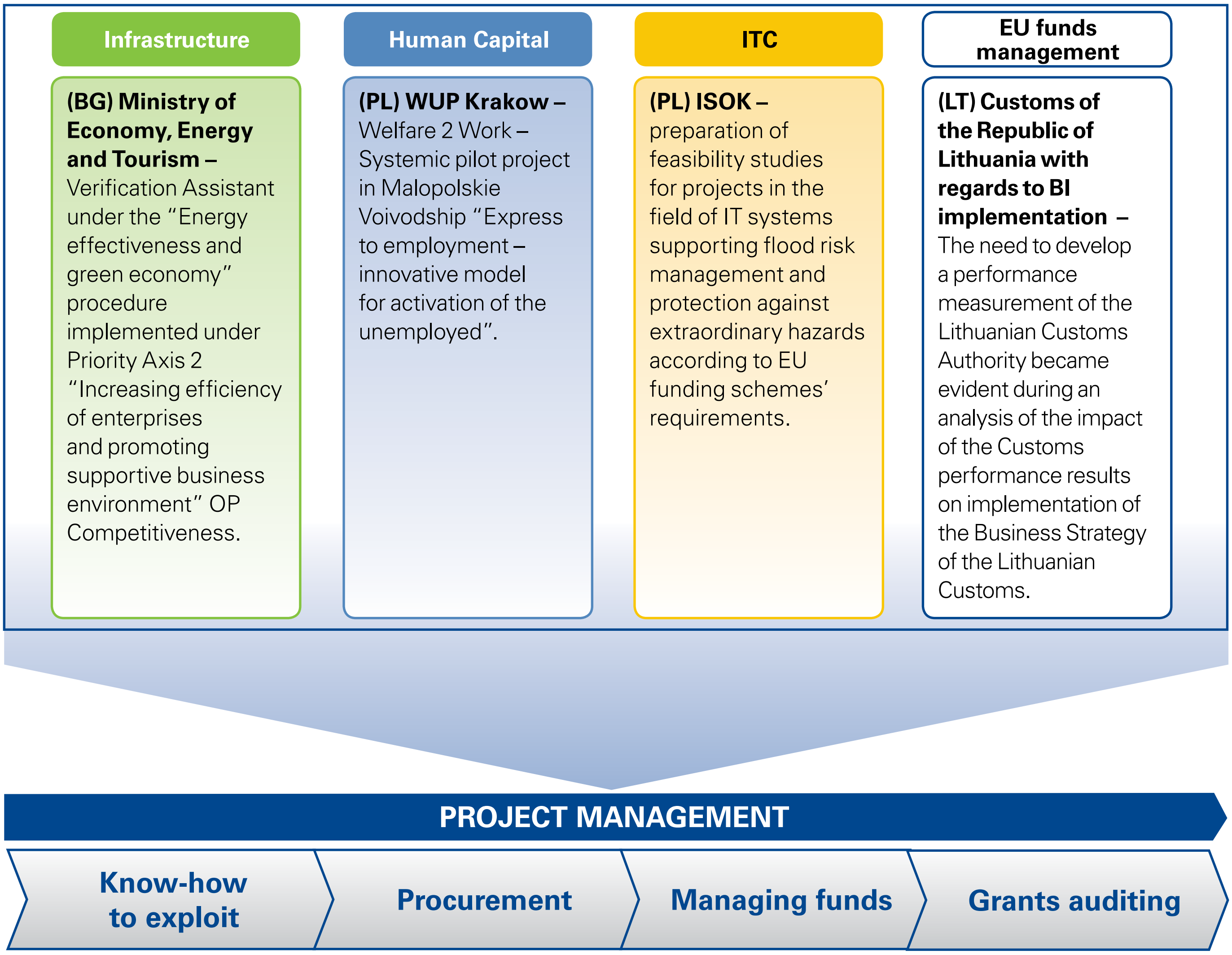
(SI) Budget Supervision Office – Audit of expenditure related to ESF as regards Slovenia for the programming period 2007-2013.

EU funds management

(SK) Ministry of Finance of the Slovak Republic – Services for an Audit Authority: system audits and audits of operations (Various operational programmes).

EU funds management

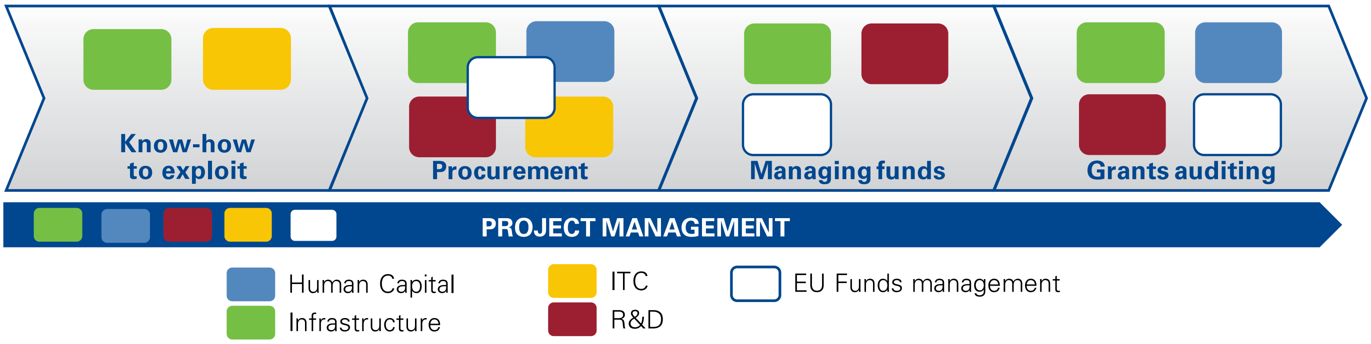
(BG) Ministry of Environment and Waters – Audits under Operational Programme Environment 2007-2013: Audit of operations carried out by beneficiaries of OP Environment.


Infrastructure
(BG) Ministry of Economy, Energy and Tourism – Verification Assistant under the "Energy effectiveness and green economy" procedure implemented under Priority Axis 2 "Increasing efficiency of enterprises and promoting supportive business environment" OP Competitiveness.
Human Capital
(PL) WUP Krakow – Welfare 2 Work – Systemic pilot project in Malopolskie Voivodship "Express to employment – innovative model for activation of the unemployed".
ITC
(PL) ISOK – preparation of feasibility studies for projects in the field of IT systems supporting flood risk management and protection against extraordinary hazards according to EU funding schemes' requirements.
EU funds management
(LT) Customs of the Republic of Lithuania with regards to BI implementation – The need to develop a performance measurement of the Lithuanian Customs Authority became evident during an analysis of the impact of the Customs performance results on implementation of the Business Strategy of the Lithuanian Customs.
PROJECT MANAGEMENT
Know-how to exploit
Procurement
Managing funds
Grants auditing

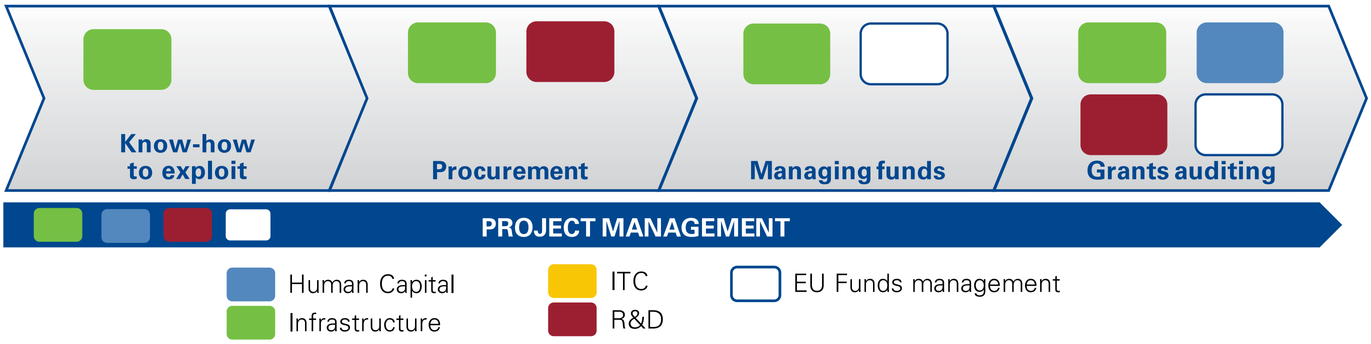
KPMG success in selected sectors

KPMG firms have earned a reputation for credibility and competence in helping clients deal with EU funds, as outlined in the diagrams below, which outline KPMG's extensive experience in EU funds management according to sector.

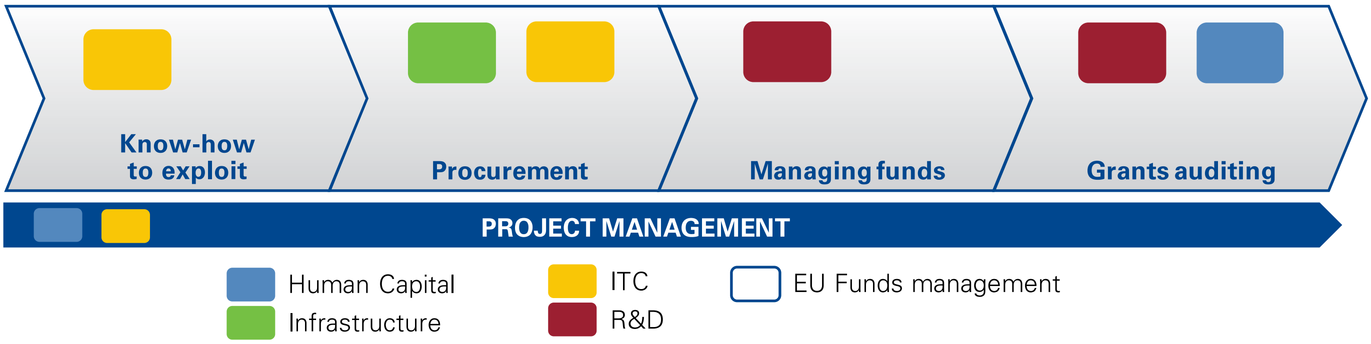
Sector – Infrastructure



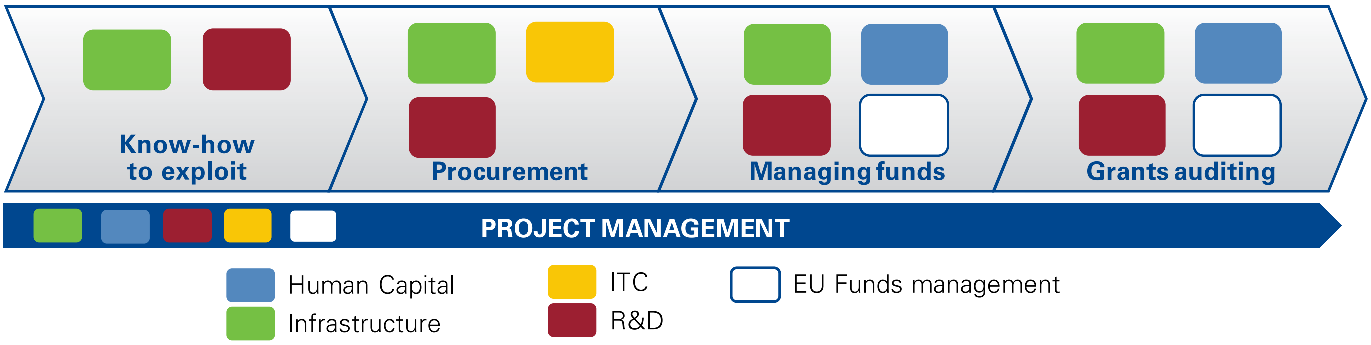
Sector – Environment and energy



Sector – IT



Sector: Consumer markets, Finance, Higher education, Automotive, Pharmaceutical, Chemistry



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