



PUBLIC SECTOR

# EU Funds in Central and Eastern Europe

Progress report 2007–09

ADVISORY



# Contents



Foreword	4
<b>1</b> Introduction	5
<b>2</b> CEE overview	8
<b>3</b> Country overviews	16



**Éva Vármai**

Head of Public Sector  
Advisory Services

KPMG in Central and Eastern Europe

# Foreword

This publication – *EU Funds in Central and Eastern Europe (CEE) – Progress report 2007–09* – has been compiled by KPMG’s Public Sector team in Budapest based on input from other KPMG practices in CEE.

Since countries in the CEE region have joined the European Union, in 2004 and 2007, it has become apparent that effective utilisation of EU support can foster the success of their economic performance. It is the responsibility of the individual member states to utilise the support appropriately, thus accelerating development and meeting the objectives of the European Union.

Developing an appropriate, focused strategy for the allocation of EU funds is only the first, though perhaps the most important step in implementing the EU cohesion policy. The successful implementation and absorption of EU co-funded projects is contingent not only upon the effectiveness of these countries’ administrative systems, but also on the activity of the potential beneficiaries.

The purpose of this report is to give an overview of the progress and absorption achieved by the CEE countries during the first three years of the 2007–13 EU co-funded programmes. Furthermore, this publication outlines the impacts of the financial crisis on these CEE economies and the subsequent steps which were taken in order to facilitate EU fund utilisation.

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

This publication was prepared in March 2010, involving 10 KPMG practices in CEE. Our gratitude goes out to all of those individuals who provided country level inputs and were part of the preparation process. I would also like to thank my colleagues, Judit Kertész for managing and Erika Zabos for assisting in the project.

# Introduction

## Purpose of this document

### This document gives you...

- an overview of the application of EU funds at the CEE level
- details on EU co-funded programme implementation in the 2007–09 period
- remarks on the effects of the financial crisis on the application of EU funds by country

### Structure of this document

1. Introduction
2. CEE overview
3. Country overviews

### Need

- EU funds are essential factors for development in every CEE country, accounting for 2.1–5% of their annual GDP. In addition, as a result of the current financial crisis other development sources have become scarce.
- There is a need for an overview and comparison of the implementation status of EU co-funded programmes at a CEE level.

### Purpose

- To give an overall picture of available budgets during the 2007–13 period, allocations and the volume of contracted and paid grants at the CEE level in 2007–09
- To provide details on certain EU co-funded programmes and their progress by country (overview, programme details, programme and allocation structure, etc.)

### Structure

This document consists of the following sections:

- Introduction
- CEE overview on EU funded interventions, corresponding budgets for the 2007–13 period, contracted and paid amounts and their ratios for the 2007–09 period
- Overviews on the interventions, budgets and progress of EU programmes at a country level.

## Definitions

### CEE countries covered in this document

- Bulgaria (BG)
- Czech Republic (CZ)
- Estonia (EE)
- Hungary (HU)
- Latvia (LV)
- Lithuania (LT)
- Poland (PL)
- Romania (RO)
- Slovakia (SK)
- Slovenia (SI)

### CEE

Within the context of this report we consider Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia as countries of the CEE region.

Please note the following:

- Although in some classifications Austria is considered to be part of the CEE region, in the context of this progress report we refer to *former socialist countries*, otherwise referred to as the 'Eastern Bloc' or transformation economies.
- We have focused on present EU member states, therefore Croatia, Serbia, Macedonia, Kosovo and Moldova are not in the scope of this progress report. Nevertheless, we agree that in many cases they are regarded as CEE countries.

### EU Funds

There are numerous funds, supports, grants, initiatives and other programmes that provide the financial background for national projects from the central EU budget. However, within the framework of this document we concentrate on a selected segment of EU financial support:

- We cover Structural Funds (including the European Regional Development Fund, European Social Fund and the Cohesion Fund), and rural development and fisheries funds (European Agriculture Fund for Rural Development and European Fisheries Fund).
- The document does not aim to cover other structural, agricultural, rural development, fisheries related programmes and Interreg programmes.
- Additionally we do not cover community initiatives, separate financial instruments, direct supports, framework programmes, etc.

### Available budget 2007–13

"Available budget 2007–13" means the sum of national public and EU financial contributions (i.e. the amount accessible for applicants or potential beneficiaries). This budget has been previously presented in the National Strategic Reference Framework of each country and has been approved by the European Commission.

### Time-proportional available budget 2007–09

In the calculation of time-proportional available budget we assume that member states utilise the available budget 2007-13 evenly per year. However, while we are aware of the fact that this calculated distribution differs from the actual plans, it facilitates comparison of progress across countries.

### Contracted grants

Contracted grants are the amounts for which the contract has been signed by the competent authority (Managing Authority or Intermediary/Implementing Body) and the final beneficiary.

### Paid grants

Paid grants are the amount of grants (including advance payments) which have been disbursed to the final beneficiaries by the paying agency.

**Absorption**

Absorption equals to the amount of actual paid grants in the 2007–09 period divided by the budget available for 2007–13.

**Contracted ratio**

Contracted ratio equals the amount of actual contracted grants in 2007–09 divided by the budget available for 2007–13.

**Time-proportional contracted ratio 2007–09**

Time-proportional contracted ratio indicates the actual contracted amount of grants in 2007–09 divided by the time-proportional available budget for 2007–09.

**Intervention type**

Intervention types used in this document are not based on any official classification; these rather give a useful tool that is based on generally used terms (such as transport or healthcare).

## EU funds available for the 2007–13 period

### EU funds available for the 2007–13 period

#### Structural Funds

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)

#### Rural development and fisheries related funds

- European Agricultural Fund for Rural Development (EAFRD)
- European Fisheries Fund (EFF)

Within the framework of this progress report we are focusing on the following funds:

#### Structural Funds

- European Regional Development Fund (ERDF)  
The ERDF aims to promote economic and social cohesion by correcting the main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from other Structural Funds.
- European Social Fund (ESF)  
The ESF has been 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 and face new challenges.
- Cohesion Fund (CF)  
The aim 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 member states.

#### Rural development and fisheries related funds

- European Agricultural Fund for Regional Development (EAFRD)  
The aim of the EAFRD is to improve the competitiveness of agriculture and forestry, the environment and rural land management, as well as to improve the quality of life and diversification of the rural economy.
- European Fisheries Fund (EFF)  
The aim of the EFF is to provide financial assistance to help implementation of the latest reform of the Common Fisheries Policy (CFP) and to support the restructuring that has become necessary with the development of the sector.

# CEE overview

## Methodology

### Structure of this section

1. Methodology
2. Basic CEE information on EU funds 2007–13
3. Progress achieved in the application of EU funds, 2007–09
4. Summary of findings

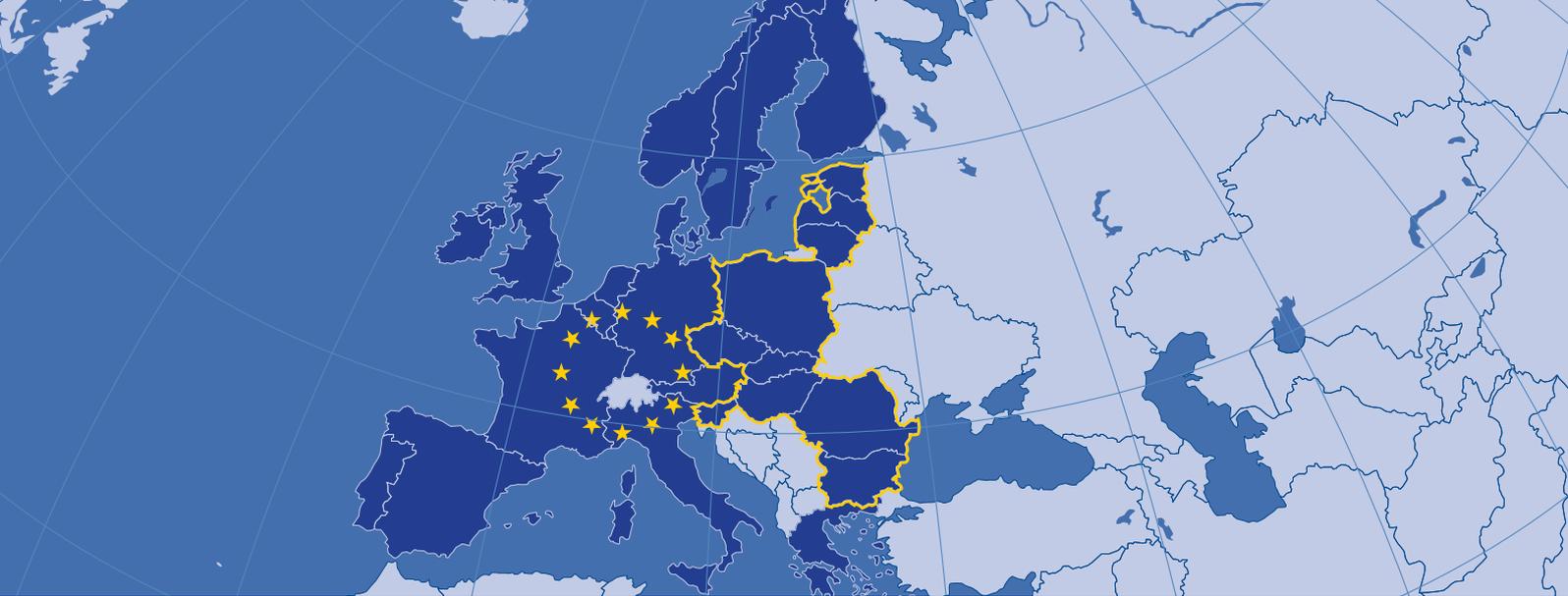
All data included in this section are based on individual, publicly available country level information derived from CEE countries that are covered in this publication. Country figures have been collected by local KPMG practices, GDP and population data originate from the Eurostat database. They have been aggregated to provide a basis for an analysis of the CEE region as a whole, identifying the similarities and differences across countries.

### Objectives

- Providing an overview of basic CEE country information
- Aggregating data for EU funds and available budget in CEE countries for the period 2007–13
- Presenting contracted and paid grants, contracted ratio and absorption achieved in implementation of EU funds in the 2007–09 period
- Giving a short description about the impacts of the financial crisis on EU Funds implementation

### General approach

- Amounts of financial resources originate from the financial table of the related framework programmes of 2007–13.
- Classification of intervention types is identical to what we applied in the previous KPMG studies: EU Funds in the CEE, 2008 and EU Funds in the CEE – Progress 2007–08.
- This report focuses on three types of framework programmes, including the following:
  - National Strategic Reference Frameworks (co-funded from ERDF, ESF and CF)
  - Rural development programmes (co-funded from EAFRD), and
  - Fisheries programmes (co-funded from EFF).



## Basic CEE information on EU funds 2007–13

Total population of the CEE region (2008): 102.1 million

Total annual GDP of the CEE region (2008): EUR 963.1 billion

Average GDP per capita of the CEE region (2008): EUR 9,432

Total EU funds in CEE 2007–13: EUR 214.7 billion

Average EU funds in CEE 2007–13 per capita: EUR 2,103

Average EU funds in CEE per year per GDP: 3.2%

The 10 CEE countries joined the European Union in two stages:

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

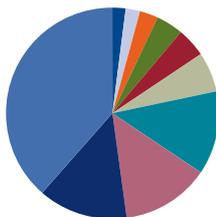
In the 2007–13 period the 10 CEE countries can allocate an EUR 214.7 billion in EU funds, which is 22% of the annual GDP of the region according to Eurostat data, 2008.

The following table shows the population, GDP and breakdown of EU funds by country.

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Population* (million)	7.6	10.4	1.3	10.0	2.3	3.4	38.1	21.5	5.4	2.0	<b>102.1</b>
Annual GDP* (bn EUR)	34.1	147.9	16.1	105.5	23.2	32.2	362.4	139.8	64.8	37.1	<b>963.1</b>
GDP per capita (EUR)	4,466	14,245	11,987	10,506	10,199	9,566	9,508	6,491	11,994	18,473	<b>9,432</b>
EU funds 2007–13 (bn EUR)	9.4	29.1	4.2	28.8	5.7	8.6	83.1	27.5	13.3	5.0	<b>214.7</b>
EU funds per capita (EUR)	1,225	2,806	3,135	2,863	2,508	2,546	2,181	1,276	2,470	2,499	<b>2,103</b>
EU funds per GDP	27%	20%	26%	27%	25%	27%	23%	20%	21%	14%	<b>22%</b>
EU funds per year per GDP*	3.9%	2.8%	3.7%	3.9%	3.5%	3.8%	3.3%	2.8%	2.9%	1.9%	<b>3.2%</b>

\*Source: Eurostat

### Breakdown of EU funds 2007–13 per country



■ Estonia	2%	■ Slovakia	6%
■ Slovenia	2%	■ Romania	13%
■ Latvia	3%	■ Hungary	13%
■ Lithuania	4%	■ Czech Republic	14%
■ Bulgaria	4%	■ Poland	39%

The total of EU funds available for CEE countries is EUR 214.7 billion. The majority of this amount originates from Structural Funds resources, while rural development and fisheries related funds constitute almost 19% of the total contribution.

Poland and the Czech Republic account for more than 50%, which, together with the share of Hungary and Romania, constitutes 79% of the total EU funds available in CEE. Countries with a relatively smaller population altogether hold a 21% share.

## Progress achieved during the application of EU funds, 2007–09

Total available budget 2007–13:  
EUR 264.4 billion

Total contracted grants 2007–09:  
EUR 69.3 billion

Contracted grants per capita:  
EUR 679

Total paid grants 2007–09:  
EUR 19.6 billion

Paid grants per capita:  
EUR 192

### General information on progress 2007–09

In the period of 2007–13 EUR 264.4 billion can be spent on economic and social cohesion, rural development and fisheries. The available budgets have been set according to different considerations among the member states through framework programmes. The launch of framework programmes began in 2007, though for some countries the date was not until 2008.

During the first three years of the implementation of EU co-funded programmes beneficiaries signed contracts totalling nearly EUR 70 billion. This amount equals slightly more than a quarter of the EUR 264.4 billion available budget. Dividing the contracted amount with the population results in EUR 679 in contracted grants per capita.

Nearly 30% of the contracted grants, EUR 19.6 billion, has been paid out to beneficiaries.

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Available budget 2007–13 (bn EUR)	11.4	33.9	5.1	34.5	7.5	9.6	108.1	33.5	14.7	6.0	<b>264.4</b>
Available budget 2007–13 per capita (EUR)	1,488	3,262	3,812	3,437	3,323	2,838	2,837	1,557	2,723	2,999	<b>2,589</b>
Contracted grants 2007–09 (bn EUR)	2.6	8.5	2.2	13.3	2.9	3.9	24.5	5.4	3.9	2.1	<b>69.3</b>
Contracted grants 2007–09 per capita* (EUR)	339	820	1,663	1,325	1,274	1,161	642	249	724	1,053	<b>679</b>
Paid grants 2007–09 (bn EUR)	0.5	2.6	0.6	3.4	1.0	1.6	7.6	0.6	0.7	1.1	<b>19.6</b>
Paid grants 2007–09 per capita* (EUR)	59	252	443	342	426	470	198	27	131	531	<b>192</b>

\*Source: Eurostat, KPMG

Contracted ratio			
Estonia	44%	Slovakia	27%
Lithuania	41%	Czech Republic	25%
Hungary	39%	Bulgaria	23%
Latvia	38%	Poland	23%
Slovenia	35%	Romania	16%

### Contracted ratio 2007–09 by country

As a result of the first three years of implementation the 10 CEE countries have contracted 26% of the total available budget. The implementation contracted ratio varies between 44% and 16%.

In the 2007–09 period five CEE countries' contracted ratio was above 35%.

There are two countries, Lithuania and Estonia, where the share of contracted grants to their available budget is above 40%, whilst Romania, Bulgaria and Poland are lagging behind with below 25% ratios.

### Progress

#### Top performers

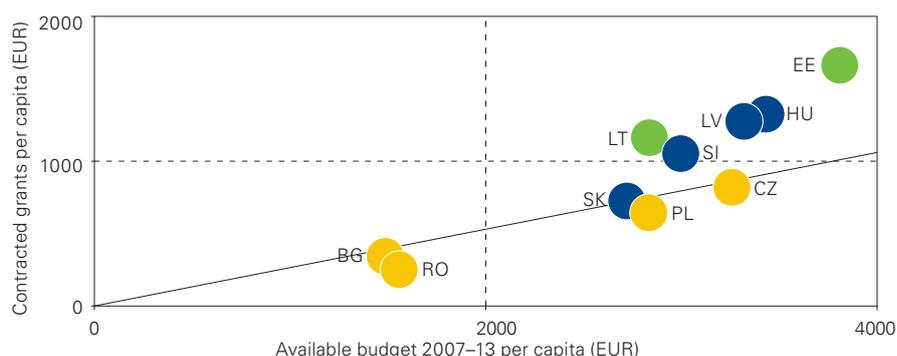
Lithuania, Estonia

#### Above average performers

Hungary, Latvia, Slovenia, Slovakia

#### Below average performers

Czech Republic, Bulgaria, Poland, Romania



## Absorption 2007–09 by country

Absorption			
Slovenia	18%	Czech Republic	8%
Lithuania	17%	Poland	7%
Latvia	13%	Slovakia	5%
Estonia	12%	Bulgaria	4%
Hungary	10%	Romania	2%

Regarding paid grants, the top countries are the same as in the case of the contracted ratio but in a different order. The absorption rate is 7.4%.

In terms of the share of paid grants to contracted grants, 28% of the contracted grants have been paid to beneficiaries. In this respect the best performers are Slovenia and Lithuania where 50% and 40%, respectively, of the contracted grants have been disbursed to the final beneficiaries.

## Implementation of EU funds 2007–09 by intervention type

## Available budget 2007–13 (EUR million)

Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia**	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE TOTAL
Economic development	1,127	4,657	581	4,997	1,059	949	10,215	2,917	1,031	1,196	28,729
Energy	0	286	145	407	1,087	603	3,144	726	199	0	6,597
Environment	1,754	4,897	839	4,342	0	1,241	9,250	5,437	2,060	0	29,821
Healthcare	0	0	0	330	787	0	635	0	285	0	2,038
Human resource development	1,165	3,972	896	2,725	334	1,048	12,985	4,803	2,599	1,051	31,578
Public administration	174	1,503	0	4,568	28	595	611	235	930	114	8,757
R&D, innovation	0	3,151	365	991	455	557	10,050	646	1,384	473	18,073
Rural development and fisheries	3,349	3,622	1,038	5,000	1,803	2,236	25,773	9,888	1,315	1,192	55,214
Settlement development	1,547	1,954	457	1,957	323	999	2,385	617	614	0	10,853
Transport	1,938	8,600	719	7,670	1,483	1,103	29,911	6,966	3,828	1,889	64,108
Technical assistance	314	1,220	72	1,536	187	223	3,166	1,296	462	115	8,591
<b>CEETOTAL</b>	<b>11,368</b>	<b>33,862</b>	<b>5,111</b>	<b>34,524</b>	<b>7,547</b>	<b>9,555</b>	<b>108,125</b>	<b>33,530</b>	<b>14,707</b>	<b>6,030</b>	<b>264,358</b>

\*\* In Latvia energy interventions include environment related resources and human resource development interventions include healthcare.

## Contracted grants 2007–09 (EUR million)

Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia**	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE TOTAL
Economic development	372	1,289	315	2,033	293	608	3,195	476	289	419	9,289
Energy	0	77	28	26	411	353	26	56	82	0	1,058
Environment	455	1,649	447	727	0	651	2,202	1,006	355	0	7,491
Healthcare	0	0	0	199	315	0	204	0	116	0	833
Human resource development	231	736	475	893	231	372	4,640	1,450	932	431	10,389
Public administration	69	317	0	1,291	11	233	452	38	144	92	2,647
R&D, innovation	0	349	88	139	32	266	4,720	175	319	314	6,401
Rural development and fisheries	674	n/a*	244	2,016	560	585	3,903	1 695	596	486	10,760
Settlement development	444	886	146	425	162	421	552	155	6	0	3,196
Transport	218	2,855	474	4,605	814	365	3,950	205	848	272	14,604
Technical assistance	130	350	14	958	65	56	642	103	224	104	2,646
<b>CEETOTAL</b>	<b>2,593</b>	<b>8,508</b>	<b>2,230</b>	<b>13,312</b>	<b>2,894</b>	<b>3,910</b>	<b>24,485</b>	<b>5,358</b>	<b>3,909</b>	<b>2,116</b>	<b>69,316</b>

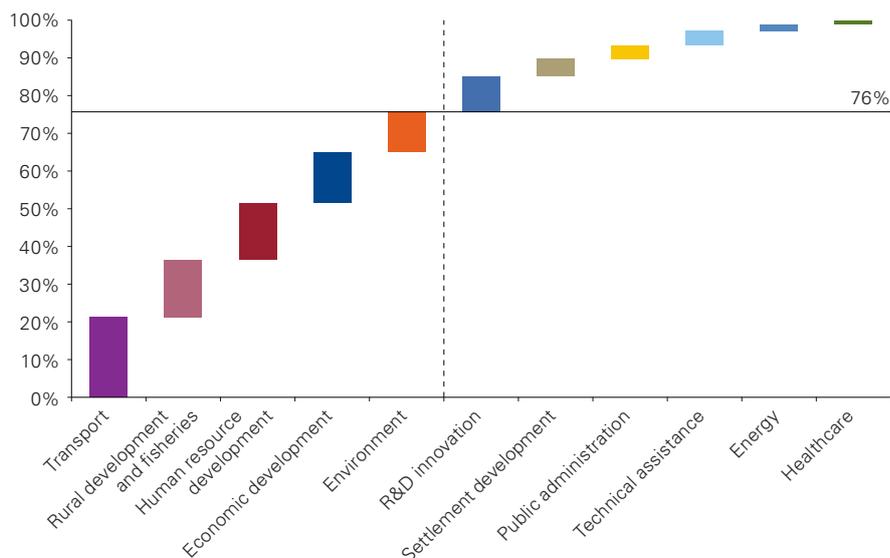
\* No data available

\*\* In Latvia energy interventions include environment related resources and human resource development interventions include healthcare.

### Contracted grants 2007–09 split by intervention type

After the first three years of implementation 76% (i.e. EUR 52.5 billion) of grants have supported projects which were implemented in five interventions.

Analysing the split-share among these interventions the greatest share within the contracted grants has supported the transport sector whilst rural development and fisheries, human resources development and economic development bears nearly the same share.



### Contracted ratio 2007–09 based on available budget 2007–13

Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE
Economic development	33%	28%	54%	41%	28%	64%	31%	16%	28%	35%	32%
Energy	n/a	27%	19%	6%	38%	59%	1%	8%	41%	n/a	16%
Environment	26%	34%	53%	17%	n/a	52%	24%	19%	17%	n/a	25%
Healthcare	n/a	n/a	n/a	60%	40%	n/a	32%	n/a	41%	n/a	41%
Human resource development	20%	19%	53%	33%	69%	36%	36%	30%	36%	41%	33%
Public administration	40%	21%	n/a	28%	39%	39%	74%	16%	15%	80%	30%
R&D, innovation	n/a	11%	24%	14%	7%	48%	47%	27%	23%	66%	35%
Rural development and fisheries	20%	n/a	23%	40%	31%	26%	15%	17%	45%	41%	19%
Settlement development	29%	45%	32%	22%	50%	42%	23%	25%	1%	n/a	29%
Transport	11%	33%	66%	60%	55%	33%	13%	3%	22%	14%	23%
Technical assistance	41%	29%	20%	62%	35%	25%	20%	8%	49%	90%	31%
<b>Total progress</b>	<b>23%</b>	<b>25%</b>	<b>44%</b>	<b>39%</b>	<b>38%</b>	<b>41%</b>	<b>23%</b>	<b>16%</b>	<b>27%</b>	<b>35%</b>	<b>26%</b>

■ less than 70% of CEE contracted ratio

■ greater than 130% of CEE

\*n/a indicates there is no separate priority for these types of interventions. In most cases it means practically that there are no funds available for that particular type of intervention.

At a country level the contracted ratios of healthcare, human resource development, R&D and innovation and economic development intervention types are excelling. As regards total CEE contracted ratio by intervention type, energy related interventions are lagging behind compared to the CEE ratio level.

Time proportional available budget 2007–09: EUR 113.3 billion

Time proportional available budget per capita: EUR 1,110

Time proportional contracted ratio: 61%

Time proportional absorption: 17%

#### General information on time-proportional contracted ratio, 2007–09

In order to allow comparisons of contracted grants to time-proportional plans, in this section we assume that the available budget is distributed evenly for the seven years of the programme duration. This means that the time-proportional available budget comprises three-thirds of the available budget.

On a time proportional basis, EUR 113.3 billion is available for beneficiaries in the first three years of the implementation according to the following table:

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Available budget 2007–13 (bn EUR)	11.4	33.9	5.1	34.5	7.5	9.6	108.1	33.5	14.7	6.0	<b>264.4</b>
Time-proportional available budget 2007–09 (bn EUR)	4.9	14.5	2.2	14.8	3.2	4.1	46.3	14.4	6.3	2.6	<b>113.13</b>
Time-proportional available budget 2007–09 per capita* (EUR)	638	1,398	1,634	1,473	1,424	1,216	1,216	667	1,167	1,285	<b>1,110</b>

\*Source: Eurostat

#### Contracted ratio 2007–09 compared to the time-proportional available budget 2007–09

Following three years of implementation the time-proportional contracted ratio reaches 61%.

There are two countries, Lithuania and Estonia exceed the 95% time-proportional contracted ratio, whilst Romania, Bulgaria and Poland are lagging behind.

Time proportional contracted ratio			
Estonia	102%	Slovakia	62%
Lithuania	95%	Czech Republic	59%
Hungary	90%	Bulgaria	53%
Latvia	89%	Poland	53%
Slovenia	82%	Romania	37%

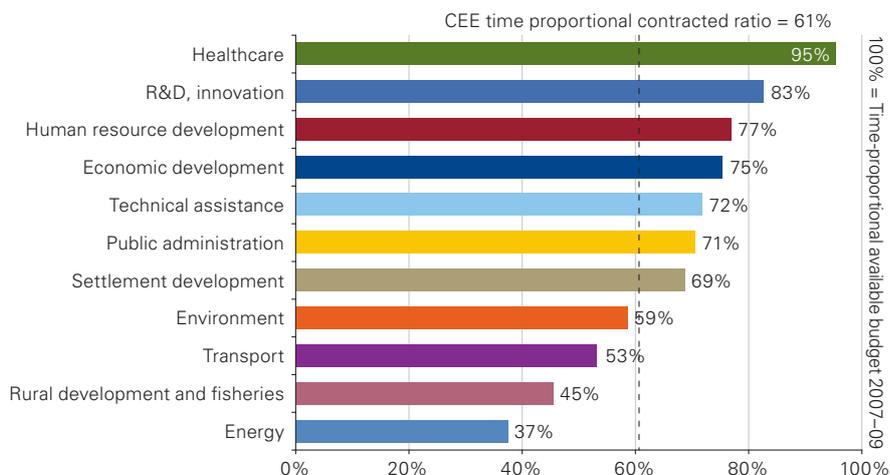
#### Absorption compared to time-proportional available budget 2007–09

The time-proportional absorption at the CEE level is 17%. On a time-proportional basis the share of paid grants within the time-proportional available budget varies between 4 and 41%.

On a country level Lithuania and Slovenia take the lead, since nearly over 40% of the available budget has been paid to beneficiaries. In Bulgaria and Romania this ratio is below 10%.

Time proportional absorption			
Slovenia	41%	Czech Republic	18%
Lithuania	39%	Poland	16%
Latvia	30%	Slovakia	11%
Estonia	27%	Bulgaria	9%
Hungary	23%	Romania	4%

### Contracted ratio in 2007–09 compared to the time-proportional available budget 2007–09 by intervention type



There are seven intervention types whose standing exceeds the 61% CEE figure: healthcare, R&D and innovation, human resource development, economic development, technical assistance, public administration and settlement development. The contracted ratio figures are less variable in this case than in the respective country breakdowns.

Contracted ratio based on the time-proportional available budget 2007–09 by country

The figures in the table below show the time-proportional contracted ratio of each country by intervention type. One hundred per cent means that the whole amount of the three-year time-proportional budget has been contracted. The time proportional contracted ratio exceeds 100% in 22 cases within the country and intervention type split.

Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia**	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE
Economic development	77%	65%	127%	95%	65%	150%	73%	38%	65%	82%	75%
Energy	n/a	63%	45%	15%	n/a	137%	2%	18%	96%	n/a	37%
Environment	61%	79%	124%	39%	n/a	122%	56%	43%	40%	n/a	59%
Healthcare	n/a	n/a	n/a	140%	n/a	n/a	75%	n/a	95%	n/a	95%
Human resource development	46%	43%	124%	76%	161%	83%	83%	70%	84%	96%	77%
Public administration	93%	49%	n/a	66%	n/a	91%	173%	38%	36%	188%	71%
R&D, innovation	n/a	26%	56%	33%	16%	111%	110%	63%	54%	155%	83%
Rural development and fisheries	47%	n/a	55%	94%	72%	61%	35%	40%	106%	95%	45%
Settlement development	67%	106%	75%	51%	117%	98%	54%	59%	2%	n/a	69%
Transport	26%	77%	154%	140%	128%	77%	31%	7%	52%	34%	53%
Technical assistance	96%	67%	47%	146%	81%	58%	47%	19%	113%	210%	72%
<b>CEE total</b>	<b>53%</b>	<b>59%</b>	<b>102%</b>	<b>90%</b>	<b>89%</b>	<b>95%</b>	<b>53%</b>	<b>37%</b>	<b>62%</b>	<b>82%</b>	<b>61%</b>

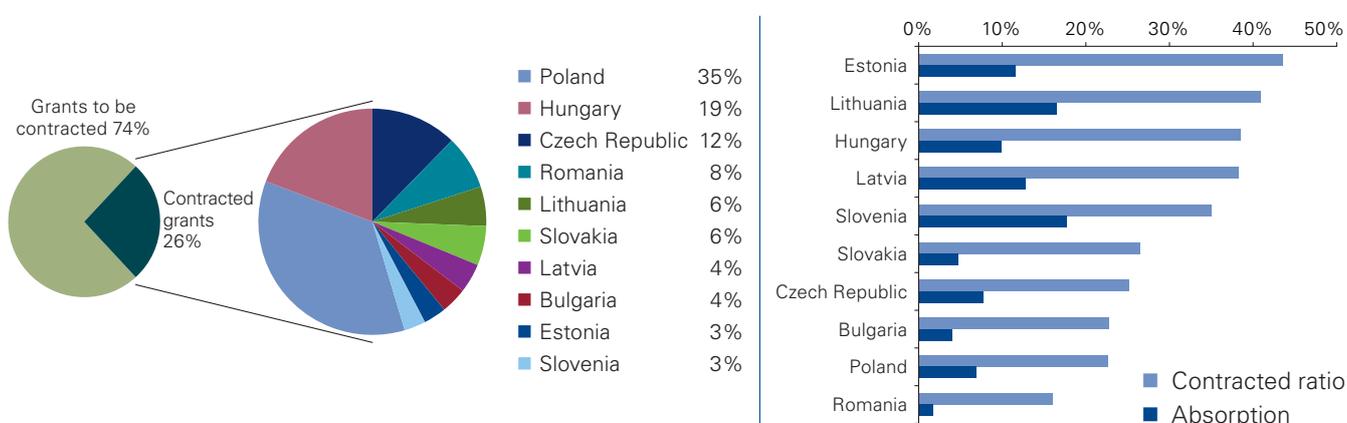
- less than 70% of CEE contracted ratio
- greater than 130% of CEE

\*n/a indicates there is no separate priority for these types of interventions. In most cases it means practically that there are no funds available for that particular type of intervention.

## Summary of findings

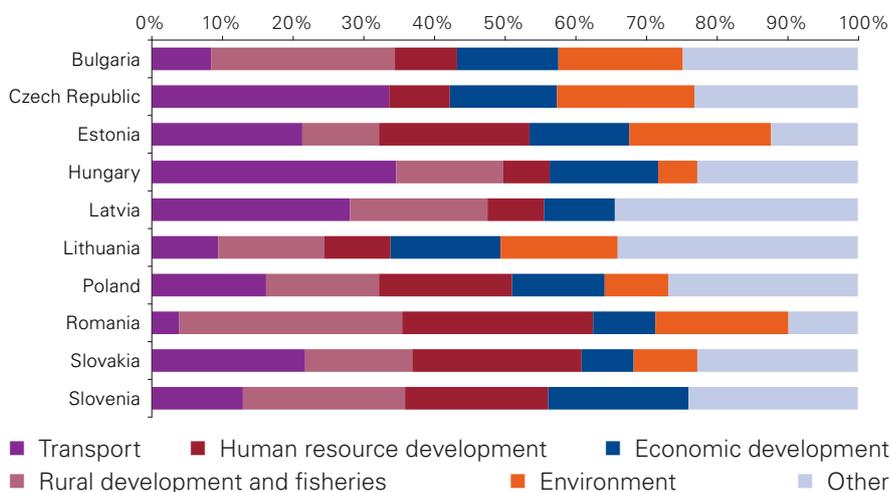
### Implementation progress 2007–09 by country

- During the first three years of implementation EUR 69.3 billion has been contracted to the final beneficiaries. This amount is 26% of the total available budget for 2007-13 and 61% of the time-proportional available budget
- Until the end of 2009 EUR 19.6 billion, 7.4% of the available budget and nearly 30% of the contracted grants had been paid to beneficiaries.
- Sixty-seven per cent of the contracted grants has supported beneficiaries in three counties: Poland, Czech Republic and Hungary.
- Top performers have achieved over 40% contracted ratios which is above 95% on a time proportional basis.
- The highest absorption rate was 18%.



### Implementation progress 2007–09 by intervention type

- Until the end of December 2009 the best performing intervention types were healthcare, R&D and innovation whose beneficiaries have contracted more than 80% of the available budget dedicated to these intervention types.
- The most grants (EUR 52,5 billion, i.e. 76% of the total contracted grants) have been contracted related to transport, rural development and fisheries, human resources development, economic development and environment related projects.



# Country overviews



# Bulgaria

## Basic country information

### Basic country information (2008)

Population:	7.6 million
GDP per capita:	EUR 4,466
EU member since:	1 January 2007

### EU programme information

In the 2007–13 period Bulgaria has three major EU co-funded framework programmes:

- **National Strategic Reference Framework (NSRF)** covering seven Operational Programmes (OPs) with EUR 6.67 billion contribution from the Funds;
- **National Strategic Plan for Agricultural and Rural Development (NSPARD)** with a total Community contribution of EUR 2.61 billion; and
- **National Strategic Plan for Fisheries and Aquaculture (NSPFA)** with EUR 80 million from EFF.

### Basic EU funds information

EU funds total:	EUR 9.36 billion
EU funds per capita:	EUR 1,225
EU funds per year per GDP:	3.9%

### EU funds information

In the 2007–13 period Bulgaria has been granted EUR 9.36 billion from the EU budget. Complemented with national public contribution, it amounts to EUR 11.37 billion.

Proportionally, the EU funds per capita value in Bulgaria is EUR 1,225, which is below the respective average figure for CEE.

The total sum of EU funds per year constitutes 3.9% of the annual GDP (calculated on 2008) of the country.

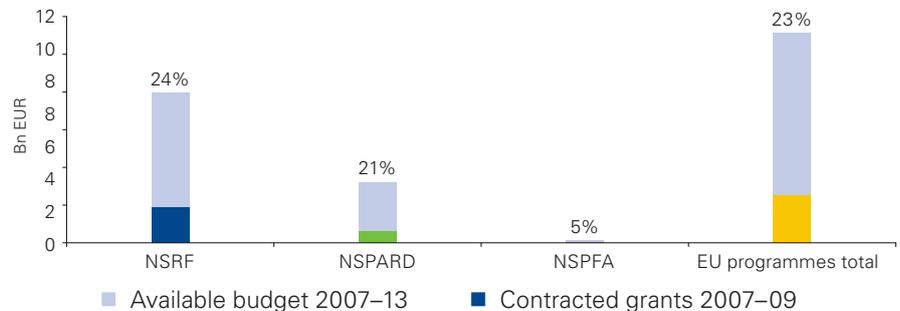
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
 2007–13: EUR 11.37 billion  
 Contracted grants: EUR 2.59 billion  
 Contracted ratio: 23% of total  
 budget contracted  
 First call for tenders: July 2007

Bulgaria has contracted 23% of the total budget available for EU co-funded development.



- Within the framework of the **National Strategic Reference Framework** EUR 1.92 billion was contracted, which is 24% of the available budget.
- Regarding the **National Strategic Plan for Agricultural and Rural Development**, EUR 669 million, 21% was contracted of the budget available for 7-years.
- For the **National Strategic Plan for Fisheries and Aquaculture** the contracted ratio is 5% of the available budget for 2007–13 regarding contracted grants.

Generally, on a time-proportional basis the Bulgarian EU co-funded framework programmes stand at 23%, which means that by the end of 2009 EUR 2.59 billion had been contracted. Considering this result, Bulgaria lags behind compared to the average contracted ratio at the CEE level.

### Progress by programme

The table which follows contains the amounts of EU funds, the available budget 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Bulgaria during 2007–09.

Operational Programme Title	Operational Programme Title	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption	
I. National Strategic Reference Framework		6,674	8,019	1,918	208	24%	3%
Administrative Capacity OP		154	181	71	38	40%	21%
Development of the Competitiveness of the Bulgarian Economy OP		988	1 162	392	5	34%	0.4%
Environment OP		1,466	1,801	460	49	26%	3%
Human Resources Development OP		1 ,032	1,214	270	40	22%	3%
Transport OP		1,624	2,003	235	42	12%	2%
Regional Development OP		1,361	1,601	476	31	30%	2%
Technical Assistance OP		48	57	13	3	23%	5%
II. National Strategic Plan for Agricultural and Rural Development		2,609	3,242	669	245	21%	8%
III. National Strategic Plan for Fisheries and Aquaculture		80	107	5	0.2	5%	0.2%
<b>Total</b>		<b>9,363</b>	<b>11,368</b>	<b>2,593</b>	<b>453</b>	<b>23%</b>	<b>4%</b>

- Framework Programme
- Sectoral OP
- Regional OP
- Technical Assistance OP

The Administrative Capacity OP, which has the second lowest budget among the OPs, exhibits the greatest contracted ratio with 40%. An overall EUR 71 million worth of grants was contracted by the end of 2009 under this OP.

The Development of the Competitiveness of the Bulgarian Economy OP shows a 34% contracted ratio regarding contracted grants. However the Transport OP having the most available grants for the 7-year period lags behind at 12%.

Within the framework of the only regional development OP, 30% has been contracted from the EUR 1.6 billion budget.

The absorption of the Administrative Capacity OP shows the best ratio among the programmes, at 21%. The other OPs lag behind regarding paid grants to beneficiaries as they reached a maximum level of 5% by the end of 2009.

The contracted ratio of the rural development related programme is at 21% – EUR 669 million of the available budget for 2007–13 was contracted.

The NSPARD is at 8% regarding absorption, which is the highest volume among paid grants, equating to EUR 245 million.

The first two measures under the National Strategic Plan for Fisheries and Aquaculture were launched at the end of 2008, resulting in EUR 5 million in contracted grants by 2009 from the total available budget for the 7-year period. According to the lower level of contracted grants, the volume of paid grants within the National Strategic Plan for Fisheries and Aquaculture is also minor so far.

### Progress by intervention type

#### Contracted ratio by intervention type

Economic development:	33%
Energy:	n/a*
Environment:	26%
Healthcare:	n/a*
Human resource development:	20%
Public administration:	40%
R&D, innovation:	n/a*
Rural development and fisheries:	20%
Settlement development:	29%
Transport:	11%
Technical assistance:	41%

\* These types of interventions are financed by different schemes within the EU-funded Operational Programmes and Bulgarian governmental programmes. However, these sectors are not covered by separate programme or priority interventions.

#### General description

Generally the contracted ratio for intervention types is balanced; only transport lags behind at 11%. The best performing areas are technical assistance and public administration whose contracted ratio registers 41% and 40% respectively. The average of the contracted ratio is 28%

#### Comparison with budget

It is remarkable that although public administration and technical assistance related interventions had the highest contracted ratios, this is partly due to the fact that these have the lowest budgets out of the intervention types.

Having the highest available budgets, the contracted ratio of rural development and fisheries interventions stands at 20%.

R&D and innovation, healthcare and energy related interventions are included in the Bulgarian programmes for 2007–13, though not as separate priorities.

#### Comparison with other CEE countries

When compared to other CEE countries, Bulgaria’s progress in the utilisation of EU funds is below the average CEE level. This is partly due to the fact that, being the newest members of EU, the programme procedures started later in Bulgaria and Romania.

#### Summary by intervention type

##### Most progress

1. Technical assistance (41%)
2. Public administration (40%)
3. Economic development (33%)

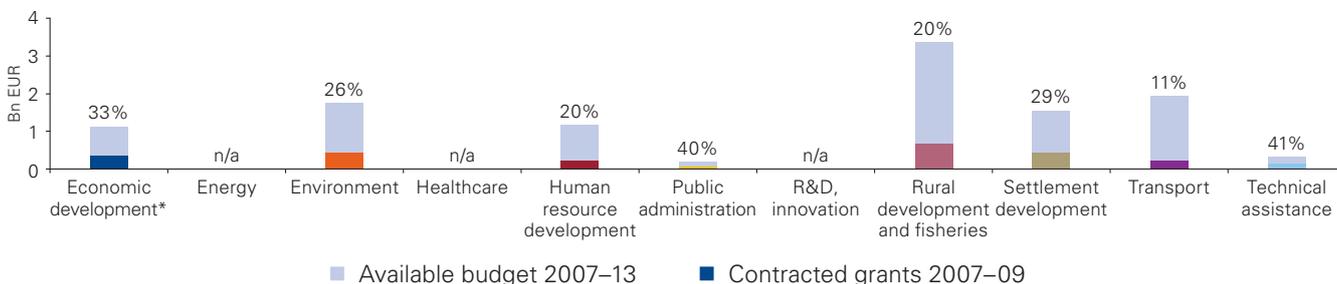
##### Least progress

1. Transport (11%)
2. Rural development and fisheries and human resource development (20%)

In case of the Bulgarian framework programmes, the contracted ratio of the intervention types is:

**Exceptional** in technical assistance related interventions, but

**Lagging behind** in transport and rural development and fisheries in comparison with the average CEE figures.



\* Economic competitiveness interventions include some sources for R&D

## The Impacts of the Financial Crisis on EU Programmes

A number of measures were undertaken in 2009 for achieving better performance of the implementation of the OPs in Bulgaria and for mitigating the consequences of the financial and economic crisis. As a result of these efforts, in comparison to 2008, in 2009 the absorption rate of the EU funds through the OPs has grown in terms of contracted grants. The implemented measures are the following:

In order to meet the present labour market challenges, the Employment Agency in Bulgaria launched a project under the Human Resources Development OP awarding training vouchers to employed and unemployed persons. This measure aims to improve and facilitate the absorption of funds under the Programme by directly involving people in training with no funding required by the employers. Other anti-crisis measures under OP HRD were launched to provide training for unemployed and part-time workers.

By the end of 2009 changes were introduced in the Programme for Rural Development in Bulgaria. The budget of the Programme for 2009 and 2010 was increased by EUR 33.15 million which will be targeted for investments related to the "new challenges" of the Common Agriculture Policy: climate change, renewable energy, water management, biodiversity, restructuring of the milk sector and innovations. Other incentives were also developed for some of the interventions, such as increase of the advance payments for investment projects and for operational expenditures.

Some administrative measures for speeding up the implementation of municipal infrastructure projects were also adopted.

The indicative annual work programme for year 2010 for Operational

Programme Environment envisages only direct award procedures to beneficiaries for the Priority axes covering water and waste. Municipalities will be invited to submit their project proposals according to project readiness. The purpose of this measure is to provide sound financial management and absorption of funds under the Environment OP. New simplified procedures for reporting were also introduced in order to facilitate and speed up the implementation of the projects.

The implementation of some of the strategic transport projects, co-financed by the Transport OP, has gained pace compared to the implementation results achieved in 2008.

Certain legislative changes were made with the objective of achieving better financial implementation of the operational programmes and reducing the administrative burden during the management of the projects, such as simplification of procedures for selection of subcontractors by beneficiaries implementing EU-funded projects.

Since 2009 Bulgaria has been operating the Fund for Local Authorities and Governments (FLAG), an instrument for financing regional development initiatives. Financial assistance is provided to smaller municipalities, as well as municipality-owned utilities, in the form of loans with the aim of facilitating an enhanced absorption of EU Structural and Cohesion Funds. The projects which received sub-loans are mainly related to reconstruction of social infrastructure and roads rehabilitation.

Structural changes were undertaken in order to improve the monitoring of EU funds absorption in Bulgaria. The function of the central coordination of EU funds management was transferred from the Ministry of Finance to the administration

of the Council of Ministers.

The Bulgarian government which came into power in July 2009 established a Council for Management of EU funds as a coordinating and advisory body with regard to the government policy for political and social development of the country. The Council deals with all issues related to programming, management, monitoring and control of the measures financed by the EU, and aims to ensure the coordination of the implementation of the Operational Programmes in Bulgaria.

In comparison to 2008 when only preparatory actions for the Operational Programme for Development of the Fisheries sector were carried out, in 2009 the actual implementation of the programme began and nine projects were approved for financing.

### Contact information



**Gergana Mantarkova**

Managing Partner  
KPMG in Bulgaria

Tel: +359 (2) 9697 500

E-mail: gerganamantarkova@kpmg.com



**Iva Todorova**

Senior Manager  
KPMG in Bulgaria

Tel: +359 (2) 9697 650

E-mail: itodorova@kpmg.com

# Czech Republic

## Basic country information

### Basic country information (2008)

Population:	10.4 million
GDP per capita:	EUR 14,245
EU member since:	1 May 2004

### EU funds information

EU funds total:	EUR 29.13 billion
EU funds per capita:	EUR 2,806
EU funds per year per GDP:	2.8%

### EU programme information

In the 2007–13 period, the Czech Republic has three EU co-funded framework programmes:

- **National Strategic Reference Framework (NSRF)** covering 17 OPs (eight thematic, seven regional and two Objective 2 OPs) with a total Community contribution of EUR 26.3 billion;
- **Rural Development Plan (RDP)** including agricultural and rural development interventions, with a total EU contribution of EUR 2.81 billion; and
- **National Strategic Fisheries Plan (NSFP)** including fisheries and aquaculture sector interventions, with EUR 27 million of EFF funding.

### EU funds information

The Czech Republic was granted an EU funded budget of EUR 29.13 billion in total for the 2007–13 period. Complemented with national public contribution, it totals a sum of EUR 33.86 billion available for development.

Proportionally, the EU funds per capita value in the Czech Republic is EUR 2,806, which is slightly higher than the respective CEE average figure.

The EU funds per year figure constitutes 2.8% of the annual GDP (calculated for 2008) of the country.

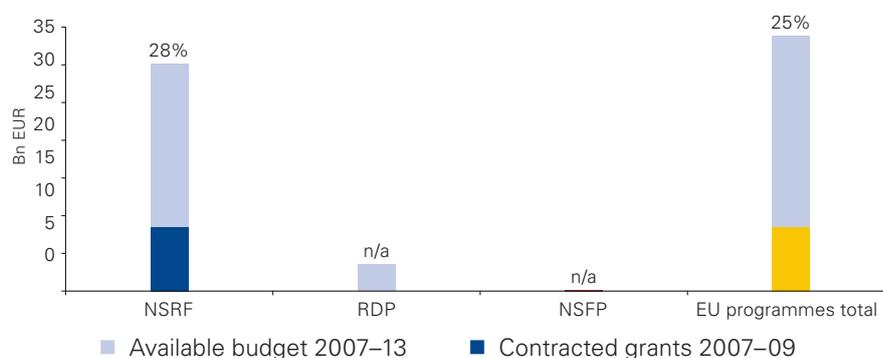
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
 2007–13: EUR 33.86 billion  
 Contracted grants: EUR 8.51 billion  
 Contracted ratio: 25% of total  
 budget contracted  
 First call for tenders: March 2007

The country has contracted altogether 25% of the total budget available for EU co-funded development.



- As part of the **National Strategic Reference Framework**, EUR 8.5 billion has been contracted with beneficiaries, accounting for 28% of the available budget for 7-years. This can be considered good performance.
- Concerning the **Rural Development Plan** and the **National Strategic Fisheries Plan**, unfortunately no data is available on contracted grants at the end of 2009.

The overall contracted ratio of the Czech EU co-funded framework programmes stands at 25%, which is mostly based on the results of the NSRF as no data is available on the other two plans. This contracted ratio is equal to the average for all CEE countries.

### Progress by programme

The following table contains the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in the Czech Republic during the 2007–09 period.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Strategic Reference Framework</b>	<b>26,284</b>	<b>30,220</b>	<b>8,508</b>	<b>2,621</b>	<b>28%</b>	<b>9%</b>
Environment OP	4,910	5,065	1,674	259	33%	5%
Transport OP	5,770	6,793	2,204	1,168	32%	17%
Enterprise and Innovation OP	3,042	3,578	942	293	26%	8%
Integrated OP	1,578	1,862	423	28	23%	1%
Human Resources and Employment OP	1,837	2,157	474	71	22%	3%
Education for Competitiveness OP	1,828	2,152	277	50	13%	2%
Research and Development for Innovations OP	2,071	2,436	89	14	4%	1%
Prague OP – Competitiveness	235	276	132	38	48%	14%
Prague OP – Adaptability	108	128	47	18	37%	14%
South-East OP	704	829	448	122	54%	15%
North-East OP	657	773	392	130	51%	17%
North-West OP	746	878	392	49	45%	6%
Central Moravia OP	657	773	311	145	40%	19%
South-West OP	620	729	264	86	36%	12%
Central Bohemia OP	559	658	193	76	29%	12%
Moravia-Silesia OP	716	843	174	65	21%	8%
Technical Assistance OP	246	292	73	11	25%	4%
<b>II. Rural Development Plan</b>	<b>2,814</b>	<b>3,606</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>III. National Strategic Fisheries Plan/Fisheries OP</b>	<b>27</b>	<b>36</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Total</b>	<b>29,125</b>	<b>33,862</b>	<b>8,508</b>	<b>2,621</b>	<b>25%</b>	<b>8%</b>

- Framework Programme
- Sectoral OP
- Regional OP
- Regional competitiveness and employment OP (objective 2)
- Technical Assistance OP

The contracted ratios for the different OPs within the National Strategic Reference Framework show significant deviation, ranging from 4% to 54%. Generally the regional OPs are the best performers whilst the greatest amount of contracted and paid grants can be seen in case of the Transport OP.

Due to the greater value of the projects the amount of contracted grants of the Transport OP is the highest with EUR 1.68 billion accounting for 32% of the available budget for the 7-year period, which is an outstanding result as well. In the framework of the OP EUR 1.2 billion was paid to beneficiaries.

Although the Environment OP has a relatively high contract ratio (33%) its absorption is at a lower level.

The most grants were contracted in case of the Prague OP, but these programmes also have lower budgets compared to other programmes.

Regarding absorption, the Central Moravia OP and North-East OP are taking the lead, while Education for Competitiveness OP, Integrated OP and Research and Development OPs are lagging behind with 1–2% absorption ratios. In the case of the Rural Development Plan and the National Strategic Fisheries Plan no data was available regarding their implementation.

### Contracted ratio by intervention type

Economic development:	28%
Energy:	27%
Environment:	34%
Healthcare:	n/a
Human resource development:	19%
Public administration:	21%
R&D, innovation:	11%
Rural development and fisheries:	n/a
Settlement development:	45%
Transport:	33%
Technical assistance:	29%

### Summary by intervention type

#### Most progress

1. Settlement development (45%)
2. Environment (34%)
3. Transport (33%)

#### Least progress

1. R&D, innovation (11%)
2. Human resource development (19%)
3. Public administration (21%)

## Progress by intervention types

### General description

The areas with the most contracted ratio are settlement development environment and transport. Considering that all of these intervention types performed at an even with or above 27% rate means that they performed at or over the average result in the CEE region.

In the Czech Republic none of the OPs included any healthcare related interventions. Regarding rural development and fisheries, no information was available on the implementation of these programmes.

### Comparison with budget

The best contracted ratio is exhibited by the intervention supporting settlement development, which has a mid-level budget (EUR 2 million) available for the period 2007-13. This result is also noteworthy compared to that of other CEE countries. Having the most available budget, transport and environment show good performance as well: both achieving more than 30%.

Considering the lower available budget intervention types, a broad range of contracted ratio can be witnessed. While energy reached 27%, the contracted ratio of public administration and technical assistance stand at 21% and 29% respectively.

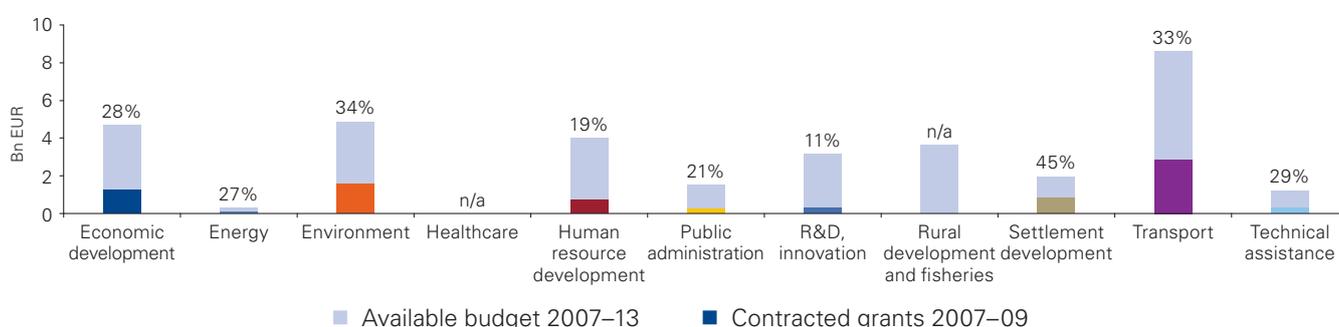
### Comparison with other CEE countries

Compared to other CEE countries the progress of the Czech Republic concerning the utilisation of EU funds is average, as 25% of the total available budget has already been contracted. This could be attributed to the relatively early launching date of the OPs.

Regarding the Czech framework programmes contracted ratios are:

**Exceptional** in settlement development, environment and transport, and

**Lagging behind** in human R&D and innovation related interventions compared to other countries within CEE.



## The Impacts of the Financial Crisis on EU Programmes

It is expected that the income of municipalities will drop by about 10 percent in 2009 as a result of the economic crisis in the Czech Republic. Due to stricter conditions on lending, they lack the money to co-finance projects subsidised by the European Union and are unable to realize a number of investment projects. A similar situation occurred for SMEs, which are having difficulties obtaining bank loans to finance their projects. There is also a risk arising from the depreciation of money due to the exchange rate of the CZK/EUR.

Within the operational programmes numerous measures have been adopted to facilitate access to European money in times of financial crisis. These include the simplification of administrative procedures associated with using of European money, the acceleration of payments and the use of credit mechanisms.

The Czech government intends to focus on particular areas with strong growth potential such as investment in infrastructure, human resources and innovative technologies.

Some OPs announced more calls than the number that was originally anticipated. The aim was to improve the situation of small and medium-sized enterprises that have difficulties obtaining bank loans.

Municipalities and banks agreed to establish a working group, which sets out common procedures for the valuation of creditworthiness of applicants and the quality of projects to help them to obtain financial resources.

### Contact information



**Eva Racková**

Partner  
Public Sector  
KPMG in Czech Republic  
Tel: +420 222 123 121  
E-mail: evarackova@kpmg.cz



**Martin Blaho**

Manager  
Government Services  
KPMG in Czech Republic  
Tel: +420 222 123 941  
E-mail: mblaho@kpmg.cz



**Martin Kavka**

Advisor  
Government Services  
KPMG in Czech Republic  
Tel: +420 222 123 380  
Email: mkavka@kpmg.cz



# Estonia

## Basic country information

### Basic country information (2008)

Population:	1.3 million
GDP per capita:	EUR 11,987
EU member since:	1 May 2004

### EU programme information

For the 2007–13 period, Estonia has three major EU co-funded programmes:

- **Structural assistance** under **the National Strategic Reference Framework** (NSRF), a strategic framework serving as the basis for application of Structural Funds, through three OPs with EUR 3.4 billion contribution from the Funds;
- **Estonian Rural Development Programme** (ERDP), including agricultural and rural development interventions, with a Community contribution of EUR 715 million; and
- **Operational Programme of the European Fisheries Fund** (OPEFF) with EUR 85 million of EFF funding.

### EU funds information

EU funds total:	EUR 4.2 billion
EU funds per capita:	EUR 3,135
EU funds per year per GDP:	3.7%

### EU funds information

Estonia was granted an EU funded budget of EUR 4.2 billion for the 2007–13 period. Complemented with national public contribution, a total sum of EUR 5.11 billion is available for development purposes.

The EU funds per capita figure in Estonia is EUR 3,135, which is well above the respective CEE average figure.

The amount of the calculated annual EU funds constitutes 3.7% of the annual GDP of the country (calculated for 2008).

## 2007–09 Progress report

### Overall progress

#### Progress summary

##### Available budget

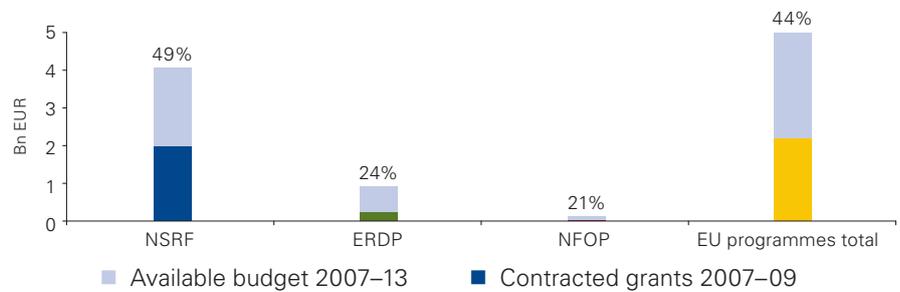
2007–13: EUR 5.11 billion

Contracted grants: EUR 2.23 billion

Contracted ratio: 44% of total budget contracted

First call for tenders: November 2007

The country has contracted altogether 44% of the total budget available for EU co-funded development programmes.



- As part of the **National Strategic Reference Framework**, the contracted amount totals EUR 1.99 billion, which is almost the half of the available budget between 2007 and 2013.
- Concerning the **Estonian Rural Development Programme**, 24% of the available budget was contracted by the end of 2009, altogether EUR 220 million.
- In the case of the **Operational Programme of the European Fisheries Fund**, the beneficiaries have signed contracts for EUR 24 million, which represents 21% of the available budget for the 7-year period.

On a time-proportion basis the Estonian Rural Development Programme has met the expectations. The three structural assistance OPs under the National Strategic Reference Framework exhibit an outstanding performance with contracted ratio at 49%. The Operational Programme of the European Fisheries Fund is also on the right track, as the 21% contracted ratio can be considered a good result after the slow development of measures in the first year.

### Progress by programme

The following table contains the amounts of EU funds, the available budget 2007–13, the contracted and paid grant amounts as well as the contracted ratio and absorption achieved by the framework and operational programmes in Estonia during 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Strategic Reference Framework</b>	<b>3,403</b>	<b>4,074</b>	<b>1,987</b>	<b>457</b>	<b>49%</b>	<b>11%</b>
Development of Economic Environment OP	1,404	1,700	884	243	52%	14%
Human Resources Development OP	392	462	232	50	50%	11%
Development of the Living Environment OP	1,607	1,912	871	163	46%	9%
<b>II. Estonian Rural Development Programme</b>	<b>715</b>	<b>925</b>	<b>220</b>	<b>130</b>	<b>24%</b>	<b>14%</b>
<b>III. Operational Programme of the European Fisheries Fund</b>	<b>85</b>	<b>113</b>	<b>24</b>	<b>7</b>	<b>21%</b>	<b>7%</b>
<b>Total</b>	<b>4 203</b>	<b>5 111</b>	<b>2 230</b>	<b>595</b>	<b>44%</b>	<b>12%</b>

- Framework Programme
- Sectoral OP

The contracted ratio of the OPs within the National Strategic Reference Framework is 49% on average, achieving a better standing than the rural development and fisheries programmes. At the level of the operational programmes similar contracted ratios can be seen.

The rate of contracted grants and available budget is 52% in case of Development of Economic Environment OP which totals EUR 884 million, whilst as part of the Development of the Living Environment OP EUR 871 million has been contracted accounting for 46% of the budget available for 7-years. Within the framework of the Human Resource Development OP beneficiaries have signed contracts for EUR 232 million, which equates to a 50% contracted ratio.

The absorption of the programmes is the same, since the Development of Economic Environment OP has the most absorption with 14%. This ratio is equal to EUR 243 million for economic development related activities by the end of 2009. Within the NSRF a total of EUR 457 million in structural assistance was paid out, accounting for 11% of the available budget.

In the case of the Estonian Rural Development Programme, the level of contracted grants totals EUR 220 million, which equals a 24% contracted ratio in terms of the available resources for 2007-13. The Operational Programme of the European Fisheries Fund exhibits great progress compared to 2008, as 21% of the available budget has been contracted and 7% of the available budget has been paid out to beneficiaries. Compared to the other framework programmes supports related to fisheries lag slightly behind due to the lower contracted rate in 2008 in which the measures and related frameworks were still being developed.

### Progress by intervention type

#### Contracted ratio by intervention type

Economic development:	54%
Energy:	19%
Environment:	53%
Healthcare:	n/a
Human resource development:	53%
Public administration:	n/a
R&D, innovation:	24%
Rural development and fisheries:	23%
Settlement development:	32%
Transport:	66%
Technical assistance:	20%

#### General description

Transport, economic development, environment and human resource management are the best performing areas, while energy and the technical assistance lag behind. The average progress of contracted funds is 38%. There are neither healthcare nor public administration development related interventions in Estonia.

#### Comparison with budget

Compared to the initial budget allocation structure it is apparent that types of interventions with higher budgets perform the best: transport exhibits the best result, at 66%, mostly due to large investments, while another three interventions perform at above 50%.

The rural development measures are exceptions, having the most budget but a contracted ratio level of 23% due to the difficulties of self-financing for investments, gradual development and the opening of measures.

#### Summary by intervention type

##### Most progress

1. Transport (66%)
2. Economic development (54%)
3. Environment and Human resource development (53%)

##### Least progress

1. Energy (19%)
2. Technical assistance (20%)
3. Rural development and fisheries (23%)

The interventions with lower budgets (energy, technical assistance, R&D, innovation) have shown lower contracted ratio (around 20%).

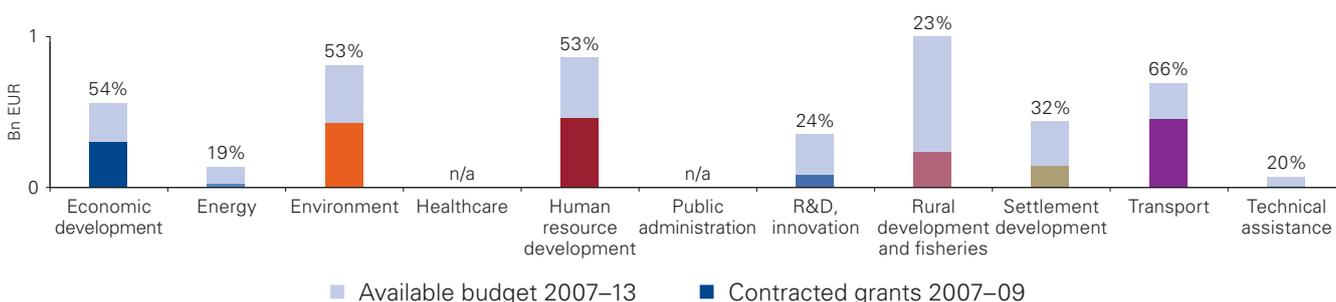
#### Comparison with other CEE countries

In light of other CEE countries' data the contracted ratio of Estonia's framework is above the average figure in the CEE region.

Considering the Estonian framework programmes, the contracted ratio of the intervention types is:

**Exceptional** in transport related intervention types, and

**Lagging behind** in energy related interventions compared to the CEE average.



## The Impacts of the Financial Crisis on EU Programmes

In short term Estonia's government decided to maintain its budget within a 3% deficit limit by cutting or reducing some benefits and raising some taxes.

In order to improve the competitiveness of companies abroad in the medium term, various measures such as export guarantees and grants were designed or boosted. Various entrepreneurship-enhancing measures were raised and brought forward to 2009-2010. Additional short-term measures were introduced to enhance companies' access to credit.

With regards to EU Funds, the emphasis was to make the implementation system procedurally simpler and faster.

In 2009 an external evaluation was carried out to analyse how the OPs would need to be changed in light of the changed economy. This served as input for the Ministry of Finance and was partly taken into consideration during a discussion of the national budget for 2010. Suggestions for reallocations in OPs are in the process of being acted upon.

### Contact information



**Taivo Epner**

Partner  
KPMG in the Baltics  
Tel: +372 626 8715  
E-mail: taivoepner@kpmg.com



**Karin Rätsep**

Manager  
KPMG in the Baltics  
Tel: +372 626 8700  
E-mail: kratsep@kpmg.com



**Janno Kase**

Senior Advisor  
KPMG in the Baltics  
Tel: +372 626 8700  
E-mail: jkase@kpmg.com

# Hungary

## Basic country information

### Basic country information (2008)

Population:	10.0 million
GDP per capita:	EUR 10,506
EU member since:	1 May 2004

### EU programme information

In the 2007–13 period Hungary has three major EU co-funded framework programmes:

- **New Hungary Development Plan (NHDP)** covering 15 OPs (seven sectoral, six regional, one Objective 2 and one technical assistance OP) with EU funds of EUR 24.92 billion;
- **New Hungary Rural Development Programme (NHRDP)** including rural development interventions with an EU contribution of EUR 3.81 billion; and
- **Fisheries Operational Programme (FOP)** with EUR 34 million of EFF funding.

### EU funds information

EU funds total:	EUR 28.76 billion
EU funds per capita:	EUR 2,863
EU funds per year per GDP:	3.9%

### EU funds information

For the 2007-13 period Hungary was granted an EU funded budget of EUR 28.76 billion. Complemented with the national public contribution the available budget 2007-13 totals EUR 34.52 billion.

Proportionally, the EU funds per capita figure stands at EUR 2,863, which is well above the respective CEE average figure.

The total sum of yearly EU funds constitutes 3.9% of annual GDP (calculated for 2008) of the country.

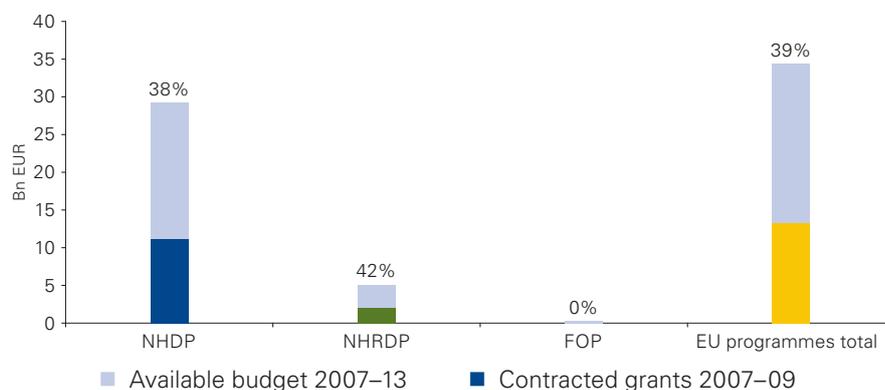
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
2007–13: EUR 34.52 billion  
Contracted grants: EUR 13.31 billion  
Contracted ratio: 39% of total  
budget contracted  
First call for tenders: January 2007

The country has contracted altogether 39% of the total budget available for EU co-funded development.



- As part of the **New Hungary Development Plan** EUR 11.15 billion was contracted with the final beneficiaries accounting for 38% of the budget available for seven years;
- Regarding the **New Hungary Rural Development Programme** the contracted grants equal EUR 2.16 billion;
- Within the **Fisheries Operational Programme** no beneficiary contracts have been signed so far.

Regarding Hungary's framework programmes it is apparent that both the NHDP and the NHRDP are making good contracted ratio on a time-proportional basis.

The contracted ratio of both launched framework programmes has met preliminary expectations.

### Progress by programme

The following table outlines the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Hungary in 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. New Hungary Development Plan</b>	<b>24,922</b>	<b>29,319</b>	<b>11,149</b>	<b>2,777</b>	<b>38%</b>	<b>9%</b>
Transport OP	6,223	7,095	4,552	926	64%	13%
Economic Development OP	2,496	3,355	1,392	447	41%	13%
Electronic Public Administration OP	358	422	185	50	44%	12%
Social Infrastructure OP	1,949	2,100	735	70	35%	3%
State Reform OP	147	172	58	19	34%	11%
Social Renewal OP	3,483	4,097	1,057	326	26%	8%
Environment and Energy OP	4,179	4,916	877	110	18%	2%
Central Hungary OP	1,467	1,726	752	256	44%	15%
South Transdanubia OP	705	830	292	90	35%	11%
South Great Plain OP	749	881	256	102	29%	12%
West Pannon OP	464	546	152	52	28%	9%
Central Transdanubia OP	508	598	152	48	25%	8%
North Great Plain OP	975	1,147	272	87	24%	8%
North Hungary OP	904	1,063	254	92	24%	9%
Implementation OP	315	371	161	101	43%	27%
<b>II. New Hungary Rural Development Programme</b>	<b>3,806</b>	<b>5,159</b>	<b>2,164</b>	<b>658</b>	<b>42%</b>	<b>13%</b>
<b>III. Fisheries Operational Programme</b>	<b>34</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
<b>Total</b>	<b>28,762</b>	<b>34,524</b>	<b>13,312</b>	<b>3,435</b>	<b>39%</b>	<b>10%</b>

Due to the reasonably high amount of projects so far, the best performer is the Transport OP with a 64% contracted ratio, which indicates that EUR 4.5 billion has been contracted from the available budget of EUR 7 billion. Within the framework of the OP nearly EUR 1 billion in grants has been paid to beneficiaries.

The contracted ratio exceeds 40% in for four OPs (Economic Development OP, Electronic Administration OP, Social Infrastructure OP and State Reform OP), whilst their absorption ratio does not show the same result: out of EUR 735 million in contracted grants only EUR 70 million (3%) lies within the Social Infrastructure OP. The Social Renewal OP is lagging behind at a 26% contracted ratio and 8% of absorption despite the fact that it was among the first programmes launched.

The contracted ratio of regional OPs is considerably below the average of the sectoral OPs, except for the Central Hungary OP where the beneficiaries have contracted 44% of the budget, i.e. EUR 753 million until the end of 2009. The reason for this achievement could be that the first applications could be submitted starting from March 2007. The contracted ratio and absorption of the other five regional OPs varies from 24% to 35% and 9% to 12% respectively.

The Hungarian public bodies responsible for the management and implementation of the rural development programme for 2007–13 have been paying special attention to the needs of the agricultural sector and rural communities, which contributed significantly to the present level of fund use. In order to reflect agricultural and rural needs, the timing of introducing the priorities and measures and defining the conditions for grants have all been well prepared.

- Framework Programme
- Sectoral OP
- Regional OP
- Technical Assistance OP

The Hungarian Rural Development Programme exhibits a 42% contracted ratio rate and EUR 658 million has been paid out to beneficiaries.

In the framework of the Fisheries Operational Programme – which was launched in mid 2009 – applicants can receive grants for three types of interventions. Until the end of 2009 there was no contracting within this OP.

## Progress by intervention type

### Contracted ratio by intervention type

Economic development:	41%
Energy:	6%
Environment:	17%
Healthcare:	60%
Human resource development:	33%
Public administration:	28%
R&D, innovation:	14%
Rural development and fisheries:	40%
Settlement development:	22%
Transport:	60%
Technical assistance:	62%

### Summary by intervention type

#### Most progress

1. Technical assistance (62%)
2. Healthcare (60%)
3. Transport (60%)

#### Least progress

1. Energy (6%)
2. R&D, innovation (14%)
3. Environment (17%)

### General description

Breakdown of the contracted ratio of the intervention types results in a broad range of progress: the contracted ratio of the interventions ranges from 6% to 62%. The contracted ratio is 39%.

### Comparison with budgets

The amount of contracted grants reaches EUR 2.26 billion for the top interventions i.e. transport, economic development and rural development. Compared to the budget the contracted ratio of healthcare related interventions is outstanding considering that a relatively low amount of available grants has been contracted to support projects related to this intervention.

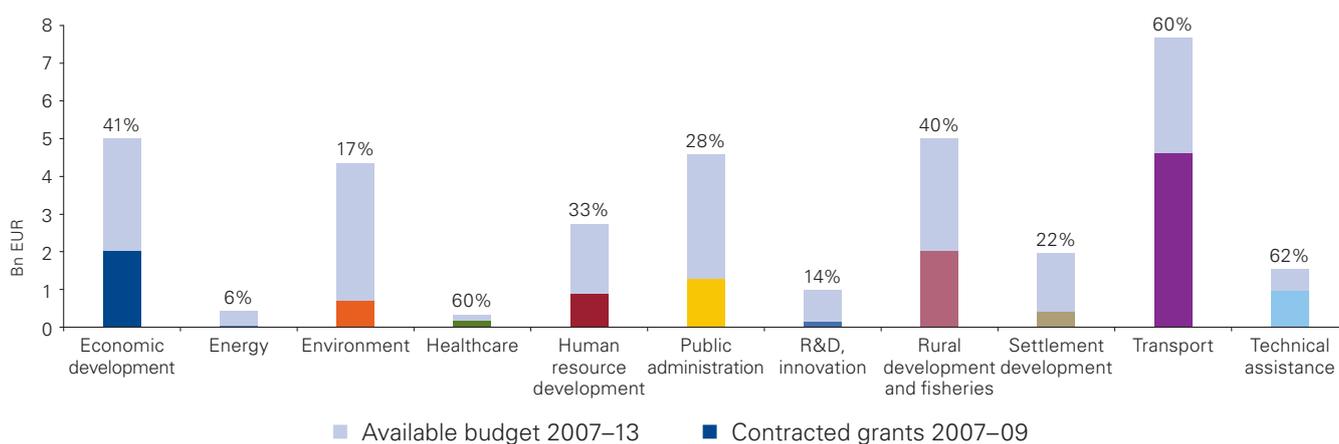
### Comparison with other CEE countries

Compared to other CEE countries the progress of Hungary concerning the utilisation of EU funds is average.

Within the Hungarian framework programmes, contracted ratios are:

**Exceptional** in technical assistance, transport and healthcare, and

**Lagging behind** in energy, R&D and innovation and environment related interventions compared to the CEE average.



## The Impacts of the Financial Crisis on EU Programmes

Due to the financial crisis it became even more difficult to access development resources and achieve growth, employment and financial expectations and plans.

In order to foster the development conditions several measures have been initiated in 2009 to ease the new challenges that applicants and beneficiaries are facing.

On one hand, modifications concentrated on creating less strict eligibility criteria: increasing support intensity and grant sums, decreasing growth expectations for the period after the realisation of the development; while on the other, reallocations were carried out among and within the OPs of New Hungary Development Plan in June 2009. The main objective of the reallocation was to tackle the implications of the changed economic environment resulting from the current economic downturn. Financial resources were reallocated from OPs or priorities where the absorption capacity proved to be less than expected and allocated to interventions where there was a lack of financial resources.

The majority of the reallocated resources were initiated in favour of SME development.

### Contact information



**Éva Várnai**

Partner  
Head of Public Sector in CEE  
Tel: +36 1 887 7249  
Email: [eva.varnai@kpmg.com](mailto:eva.varnai@kpmg.com)



**János Matolcsy**

Director  
Public Sector  
KPMG in Hungary  
Tel: +36 1 887 7395  
Email: [janos.matolcsy@kpmg.com](mailto:janos.matolcsy@kpmg.com)



**Judit Kertész**

Advisor  
Public Sector  
KPMG in Hungary  
Tel: +36 1 887 6695  
Email: [judit.kertesz@kpmg.hu](mailto:judit.kertesz@kpmg.hu)

# Latvia

## Basic country information

### Basic country information (2008)

Population:	2.3 million
GDP per capita:	EUR 10,199
EU member since:	1 May 2004

### Basic EU programme information

In the 2007–13 period, Latvia has three major EU co-funded framework programmes:

- **New Latvia Development Plan (NLDP)** covering three OPs with EUR 4.53 billion from Community funds;
- **New Latvia Rural Development Programme (NLRDP)**, including rural development interventions, with an EUR 1.04 billion contribution from Funds; and
- **National Fisheries Operational Programme (NFOP)** with EUR 125 million in EFF funding.

### EU funds information

EU funds total:	EUR 5.70 billion
EU funds per capita:	EUR 2,508
EU funds per year per GDP:	3.5%

### EU funds information

In the 2007–13 programming period Latvia was granted EUR 5.70 billion in grants from community resources, which totals EUR 7.54 billion including the national public contribution.

In Latvia the EU funds per capita figure is EUR 2,508, which is the lowest among the Baltic countries though still significantly above the respective CEE average figure.

The yearly EU contribution constitutes 3.5% of the country's annual GDP (calculated for 2008).

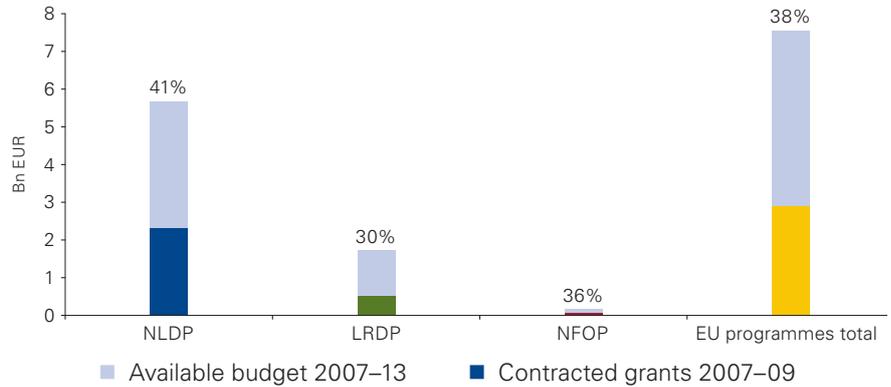
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
2007–13: EUR 7.54 billion  
Contracted grants: EUR 2.89 billion  
Contracted ratio: 38% of total  
budget allocated  
First call for tenders: January 2008

The country has contracted altogether 38% of the total budget available for EU co-funded development.



- Regarding the contracted ratio of the **New Latvian Development Plan**, the level of the contracted grants reached 41%, which means an amount of EUR 2.33 billion.
- In the framework of **Latvia Rural Development Programme** altogether EUR 506 million has been contracted, which is more than one-quarter of the total available budget for seven years.
- The contracted ratio of the **National Fisheries OP** has reached 36% of the total available budget.

On a time-proportionate basis of all framework programmes have achieved a good contracted ratios. At a CEE level the progress of the Latvian programme is among the best performers, with 38% contracted ratio and 13% absorption.

### Progress by programme

The following table contains the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Latvia in 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. New Latvia Development Plan</b>	<b>4,529</b>	<b>5,668</b>	<b>2,328</b>	<b>704</b>	<b>41%</b>	<b>12%</b>
Human Resources and Employment OP	549	609	396	94	65%	15%
Infrastructure and Services OP	3,243	3,522	1,593	357	45%	10%
Entrepreneurship and Innovations OP	737	1,537	339	253	22%	16%
<b>II. Latvia Rural Development Programme</b>	<b>1,041</b>	<b>1,711</b>	<b>506</b>	<b>245</b>	<b>30%</b>	<b>14%</b>
<b>III. National Fisheries Operational Programme</b>	<b>125</b>	<b>168</b>	<b>60</b>	<b>20</b>	<b>36%</b>	<b>12%</b>
<b>Total</b>	<b>5,695</b>	<b>7,547</b>	<b>2,894</b>	<b>968</b>	<b>38%</b>	<b>13%</b>

- Framework Programme
- Sectoral OP

The contracted ratio of the three OPs within the New Latvian Development Plan is 41% on average, achieving a better contracted rate than the rural development programme, and the National Fisheries OP.

The contracted ratio of the OPs diverge over a wide range: 65% of the budget of Human Resources and Employment OP has been contracted and the Infrastructure and Services OP has reached 45%, having the most available funds for the 7-year period. The Entrepreneurship and Innovation OP remains at last year's level of 22%.

Regarding absorption, the Entrepreneurship and Innovations OP is the best performer with EUR 253 million paid grants which equals 16% of the contracted grants. Please note that this outstanding ratio could be due to the fact that the OP includes an activity called "Availability of funding" where EUR 242 million is contracted which is 100% of the available budget for this activity. In case of this activity the final beneficiary is an investment fund that invests the money into companies via three sub-activities. This means that though the contracted ratio of the OP is high, the money has not been received directly by the business sector. If we consider this fact, then the absorption rate would be close to 5%.

Performance of the Latvian Fisheries programme is outstanding compared to other fisheries related framework programmes in the CEE region. The Latvia Rural Development Programme also shows good performance as well: 14% of the available grants have been paid out to beneficiaries.

### Progress by intervention type

#### Contracted ratio by intervention type

Economic development:	28%
Energy & Environment:	38%
Human resource development & Healthcare:	49%
Public administration:	39%
R&D, innovation:	7%
Rural development and fisheries:	31%
Settlement development:	50%
Transport:	55%
Technical assistance:	35%

#### General description

Generally, the contracted ratio for intervention types varies widely, ranging from 7 to 55%. The average contracted rate is 37%. Generally the contracted ratio of all interventions (except for R&D and innovation) exceeds 28% which comprises a very good result compared to other CEE countries.

#### Comparison with budget

During the last three years interventions related to transport have shown the best contracted ratio (55%), which is an outstanding result on a time-proportion basis. Additionally the contracted ratio of the lowest budgeted settlement development related interventions reach 50%. Energy and environment related interventions are closely related to each other, just like human resource development and healthcare, so these have been combined.

#### Comparison with other CEE countries

Compared to other CEE countries Latvia's utilisation of EU funds stands at the CEE average.

For Latvian EU co-funded programmes the contracted ratio of the intervention types is:

**Exceptional** in the case of all interventions except economic development and technical assistance, which have an average contracted ratio; and

**Lagging behind** in R&D and innovation related interventions, which had the lowest results compared to respective CEE averages.

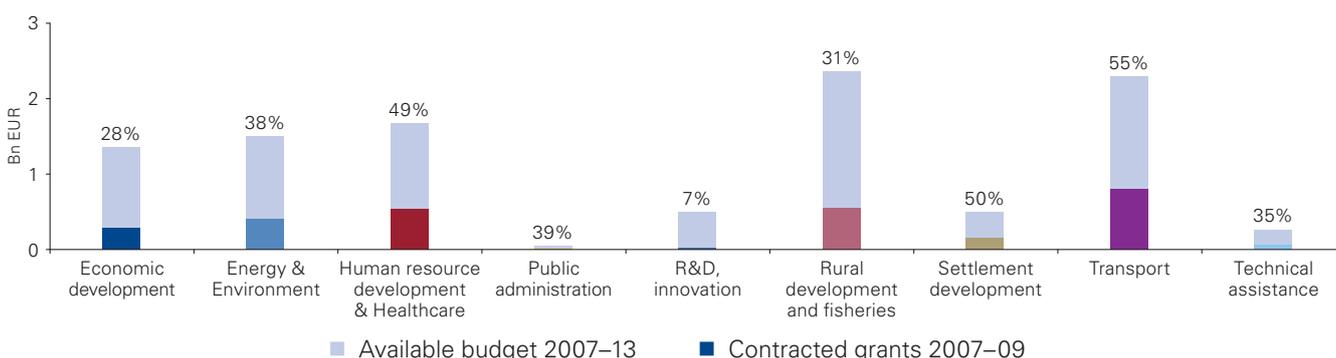
#### Summary by intervention type

##### Most progress

1. Transport (55%)
2. Settlement development (50%)
3. Human resource development & Healthcare (49%)

##### Least progress

1. R&D, innovation (7%)
2. Economic development (28%)
3. Technical assistance (35%)



## The Impacts of the Financial Crisis on EU Programmes

As an impact of the global financial crisis affecting the credit portfolio, more and more commercial banks remain cautious when issuing a limited number of credits compared to previous years and are setting stricter requirements for obtaining credit, which leads to a significant reduction in the volume of lending. Banks are deleveraging and becoming much more risk-averse than in previous years.

Limited availability of financial resources substantially impairs business development opportunities, therefore business is having difficulties receiving bank financing for implementation of EU funds projects. It has been forced to increase the efficiency of the institutions involved in EU funds implementation; to promote a client-oriented approach in everyday management of EU funds; and to reduce administrative and financial burdens upon final beneficiaries.

Due to the financial crisis measures have been implemented such as reallocating additional public funding to activities which would have the most positive impact towards recovery of the national economy, and simpler requirements regarding submission of VAT reports.

### Contact information



**Matthew Hadley**

Partner

Risk Advisory Services

KPMG in the Baltics

Tel: +371 67 038 022

E-mail: [matthewhadley@kpmg.com](mailto:matthewhadley@kpmg.com)



**Didzis Dejus**

Assistant Manager

KPMG in the Baltics

Tel: +371 67 038 029

E-mail: [ddejus@kpmg.com](mailto:ddejus@kpmg.com)

# Lithuania

## Basic country information

### Basic country information (2008)

Population:	3.4 million
GDP per capita:	EUR 9,566
EU member since:	1 May 2004

### EU funds information

EU funds total:	EUR 8.57 billion
EU funds per capita:	EUR 2,546
EU funds per year per GDP:	3,8%

### EU programme information

In the 2007–13 period, Lithuania has three major EU co-funded programmes:

- **New Lithuanian Development Plan (NLDP)** covering four OPs (three sectoral and one technical assistance OP) with an EUR 6.77 billion contribution from EU funds;
- **New Lithuanian Rural Development Programme (NLRDP)**, including rural development interventions, with an EUR 1.74 billion community contribution; and
- **Operational Programme for Lithuanian Fisheries Sector (OPLFS)** sector, which grants EUR 54 million from EFF.

### EU funds information

In the 2007–13 programme period Lithuania has been granted EUR 8.57 billion from EU funds which totals EUR 9.56 billion in grants when complemented by national public contribution.

EU funds per capita run EUR 2,546 which is above the CEE average figure, while the EU funds per year per GDP (calculated for 2008) rate is 3.8%, the second highest ratio among the CEE countries.

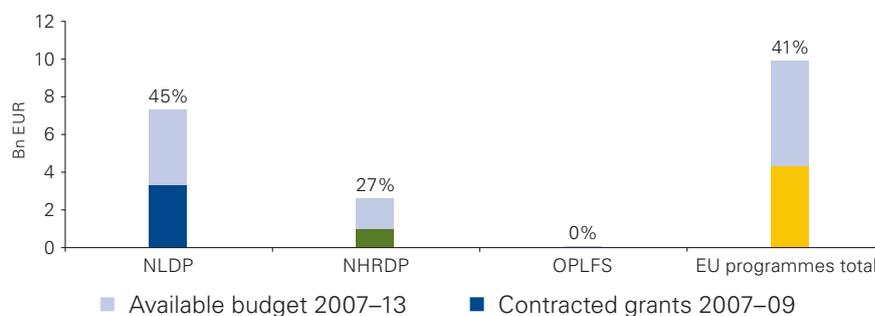
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
 2007–13: EUR 9.56 billion  
 Contracted grants: EUR 3.91 billion  
 Contracted ratio: 41% of total  
 budget contracted  
 First call for tenders: December 2008

Lithuanian beneficiaries have contracted altogether 41% of the total budget available for EU co-funded development.



- During the first three years EUR 3.32 billion was contracted within the **New Lithuanian Development Plan**, 45% of the total available budget for the period 2007–13.
- In the framework of the **New Lithuanian Rural Development Programme**, EUR 585 million in grants was contracted by the end of 2008 accounting for 27% of the available budget for seven years.
- In case of the **Operational Programme for Lithuanian Fisheries Sector** the contracted ratio stands at 0% since the contracting procedure has not started yet.

Generally the contracted ratios of the EU programmes are high compared to the respective data in the CEE region. This can be considered an outstanding performance as the first call for tenders was only in 2008. The contracted ratio of the NLDP and NHRDP has met expectations and the fisheries OP is also on the right track.

### Progress by programme

The following table contains the amounts of EU funds, the available budget 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Lithuania during 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
I. New Lithuanian Development Plan	6,773	7,316	3,324	1,148	45%	16%
Economical Growth OP	3,098	3,257	1,603	680	49%	21%
Programme for Promotion of Cohesion OP	2,647	2,880	1,314	353	46%	12%
Human Resources Development OP	935	1,069	382	104	36%	10%
Technical assistance OP	93	110	25	11	23%	10%
II. Lithuanian Rural Development Programme	1,743	2,168	585	435	27%	20%
III. Operational Programme for the Lithuanian Fisheries Sector	54	71	0	0	0%	0%
<b>TOTAL</b>	<b>8,570</b>	<b>9,555</b>	<b>3,910</b>	<b>1,583</b>	<b>41%</b>	<b>17%</b>

- Framework Programme
- Sectoral OP

All OPs within the New Lithuanian Development Plan have exhibited similar contracted ratio, only technical assistance lags slightly behind. The OP for Economic Growth has performed the best: EUR 1.6 billion was contracted, accounting for 49% of the available budget for the 7-year period. Concerning the OP for Promotion of Cohesion the contracted ratio figure is at 46%, which means that contracts with beneficiaries have been signed for a total of EUR 1.3 billion.

The contracted ratio of the Human Resources Development OP and the Technical assistance OP are at 36% and 23% respectively.

So far great progress has been shown by the Rural Development Programmes since the contracted ratio is at 27%. The process of the implementation of the fisheries programmes lags behind, with a contracted ratio of 20%.

Generally there is an uneven distribution regarding the absorption. The reason for this might be that the programmes were launched fairly recently. The OP for the Development of Human Resources is at 10%, which equates to EUR 104 million of paid grants. The OP for Economic Growth exhibits good performance as well: 21% of the available grants have been paid out to beneficiaries. This is the highest volume among the paid grants, at EUR 680 million. Regarding the Operational Programme for the Lithuanian Fisheries Sector, no paid grants have been realised so far.

### Contracted ratio by intervention type

Economic development:	64%
Energy:	59%
Environment	52%
Healthcare:	n/a
Human resource development:	36%
Public administration:	39%
R&D, innovation:	48%
Rural development and fisheries:	26%
Settlement development:	42%
Transport:	33%
Technical assistance:	25%

### Summary by intervention type

#### Most progress

1. Economic development (64%)
2. Energy (59%)
3. Environment (52%)

#### Least progress

1. Technical assistance (25%)
2. Rural development and fisheries (26%)
3. Transport (33%)

### Progress by intervention type

#### General description

The average contracted ratio by intervention type is 44%.

The best performing areas are economic development, energy and environment, whose contracted ratio registers above 50%. Mainly the technical assistance related programmes lag behind.

There is no healthcare related intervention in Lithuania.

#### Comparison with budget

The best contracted ratio is shown by the intervention supporting economic development, with a contracted ratio of 64%. Energy related interventions are also performing well. These can be categorised as middle-budget interventions. Rural development and fisheries, having the highest ratio in the available budget, could reach a 26% contracted ratio.

Based on available data there seems to be no link between the amount of the available budget and the contracted ratio of each intervention type.

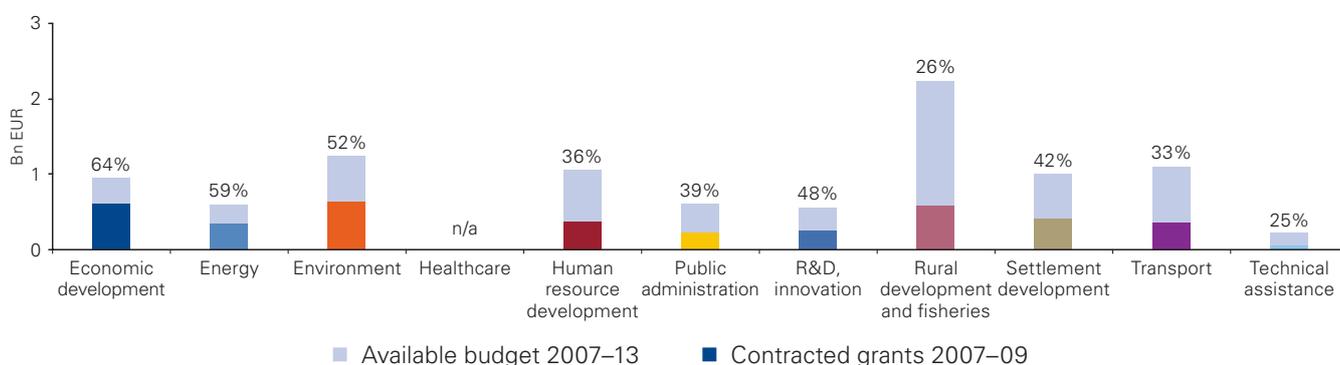
#### Comparison with other CEE countries

Compared to other CEE countries the progress of Lithuania concerning the utilisation of EU funds is above average; 41% of the total available budget has already been contracted.

Considering the Lithuanian EU co-funded programmes, the contracted ratio of the intervention types is:

**Exceptional** in economic development, energy and environment related interventions, and

**Lagging slightly behind** in technical assistance compared to other countries within CEE.



## The Impacts of the Financial Crisis on EU Programmes

With regard to the influence of the changes in the socio-economic situation on the identified priorities, it should be noted that in many areas (education, environment, health, transport, etc.) government priorities have remained relevant during the economic downturn. This suggests that these priorities were successfully identified in the Strategy and Operational Programmes, and they are still relevant today, even in the midst of the economic fluctuations. However, in view of the provisions of the Programme of the Government of Lithuania and changes to the economy, certain priorities for using EU structural assistance were revised and both the Operational Programmes for Development of Human Resources, and Economic Growth and Promotion of Cohesion were respectively amended in 2009. The principal amendments adopted pertain to the implementation of measures for bolstering employment, business promotion and energy efficiency.

In view of the consequences of the global financial crisis on the Lithuanian economy and seeking to give an impetus for the development of the national economy, on 25 February 2009 the Government of Lithuania approved the country's Economic Stimulus Plan, which relies upon EU structural assistance as the main source of financing. The implementation of the Plan is aimed at assisting business operations, attracting additional financing into the Lithuanian market and facilitating opportunities for businesses to borrow, maintain jobs, and thus reduce social tension in Lithuania. This objective is being achieved by implementing energy efficiency projects and accelerating use of EU structural assistance funds. The Economic Stimulus Plan consists of five main components: extending business financing options, expanding energy efficiency, accelerating the use of the EU structural assistance, improving the business environment ("Sauleekis") and promoting export and investments.

### Contact information



**Matthew Hadley**  
Partner  
Risk Advisory Services  
KPMG in the Baltics  
Tel: +371 67 038 054  
E-mail: matthewhadley@kpmg.com



**Dainius Pupkevicius**  
Senior Manager  
Risk Advisory Services  
KPMG in the Baltics  
Tel: +370 5 210 2617  
E-mail: dpupkevicius@kpmg.com



**Darius Kvedaravicius**  
Senior assistant  
KPMG in the Baltics  
Tel: +370 5 211 3677  
E-mail: dkvedaravicius@kpmg.com

# Poland

## Basic country information

### Basic country information (2008)

Population:	38.1 million
GDP per capita:	EUR 9,508
EU member since:	1 May 2004

### EU programme information

In the 2007–13 period, Poland has three major EU co-funded programmes:

- **National Cohesion Strategy (NCS)** covering 21 OPs (four sectoral, 16 regional and one technical assistance OP) with Community contribution of EUR 65.31 billion;
- **Rural Development Programme (RDP)** including rural development interventions, with EUR 17.15 billion from EAFRD; and
- **National Fisheries Operational Programme (NFOP)** with an EUR 652 million budget from EFF.

### EU funds information

EU funds total:	EUR 83.12 billion
EU funds per capita:	EUR 2,181
EU funds per year per GDP:	3.3%

### EU funds information

Altogether Poland was granted an EU funded budget of EUR 83.12 billion for the 2007–13 period. Complemented by national public contribution it totals a sum of EUR 108.13 billion available for development purposes.

Proportionally, the EU funds per capita value in Poland is EUR 2,181, which is below the respective CEE average figure.

The total sum of yearly EU funds constitutes 3.3% of the annual GDP of Poland (calculated for 2008).

## 2007–09 Progress report

### Overall progress

#### Progress summary

##### Available budget

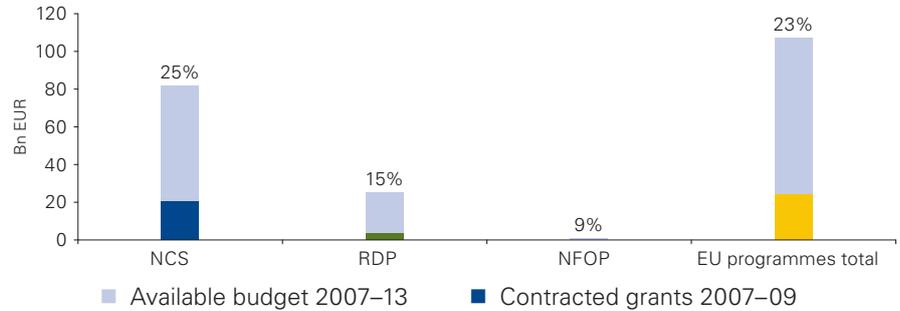
2007–13: EUR 108.13 billion

Contracted grants: EUR 24.49 billion

Contracted ratio: 23% of total budget contracted

First call for tenders: October 2007

The country has contracted altogether 23% of the total budget available for EU co-funded development.



- Regarding the Polish **National Cohesion Strategy** 25% of the available budget for 2007–13 has been contracted, which comes out to EUR 20.58 billion.
- For the **Rural Development Programme** the contracted amount totals EUR 3.82 billion, which is 15% of the 7-year budget.
- Within the framework of the **National Fisheries OP** 9% of the available 7-year budget has been contracted.

The overall contracted ratio of the National Cohesion Strategy has met expectations. The Rural Development Programme and the National Fisheries OP could reach a lower contracted ratio, but in general all programmes are on the right track.

## Progress by programme

The following table contains the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Poland during 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Cohesion Strategy</b>	<b>65,315</b>	<b>82,086</b>	<b>20,579</b>	<b>4,599</b>	<b>25%</b>	<b>6%</b>
Innovative Economy OP	8,255	9,712	4,645	401	48%	4%
Human Capital OP	9,707	11,420	3,966	1,206	35%	11%
Development of Eastern Poland OP	2,274	2,675	724	136	27%	5%
Infrastructure and Environment OP	27,914	37,565	5,518	1,250	15%	3%
Lubuskie OP	439	517	241	67	47%	13%
Opolskie OP	427	503	197	73	39%	15%
Pomerania OP	885	1,227	461	111	38%	9%
Greater Poland OP	1,273	1,688	634	246	38%	15%
Lesser Poland OP	1,290	1,518	560	118	37%	8%
Lódzkie OP	1,090	1,282	462	108	36%	8%
Warminsko–Mazurskie OP	1,044	1,228	422	66	34%	5%
Zachodniopomorskie OP	835	983	296	120	30%	12%
Lower Silesia OP	1,213	1,100	323	30	29%	3%
Podlaskie OP	636	750	183	64	24%	9%
Kujawsko–Pomorskie OP	951	1,119	253	74	23%	7%
Swietokrzyskie OP	726	854	186	59	22%	7%
Silesia OP	1,714	2,017	438	77	22%	4%
Subcarpatian OP	1,136	1,345	277	64	21%	5%
Lubelskie OP	1,156	1,360	219	73	16%	5%
Mazovia OP	1,831	2,155	256	71	12%	3%
Technical Assistance OP	517	1,069	320	185	30%	17%
<b>II. Rural Development Programme</b>	<b>17 151</b>	<b>25 060</b>	<b>3 816</b>	<b>2 902</b>	<b>15%</b>	<b>12%</b>
<b>III. National Fisheries Operational Programme</b>	<b>652</b>	<b>979</b>	<b>91</b>	<b>50</b>	<b>9%</b>	<b>5%</b>
<b>Total</b>	<b>83 118</b>	<b>108 125</b>	<b>24 485</b>	<b>7 551</b>	<b>23%</b>	<b>7%</b>

Out of the 21 OPs of the National Cohesion Strategy there are two OPs whose contracted ratio is just under 50% of the 7-year budget, which is a great result compared to the 30% average ratio among all programmes in the CEE region. The amount of the contracted grants for the Infrastructure and Environment OP having the most available budget in 2007–13 and the Development of Eastern Poland OP are lagging behind other sectoral OPs.

For the 16 regional programmes the average contracted ratio is 19%. Generally, the progress for ROP types ranges over a broader scale. The ROPs making the best contracted ratio are the Lubuskie and Opolskie OPs whose contracted ratios reach 47% and 39% respectively.

The absorption shows wide variance among the different OPs: the Technical Assistance OP is at 17% and Opolskie OP and Greater Poland OP have also reached good ratios of 15%. The best performing sectoral OP is the Human Capital OP, as 11% of the total budget has been disbursed to the final beneficiaries. The Infrastructure and Environment OP stands at only 3%, which still results in a high volume of paid grants (in EUR 1.25 billion) due to the high available budget. The Lower Silesia and Mazovia OPs lag behind in terms of their contracted ratios for paid out funds.

- Framework Programme
- Sectoral OP
- Regional OP
- Technical Assistance OP

The contracted ratio of the Rural Development Programme is at 15%, while the National Fisheries OP reached a contracted ratio of 9%, which can be considered a good result as the OP was launched in the 3<sup>rd</sup> quarter of 2009. Within the Rural Development Programme EUR 2.9 billion was paid out, accounting for 12% of the available budget. The National Fisheries Operational Programmes is at 5% regarding absorption.

### Progress by intervention type

#### Contracted ratio by intervention type

Economic development:	31%
Energy:	0.8%
Environment:	24%
Healthcare:	32%
Human resource development:	36%
Public administration:	74%
R&D, innovation:	47%
Rural development and fisheries:	15%
Settlement development:	23%
Transport:	13%
Technical assistance:	20%

#### General description

The breakdown of the contracted ratio of the intervention types exhibits a very broad scale range: the contracted ratio of the interventions runs from 0.8 to 74%. The average of the contracted ratio is 29%.

#### Comparison with plans

The best contracted ratio is shown by the intervention supporting public administration, with a contracted ratio of 74%. However, this intervention has the lowest available budget for the seven years.

Another four intervention types exceed the 30% contracted ratio, while only 0.8% of the available grants have been contracted in the energy related interventions so far.

Having the highest available budgets, the contracted ratio of transport and rural development related interventions stand at 13% and 15% respectively.

#### Summary by intervention type

##### Most progress

1. Public administration (74%)
2. R&D, innovation (47%)
3. Human resource development (36%)

##### Least progress

1. Energy (0.8%)
2. Transport (13%)
3. Rural development and fisheries (15%)

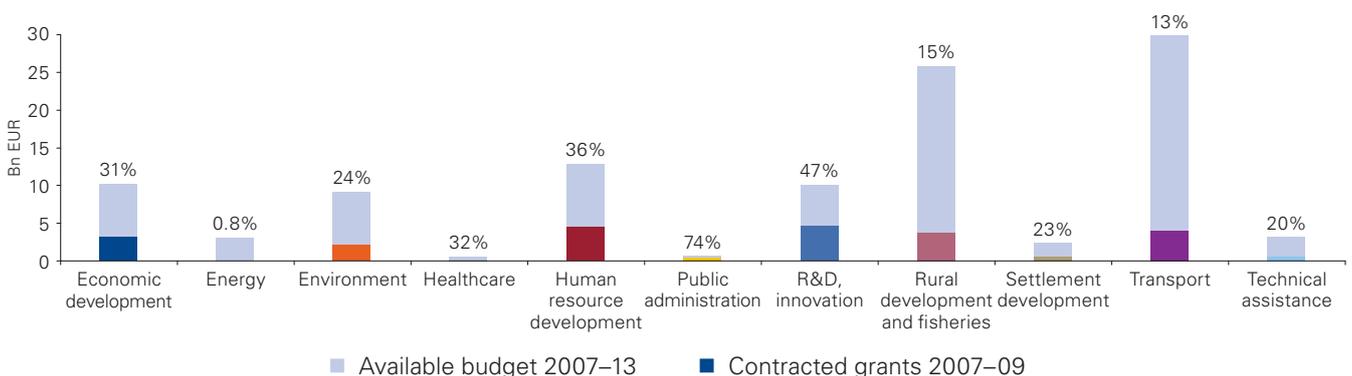
#### Comparison with other CEE countries

Compared to other CEE countries Poland's utilisation of EU funds lags slightly behind, but it can be considered as a result of the low contracted ratio in 2008.

Within the Polish framework programmes, the contracted ratio of intervention types is:

**Exceptional** in public administration related interventions, and

**Lagging behind** in energy and transport interventions compared to CEE averages for the respective interventions.



## The Impacts of the Financial Crisis on EU Programmes

In 2009 the Polish government has introduced measures to facilitate the use of Structural Funds. The possibility of using pre-financing for investment projects by companies and local governments was offered, rules for transferring resources from the central budget to local governments will be changed and competition between regional operational programmes will also be introduced. There are also other recently implemented measures, such as:

- The institutions responsible for the implementation of the programmes are carrying out a review of various measures that could be implemented for their optimisation as an "Easy Funding" initiative. The beneficiaries play a significant role in this process by sending their remarks and comments to the Ministry of Regional Development. These comments and remarks facilitate the work of a Team dedicated to simplifying the EU funds implementation system.
- At the moment Poland is also actively participating in the development of more flexible principles for system implementation at the Community level.
- The environmental protection legislation has been revised and a new Act on environmental issues and public participation in environmental protection has been announced. Changes in environmental impact assessment resulted in a few improvements in public procurement that significantly shorten the length of environmental procedures in investment processes. The changes made enable projects and programmes implementation in accordance with EU regulations. This is particularly important for infrastructure projects as they are, on one hand, subject to environmental restrictions and public procurement, and on the other hand, they absorb the majority of EU funds allocated for Poland.
- Public Procurement Law was amended in order to ensure full compliance of national legislation with EU directives and further flexibility of procedures.
- As part of the actions taken to improve EU funds implementation, the Act on principles of development policy has been modified (by an amendment made 7 November 2008). This is a basic national regulation regarding implementation of Operational Programmes for the 2007-2013 programming period.

### Contact information



#### **Mirosław Proppé**

Partner  
Public Sector & EU  
KPMG in Poland  
Tel: +48 22 528 1112  
E-mail: mproppe@kpmg.pl



#### **Agnieszka Dyoniziak**

Executive consultant  
Public Sector & EU  
KPMG in Poland  
Tel: +48 22 528 1100  
Email: adyoniziak@kpmg.pl

# Romania

## Basic country information

### Basic country information (2008)

Population:	21.5 million
GDP per capita:	EUR 6,491
EU member since:	1 January 2007

### EU programme information

In the 2007–2013 period, Romania will benefit from EU funds allocated mainly through three programmes:

- The **National Development Plan** (NDP) was implemented through OPs under the “Convergence” Objectives (five sectoral, one regional and one technical assistance OP) with EUR 19.21 billion from Structural Funds;
- **Rural Development Policy** (RDP) including rural development interventions, with EUR 8.02 billion of Community contribution; and
- **National Fisheries Operational Programme** (NFOP) with EUR 231 million of EFF resources.

### EU funds information

EU funds total:	EUR 27.47 billion
EU funds per capita:	EUR 1,276
EU funds per year per GDP:	2.8%

### EU funds information

In the period of 2007–13 Romania will be granted EUR 27.47 billion of EU funds. Together, with national public contribution the entire amount available for the beneficiaries totals EUR 33.53 billion.

The EU funds per capita figure is EUR 1,276, which is significantly below the average figure for CEE.

The total sum of annual EU funds constitutes 2.8% of the annual GDP of the country (calculated for 2008), which ranks in the lower quarter among the CEE countries.

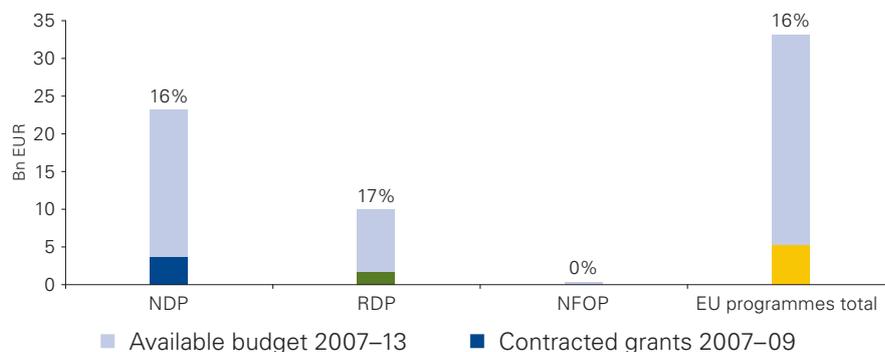
## 2007–089 Progress report

### Overall progress

#### Progress summary

Available budget  
2007–13: EUR 33.53 billion  
Contracted grants: EUR 5.36 billion  
Contracted ratio: 16% of total  
budget contracted  
First call for tenders: October 2007

The country has contracted 16% of the total budget available for EU co-funded development.



- Regarding the Romanian **National Development Plan** (NDP), during the first three years of implementation EUR 3.66 billion was contracted, which is 16% of the 7-year budget.
- The contracted ratio of the **Rural Development Policy** is very similar to the respective ratios of NDP (17%, or EUR 1.70 billion).
- The **National Fisheries OP** (NFOP) has been launched partly, but no contracts have been signed.

By launching the RDP in March 2008 this year's contracted ratio figure is considerable higher than last year's (1%, EUR 108 million). The NDP has shown a steady increase totalling almost EUR 1 billion compared to the figure for 2008.

### Progress by programme

The following table contains the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Romania during 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Development Plan</b>	<b>19,212</b>	<b>23,251</b>	<b>3,663</b>	<b>587</b>	<b>16%</b>	<b>3%</b>
Administrative Capacity Development OP	208	246	41	1	17%	0,6%
Environment OP	4,512	5,611	1,037	182	18%	3%
Increase of Economic Competitiveness OP	2,554	3,011	542	120	18%	4%
Human Resources Development OP	3,476	4,089	643	67	16%	2%
Transport OP	4,566	5,698	206	31	4%	0,6%
Regional OP	3,726	4,384	1,166	185	27%	4%
Technical Assistance OP	170	213	28	1	13%	0,3%
<b>II. Rural Development Policy</b>	<b>8,022</b>	<b>9,971</b>	<b>1,695</b>	<b>0</b>	<b>17%</b>	<b>0%</b>
<b>III. National Fisheries Operational Programme</b>	<b>231</b>	<b>308</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
<b>Total</b>	<b>27,465</b>	<b>33,530</b>	<b>5,358</b>	<b>587</b>	<b>16%</b>	<b>2%</b>

- Framework Programme
- Sectoral OP
- Regional OP
- Technical Assistance OP

The very first call for tender (funded from the Environment OP) was announced in October 2007. After the first two years of the implementation period the contracted ratio of the OP is still among the best performers, however the picture on contracted ratio is rather balanced on an OP level. Most of the OPs have a contracted progress similar to that of the average, 16%. There is a significant delay in case of the Transport OP due to the fact that such large infrastructure development programmes require much longer preparation times. This level of preparedness is not apparent from the contracted ratio figures, however progress has been achieved with this OP as well.

The Regional OP is at the other end of the spectrum, with a contracted ratio figure of 27%. The ROP is the best performing OP in terms of contracted ratio and shares the top spot with the Economic Competitiveness OP regarding absorption. However it should be noted that due to internal quotas (with regard to the diverse development needs of the regions) applied, the contracted ratio for separate regions may vary.

For the Environment OP (and to a certain extent also to the Transport OP) there is another factor likely to speed up absorption: as several of these projects began as being financed from Pre-accession funds, using the Cohesion Fund from 2007 onwards is rather a technical matter.

The Human Resources Development OP also shows remarkable contracted ratio, however it is mainly attributable to the existence of central programmes for intermediaries and not the real final beneficiaries yet.

Technical assistance programmes have also begun, however there is a huge difference in between OPs in the usage of such funds. The aggregate value shows that there is still room for improvement in this field.

### Contracted ratio by intervention type

Economic development:	16%
Energy:	8%
Environment:	19%
Healthcare:	n/a%
Human resource development:	30%
Public administration:	16%
R&D, innovation:	27%
Rural development and fisheries:	17%
Settlement development:	25%
Transport:	3%
Technical assistance:	8%

### Summary by intervention type

#### Most progress

1. Human resource development (30%)
2. R&D, innovation (27%)
3. Settlement development (25%)

#### Least progress

1. Transport (3%)
2. Energy and Technical assistance (8%)

### Progress by intervention types

#### General description

Generally there is an uneven distribution among the contracted ratios by intervention type. The best contract ratio is 30% and the lowest is 3%.

#### Comparison with budget

Considering the amount of available budget it is obvious that human resources development related interventions are taking the lead. Among the further intervention types the well performing areas are R&D and innovation and settlement development, though their budgets are much lower.

Despite the most available funds having been contracted within rural development and fisheries and transport related interventions, the ratios of contracted grants are 17% and 3% respectively.

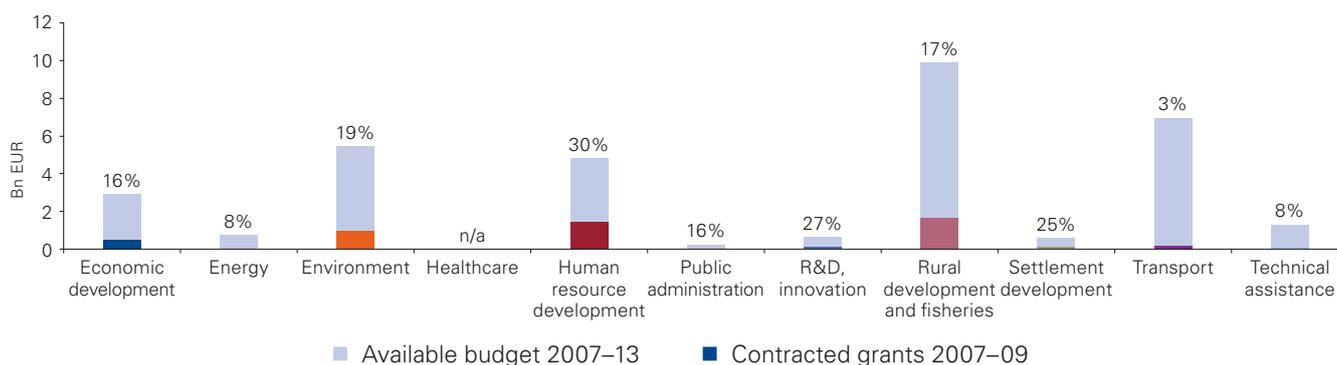
#### Comparison with other CEE countries

Comparing the contracted ratio by interventions the Romanian ratio is below the CEE average due to slow evaluation procedures.

After the first three years of implementation, within the Romanian framework programmes the contracted ratio of the intervention types is:

**Exceptional** in R&D and innovation interventions, and

**Lagging behind** in transport, energy and technical assistance interventions compared to the respective CEE figures.



## The Impacts of the Financial Crisis on EU Programmes

In Romania the crisis immediately triggered much more severe conditions for obtaining credit. This led to the stopping of credit and to the impossibility of obtaining bank guarantees. The effect was particularly visible for private applicants, who became unable to conclude individual financing contracts in the absence of pre-financing or of the letters of guarantees. This explains the significant number of supported projects which did not become contracted ones.

The Romanian government has tried to make the conditions easier to comply with the requirements concerning debts to the State or local budgets. In case of producing evidence of being a good taxpayer, current debts do not automatically lead to rejection of an application. Additionally, the Government has recently approved State guarantees for accessing EU funding by local authorities, higher education institutions and the research institutes.

As a result of the interventions:

- advance payments up to 30% of the grant amount could also be accessed by private companies;
- certain eligibility requirements have been simplified (registration of profit; lower number of proofing documents concerning ownership, financial status, etc.);
- State guarantees have been set up for local authorities and research and education institutes applying for EU funding in order to ease the conditions to ensure own co-financing.

### Contact information



**Daniela Nemoianu**

Partner  
KPMG in Romania  
Tel: +40 741 800 732  
E-mail: dnemoianu@kpmg.com



**Florin Banateanu**

Director  
Advisory services Infrastructure,  
Government and Health  
KPMG in Romania  
Tel: +40 741 800 896  
E-mail: fbanateanu@kpmg.com



**Cristine Barbu**

Manager  
Advisory Services Infrastructure,  
Government and Health  
KPMG in Romania  
Tel: +40 741 800 800  
E-mail: cbarbu@kpmg.com

# Slovakia

## Basic country information

### Basic country information (2008)

Population:	5.4 million
GDP per capita:	EUR 11,994
EU member since:	1 May 2004

### EU funds information

EU funds total:	EUR 13.34 billion
EU funds per capita:	EUR 2,470
EU funds per year per GDP:	2.9%

### EU programme information

In the 2007–13 period, Slovakia has three major EU co-funded programmes:

- **National Strategic Reference Framework (NSRF)** covering 11 OPs (eight sectoral OPs, one regional, one Objective 2 OP and one technical assistance OP) with a total Community contribution of EUR 11.36 billion;
- **National Strategic Rural Development Plan (NSRD)** includes rural development interventions, with EU funds of EUR 1.97 billion; and
- **National Strategic Plan of Fisheries (NSPF)** with a budget of EUR 14 million from EFF.

### EU funds information

Slovakia received an EU funded budget of EUR 13.34 billion for the 2007–13 period. Supplemented by national public contribution it results in a total sum of EUR 14.71 billion available for development purposes.

Proportionally, EU funds per capita value in Slovakia is EUR 2,470, which can be regarded as moderate compared to the CEE average.

The total sum of annual EU funds makes up 2.9% of the annual GDP (calculated for 2008) of the country.

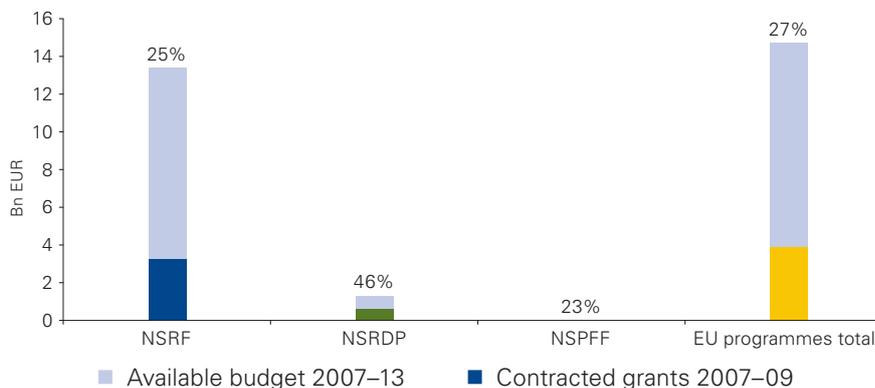
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget  
 2007–13: EUR 14.71 billion  
 Contracted grants: EUR 3.91 billion  
 Contracted ratio: 27% of total  
 budget contracted  
 First call for tenders: January 2008

Slovakia has contracted altogether 27% of the total budget available for EU co-funded development.



- Concerning the **National Strategic Reference Framework (NSRF)** the beneficiaries have contracted projects for EUR 3.3 billion, which is a quarter of the total amount available for seven years.
- Within the framework of the **National Strategic Rural Development Plans (NSRDP)**, EUR 593 million was contracted, accounting for 46% of the total budget between 2007 and 2013 at the end of June 2009.
- In the case of the **National Strategic Plan of Fisheries (NSPFF)** the contracted ratio stands at 23%.

On a time-proportion basis the NSRDP has met expectations, performing even better than the average. The fisheries programmes are also on the right track as the contracted ratio is similar to the respective data for the CEE average.

### Progress by programme

The following table outlines the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Slovakia in 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Strategic Reference Framework</b>	<b>11,361</b>	<b>13,392</b>	<b>3,312</b>	<b>613</b>	<b>25%</b>	<b>5%</b>
Employment and Social Inclusion OP	882	1,135	479	88	42%	8%
Competitiveness and Economic Growth OP	772	908	381	50	42%	6%
Health OP	250	294	125	15	42%	5%
Education OP	618	727	232	6	32%	1%
Transport OP	3,207	3,705	869	246	23%	7%
Research and Development OP	1,209	1,423	327	39	23%	3%
Environment OP	1,800	2,118	387	38	18%	2%
Informatisation of Society OP	993	1,168	127	5	11%	0%
Regional OP	1,445	1,700	316	103	19%	6%
Bratislava Region OP	87	99	10	6	10%	6%
Technical Assistance OP	98	115	61	17	53%	15%
<b>II. National Strategic Rural Development Plan</b>	<b>1,969</b>	<b>1,297</b>	<b>593</b>	<b>92</b>	<b>46%</b>	<b>7%</b>
<b>III. National Strategic Plan of Fisheries</b>	<b>14</b>	<b>19</b>	<b>4</b>	<b>1</b>	<b>23%</b>	<b>3%</b>
<b>Total</b>	<b>13,343</b>	<b>14,707</b>	<b>3,909</b>	<b>705</b>	<b>27%</b>	<b>5%</b>

\*The data regarding NSRDP refer to the amount of grants allocated, contracted and paid until 30 June 2009

- Framework Programme
- Sectoral OP
- Regional OP
- Regional competitiveness and employment OP (objective 2)
- Technical Assistance OP

The contracted ratio figures of the different OPs within the National Strategic Reference Framework show significant variations. The Technical Assistance OP takes the lead as already 53% of the available budget has been contracted and 15% has been paid out to the final beneficiaries. On the other hand, the contracted ratio of the only Objective 2 OP (Bratislava Region OP) is 10%. This OP has the lowest total budget for the 7-year period.

Within the sectoral OPs three have reached the same contracted ratio, with 42%. Among these programmes, the Employment and Social Inclusion OP has the greatest available budget with EUR 1.3 billion.

The Transport OP – which had the most available funds for the 7-year period – and the Regional OP lag slightly behind with 23% and 19% respectively. Within the Environment OP EUR 387 million was contracted, which is the second highest among the OPs.

Regarding absorption, the Technical Assistance OP is taking the lead with 15%. Within the framework of the Transport and the Regional OP, 7% and 6% respectively, of the total available budget between 2007 and 2013 has been disbursed resulting in the highest volume of paid grants: EUR 246 million and EUR 103 million respectively. Education and Environment OPs lag behind, followed by the Information of Society OP where no paid grants to beneficiaries have been recorded so far.

Concerning the National Strategic Rural Development Plan, the value of the contracted grants totals 46% of its budget through the end of June 2009. With respect to the National Strategic Plan of Fisheries, 23% has been allocated from the EUR 19 million, which is the lowest total budget among all the programmes.

### Contracted ratio by intervention type

Economic development:	28%
Energy:	41%
Environment:	17%
Healthcare:	41%
Human resource development:	36%
Public administration:	15%
R&D, innovation:	23%
Rural development and fisheries:	45%
Settlement development:	1%
Transport:	22%
Technical assistance:	49%

### Summary by intervention type

#### Most progress

1. Technical assistance (49%)
2. Rural development and fisheries (45%)
3. Healthcare and energy (41%)

#### Least progress

1. Settlement development (1%)
2. Public administration (15%)
3. Environment (17%)

### Progress by intervention types

#### General description

The average progress of contracted EU funds reaches 29%.

The areas with the most contracted ratio are technical assistance, rural development and fisheries, healthcare and energy related interventions, performing over 40%. Settlement development (including two priorities: Priority 4 ROP – Regeneration of settlements and Priority 1 Bratislava region OP- Infrastructure) lags behind, as only 1% of the total budget had been contracted to beneficiaries by the end of 2009.

#### Comparison with budget

During the last three years interventions related to technical assistance have shown the most contracted ratio (49%). Rural development, healthcare and energy projects also performed well, as their contracted ratios are 45% and 41% respectively. However this could be due to the fact that these interventions have the lowest total budget in the 7-year period.

Interventions related to settlement development lag behind the most, with EUR 5.8 million in contracted grants. The contracted ratio of transport programmes – having the highest available budget – stands at 22%.

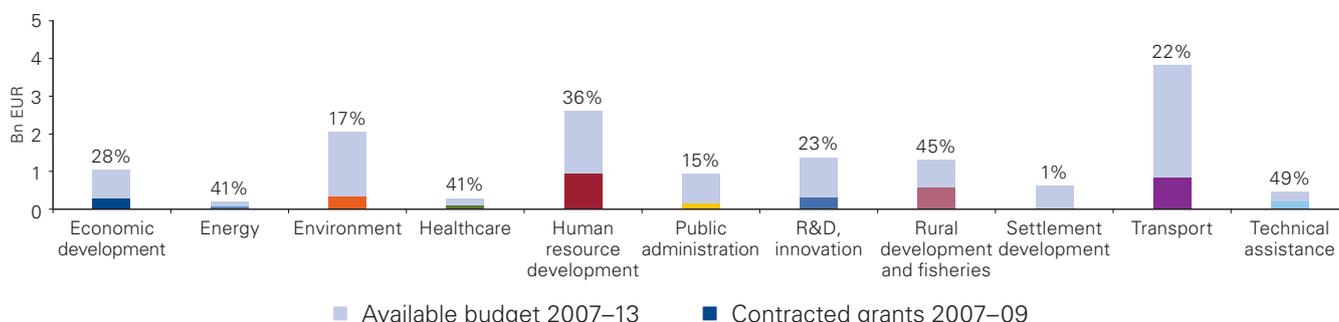
#### Comparison with other CEE countries

Compared to other CEE countries the progress of Slovakia concerning the utilisation of EU funds is under the average contracted ratio.

Within the Slovakian framework programmes the contracted ratio of the intervention types is generally:

**Exceptional** in technical assistance, rural development and fisheries type of interventions, and

**Lagging behind** the most in settlement development compared to the relevant CEE averages.



## The Impacts of the Financial Crisis on EU Programmes

In response to the financial crisis the Slovakian government has identified numerous measures to address the current economic situation. Via EU funds the Government's main goal has been to actively boost employment within the industrial sector and to increase the efficiency of EU funds utilisation.

Within the administrative framework of EU funds some measures were oriented on reassessment of the OP priorities and their budgets. Modifying the selection criteria, acceleration of the preparation of big projects (within Transport and Environment OPs), support for increasing SMEs and application of advance payments for recipients in the private sector were also elements of the strategy.

The following specific measures have been implemented in order to improve the efficiency of EU funds:

- Precise review of the deadline for approval of applications for non-repayable financial contribution and applications for payment on the part of the Managing Authorities
- Launching more specific calls for tenders for non-repayable funds in order to clarify all the possible open questions in advance
- Providing a higher quality of document management and reducing administrative demands for preparation of the applications
- Establishment of common rules for project co financing for all OPs and Funds.

The Ministry of Finance of the Slovak Republic has identified the following opportunities within the implementation of the financial system:

- Enlarging the number of authorised recipients for advance payments and pre-financing
- Simplifying conditions for clearing or closing advance payments.

### Contact information



#### **Peter Borak**

Partner  
Advisory – Risk and  
Performance Services  
KPMG in Slovakia  
Tel: +421 2 59 98 49 02  
E-mail: pborak@kpmg.sk



#### **Jozef Geci**

Director  
Advisory – Risk and  
Performance Services  
KPMG in Slovakia  
Tel: +421 2 59 98 41 11  
E-mail: jgeci@kpmg.sk



#### **Miriam Zalaiová**

Senior Advisor  
Advisory – Risk  
and Performance Services  
KPMG in Slovakia  
Tel: +421 2 59 98 49 35  
Email: mzalaiova@kpmg.com

# Slovenia



## Basic country information

### Basic country information (2008)

Population:	2 million
GDP per capita:	EUR 18,473
EU member since:	1 May 2004

### Basic EU programme information

In the 2007–13 period Slovenia has three major EU co-funded programmes:

- **National Development Plan (NDP)** covering three OPs (two sectoral, one regional OP) with a total EU contribution of EUR 4.1 billion;
- **National Strategic Plan for Rural Development (NSPRD)** including rural development interventions, with EUR 900 million from EAFRD; and
- **National Strategic Plan of Fisheries Development (NSPFD)** with a budget of EUR 22 million from EFF.

### EU funds information

EU funds total:	EUR 5.02 billion
EU funds per capita:	EUR 2,499
EU funds per year per GDP:	1.9%

### EU funds information

In the period 2007-13, Slovenia will be granted EUR 5.02 billion of EU funds, which is complemented by national public contributions for a total of EUR 6.03 billion.

In Slovenia the EU funds per capita figure reaches EUR 2,499, which is above the average figure of the CEE.

The total sum of annual EU funds constitutes 1.9% of the annual GDP of the country (calculated for 2008).

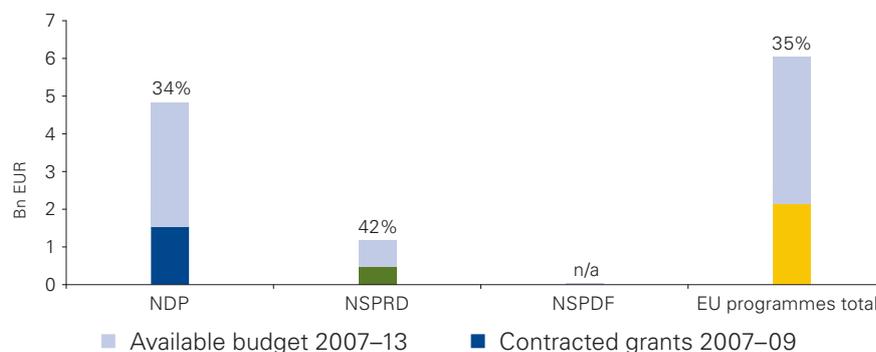
## 2007–09 Progress report

### Overall progress

#### Progress summary

Available budget	
2007–13:	EUR 6.03 billion
Contracted grants:	EUR 2.1 billion
Contracted ratio:	35% of total budget contracted
First call for tenders:	June 2007

The beneficiaries of the framework programmes have contracted altogether 35% of the total budget available for EU co-funded development.



- In the framework of the **National Development Plan**, EUR 1.6 billion have been contracted during the first three years of the implementation, which is 34% of the total available budget for the period 2007-13.
- Concerning the **National Strategic Plan for Rural Development**, EUR 489 million in grants had been contracted by the end of 2009, which equate to 42% of the total budget for seven years.
- The beneficiaries of **the National Strategic Plan on the Development of Fisheries** (NSPDF) had signed contracts for EUR 100 000 through the end of December 2009.

Generally the contracted ratios of the EU programmes are above the average compared to the respective data in the CEE region. As at the end of 2008 the contracted ratios of these programmes were significantly lower than last year; they appear to be on the right track with a constant increase.

### Progress by programme

The following table contains the amounts of EU funds, the available budget for 2007–13, the contracted and paid grants amounts as well as the contracted ratio and absorption achieved concerning the framework and operational programmes in Slovenia in 2007–09.

Operational Programme Title	EU funds 2007–13 (mEUR)	Available budget 2007–13 (mEUR)	Contracted grants 2007–09 (mEUR)	Paid grants 2007–09 (mEUR)	Contracted ratio	Absorption
<b>I. National Development Plan</b>	<b>4,101</b>	<b>4,824</b>	<b>1,627</b>	<b>737</b>	<b>34%</b>	<b>15%</b>
Human Resources Development OP	756	889	410	90	46%	10%
Environmental and Transport Infrastructure Development OP	1,636	1,924	306	141	16%	7%
Strengthening Regional Development Potentials OP	1,710	2,011	911	505	45%	25%
<b>II. National Strategic Plan for Rural Development</b>	<b>900</b>	<b>1,177</b>	<b>489</b>	<b>331</b>	<b>42%</b>	<b>28%</b>
<b>III. National Strategic Plan on the Development of Fisheries</b>	<b>22</b>	<b>29</b>	<b>0,1</b>	<b>0,1</b>	<b>0,3%</b>	<b>0,3%</b>
<b>Total</b>	<b>5,023</b>	<b>6,030</b>	<b>2,116</b>	<b>1,068</b>	<b>35%</b>	<b>18%</b>

- Framework Programme
- Sectoral OP
- Regional OP

Among the three OPs beneficiaries of the National Development Plan have signed contracts for EUR 1.63 billion. Until December 2009 the best performing OP was the Human Resources OP, contracting EUR 410 million which is 46%, though its available budget (EUR 889 million) was the smallest among all OPs.

Regarding both contracted ratio and absorption, the regional OP is taking the lead since EUR 911 million was contracted and EUR 505 million has been paid from the total available budget of EUR 2 billion.

Compared to the other programmes the Environmental and Transport Infrastructure Development OP slightly lags behind with a contracted ratio of 16%.

Within the Rural Development Plan 42% of grants have been contracted (EUR 489 million) and EUR 331 million was disbursed to the beneficiaries, which is the best performance at 28% of the total available budget. As far as the Fisheries programme concerned since the contracted and paid grants are very low (only EUR 100 000), this programme performs below expectations.

For all the programmes half of the contracted grants have been disbursed to beneficiaries, which is equivalent to 18% of the available budget. With this result Slovenia has the second highest absorption rate in the CEE region.

### Contracted ratio by intervention type

Economic development:	35%
Energy:	n/a
Environment:	n/a
Healthcare:	n/a
Human resource development:	41%
Public administration:	80%
R&D, innovation:	66%
Rural development and fisheries:	41%
Settlement development:	n/a
Transport:	14%
Technical assistance:	90%

### Summary by intervention type

#### Most progress

1. Technical assistance (90%)
2. Public administration (80%)
3. R&D and innovation (66%)

#### Least progress

1. Transport (14%)
2. Economic development (35%)
3. Rural development (41%)

### Progress by intervention types

#### General description

The breakdown of the contracted ratio of the intervention type shows a broad range of progress, from 14 to 90%. The contracted ratio of two intervention types is equal to or above 80%, which is one of the best among the CEE countries' evaluations. The average contracted ratio in the country is 53%.

#### Comparison with budget

In case of interventions – e.g. technical assistance, public administration – where the available budget is lower the contracted ratio is outstanding, over 80%.

On the other hand interventions with the highest budget, such as transport or economic development have a lower contracted ratio.

#### Comparison with other CEE countries

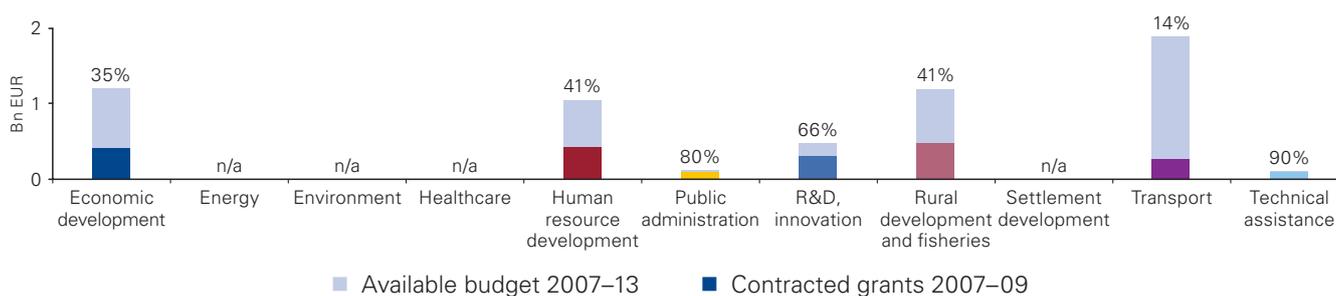
Compared to other CEE countries the progress of Slovenia regarding the utilisation of EU funds is above the CEE average. Besides efficient implementation, this might be attributable to the OPs being launched in June 2007.

It should be noted that even though economic development related interventions are lagging behind, on a CEE level their overall contracted ratio is above the average.

Considering the Slovenian EU co-funded programmes, the contracted ratio of the intervention types is:

**Exceptional** in the case of interventions which support technical assistance and public administration, and

**Lagging behind** in transport related interventions compared to the CEE contracted average.



## The Impacts of the Financial Crisis on EU Programmes

Slovenia has not experienced any problems regarding absorption of funds, which is satisfactory, but the country does face technical challenges regarding repayments from the EU.

Major steps have been taken with the aim of crisis management. At the beginning of 2009 the Government of Slovenia adopted measures aimed at improving the implementation of the Cohesion policy. The Government reaffirmed that a quarterly examination of the planned expenditure by the Managing Authority together with the Ministry of Finance remains a crucial measure. They suggested to the Government temporary or permanent cuts in funds which are unlikely to assist in recovery measures.

Certain measures have been implemented due to the financial crisis, such as simplification of direct costs (flat rates for operations both on ESF and ERDF), advance payments and VAT which became an eligible expenditure.

### Contact information



**Sonja Znidarcic**

Partner  
KPMG in Slovenia  
Tel: +386 (0)1 236 43 00  
E-mail: [sznidarcic@kpmg.com](mailto:sznidarcic@kpmg.com)



**Dejan Makovsek**

Senior advisor  
KPMG in Slovenia  
Tel: +386 (0)1 236 43 00  
Email: [dmakovsek@kpmg.com](mailto:dmakovsek@kpmg.com)



KPMG in Hungary

**Éva Várnai**

Head of Public Sector

KPMG in Central and Eastern Europe

Tel.: +36 1 887 7249

Email: eva.varnai@kpmg.hu

KPMG in Bulgaria

**Gergana Mantarkova**

Managing Partner

Tel.: +359 2 9697 500

Email: gerganamantarkova@kpmg.com

KPMG in Czech Republic

**Eva Racková**

Partner

Public Sector

Tel.: +420 222 123 121

Email: evarackova@kpmg.cz

KPMG in the Baltics (Estonia)

**Taivo Epner**

Partner

Tel.: +372 626 8715

Email: taivoepner@kpmg.com

KPMG in the Baltics  
(Latvia and Lithuania)

**Matthew Hadley**

Partner

Risk Advisory Services

Tel.: +371 67 038 054

Email: matthewhadley@kpmg.com

KPMG in Poland

**Mirosław Proppé**

Partner

Public Sector & EU

Tel.: +48 22 528 1112

Email: mproppe@kpmg.com

KPMG in Romania

**Daniela Nemoianu**

Partner

Tel.: +40 741 800 732

Email: dnemoianu@kpmg.com

KPMG in Slovakia

**Peter Borak**

Partner

Advisory – Risk and

Performance Services

KPMG in Slovakia

Tel: +421 2 59 98 49 02

E-mail: pborak@kpmg.sk

KPMG in Slovenia

**Sonja Znidarcic**

Partner

Tel.: +386 0 1 236 43 00

Email: sznidarcic@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

© 2010 KPMG Tanácsadó Kft., a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.