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PUBLIC SECTOR

EU Funds in Central and Eastern Europe

Progress report 2007–10

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Foreword



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EU Funds in Central and Eastern Europe – Progress report 2007-10, has been compiled by KPMG's Public Sector team in Budapest based on input from KPMG practices in Central & Eastern Europe (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. Accordingly, it is the responsibility of the Member States to utilise the support appropriately and enhance the cohesion.

Developing an appropriate, focused strategy for the allocation of EU funds is only the first element, though a basic step in implementing EU cohesion policy. The successful implementation and absorption of EU funds is contingent not only upon the effectiveness the Member States' administrative systems, but also on the activity of the potential beneficiaries.

The purpose of this report is twofold. Firstly, it provides an overview of the progress of the National Strategic Reference Frameworks as at the halftime of the programming period 2007-13. Secondly, the report introduces the implementation system of two financial engineering instruments, namely JEREMIE and JESSICA in each CEE country.

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 2011, 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 Tamás Baranyai for assisting in the project.

Introduction

Since CEE countries became Member States of the European Union, EU co-financing has become an essential factor for their development. EU funds, accounting for 1.7 to 3.5% of the annual GDP of the CEE countries, foster the regional cohesion. Thus we believe that there is a need for an overview and comparison of the implementation status of EU co-funded programmes at a CEE level.

This report is the 4th part of the EU funds in the CEE progress reports series published by KPMG annually since 2007.

Purpose of the document

- To give an overall picture of EU funds available during the 2007-13 period in the CEE countries
- To introduce the implementation progress of framework programmes co-financed from EU grants as at December 2010
- To provide a brief summary on the application of financial engineering instruments in the CEE countries

Structure of the document

1. Introduction
2. CEE overview on EU co-funded interventions and their progress by the end of 2010
3. Introduction of financial engineering instruments
4. Country overviews

Definitions

Available budget 2007-13

Available budget 2007-13 is the sum of EU co-financing and national public contribution (i.e. the amount accessible for applicants or potential beneficiaries). This budget had been set in each countries' National Strategic Reference Framework and has been approved by the European Commission.

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 by 31 December 2010.

Paid grants

Paid grants are the amount of grants (including advance payments) which have been disbursed to the final beneficiaries by 31 December 2010.

Contracted ratio

Contracted ratio equals the amount of actual contracted grants in 2007-10 divided by the budget available for 2007-13.

Payment ratio

Payment ratio equals the amount of actual paid grants in 2007-10 divided by the budget available for 2007-13.

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

The report introduces community co-funded programmes covered by each Member State's National Strategic Reference Framework. Therefore, within the framework of this document we concentrate on the implementation of Operational Programmes co-funded by the following Structural Funds*:

- **European Regional Development Fund (ERDF)**
The ERDF aims to promote economic and social cohesion by addressing main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from other Structural Funds.
- **Cohesion Fund (CF)**
The purpose of the CF is to co-fund actions in the fields of environment and transport infrastructure of common interest with a view to promote economic and social cohesion and solidarity among Member States.
- **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 to face new challenges.

CEE countries covered in this report

- | | | |
|------------------|-------------|------------|
| • Bulgaria | • Latvia | • Romania |
| • Czech Republic | • Lithuania | • Slovakia |
| • Estonia | • Poland | • Slovenia |
| • Hungary | | |

EU funds covered by this report

- European Regional Development Fund
- Cohesion Fund
- European Social Fund

*In previous reports also EARDF and EFF have also been included. From 2010 on we report on these funds separately.

CEE overview

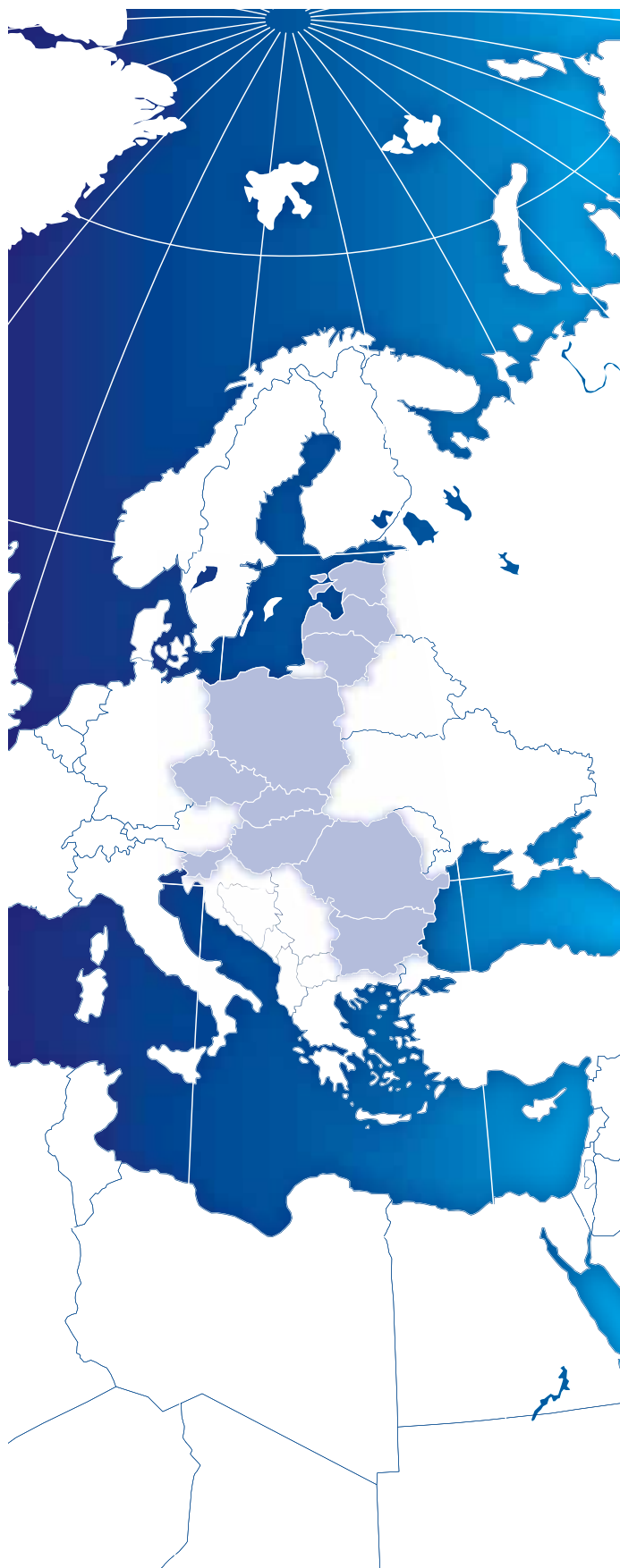
Objectives

- 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 and payment ratios achieved in implementation of EU funds during 2007-10
- Introducing the implementation system of JEREMIE and JESSICA financial engineering instruments in the CEE countries

General approach

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

- GDP and population data originate from the Eurostat database.
- Country figures have been collected by local KPMG practices.
- Amounts of financial resources originate from the financial table of the related framework programmes of 2007-13.
- Variation of exchange rates can impinge on the actual values of contracted and paid grants regarding those Member States which are still not part of the eurozone.
- Classification of intervention types is identical to what we applied in the previous KPMG EU funds in the CEE progress reports.



Basic CEE information on EU funds 2007-13

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 have access to EUR 172.6 billion of EU funds, i.e. from the ERDF, CF and ESF, without a national public contribution. On an annual basis this amount is 2.7% of the annual GDP of the region according to 2010 Eurostat data.

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

Population of the CEE region (2010) 102.1 million

Annual GDP of the CEE region (2010)

EUR 917.9 billion

GDP per capita of the CEE region (2010) EUR 8,990

Total EU funds in CEE 2007-13 EUR 172.6 billion

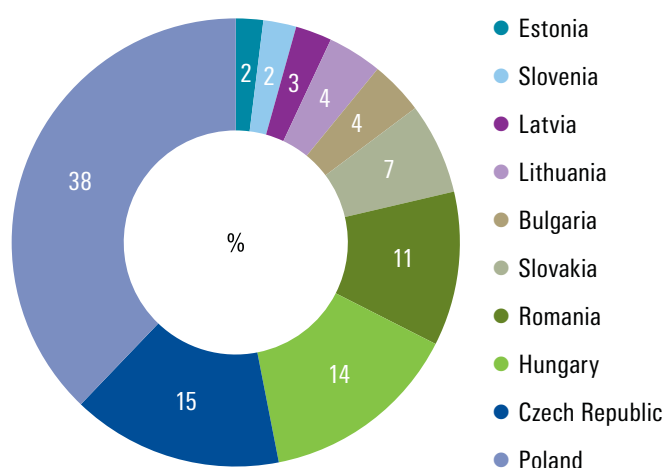
EU funds in CEE 2007-13 per capita EUR 1,690

EU funds in CEE per GDP 2.7%

Basic CEE information on EU funds 2007-13											
	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Population* (million)	7.6	10.5	1.3	10.0	2.2	3.3	38.2	21.5	5.4	2.0	102.1
Annual GDP* (billion EUR)	36.0	145.9	14.5	98.4	18.0	27.4	353.7	121.9	65.9	36.1	917.9
GDP per capita (EUR)	4,764	13,890	10,821	9,830	7,993	8,232	9,266	5,682	12,149	17,617	8,990
EU funds 2007-2013 (billion EUR)	6.7	26.3	3.4	24.9	4.5	6.8	65.3	19.2	11.4	4.1	172.6
EU funds per capita (EUR)	882	2,502	2,540	2,488	2,014	2,035	1,711	895	2,094	2,003	1,690
EU funds per GDP	2.6%	2.6%	3.4%	3.6%	3.6%	3.5%	2.6%	2.3%	2.5%	1.6%	2.7%

*based on EUROSTAT data, 2010

Breakdown of EU funds 2007-2013 by country



The amount of allocated EU funds varies by country; the most is allocated for Poland, which bears the biggest population among the CEE countries. However, EU fund per capita is highest in the Czech Republic and Estonia.

In shares, Poland and the Czech Republic account for more than 50% of the allocated EU funds. Together with the share of Hungary and Romania the total amount constitutes three-quarters of the total EU funds allocated for the CEE region. Countries with a relatively smaller population altogether hold a 22% share.

Progress achieved during the implementation of EU funds, 2007-10

General information on progress for 2007-10

In the period of 2007-13 altogether, complemented by national public contribution, EUR 208.2 billion can be spent on the improvement of economic and social cohesion. The budgets have been set according to different considerations among the Member States through their National Strategic Regional Framework Programmes.

During the first four years of implementation of EU co-funded programmes beneficiaries signed contracts totalling nearly EUR 110.2 billion. This amount is about half of the available budget for the 7-year programming period. Considering the region's population, this equates to EUR 1,079 in contracted grants per capita.

Regarding payments, by the end of 2010 more than one-third of the contracted grants i.e. EUR 36.3 billion were disbursed to the beneficiaries.

Accordingly, the following table shows all related data by country regarding the 2007-10 period:

Total available budget 2007-13
EUR 208.2 billion

Total contracted grants 2007-10
EUR 110.2 billion

Contracted grants per capita
EUR 1,079

Total paid grants 2007-10
EUR 36.3 billion

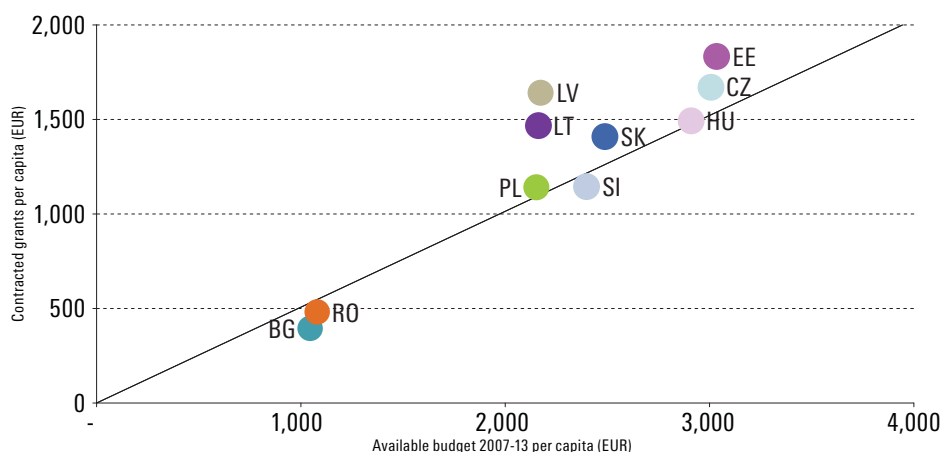
Paid grants per capita
EUR 356

Basic CEE information on implementation 2007-10											
	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Available budget 2007-2013 (billion EUR)	8.0	31.0	4.1	29.3	5.0	7.3	82.1	23.3	13.4	4.8	208.2
Available budget 2007-2013 per capita (EUR)	1,044	3,009	3,035	2,913	2,172	2,161	2,53	1,078	2,490	2,400	2,039
Contracted grants 2007-2010 (billion EUR)	3.0	17.2	2.5	15.0	3.7	5.0	43.5	10.4	7.6	2.3	110.2
Contracted grants 2007-2010 per capita* (EUR)	391	1,669	1,835	1,493	1,643	1,469	1,142	481	1,409	1,144	1,079
Paid grants 2007-2010 (billion EUR)	0.8	8.1	0.9	4.8	1.5	2.1	13.1	1.5	2.3	1.3	36.3
Paid grants 2007-2010 per capita* (EUR)	103	788	635	478	644	629	344	71	418	644	356
Contracted ratio	37%	55%	60%	51%	76%	68%	53%	45%	57%	48%	53%
Payment ratio	10%	26%	21%	16%	30%	29%	16%	7%	17%	27%	17%

* based on EUROSTAT data, 2010

Top performers

Latvia, Lithuania

Above average performersEstonia, Slovakia,
Czech Republic, Poland**Below average performers**Hungary, Slovenia,
Romania, Bulgaria**Available budget 2007-13 vs contracted grants per capita 2007-10****Contracted ratio and payment for 2007-10 by country**

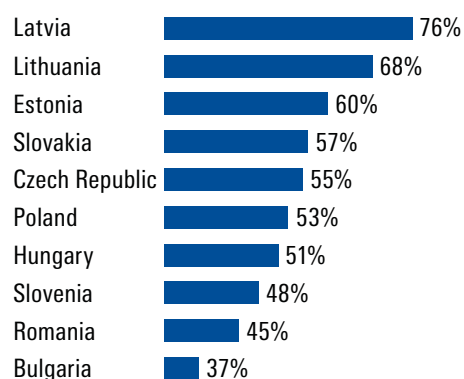
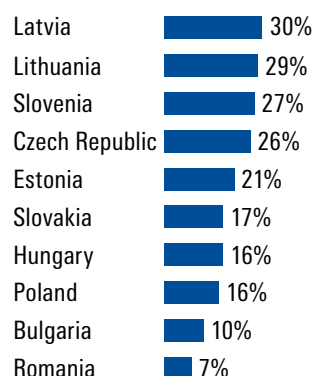
After four years of implementation the 10 CEE countries have contracted altogether 53% of their budget allocated for the 7-year programming period.

At the end of 2010 the Baltic countries' National Strategic Reference Framework programmes showed the highest contracted ratios, since they vary between 60 and 76%, which is also outstanding on a time-proportional basis.

The contracted ratio of other countries is in the middle of the ranking, between 48 and 57%. While, the share of contracted amount compared to the 7-year budget is lower in Romania and Bulgaria.

The payment ratio split does show a slightly different pattern. As in the case of contracted ratios two Baltic countries, Latvia and Lithuania take the lead. However, some countries' result is not aligned with the contracted ratio results.

By the end of 2010 the highest payment ratio was 30% and the lowest 7%.

Contracted ratio**Payment ratio**

Implementation of EU funds for 2007-10 by intervention type

The amounts of available budget and contracted grants by intervention type vary as follows:

Available budget 2007-2013 (million EUR)											
Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia**	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Economic development	1,127	4,407	581	4,997	324	949	10,215	2,917	1,031	1,046	27,595
Energy	0	419	145	407	1,086	603	3,144	726	199	0	6,728
Environment	1,754	5,624	839	4,342	0	1,241	9,250	5,437	2,060	0	30,548
Healthcare	0	0	0	330	809	0	635	0	285	0	2,060
Human resource development	1,165	3,972	896	2,725	335	1,048	12,985	4,803	2,512	1,040	31,480
Public administration	174	1,503	0	4,568	28	595	611	235	916	114	8,744
R&D, innovation	0	3,273	365	991	455	557	10,050	646	1,384	704	18,426
Transport	1,938	8,600	719	7,670	1,484	1,103	29,911	6,966	3,969	1,817	64,178
Urban and rural development	1,547	1,954	457	1,957	323	999	2,385	617	617	0	10,855
Technical assistance	314	1,220	72	1,331	111	220	2,899	906	459	104	7,635
CEE total	8,019	30,972	4,074	29,319	4,955	7,316	82,086	23,251	13,432	4,825	208,248

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

Contracted grants as at December 2010 (million EUR)											
Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia*	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total
Economic development	344	2,384	397	2,835	306	774	6,582	1,283	494	456	15,855
Energy	0	223	28	102	655	438	586	66	105	0	2,204
Environment	481	917	530	1,421	0	1,067	5,301	2,359	1,172	0	13,249
Healthcare	0	0	0	235	690	0	488	0	272	0	1,685
Human resource development	544	2,284	629	1,444	275	619	8,031	4,155	1,833	632	20,445
Public administration	80	802	0	1,611	24	449	292	76	612	105	4,051
R&D, innovation	0	1,050	158	226	200	379	6,733	436	792	512	10,486
Transport	575	7,700	499	5,234	1,296	484	13,189	1,358	1,583	494	32,412
Urban and rural development	823	1,181	203	902	236	681	1,244	485	383	0	6,138
Technical assistance	152	626	21	1,013	65	82	1,088	164	355	101	3,667
CEE total	3,000	17,167	2,464	15,024	3,747	4,972	43,533	10,383	7,602	2,300	110,192

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

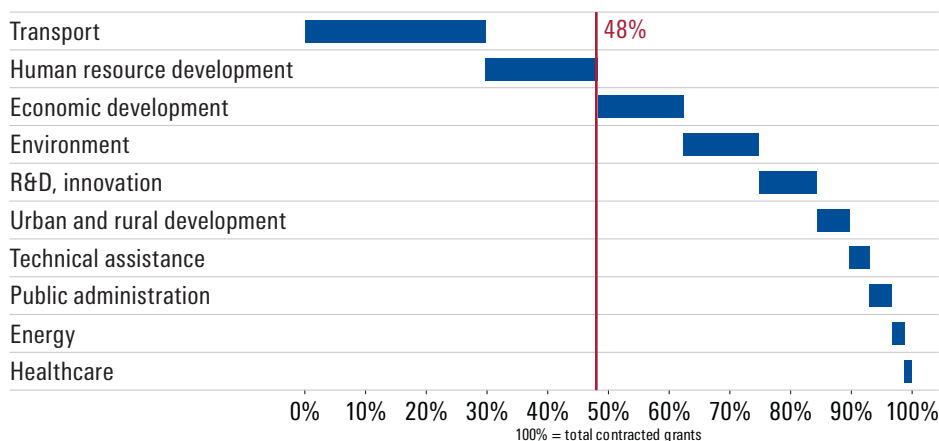
Contracted grants 2007-10 split by intervention type

After four years of EU co-funded programme implementation, 48% (i.e. EUR 52.9 billion) of grants supported operations in relation to transport and human resource development.

Due to the great value of the major projects almost one third of the total contracted grants were spent on transport projects.

Analysing the split of shares among these interventions, the greatest share within the contracted grants supports the transport sector whilst, human resources development and economic development bear nearly the same share.

Contracted grants split by intervention type



Contracted ratio for 2007-2010 based on available budget for 2007-2013

At a country level the contracted ratios of healthcare, human resource development, R&D and innovation, economic development and urban and rural development intervention types exceed the CEE average. Meanwhile, energy related interventions are lagging behind compared to the CEE ratio level.

Contracted ratio											
Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	Total CEE progress
Economic development	31%	54%	68%	57%	94%	82%	64%	44%	48%	44%	57%
Energy	N/A	53%	19%	25%	60%	73%	19%	9%	53%	N/A	33%
Environment	27%	16%	63%	33%	N/A	86%	57%	43%	57%	N/A	43%
Healthcare	N/A	N/A	N/A	71%	85%	N/A	77%	N/A	96%	N/A	82%
Human resource development	47%	58%	70%	53%	82%	59%	62%	87%	73%	61%	65%
Public administration	46%	53%	N/A	35%	84%	76%	48%	32%	67%	92%	46%
R&D, innovation	N/A	32%	43%	23%	44%	68%	67%	68%	57%	73%	57%
Transport	30%	90%	69%	68%	87%	44%	44%	19%	40%	27%	51%
Urban and rural development	53%	60%	44%	46%	73%	68%	52%	79%	62%	N/A	57%
Technical assistance	48%	51%	29%	76%	59%	37%	38%	18%	78%	97%	48%
Total progress	37%	55%	60%	51%	76%	68%	53%	45%	57%	48%	53%

* N/A indicates there is no separate priority for these types of interventions.

- greater than 130% of the CEE data
- less than 70% of the CEE data

Summary of findings

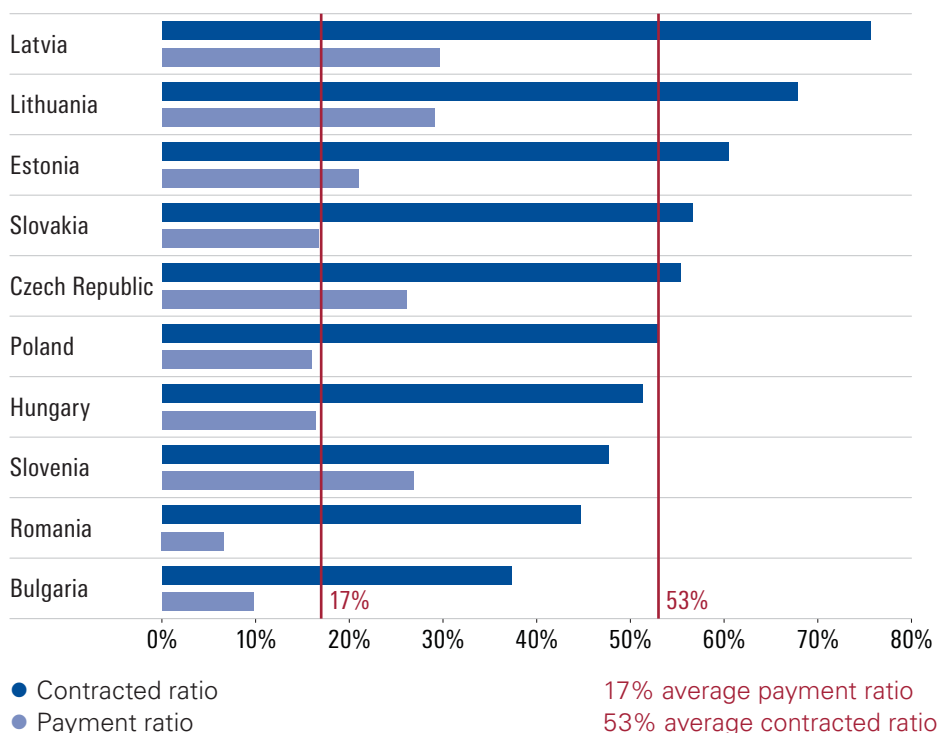
Implementation progress 2007-10 by country

- By halftime of the implementation of the 2007-13 programming period EUR 110.2 billion worth of grants have been contracted by the 10 CEE countries. This amount is 53% of the total available budget allocated for the 2007-13 period.
- Until the end of 2010 EUR 36.3 billion (i.e. 17%) of the available budget and one third of the contracted grants was disbursed to beneficiaries

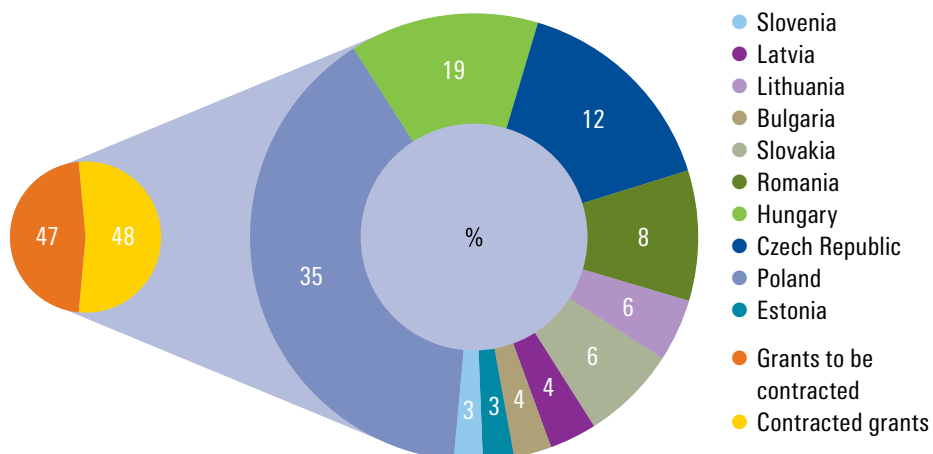
Implementation progress 2007-2010 by intervention type

- By the end of 2010 most intervention types performed around average contracted ratio between 33% and 82%
- The most grants, EUR 81.96 billion, i.e. 74% of the total contracted grants, have been contracted related to transport, human resources development, economic development and environment related projects

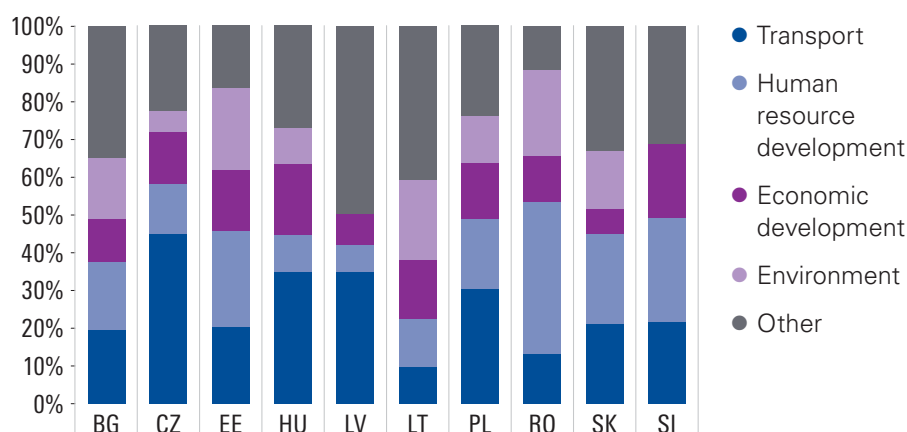
Contracted and payment ratio, 2007-10



Contracted grants by country, 2007-2010



Share of contracted grants by intervention type



Financial engineering instruments

Cohesion Policy Joint Initiatives were developed by the European Commission in collaboration with the European Investment Bank Group and other national financial institutions. These initiatives promote the use of financial engineering instruments within the framework of the Cohesion Policy. The instruments have several dimensions:

- supporting the development of businesses and regions by providing additional loan resources;
- fostering successful programme implementation by providing a possibility to combine grants with loans;
- ensuring long-term sustainability through the revolving character of the ERDF contribution, which can be reused afterwards;
- contributing financial and managerial expertise from specialist institutions such as the EIB Group and other international financial institutions.

According to the European Commission's fifth Cohesion Report, financial engineering initiatives are a growing and effective form of support. Thus, they are being supported significantly in the current and the 2014-20 programming period.

Joint European Resources for Micro to Medium Enterprises (JEREMIE)

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

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

By the end of 2010, the JEREMIE initiative had been launched in seven CEE countries.

Joint European Support for Sustainable Investment in City Areas (JESSICA)

JESSICA is a joint initiative of the European Commission, the European Investment Bank and the Council of the European Development Bank in order to promote sustainable investment, growth and jobs in Europe's urban areas. The aim of the initiative is to increase the use of financial engineering for sustainable urban development and regeneration.

Capital for JESSICA is provided by one or more Urban Development Funds which can be complemented by sharing their role with an intermediary Holding Fund.

Financial engineering instruments				
	JEREMIE	JESSICA	JASPERS	JASMINE
BG	●	●	●	●
CZ	○	●	●	○
EE	○	●	●	○
HU	●	○	●	●
LV	●	○	●	○
LT	●	●	●	○
PL	●	●	●	○
RO	●	○	●	●
SK	○	○	●	○
SL	○	○	●	○

- implemented until 2010
- not implemented until 2010

Urban Development Funds will select and support public private partnerships and other urban projects included in an integrated plan for sustainable urban development providing them loans, equity or guarantees, but not grants.

By the end of 2010 the JESSICA initiative had been launched by five CEE countries.

Joint Assistance to Support Projects in European Regions (JASPERS)

JASPERS is a technical support facility for the 12 EU Member States that joined the EU in 2004 and 2007. Through this joint initiative, the

European Commission (DG Regional Policy) and the European Investment Bank, in cooperation with the European Bank for Reconstruction and Development and Kreditanstalt für Wiederaufbau, share their professional experience with the beneficiary Member States in order to help them to use Structural Funds more effectively.

In the framework of JASPERS experts provide professional assistance free of charge for any stage of the project cycle from the early stages of project conception through to the final application for EU funding. The assistance can be given in several areas, e.g. project conceptualisation, CBA, feasibility studies, EU conformity, etc.

The assistance concentrates on large projects with total costs exceeding EUR 25 million for environmental projects and EUR 50 million for transport or other sectors. In the smaller countries where many projects of this size are not likely, JASPERS will concentrate on the largest projects. Sectors most likely to receive assistance include: roads, rail, public transport, water supply, wastewater treatment and solid waste.

In the 2007-13 programming period all CEE countries have obtained this assistance.

Joint Action to Support Micro-Finance Institutions in Europe (JASMINE)

JASMINE is a three-year pilot project set up by the European Commission and the European Investment Bank Group to provide technical support and funding to non-bank micro-credit providers in the EU.

The pilot project runs from 2009 to 2011 and provides technical assistance to help micro-finance institutions to improve their own businesses and become quality operators in their own right. Additionally, it also provides limited funding through EIB and certain seed capital resources.

In the aforementioned period three CEE countries - Bulgaria, Hungary and Romania - are taking part in the JASMINE pilot project.

CEE overview

Bulgaria

EU programme information

Population	7.6 million
GDP per capita in 2010	EUR 4,764
EU member since	1 January 2007

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

Complemented by national public contribution, the total budget of the framework programme amounts to EUR 8.02 billion.

Proportionally, the available budget per capita value in Bulgaria is EUR 1,060 which is below the respective average figure for CEE.

2007-2010 progress report

Overall progress	
Available budget 2007-13	EUR 8.02 billion
Contracted grants	EUR 3.0 billion
Contracted ratio	37%
Paid grants	EUR 788 million
Payment ratio	10%

By the end of 2010 Bulgaria had contracted 37% and disbursed 10% of the total budget allocated for the period of 2007-2013.

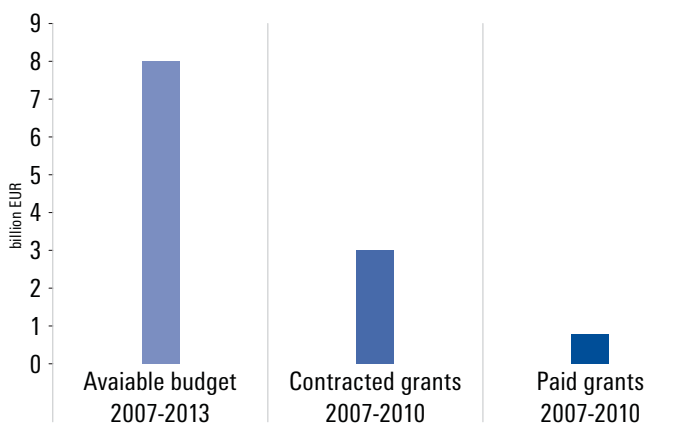
Within the National Strategic Reference Framework EUR 3 billion was contracted during the first four years of the implementation, which is 37% of the available budget.

Out of the contracted amount EUR 788 million has been paid out to the beneficiaries, totalling to 10% of the allocated budget.

Compared to last year's results the contracted percentage of the Bulgarian NSRF has significantly increased. However, the 37% contracted ratio is still under the ideal time-proportional progress. The 10% payment ratio compared with the results in other CEE countries' is reckoned insufficient both time-proportionally and comparatively.



EU funds implementation in Bulgaria as at December 2010



Progress by programme

The table below contains the amounts of the available 2007-2013 budget, the contracted and paid grants amounts, as well as the contracted ratio and payment ratio achieved concerning the operational programmes of the National Strategic Reference Framework programme in Bulgaria during 2007-2010.

By the end of 2010 the Bulgarian NSRF reached 37% of contracted ratio and 10% of payment ratio. Half of the grants, nearly EUR 1.5 billion, were contracted by the Regional Development OP and the Transport OP, whilst the other half was spent by six other OPs.

The contracted ratio of the seven OPs varies between 24% and 54%. The Regional Development OP is the best performing programme in terms of contracting. By the end of 2010 the contracted amount of this OP was EUR 1.6 billion of which nearly half was paid to the beneficiaries.

Another two programmes co-funded from the Cohesion Fund are the Transport OP and the Environment OP. Their progress measures contracted ratios of 30% and 27%, respectively, which are the lowest for Bulgaria, though more than EUR 100 million was paid. The best payment ratio was reached by the Regional Development and Competitiveness OPs, where a quarter of the available budget and more than 60% of the contracted grants were disbursed to the

beneficiaries. However, it should be noted that the good ratios of the Competitiveness OP are mostly due to the fact that the funds for the establishment of the JEREMIE Holding Fund (EUR 199 million) were transferred to the European Investment Fund (EIF) in July 2010.

In order to increase the payment ratio progress several measures were carried out by the Bulgarian Government. The primary objective of the measures introduced was to foster the efficiency of the implementation system and reach a higher payment ratio. During 2009 and 2010 several national regulations were modified in line with EU legislative amendments and other national prioritisation principles. Moreover, some internal reallocations were carried out among the operations of certain Priority Axes.

The following are some key measures:

- EUR 230 million have been allocated to support financial engineering instruments, namely JEREMIE and JESSICA
- In line with the amended EU regulations the rate of advance payments was increased up to 35% of the approved grant in case of transport, environment and some regional operations
- Maximum deadlines for payments and for verification were introduced by new national regulations
- Mandatory public consultation at least 10 days before the launch of a call was introduced in the grant-application guidelines.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Regional Development OP	1,601	861	185	54%	12%
Human Resources Development OP	1,214	585	97	48%	8%
Administrative Capacity OP	181	83	45	46%	25%
Development of the Competitiveness of the Bulgarian Economy OP	1,162	366	223	31%	19%
Transport OP	2,003	599	114	30%	6%
Environment OP	1,801	493	118	27%	7%
Technical Assistance OP	57	14	6	24%	10%
TOTAL	8,019	3,000	788	37%	10%

The amounts are in EUR million

Progress by intervention type

Contracted ratio by intervention type

Urban and rural development:	53%
Human resource development:	47%
Public administration:	46%
Economic development:	31%
Transport:	30%
Environment:	27%
Technical assistance:	48%
Energy:	n/a*
Healthcare:	n/a*
R&D, innovation:	n/a*

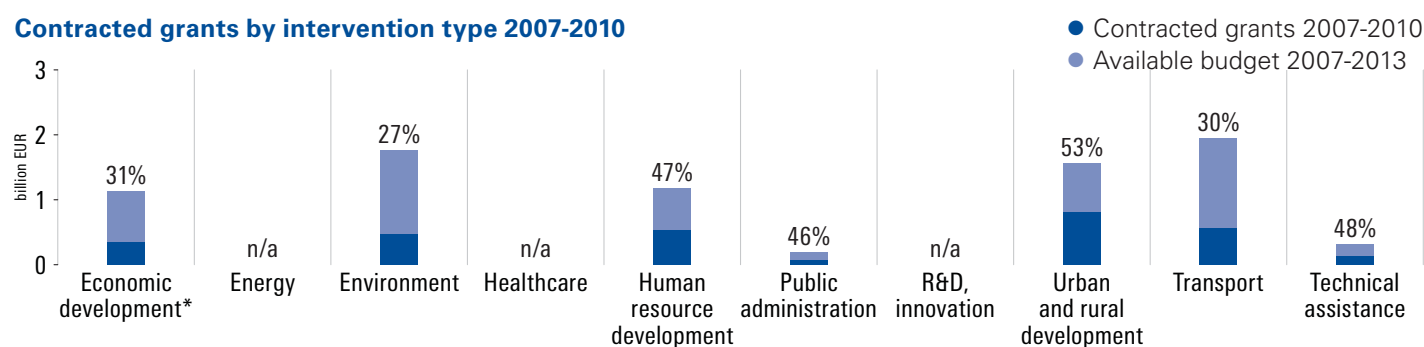
* These types of interventions are financed by different schemes within the EU-funded Operational Programmes and Bulgarian governmental programmes. However, these sectors are not covered by separate programme or priority interventions.

The contracted ratio of the intervention types covered by the Bulgarian NSRF varies between 27% and 53%. Operations related to urban and rural development are progressing the best, 53% of the allocated funds has been contracted. The Human Resources Development and Public Administration Development programmes are slightly behind the formerly mentioned operations with 47% and 46% of the available funds have been contracted respectively.

Regarding payments the economic development operations progressing the best, since 64% of the total contracted grants had been paid to the beneficiaries as at end of December 2010.

The contracted ratio of operations aiming for human resource development, settlement development and public administration is average compared to the CEE level ratios. While, the contracted ratio of environment-related interventions is significantly below the CEE average.

Contracted grants by intervention type 2007-2010



Financial engineering instruments

JEREMIE

The JEREMIE financial engineering initiative envisaged in the NSRF of Bulgaria is outlined in the Development of the Competitiveness of the Bulgarian Economy OP, Priority Axis 3. The JEREMIE instruments are implemented at a national level and their budget for the period 2007-13 is EUR 199 million. Since 2009 the Holding Fund Manager is the EIF, which is responsible for the operation of the JEREMIE Holding Fund and the management of the JEREMIE contributions and other funds of the Special Purpose Vehicle (SPV).

By 2009 the JEREMIE Investment Board had been established, comprising representatives of the Managing Authority and EIF bearing consultative and other functions in the JEREMIE Holding Fund Structure.

The JEREMIE initiatives in Bulgaria have three types of support:

- Support for guarantee funds: targeted support of specialised Guarantee funds (through credits, venture funds or/and contra-guarantee), or via direct support to the bank institutions by offering guarantees for certain SMEs loan portfolios (portfolio guarantees). Creation and capitalisation of guarantee funds/schemes and expansion of the activities of already operating funds/schemes will be supported, including all management costs incurred.
- Micro-loan funds support: micro-credit obtainment through targeted financing of micro-loan institutions and banks, which are offering micro-finance by issuing credits or guarantees. Support will be provided to existing micro-loan funds/schemes, as well as for newly created ones, including local or regional funds or branches of funds.
- Support for seed & venture capital funds investing in SMEs comprises venture capital investments, through targeted support to seed and venture capital funds for their SME investments. The investments by the Holding Fund in venture capital funds will include, but will not be limited to investments in equity capital or loans instruments, extending guarantees for equity investments, etc.

Where possible, synergy effect of the above operation with activities under other priorities should be achieved by using integrated approaches, such as support for small risk capital, guarantee or loan funds operating as a subsidiary of high technology business incubators supported by the OP and targeted to innovative SMEs.

By the end of 2010 four calls had been published for financial intermediaries related to risk capital funds for EUR 21 million, portfolio guarantee for EUR 74 million, growth capital for EUR 30 million and mezzanine fund for EUR 30 million.

The latter is a so-called hybrid debt equity financing which combines a loan with equity instruments. The submitted applications of the Financial Intermediaries are expected to be assessed by the EIF by the end of Q4 2011.

JEREMIE financial instruments

Microcredit/loans	✓
Guarantee	✓
Venture capital	✓
Mezzanine funds	✓

JESSICA

In Bulgaria the JESSICA instrument is implemented on a regional level: the operations are envisaged in the Bulgarian Regional Development OP. The budget of the initiative is EUR 33 million for 2007-13.

According to recent plans, EIF will start its operation as a Holding Fund in Bulgaria from the second half of 2011. JESSICA capital will be given out as guarantees, loans, and mezzanine or equity financial instruments.

In the framework of the JESSICA initiative two Urban Development Funds will be established for developments. The first one will support operations carried out in Sofia for EUR 13 million and the second one will provide financial instruments for the largest cities in the country - Plovdiv, Varna, Bourgas, Russe, Stara Zagora and Pleven in the amount of EUR 20 million.

The JESSICA initiative in Bulgaria will focus on revenue-generating operations, Public Private Partnerships and other integrated sustainable urban development projects including the rehabilitation of deprived urban areas in the seven big cities across the country.

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Czech Republic

EU programme information

Population	10.5 million
GDP per capita in 2010	EUR 13,890
EU member since	1 May 2004

In the 2007-13 period, the National Strategic Reference Framework covers 17 OPs, eight sectoral, seven regional and two Objective 2 OPs, with a total Community contribution of EUR 26.3 billion.

The community contribution is complemented by national public resources, providing a total budget of EUR 31 billion.

Proportionally, the available budget per capita value in the Czech Republic is EUR 2,946, which is higher than the respective CEE average figure.

2007-10 progress report

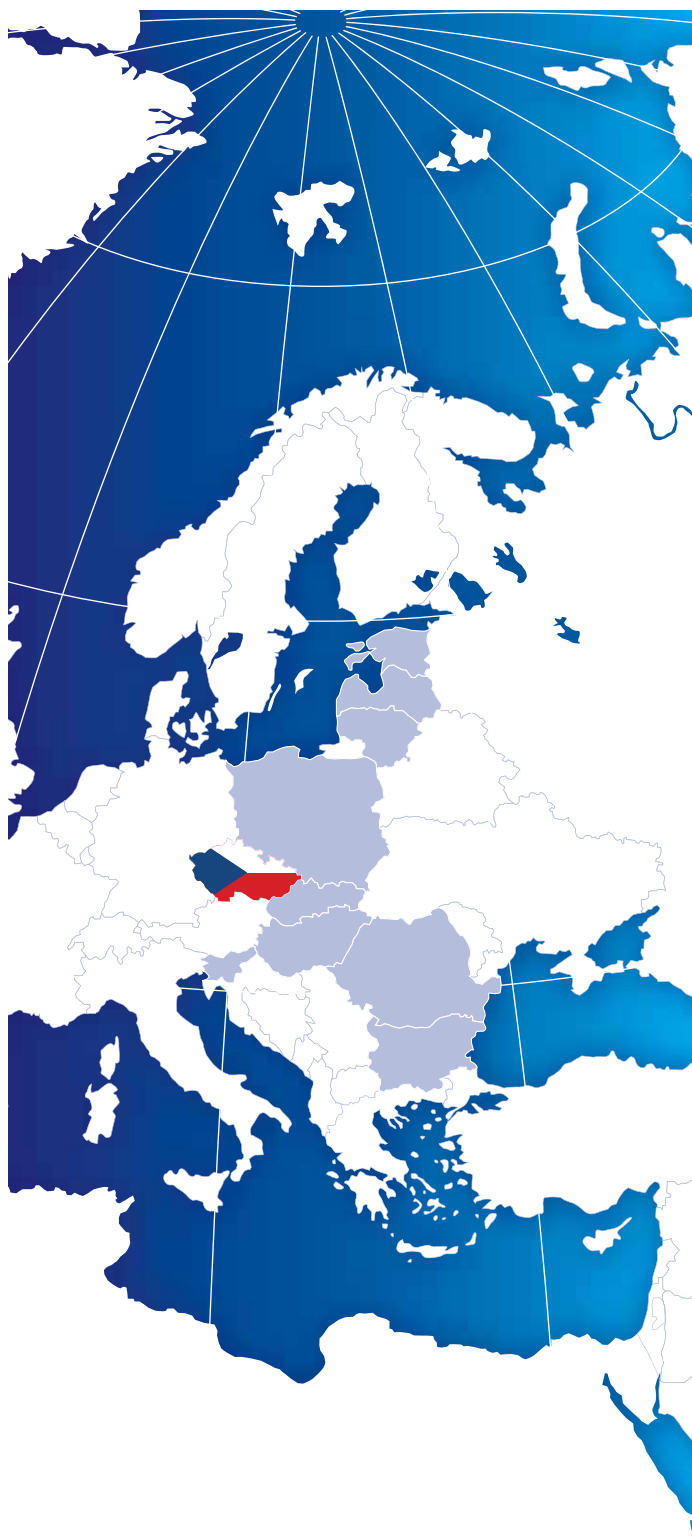
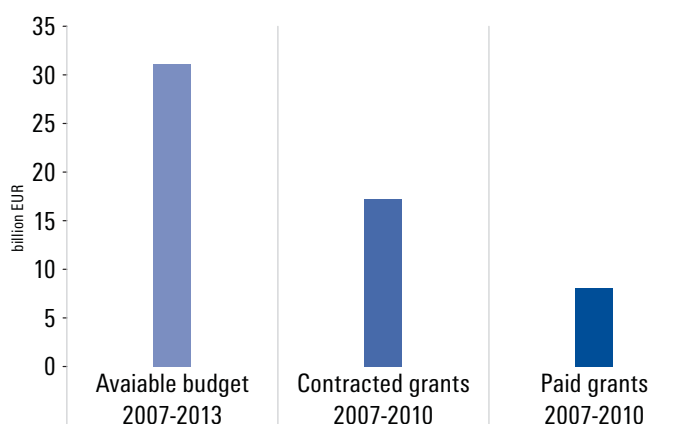
Overall progress	
Available budget 2007-13	EUR 31 billion
Contracted grants	EUR 17.2 billion
Contracted ratio	55%
Paid grants	EUR 8.1 billion
Payment ratio	26%

By the end of 2010 the Czech Republic had contracted altogether 55%, and disbursed a quarter of the total budget available in the framework of its EU co-funded development programmes regarding 2007-13.

Within the Czech National Strategic Reference Framework EUR 17.2 billion has been contracted with beneficiaries, accounting for 55% of the available budget for seven-years. Out of this amount, EUR 8.1 billion has already been paid to the beneficiaries, representing 26% of the allocated budget

The 55% contracted ratio is obviously time proportional which means that the framework programme is on the right track. A 26% payment ratio places Czech Republic in the top third among the CEE countries.

EU funds implementation in the Czech Republic as at December 2010



Progress by programme

The following table introduces the available budget for 2007-2013, the contracted and paid grants amounts as well as the contracted ratio and payment ratio achieved concerning the operational programmes in the Czech Republic during the 2007-2010 period. The amounts are in EUR million

By the end of 2010 EUR 17.2 billion had been contracted and EUR 8.1 billion was disbursed in the framework of the nine regional and seven sectoral Operational Programmes.

As at 31 December 2010, the contracted ratios varied from 16% to 97%, whilst the payment ratios were between 3% and 55%. The contracted ratios are doing well on a time-proportional level, since, except for two OPs, they are above 40%.

After four years of implementation the Transport OP has proved to be the most successful: its results are outstanding with a contracted ratio of 97% and a 55% payment ratio.

These prominent results can be attributed to the preferences of the Czech Government.

The National Coordination Authority, which is responsible for the central coordination of all Ops, carried out several measures in order to increase absorption. These measures included inter alia differentiation of subsidy intensity, risk control to have better realisation and introduction of a national model for cost-benefit analyses in order to speed up the implementation of major projects.

In 2010 the Czech Republic began negotiations regarding the compensation for underestimated judgments which had been used by the European Commission when providing allocations in 2005. As a result of the consultation it was decided that the Czech Republic will receive an additional EUR 237 million in Structural Funds. According to the plans these additional resources will be disbursed in equal parts over the years 2011, 2012 and 2013. It is still to be decided which OPs will be supported.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Transport OP	6,793	6,583	3,739	97%	55%
Prague OP – Competitiveness	276	230	102	83%	37%
Prague OP – Adaptability	128	98	54	77%	42%
Human Resources and Employment OP	2,157	1,642	327	76%	15%
South-East OP	829	597	376	72%	45%
North-East OP	773	543	353	70%	46%
North-West OP	878	601	290	68%	33%
Central Bohemia OP	658	381	182	58%	28%
Integrated OP	1,862	990	173	53%	9%
South-West OP	729	386	218	53%	30%
Enterprise and Innovation OP	3,583	1,766	576	49%	16%
Central Moravia OP	773	368	327	48%	42%
Moravia-Silesia OP	843	373	195	44%	23%
Education for Competitiveness OP	2,152	857	348	40%	16%
Research and Development for Innovations OP	2,436	665	77	27%	3%
Environment OP	5,792	947	735	16%	13%
Technical Assistance OP	292	141	35	48%	12%
TOTAL	30,952	17,167	8,106	55%	26%

The amounts are in EUR million

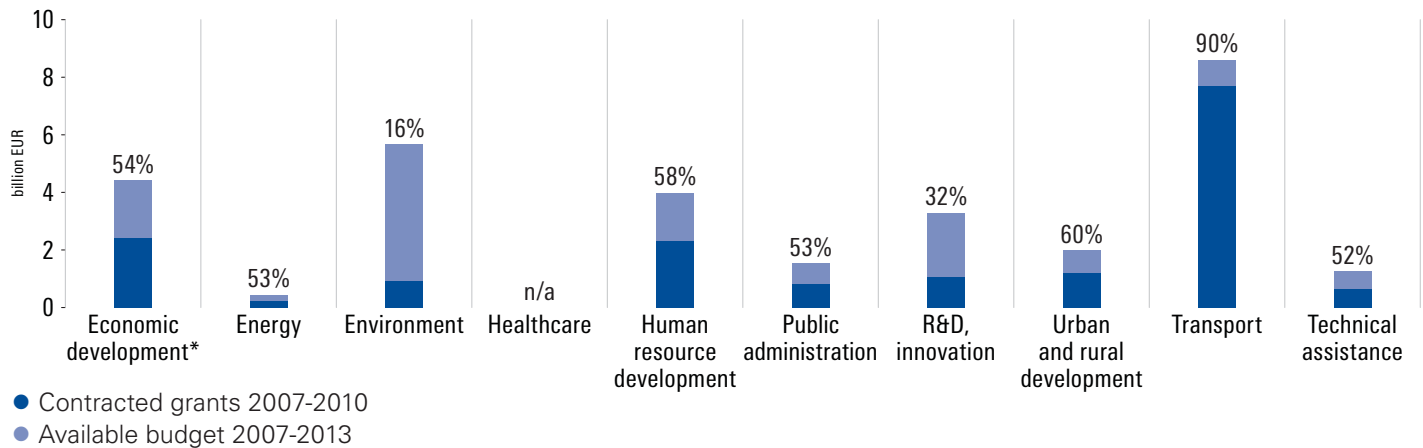
Progress by intervention type

Contracted ratio by intervention type

Transport:	90%
Urban and rural development:	60%
Human resource development:	58%
Economic development:	54%
Energy:	53%
Public administration:	53%
R&D, innovation:	32%
Environment:	16%
Technical assistance:	52%

By the end of 2010 transport operations became by far the best interventions, since 90% of the available budget had been contracted. Additionally, compared to the fact, that transport interventions have the most budget allocated for the 2007-2013 period this is a very good result. However, the progress of most of the intervention types, except R&D and innovation and environment, is over 53% which is considered very good on a time-proportional basis.

In terms of disbursement, operations related to transport have the highest payment ratio since EUR 4.4 billion had been paid out of the EUR 8.6 billion available budget by the end of 2010. Although operations aiming at environmental developments have low contracted ratio payments, they stand at a very good level since 78% of the total contracted grants have been paid to the beneficiaries.

Contracted grants by intervention type, 2007-10**Financial engineering instruments****JEREMIE**

The JEREMIE initiative is included in one of the Czech NSRF's sectoral operational programmes, namely the Enterprise and Innovation OP. In order to insert the financial engineering instrument into the OP a JEREMIE evaluation study was completed in 2007 by the Commission in cooperation between the European Investment Fund and several Czech public authorities (i.e. Ministries and the Managing Authority). The study suggested variations on the implementation of the JEREMIE financial instruments within the Enterprise and Innovation OP.

According to the original plans JEREMIE type activities are intended to provide support for risk capital, for start-ups and for enterprises in early phases of development with a budget of EUR 72 million. By the end of 2010 the negotiations had come to a halt and the EIF was waiting for a formal decision from the Czech Government to launch the JEREMIE initiative in the 2007-2013 programming period.

JESSICA

Out of the eight regions of the Czech Republic three are planning to implement the JESSICA initiative in the framework of their regional operational programmes. To this end, three implementation studies had been prepared by the end of 2010 by the European Investment Fund.

According to recent plans in the Moravia-Silesia region loans would be available with low credit through the EIB to entrepreneurs and cities for brownfield renewal. To this end, a funding agreement was signed in February 2010 promoting EIB as the Holding Fund in this region. The strategic objectives of the Holding Fund are to be achieved through making contributions to one or two Urban Development Funds (UDFs), which will invest through loans and/or equivalent instruments in urban projects aimed at revitalisation of problem areas or other specific contributions towards sustainable urban development. As planned the equity of the UDF will be approximately EUR 20 million. The UDF may take up its activity in 2011 by launching 3-5 projects.

In the Southeast region of the Czech Republic there are plans to save money from the regional operational programme, in favour of the JESSICA initiative, which could be spent on developments in the city of Brno. The aim of JESSICA implementation is to shift revenue-generating projects from grant funding under JESSICA support. According to these plans, EUR 10.3 million has been allocated by the local UDF for the developments in Brno. Although the negotiations were started with EIF in May 2010, no Holding Fund will start its operation in the Southeast region.

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Estonia

EU programme information

Population	1.3 million
GDP per capita in 2010	EUR 10,821
EU member since	1 May 2004

In Estonia the structural assistance under the National Strategic Reference Framework is implemented through three operational programmes with an EUR 3.4 billion contribution from the ERDF, CF and ESF in the 2007-13 programming period.

The aforementioned community funding is complemented by a national public contribution and totals EUR 4.1 billion, which is available for development purposes for the 7-year period.

In 2010, available budget per capita in Estonia was equal to EUR 3,040, which is well above the respective CEE average figure.

2007-10 progress report

Overall progress	
Available budget 2007-13	EUR 4.1 billion
Contracted grants	EUR 2.5 billion
Contracted ratio	60%
Paid grants	EUR 853 million
Payment ratio	21%

By the end of 2010 Estonia contracted altogether 60% and disbursed 21% of the total budget available for EU co-funded development.

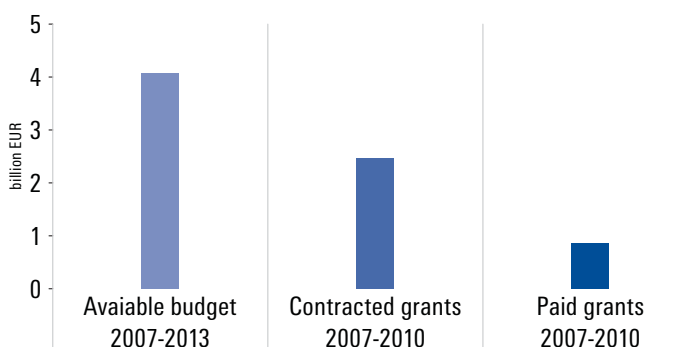
Within Estonia's National Strategic Reference Framework the contracted amount totals EUR 2.5 billion, which is 60% of the 7-year available budget.

On a time-proportional basis the Estonian framework programme exhibits an outstanding performance: a 60% contracted ratio. Although, the payments are lagging behind the ideal share, it is still over the CEE average.

Regarding disbursement, Estonia's EUR 853 million equates to a 21% payment ratio placing the country in the middle of the list of CEE countries



EU funds implementation in Estonia as at December 2010



Progress by programme

The following table contains the available budget for 2007-13, the contracted and paid grant amounts as well as the contracted ratio and payment ratio achieved by operational programmes in Estonia during 2007-10.

Due to the economic crisis the Estonian Managing Authority have carried out some modifications in order to eliminate the negative effects of the economic crisis. To this end, all OPs within the NSRF were affected by modifications during 2009 and 2010 in the favour of operations with better expenditure on grants. Thanks to the modifications EUR 6.4 million in grants were moved to support the better offer of skilled workers and to reduce the volume of business trainings; EUR 41.5 million has been moved from ERDF Energy sectors (DLE OP) in order to give more support to investments in industrial technology, research and development activities and export marketing activities (DEE OP); and EUR 16.9 million from human resources development to support transportation and entrepreneurship within DEE OP.

By the end of 2010 the programme had reached a contracted ratio and absorption which is well above the CEE average. Among the three framework programmes the OPs of the NSRF perform the best with contracted ratios between 57 and 63%. Among the three OPs under NSRF, the Human Resource Development OP performs the best;

however, its allocated budget is the smallest within this framework programme.

In case of the Development of Economic Environment OP EUR 1,064 million has been contracted and EUR 410 million was paid out, accounting for 63% and 24% of the budget available for seven years, respectively. Within the framework of the DLE OP beneficiaries have signed contracts for EUR 1,099 million, which equates to a 57% contracted ratio.

In order to increase the absorption process of the Estonian framework programmes several measures have been taken in 2010. The main objective of these measures was to relax commitments, increase the share of advance payments and facilitate application procedures.

- Projects with a total investment lower than EUR 64,000 (from ERDF and CF) have been released from the very comprehensive analysis with EC methodology of the financial obligations.
- In line with the European regulation's amendments it became possible to obtain more advance payment before finishing a project.
- According to the adaptation of the amended EU regulation all operations co-financed from Structural Funds are required to be retained within three years of their completion.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Human Resources Development OP	462	301	131	65%	28%
Development of Economic Environment OP	1,700	1,064	410	63%	24%
Development of the Living Environment OP	1,912	1,099	312	57%	16%
TOTAL	4,074	2,464	853	60%	21%

The amounts are in EUR million

Progress by intervention type

Contracted ratio by intervention type

Human resource development:	70%
Transport:	69%
Economic development:	68%
Environment:	63%
Urban and rural development:	44%
R&D, innovation:	43%
Energy:	19%
Technical assistance:	29%

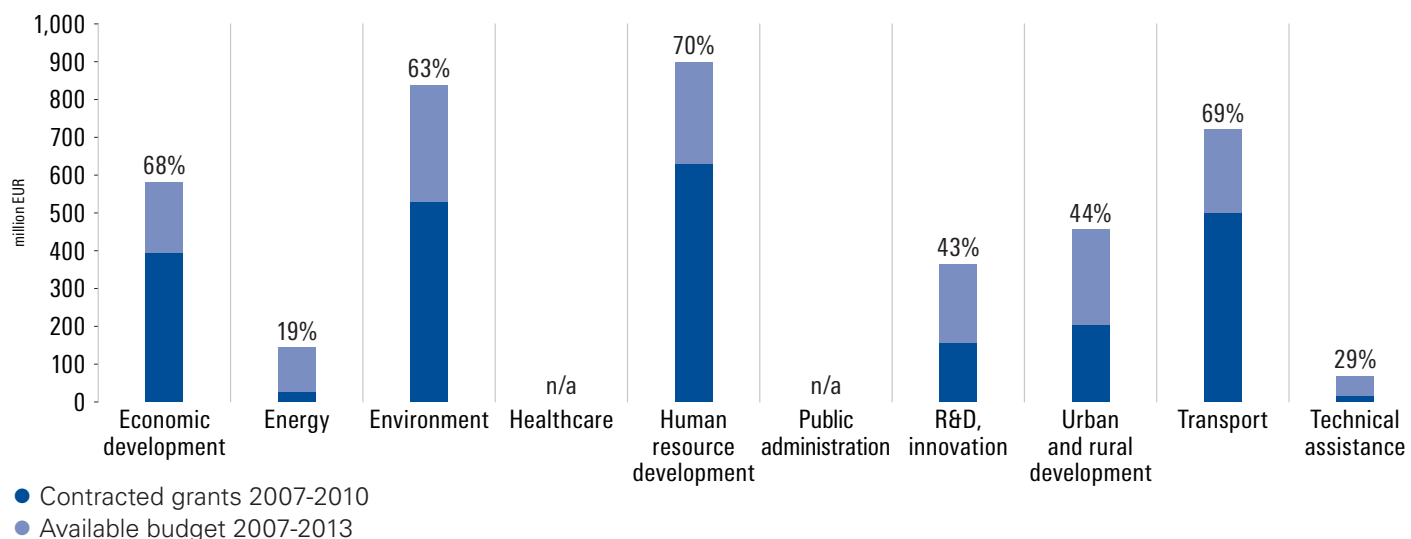
Based on the contracted grants-available budget ratio projects aiming for human resource development, transport and economic development exhibit the best progress.

The contracted ratio of all four interventions supported exceeds 60% which is also outstanding on a time proportionate basis.

The most grants, comprising EUR 244 million have been paid out for human resource development related operations. Despite the fact that energy related operations have a low contracted ratio, 71% of the contracted grants has already been paid to the beneficiaries.

Compared to other countries' results Estonia's contracted ratios perform above average in case of environment and transport related operations.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

The Estonian development agency and the Ministry of Economic Affairs started negotiations with the EIF in 2007. Although an evaluation study was prepared by the end of 2007 and several meetings were held between the Estonian authorities and the EIF, it turned out that available funds were too limited to set up a JEREMIE Holding Fund in Estonia.

Nonetheless, the Estonian public authorities have launched a venture capital fund and offered an advisory role for the EIF. This role covers technical assistance from the side of EIF to support the decision-making process.

In Estonia there were three types of financial instruments out of which only one had started its operation by the end of 2010. These instruments are a regional risk capital fund, a portfolio guarantee fund and the only operating risk capital fund operated by a Baltic private equity and venture capital investor.

JESSICA

The Estonian JESSICA initiative concentrates on housing, transport, energy, water, sewage and health sectors.

The JESSICA initiative is organised in Estonia through a Holding Fund system. The Holding Fund Manager is the Credit and Export Guarantee Fund whose aim is to improve living conditions in Estonia. Under the Holding Fund two commercial banks have been appointed as Urban Development Funds so far.

By the end of 2010, 15 projects had been financed through the JESSICA initiative.

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Hungary

EU programme information

Population	10 million
GDP per capita in 2010	EUR 9,830
EU member since	1 May 2004

In the 2007-13 programming period Hungary's National Strategic Reference Framework, the so-called New Hungary Development Plan, covers 15 operational programmes: seven sectoral, six regional, one Objective 2 and one technical assistance OP. The programme is implemented by EUR 24.9 billion in community ERDF, CF and ESF co-financing.

Complemented by the national public contribution the available budget for the seven years totals EUR 29.3 billion.

Accordingly, the available budget per capita figure stands at EUR 2,928, which is well above the respective CEE average figure.

2007-10 progress report

Overall progress	
Available budget 2007-13	EUR 29.3 billion
Contracted grants	EUR 15.0 billion
Contracted ratio	51%
Paid grants	EUR 4.8 billion
Payment ratio	16%

Hungary has started the implementation of EU co-funded programmes with a fair bid.

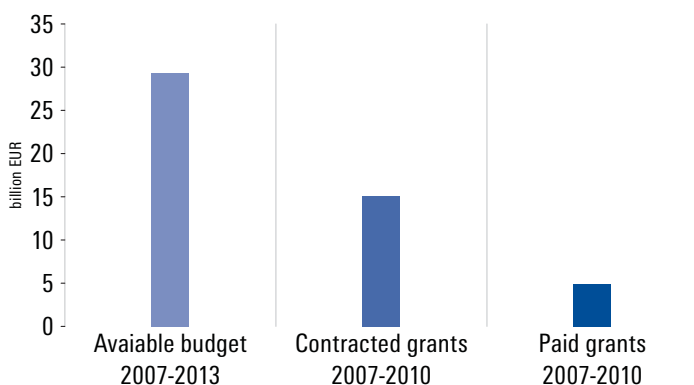
In four years of implementation altogether EUR 15 billion grants have been contracted within the New Hungary Development Plan. This means that the beneficiaries have already signed contracts for 51% of the total available budget.

As far as the disbursement concerned one-third of the contracted grants were paid out to the beneficiaries i.e. EUR 4.8 billion. This amount is 16% of the total funds allocated for the 2007-13 programming period for Hungary.

On a time-proportional basis the contracted ratio is slightly behind the CEE average. On a CEE level the country has a middle rank both in terms of contracts and payments.



EU funds implementation in Hungary as at December 2010



Progress by programme

The following table introduces the available budget for 2007-2013, the contracted and paid grants, as well as the contracted ratio and payment ratio achieved concerning operational programmes within the NSRF in Hungary for the 2007-2010 period.

By December 2010 the implementation of the Hungarian operational programmes resulted in EUR 15 billion of contracted and slightly more than EUR 4.8 billion of paid grants.

After four years of implementation the progress of the Transport OP appears to be the first, as 71% of the total budget allocated for the programme has been contracted by the beneficiaries. Since this OP has the biggest available budget, the amount of contracted grants is also high, EUR 5 billion, accounting for one-third of the total amount of the contracted grants within the Hungarian NSRF. Accordingly, the OP has the highest disbursement; however, its payment ratio is 20%.

The only Objective 2 operational programme, the Central Hungary OP, is also progressing well, showing a 60% contracted ratio and 29% payment ratio.

As far as disbursements go, the Environment and Energy OP and Economic Development OP have the lowest payment ratios: 5% and 9% respectively.

In order to enhance the absorption process of the funds several measures have been implemented lasting recent years. Besides the financial resource reallocations among and within the operational programmes in 2009, the Managing Authorities have carried out several additional amendments regarding the financial and application handling procedures. The key measures were as follows:

- In accordance with the amendments of the EU regulations a maximum was introduced for advance payments in the most depressed areas of Hungary: 40% of the approved grant, a maximum EUR 1 million can be obtained as an advance. Notably, this measure has fostered the mitigation of liquidity problems of the beneficiary SME sector.
- The grant payment fulfilment deadline was reduced from 60 to 15 days. Moreover, regarding late payments a new rule was introduced which binds the institutional implementation system to pay default interest to the beneficiary in case of the omission of the payment fulfilment deadline.
- Several rules have been amended related to contracting and contract modification: the contracting and contract modification procedure was accelerated by introducing a single assessment of the documentation submitted by a beneficiary during the first payment claim and by introducing harmonised papers for typical contract modification cases.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Transport OP	7,095	5,026	1,388	71%	20%
Central Hungary OP	1,726	1,028	498	60%	29%
Social Infrastructure OP	2,100	1,178	198	56%	9%
Economic Development OP	3,355	1,860	642	55%	19%
South Transdanubia OP	830	438	217	53%	26%
West Pannon OP	546	261	128	48%	24%
South Great Plain OP	881	406	206	46%	23%
Electronic Public Administration OP	422	193	93	46%	22%
Central Transdanubia OP	598	271	123	45%	21%
North Hungary OP	1,063	471	204	44%	19%
North Great Plain OP	1,147	484	228	42%	20%
Social Renewal OP	4,097	1,518	452	37%	11%
State Reform OP	172	62	32	36%	18%
Environment and Energy OP	4,916	1,629	264	33%	5%
Implementation OP	371	198	139	53%	37%
TOTAL	29,319	15,024	4,812	51%	16%

The amounts are in EUR million

Progress by intervention type

Contracted ratio	
Healthcare:	71%
Transport:	68%
Economic development:	57%
Human resource development:	53%
Urban and rural development:	46%
Public administration:	35%
Environment:	33%
Energy:	25%
R&D, innovation:	23%
Technical assistance:	76%

By the end of 2010 the breakdown of the contracted ratio by intervention types resulted in a broad range: from 23% to 73%.

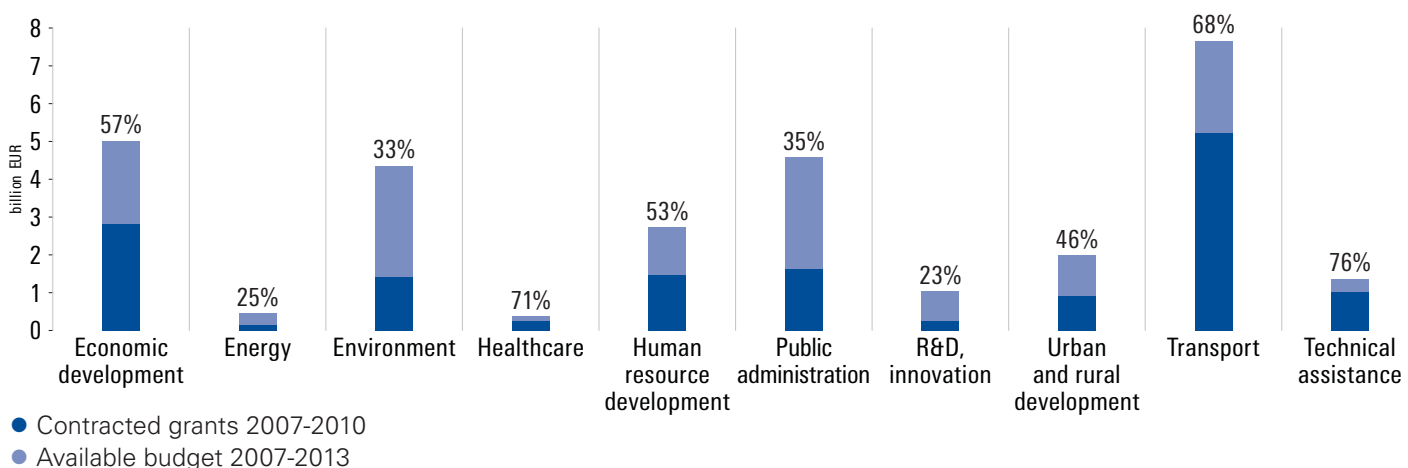
Healthcare and transport related projects are progressing with a contracted ratio of 71% and 68%, respectively. Due to project characteristics the amount of contracted grants is the highest for transport projects.

For operations aiming to support economic development and urban and rural development nearly half of the budget is still left for the forthcoming years of implementation.

Regarding payments, R&D and innovation operations take the lead since the half of the contracted amount has been paid to the beneficiaries. However, total disbursement is only 12% of the total budget for seven years.

A 68% contracted ratio for transport related operations is an outstanding result on a CEE level, whilst regarding R&D related interventions the country is lagging behind in terms of its contracted ratio.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

Micro finance activity in the Hungarian JEREMIE programme is based on the capacity of Micro Finance Institutions (hereinafter MFIs) established in the mid 90s in the framework of the PHARE programme.

Between 2007 and 2013 Hungary's financial engineering instruments are being handled both at the sectoral and regional levels in the NSRF. The instruments are included both in the Economic Development OP (priority axis 4) and Central Hungary OP (priority axis 1). The main objective of the priority is to facilitate access for SMEs to financing resources. The available budget for the priority totals EUR 753 million. The resources of the OP are available through a Holding Fund that refinances or co-finances private financial intermediaries improving the access of SMEs to financing resources.

In order to carry out the tasks of the Holding Fund Manager, the MV-Venture Finance Hungary Private Limited Company (hereinafter MV Ltd.) was established in the second half of 2007 by the Hungarian Development Bank with the aim of developing and running financial programmes that will expand the financing options of Hungary's SME sector in the period 2007-2013.

Starting from 2007 the financial programmes were announced with open tender notices, based on which financial intermediaries have been selected by MV Ltd. These organisations provide assistance in delivering the programme's funds to the end-beneficiary SMEs. The programmes work as funds; reimbursed financial assets can be used repeatedly during the term of the programmes. By the end of 2010 altogether 128 financial intermediaries had been selected.

The following financial engineering instruments are handled by the financial intermediaries.

- Low-cost micro loan and SME loans were granted in the beginning of 2008 by the selected 49 financial enterprises and 26 local MFIs. By the end of 2010 EUR 24.6 million had been granted to the financial intermediaries and EUR 91.8 million in loans had reached the SME sector through 3,200 contracts.
- In the framework of the Portfolio guarantee programmes MV Ltd. provides direct guarantees for the SME's financial claims of the financial intermediaries. By the year 2008, there were 36 financial institutions and nine MFIs. Within the programme EUR 6.3 million were invested by 370 SMEs.
- The venture capital programme is designed to improve the financial status of Hungarian SMEs by providing early-stage equity financing. By the end of 2010 eight selected venture capital fund manager companies were selected to invest EUR 140 million into SMEs in Hungary. So far EUR 9.2 million has been invested in the SME sector.

JESSICA

The implementation of JESSICA in Hungary has not yet started, although the funds to be provided by the initiative are included in the OP implementation plans of the 2011-13 period. According to these plans JESSICA would be introduced in the framework of the Environment and Infrastructure OP and some regional OPs to support mainly renewable energy developments and urban rehabilitation projects.

The implementation agenda appears to be optimistic since the EIB has hardly started to prepare its feasibility study on the possibilities of introducing the instrument in Hungary. Moreover, the implementation could be hampered by Hungarian legislation, since according to the recent regulations all revolving funds must be treated as non-refundable subsidy.

JEREMIE financial instruments	
Microcredit/loans	✓
Guarantee	✓
Venture capital	✓
Mezzanine funds	✗

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Latvia

EU programme information

Population	2.2 million
GDP per capita in 2010	EUR 7,993
EU member since	1 May 2004

In the 2007-13 period Latvia's National Strategic Reference Framework programme covers three operational programmes, which are co-financed by the European Union for EUR 4.53 billion.

According to the Community rules, this amount is complemented by national public resources. Thus, the total amount of available funds, to which the applicants can apply for grants, totals EUR 5.0 billion.

In Latvia the available budget per capita is EUR 2,204, which is above the respective CEE average figure.

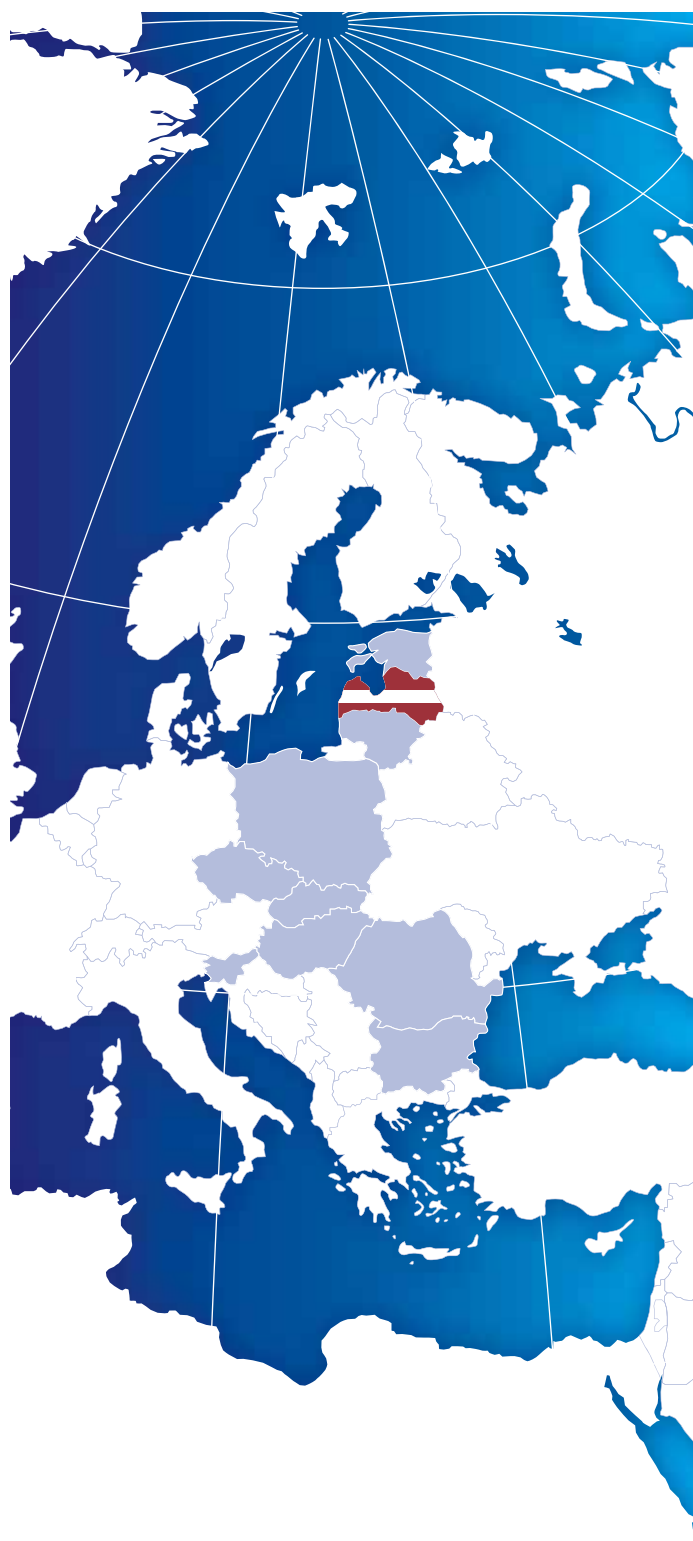
2007-2010 progress report

Overall progress	
Available budget 2007-2013	EUR 5.0 billion
Contracted grants	EUR 3.7 billion
Contracted ratio	76%
Paid grants	EUR 1.5 billion
Payment ratio	30%

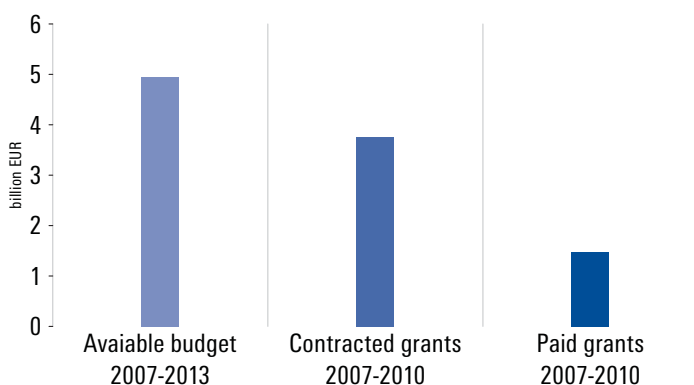
By the end of 2010 as part of the Latvian National Strategic Reference Framework programme the level of the contracted grants reached 76% with a 30% disbursement, which represents amounts of EUR 3.75 billion and EUR 1.47 billion, respectively.

By the end of 2010 on a CEE level the Latvian programmes had shown the best performance in the region in terms of contracted grants' share. A 30% rate of payment also represents an outstanding result among the 10 CEE countries. On a time-proportionate basis of all framework programmes these have achieved outstanding contracted ratios.

Compared to last year's results Latvia's contracted and payment ratio increased significantly, which means that all programmes are on a good track.



EU funds implementation in Latvia as at December 2010



Progress by programme

The following table introduces the available budget for 2007-2013, the contracted and paid grants amounts as well as the contracted ratio and payment ratio achieved for the framework and operational programmes in Latvia in 2007-2010.

By the end of 2010, 76% of the budget of the Latvian framework programme had been contracted, whilst the payment ratio had reached 30%.

Among all OPs contracted ratios are outstanding: they are all over 65%. Within the Latvian NSRF budget the Infrastructure and services OP has the biggest share 72% of the total NSRF budget is allocated to this OP. As a result the value of the contracted grants and disbursement is the highest for this OP.

Due to the high unemployment rate the available budget of the Human Resources and Employment OP was increased by adding additional public funding for a total of approximately EUR 20 million. The need for funding is shown in the high contracted ratio of the OP, i.e. 84% of the total available budget.

Regarding payments, the Entrepreneurship and Innovations OP is the best performer with EUR 309 million in paid

grants which equates to 38% of the contracted grants. 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. For this activity the final beneficiary is an investment fund that invests the money into companies via three sub-activities. This means that although 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 payment rate would be much lower.

During 2010 the Latvian authorities have carried out several measures in order to increase the payment process. Some key measures follow:

- Organisation of seminars for potential applicants in order to raise their awareness on applying to EU funds
- Emphasising the implementation of financial instruments mainly via the JEREMIE initiative
- Facilitation of the application procedure through legislative modifications
- Reduction of the national contribution for ESF co-funded projects.

In order to follow up on the improvement of payment rates, weekly reports are to be prepared.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Human Resources and Employment OP	631	528	236	84%	37%
Infrastructure and Services OP	3,522	2,699	923	77%	26%
Entrepreneurship and Innovations OP	802	520	309	65%	38%
TOTAL	4,955	3,747	1,468	76%	30%

The amounts are in EUR million

Progress by intervention type

Contracted ratio by intervention type

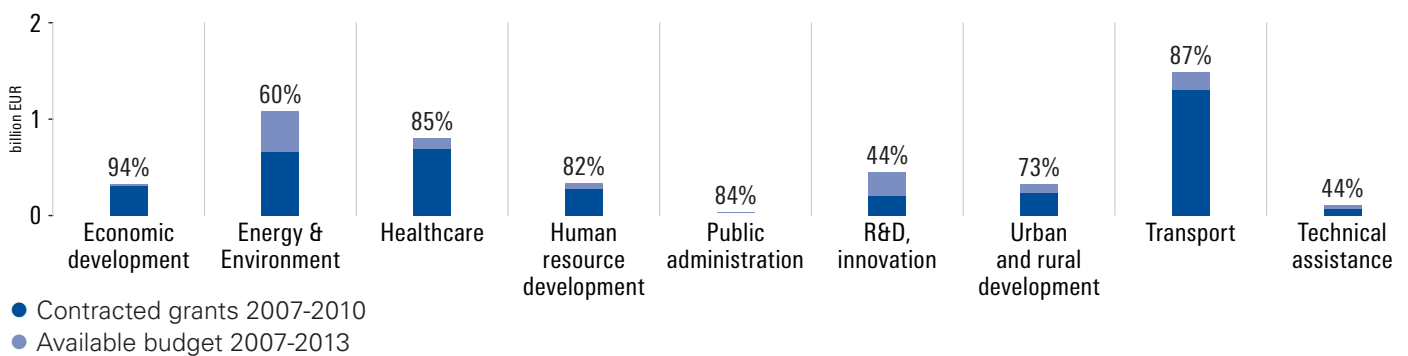
Economic development:	94%
Transport:	87%
Healthcare:	85%
Public administration:	84%
Human resource development:	82%
Urban and rural development:	73%
Energy & Environment:	60%
Technical assistance:	44%
R&D, innovation:	44%

The contracted ratio for intervention types varies widely, ranging from 44% to 94%. By the end of 2010 the contracted ratio of all interventions exceeded 40%, which comprises a very good result compared to other CEE countries.

During the last four years interventions related to economic development have shown the best contracted ratio (94%), which is also an outstanding result on a time-proportion basis. Energy and environment related interventions are closely related to each other.

In terms of payment, similarly to contracting, the economic development types of interventions have an outstanding result since 78% of the total budget has already been disbursed to the beneficiaries.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

During the programming period 2007-13, the JEREMIE financial engineering instrument in Latvia was set up under the Entrepreneurship and Innovations OP. The initiative is implemented on the sectoral level and does not cover any specific regional development schemes. The total amount of EU funding in the JEREMIE initiative is EUR 91.5 million which, complemented by private co-financing, exceeds EUR 140 million. These resources are available for SMEs, equity investments and loans implemented between 2007 and 2013. In the framework Latvian JEREMIE initiative the EIF acts as the Holding Fund on behalf of the Latvian Ministry of Economics.

The following financial instruments are managed by the financial intermediaries in Latvia:

- Loans are managed by two commercial banks which received altogether EUR 52 million in EU funding. This covers half of the total amount of loans available by financial organisations to SMEs, meaning that SMEs in Latvia have a total of EUR 104 million of financing in the forms of loans;
- Seed and start-up capital funds are managed by an investment fund which manages a total capital of EUR 20.4 million. The seed fund provides proof-of-concept financing of up to EUR 100,000 per qualifying company, and the start-up fund invests up to EUR 400,000 per company with the aim of creating a portfolio of around 10 technology growth companies in Latvia;

- EUR 30 million of risk capital fund is managed by an equity investor company. The investments are to be from EUR 300,000 up to EUR 3 million per company with the aim to build a diversified portfolio of 15-20 investments. The financial intermediary focuses on manufacturing, services, energy, information technologies and any other sectors, underdeveloped by EU standards;
- Two investment funds operating as venture capital providers which are mainly focusing on IT and enterprises innovations.

The introduction of a third venture capital vehicle is expected during 2011 whose total capital of EUR 12 million would be more accessible for small businesses.

JEREMIE financial instruments

Microcredit/loans	✓
Guarantee	×
Venture capital	✓
Mezzanine funds	×

JESSICA

There are no plans to introduce the JESSICA initiative in the programming period of 2007-13 in Latvia.

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Lithuania

EU programme information

Population	3.3 million
GDP per capita in 2010	EUR 8,232
EU member since	1 May 2004

In the 2007-2013 period EUR 6.8 billion ERDF, CF and ESF worth of funding was allocated to Lithuania's National Strategic Reference Framework

The above-mentioned amount, complemented by national public contributions, totals EUR 7.3 billion in grants which can be spent on the development of the country's cohesion objectives.

The available budget per capita runs at EUR 2,198, which is the lowest among the Baltic countries, but still above the CEE average figure.

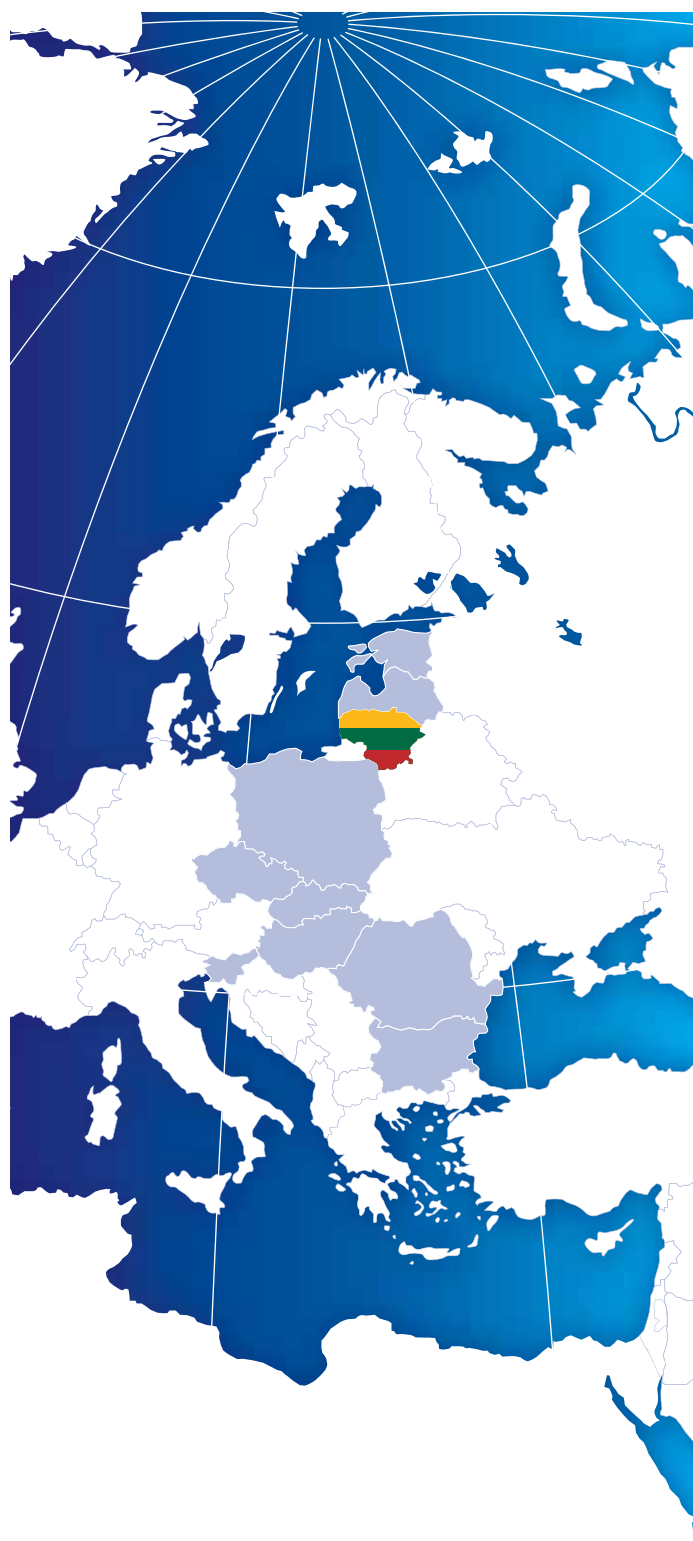
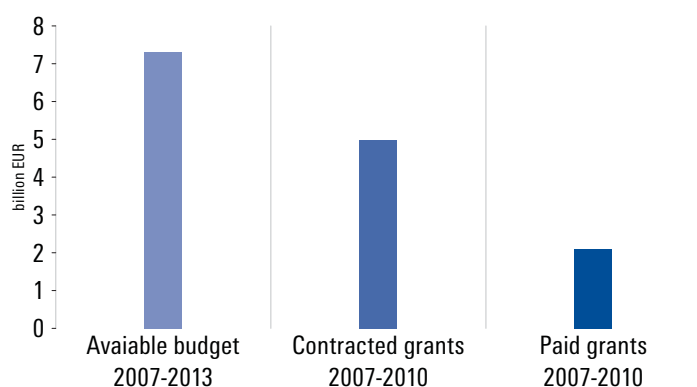
2007-2010 progress report

Overall progress	
Available budget 2007-13	EUR 7.3 billion
Contracted grants	EUR 5.0 billion
Contracted ratio	68%
Paid grants	EUR 2.1 billion
Payment ratio	29%

During the first four years of implementation EUR 4.97 billion was contracted within the National Strategic Reference Framework, 68% of the total available budget for the period 2007-2013. The amount of paid grants reached EUR 2.1 billion, which is 29% of the available funds and 43% of the total contracted grants.

The contracted ratio of the Lithuanian EU framework programme is 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.

EU funds implementation in Lithuania as at December 2010



Progress by programme

The following table shows the available budget 2007-13, the contracted and paid grants amounts as well as the contracted ratio and payment ratio achieved concerning the framework and operational programmes in Lithuania during the 2007-10 period.

By the end of 2010, all OPs within the New Lithuanian Development Plan had exhibited an outstanding contracted ratio; only technical assistance lagged slightly behind at 35%.

The Programme for Promotion of Cohesion has performed the best: EUR 2.21 billion was contracted, accounting for

77% of the available budget for the 7-year period, which means that the contracted ratio has increased by more than 30% compared to last year's results. Concerning the OP for Economic Growth, the contracted amount figure is at EUR 2.09 million, which represents 54% of the allocated budget. The Human Resource Development OP stands at 59%, with EUR 634 million in contracted grants.

As disbursements are concerned, the most funds were paid out for the Economic Growth OP, accounting for 32% of the available budget and half of the contracted grants for this OP.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Programme for Promotion of Cohesion OP	2,880	2,211	784	77%	27%
Economic Growth OP	3,257	2,090	1,048	64%	32%
Human Resources Development OP	1,069	634	275	59%	26%
Technical assistance OP	110	38	21	35%	19%
TOTAL	7,316	4,972	2,128	68%	29%

The amounts are in EUR million

Progress by intervention type

Contracted ratio by intervention type

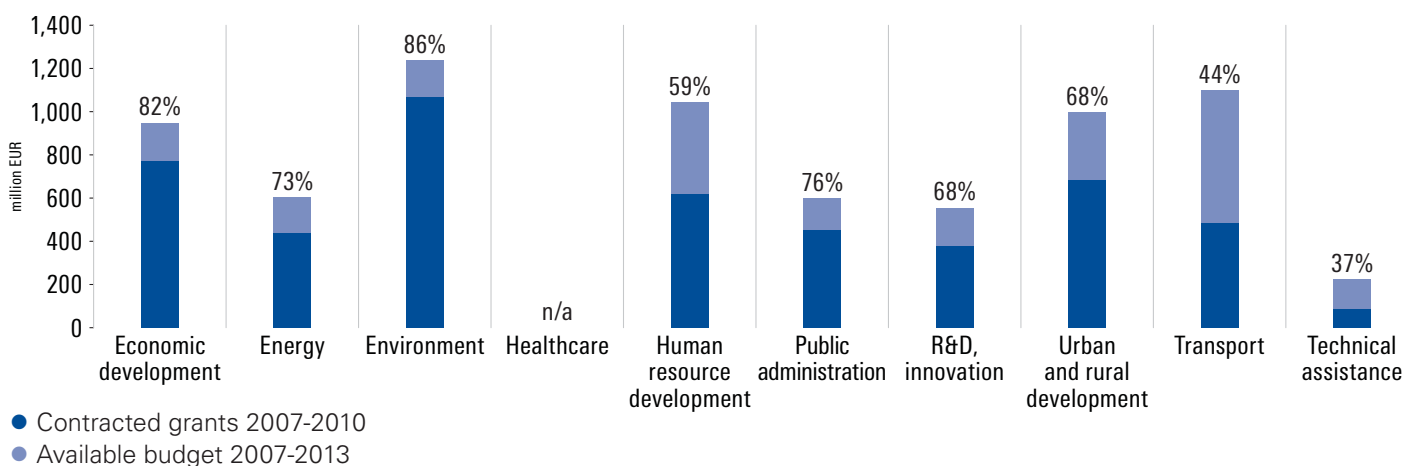
Environment:	86%
Economic development:	82%
Public administration:	76%
Energy:	73%
Urban and rural development:	68%
R&D, innovation:	68%
Human resource development:	59%
Transport:	44%
Technical assistance:	37%

The contracted ratio for intervention types varies widely, ranging from 44% to 94%. By the end of 2010 the contracted ratio of all interventions exceeded 40%, which comprises a very good result compared to other CEE countries.

During the last four years interventions related to economic development have shown the best contracted ratio (94%), which is also an outstanding result on a time-proportion basis. Energy and environment related interventions are closely related to each other.

In terms of payment, similarly to contracting, the economic development types of interventions have an outstanding result since 78% of the total budget has already been disbursed to the beneficiaries.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

In the 2007-13 programming period the JEREMIE initiative is financed from the Economic Growth Operational Programme in Lithuania. The financial instrument is operated in a Holding Fund system, where the Holding Fund Manager is the EIF.

The first JEREMIE programmes were launched in 2008, originally with EUR 80 million in financial resources, which were expanded to nearly EUR 210 million in May 2009.

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

- Funded risk sharing product for small and medium sized enterprises where the selected financial intermediary is a risk capital fund and a Baltic commercial bank. The financial instrument is designed to stimulate lending from financial intermediaries to SMEs and combines capital from the Holding Fund with capital provided from financial intermediaries on an equal basis. Regarding this instrument, up to EUR 200 million can be provided.
- Portfolio guarantees were introduced as the so-called First Loss Portfolio Guarantee product, which provides additional finance to SMEs, and help to promote entrepreneurship by a selected commercial bank. The product will be available from early April 2011. In the framework of the financial instrument the bank provides loans of up to EUR 50 million.
- Seed and venture capital funds are to start their operations in 2011 with EUR 28 million in total funds. According to recent plans the combined public and private investors' funds will provide financing for seed and equity investments in Lithuanian SMEs with high growth potential. The second part of the new instrument – the venture capital fund - could be the second stage for the investments initially made from seed funds for further expansion of investee companies.

- The business angels co-investment fund signed the funding agreement in the beginning of 2011 with the EIF for EUR 8 million. The fund targets the development of specifically high added value products and software facilitating co-operation within social networks.

JEREMIE financial instruments

Microcredit/loans	✓
Guaranteed operations	✓
Venture capital	✓
Business angels fund	✓

JESSICA

Lithuania's JESSICA Holding Fund, managed by the EIB, was established by the Ministry of Finance and the Ministry of Environment of Lithuania in June 2009 as an effective way of turning EU Structural Funds into revolving investments in energy efficiency projects in urban areas. With an initial capital committed by the Lithuanian government of EUR 227 million, this is one of the first and one of the largest such funds established in the EU to date. It is also the first JESSICA fund managed by EIB to have disbursed to both intermediaries and final beneficiaries. During 2010 two financing agreements were signed between the EIB and an intermediary bank in Lithuania.

The first financing agreement was signed in May 2010 for EUR 6 million and was spent on building renovation in the city of Panevėžys. The second financing agreement, which makes available EUR 15 million, was signed in November 2010. The second round of JESSICA projects intends to support the Lithuanian housing sector with nearly 100 energy efficiency investments in multi-apartment buildings through loans.

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Poland

EU programme information

Population	38.2 million
GDP per capita in 2010	EUR 9,226
EU member since	1 May 2004

In the 2007-13 period, Poland's main programming document, the National Cohesion Strategy covers 21 operational programmes: four sectoral, 16 regional and one technical assistance OP.

The EU funds available for the framework programme is the equivalent of EUR 65.3 billion, which is the biggest amount for development in the CEE. When complemented by the national public contribution it totals EUR 82.1 billion.

Proportionally, the available budget per capita value in Poland is EUR 2,151, which is slightly above the respective CEE average figure.

2007-2010 progress report

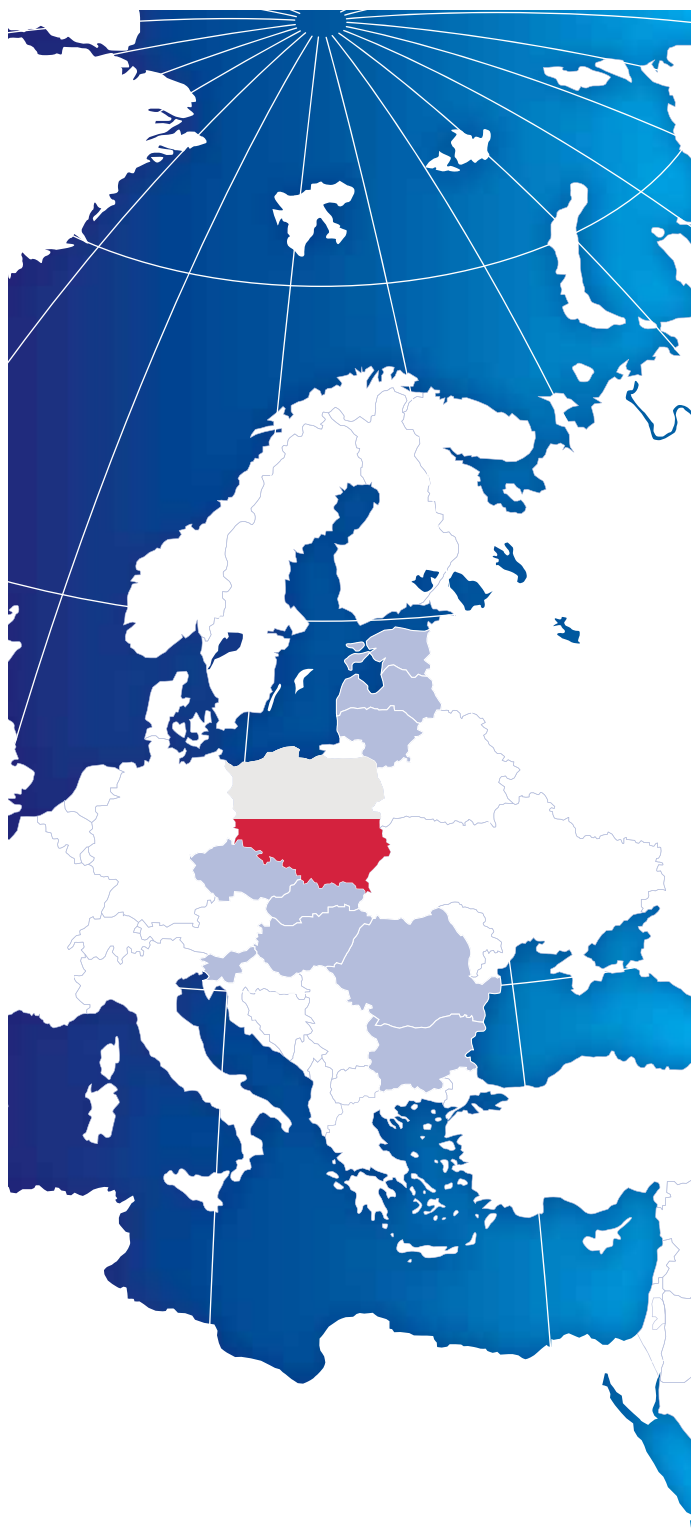
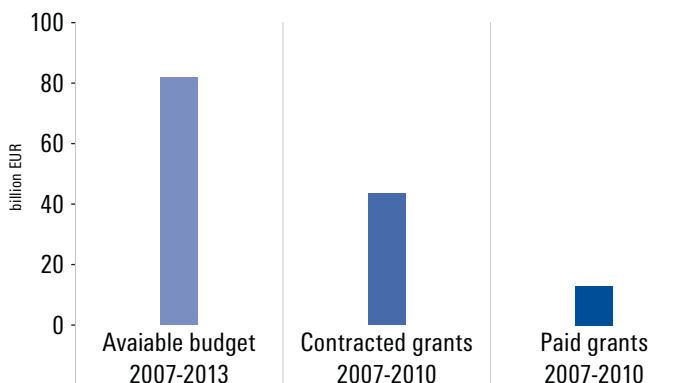
Overall progress	
Available budget 2007-2013	EUR 82.1 billion
Contracted grants	EUR 43.5 billion
Contracted ratio	53%
Paid grants	EUR 13.1 billion
Payment ratio	16%

By the end of 2010 Polish beneficiaries had signed contracts for EUR 43.5 billion within the framework of the National Cohesion Strategy. This amount is slightly more than half of the total budget.

In the meantime, one third of the contracted grants, i.e. approximately EUR 13.1 billion, was disbursed to the beneficiaries, which represents 16% of the total allocated budget for the seven year period.

The contracted ratio of EU programmes has increased by more than 20% in the last year.

EU funds implementation in Poland as at December 2010



Progress by programme

The following table contains the available budget for 2007-13, the contracted and paid grants amounts as well as the contracted ratio and disbursements achieved concerning the operational programmes in Poland during 2007-10.

By the end of 2010 Polish regional operational programmes were progressing much better than sectoral OPs. Although, the contracted grant values are higher for sectoral OPs their implementation is slower than that of regional OPs.

For most of the OPs more than half of the EU co-funded budget has been contracted. Out of the 21 OPs of the National Cohesion Strategy, Opolskie OP reached the highest contraction ratio, with 85%. Only for the Infrastructure and Environment OP and the Technical Assistance OP was more than half of the budget awaiting contraction.

Thanks to big projects the most grants were contracted for the Infrastructure and Environment OP: out of EUR 37 billion EUR 16 billion was contracted. However, the OP's payment ratio lags behind since only 20 percent of the contracted

grants was paid to the beneficiaries.

Generally the contracted ratio for all OPs stands at a good level considering the recent implementation period has reached its midpoint.

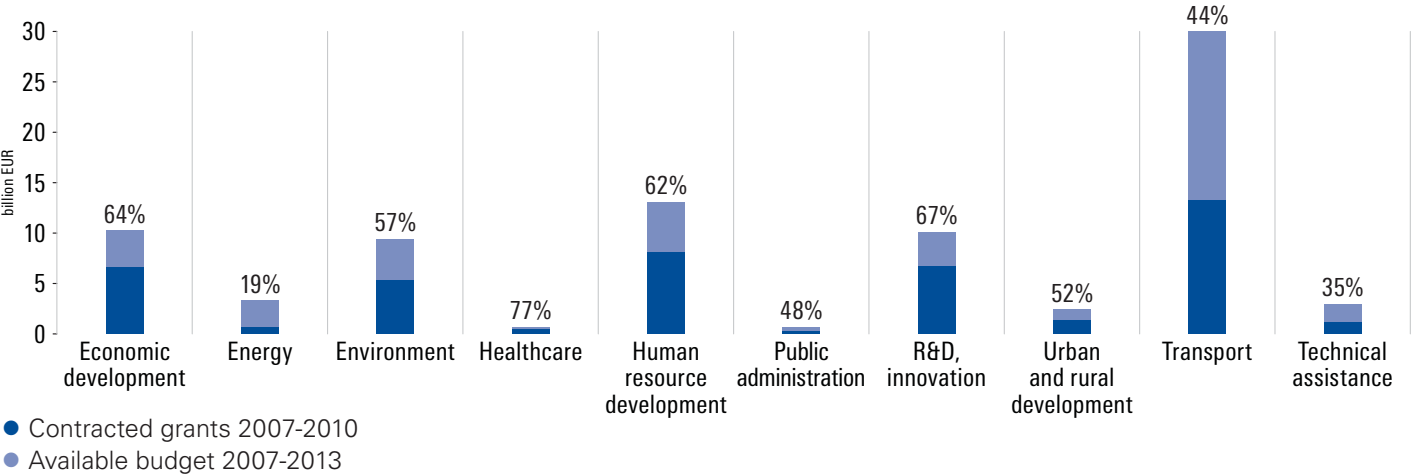
Absorption varies widely among the different OPs: the Infrastructure and Environment OP is at 9%, which still results in a high value of paid grants (EUR 3.32 billion) due to the high available budget, while the Opolskie OP is at 40% and Lubuskie OP is at 36%, reaching good payment ratios, at a CEE level as well.

In August 2009 a national Act has made significant changes in the implementation of EU funds. The changes mainly affected the financing system. In order to facilitate the accounting of grants received via a successful application, EU funds and national co-financing became separated from each other. This means that the beneficiary receives the EU co-financing part of the grant from Bank Gospodarstwa Krajowego, a state owned bank in Poland, as a subsidy, while the national public contribution is paid out separately from the state budget. This eases accounting tasks for the beneficiary, especially if there is an advance payment.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Opolskie OP	503	428	201	85%	40%
Greater Poland OP	1,688	1,327	499	79%	30%
Lubuskie OP	517	385	188	74%	36%
Pomerania OP	1,227	879	345	72%	28%
Lesser Poland OP	1,518	1,055	437	69%	29%
Podlaskie OP	750	512	192	68%	26%
Innovative Economy OP	9,712	6,475	1,310	67%	13%
Kujawsko–Pomorskie OP	1,119	732	272	65%	24%
Subcarpatian OP	1,345	873	331	65%	25%
Zachodniopomorskie OP	983	629	227	64%	23%
Łódzkie OP	1,282	819	279	64%	22%
Warmińsko–Mazurskie OP	1,228	765	239	62%	19%
Human Capital OP	11,420	6,340	2,987	56%	26%
Świętokrzyskie OP	854	473	219	55%	26%
Silesia OP	2,017	1,111	397	55%	20%
Lower Silesia OP	1,100	605	191	55%	17%
Lubelskie OP	1,360	727	273	53%	20%
Mazovia OP	2,155	1,100	444	51%	21%
Development of Eastern Poland OP	2,675	1,338	463	50%	17%
Infrastructure and Environment OP	37,565	16,464	3,320	44%	9%
Technical Assistance OP	1,069	498	284	47%	27%
TOTAL	82,086	43,533	13,099	53%	16%

The amounts are in EUR million

Contracted grants by intervention type, 2007-2010



Progress by intervention type

Contracted ratio by intervention type	
Healthcare:	77%
R&D, innovation:	67%
Economic development:	64%
Human resource development:	62%
Environment:	54%
Urban and rural development:	52%
Public administration:	48%
Transport:	44%
Technical assistance:	35%
Energy:	19%

The breakdown of the contracted ratios of the intervention types exhibits a very broad scale range: the contracted ratio of the interventions runs from 19% to 77%.

By the end of 2010 the “smallest” intervention (i.e. healthcare) showed the best contracting performance, with a 77% contracted ratio. Other intervention types, namely R&D and innovation, economic development and human resource development were also progressing well, since more than 60% of them had been contracted. Having the highest available budget, the contracted ratio of transport related interventions stands at 44%.

As far as payments were concerned, human resources development and economic development led with a 26% payment ratio.

Compared to other countries’ results in the CEE Poland’s performance is exceptional in environment related interventions and is lagging behind in contracting projects promoting energy developments.

Financial engineering instruments

JEREMIE

In Poland, there are three levels at which the JEREMIE initiative is implemented during the period 2007-13:

- at a national level, through the Innovative Economy OP, ERDF is allocating EUR 153 million;
- at a second level for the Development of Eastern Poland OP, ERDF is allocating EUR 5 million;
- at a regional level, in which five regions are participating, Lower Silesia, Łódzkie, Pomerania, Greater Poland (i.e. Wielkopolska) and West Pomerania, whose allocations vary between EUR 60-120 million.

On a national level a holding fund agreement was signed in March 2009 with the National Capital Fund (KFK). Subsequently, KFK launched calls for tenders for financial intermediaries in 2009 and 2010. The target is to commit the whole of available capital by 2011.

At the regional level the tasks of the Holding Fund Manager are carried out by Bank Gospodarstwa Krajowego, which operates as the state development bank of Poland. The financing agreements between Bank Gospodarstwa Krajowego and the Managing Authorities of the respective regional operational programmes were signed between July and August of 2009. The appointment of financial intermediaries which tend to provide loans, guarantee and venture capital has already started.

JEREMIE financial instruments	
Microcredit/loans	✓
Guarantee	✓
Venture capital	✓
Mezzanine funds	✗

JESSICA

In Poland the JESSICA initiative is implemented on a regional level and is being steered by the Ministry of Regional Development, while EIB acts as the Holding Funds Manager.

By the end of 2010, six Polish regions - Greater Poland (Wielkopolska), Western Pomerania, Silesia, Lower Silesia, Lesser Poland and Pomerania - had decided to implement the JESSICA initiative through their regional operational programmes. However, the stage of the development process of JESSICA is varied.

The first Holding Fund agreement was signed by the Managing Authority of Greater Poland (Wielkopolska) OP in April 2009. This was also the first JESSICA funding agreement among the EU Member States. Within the funding agreement approximately EUR 75 million was earmarked for the financing of the revitalisation projects in the region, mainly in Poznan.

During 2009 and 2010 three other funding agreements were signed by the Managing Authorities of Western Pomerania, Silesia and Pomerania, allotting EUR 40-60 million for each. Two remaining regions interested in the JESSICA initiative are still at the early implementation stage of preparation of this mechanism.

By the end of 2010 two entities had signed the UDF agreement with the EIB: Bank Gospodarstwa Krajowego in Greater Poland and a commercial bank in Western Pomerania.

The JESSICA investment portfolio in both regions may include projects such as construction or renovation of deprived urban infrastructure, city regeneration, renovation of historical buildings, as well as housing projects, e.g. projects supporting energy efficiency, construction or the upgrading of technical infrastructure of buildings.

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Romania

EU programme information

Population	21.5 million
GDP per capita in 2010	EUR 5,682
EU member since	1 January 2007

In the period 2007-13, the Romanian National Development Plan is implemented through five sectoral, one regional and one technical assistance OP under the “Convergence” Objective.

In the framework of the National Development Plan Romania is scheduled to access EUR 19.2 billion from ERDF, CF and ESF. Complemented by a national public contribution, the entire amount available to beneficiaries totals EUR 23.3 billion.

The available budget per capita figure is EUR 1,083, which is significantly below the average figure for CEE.

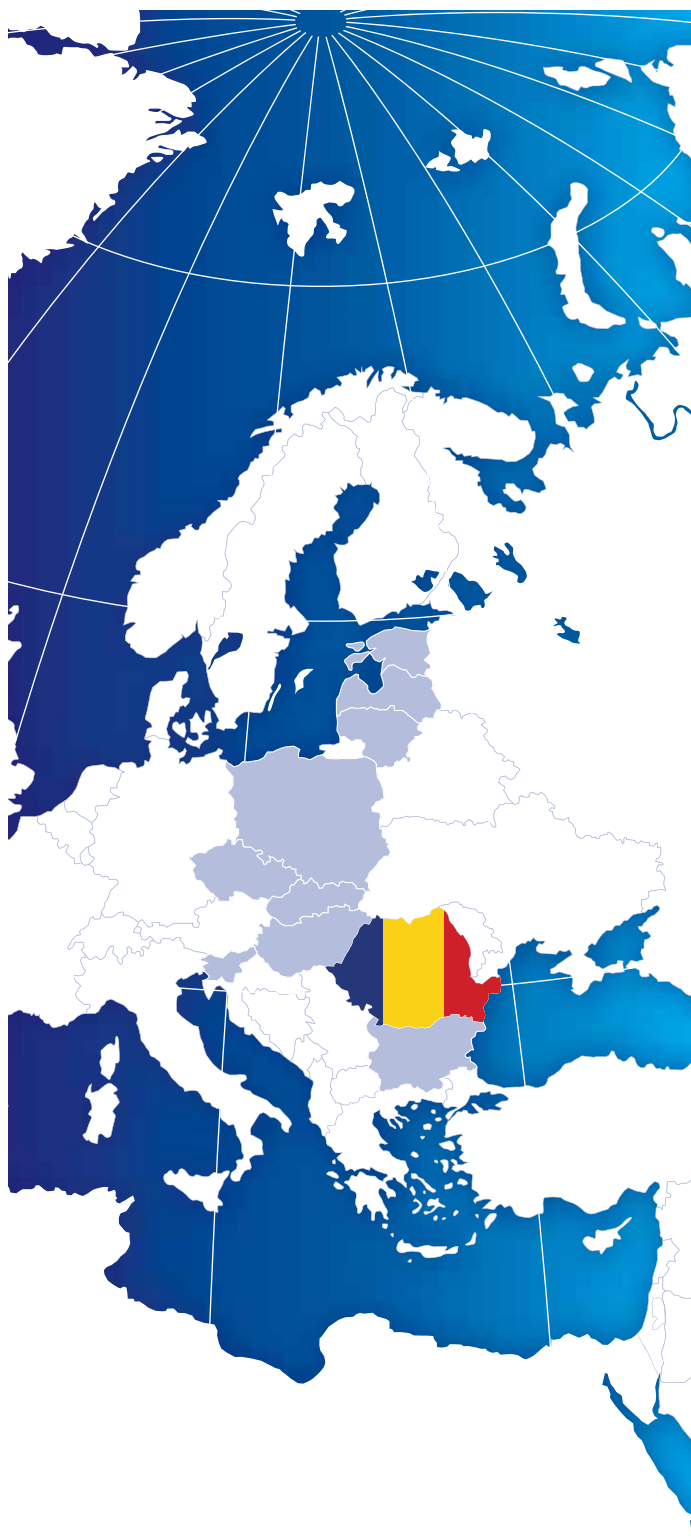
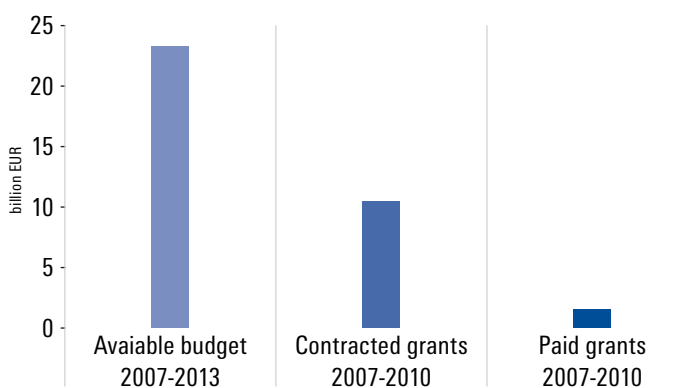
2007-2010 progress report

Overall progress	
Available budget 2007-2013	EUR 23.3 billion
Contracted grants	EUR 10.4 billion
Contracted ratio	45%
Paid grants	EUR 1.5 billion
Payment ratio	7%

By December 2010 EUR 10.4 billion in grants had been contracted in the framework of the Romanian National Development Plan. Thus, slightly less than half of the budget was contracted in four years. The contracted ratio is below the CEE level's ratio, but on a time proportional basis it is not that far from the ideal factor.

Out of this amount only EUR 1.5 billion in grants was disbursed to the beneficiaries, accounting for less than 10% of the available budget for the seven years.

EU funds implementation in Romania as at December 2010



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 payment achieved for the operational programmes in Romania during 2007-10.

By the end of 2010, EUR 10.3 billion in grants had been contracted within the Romanian Operational Programmes. In a breakdown according to OP, except for the Transport OP and Increase of Economic Competitiveness OP all the programmes with higher available budgets had contracted more than 40% of their budget.

After four years of implementation the best performer was the Human Resources development OP with almost EUR 3

billion in contracted grants accounting for 72% of the available budget per OP. However, only nearly one-fifth of this amount (i.e. EUR 476 million) has been paid out to the beneficiaries.

The performance of classical Cohesion Fund co-financed OPs, namely the Transport and Environment OP exhibit a big difference by comparison: the Environment OP is performing better, with EUR 2.3 billion in contracted grants and contracted ratio of 43%, while the Transport OP is lagging behind, reaching only a 15% contracted ratio. Additionally the payments related to the Transport OP are significantly lower: out of EUR 836 million only EUR 47 million has been paid out to the beneficiaries.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Human Resources Development OP	4,089	2,929	476	72%	12%
Regional OP	4,384	3,074	589	70%	13%
Environment OP	5,611	2,390	122	43%	2%
Increase of Economic Competitiveness OP	3,011	1,016	267	34%	9%
Administrative Capacity Development OP	246	80	11	33%	4%
Transport OP	5,698	836	47	15%	1%
Technical Assistance OP	213	57	10	27%	5%
TOTAL	23,251	10,383	1,522	45%	7%

The amounts are in EUR million

Progress by intervention type

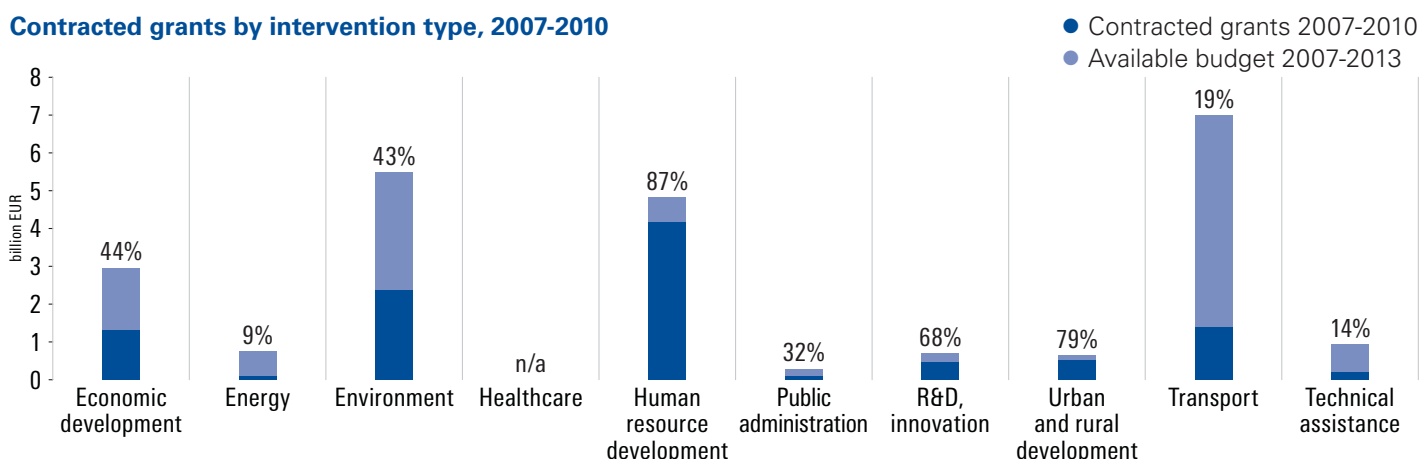
Contracted ratio by intervention type

Human resource development:	87%
Urban and rural development:	79%
R&D, innovation:	68%
Economic development:	44%
Environment:	43%
Public administration:	32%
Transport:	19%
Energy:	9%
Technical assistance:	14%

By the end of 2010 the contracted ratio was the highest for human resource development related operations and urban and rural development (infrastructure development in urban and rural areas). Both intervention types reached a contracted ratio of over 79%, which is also outstanding at the CEE level. Among the other intervention types, one well performing area is R&D and innovation.

Regarding the disbursement the payment ratios are very low, ranging between 1% and 18%. However, for weaker performing energy operations almost one quarter of the contracted grants have been paid to the beneficiaries.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

In Romania the JEREMIE initiative is financed from the ERDF within a certain measure of the Increase of Economic Competitiveness OP, Priority Axis 1 “An innovative and eco-efficient productive system”. The funding agreement was signed in February 2008 and allocated EUR 100 million for the instrument in the 2007-2013 programming period. In Romania the EIF acts as the Holding Fund Manager.

By the end of 2010 EUR 65 million was intended for portfolio securities, while EUR 35 million was for venture capital-type investments. In January 2011 two commercial banks have signed agreements with the EIF, allowing them to provide up to EUR 315 million in new loans to Romanian small and medium enterprises. Under the agreements, the banks will offer financing in preferential conditions to a broad range of businesses throughout Romania looking to invest or expand their. Within a two-year span, Romanian SMEs will be able to access JEREMIE financing with maturities of up to six years.

Moreover, a First Loss Portfolio Guarantee (“FLPG”) instrument is to be introduced and provide an adequate risk sharing balance for the two financial intermediaries, further allowing them to supply additional financing to SMEs in Romania.

Financial instruments can be obtained by the SMEs from 2011/2012.

JESSICA

Since 2007 the need for support of sustainable urban development is high in Romania. To this end, various contacts were made to introduce the JESSICA initiative.

Several meetings between the Romanian Regional Development Ministry and DG Regio have resulted in a JESSICA evaluation study initiated by the Brasov Metropolitan Association in 2009. This evaluation study served as a “pilot project” analysing the adequacy of establishing UDFs under the JESSICA model in the Brasov Metropolitan Area. The study envisages that the implementation model could be extended at a later stage to other metropolitan areas of Romania.

As a result of the evaluation study a JESSICA Holding Fund was presented as a possible option to start this process by providing initial capital. Progress and recent consultations have confirmed the significant interest towards JESSICA. However, authorities have reservations in committing themselves until further progress has been achieved regarding the JEREMIE initiative.

JEREMIE financial instruments	
Microcredit/loans	✓
Guarantee	✓
Venture capital	✓
Mezzanine funds	✗

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Slovakia

EU programme information

Population	5.4 million
GDP per capita in 2010	EUR 12,149
EU member since	1 May 2004

In the 2007-13 period, the National Strategic Reference Framework covers eight sectoral, one regional, one Objective 2 and one technical assistance OP with a total Community contribution of EUR 11.36 billion.

The received EU funded budget is supplemented by national public contribution which results in a total sum of EUR 13.4 billion available for development purposes.

Proportionally, available budget per capita value in Slovakia is EUR 2,476, which is comparable to the CEE average.

2007-10 progress report

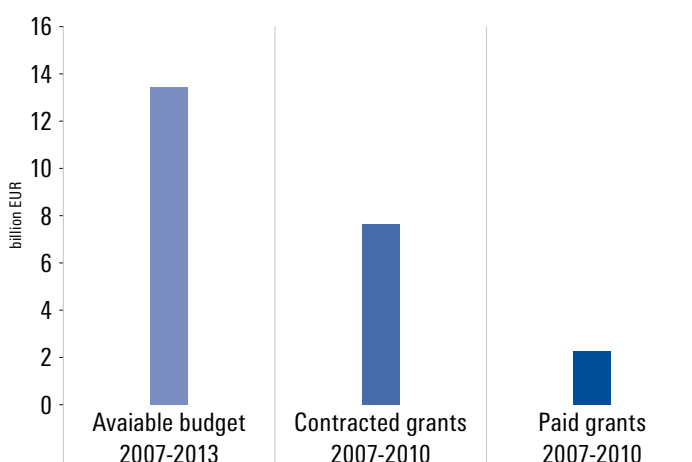
Overall progress	
Available budget 2007-13	EUR 13.4 billion
Contracted grants	EUR 7.6 billion
Contracted ratio	57%
Paid grants	EUR 2.3 billion
Payment ratio	17%

By the end of 2010 within the National Strategic Reference Framework Slovakia had contracted altogether EUR 7.6 billion, which is 57% of the total budget available for EU co-funded development. Out of this amount EUR 2.3 billion was paid to the beneficiaries, accounting for 17% of the total budget allocated for seven years.

On a time-proportional basis the Slovakian National Strategic Reference Framework met expectations, performing even better than the average.

The payment ratio is similar to the respective data for the CEE average.

EU funds implementation in Slovakia as at December 2010



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 disbursement achieved for the framework and operational programmes in Slovakia in 2007-10.

By the end of 2010 altogether EUR 7.6 billion in grants had been contracted by the Slovenian beneficiaries via the 11 operational programmes.

After four years of implementation an OP with one of the smallest budgets has achieved the best progress: almost 100% has been approved for the Health OP. However, the payments of the OP run at a very low level.

Cohesion Fund co-financed Operational Programmes with higher available budget - i.e. Transport OP, Environment OP - also achieved good progress: 40% and 57% of their budgets were contracted, respectively.

The only Objective 2 OP, Bratislava Region OP is lagging behind with a 32% contracted ratio.

After four years of implementation payment ratios range from 5% to 29%, which is, on a time proportional basis, rather low.

In order to foster the utilisation of grants some minor modifications were made in 2010. A new priority axis was introduced within the Regional OP and a major reallocation proposal was adopted by the Slovakian government at the end of January 2011. The reallocation affects more OPs since, according to the decision, approximately EUR 600 million will be transferred to the Transport OP to promote highway creation.

Moreover, to increase the absorption process some additional measures were taken at the beginning of the period when setting out the general rules. Moreover, from 2009 the Managing Authority can provide advance payments for all beneficiaries, including private ones.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Health OP	294	282	64	96%	22%
Regional OP	1,700	1,389	450	82%	26%
Employment and Social Inclusion OP	1,037	766	264	74%	25%
Competitiveness and Economic Growth OP	905	604	248	67%	27%
Environment OP	2,118	1,206	200	57%	9%
Research and Development OP	1,423	808	177	57%	12%
Informatisation of Society OP	1,162	572	58	49%	5%
Education OP	727	315	90	43%	12%
Transport OP	3,846	1,527	644	40%	17%
Bratislava Region OP	102	33	26	32%	26%
Technical Assistance OP	115	99	33	86%	29%
TOTAL	13,429	7,602	2,255	57%	17%

The amounts are in EUR million

Progress by intervention type

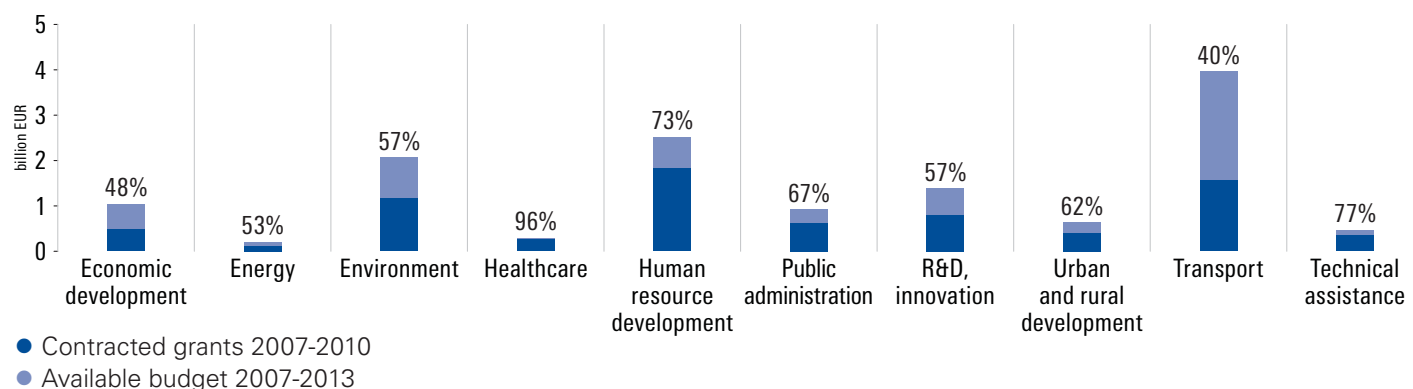
Contracted ratio by intervention type

Healthcare:	96%
Technical assistance:	77%
Human resource development:	73%
Public administration:	67%
Urban and rural development:	62%
R&D, innovation:	57%
Environment:	57%
Energy:	53%
Economic development:	48%
Transport:	40%

By the end of 2010 the contracted ratio was the highest for human resource development related operations and urban and rural development (infrastructure development in urban and rural areas). Both intervention types reached a contracted ratio of over 79%, which is also outstanding at the CEE level. Among the other intervention types, one well performing area is R&D and innovation.

Regarding the disbursement the payment ratios are very low, ranging between 1% and 18%. However, for weaker performing energy operations almost one quarter of the contracted grants have been paid to the beneficiaries.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

Among the CEE countries Slovakia was the first to sign a JEREMIE Memorandum of Understanding with the EIF in June 2006 in the context of the 2007-13 programming period. In December 2008, a Framework Agreement was signed between the EIF and the Government of the Slovak Republic, in which the principles of implementation of JEREMIE have been defined. According to the agreement, EIF became the Holding Fund Manager.

Although the structure of the initiative is set by the Slovakian NSRF, the investment strategy of the Slovakian JEREMIE Holding Fund is still under negotiation. Therefore, no financial agreements with Financial Intermediaries and SMEs have been signed so far.

According to the NSRF for 2007-13, JEREMIE is to be financed through three OPs: Competitiveness and Economic Growth OP, Research and Development OP and Bratislava Region OP. In case of the two latter Ops, EUR 29.4 and 3.5 million will be available through venture capital. Whereas, in case of the Competitiveness and Economic Growth OP EUR 67 million can be spent in forms of guarantee and loans. According to recent plans the operations might be launched in September 2011.

As for the next programming period between 2014 and 2020 the target is a successful continuation of financial engineering operations in the Slovak Republic. It is expected that the Holding Fund structure will sustain operations beyond final closure in 2015 and will continue to provide financial engineering instruments for the benefit of SMEs on a long-term, sustainable and revolving basis. In line with this perspective, the current model was designed to transfer know-how from EIF to the institutions in the Slovak Republic, as well as to train staff to perform Holding Fund tasks in the future independently from EIF.

JEREMIE financial instruments

Microcredit/loans	✓
Guarantee	✓
Venture capital	✓
Mezzanine funds	✗

JESSICA

Although, the launch of JESSICA instruments is aimed for in the framework of the Regional OP and Bratislava Region OP, no projects have been launched yet.

Supported areas could include the development of housing through mortgage loans through a state fund for housing development. Actions for sustainable urban development will cover issues such as the revitalisation of public spaces, housing and infrastructure (schools, culture, social services, rescue services, urban transport). The negotiation process has led to improvements as regards the concentration of resources, the focus on a limited number of cities/ neighbourhoods and the specification of selection criteria in each programme.

In order to improve knowledge in relation to JESSICA implementation, a pilot project may be started in the next programming period, after 2013.

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Slovenia

EU programme information

Population	2 million
GDP per capita in 2010	EUR 17,617
EU member since	1 May 2004

In the 2007-13 programming period Slovenia's main EU co-funded programme is the National Development Plan. The framework programme covers two sectoral and one regional operational programme and budgets EUR 4.1 billion from ERDF and ESF co-financing.

This amount complemented by national public contributions equals EUR 4.8 billion, which is finally available for beneficiaries for development purposes.

Accordingly, in Slovenia the available budget per capita figure reaches EUR 2,357 which is above the average figure for CEE.

2007-10 progress report

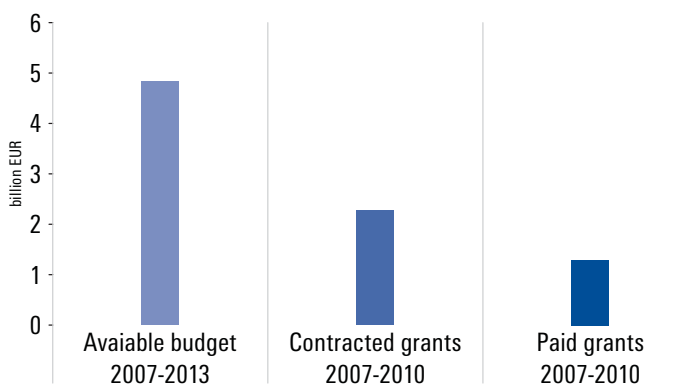
Overall progress	
Available budget 2007-13	EUR 4.8 billion
Contracted grants	EUR 2.3 billion
Contracted ratio	48%
Paid grants	EUR 1.3 billion
Payment ratio	27%

By December 2010 projects worth EUR 2.3 billion in grants were contracted by the beneficiaries of the Operational Programmes of the Slovenian National Development Plan. This amount is almost the half of the total available budget allocated for development in Slovenia for the 2007-13 period.

Out of the contracted grants, EUR 1.3 billion has been disbursed, accounting for 56% of the contracted grants and 27% of the total budget for the seven years.

A 48% contracted ratio slightly lags behind the time-proportional ideal ratio. However, on CEE scale Slovenia's contracted ratio is at an average level at the half of the programming period.

EU funds implementation in Slovenia as at December 2010



Progress by programme

The following table introduces the available budget for 2007-2013, the contracted and paid grant amounts as well as the contracted ratio and payment ratio achieved concerning the three operational programmes in Slovenia between 2007 and 2010.

By the end of 2010 slightly less than the half of the NSRF budget had been contracted by the three operational programmes in Slovenia. The contracted ratios of the three programmes vary broadly: the highest ratio is 64% whilst the lowest is somewhere over 20%.

The best performer is the owner of the lowest budget, the Human Resources Development OP, since 64% of its total budget, i.e. EUR 570 million has been contracted. Regarding payments, a bit more than EUR 200 million has been disbursed which is 40% of the contracted grants and only one quarter of the 7-year budget.

The Strengthening Regional Development Potentials OP aims to enhance competitiveness, to facilitate job creation, and foster entrepreneurship, information and communication technology infrastructure, e-governance, innovation and technology development. In the framework of the programme EUR 1.2 billion in grants was contracted and EUR 814 million was disbursed. The contracted ratio is 58%, which is good on a time-proportional basis.

The Environmental and Transport Infrastructure OP, co-funded from the Cohesion Fund, is progressing quite slowly compared to the other two OPs. At the half of the implementation period less than one-third of the available budget had been contracted and only 14% had been disbursed to the beneficiaries.

In June 2010 some changes in the available budgets were adopted in response to the economic crisis.

Operational Programme	Available budget 2007-13	Contracted grants 2007-10	Paid grants 2007-10	Contracted ratio	Payment ratio
Human Resources Development OP	889	570	218	64%	25%
Strengthening Regional Development Potentials OP	2,080	1,201	814	58%	39%
Environmental and Transport Infrastructure Development OP	1,855	529	264	28%	14%
TOTAL	4,825	2,300	1,296	48%	27%

The amounts are in EUR million

Progress by intervention type

Contracted ratio by intervention type

Public administration:	92%
R&D, innovation:	73%
Human resource development:	61%
Economic development:	44%
Transport:	27%
Technical assistance:	97%

According to the KPMG classification the Slovenian operation portfolio covers six intervention types. By the end of 2010 public administration related operations

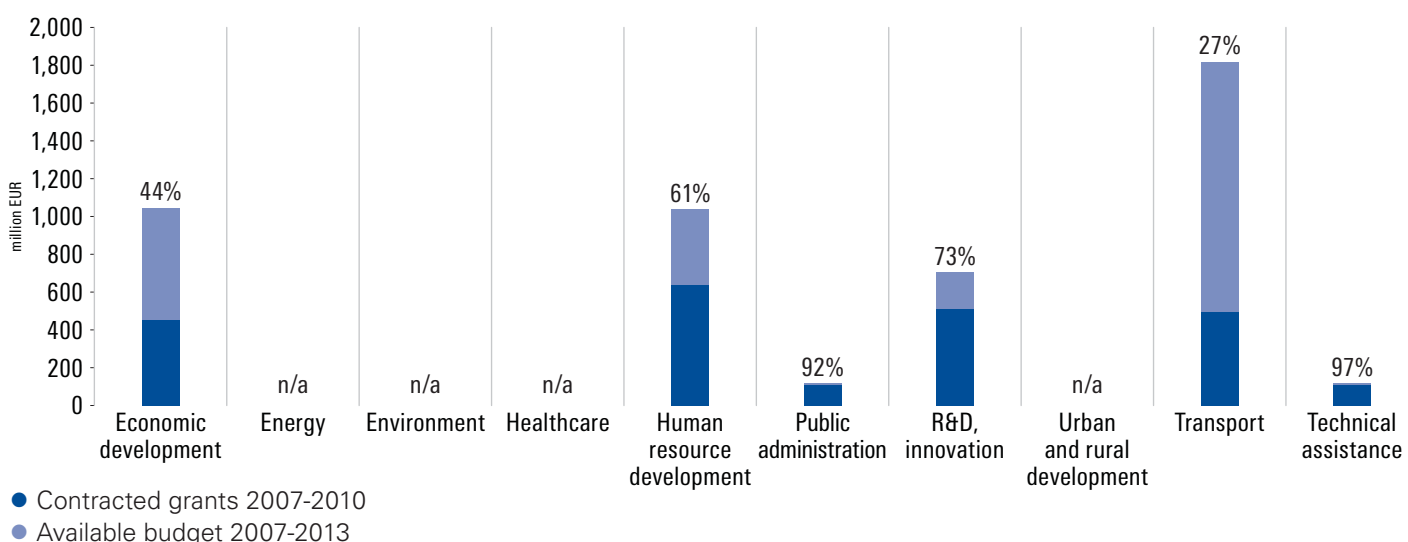
had progressed the best, but it should be noted that they had the smallest available budget.

R&D and innovation and human resource development related interventions contracted more than 60% of their available budgets, while, the contracted ratio of operations having the most budget allocated, i.e. transport related, have the lowest share.

Compared to levels for CEE this 92% contracted ratio for public administration related operation is outstanding, whilst transport is the lowest in the region.

Regarding disbursement, R&D and innovations operations have the best payment ratio, at 47%.

Contracted grants by intervention type, 2007-2010



Financial engineering instruments

JEREMIE

In Slovenia financial engineering instruments were launched in 2009 within the Strengthening Regional Development Potentials OP, without any special sectoral emphasis. The total available budget for the initiative is EUR 141.51 million for the 2007-13 period. Due to the fact that negotiations between Slovenia and the EIB have dragged on, the Holding Fund Manager tasks are carried out by a local national financial institution, namely the Slovene Enterprise Fund (SEF). The aim of the Fund is the development of venture capital market and of course to provide SMEs favourable financial sources.

According to plan, the national Holding Fund will manage different financial instruments, e.g. equity financing, guarantees, counter guarantees, and credits. However, the tender procedure for appointing financial intermediaries is only at an early stage.

By the end of 2010, SEF had published a public tender for private venture capital companies that would invest in SMEs through venture capital, or mezzanine financing. The public tender is scheduled to be open by the end of 2011.

Moreover, in 2011 an additional EUR 13.8 million, co-funded from ERDF, will be accessible through the Holding Fund for the purpose of guarantees for bank loans with lower interest rates.

JESSICA

In Slovenia the implementation of the JESSICA initiative is at a very early stage. However, a kick-off meeting was held with the EIB in 2008.

As matters stand, the JESSICA initiative is planned to be launched during the 2014-20 programming period in Slovenia.

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