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PUBLIC SECTOR

EU Funds in Central and Eastern Europe

Progress Report 2007-2013

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KPMG in Central and Eastern Europe

Contents

Photo: Aeropolis Science and Technology Park, Reszow, Podkarpackie, Poland, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

Photo: Motorway A1 Pyrzowice-Maciejów-Sośnica śląskie, Poland
Ministry of Infrastructure and Development, http://mapadotacji.gov.pl/en

Foreword

EU Funds in Central and Eastern Europe – Progress Report 2007-2013 has been compiled by KPMG's Government, Infrastructure and Healthcare team in Warsaw and is based on input from KPMG practices in Central and Eastern Europe (CEE).

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

This report provides an overview of the progress of the National Strategic Reference Frameworks nearly at the end of the programming period 2007-2013. Analysis of these data will help with planning and utilisation within the next programming period 2014-2020. We 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 May 2014, involving 11 KPMG practices in CEE. Our gratitude goes out to all of those individuals who provided country-level input and were part of the preparation process.

Mirosław Proppé
Partner, Head of Government, Infrastructure and Healthcare Sector in Poland and in Central and Eastern Europe

Introduction

Since the CEE countries became EU member states, EU co-financing has become an essential factor for their development. EU SCF, accounting for 11.3% to 25% of their annual GDP, has significantly fostered regional cohesion. Thus we believe there is a need for an overview and comparison at the CEE level of the implementation status of programmes co-financed from SCF.

Purpose of the document

- To give an overall picture of EU SCF available during the 2007-2013 period in the CEE countries;
- To provide the implementation progress of EU SCF structured by types of intervention at December 2013.

Structure of the document

- Introduction, CEE overview on EU co-financed interventions and their progress by the end of 2013
- Country overviews

Sources of the document

Data on EU Funds contained in this report come from domestic sources in CEE countries, i.e. from the public institutions, which are responsible for collecting and processing European funds data (from the relevant ministries).

GDP data come from Eurostat 2013.

- General information in the report comes from European Commission web page: http://ec.europa.eu/index_en.htm.
- Definitions contained in the report have been defined by members of the KPMG team.

Definitions

Available budget 2007-2013

Available budget 2007-2013 is the EU contribution, not including national public contribution or private contribution. This budget is set in each country's National Strategic Reference Framework (NSRF) and is approved by the European Commission. Available budget includes European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

Contracted grants

Contracted grants are the amounts for which the contract has been signed by the Managing Authority or Intermediary/ Implementing Body and the beneficiary by 31 December 2013. Contracted grants includes European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

Paid grants

Paid grants are grant amounts (including advance payments) which have been disbursed to the beneficiaries by 31 December 2013. Paid grants include European the Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

Contracting ratio

Contracting ratio equals the amount of actual contracted grants in 2007-2013 divided by the budget available for 2007-2013. Contracting ration includes European the Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

Payment ratio

Payment ratio equals the amount of actual paid grants in 2007-2013 divided by the budget available for 2007-2013. Payment ratio includes the European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

EU certification

EU certification equals the amount of expenditures certified by the European Commission in the 2007-2013 perio d. EU certification includes the European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF).

EU Structural and Cohesion Funds

The report introduces community co-funded programmes covered by each member state's National Strategic Reference Framework aggregated into intervention types.

European Regional Development Fund (ERDF)
The ERDF aims to promote economic and social cohesion by addressing the main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from other Structural Funds.

- Investment which contributes to create sustainable jobs
- Investment in infrastructure
- Support for local and regional investments (SMEs, R&D, information society, etc.)
- Financial instruments, i.e. JEREMIE
- Investment in education and health

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.

- Investment in major infrastructure projects (i.e. TEN-T)
- Investment in major environmental projects
- Support of renewable energy
- Investment in sustainable transport

European Social Fund (ESF)
The ESF was set up to reduce differences in prosperity and living standards across EU Member States and regions. In order to promote employment conditions ESF supports companies to be better equipped to face new challenges.

- Improving human resources
- Increasing the adaptability of workers and firms, enterprises and entrepreneurs
- Improving access to employment and sustainability Improving social inclusion of less-favoured people
- Strengthening institutional capacity at national, regional and local levels
- Mobilisation for reforms in the fields of employment and inclusion

Funds which support the Common Agricultural Policy and the Common Fisheries Policy of the European Union

European Agricultural Fund for Rural Development (EAFRD)

This instrument aims at strengthening the EU's rural development policy and simplifying its implementation. In particular, it improves the management and controls of the rural development policy for the period 2007-2013.

European Agricultural Guarantee Fund (EAGF)

The EAGF finances direct payments to farmers and measures to respond to market disturbances, such as private or public storage and export refunds.

European Fisheries Fund (EFF)

EFF shall contribute to realising the Common Fisheries Policy (CFP) objectives, which specifically consist of ensuring the conservation and sustainable use of marine resources.

Photo: FLAPP (FLood Awareness & Prevention Policy in border areas) project
Otava river surrounding area renovation project after flods.
Písek, Jihozápad, Czech Republic, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

CEE Overview

CEE countries surveyed in this report:

Bulgaria	Hungary	Romania
Croatia	Latvia	Slovakia
Czech Republic	Lithuania	Slovenia
Estonia	Poland	

In the context of this document Central and Eastern Europe (CEE) refers only to some European countries, not necessarily historically considered part of the CEE region. However in this report, CEE countries are those which are both part of KPMG's designated CEE region and are EU Member States.

Objectives

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

General approach

All data included in this section are based on publicly available information derived from individual CEE countries:

- GDP and population data originate from the Eurostat database.
- Country figures were compiled by local KPMG practices. The amounts of financial resources originate from the financial table of the related EU Structural and Cohesion Funds of 2007-2013.
- Variations in exchange rates can impact the actual values of contracted and paid grants regarding those member states which are not part of the eurozone.
- Exchange rates applied in calculations were the average European Central Bank exchange rates for the respective years.
- All the averages calculated in the report are the arithmetical averages.
- Due to its accession to the EU in July 2013 and participation in the 2007-2013 perspective for half a year, Croatia was included in comparisons of allocated budgets only, while the data presenting contracted and paid grants, as well as contracting and payment ratios, are not comparable to other countries, thus are not covered by this report.
- General CEE information on EU SCF in 2007-2013 are also included.

Photo: Warsaw–Łódź railway line, Warsawa, Mazowieckie, Poland, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

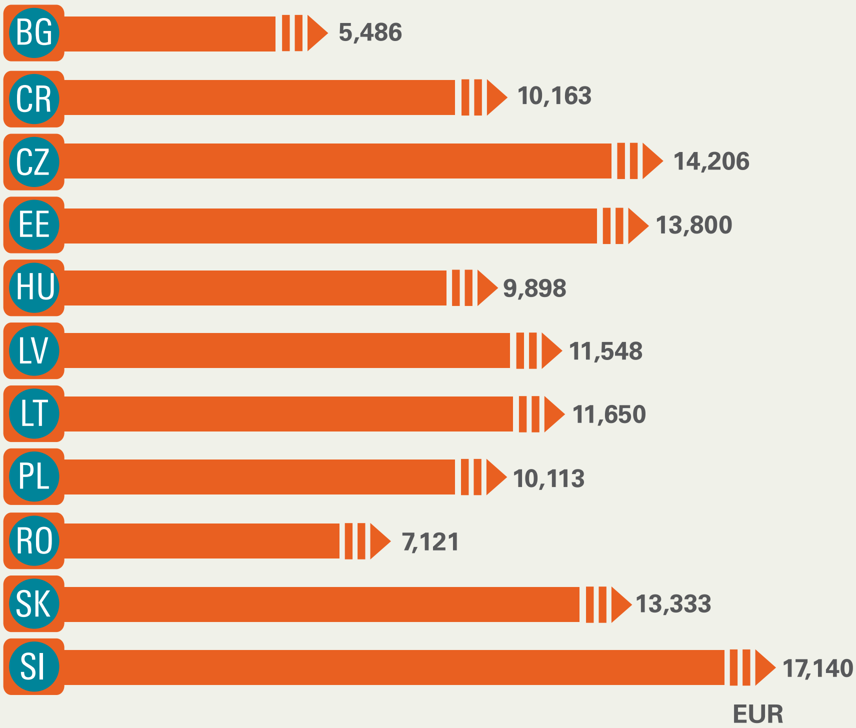
General CEE information on EU SCF in 2007-2013

The 11 CEE countries joined the EU in three stages:

- On 1 May 2004: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia;
- On 1 January 2007: Bulgaria, Romania;
- On 1 July 2013: Croatia.

In the 2007-2013 period the 11 CEE countries had access to EUR 174.72 billion of EU funds, i.e. from ERDF, CF and ESF, excluding national public and private contributions. This equals 16.2% of the annual GDP of the region. The following table and graphs show the population, GDP and breakdown of EU funds by country.

GDP per capita



**Based on EUROSTAT data, 2013, iR.euro*

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

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total	CEE average
Population (million)	7.28	4.26	10.52	1.32	9.91	2.02	2.97	38.53	20.06	5.41	2.06	104.33	9.49
Annual GDP (EUR billion)	39.94	43.31	149.39	18.43	98.07	23.37	34.60	389.70	142.82	72.13	35.27	1,047.05	95.19
GDP per capita (EUR)	5,486	10,163	14,206	13,800	9,898	11,548	11,650	10,113	7,121	13,333	17,140	124,710.07	11,314
EU funds 2007-2013 (EUR billion)	6.67	1.00	26.30	3.40	24.92	4.54	6.77	67.19	19.18	11.65	4.10	175.72	
EU funds per capita (EUR)	917	234	2,501	2,595	2,515	2,243	2,280	1,744	956	2,154	1,993		1,830
EU funds per GDP (%)	16.7%	2.3%	17.6%	18.5%	25.4%	19.4%	19.6%	17.2%	13.4%	16.2%	11.6%		16.2%

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

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

Breakdown of EU funds 2007-2013 by country

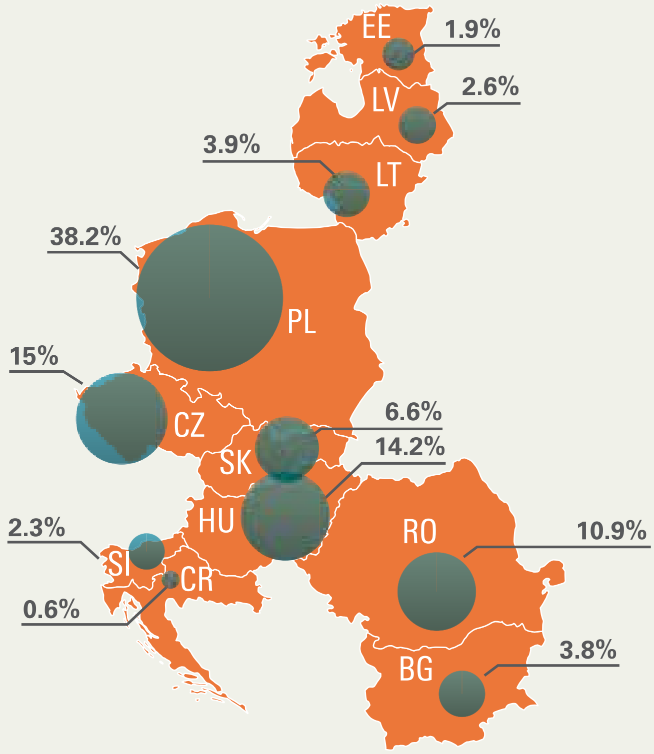


Photo: Centre of Excellence for Intelligent Transport, Žilina, Stredné Slovensko, Slovakia, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

Progress achieved during the implementation of EU funds in 2007-2013

General information on progress for 2007-2013 budgets were set according to different priorities among the member states through their National Strategic Regional Framework Programmes. Over the 7 years of implementation of EU co-funded programmes beneficiaries signed contracts totaling nearly EUR 169.44 billion. This amount exceeded 97% of the budget available for the 7-year programming period.

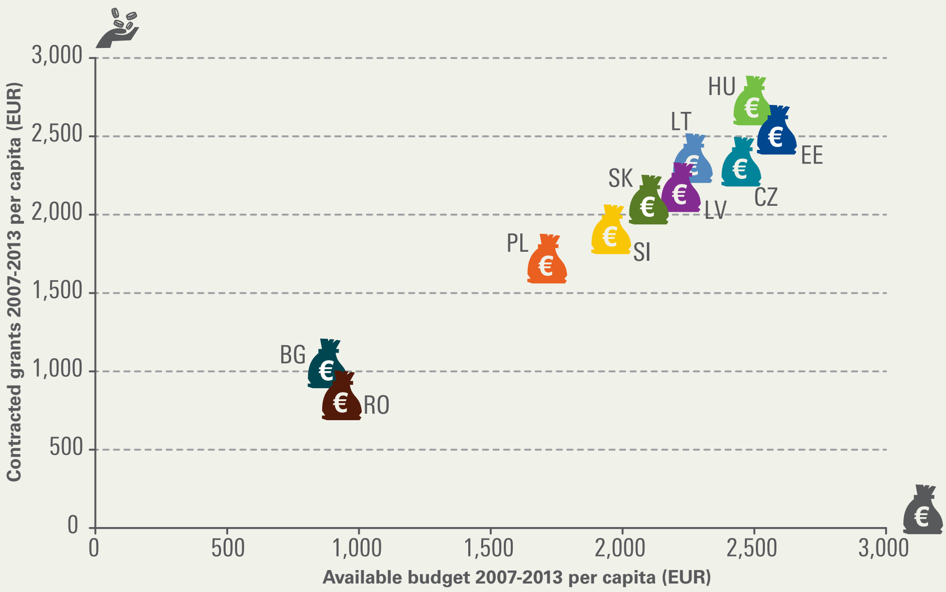
Up to the end of 2013 more than a 60% of the contracted grants, i.e. EUR 105.55 billion, was disbursed to the beneficiaries.

Accordingly, the following table shows all related data by country for the 2007-2013 period.

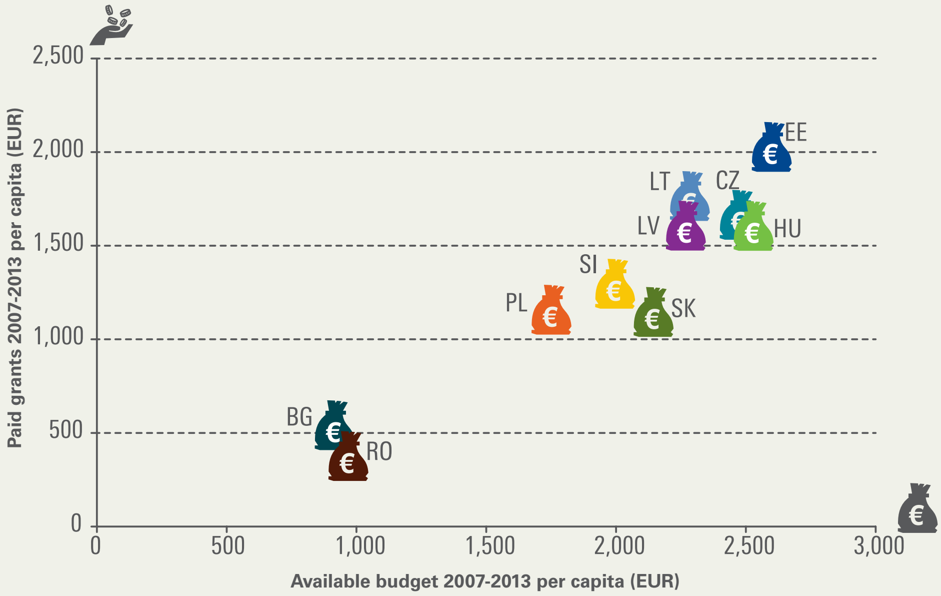
Basic CEE information on EU funds implementation 2007-2013

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE total	CEE average
Available budget 2007-2013 (EUR billion)	6.7	26.3	3.4	24.9	4.5	6.8	67.2	19.2	11.7	4.1	174.7	-
Available budget 2007-2013 per capita (EUR)	917.0	2,501.7	2,595.4	2,515.3	2,242.7	2,278.8	1,743.6	956.0	2,151.4	1,991.5	-	2,102.3
Contracted grants 2007-2013 (EUR billion)	7.5	24.2	3.3	26.5	4.4	6.7	63.8	18.0	11.4	3.8	169.4	-
Contracting ratio (%)	112%	92%	96%	106%	96%	99%	95%	94%	98%	93%	-	97%
Paid grants 2007-2013 (EUR billion)	3.6	16.8	2.6	15.6	3.2	5.0	42.9	7.0	6.1	2.6	105.5	-
Payment ratio (%)	54%	64%	77%	62%	70%	74%	64%	37%	53%	62%	-	63%

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



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



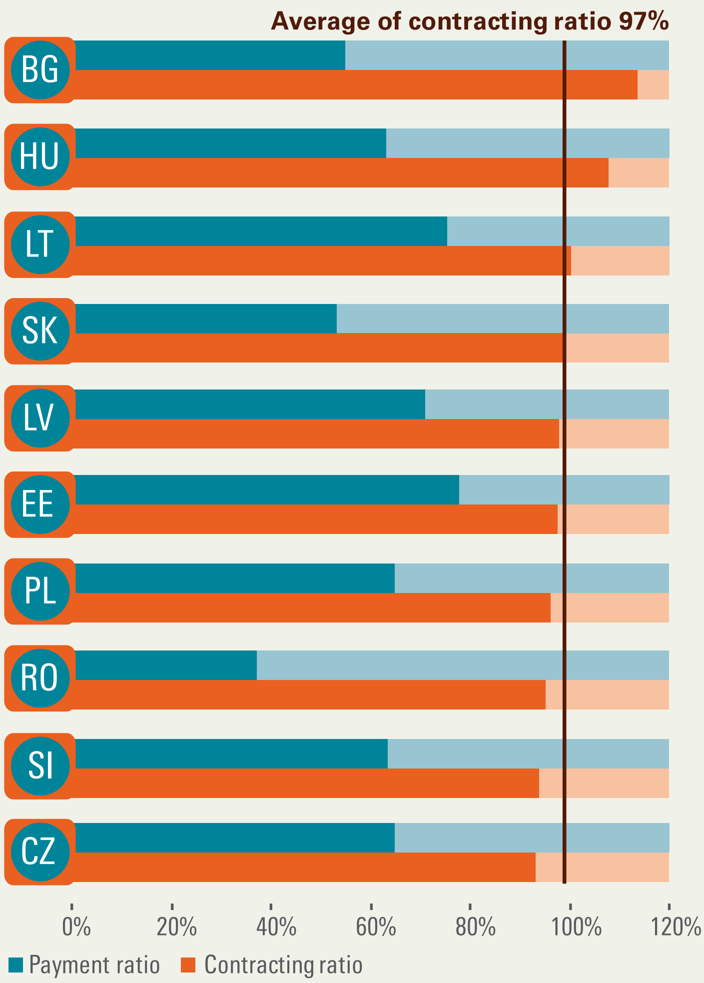
Contracting and payment ratio for 2007-2013 by country

After 7 years of implementation the 10 CEE countries contracted altogether almost 98% of their budget allocated for the programming period.

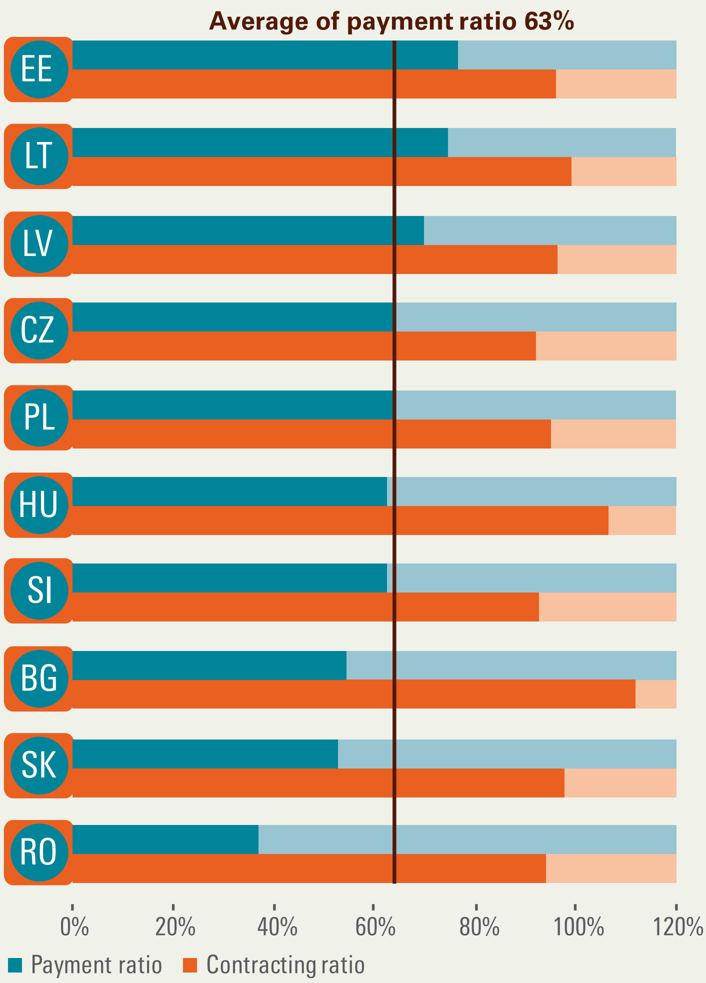
As of the end of 2013 the National Strategic Reference Framework programmes for Bulgaria and Hungary showed the highest contracting ratio, ranging between 112% and 106%, which is outstanding on a time-proportional basis. The greatest progress was observed in Hungary. At the end of 2013 the countries with the lowest contracting rates were Slovakia and Romania.

The payment ratio showed a slightly different pattern. The Baltic Countries took the lead.

Contracting ratio and payment ratio 2007-2013 according to contracting results (%)



Contracting ratio and payment ratio 2007-2013 according to payment results (%)



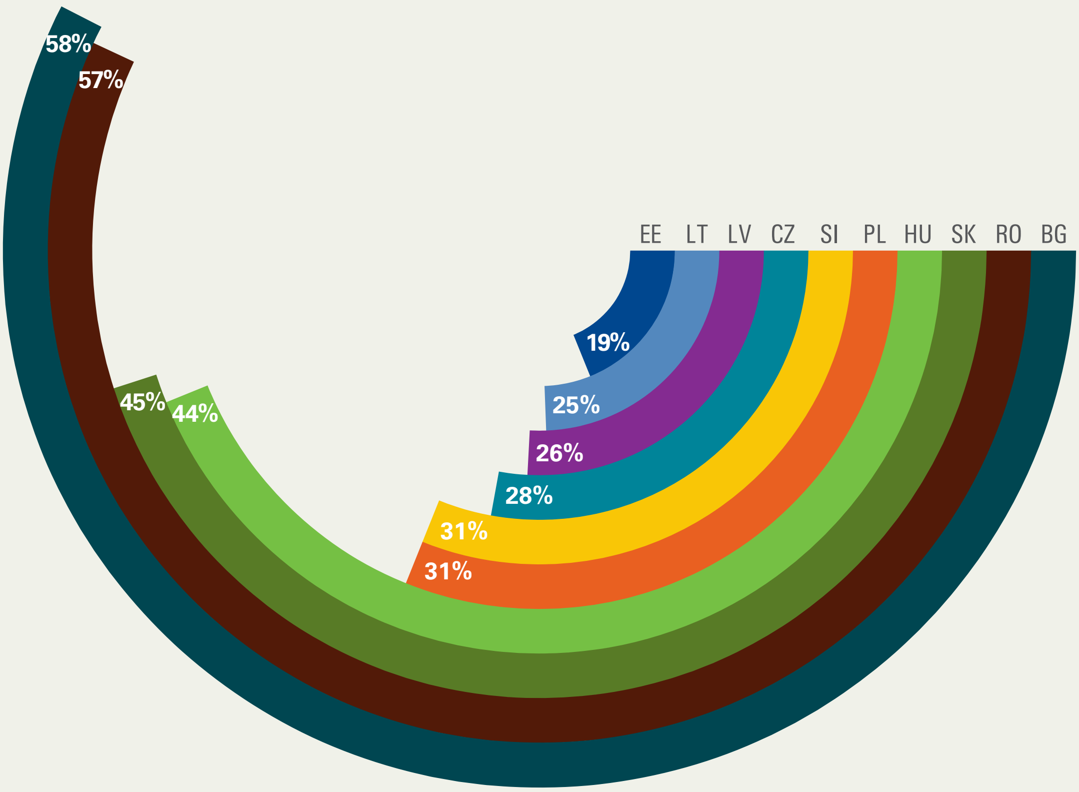
Differences between contracting and payment ratio by countries

An important factor in indicating the real level of the effectiveness and efficiency of EU funds management is the difference between contracted grants and paid grants. The smaller difference between these two factors shows more efficient EU funds management as a way of real distribution.

Estonia is the leader in terms of distribution of EU funds with only a 19% difference between contracted grants and paid grants. Lithuania (25%) also achieved good results. The biggest differences between contracted grants and paid grants can be observed in Bulgaria (58%) and Romania (57%).

Country	2007-2013 sum (%)		
	Contracting ratio	Payment ratio	Difference between contracting and payment ratios
Bulgaria	112%	54%	58%
Hungary	106%	62%	44%
Lithuania	99%	74%	25%
Slovakia	98%	53%	45%
Latvia	96%	70%	26%
Estonia	96%	77%	19%
Poland	95%	64%	31%
Romania	94%	37%	57%
Slovenia	93%	62%	31%
Czech Republic	92%	64%	28%
CEE Average	98%	62%	40%

Difference between contracting and payment ratios



Implementation of EU funds for 2007-2013 by EU Structural and Cohesion Funds

Available budget amounts for EU Structural and Cohesion Funds are presented in the following table.

Available budget 2007-2013 (EUR billion)

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE sum
European Regional Development Fund (ERDF)	3.21	13.71	1.86	12.65	2.41	3.44	34.79	8.97	6.19	1.93	89.16
Cohesion Fund (CF)	2.28	8.82	1.15	8.64	1.54	2.31	22.39	6.52	3.90	1.41	58.96
European Social Fund (ESF)	1.19	3.77	0.39	3.63	0.58	1.03	10.01	3.68	1.56	0.76	26.60

Contracted and paid grants 2007-2013 break-down according to EU Structural and Cohesion Funds

After 7 years of co-funded programme implementation, around 50% of grants supported operations related to European Regional Development Funds. Meanwhile, the Cohesion Fund (CF) accounted for 33% and European Social Funds (ESF) amounted to 14% of the total contracted grants.

Contracting ratio by EU Structural and Cohesion Funds

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE average
European Regional Development Fund	103%	96%	95%	104%	99%	99%	94%	94%	103%	95%	98%
Cohesion Fund (CF)	132%	83%	98%	115%	88%	99%	96%	99%	85%	87%	98%
European Social Fund (ESF)	97%	96%	96%	94%	109%	99%	95%	84%	111%	96%	98%

There are similar proportions for paid grants. Thirty-one per cent of grants supported operations related to European Regional Development Funds. The Cohesion Fund (CF) accounted for 19% and European Social Funds (ESF) 10% of the total paid grants.

Payment ratio by EU Structural and Cohesion Funds

	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE average
European Regional Development Fund	54%	65%	75%	68%	69%	74%	64%	36%	57%	21%	58%
Cohesion Fund (CF)	52%	61%	78%	55%	63%	74%	60%	31%	47%	13%	53%
European Social Fund (ESF)	60%	65%	80%	62%	92%	78%	70%	47%	52%	20%	63%

Summary of Findings

Implementation progress 2007-2013 by country

After 7 years of implementation of the 2007-2013 programming period almost EUR 169.4 billion in grants have been contracted by the 10 CEE countries. This amount represents 97% of the total available budget for the 2007-2013 period.

By the end of 2013 EUR 105.5 billion – i.e. 63% of the available budget and 62% of the contracted grants – was paid to beneficiaries.

High contracting ratios do not always lead to high payment ratios.

In the 2007-2013 programming period, contracting started only in 2008 and reached a reasonable level in 2009, while payments tended to lag by a further year. In light of this experience these countries should be able to better prepare operational procedures and the pipeline for the next programming period. This would result in starting contracting in 2014 and payment in 2015, which would lead to more even distribution of EU funds over the next 7 years.

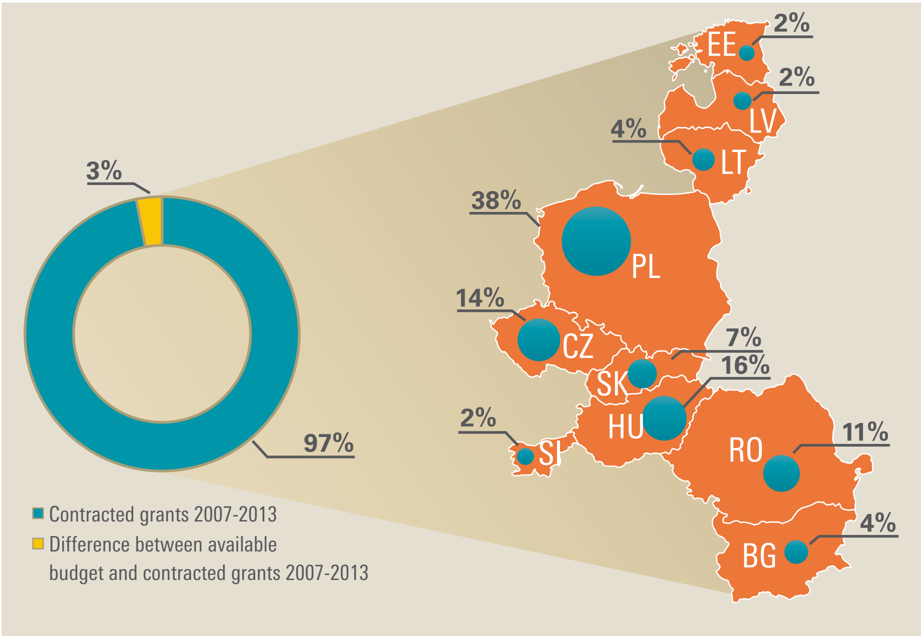
Implementation progress 2007-2013 by EU Structural and Cohesion Funds

By the end of 2013 most EU Structural and Cohesion Funds exhibited around the average contracting ratio, between 93% and 100%. Payment ratios of all EU Structural and Cohesion Funds were even closer to the average, ranging between 56% and 68%.

Total budget of all CEE countries: **174.7bn**

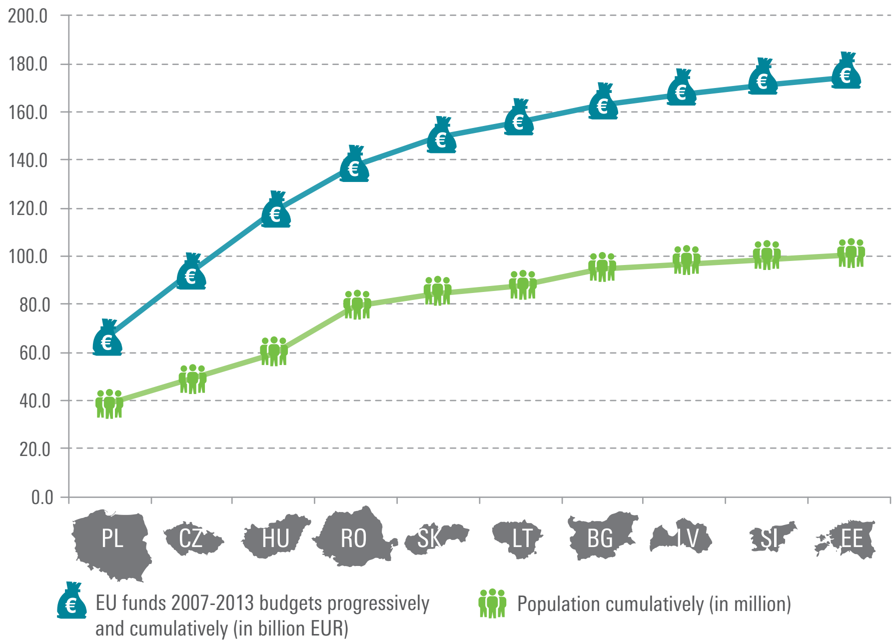
Contracted grants by country, 2007-2013

The graph below shows how much of the contracted funds (97%) go to each of the CEE countries.



Contracted grants by country populations, 2007-2013

The chart below is a progressive summary of the EU funds 2007-2013 budget allocations and CEE countries' populations.



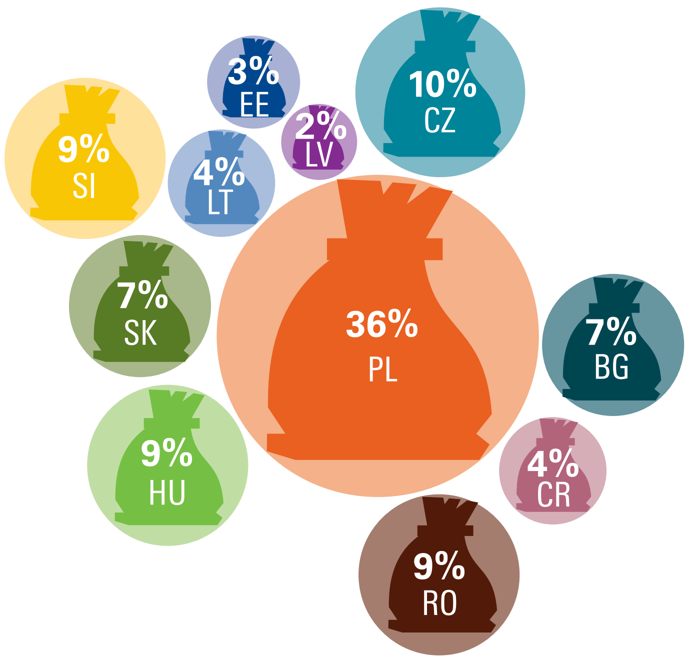
New Perspective 2014-2020 – New Budget, New Challenge

Breakdown of EU funds 2014-2020

The amount of EU funds allocated for the 2014-2020 period varies by country – the highest budget is allocated for Poland, which bears the biggest population among the CEE countries. However, the EU funds ratio per capita is the highest in Slovenia.

Poland and the Czech Republic account for almost 50% of the allocated EU funds. Together with Hungary and Romania, their total amount constitutes almost two-thirds of the total EU funds allocated for the CEE region.

	Bulgaria	Croatia	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE sum	CEE average
Total Budget (in billion EUR)	15.7	8.61	21.60	5.9	21.49	4.42	8.35	82.5	21.4	15.24	20.83	226.03	20.55



EU Funds implementation at present

The new financial perspective covers the years 2014-2020. The implementation process contains four basic steps:

- Planning
- Negotiations with the European Commission
- Agreement with the European Commission
- Implementation.

Currently, most of these countries are negotiating with the European Commission. The exception is Lithuania which is at the agreement step with the European Commission, and Croatia which is realising the planning step.

Highest budget in

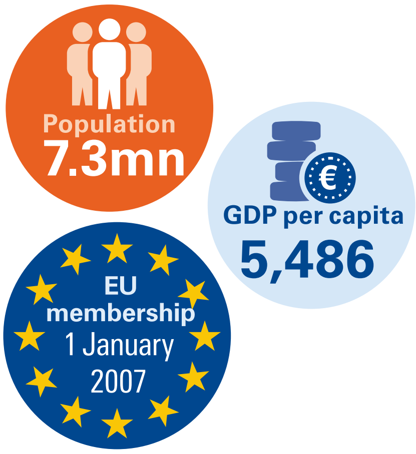
Poland 82.5bn

Country Overviews

Photo: Mega extension for Sofia's metro system, Sofia, Yugozapaden, Bulgaria, 2011
http://ec.europa.eu/regional_policy/index_en.cfm

01 Bulgaria

EU programme information



Source: EUROSTAT data, 2013

General observations

In the 2007-2013 period Bulgaria's main programming document, the National Strategic Reference Framework (NSRF), included seven OPs with a EUR 6.67 billion contribution from EU Structural and Cohesion Funds (CSF). The seven programmes addressed the country priorities and challenges of socio-economic development, targeted at reducing the differences with other EU countries and overcoming the negative effects of the global financial and economic crisis.

Besides the NSRF there were programmes implementing the European Agricultural Fund for Rural Development (implemented within the Rural Development Programme), the European Agricultural Guarantee Fund and the European Fisheries Fund (implemented within OP Fisheries).

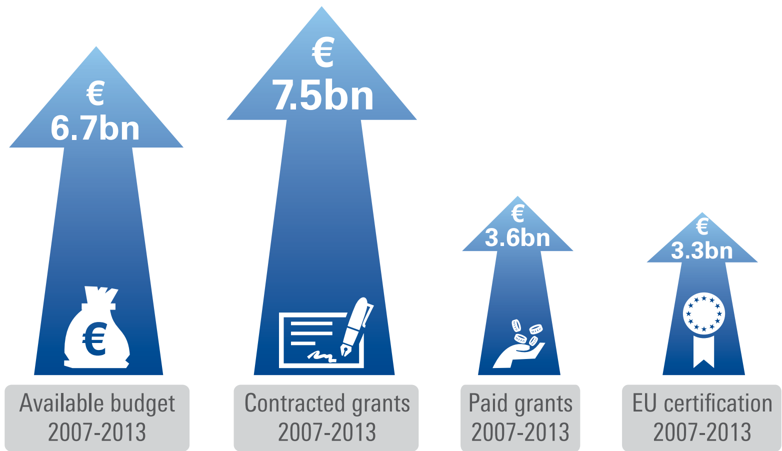
During the reference period a number of evaluations established the EU Cohesion Policy's positive impact on the overall economic development of Bulgaria. Significant progress was also achieved with regard to the implementation of the NSRF indicators as compared to their base values, resulting directly from CSF support.

Progress Report 2007-2013*

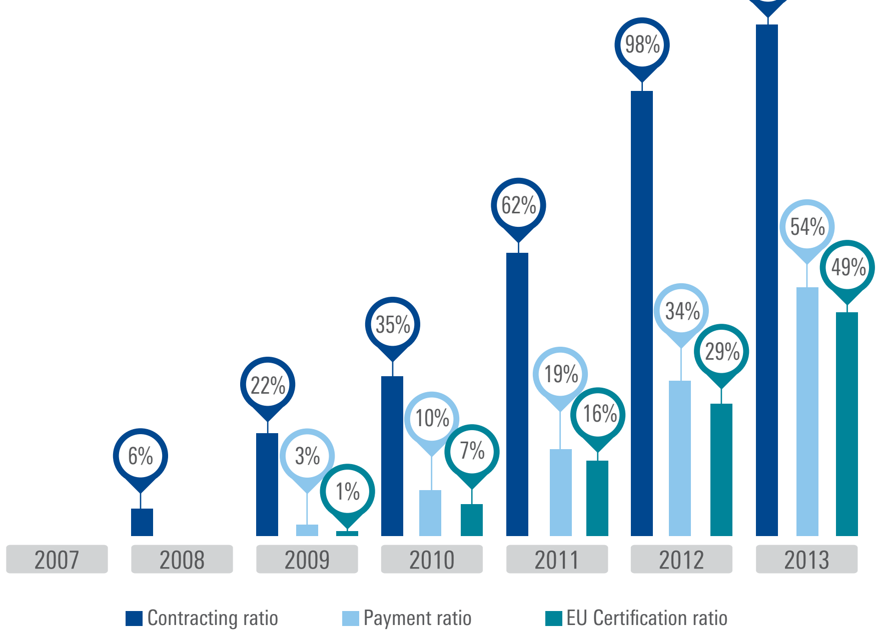
Available budget	EUR 6.67 billion
Contracted grants	EUR 7.46 billion
Contracting ratio	112%
Paid grants	EUR 3.62 billion
Payment ratio	54%
Certification	EUR 3.26 billion 49%

**The data includes ERDF, CF and ESF.*

EU Funds implementation in Bulgaria as at December 2013



EU funds implementation progress in Bulgaria in 2007-2013 (%)



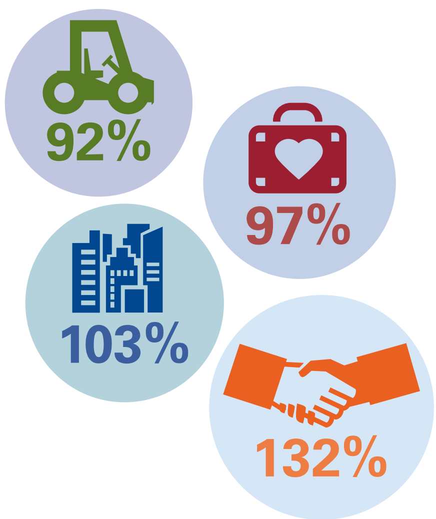
Trends

SCF contribution mainly addresses public and private physical and human capital. By the end of 2013 Bulgaria had contracted 112% and paid 54% of the total budget allocated for the 2007-2013 period.

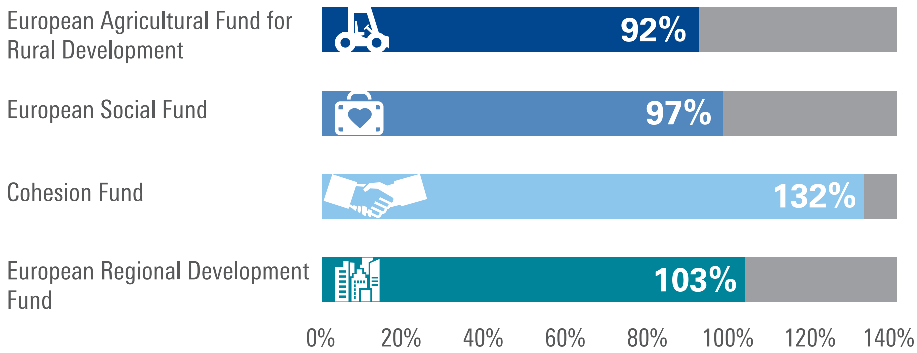
Overall, there is a tendency of accelerated absorption and project prioritisation in order to increase potential growth. Continuous support is provided in the area of strengthening the administrative capacity of the managing, certifying and audit authorities, and further steps have been planned to prevent significant loss of funds.

Successes

Recently, Bulgaria has made much effort to increase the absorption rate. Specifically, significant improvements have been achieved in terms of faster verification and payment processes, simplification of procurement rules, preparation of major infrastructure projects, introduction of electronic submission of applications and reporting through the EU Funds information portal, as well as use of innovative financial instruments.



Contracted grants – breakdown according to EU fund



Areas for improvement

At the beginning of the 2007-2013 programming period, the financial management and control systems of the SCF were not operating effectively enough. Administrative staff and beneficiaries needed to go through the learning and developing phases of the process. Many of the initial problems have been overcome, but there are still challenges related to the programming and design of aid schemes, further simplification of procedures, clear rules and implementation of financial corrections, and better prioritisation based on cost-benefit analysis.

Lessons learned

In the next programming period, 2014-2020, there should be a greater focus on better strategic planning, retention of expert staff in management and control systems, and simpler rules and procedures. More funding should be secured for major infrastructure projects and there should be more use of EU funds in the areas of e-Government and e-justice, R&D and innovation, education, health and social care.

Contact information

Gergana Mantarkova
Managing Partner

KPMG in Bulgaria
T: +359 2 9697 500
E: gerganamantarkova@kpmg.com

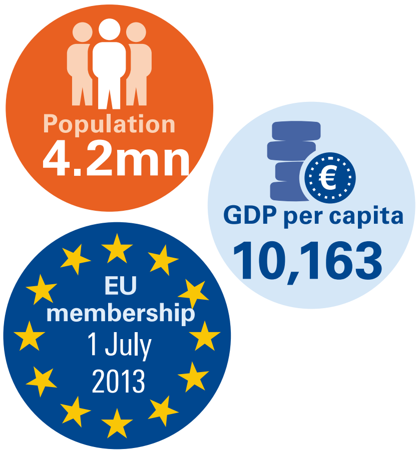
Iva Todorova
Director, Public Sector

KPMG in Bulgaria
T: +359 2 9697 650
E: itodorova@kpmg.com

Photo: Gorna Oriahovitza Regional Wastewater Collection and Treatment project, Gorna Oriahovitza, Veliko Tarnovo, Bulgaria, 2011
http://ec.europa.eu/regional_policy/index_en.cfm

02 Croatia

EU programme information



Source: EUROSTAT data, 2013

General observations

By becoming a full member of the European Union on 1 July 2013, the Republic of Croatia has become a beneficiary of European funds. During the first 6 months of its EU membership a total of EUR 800 million has been made available to the Republic of Croatia, out of which EUR 449.4 million is intended for the implementation of the Cohesion Policy which will be supported by the following structural instruments:

- The European Regional Development Fund
- The European Social Fund
- Cohesion Fund.

Of the EUR 449.4 million amount, a total of EUR 438.2 million is being reserved for the convergence accomplishment, while EUR 11.2 million has been reserved for the European territorial cooperation objective which should have been realised through cross-border cooperation programmes with the bordering countries.

Funds which support the Common Agricultural Policy and the Common Fisheries Policy of the European Union are:

- European Agricultural Fund for Rural Development
- European Fisheries Fund
- European Agricultural Guarantee Fund.

As a temporary instrument designed for the new member states in the first years of EU membership, Croatia will also utilise the following:

- Schengen instrument – an instrument designed for temporary funding measures in the new EU external borders for the implementation of the Schengen *acquis communautaire* and external border controls. For the period from 1 July 2013 to 2014 amounts of EUR 40 million in 2013 and EUR 80 million in 2014, in the form of lump-sum payments, have been made available to Croatia.
- Transition Facility – temporary financial assistance for developing and strengthening administrative and judicial capacity to implement and enforce EU legislation. By the end of 2013 EUR 29 million has been made available through this instrument.

Even though significant amounts have been made available, programme implementation and grants to the final beneficiaries had not been initiated by the end of 2013. Therefore, an analysis of contracted and paid grants relating to structural funds for the period 2007-2013 is not applicable.

During the period 2007-2013 Croatia was the beneficiary of the instrument for Pre-accession Assistance (hereinafter 'IPA'). The main aim of IPA assistance related to the candidate countries and potential candidate countries is harmonisation of national legislation with the EU *acquis communautaire* and strengthening the capacity to implement new laws and regulations. IPA consists of five components:

I. Transition Assistance and Institution Building

II. Cross-border Cooperation

III. Regional Development – Transportation, Environment, Regional Competitiveness

IV. Human Resources Development

V. Rural Development.

Trends and Successes

According to publicly available data relating to the utilisation of IPA funds, Croatia has demonstrated a tendency of substantial growth in performance contracting,

Progress Report 2007-2013*

Available budget	EUR 0.998 billion
Used budget	EUR 0.179 billion 18%

The data includes ERDF, CF and ESF.

payment and remittance of funds from the European Commission and general satisfactory dynamics of pre-accession funding use.

In the period 1 January – 30 June 2013, significant positive remarks related to the contracted and paid grants to beneficiaries were recorded. On 30 June 2013 the amount of payments made to beneficiaries exceeded EUR 50 million, which constituted almost 20% of the total amount paid from the beginning of IPA Programme implementation.

According to data related to the IPA Component I contracting for 2007, 2008 and 2009, for which contracting is completed, high ratios of contracted grants, regularly above 90% of the available budget, were recorded. Moreover, a significant increase of contracting for the programme years 2009 and 2010 was recorded in the first half of 2013.

IPA Component II continuously demonstrates success in contracting grants ratio (in relation to available budget), ranging from the high 87% to even slightly less than 100%. Paid grants ratio ranged from 64% to almost 83% of the contracted funds in the first half of 2013.

In the first half of 2013 the most significant progress was achieved within IPA Component III, which increased contracted grants and amounts up to almost EUR 50 million or a realisation slightly lower than a quarter (i.e. 25%) of the total contracted funds for the period from 2007 to 2012. Furthermore, the same component showed the greatest progress in grants paid, which amounted up to nearly EUR 25 million.

From the beginning of the programme until 30 June 2013, IPA Component IV showed the greatest progress in contracting grants under priority axis focused on employment to an amount of nearly EUR 6.50 million, which represents almost 50% of the contracted grants.

Implementation of IPA Component V has exhibited the weakest progress in contracting funds ratio, i.e. slightly exceeding EUR 8 million, compared to the available budget of approximately EUR 130 million allocated, which equates to a contracted grants ratio of approximately 6%.

Areas for improvement and lessons learned

Lack of knowledge and appropriate information on realised projects, future job opportunities and utilising EU funds was one of the major issues for Croatia in 2007-2013, especially at the beginning of the period. Over the past few years the processes of funds utilisation have not been approached systematically and projects have been held back as a consequence.

Nowadays, Croatia has defined the acceleration of procedures for preparation and approval of projects as a key factors for improved utilisation of the funds. In the past 2 years Croatia has significantly improved its results, thanks to the involvement of accredited institutions in the processes of managing EU funds relating to the preparation of projects for contracting together with strong collaboration with the Managing Authority. Furthermore, it is essential for the country to strengthen its administrative capacity and recruit experienced professionals with specific and relevant skills, tasks which are being taken on by the Croatian government.

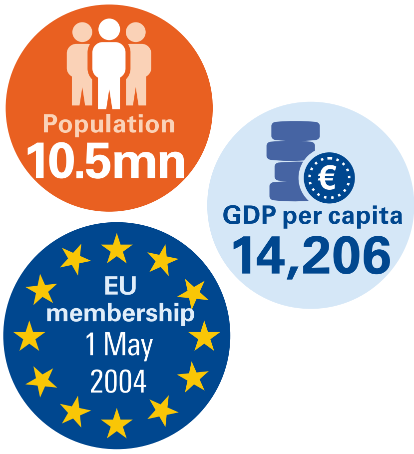
Contact information

Joško Džida
Partner

KPMG in Croatia
T: + 385 1 5390 143
E: jdzida@kpmg.com

03 Czech Republic

EU programme information



Source: EUROSTAT data, 2013

General observations

The total available budget of Structural Funds and the Cohesion Fund for the 2007-2013 period for the Czech Republic comprises EUR 26.3 billion, distributed as follows:

- ERDF – EUR 12.96 billion
- CF – EUR 8.82 billion
- ESF – EUR 4.52 billion.

In the 2007-2013 period the defined priorities and goals of the Czech Republic are set out in the National Strategic Reference Framework 2007-2013. The Convergence Objective is implemented through eight thematic operational programmes with a total allocation of EUR 21.23 billion and seven regional operational programmes with a total allocated amount of EUR 4.66 billion. The Regional Competitiveness and Employment Objective supports regions that do not utilise funds from Convergence objective. In the Czech Republic, the capital city of Prague falls under its scope with two operational programmes and an allocation of EUR 0.42 billion.

Individual Operational Programmes show significant differences regarding the amounts of financial support already paid to the beneficiaries. By the end of 2013 the Transport Operational Programme had reached an outstanding payment ratio of 80.6%. Also, the regional Operational Programmes have retained a high payment ratio ranging 66 – 80.4% for the entire programme period. The worst payment ratio was shown by the OP Environment at 44% followed by OP Technical Assistance (45.4%) and Integrated Operational Programme (47.4%).

Progress Report 2007-2013*

Available budget	EUR 26.30 billion
Contracted grants	EUR 24.17 billion
Contracting ratio	92%
Paid grants	EUR 16.85 billion
Payment ratio	64%
Certification	EUR 12.61 billion 48%

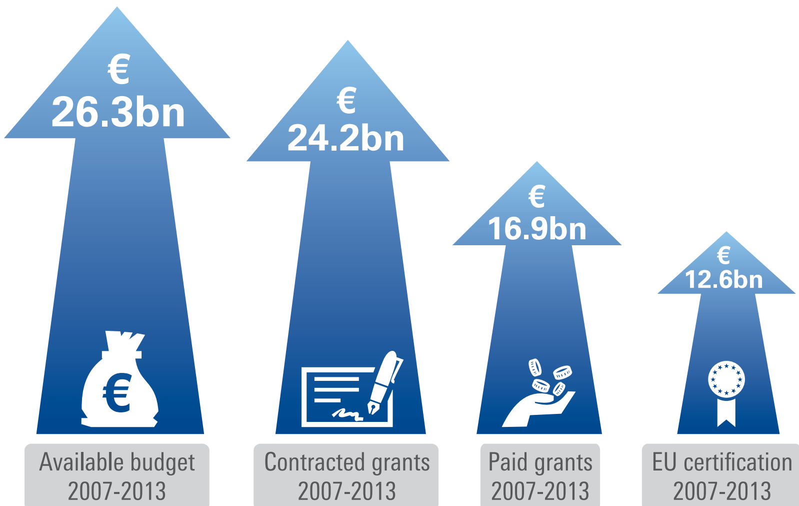
**The data includes ERDF, CF and ESF.*

Trends

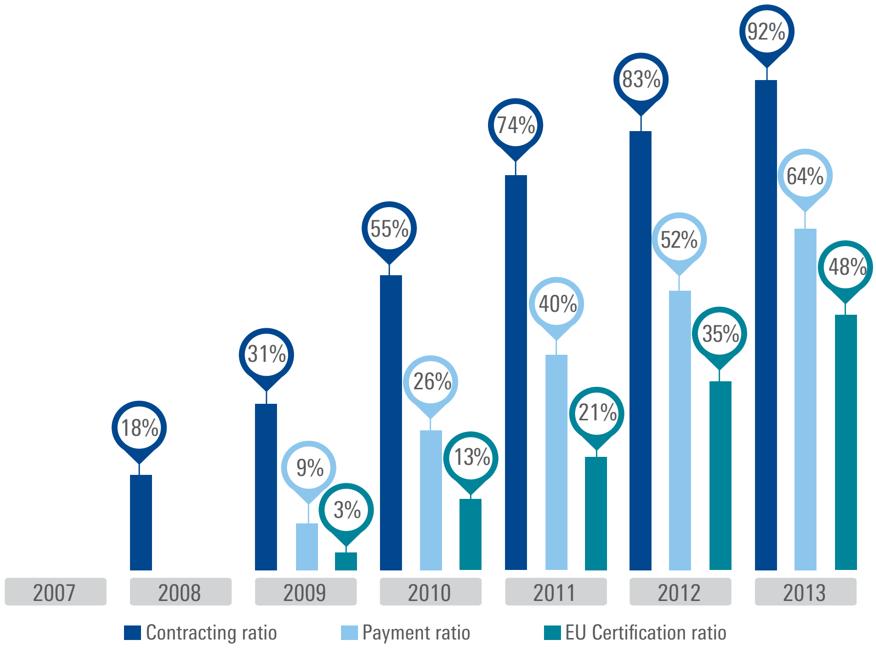
Although the programming period 2007-2013 has finished, there is still a considerable proportion of the allocation that has not yet been contracted. The current government endeavours to face up to this situation.

The current trend in the Czech Republic is the improvement of effectiveness and transparency of the implementation and audit systems. These improvements should be reflected in the implementation structure for the upcoming programming period.

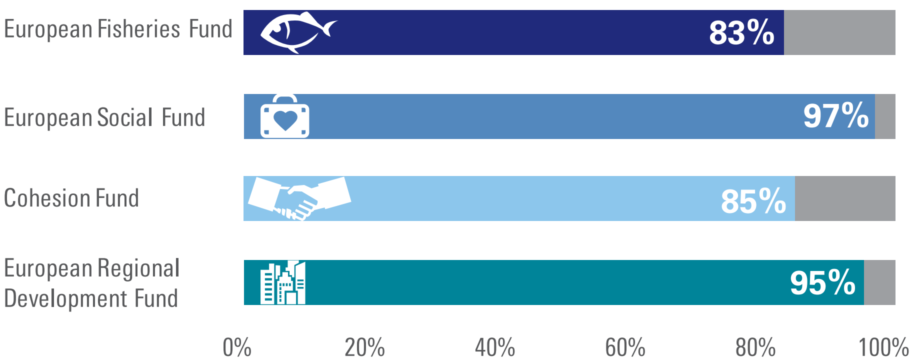
EU Funds implementation in the Czech Republic as at December 2013

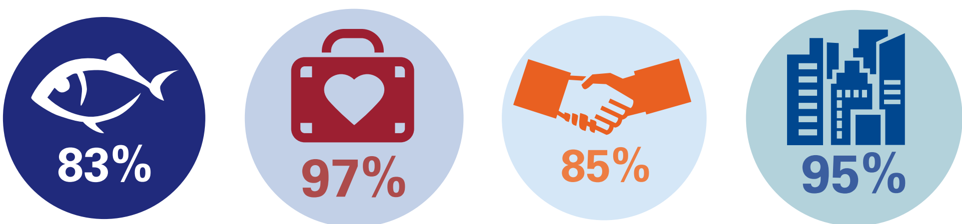


EU funds implementation progress in the Czech Republic in 2007-2013 (%)



Contracted grants – breakdown according to EU fund





Successes

Important improvements during this programming period 2007-2013 were the restructuring of the audit system and an increase in the efficiency of the implementation system, as well as the way in which the Czech Republic was able to deal with the difficulties caused by the suspension of payments and the subsequent effort it put into their renewal.

Areas for improvement

During this programming period the Czech Republic has faced several problems and challenges that complicated implementation of EU Funds. One of the complications was an absence of measures regulating the stability of the employees of the implementation structure that affected public administration personnel fluctuation, especially in the beginning of the programming period. Other issues included shortcomings and a lack of transparency in the area of public procurement which led to the suspension of payments in some cases. A complicated implementation system and difficult administrative procedures were other causes for slower implementation of EU funds.

Lessons learned

For the programming period 2014-2020 there are fewer operational programmes, simplified procedures and unified methodologies for all programmes in order to achieve higher efficiency and transparency.

The total budget of EUR 21.6 billion is allocated for eight operational programmes, supported from three EU Funds corresponding to the subsidised areas (ERDF, ESF, CF):

- OP Transport
- OP Enterprise and Innovation for Competitiveness
- OP Environment
- OP Research, Development and Education
- OP Employment
- Integrated Regional Operational Programme
- OP Prague – Czech Republic Pole of Growth
- OP Technical Assistance.

A major change regarding operational programmes is the integration of seven regional operational programmes into one Integrated Regional Operational Programme (IROP).

Contact information

Petr Bučík
Partner

KPMG in the Czech Republic
T: +420 222 123 951
E: pbucik@kpmg.com

Zdeněk Tůma
Partner

KPMG in the Czech Republic
T: +420 222 123 390
E: ztuma@kpmg.com

Photo: Hostetin Centre for Sustainable Rural Development, Hostětín, Střední Morava, Czech Republic, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

04 Estonia

EU programme information

Source: EUROSTAT data, 2013

General observations

The priorities and goals for structural assistance are set out in the National Strategic Reference Framework 2007-2013. The framework is carried out through three operational programmes (OP):

- OP for Human Resource Development
- OP for the Development of the Living Environment
- OP for the Development of Economic Environment.

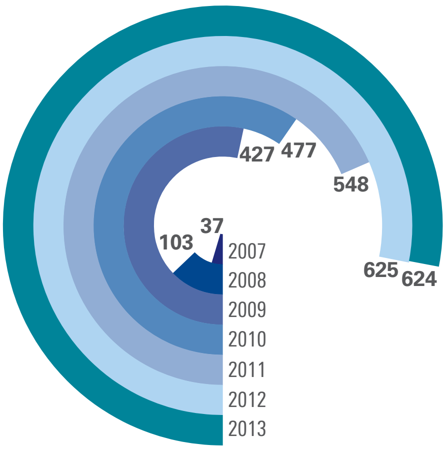
The structural assistance available for the framework programme is equivalent to EUR 3.4 billion.

In the period 2007-2013, the Common Agricultural Policy and the measures for fisheries market were financed from the EAGF, and the agriculture and rural development measures are financed from the EAFRD and co-financed from the state budget of Estonia. The EFF is implemented through the Estonian Fisheries Strategy 2007-2013 that includes the OP for the EFF.

Trends

During the financial period 2007-2013 large investments were made in infrastructure, including roads, water and waste management, schools, hospitals, community centres, R&D infrastructure, etc. Additionally, EU structural assistance was invested in advancing technology development centres and centres of excellence, and increasing the supply of skilled workers.

EU funds per capita (EUR)



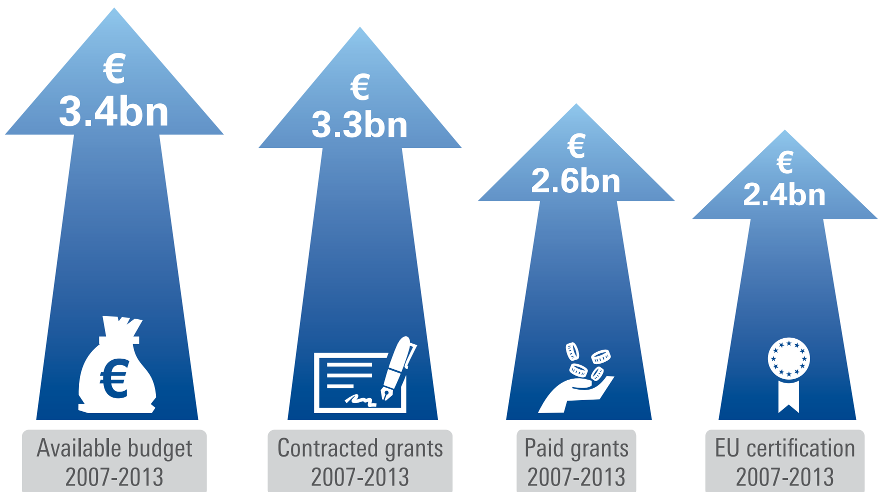
Sources: Eurostat; cumulative reports for foreign financing http://www.fin.ee/financial-info; inquiries from the Ministry of Finance, the Ministry of Agriculture, the Estonian Agricultural Registers and Information Board

Paid grants per year per capita (EUR) = paid grants per year/number of inhabitants

Successes

Structural assistance has been successfully used to reorganise and modernise vocational education to raise its competitiveness. Another achievement is using structural assistance for building innovation systems and for investing in R&D. EU funding was used to finalise the merging of some universities and academies of science and thereby raise the quality of education. Also, structural assistance has been invested in optimising the infrastructure of central and regional hospitals; this will be completed during 2014-2020. Structural assistance has helped to increase the competitiveness of Estonian companies through increased investments in R&D and exports. Investments have been made to support the development of Estonian tourism (e.g. support for the development of tourism-related products, marketing assistance, and assistance in raising international awareness). The Estonian farming sector is the most efficient in the Baltic region thanks to investments that have been made for raising the efficiency of production.

EU Funds implementation in Estonia as at December 2013



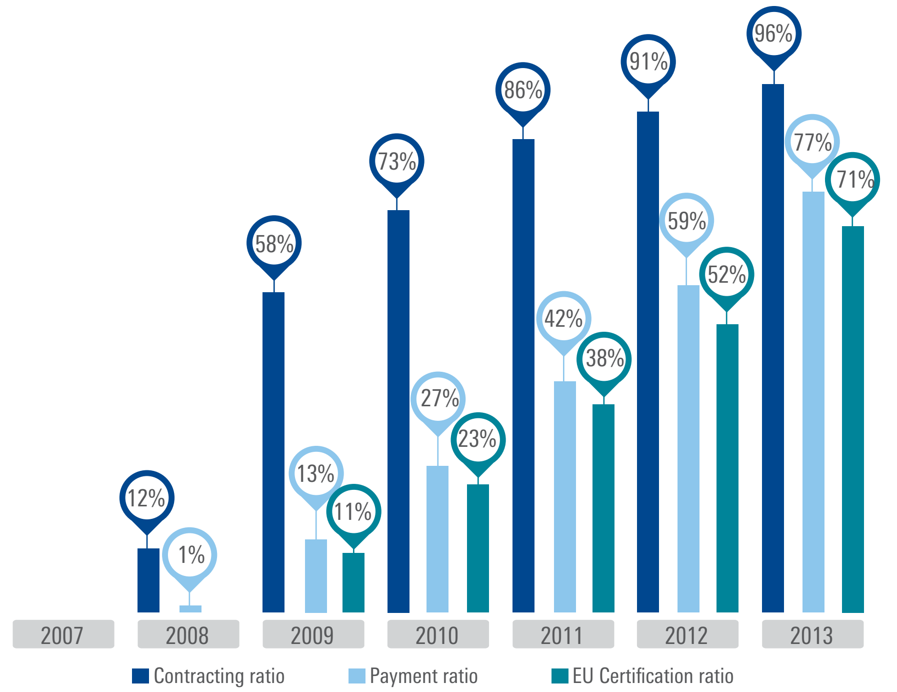
Sources: Cumulative reports for foreign financing http://www.fin.ee/financial-info; inquiries from Ministry of Finance

Progress Report 2007-2013*

Available budget	EUR 3.4 billion
Contracted grants	EUR 3.27 billion
Contracting ratio	96%
Paid grants	EUR 2.61 billion
Payment ratio	77%
Certification	EUR 2.4 billion 71%

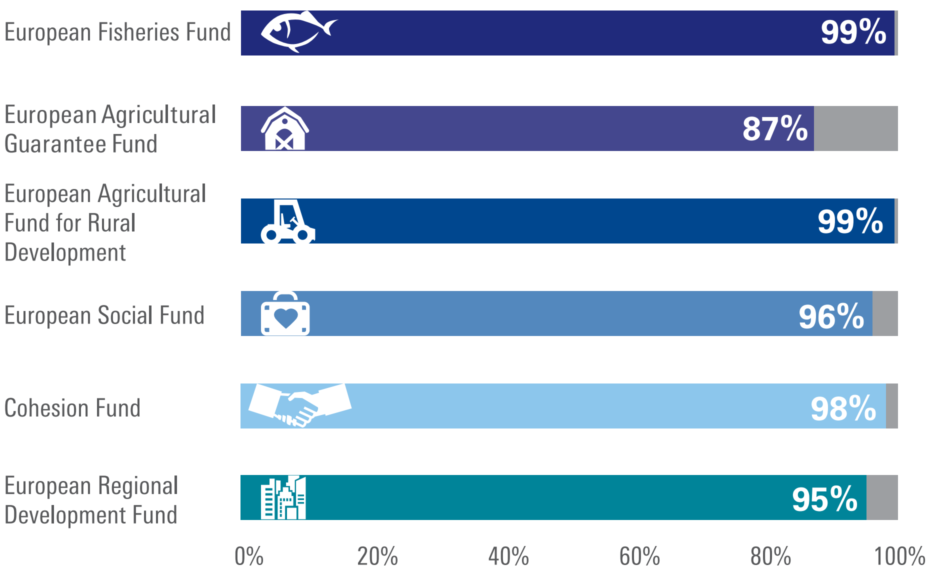
*Data includes ERDF, CF and ESF.

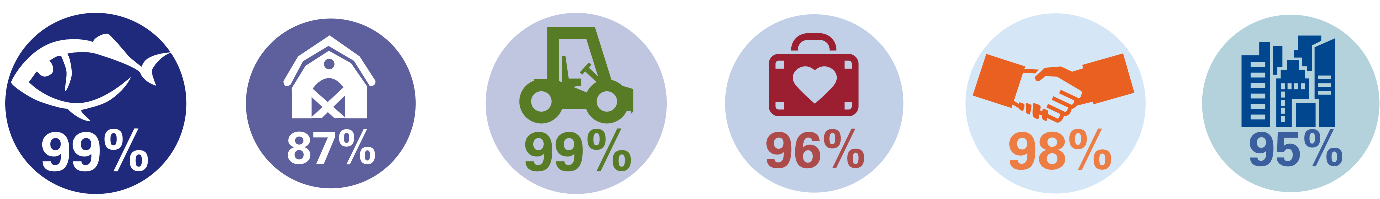
EU funds implementation progress in Estonia in 2007-2013 (%)



Note: Data includes ERDF, CF and ESF

Contracted grants – breakdown according to EU fund





Areas for improvement

During 2007-2013 significant investments were made in infrastructure; however, recent discussions have raised concerns about the impact of increased administration and maintenance costs to the state and local governments' budgets. Urbanisation is still a problem in Estonia despite investments made in developing rural areas. More work needs to be done in aligning vocational and higher education curricula with labour market needs.

Lessons learned

In the long run, Estonia is developing from being a net-receiver into a net-contributor. Therefore, it is necessary to use EU funding as strategically as possible to ensure a long-term impact. The aim is to raise productivity and employment through smart growth, investing in education and employment development, R&D and innovation, ICT, and development of SMEs as well as through investments in the social system.

Applying the bottom-up approach in the form of action groups was a first-time experience within the European Fisheries Fund which has proved very successful and is planned to be continued also in the period 2014-2020.

Commencement of the implementation of financial instruments for the development of the aquaculture sector has been successful.

Within the period 2014-2020 implementation of financial instruments is planned to be expanded also to other sectors of the fisheries industry, and also for rural development.

Compared to prior periods, one of the major simplifications was bringing financial planning to the priority axes level which provided member states with an opportunity to promptly react to the changes in the economic environment.

Contact information

Stephen Young
Senior Partner

KPMG in the Baltics
T: +371 67 038 062
E: stephenyoung@kpmg.com

Andris Jegers
Partner

KPMG in the Baltics
T: +372 6 268 716
E: ajegers@kpmg.com

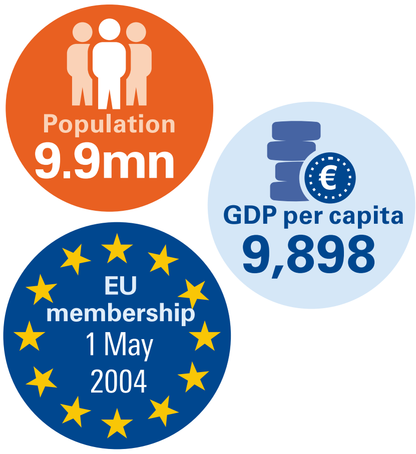
Karin Rätsep
Head of Advisory Services

KPMG in the Baltics
T: +372 6 268 751
E: kratsep@kpmg.com

Photo: Tallinn airport revamping, Tallinn, Estonia, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

05 Hungary

EU programme information



Source: EUROSTAT data, 2013

Progress Report 2007-2013*

Available budget	EUR 24.92 billion
Contracted grants	EUR 26.52 billion
Contracting ratio	106%
Paid grants	EUR 15.55 billion
Payment ratio	62%

**The data includes ERDF, CF and ESF.*

General observations

In 2013 Hungary's GDP was EUR 98,071 billion. The figure suffered a large annual decrease in 2009 (-6.6%), as the financial crisis hit the country before an ongoing economic stabilisation programme had finished.

In the 2007-2013 programming period the use of the Structural Funds (ERDF, ESF, CF) in Hungary was outlined by the National Strategic Reference Framework "New Hungary Development Plan", whose focus was partly shifted in 2010 by the "New Széchenyi Plan". These plans covered 15 operational programmes: seven sectoral, six regional, one Objective 2 and one technical assistance OP. The plans involved EUR 24.92 billion in community co-financing, and, accordingly the available EU-funding per capita figure amounted to approx. EUR 2,500. For the period 2014-2020 the overall available amount will decrease slightly, to EUR 21.49 billion.

By the end of 2012, in respect to the Structural Funds, Hungary reached EUR 20.5 billion in contracted grants, amounting to an 82% contracting ratio; this was accompanied by a payment ratio of 42%. Following a government commitment to withdraw as much of the available EU funding as possible, intense efforts were mobilised in 2013: by the end of the year contracted grants reached EUR 26.5 billion, meaning a 106% contracting ratio (a 24% increase within one year). The payment ratio reached 62%.

For the use of the EARDF funding Hungary launched in 2007 the "New Hungarian Rural Development Plan" with EUR 3.9 billion of available EU funding. The plan showed significant progress in recent years, with the payment ratio reaching an outstanding 88.5%.

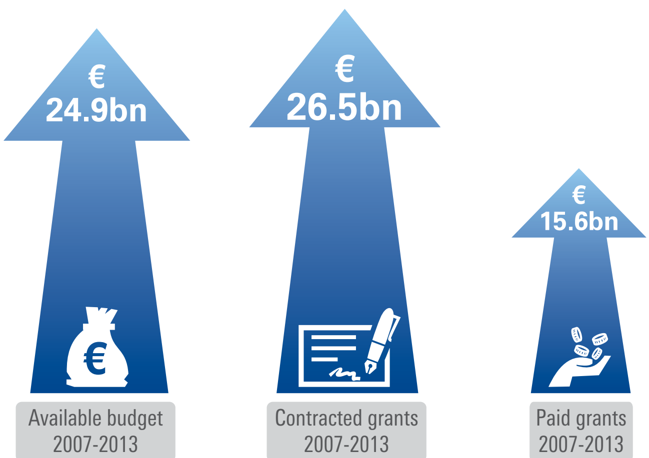
Although the overall EFF funding for the period is much smaller, its EUR 34.84 million in community funding enabled the Hungarian fisheries industry to achieve significant developments.

Trends

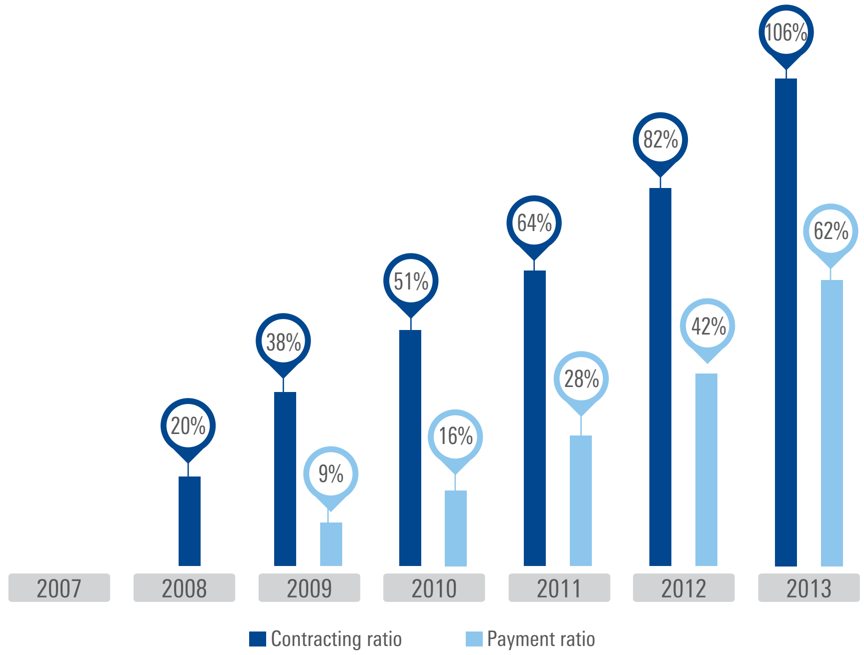
Hungary is well advanced on its way towards the end of EU funds implementation for the 2007-2013 period.

In 7 years of implementation, altogether EUR 26.52 billion in grants have been contracted from the Structural Funds, which means that the beneficiaries have signed contracts for more than 100% of the total available budget.

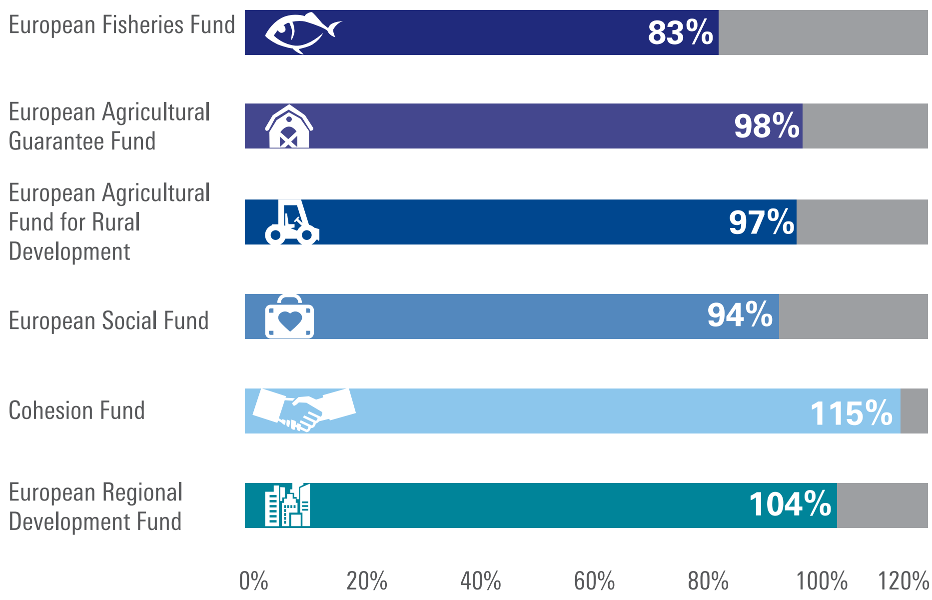
EU Funds implementation in Hungary as at December 2013

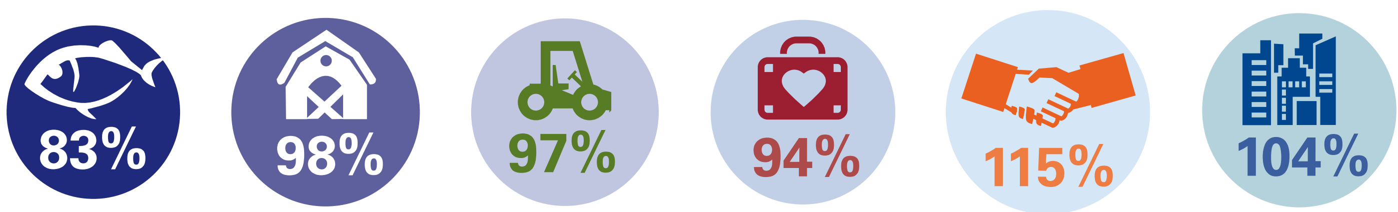


EU funds implementation progress in Hungary in 2007-2013 (%)



Contracted grants – breakdown according to EU fund





The 2007-2013 period started off well, with respectable contracting ratios reached for the funds by 2009 (including 38.7% for ERDF and 42.1% for CF), however, the progress slowed down in 2010 and 2011. From 2012 on, contracting and payment accelerated again, but still, by the end of 2012, a considerable gap between the contracting ratio and the payment ratio was experienced (78% and 40%, respectively). To minimise the risk of low absorption contracting was accelerated in 2013 and for the two largest funds overcommitment was reached (104.1% contracting ratio for ERDF, 114.9% for CF). As the payment ratio for the Structural Funds is still 55-68%, implementation faces further challenges for the programme closing years of 2014 and 2015.

Successes

Despite having had one of the highest per capita co-financing figures available for the 2007-2013 period, Hungary managed to contract more than 100% of the resources coming from the largest funds, and if it can keep up the payment rate experienced in 2013, it should be able to withdraw most of the available funding by the closing settlements at the end of 2015.

One success story was the extensive work performed by the implementation system during 2013, where the contracted funding achieved an overall level of overcommitment. Furthermore, the payment ratio of the Structural Funds, with a previous annual increase of around 10%, improved from 42.1% to 62.4%. Similar outstanding progress was experienced for the EARDF, where the payment ratio increased in 2013 from 55.1% to 88.5%. At the OP level there have also been success stories. By the end of 2013 the Economic Development OP had reached a nearly 70% payment ratio accompanied by an 111% contracting ratio – which enables programme closing at a high absorption. It should be noted, that for the period 2014-2020 Hungary plans to increase the share of economic development within structural funding and is about to allocate approx. 40% of its community funding to the Economic Development and Innovation OP.

The six regional OPs also mobilised their funding well as their payment ratios reached 67%-80%. Outstanding is the Objective 2 territory of the Central Hungary OP with its 80% payment ratio by the end of 2013; however, in 2014-2020, due to regulatory restrictions, funding for this region will significantly decrease.

Photo: NEWADA project, Hungary, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

Challenges

When looking at the OPs of the Structural Funds, there are large differences in relation to the payment ratios, varying between 48% and 84%. This poses challenges in the case of some OPs: to mitigate absorption risks the overall contracting ratio was aimed to exceed 100%.

The largest gap between the contracted and paid amounts is exhibited in the Transport OP (ERDF and CF), which has a 126% contracting ratio accompanied by an only 60% payment ratio. This can be bridged until programme closing as the OP mainly includes large projects; however, this also bears challenges for the institutional system and risks for absorption. A similar gap is found within the Environment and Energy OP, which has a 106% contracting ratio and a 48% payment ratio – the latter even below the Transport OP's figure. The Social Renewal and Social Infrastructure OPs also had rather low payment ratios (61% and 53%, respectively) by the end of 2013.

Lessons learned

As in the case of all funding periods, Hungary learned several lessons in the 2007-2013 period. The implementation of the funds experienced setbacks; however, the process was able to accelerate in the later years and it is hoped to keep up this pace until programme closing. Thus it is clear that focus has to be put on programme implementation (both contracting and absorption) from the very early stages on, otherwise, when nearing the end, the institutional system will face immense challenges: there is a good chance for not having enough time and resources for thorough planning and appropriate allocation of the funding. In addition, a programme closing, which requires additional focus from the institutional system, draws away resources from the programming process of the upcoming, new programme period, for which it is key to build on the lessons learned from past programme implementation.

To achieve smooth programme advancement it is important to base the objectives, goals and overall interventions on a wide consensus: This can mitigate the risk of temporary slowdowns caused by shifts in country-level strategic planning.

Contact information

Zoltán Székely
Partner

KPMG in Hungary
T: +36 1 887 7394
E: zszekely@kpmg.com

István Henye
Partner

KPMG in Hungary
T: +36 1 887 7202
E: ihenye@kpmg.com

Gábor Cserháti
Director, Public Sector

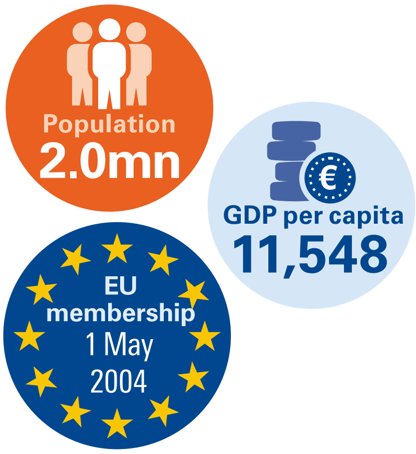
KPMG in Hungary
T: +36 1 887 7190
E: gcserhati@kpmg.com

Andrea Nestor
Director, Public Sector

KPMG in Hungary
T: +36 1 887 7479
E: anestor@kpmg.com

06 Latvia

EU programme information



Source: EUROSTAT data, 2013

Progress Report 2007-2013*

Available budget	EUR 4.54 billion
Contracted grants	EUR 4.38 billion
Contracting ratio	96%
Paid grants	EUR 3.17 billion
Payment ratio	70%
Certification	EUR 2.51 billion 55%

**The data includes ERDF, CF and ESF.*

General observations

Latvia, as a Member State of the European Union (EU) implementing the EU regional policy, uses financial assistance provided by the EU for economic and social development. In the programming period 2007-2013 the largest financial instruments from which Latvia receives financial assistance were European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF) covering three operational programmes (OP) within the National Strategic Reference Framework (NSRF):

1. ESF OP "Human Resources and Employment"
2. ERDF OP "Entrepreneurship and Innovations"
3. ERDF and CF joint OP "Infrastructure and Services".

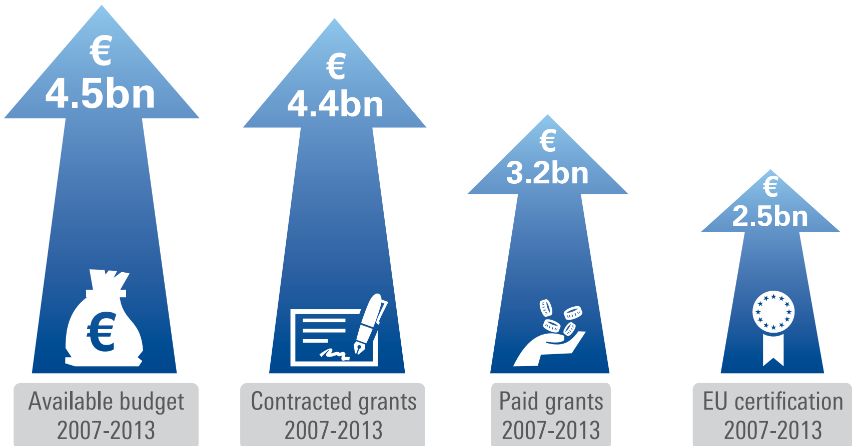
The structural assistance available in the programming period 2007-2013 is equivalent to EUR 4.54 billion.

Besides the OPs covered by the NSRF there are also programmes implementing the European Agricultural Fund for Rural Development (implemented within the Rural Development Programme for Latvia 2007-2013), European Agricultural Guarantee Fund and European Fisheries Fund (implemented within the Operational Programme for the Implementation of the European Fisheries Fund Support in Latvia for 2007-2013).

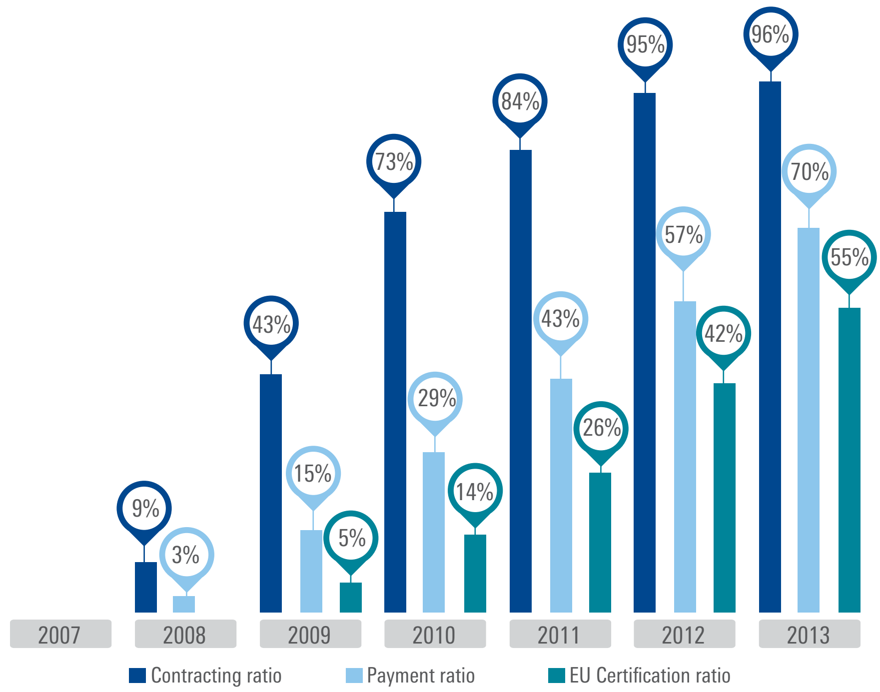
Trends

In the programming period 2007-2013, the largest proportion of EU funds was mainly directed to public education, technological distinction and flexibility of enterprises, as well as development of science and research to facilitate a knowledge-based national economy and strengthen other pre-conditions for sustainable economic development and living conditions in Latvia in general.

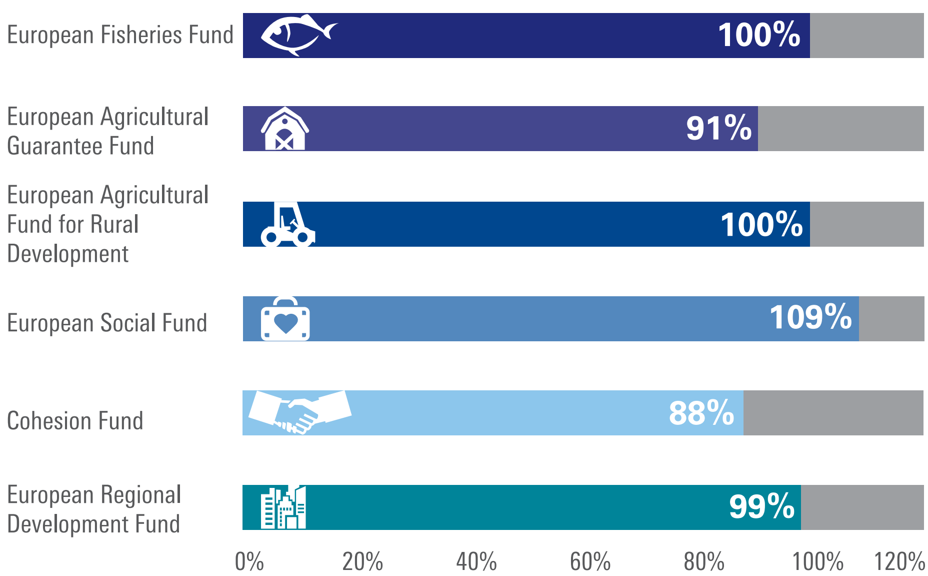
EU Funds implementation in Latvia as at December 2013



EU funds implementation progress in Latvia in 2007-2013 (%)



Contracted grants – breakdown according to EU fund



Successes

Although no formal overall evaluation of EU funds implementation in the programming period 2007-2013 is available yet, initial indications show that in Latvia EU funded investments and implementation of activities have had a positive impact on GDP growth, improved the labour market situation via the creation of new workplaces and improvement of the qualifications of job seekers and unemployed, as well as helped in development of entrepreneurship and enhanced the competitiveness of enterprises in international trade markets. Likewise, structural assistance has played a significant role in improvement of the TEN-T road network and improvement of energy efficiency of buildings. Additionally, over the last 2 years of the programming period Latvian OPs have exhibited one of the best performances in the region in terms of both contracted and paid grants.

Areas for improvement

Despite rather successful EU funds implementation progress results as at 31 December 2013, on account of deviations from the project implementation plans and the remaining limited time, a high risk of losing unspent EU funds remains for Latvia. Delays in the project implementation largely result from the applicable public procurement procedure, execution of which is time-consuming and causes an administrative burden both for final beneficiaries and responsible EU funds implementation institutions. In order to maximise the absorption of EU funds, the government of the Republic of Latvia has undertaken state budget over-commitments in addition to available EU funding to compensate for the terminated contracts, ineligible expenditure and other risks. However, the situation at the end of 2013 showed that the undertaking of over-commitments has left an adverse effect on the state budget and fiscal space – the level of over-commitments has reached EUR 404.5 million while the estimates for settlement of over-commitments amount to only EUR 95-150 million.

Lessons learned

Following from the experience of the programming period 2007-2013, a set of measures to increase the efficiency of EU funds implementation will be taken during the 2014-2020 programming period. Such measures will be aimed at creation of an optimised institutional system by reducing the number of institutions involved in the administration of EU funds, thus achieving a more coordinated EU funds implementation framework and avoiding the overlap of the functions, as well as the simplification of the implementation of EU funded projects by taking measures to reduce the administrative burden for final beneficiaries.

Contact information

Stephen Young
Senior Partner

KPMG in the Baltics
T: +371 67 038 062
E: stephenyoung@kpmg.com

Edgars Volskis
Director

KPMG in the Baltics
T: +371 67 038 005
E: evolskis@kpmg.com

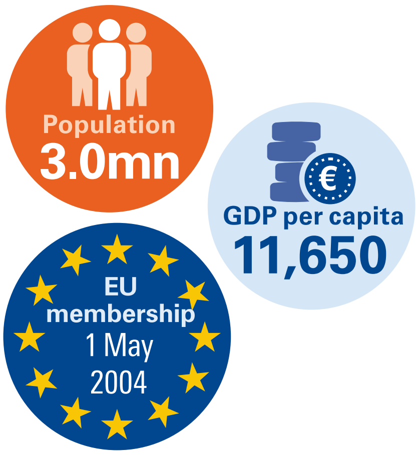
Anda Drožina
Senior Manager

KPMG in the Baltics
T: +371 67 038 050
E: adrozina@kpmg.com

Photo: The Saulkrasti Seaside resort Bypass, Saulkrasti, Latvia, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

07 Lithuania

EU programme information



Source: EUROSTAT data, 2013

General observations

"National general strategy: the Lithuanian Strategy for the use of European Union Structural Assistance for 2007-2013" is one of the main documents for this programming period in Lithuania. The National General Strategy was supposed to be implemented through four operational programmes (OP):

- Development of human resources,
- Economic growth, Cohesion promotion, and
- Technical assistance.

These OP were established on the basis of three main Structural Funds that exist at the EU level: the European Regional Development Funds, the Cohesion Fund and the European Social Funds.

The EU funds available for the framework programme are the equivalent of EUR 6.77 billion, with nearly all of these funds being contracted.

Besides the National General Strategy there are programmes implementing the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the European Fisheries Fund. EU funds from EAFRD and EFF are equivalent to EUR 1.82 billion.

Trends

EU funding plays an important role in the Lithuanian economy as it is nearly equal to the annual state budget. In the 2007-2013 financial budgeting period, the majority of the EU funds in Lithuania were spent on economic growth and cohesion promotion OPs.

Successes

So far the EU funds have been a tool for prosperity which have contributed to achieving faster economic growth, increasing knowledge and competence levels and improving living standards. Additionally, many new workplaces have been created. The Entrepreneurship Promotion Fund, financed by the European Social Fund, alone helped young entrepreneurs to create nearly 1500 workplaces.

Areas for improvement

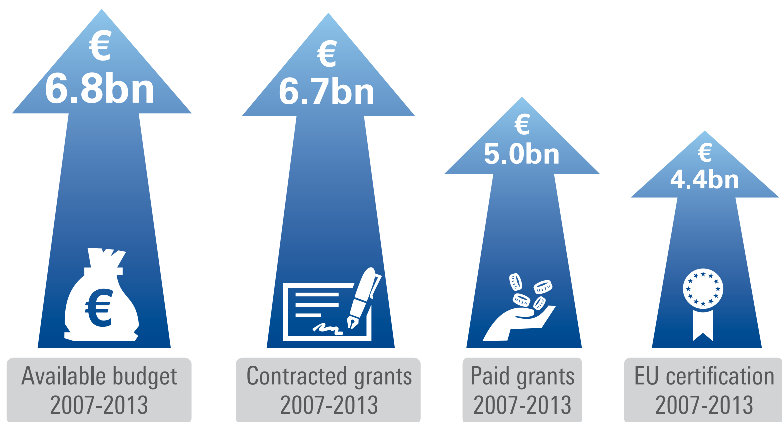
There were two major problems related to the 2007-2013 financial budgeting period which have been identified. First of all, even though there is plenty of data on how the EU funds are structured and implemented there is a lack of summarised data which would indicate how effective these funds were and what additional value was created. There is still room for the potential misuse of grants and thus effective use is not guaranteed. For instance, recent programmes on energy efficiency improvements in public buildings on average reached only 25% savings, while the potential to reduce energy consumption by up to 50% is great. What is more, Lithuanian agriculture grants

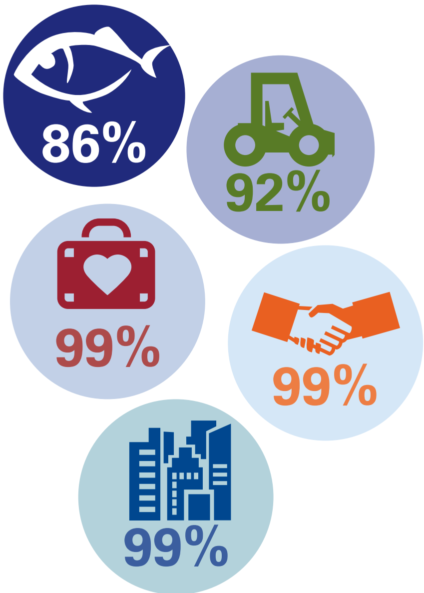
Progress Report 2007-2013*

Available budget	EUR 6.77 billion
Contracted grants	EUR 6.70 billion
Contracting ratio	99%
Paid grants	EUR 5.04 billion
Payment ratio	74%
Certification	EUR 4.38 billion 65%

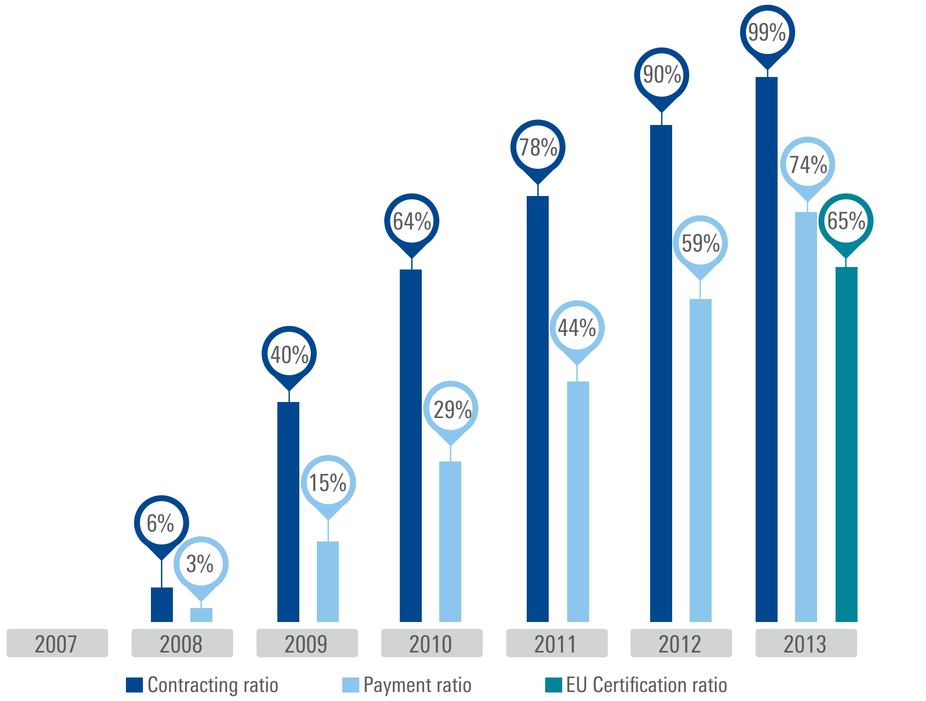
**The data includes ERDF, CF and ESF.*

EU Funds implementation in Lithuania as at December 2013

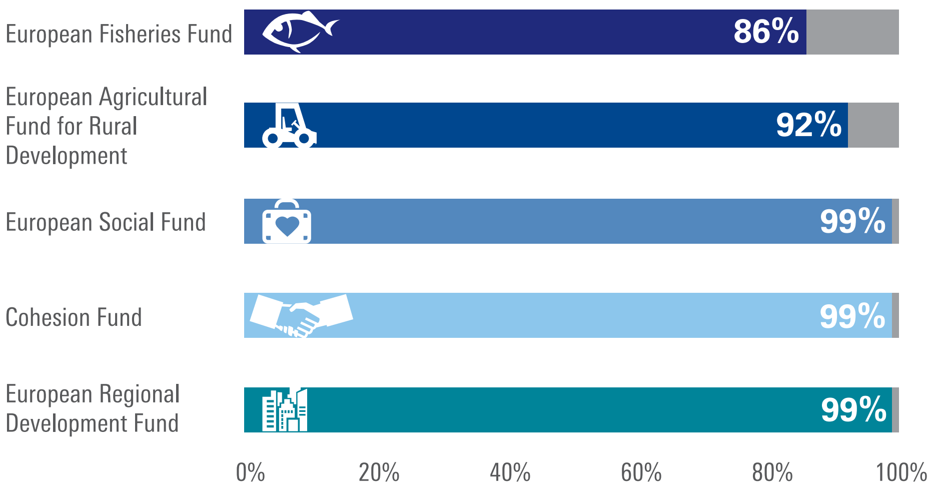




EU funds implementation progress in Lithuania in 2007-2013 (%)



Contracted grants – breakdown according to EU fund



beneficiaries are not receiving grants equal to the ones received by the other countries' beneficiaries and thus competitiveness is distorted.

Lessons learned

The Programming period 2014-2020 should be centred on the instruments which would later allow for generating new workplaces, and attracting talented people and investments. In general, EU funds should help Lithuania become a more developed country and be a place people want to live and work.

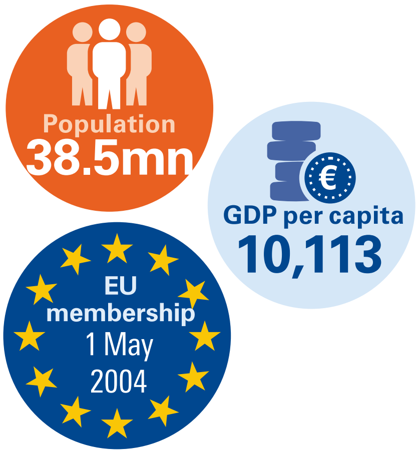
Contact information

Stephen Young
Senior Partner

KPMG in the Baltics
T: +371 67 038 062
E: stephenyoung@kpmg.com

08 Poland

EU programme information



Source: EUROSTAT data, 2013

Progress Report 2007-2013*

Available budget	EUR 67.19 billion
Contracted grants	EUR 63.75 billion
Contracting ratio	95%
Paid grants	EUR 42.92 billion
Payment ratio	64%
Certification	42.59 billion and 63%

**The data includes ERDF, CF and ESF.*

General observations

In 2007-2013 period, Poland's main programming document, the National Strategic Reference Framework (NSRF) covered 21 operational programmes: four sectoral, 16 regional and one technical assistance operational programme (OP). These OPs were established on the basis of three main Structural Funds which exist at the EU level: the European Regional Development Fund, the Cohesion Fund and the European Social Fund.

The EU funds available for the framework programme are the equivalent of EUR 67.19 billion, which is the biggest amount for development among the CEE countries.

Besides the NSRF there are programmes implementing the European Agricultural Fund for Rural Development (implemented within Rural Development Plan), the European Agricultural Guarantee Fund and the European Fisheries Fund (implemented within the National Fisheries OP).

EU funds, among other factors, helped GDP per capita to grow to EUR 10 113 in 2013.

Trends

In the 2007-2013 financial budgeting period, the vast majority of EU funds in Poland were spent on infrastructure. Whether they be roads, rail, airports, sewage water treatments plans, improvement of hospital buildings or the development of city biking routes, all such investments aim at bringing the quality of life in Poland up to Western standards.

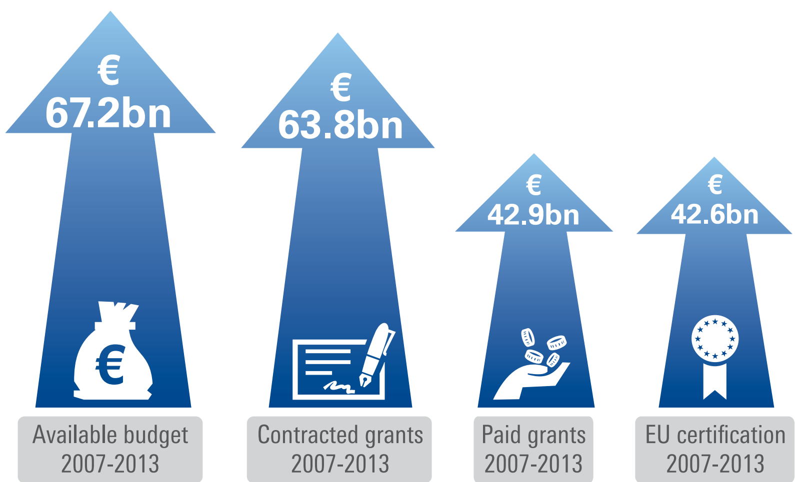
Successes

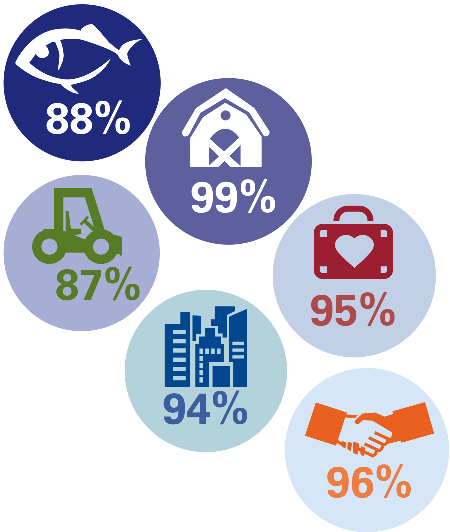
The EU funds have been a useful instrument to reduce the impact of the economic crisis. Well invested European funds have also had a positive effect on GDP growth in Poland and increased the competitiveness of the Polish economy. EU funds have helped in the development of entrepreneurship and creation of new workplaces. Additionally, more and more people have gained better access to modern roads and broadband Internet access.

Areas for improvement

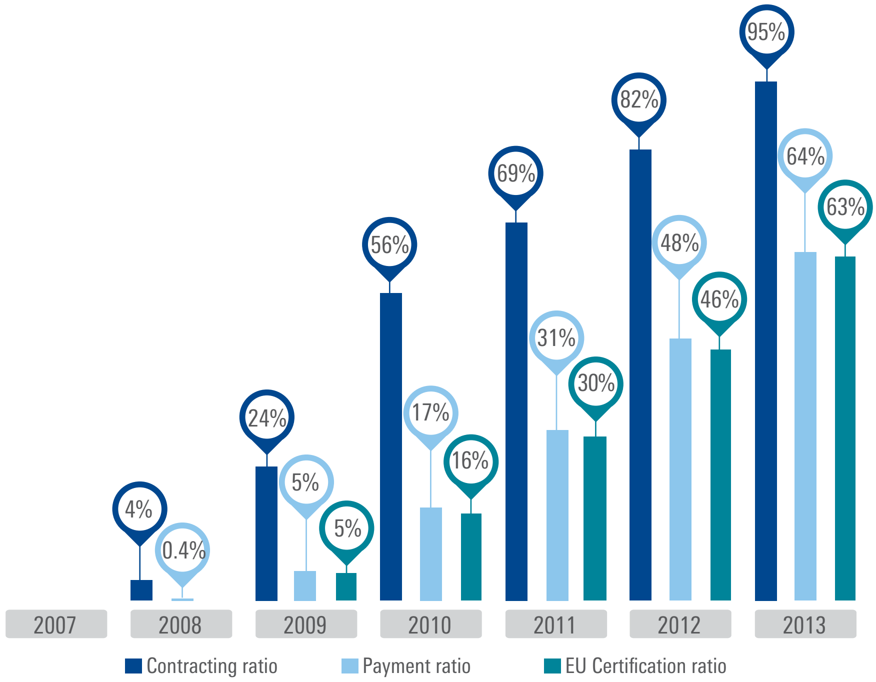
Looking back to 2007, the challenge is how to improve the system of distribution of EU funds, so they can be contracted and paid in a more equalised way. Contracting and spending EU funds is an important element of the national economy, hence it impacts the GDP of Poland. More equalised contracting and spending will impact more than just the economic data, especially in long-term infrastructure projects. Prolonged project preparation phases lead to peaks in contracting and spending that may result in a low quality of delivery of some projects and increased their risks.

EU Funds implementation in Poland as at December 2013

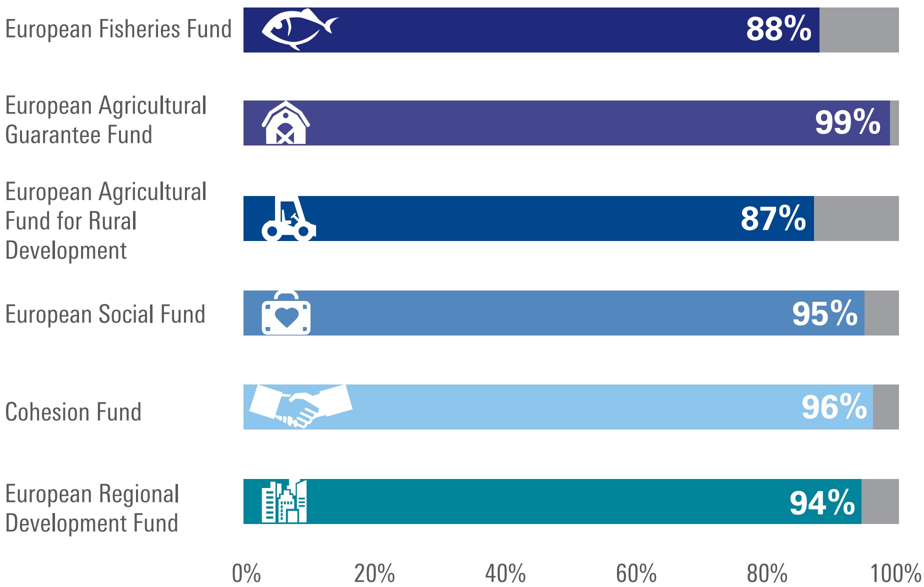




EU funds implementation progress in Poland in 2007-2013 (%)



Contracted grants – breakdown according to EU fund



Lessons learned

In planning the programming period 2014-2020, it would be wise to analyse and discuss the portion of the investment going into infrastructure and its future costs of operations and long-term economic impact, versus R&D and ITC investments – in people, technologies and research. The real competitive advantage for Poland may lie in the area of developing new skills for the younger generations, to became also a knowledge outsourcing centre, as well as a low-cost production hub. The precedent of numerous automakers moving production to Poland might spur thoughts on what the country can do to attract development facilities for engines, suspension systems, future fuels or social attitudes on safe driving into Poland.

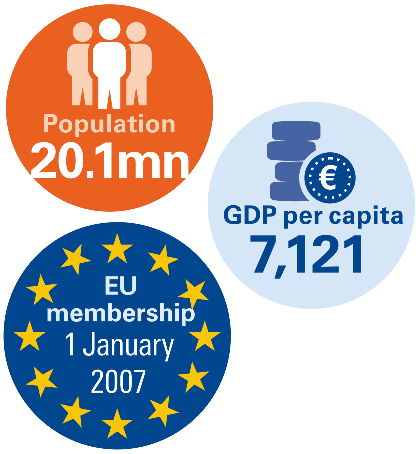
Contact information

Mirosław Proppé
Partner, Head of Government, Infrastructure and Healthcare Sector in Poland and in Central and Eastern Europe

KPMG in Poland
T: +48 22 528 11 12
E: mproppe@kpmg.pl

09 Romania

EU programme information



Source: EUROSTAT data, 2013

Progress Report 2007-2013*

Available budget	EUR 19.18 billion
Contracted grants	EUR 17.99 billion
Contracting ratio	94%
Paid grants	EUR 7.03 billion
Payment ratio	37%
Certification	EUR 5.09 billion 27%

**The data includes ERDF, CF and ESF.*

General observations

Since joining the EU in 2007, Romania has had access to Structural Funds (ERDF and ESF), Cohesion Funds and agricultural and fisheries funds of around EUR 33.5 billion in total (out of which approximately EUR 19.2 billion come under the Convergence objective, EUR 8.3 billion are for agricultural and fisheries funds, and EUR 455 million come under the European Territorial Cooperation objective).

In 2013, Romania reached an absorption level of EU funds of about 34%, with reimbursements in the same year of EUR 2.88 billion from the European Commission. In comparison, during the entire 2007-2012 period, only EUR 2.2 billion were drawn. While 2013 saw a significant improvement in the absorption rate of EU funds, Romania is still behind other EU member states in the overall "absorption rate" picture, despite exhibiting positive trends to recover the gap during the period 2007-2013.

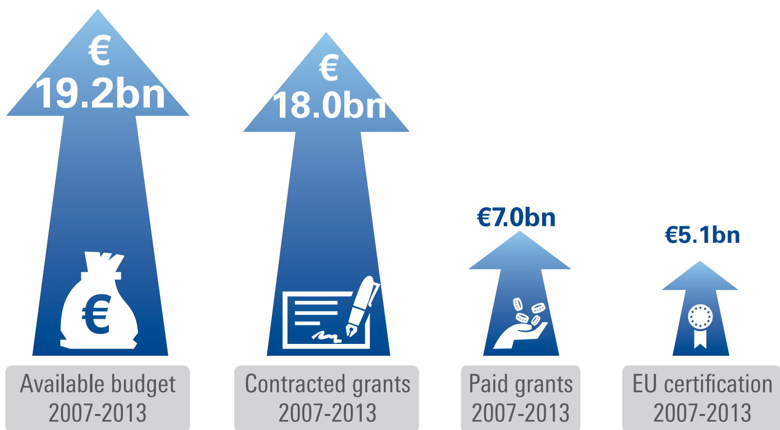
Nevertheless, 2014 should be better than 2013, as a result of the recent developments shown by the SOPs Transport and IEC.

By end of 2013, the main challenges faced by the responsible public authorities on EU Funds absorption and implementation were:

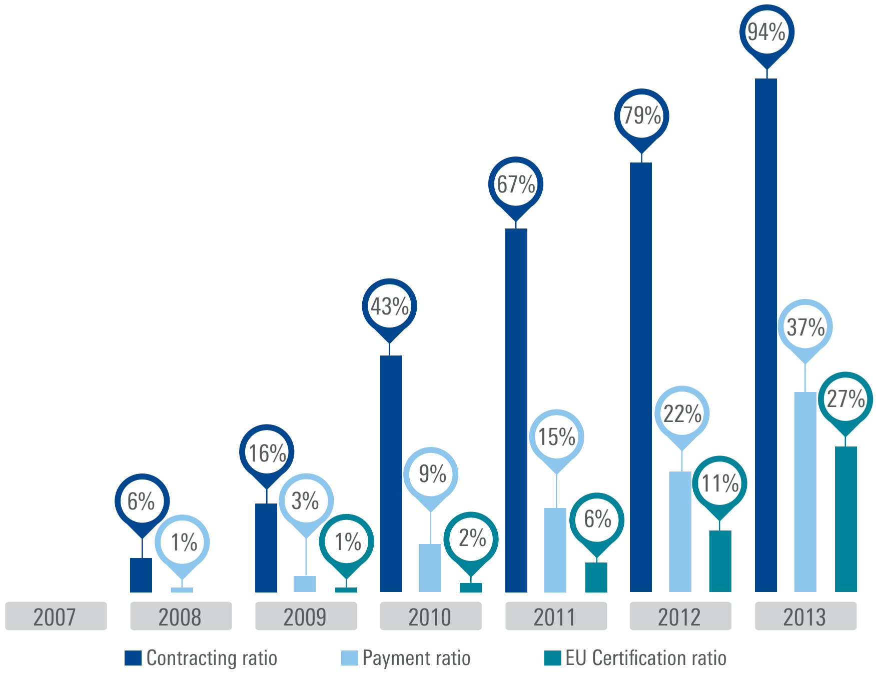
- Major delays on evaluation of financial/reimbursement applications due to lack of resources within MAs/IBs;
- Lack of project management skills with EU funds beneficiaries, which led to numerous financial corrections of a high percentage (in many cases 25%) during the projects' implementation phase;
- Long and cumbersome public procurement procedures, applied even for private sector beneficiaries which led in many cases to significant delays in the project implementation cycle;
- Challenges regarding projects' viability and efficiency, due to the low capacity of beneficiaries to elaborate projects and business plans.

For the period to come, by the end of first programming period (end of 2015) it is crucial for the public authorities in charge of each operational programme to focus on efficient monitoring of the projects in progress and on a rapid evaluation of reimbursement applications, in order to speed up the absorption of the allocated European funds. To meet this target, the rapid utilisation of the technical assistance funds is a prerequisite for providing technical professional assistance to the management authorities/intermediary bodies, so as to ensure an appropriate monitoring of the projects under implementation, and to speed up the evaluation/ verification of reimbursement applications.

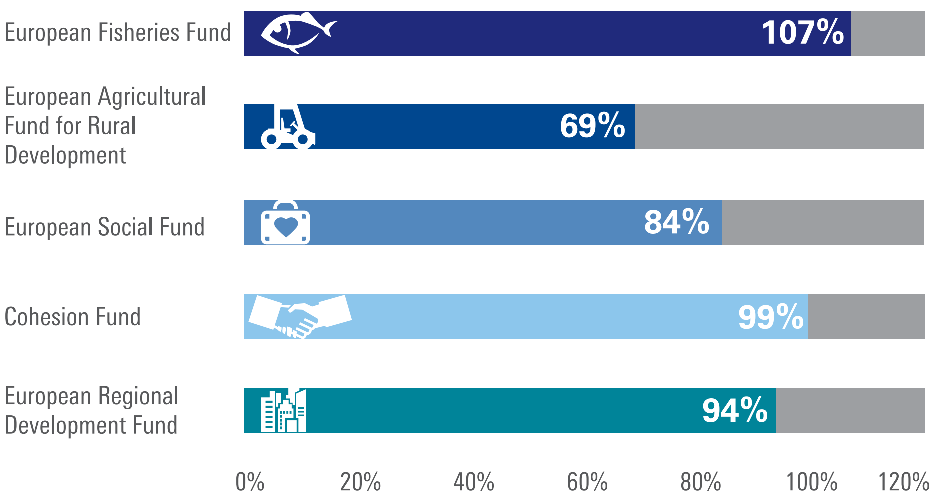
EU Funds implementation in Romania as at December 2013

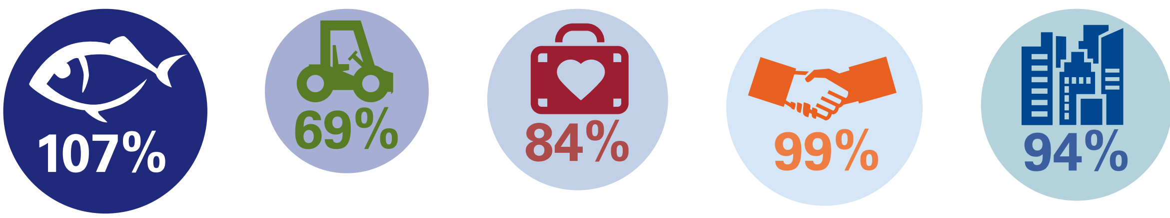


EU funds implementation progress in Romania in 2007-2013 (%)



Contracted grants – breakdown according to EU fund





As main benchmarks for preparing the ground for the next programming period, a Partnership Agreement was officially submitted to the EC at the end of March 2014 after addressing two rounds of comments from the Commission representatives, while the Operational Programmes are under elaboration or public consultation with interested stakeholders. It is important for the next programming period to reflect the lessons learned from the first period, and to include:

- Better design of EU funds' implementation mechanisms and procedures within the forthcoming Operational Programmes;
- Better use of technical assistance funds by recommending the responsible authorities outsource the most cumbersome assistance support services;
- Improve public procurement procedures;
- Focus on strategic national/regional projects by promoting an integrated approach for projects' design and implementation among responsible local and central public authorities.

Contact information

Daniela Nemoianu
Executive Partner

KPMG in Romania
T: +40 372 377 732
E: dnemoianu@kpmg.com

Florin Banateanu
Senior Director, Advisory Services
EU Funding and Public Sector

KPMG in Romania
T: +40 372 377 796
E: fbanateanu@kpmg.com

Photo: Bucharest – Cernavoda motorway, Feteşti, Sud-Est, Romania, 2011
http://ec.europa.eu/regional_policy/index_en.cfm

10 Slovakia

EU programme information

Source: EUROSTAT data, 2013

General observations

Slovakia is implementing EU funds through various programmes. Priorities of the National Strategic Reference Framework (NSRF) are implemented through 11 operational programmes (OP) where there are seven operational programmes[1] under the Convergence objective, three multi-objective operational programmes[2] (for the Convergence objective and the Regional Competitiveness and Employment objective) and one operational programme[3] under the Regional Competitiveness and Employment objective. Besides the NSRF there are programmes implementing the European Agricultural Fund for Rural Development, the European Fund for Fisheries and the Cross-Border Cooperation programmes.

Trends

The beginning of the programming period 2007-2013 was marked by delayed management and control mechanism settings for each operational programme. The low rate of contracting and withdrawal in the initial years for some operational programmes became an urgent issue.

Slovak implementing bodies took crucial measures to improve the state of implementation. Several revisions of operational programmes as well as transfer of funds to areas more attractive for the beneficiaries assisted in this improvement.

Progress Report 2007-2013*

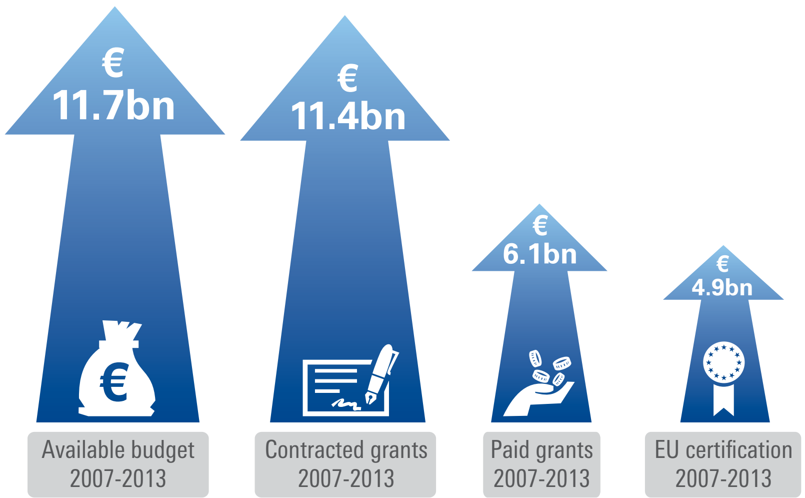
Available budget	EUR 11.65 billion
Contracted grants	EUR 11.39 billion
Contracting ratio	98%
Paid grants	EUR 6.12 billion
Payment ratio	53%
Certification	EUR 4.93 billion 42%

**The data includes ERDF, CF and ESF.*

Successes

EU funds have been a useful instrument to reduce the impact of the economic crisis, to slow growth of unemployment and to secure contracts, especially for domestic suppliers. One of the major successes was the partial modernisation of infrastructure in the area of education, social services, culture, non-commercial rescue services and other civil infrastructure in towns and municipalities, creating the necessary precondition for increasing benefits to citizens and entrepreneurs from services linked to supported infrastructure as well as the implementation of a number of "major projects" whose total cost exceeds EUR 50 million, which could not have been achieved without the support of the EU.

EU Funds implementation in Slovakia as at December 2013

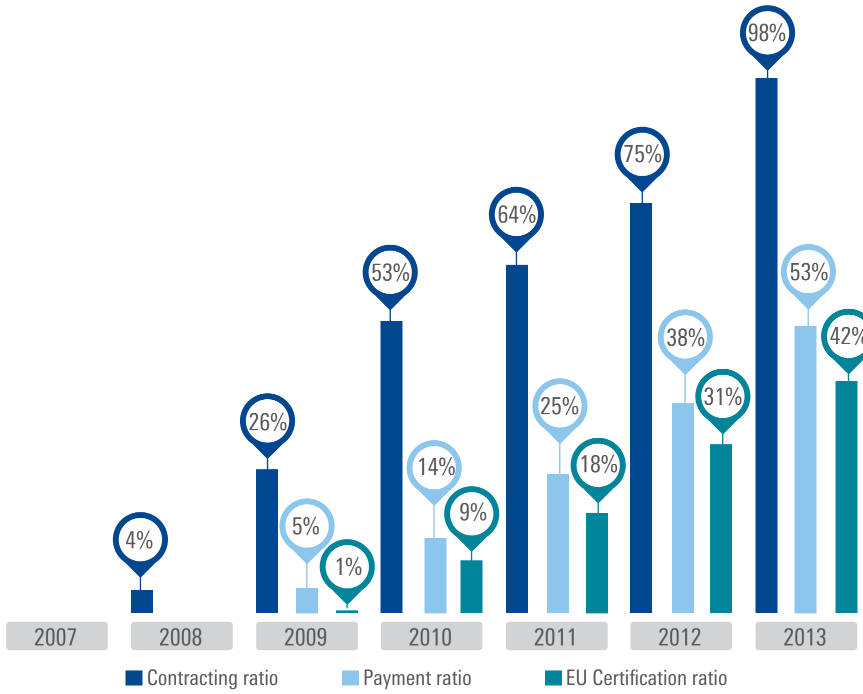


1 *OP Transport (ERDF and CF), OP Environment (ERDF and CF), Regional OP (ERDF), OP Health (ERDF), OP Informatisation of the Society (ERDF), OP Competitiveness and Economic Growth (ERDF) and OP Technical Assistance (ERDF)*

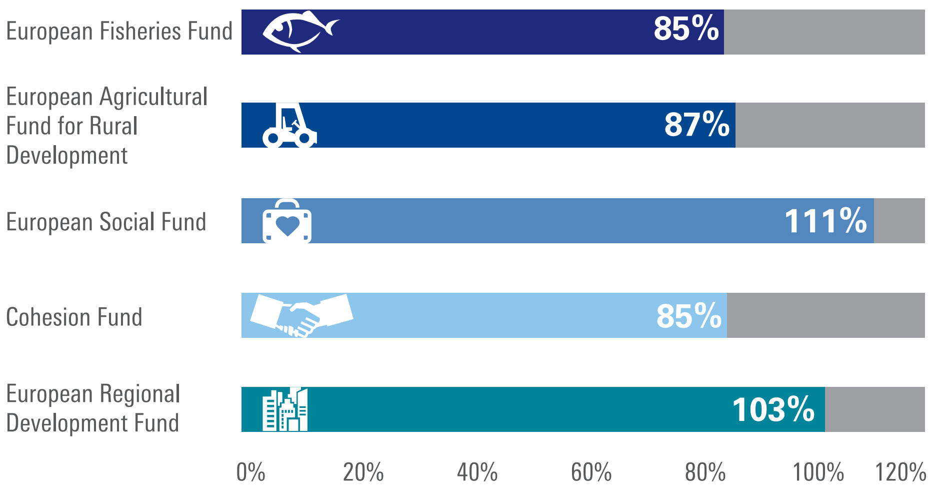
2 *OP Research and Development (ERDF), OP Employment and Social Inclusion (ESF), OP Education (ESF)*

3 *OP Bratislava Region – ERDF*

EU funds implementation progress in Slovakia in 2007-2013 (%)



Contracted grants – breakdown according to EU fund



Areas for improvement

The delays in implementing the operational programmes themselves could be regarded as the most serious problem of NSRF implementation. Factors which delay implementation include repeated deficiencies associated with the public procurement, its realisation by the beneficiaries, changes to the Public Procurement Act and insufficient verification of public procurement processes by the managing authorities.

Based on the problems identified with implementation, several recommendations/ measures have been received by the responsible Slovak authorities. One of these was drawing up action plans to accelerate fund absorption, which clearly sets out the tasks, responsible bodies and deadlines necessary to make progress in the implementation. The most risky operational programmes according to their development and status of implementation are OP Transport, OP Environment, OP Informatisation of the Society, OP Research and Development, OP Education and OP Bratislava Region, which showed long-term contracting or withdrawal under the average OP NSRF.

Among the most fundamental weaknesses are in relation to "the political cycle" which is quite unpredictable, making it difficult to be prepared for it. As a consequence, the political cycle often leads to changes in programming documents in terms of the priorities of the newly formed government, or changes in already set and commenced processes and the individual steps in the implementation of various operational programmes.

In addition, frequent deliberations among experts in various management positions disturb work continuity and implementation of individual projects. Previous experiences are crucial in the context of audits performed either by the Slovak Audit Authority or the relevant EU authorities.

Photo: Urban and industrial waste water project, Poprad-Matejovce, Východné Slovensko, Slovakia, 2010 http://ec.europa.eu/regional_policy/index_en.cfm

Lessons learned

Preparations for the start of the programming period 2007-2013 lasted longer than expected. Accordingly, the new partnership agreements and operational programmes for the programming period 2014-2020 need to be approved in a timely manner.

One of the main challenges is the transfer of best practice, know-how and lessons learned from the programming period 2007-2013 to the 2014-2020 period and ensuring the implementation of ongoing projects in parallel with project development of the programming period 2014-2020.

The Slovak Republic is taking steps to increase the transparency of fund management, process simplification, such as simplified submission and evaluation of project applications, and smooth preparation and implementation of projects with reduced administrative burden for applicants. Strict rules need to be set on controls and audits while ensuring that these procedures are adequate and do not pose an unnecessary burden.In planning the programming period 2014-2020, Slovakia must respect the recommendations of the European Commission as outlined in a position paper for the development of a partnership agreement and future operational programmes, as well as according to experiences and lessons learned from the previous programming period. As a result, Slovakia has reduced the number of operational programmes compared to the previous programming period.

The main funding priorities of the Slovak Republic in the programming period 2014-2020 are the promotion of science and innovation, and their interconnection, investment in infrastructure (transport and ICT), the promotion of human resources, the fight against unemployment, education and inclusion of marginalised communities, public administration reform, and investment in environmental protection, including anti-flood measures and investment in the region (for municipalities, cities and other relevant partners).

Contact information

Peter Borák
Partner, Advisory

KPMG in Slovakia
T: +421 2 59984 902
E: pborak@kpmg.sk

Rudolf Sedmina
Partner, Advisory

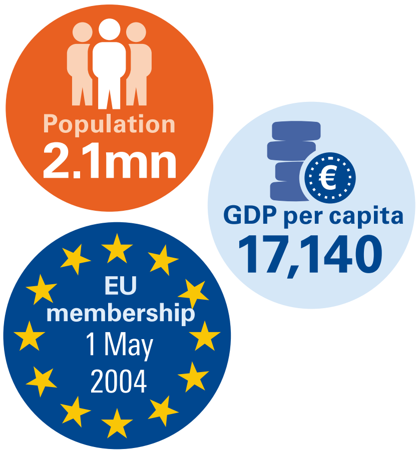
KPMG in Slovakia
T: +421 2 59984 906
E: rsedmina@kpmg.sk

Jozef Géci
Director, Advisory

KPMG in Slovakia
T: +421 2 59984 904
E: jgeci@kpmg.sk

11 Slovenia

EU programme information



Source: EUROSTAT data, 2013

Progress Report 2007-2013*

Available budget	EUR 4.1 billion
Contracted grants	EUR 3.8 billion
Contracting ratio	93%
Paid grants	EUR 2.6 billion
Payment ratio	62%
Certification	EUR 2.4 billion 59%

**The data includes ERDF, CF and ESF.*

General observations

System implementation of EU funds policy in Slovenia was set up so that the payment from the state budget is first disbursed from national resources, which are only subsequently repaid through dedicated sub-accounts on which receive funds from the EU budget.

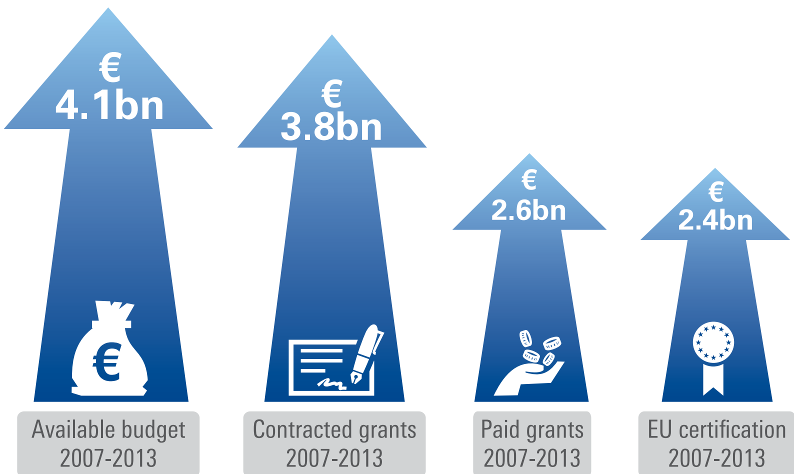
Successes

On the basis of a decision taken by the government of the Republic of Slovenia, the managing authority adopted a measure on so-called additional entitlement spending with which they allocated more resources than were available with entitlement spending under the applicable operational programme. This decision, based on the possibility of the realisation of projects or cancellation of some projects, enables that EU funds be absorbed at a rate of 100%.

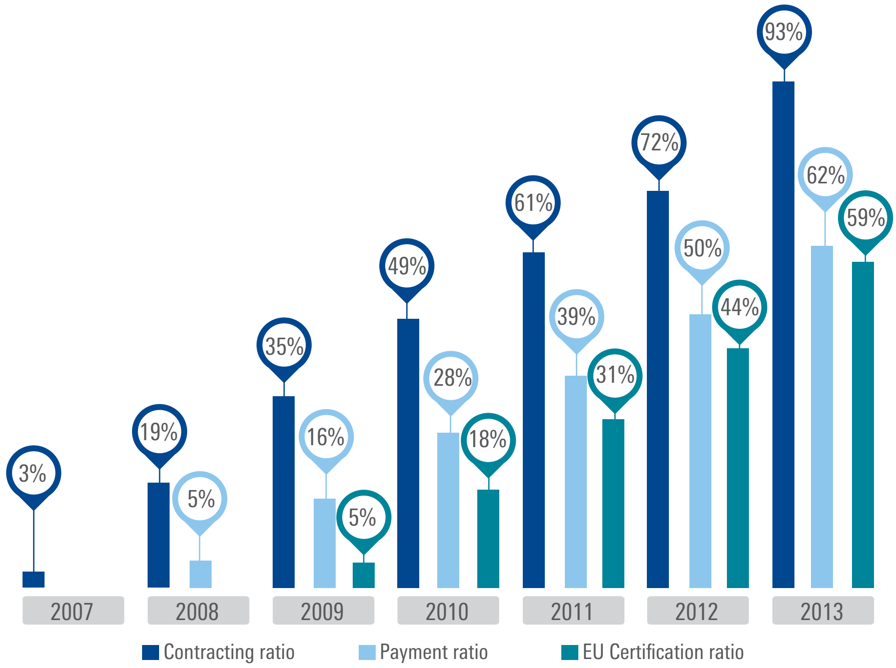
The Government has also decided that for the implementation of the cohesion policy it needs to ensure establishment of autonomous government agencies. Due to the specificity of tasks in the field of European funds policy and the clear view between the participants, and to avoid conflicts of interest, a special government department as the managing authority for the implementation of cohesion policy will be established. In this way Slovenia is improving the conditions for absorption of EU funds. The Government also wants to ensure on time:

- Clearly defined responsibilities of the various organs;
- Greater transparency, efficiency and responsiveness of the system;
- Ongoing coordination and better communication between the participants in the system;
- Simplified and efficient financial management; Imposition of uniform rules and guidelines for the implementation of EU founds policy;
- The concentration of knowledge and experience; and
- Faster transfer of knowledge and information.

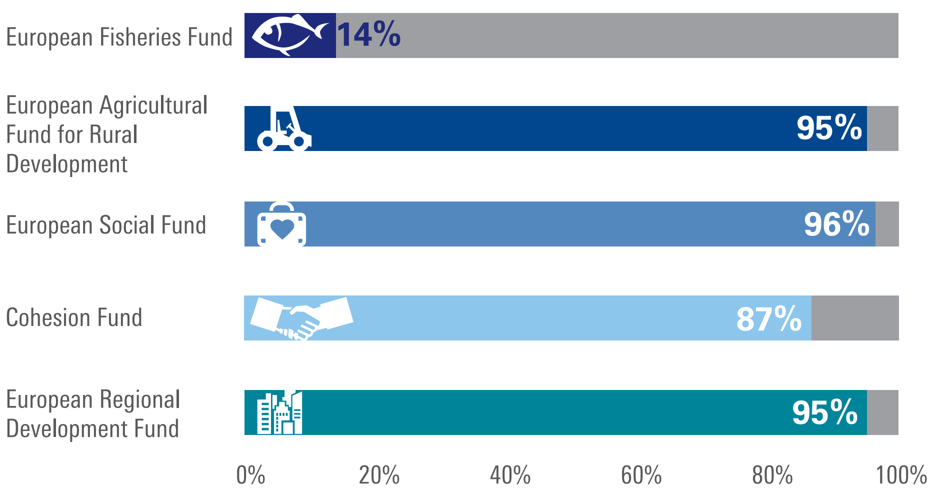
EU Funds implementation in Slovenia as at December 2013

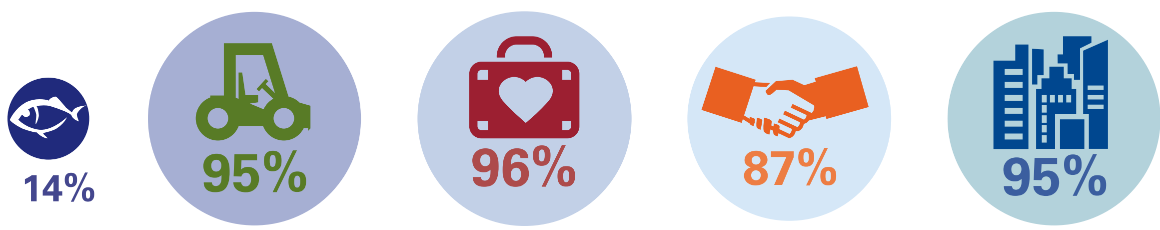


EU funds implementation progress in Slovenia in 2007-2013 (%)



Contracted grants – breakdown according to EU fund





Areas for improvement

A system of implementation of EU funds policy has been in place in Slovenia which embodies many authorities at various levels. Difficulties in implementation are exhibited by the multiple changes of responsible persons and the changing structure of system and implementation procedures. In Slovenia these phenomena apply to the implementation of EU funds policy in addition to European regulations as well as numerous Slovenian regulations, both for the general funds of the state budget as well as specific European funds. These regulations are not always mutually consistent; the same types of tasks are determined by various procedures and use a variety of terminologies. Staff involved in the implementation of the EU funds policy, therefore, have encountered many problems, and it is not always clear which procedures should be used.

One of the key problems in the implementation of EU funds policy is the Information System ISARR. Data supplied from this system (from the managing authority) are inadequate and in some cases inaccurate.

Lessons learned

The number of payments in the years 2014 and 2015 must further increase. In the year 2013 Slovenia recorded the maximum payout thus far. In the years 2014 and 2015 the payments from the EU budget need to increase by 60%. In view of this it will be necessary to monitor this closely and react quickly in case of a lag in the monthly dynamics.

Contact information

Sonja Žnidarčič
Partner

KPMG in Slovenia
T: +386 1 236 43 00
E: sznidarcic@kpmg.com

Photo: Centre of Excellence in Nanoscience and Nanotechnology Innovation, Ljubljana, Slovenia, 2010
http://ec.europa.eu/regional_policy/index_en.cfm

Contact us:

KPMG in Poland

Mirosław Proppé
Partner, Head of Government, Infrastructure and Healthcare Sector in Poland and in Central and Eastern Europe
T: +48 22 528 11 12
E: mproppe@kpmg.pl

KPMG in the Baltics (Estonia, Latvia and Lithuania)

Stephen Young
Senior Partner
T: +371 67 038 062
E: stephenyoung@kpmg.com

KPMG in Bulgaria

Gergana Mantarkova
Managing Partner
T: +359 2 9697 500
E: gerganamantarkova@kpmg.com

KPMG in Croatia

Joško Džida
Partner
T: +385 1 5390 143
E: jdzida@kpmg.com

KPMG in the Czech Republic

Petr Bučík
Partner
T: +420 222 123 951
E: pbucik@kpmg.com

KPMG in Hungary

Zoltán Székely
Partner
T: +36 1 887 7394
E: zszekely@kpmg.com

KPMG in Romania

Daniela Nemoianu
Executive Partner
T: +40 372 377 732
E: dnemoianu@kpmg.com

KPMG in Slovakia

Peter Borák
Partner, Advisory
T: +421 2 59984 902
E: pborak@kpmg.sk

KPMG in Slovenia

Sonja Žnidarčič
Partner
T: +386 1 236 43 00
E: sznidarcic@kpmg.com

Responsible for communication:

Andrea Dintsér
Director, CEE Marketing & Communication and Knowledge Management
T: +36 1 887 7216
E: adintser@kpmg.com

kpmg.com/cee