



News

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Middle-ranking for Hungary in terms of EU funding payments

All CEE Member States react to crisis by softening funding application conditions

By December 2009 only one quarter of the contracted grants from EU funds had been paid out to beneficiaries in Hungary, amounting to EUR 3.4 billion. The ratio of the funding paid to date relative to the total amount of funds available over the 7-year period is 10%, which puts Hungary in fifth place among countries in the CEE region – according to a study carried out by KPMG entitled "EU Funds in Central and Eastern Europe – Progress report 2007-2009".

Progress of payments

In comparison to previous years, this KPMG report also contains payments made to date. According to data as of 31 December 2009, only one quarter of the contracted grants from EU funds had been paid out to beneficiaries in Hungary, amounting to EUR 3.4 billion. This results in an absorption rate (grants paid relative to total funding over seven years) of 10%, putting Hungary in fifth place of the CEE countries, slightly above the average.

In Central and Eastern Europe until the end of last year, the countries had concluded contracts with beneficiaries amounting to EUR 69.3 billion from the EU funding earmarked between 2007 and 2013 (EUR 264.4 billion), of which EUR 19.6 billion has already been paid to the winning applicants. This amounts to 7.4% of the total funding available, and a little more than one quarter of the total contracted amount. The data as of 31 December 2009 shows that the absorption was the highest in Slovenia and Lithuania at 18 and 17% respectively. In terms of payments, the lowest rates were recorded in Romania and Bulgaria at less than 5%.

On a pro rata basis the absorption of the CEE countries came in at 17%. Slovenia again leads the way, where almost 40% of the pro-rated funding was paid to the winning applicants.

"There are essentially two factors influencing the pace of payments: the willingness of the beneficiary to enter into a contract and start the project, as well as the efficiency of related institutions and relevant processes" – explains Éva Várnai, Partner, Head of Public Sector, KPMG in Central and Eastern Europe. "The crisis was crucial in terms of this first factor: many beneficiaries were unable to raise the own funds required for their projects, and so no contract was signed. The efficiency of administration procedures also slows the payment process down, albeit to different extents across the programmes" – added Várnai.

Status of contracting process

Based on the data as of 31 December 2009, grant contracts were signed with beneficiaries for a sum of EUR 13.3 billion (HUF 352.45 billion). Accordingly, the amount contracted per capita amounts to EUR 1,325, the second highest figure in the region. The contracted amount totals 39% of the total funding available (EUR 34.5 billion). This puts Hungary in third place in the region, beaten only by Estonia and Lithuania, which recorded figures of 44 and 41% respectively. In addition there are another three countries – Latvia, Slovenia and Slovakia – where the proportion of funding awarded in concluded grant contracts exceeded the EU average (26%). Romania has the lowest contracting rate.

Measures alleviating the impacts of the crisis

Countries in the region introduced varying degrees of mitigating measures in response to the crisis. These included: reducing administrative burdens, raising the amount of funding (national contribution) to compensate for difficulties in obtaining loans, changes to legal regulations to soften requirements, simplifying competition conditions and increasing the sum of advance payments.

In view of the crisis Hungary opted to ease the eligibility criteria and reallocate funds affecting the operational programmes. The main purpose of this latter measure was to adjust the grants to the changed economic climate.

Contracting by sector

In the 2007-13 period, 45% of the total available funding (roughly EUR 120 billion altogether) can be spent on transport development, rural development and fisheries. In addition, an extremely high level of funding was allocated in the seven-year programmes to human resource development, environmental protection and economic development activities. The least EU funding over the seven years was allocated to improving health care.

Between 2007 and 2009 the beneficiaries of projects co-funded by the EU spent 76% of the funding on five areas (EUR 52.5 billion). These are as follows: transport development, rural development and fisheries, human resource development, economic development and environmental investments. Similarly to regional trends, the majority of funding in Hungary was spent on transport development, economic development and rural development until 31 December 2009.

Note to editors:

CEE countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Poland, Slovakia, Slovenia.

Population: 102.1 million (EUROSTAT figure)

Available budget 2007-2013: EUR 264.4 billion. This amount includes EU co-funding (source: Structural Funds - i.e. European Regional Development Fund, European Social Fund, Cohesion Fund; European Agricultural Fund for Rural Development and the European Fisheries Fund, including related national contributions). Poland, Hungary and the Czech Republic have the most funding to use, but the highest per capita funding is found in Estonia.

Hungary has 3 framework programmes between 2007 and 2013:

- NHDP (New Hungary Development Plan) – co-funded by the European Regional Development Fund and the European Social Fund

- NHRDP (New Hungary Rural Development Programme) - co-funded by the European Agricultural Fund for Rural Development
- OP fisheries (Operational Programme for Fisheries) - co-funded by the European Fisheries Fund

Absorption by country between 2007 and 2009:

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

Time proportional absorption (here we assume that the countries will allocate the funding evenly every year over the 7 years, and so payments are compared to the pro-rated sum of total funding):

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

Contracted ratio by country between 2007 and 2009:

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

Time proportional contracted ratio by country between 2007 and 2009 (here we assume that the countries will allocate the funding evenly every year over the 7 years, and so the contracting is compared to the pro-rated sum of total funding):

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

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