



**Sharing Methodologies
on Financial Engineering
for Enterprises**

F I N - E N

Sharing Methodologies on Financial Engineering
for Enterprises

Thematic Working Group 3: Monitoring and evaluation

Synthesis report

Final version

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1. Executive summary

This document is the synthesis report of the FIN-EN project Thematic Working Group 3 in the subject of Monitoring and Evaluation.

‘Sharing Methodologies on Financial Engineering for Enterprises’ (FIN-EN) is a project, financed by the ERDF through INTERREG IVC. FIN-EN seeks to list and analyse the initiatives of 13 partner European regions with a view to enhancing the best practices in this field. These will facilitate the increase in financial engineering instruments and simplify their implementation in the context of the 2014-2020 programmes. This synthesis report is part of Component 3 ‘Exchange of experiences. Thematic Working Group 3 (TWG3) focuses on monitoring and evaluation of the FEI life-cycle.

The synthesis report was written by Partner 4, Ministry of National Economy, Operational Programme for Economic Development (EDOP) Managing Authority, Hungary.¹ Inputs for the synthesis report are filled-in questionnaires from partners and the discussion in the TWG3 workshop in Budapest, Hungary in June 2013. The questionnaire was elaborated in line with best practices and topics approved by the TAC. The finalised questionnaire was sent to partners for filling it in April 2013. After two rounds of commenting, finalised replies arrived in June 2013. The EDOP MA received 13 filled in questionnaires from partners. In the TWG3 workshop partners dealt with the topics of monitoring and evaluation of FEIs in detail. The issues of (1) monitoring and reporting procedures, (2) verifications and checks, and (3) corrective measures were discussed in three subgroups and the results were presented to all participants. The other topics related to monitoring and evaluation were presented in the form of mini cases by selected partners.

The draft version of the report was delivered by Partner 4 in February 2014. Partners commented on the draft in February 2014. The final version was accepted by TAC on September 11th 2014.

Chapters 4-11 contain the analysis of thematic areas of monitoring and evaluation. Each chapter includes the respective findings and recommendations that we have drawn from the analysis. Below we present some of the main findings and recommendations for the thematic areas:

Monitoring and reporting procedures of FEIs:

Findings:

- All FIN-EN partners have **established and functioning monitoring and reporting procedures** and report about **regular collection of data and information**.
- Monitoring and reporting activities are carried out **along a structured legal framework** in the case of each partner.
- Majority of FIN-EN partners reported that at least some **monitored, analysed data are available in public**. However, there is room for development in this field.
- **Very different level of experience** concerning monitoring and evaluation can be observed from partners’ replies - this is due to the varying starting date of operations, the size of FEIs and the type of FEIs. This brings along that there are a number of opportunities for experience transfer among FIN-EN partners.

Recommendations:

¹ Due to changes in the Hungarian institutional setup the EDOP Managing Authority is a unit of Ministry of National Economy from 1 January 2014. Previously the EDOP Managing Authority belonged to the National Development Agency.

- ✓ Monitoring procedures should be elaborated in such a way so that member states can make **in-depth analyses and provide a global assessment** on the performance of FEIs.
- ✓ It is important to **establish a well-functioning monitoring and reporting system at the level of implementing bodies** (financial intermediaries, FEI managers, holding fund managers, managing authorities) and to **avoid putting unnecessary administrative burden on final recipients**.
- ✓ As the range of the financial intermediaries is very broad and they apply different systems for their monitoring information and data, it is not possible to have one unique system at their level. However, the different systems shall be able to communicate through interface applications on a daily base in order to have fresh information regarding every part of the implementation processes.
- ✓ Monitoring data and information (including results of evaluations, surveys, etc.) on FEIs could be **made public to a larger extent**.
- ✓ The different level of experience in monitoring and evaluation **calls for a continued and in-depth dialogue among partners** for mutual learning.

Reporting to the Commission:

Findings:

- **Data provision through the Annex 2 Commission template is not problem free.** Some of the partners indicated that they encountered problems like changing data scope, submission deadline, large amount of required data, definitions.
- Most partners do **not report any problems in measuring their indicators** and so the progress of the implementation of their respective FEIs.
- **The majority of FIN-EN partners have already received at least one EC audit** with regards to their FEIs. The findings of the EC audit are very diverse.

Recommendations:

- ✓ It is important that member states **collect all the data** in their monitoring system that are **required by the Commission** in the annual reports.
- ✓ It is crucial to **choose a clearly defined indicator** in the case of each FEI that can be measured quantitatively through the lifetime of the FEI.
- ✓ The SFC system is not able to accept attached files currently,² which generates **a great workload to send all data requested by the Commission for members states in which the number of financial intermediaries is large (>50)**. A joint proposal on this issue could be formulated to the Commission.
- ✓ Outstanding issues on the Annex 2 reporting could be collected in a joint document and communicated to the Commission.

Verification:

Findings:

- The **overwhelming majority of partners** confirmed that they do **implement verifications** for preventive reasons. Diverse practices were presented by partners.
- Those project partners that have relatively few final recipients tend to conduct on-the-spot checks for all projects whereas partners with high number of final recipients apply sampling.
- **Checks are typically carried out following an annual plan.** Some partners mentioned that extraordinary or ad-hoc checks are conducted if relevant information comes up regarding a project/FEI.

² April 2014

- **Document based checks are conducted by all partners and most of them carry out on-the-spot checks, as well.** However, only the **minority** of those partners that applies sampling **use risk analysis** when selecting contracts to be checked.
- Almost all partners reported that they check if the final recipient received **other public financing**. However, **only very few partners are able to make a real check using a comprehensive central (national) database that includes all public subsidies received by final recipients.** In all other cases clearly there is room for development in this issue.

Recommendations:

- ✓ When implementing FEIs **a well-functioning verification system should be established** that can contribute to a proper management and control system
- ✓ As verification is a preventive action it is **important to create a procedure for verification at all level of bodies.**
- ✓ It is recommended to **carry out verification activities in a regular, planned form** in order to avoid irregularities during the implementation.
- ✓ **It is important to have on-the spot visits on every level of the implementation system.**
- ✓ It is recommended that **partners using sampling investigate the relevance of using risk analysis** instead of random sampling to better address potential risks.
- ✓ **Central (national/regional) databases of public subsidies should be developed** to limit the possibility of approving public financing over defined thresholds.

IT systems supporting monitoring:

Findings:

- There are **large differences** in the level and **quality of the IT support**. Highly efficient **fully integrated solutions are not in operation** (with one exception).
- **Majority of partners use a decentralised system concerning their FEI implementation**, in which information is held in several local systems.
- There is still **strong manual involvement** in data flows at interfaces.
- Overall there is **still a lot of room for development concerning the supporting IT systems.**

Recommendations:

- ✓ Monitoring and reporting requirements determined in **EC regulations need to be taken into account in the design of the IT system.**
- ✓ It is worth elaborating an IT system that provides **wide range and in-depth information** from the establishment to the closing of FEIs, at the level of holding fund, financial intermediaries and final recipients, as well.
- ✓ An **IT system should** be established so that it can **provide significant support in order to assist the monitoring of qualitative implementation of FEIs** and disbursements at the level of financial engineering instruments and final recipients.
- ✓ **The IT systems should be flexible** – i.e. they need to be able to follow the constant changes in product conditions, processes, depth and details of the different types of data, etc.

Corrective measures

Findings:

- **Proposals** or initiatives for corrective measures **evenly come from almost all actors** involved in the FEI implementation.
- Most partners indicated that corrective measures have already been implemented in the case of their FEIs. **Internal monitoring procedures are quoted most frequently as the base for the corrective measures.**

- Concerning the target of the corrective measures, **the most common response** was **the change in the allocation of resources for FEIs** based on the actual performance.
- **Corrective measures are actively used by partners** – although the ones who have started recently do not report about an extensive use of corrective measures.

Recommendations:

- ✓ It is important to **apply corrective measures from time to time during the lifetime of FEIs** if efficient implementation can be ensured this way.
- ✓ It is essential to **establish a procedure for carrying out corrective measures as simple as possible**. This holds **particularly for changing the financial allocation of the FEIs** since it is the most frequent reason for corrective measures.
- ✓ **Corrective measures are essential to keep on track the products available** for SMEs and to speed up the absorption. They should be based on experiences from every level of the Jeremie structure. Feedbacks from the financial intermediaries and from the market (SMEs, experts, evaluations, etc.) should be given particular attention.

Quantitative and qualitative evaluations:

Findings:

- **Most partners have done already or plan to do evaluations** regarding their FEIs.
- It was confirmed that **experience from completed evaluations is used** for correcting measures.
- In the majority of cases the **full evaluation report or at least its summary is published**.
- **The financial crisis** - which was unseen when the first gap analyses had been completed – **influenced the performance of the FEIs substantially** therefore previous expectations could not be met. Nevertheless **half of the respondents concluded that the originally defined market gaps were relevant** or at least partially relevant at the time of filling in the questionnaire.

Recommendations:

- ✓ It is important to carry out such evaluations that can **provide feedback on operational, performance and absorption issues to the decision makers**.
- ✓ It is relevant to make an **evaluation on the impact of FEIs** as it can serve as useful information for the future implementation process.
- ✓ It is recommended to **compare the results of the evaluations with the findings of the GAP analyses** on the base of which the FEI was introduced.
- ✓ **Evaluations can give inputs for corrective measures**, so it is very useful to have evaluations not only related to the OP, which is compulsory task of the member states, but to get specific feedbacks from the products under implementation in order to make the necessary fine-tuning as early as possible.

Final customer and financial intermediaries satisfaction survey

Findings:

- **Only the minority of partners have completed some kind of survey** targeting final customers or financial intermediaries.
- **Formal feedback procedures from SMEs are only operational at two partners**.
- Overall it seems that there is **substantial room for development in utilising customer and FI surveys** in the field of FEIs.

Recommendations:

- ✓ Partners are recommended to **carry out more satisfaction surveys and rely more on them** than currently.
- ✓ Carrying out **satisfaction surveys is very helpful** as it can provide useful feedback for implementing bodies and decision makers in order to implement FEIs more efficiently (e.g. reduce the length of application process, provide more clear definition for eligibility criteria, reduce the amounts of documents required etc.).
- ✓ Satisfaction surveys can be a very useful tool if we need **direct feedback from a certain product** which could be a good input before launching a campaign for the public.

Assessment and future:

Findings:

- Around **half of the partners thought that their monitoring and reporting procedures serve the efficient implementation** of their FEIs and **only one-third** of them reported that **it resulted in better spending level/absorption**.
- **Only few partners** mentioned that **their current level of reporting obligations is optimal/appropriate/sufficient**.
- Around **half of the partners responded about planned changes in processes for programming period 2014-2020**. Interestingly almost all of these concern exclusively the change in **IT-systems**: typically the improvement of the current IT system and in few cases the introduction of a new one.

Recommendations:

- ✓ It is important to take into account that the **major share of financial intermediaries are market players who shouldn't be overburdened with unnecessary administrative tasks**.
- ✓ A Jeremie product shall be **attractive in two ways**: on one hand for the **market player financial intermediaries**, on the other hand for the **SMEs**.
- ✓ In case of launching **combined products**, it should be taken into account that **processes should not be much longer and complicated than in the case of regular single-profiled products** (direct grants and assistances with revolving nature).

2. Introduction

‘Sharing Methodologies on Financial Engineering for Enterprises’ (FIN-EN) is a project, financed by the ERDF through INTERREG IVC.

The FIN-EN project aims at enhancing co-operation between regional and national authorities across Europe on the methodologies and instruments used for implementing Financial Engineering operations in the framework of EU Structural Funds. The project was launched in January 2012 and lasts until December 2014.

FIN-EN seeks to list and analyse the initiatives of 13 partner European regions with a view to enhancing the best practices in this field. These will facilitate the increase in financial engineering instruments and simplify their implementation in the context of the 2014-2020 programme.

The activities of the FIN-EN project are divided into three Components:

1. Project management and coordination
2. Communication
3. Exchange of experience
 - a. Thematic Working Groups (TWGs) that will discuss main issues, obstacles and challenges in the process of implementation of the financial products, for each phase of the Financial Engineering operations
 - i. programming (TWG1)
 - ii. implementation (TWG2)
 - iii. monitoring and reporting (TWG3)
 - b. Study visits, where staff of different institutions will further co-operate through on-the field visits to learn more about experiences considered of special interest by the partners.

List of partners:

Partner 1: Finlombarda SpA, Italy (Milan), Lead Partner

Partner 2: European Association of Public Banks, Belgium (Brussels)³

The EAPB has entrusted the exchange of experiences to two institutions:

- Investitionsbank in Berlin and
- Bulgarian Development Bank in Sofia

Partner 3: Agency for Innovation and Development of Andalusia, Spain (Seville)

Partner 4: National Development Agency, Operational Programme for Economic Development (EDOP) Managing Authority, Hungary (Budapest)

Partner 5: Auvergne Regional Council, France (Clermont-Ferrand)

Partner 6: SID Bank, Slovenia (Ljubljana)

Partner 7: Hipoteku banka, Latvia (Riga)

Partner 8: INVEGA, Lithuania (Vilnius)

Partner 9: Central Denmark Region, Denmark (Viborg)

Partner 10: WIBank, Germany (Offenbach)

(Partners 11: ETEAN SA (Greece)⁴)

Partner 12: MA COMPETE, Portugal (Lisbon)

Partner 13: Department for Communities and Local Government (DCLG), UK (Warrington)

³ On behalf of EAPB Investitionsbank in Berlin took part in this task.

⁴ ETEAN SA filled in the questionnaire and took part in the TWG3 workshop in Budapest, but exited the FIN-EN project afterwards.

Further information on the project can be reached at www.fin-en.eu, the official website of FIN-EN. Among others reports of the TWGs are/will be available on this site.

This synthesis report is part of Component 3 'Exchange of experiences. Thematic Working Group 3 (TWG3) focuses on monitoring and evaluation of the FEI life-cycle. Partners contributed to the working group by filling in a detailed questionnaire and by participating at the TWG3 workshop in June 2013 in Budapest Hungary. The synthesis report summarises the outcomes of the analysis of the filled in questionnaires and the results of the TWG3 workshop in Budapest.

3. Methodology

3.1. Working method and timeline

The synthesis report was written by Partner 4, Ministry of National Economy, Operational Programme for Economic Development (EDOP) Managing Authority, Hungary.⁵

The work started out by the elaboration of a questionnaire focusing on monitoring and evaluation. Partner 4 drafted a proposal in March-April 2013. The questionnaire was elaborated in line with best practices and topics approved by the TAC. Some of the topics might have been touched upon in previous questionnaires or in the GRID but this part of the project is 'liable for' presenting a coherent picture on the monitoring and evaluation part of the FEIs.

Partners commented on the questionnaire through emails in April 2013. The finalised questionnaire was sent to partners for filling it in by Partner 4 on 30 April 2013. Partners sent back the filled in questionnaires in May-June 2013. Partner 4 reviewed the filled in questionnaires and commented them through emails, furthermore they conducted bilateral telephone calls with each partner on their replies in May-June 2013. Based on the comments partners sent their finalised replies in June 2013.

Due to the nature of the topic most of the relevant information could be best replied by Managing Authority type institutions. Since some partners do not act as the Managing Authority of the FEIs therefore partners were asked to consult the Managing Authority or any other relevant actor for quality responses.

The EDOP MA received 13 filled in questionnaires from partners. On behalf of Partner 2 EAPB, Investitionsbank in Berlin took part in this task. The questionnaire was filled in by Partner 11 ETEAN SA (Greece), which in the meantime quit the partnership. Nevertheless their replies are included and analysed in the synthesis report.

The TWG3 workshop was held in Budapest, Hungary on 19-21 June, 2013 with the participation of the FIN-EN partnership. Partners dealt with the topics of monitoring and evaluation of FEIs in detail. The issues of (1) monitoring and reporting procedures, (2) verifications and checks, and (3) corrective measures were discussed in three subgroups and the results were presented to all participants. The other topics related to monitoring and evaluation were presented in the form of mini cases by some of the partners.

The current synthesis report builds on both the filled-in questionnaires and the results of the Budapest workshop discussion. The draft version of the report was delivered by Partner 4 in February 2014. Partners commented on the draft in February 2014. The final version was accepted by TAC in September 2014.

3.2. Approach

Implementation of FEIs is examined in different ways - through **audit, verification, monitoring and reporting** - and at different levels. In this task the aim was to examine monitoring and evaluation procedures in case of FEIs. For a joint understanding of the terminology some explanations are necessary based on relevant regulations and guidelines.

⁵ Due to changes in the Hungarian institutional setup the EDOP Managing Authority is a unit of Ministry of National Economy from 1 January 2014. Previously the EDOP Managing Authority belonged to the National Development Agency.

Audit (Article 62 of the General Regulation) is carried out by an authority or body, functionally independent of the managing authority, and responsible for auditing the effective functioning of the management and control system.

The Managing Authority (MA) has **verification** tasks according to Article 60 of the General Regulation and Article 13 of the Implementing Regulation. In the framework of verification the MA ensures inter alia that operations selected for funding are in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules. Furthermore, the MA ensures that data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected. Beside this the MA guides the work of the monitoring committee and provides it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals and draws up and, after approval by the monitoring committee, submits to the Commission the annual and final reports on implementation. Beside Managing Authority the HFM, FEI Managers or Financial Intermediaries can also be entrusted with verification tasks.

The aim of the **monitoring** is to assist the qualitative implementation of FEIs. Based on chapter 2.7. Monitoring of COCOF note 10/0014/05 provisions for monitoring of implementation of investments and of deal flows including **reporting** have to be determined in funding agreements and carried out at the level of Final recipients, Financial Intermediary, FEI Manager and Holding Fund Manager.

Each year by 30 June the Managing Authority has to send an annual report to the Commission inter alia on the progress made in financing and implementing the financial engineering instruments as defined in Article 44 of the General Regulation. These reports contain information also on **evaluation** measures carried out in order to ensure the quality and effectiveness of implementation.

3.3. Report structure

Replies to the questionnaire are analysed in the following chapters as shown below:

- Chapter 4: I/A Monitoring and reporting procedures within regional/national level
- Chapter 5: I/B Reporting to the Commission
- Chapter 6: Verifications, document based checks and on-the-spot checks
- Chapter 7: Supporting IT systems
- Chapter 8: Corrective measures
- Chapter 9 : Quantitative and qualitative evaluations
- Chapter 10: Final customer and financial intermediaries satisfaction survey
- Chapter 11: Assessment and future

In the following chapters, in the case of each question in the questionnaire the number of responses are highlighted.

Each chapter includes relevant findings and recommendations. Chapter 12 includes final conclusions.

4. Monitoring and reporting procedures within regional/national level

4.1. Monitoring and reporting procedures of FEIs

Question: Please, describe monitoring and reporting procedures of FEIs at different levels of your regional/national institutional set-up (MA, HFM, FEI Manager, Financial intermediary, Final recipient) by detailing for each reporting/monitoring level

- *actors involved*
- *their role and duties*
- *beneficiaries of different reporting levels (e. g. MA is the beneficiary of data elaborated by HFM) and data flow (from whom to whom),*
- *reporting frequency and deadlines (e.g. how often do financial intermediaries, FEI Manager, HFM have to provide data on final recipients?)*

No. of responses: 13

All 13 respondents reported about established and functioning monitoring and reporting procedures. With only few exceptions there are **at least two levels of reporting** related to the implementation of FEIs:

- **1st reporting level:** Final recipients to the FEI manager OR Financial intermediaries to the FEI manager/Holding Fund Manager
- **2nd reporting level:** FEI manager/Holding Fund manager to the MA

At some partners **additional levels and actors** are involved in the monitoring and reporting procedures. Some examples are as follows:

- IBB (Partner 2, Germany): *'intermediate body'*⁶ is included in the reporting structure between the MA and the FEI manager. Under intermediate body the regional authority unit is to be understood, which is responsible for thematic policy and thus is on the same level as the MA.
- IDEA (Partner 3, Spain): managing authority tasks are divided in two parts. The MA at the Regional Government of Andalusia reports to the MA at the central government of Spain.
- EDOP MA (Partner 4, Hungary): The combined micro-credit FEI offers micro-credit together with non-refundable grant to final recipients to their projects. In this case the final recipients have to deliver a progress report on the grant component of the FEI to the concerned intermediary body.
- SID banka (Partner 6, Slovenia):⁷ Final recipients report to SID banka in accordance with their loan contract. Reporting is done on regular basis (semi-annual project report and annual impact report) in written form (project report) and e-form prescribed by SID banka (impact report). Recipients have to provide information on financial progress, about activities they performed in relation to the planned activities and targets achieved.
- Central Denmark Region (Partner 9, Denmark): Beyond the MA the FEI manager reports to the Central Denmark Region, to the Fund Board, the syndicating partner and the co-investors.

⁶ Zwischengeschaltete Stelle - ZGS

⁷ In the FEI operated by SID banka no ERDF/ESF funds are involved.

Concerning reporting frequency and deadlines each partner reported **regular collection of data and information**. However, **reporting frequencies are diverse from daily reports to annual reports**:

- In the case of the 1st reporting level the most frequent type of reporting is monthly, quarterly and semi-annual.
- In the case of the 2nd reporting level the most frequent type of reporting is monthly, quarterly, semi-annual and annual.

In addition to regular reports most of the partners indicated that **ad-hoc reports** are also generated based on requests.

In some cases reporting frequencies of FEIs belonging to one MA differ from FEI to FEI based on the specifics of the FEI (for example in the case of MA COMPETE, PT). MA COMPETE defines the reporting frequency according to the frequency of deals that are made in the scope of each FEI. The credit lines have a higher deal flow than the Venture Capital Funds, which on another hand have a higher deal flow than the Business Angels Programme. Consequently, the reporting period is semi-annual in the case of the Business Angel programme, quarterly in the case of the VC Funds and monthly in the case of the credit lines.

10 partners provided a graphic description (and/or flowchart) on monitoring and reporting procedures. The figures can be found in Annex 1 of the report.

4.2. Legal framework for reporting and monitoring

Question: Do the MA, the HFM, the FEI manager, Financial Intermediary have a monitoring and reporting guideline? Please identify the legal framework for each reporting/monitoring level which describes your monitoring & reporting procedures. (EU and/or national law, internal regulations, contracts, procedure books, manuals, guidelines).

Here the purpose is to get an understanding at what level or by whom relevant rules are fixed/approved to see the rigidness/flexibility of the system. It is less important to quote the exact number and title of the relevant legal/institutional regulations

No. of responses: 13

Monitoring and reporting activities are carried out along a structured legal framework in the case of each partner. In the case of managing authorities the legal framework is mainly set by EU law, national law and contracts with involved stakeholders. As for holding fund managers contracts, national law and EU law characterise mostly the legal background. FEI managers are typically governed by contracts, internal regulations and national law. In the case of financial intermediaries contracts, EU law and national law determine the legal circumstances most frequently.

	Managing Authority	HFM	FEI Manager	Financial Intermediary
EU law	10	7	6	4
National law	9	8	7	4
Internal regulations	6	6	8	2
Contracts	7	8	9	6
Procedure books	2	3	5	1
Manuals	5	4	6	2
Guidelines	4	4	4	2

4.3. Reporting templates

Question: Are there any standard reporting formats/tools/templates to collect information from the different actors or information is collected on unique/ad-hoc queries? If you have a reporting template, please provide a brief description on it (e.g. who uses it, frequency of providing data in the framework of these tools, method of data provision e.g. data are provided through an automatic system, manually, type of data, etc.).

No. of responses: 13

Each partner indicated that standard templates are used in reporting and monitoring. In some cases the templates are fixed as they are annexed to a contract, manual, etc. In other cases the template is a result of an evolution and continuous refining of the report data with the involvement of the concerned parties. Concerning template formats a mixed picture comes out of the replies. In a lot of cases spreadsheets (typically excel sheets) are used but roughly the same number of replies indicates that information is fed directly to a dedicated IT-system.

In the case of equity type instruments it occurs that the FEI manager delegates an employee to the final recipient, which reports regularly on the target company (Denmark, Germany - IBB).

4.4. Data analysis, use of data

Question: At what level and by whom are the data and information analysed/used/monitored (e.g. at the level of final recipients, financial intermediary, FEI Manager, HFM)?

No. of responses: 12

Most partners responded that the collected information is used and analysed by the MA, the HFM and the FEI manager. The MA typically uses the information provided by the HFM or FEI manager, whereas the HFM or FEI manager aggregates and analyses the data provided by the financial intermediaries and or the final recipients. Some examples on how the data are used:

- MA uses the collected information to compile the annual implementation report for the European Commission
- MA reports are used by concerned ministries, the monitoring committee, steering committees (where applicable)
- Corrective measures at different levels can be motivated by the results of data analysis

4.5. Public availability of monitoring data and information

Question: The monitored/analysed data are available on websites or included in specific and published reports? (if yes, indicate the related links/reports and which kind of data are available)

No. of responses: 13

8 partners reported that some monitored, analysed data are available in public, whereas 5 partners indicated that no such information is published. Published data are typically aggregate information of FEIs. Mostly, the website of the MA, HFM/FEI manager is used to publish information.

4.6. Illustrative practices

Identifi- cation and topic	Title of the practice	Monitoring & Reporting Procedures
	Topic of the practice	Monitoring & Reporting Procedures
	Country of the practice	UK
	Region of the practice	Northwest England
	City	Northwest England
	Start date of the practice if applicable, end date	dec.09
Description	Purposes	The purpose of the monitoring and reporting procedures are to ensure that the holding fund and fund managers are follow ERDF rules and regulations. It also allows the MA to ensure they are investing in line with their contracts but it also ensures that all investments are eligible and support the objectives of the fund.
	Detailed description of the practice	The UK has a number of procedures in place to effectively monitor the JEREMIE fund. The reporting requirements are a condition of the grant funding agreement and the holding fund manager (HFM) must adhere to them strictly. The HFM must supply reports to the MA on a quarterly basis and this will include information on the investments made, default rate and the progress made in the quarter to the achievement of outputs. Apart from the day to day monitoring of the fund a number of formal audits are carried out. These will cover topics such as procurement, state aid and eligibility.
	Evidence of success	Through the regular and in-depth monitoring that we undertake we have been able to identify issues and perform corrective measures. We have been able to identify a number of irregularities before the audits which has meant that they have not been included in the error rate. The monitoring also means that we have up to date information on all the funds and are able to keep various stakeholders and committee members as to what is happening with the fund.
	Transferability	The MA have a number of forms and guidelines that could be easily transferred to other regions. The CRM system has been hugely beneficial in monitoring the fund. It provides the MA with reliable and up to date information. This could be easily rolled out to other regions.
Contact details	Name	Gemma Perry
	Organization	DCLG
	Email	gemma.perry@communities.gsi.gov.uk
	web site	-

Identifi- cation and topic	Title of the practice	Monitoring procedures
	Topic of the practice	Monitoring requirements and process
	Country of the practice	Italy
	Region of the practice	Lombardy Region
	City	Milan
	Start date of the practice if applicable, end date	2008 still on going
	Description	Purposes
Detailed description of the practice		The FRIM FESR instrument is completely web managed starting from the application by the SME, this allows operators belonging to different institutions involved to make queries any time needed receiving updated information and simplifies reporting duties. There is also a reporting tool (report template) used by the FEI manager to report towards the Managing Authority which summarizes results every 6 months.
Evidence of success		FRIM FESR monitoring and reporting practice resulted to be successful as all operators in charge of the financial instruments were able to access by web and consult all information on the instrument; this significantly reduces reporting time and ensures a prompt and updated reply to information needs.
Transferability		FRIM FESR - in the design phase of a financial instrument is quite easy to envisage and a web management able to provide information updated in real time; the main point of attention consists in elaborating a detailed and complete design of the software able to combine different queries
Contact details	Name	
	Organization	
	Email	-
	web site	-

4.7. Findings

- All FIN-EN partners have **established and functioning monitoring and reporting procedures**. With only few exceptions there are **at least two levels of reporting** related to the implementation of FEIs:
 - **1st reporting level:** Final recipients to the FEI manager or Financial intermediaries to the FEI manager/Holding Fund Manager
 - **2nd reporting level:** FEI manager/Holding Fund manager to the MA
- All FIN-EN partner report **regular collection of data and information**. However, **reporting frequencies are diverse from daily reports to annual report**.

- Monitoring and reporting activities are carried out **along a structured legal framework** in the case of each partner.
 - In the case of **managing authorities** the legal framework is mainly set by EU law, national law and contracts with involved stakeholders.
 - As for **holding fund managers** contracts, national law and EU law characterise mostly the legal background.
 - **FEI managers** are typically governed by contracts, internal regulations and national law.
 - In the case of **financial intermediaries** typically contracts, EU law and national law determine the legal circumstances.
- Each partner indicated that **standard templates are used** in reporting and monitoring. In some cases the templates are fixed as they are annexed to a contract, manual, etc. In other cases the template is a result of an evolution and continuous refining of the report data with the involvement of the concerned parties.
- Majority of FIN-EN partners reported that at least some **monitored, analysed data are available in public**. Published data are typically aggregate information of FEIs. This contributes substantially to transparency. Nevertheless some partners indicated that no monitoring type information is published. Overall it seems there is room for development in this field.
- **Very different level of experience** concerning monitoring and evaluation can be observed from partners' replies - this is due to the varying starting date of operations, the size of FEIs and the type of FEIs. This brings along that there are a number of opportunities for experience transfer among FIN-EN partners.

4.8. Recommendations – Monitoring and reporting procedures within regional/national level

- ✓ **Monitoring procedures should be elaborated in such a way so that member states can make in-depth analyses and provide a global assessment on the performance of FEIs.**
- ✓ **It is important to establish a well-functioning monitoring and reporting system at the level of implementing bodies (financial intermediaries, FEI managers, holding fund managers, managing authorities) and to avoid putting unnecessary administrative burden on final recipients.**
- ✓ **As the range of the financial intermediaries is very broad and they apply different systems for their monitoring information and data, it is not possible to have one unique system at their level. However, the different systems shall be able to communicate through interface applications on a daily base in order to have fresh information regarding every part of the implementation processes.**

- ✓ **Monitoring data and information (including results of evaluations, surveys, etc.) on FEIs could be made public to a larger extent.**
- ✓ **The different level of experience in monitoring and evaluation calls for a continued and in-depth dialogue among partners for mutual learning.**

5. Reporting to the Commission

5.1. Experience with filling in Annex 2

Question: Was it problematic to fill out the Annex 2 sheet in 2012 by the responsible actor in your institutional set-up? Is your institutional set-up prepared to deliver the required set of information?

No. of responses: 13

From the 13 respondents 10 gave substantive replies, whereas 3 partners did not have direct experience with reporting to the Commission.

5 partners reported that they had experienced no difficulties in filling in the Annex 2 template, whereas 5 partners indicated that they encountered some kind of problems like changing data scope, submission deadline, large amount of required data, definitions. Nevertheless all partners mentioned that they have the resources to provide the required information for the European Commission.

5.2. Annual report indicators regarding FEIs

Question: What are the indicators that you publish in annual reports regarding FEIs? Please provide information by FEI type (loan, guarantee, equity, combined FEI).

No. of responses: 10

Based on the replies we can make two clusters of the respondents. The first cluster publishes only few indicators (between 1-5), the other cluster publishes a broad range of indicators.

Cluster A
Only few indicators published
EDOP MA (HU), Hipoteku Banka (LV), INVEGA (LT), Central Denmark (DK)

Cluster B
Broad range of indicators published
Finlombarda (IT), IBB (DE), IDEA (ES), Auvergne (FR), MA COMPETE (PT), DCLG (UK)

Indicators are typically portfolio performance indicators but show great variance in the partnership. Published indicators include operational indicators (e. g. management costs), output indicators (e. g. number of applications, number of final recipients supported) and result indicators (e. g. number of jobs created/safeguarded, business with improved performance).

5.3. Measuring FEI implementation progress

Question: Can you measure precisely the progress? Do you have publicly available systems/data in order to measure your named indicators?

No. of responses: 9

Most partners do not report any problems in measuring the indicators and so the progress of the FEI implementation. Data source for the overwhelming part of the indicators is the internal monitoring and reporting system and so most partners do not have to rely on publicly available databases.

5.4. EC audit experience

Question: Did your financial instrument receive any audit by the EC? If yes please indicate the critical issues raised and how they were solved.

No. of responses: 10

10 partners replied to this question, out of which 8 partners received EC audit with regards to their FEIs. In almost all cases the EC audit made findings. The findings are very diverse – it is not possible to aggregate or group them. Partners mentioned the following issues that were identified by the EC:

- procedure for selecting financial intermediaries not in compliance with regulations;
- grant component of a loan product is not considered as FEI;
- lack of a detailed and extensive ex-ante evaluation and definition of performance targets;
- lack of providing data specifically on the performance of financial engineering instruments;
- refinancing costs for the provision of national co-financing by the FEI manager is not eligible from interest returns on investments;
- weaknesses in the verification of the compliance with state-aid rules;
- weaknesses in the verification of the compliance with SME rules;
- national authorities were requested to carry out on-the-spot visits with higher intensity;
- national authorities were requested to set up a reliable verification system to ensure that projects are not split artificially;
- financing agreement not detailed enough;
- weaknesses in national regulation regarding criteria of defining enterprises in difficulties;
- risk of double financing;
- application of the funding exclusively in working capital (prior to the change in the applicable COCOF note);
- application of the funding in other investments than the ones predicted in the approved application form;
- consideration of the increase in working capital as a measure of company's business expansion rather than the increase in its turnover;

5.5. Findings

- From the analysis it can be seen that **data provision through the Annex 2 Commission template is not problem free**. Some of the partners indicated that they encountered problems like changing data scope, submission deadline, large amount of required data, definitions. Notwithstanding this 5 partners reported that they had experienced no difficulties in filling in the Annex 2 template.
- Most partners do **not** report **any problems in measuring their indicators** and so the progress of the implementation of their respective FEIs. Data source for the overwhelming part of the indicators is the internal monitoring and reporting system and so most partners do not have to rely on publicly available databases for receiving the values of indicators.

- **The majority of FIN-EN partners have already received at least one EC audit with regards to their FEIs. The findings of the EC audit are very diverse.**

5.6. Recommendations – Reporting to the Commission

- ✓ **It is important that member states collect all the data in their monitoring system that are required by the Commission in the annual reports.**
- ✓ **It is crucial to choose a clearly defined indicator in the case of each FEI that can be measured quantitatively through the lifetime of the FEI.**
- ✓ **The SFC system is not able to accept attached files currently,⁸ which generates a great workload to send all data requested by the Commission for members states in which the number of financial intermediaries is large (>50). A joint proposal on this issue could be formulated to the Commission.**
- ✓ **Outstanding issues on the Annex 2 reporting could be collected in a joint document and communicated to the Commission.**

⁸ April 2014

6. Verifications, document based checks and on-the-spot checks

Verification is a preventive action done by the implementing organisation (e.g. MA, HFM). In the framework of verification the MA ensures inter alia that operations selected for funding are in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules. It is to be noted that verification is not equal with audit, which is done by external actors.

6.1. Features of verification

Question: Do you implement verifications (checks executed by HFM/FEI manager/Financial intermediaries) for preventive reasons?

Please, describe the arrangements for verification of delivery of the products and services co-financed and the reality of expenditure claimed and of compliance with the relevant national and Community rules, in particular:

- *How these verifications are carried out;*
- *Who carries out such verifications;*
- *Guidelines / instructions for this work (e.g., on matters checked, on reports);*
- *Checklists/standard reports used;*
- *Whether on-the-spot inspections are required of all projects (final recipient), or if not, the basis for selection of the sample of projects to be inspected.*
- *What were the focus and main findings of verifications so far?*

No. of responses: 13

All partners participating in the TWG3 task answered to this question. 12 partners confirmed that they implement verifications for preventive reasons. Diverse practices were presented by partners – still a lot of common features can be identified in the verification activities that are detailed out in the following subchapters.

Verifications are mainly conducted by internal staff though few partners have mentioned that external parties are involved. Verifications are typically carried out by various levels in the implementation system (see more on this in Chapter 6.3). In most cases verification is a planned activity and it is pursued following predefined guidelines. At most partners standard checklists and report templates are used. Those project partners that have relatively few final recipients tend to conduct on-the-spot checks for all projects whereas partners with relatively high number of final recipients apply sampling.

6.2. Reasons for checks

Question: What can be the reasons for checks? In other words what triggers the checks to be conducted? (Annual plan, ad-hoc checks, evaluation, auditing authority, etc)?

No. of responses: 12

9 partners reported that checks are carried out following an annual plan. 5 partners mentioned that extraordinary or ad-hoc checks are conducted if relevant information comes up regarding a project/FEI. In 3 cases the audit authority was mentioned as a potential reason for conducting checks.

6.3. Levels of checks

Question: Which levels (HFM/FEI Manager/Financial intermediary) perform the checks (either document based or on-the-spot checks)? Which levels of the institutional set-up are checked? (final recipient, financial intermediary, FEI manager, HFM, etc.). Please, fill in the tables.

No. of responses: 13

From the 13 partners that participated in the TWG3 task 12 partners provided substantive reply to this question. The tables below show the aggregate results based on partners' replies. The numbers in the cell show the number of partners marking the specific cell. No definite pattern is drawn by the aggregate numbers, furthermore no major differences can be seen between document based checks and on-the-spot checks looking at the aggregate numbers.

Document based checks

Actor who performs the check	Entities checked			
	HFM	FEI Manager	Financial intermediary	Final recipient
Managing Authority	7	7	5	6
HFM		4	8	7
FEI Manager			5	8
Financial intermediary				8
Final recipient				1

On-the-spot checks

Actor who performs the check	Entities checked			
	HFM	FEI Manager	Financial intermediary	Final recipient
Managing Authority	6	6	5	6
HFM		2	8	6
FEI Manager			5	8
Financial intermediary				5
Final recipient				1

It is much more interesting to look at single partner replies because significant differences can be observed. Eventually two types of models can be identified. The first one we call the 'cascade model' in which typically only the level directly below is checked but not the further levels lower in the hierarchy. The other is the 'ladder model' in which typically the entity checks all lower levels below in the hierarchy:

Cascade model

Actor who performs the check	Entities checked			
	HF M	FEI Manager	Financial intermediary	Final recipient
Managing Authority	X	(X)		
HFM			X	
FEI Manager			X	(X)
Financial intermediary				X
Final recipient				

Ladder model

Actor who performs the check	Entities checked			
	HF M	FEI Manager	Financial intermediary	Final recipient
Managing Authority	X	X	X	X
HFM		(X)	X	X
FEI Manager			X	X
Financial intermediary				X
Final recipient				

Based on the responses partners' FEI implementation system can be clustered in the above two models:⁹

- Cascade model: IBB (EAPB), IDEA (ES), Auvergne (FR), SID Bank (SI), Central Denmark Region (DK),
- Ladder model: Finlombarda (IT), EDOP MA (HU), Hipoteku Banka (LV), INVEGA (LT), ETEAN SA (GR), MA COMPETE (PT), DCLG (UK)

6.4. Document based checksQuestions:

- If you apply document based checks do you have a plan for it?*
- Do you use risk analysis in the selection of projects / transactions to be checked; and how is the representativeness ensured?*
- What is the scope of information you check based on documents (e.g. examination of final recipients, eligibility, use of funds (money is spent according to the business plan), unauthorized/irregular use of funds, unjustified payments to the funds, performance of financial intermediary, bad debts accounting records, treasury management, management costs)?*
- Do you check if the company has received other public financing/grants in parallel/after contract signature? Compliance issues?*
- Do you have checklists?*
- Do you focus on the project itself or on the final recipients?*
- Do you elaborate a to-do-list after document-based checks? How do you follow up for completing the findings of document-based checks?*
- What are the frequencies of document based checks?*
- Are there procedures in place to follow up the findings and recommendations made in reports?*

No. of responses: 13

- From the 13 respondents 12 reported that they conduct document based checks.
- 7 partners mentioned explicitly that there is a plan for making the document based checks – in most cases this is an annual plan accepted or approved by the beginning of the year.

⁹ WIBank (DE) did not fill in the table

- 3 partners mentioned that all the project are checked, whereas 5 partners mentioned that they use some kind of sampling methodology for selecting project to be checked. 3 of these partners use random selection and 2 reported about using risk analysis.
- 11 partners reported that they check if the final recipient received other public financing. In most cases this starts with a self-declaration from the final recipient. 4 partners explained that they are able to make a partial cross-check in existing databases on the validity of the final recipient's declaration. Only 2 partners indicated that a comprehensive central (national) database is available that includes all public subsidies received by final recipients.
- Most partners make document based checks using predefined checklists.
- 5 partners explained that document based check focus on both the final recipient and the project. 4 partners indicated that the project is in the focus of the check, whereas 2 partners reported that checks target the final recipient rather.
- Concerning frequencies of the checks diverse responses have been provided. Some partners mentioned that the final recipient is checked at least once during the project life-time but annual checks were also reported by partners.
- 6 partners mentioned explicitly that a to-do-list is elaborated based on the check.
- 8 partners reported that procedures are in place to follow up the findings and recommendations made in reports.

6.5. On-the-spot checks

Questions:

- Do you have a plan for on the spot checks?*
- Do you use risk analysis in the selection of projects / transactions to be checked; and how is the representativity ensured?*
- What is the scope of information you check on-the-spot (e.g. examination of final recipients, eligibility, use of funds (money is spent according to the business plan) , unauthorized/irregular use of funds, unjustified payments to the funds, performance of financial intermediary, bad debts, accounting records, treasury management, management costs)?*
- Do you check if the company has received other public financing/grants in parallel/after contract signature? Compliance issues?*
- Do you have checklists?*
- Do you focus on the project itself or on the final recipients?*
- Do you elaborate a to-do-list after the on-the spot checks? How do you follow up for completing the findings of the on-the spot checks?*
- What are the frequencies of on-the spot checks?*
- Are there procedures in place to follow up the findings and recommendations made in reports?*

No. of responses: 10

- From the 10 respondents 8 partners indicated that they carry out on-the-spot checks so the majority of the partnership makes check on site beyond the document based checks.
- Generally, features of on-the-spot checks are very similar to those of the document based checks.

6.6. Reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid

Question: Existence of reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid. Please, describe the related follow up procedures.

No. of responses: 9

From the 9 responding partners 8 partners reported about existing procedures for irregularities and for the recovery of unduly paid amounts. Some of these partners explained shortly that general rules are applied in the case of refundable subsidies just like in the case of grants, whereas some partners described in a bit more detail their practice. From these replies it can be seen that financial intermediaries (FEI manager if no financial intermediaries are part of the implementation system) are in charge of investigating and recovering amount unduly paid to final recipients. The HFM/ FEI manager is in charge of investigating issues at financial intermediaries, whereas the MA is responsible to deal with irregularity issues concerning the HFM/FEI manager.

EDOP MA gave its interpretation concerning the terminology related to the irregularities as follows:

‘In case of financial engineering instruments within the meaning of Article 44 of the General Regulation irregularity as defined in Article 2(7) of the General Regulation is only investigated at the level of the holding fund manager as defined in Article 44 of the General Regulation. Pursuant to point 1.2.8 and 2.2.4 of the COCOF note the holding fund manager qualifies as beneficiary under the Hungarian JEREMIE programme, owing to the fact that the holding fund manager is responsible for the initiating and implementing of the operation. Irregularities are therefore investigated in connection with the payment of resources to the beneficiary.

Infringements committed by the financial intermediaries within the meaning of point 2.1.3 of the COCOF note and the final recipients (SMEs) as defined in point 1.2.9 of the COCOF note do not qualify as irregularities within the meaning of Article 2(7) of the General Regulation but as unauthorised utilisation of resources.

Accordingly pursuant to the relevant Government Decree the procedural provisions on irregularity shall only be applied to infringements committed by the holding fund manager and not to infringements committed by the financial intermediaries or the final recipients (SMEs).

The provisions on unauthorised utilisation of resources committed by financial intermediaries are contained in the Level II funding agreement specified in point 2.4.1 of the COCOF note concluded between the holding fund manager and the individual financial intermediary (financial engineering instrument), as well as the Handbook and the rules and regulation of the holding fund manager on the unauthorised utilisation of resources.

The provisions on unauthorised utilisation of resources committed by the final recipients are contained in the contract concluded between the financial intermediary and the final recipient (e.g. loan agreement) and the internal regulations of the financial intermediary.’

6.7. Illustrative practices

Identifi- cation and topic	Title of the practice	Procedures applied to carry out verifications (document based and on-the-spot checks)
	Topic of the practice	Monitoring/verification procedures
	Country of the practice	Portugal
	Region of the practice	Portugal - Convergence Regions (North, Center, Alentejo)
	City	--
	Start date of the practice	The practice began in 2008, when the first FEI were implemented by COMPETE, and has been improved since then
	if applicable, end date	--
Description	Purposes	<ul style="list-style-type: none"> - reduce the risks of utilisation that is not coherent with the aims of FEI and the restriction of the applicable National and EU Law; - ensuring the quality and effectiveness of FEI.
	Detailed description of the practice	<p>- COMPETE has predefined guidelines, instructions and checklists, for management verifications, developed and being continuously improved with the contribution of (i) EU and national law and regulations regarding FEI, (ii) recommendations of our (1) national audit authority and (2) national certification authority; (iii) our work experience and (iv) external partners (namely FIN-EN) experience.</p> <p>- On-the-spot checks: COMPETE has an annual verification plan for on-the-spot checks. The verification plan is set by sampling, considering the universe of FEI operations that are managed by the HF Manager and FEI Manager. We define this sample randomly, after exclusion of some operations with criteria such as: (i) operations already audited by COMPETE or other entities; (ii) operations not yet in a phase that justifies the verification. The exclusion criteria is defined every year in the planning of the on-the-spot checks. The on-the-spot checks are performed regarding the operations selected within the sampling method mentioned (as a main characteristic for this sampling method, we can say that it includes around 10% of the total operations in venture capital and 3% in guarantee FEI, if they have more than 1000 final recipients - SME; in venture capital the rate agreed with the National Audit Authority was 5%, but at least in 2012 and 2013 we decided to double the sample so we can check a bigger number of venture capital operations).</p> <p>- Administrative (or document based) checks: These are performed regarding each operation by the FEI in final recipients, in each of the following moments:</p> <ul style="list-style-type: none"> (a) whenever additional funding is requested for the operation or; (b) during the analysis of the periodic report of the HFM/FEIM (quarterly).

	Evidence of success	This practice can be considered a success due to the low number of irregularities of the FEI supported by COMPETE. We believe that the fact that the monitoring procedures are implemented and known by all the stakeholders, constitutes a preventive action regarding wrong utilisation of the FEI.
	Transferability	This practice can be transferred to any region, as it is not dependent on regional specificities. The key success factor for its implementation is to keep awareness of the monitoring procedures, to all the stakeholders of the process, since the beginning of its implementation.
Contact details	Name	Francisco Nunes
	Organization	MA COMPETE
	Email	francisco.nunes@compete-pofc.org
	web site	http://www.pofc.gren.pt/

Identifi- cation and topic	Title of the practice	JEREMIE AUVERGNE: verifications, document based and on-the-spot checks
	Topic of the practice	Monitoring & evaluation
	Country of the practice	France
	Region of the practice	Auvergne
	City	
	Start date of the practice	2009
	if applicable, end date	end of investment period 2013/12/31 in financial intermediaries, end of investment period in beneficiaries 2015/12/31, end of the program 2021 (total reimbursement)
Description	Purposes	verifications, document based and on-the-spot checks
	Detailed description of the practice	<p>Verifications are done by the Holding Fund Manager every semester and by the Managing Authority every year on JEREMIE Auvergne. The Holding Fund Manager is monitoring the 14 financial intermediaries' funds every 6 months. As JEREMIE Auvergne is a little initiative (25.2M€), all is really controlled in each reporting: 100% of the documents are checked by the HF manager and there is no sampling control. The document-based checks are done during the reporting. However, the eligibility and combinations of State-aids are checked before the each investment committee and investment.</p> <p>For each FEI a risk analysis is done: one representative of the HFM is involved in each investment committee of the FI and all the files are controlled. The HFM has the minutes and folders of each committee.</p> <p>FEI managers are responsible for the monitoring of final recipients.</p> <p>In the case of JEREMIE Innovation and JEREMIE Mezzanine: they are doing on-the-spots checks every 3 months (on average) and in the case of new planned investments. It is according to companies' needs.</p> <p>For the loan on trust structures, the HFM's fund allocations is based on a yearly evaluation, based on the annual reporting. For the loan on trust structures, every year, the FI ask for a new allocation and the amount is analyzed according to their management of the funds.</p> <p>Documents and recommendations of the last reporting are used by the HFM to analyze their activity, the market, the respect of JEREMIE's rules. These analyses will determine the amount of the next allocation.</p>

	Evidence of success	Consequently, all these measures clearly are the best way to avoid the risks of undue utilisation. It is to strictly follow the financing of the FI, to deeply analyse their balance sheet and their treasury. The objective is to check the management quality of these structures, and consequently their weaknesses and strengths. The JEREMIE initiative enabled them to structure themselves, to pool their human and material resources and to improve their management thanks to analysing and monitoring tools.
	Transferability	100% of the documents controlled can be realized only of the initiative is small.
Contact details	Name	Franck Alcaraz
	Organization	Regional Council of Auvergne
	Email	f.alcaraz@cr-auvergne.fr
	web site	http://www.jeremie-auvergne.eu/

6.8. Findings

- The overwhelming majority of partners confirmed that they do implement verifications for preventive reasons. Diverse practices were presented by partners.
- Those project partners that have relatively few final recipients tend to conduct on-the-spot checks for all projects whereas partners with high number of final recipients apply sampling.
- Checks are typically carried out following an annual plan. Some partners mentioned that extraordinary or ad-hoc checks are conducted if relevant information comes up regarding a project/FEI. In 3 cases the audit authority was mentioned as a potential reason for conducting checks.
- Concerning the levels of checks two types of models can be identified. The first one we call the '*cascade model*' in which mainly the level directly below is checked but not the further levels lower in the hierarchy. The other is the '*ladder model*' in which typically the entity checks all lower levels below in the hierarchy.
- Concerning the direct involvement of MAs only few check final recipients directly, some reserve the right to do so but have not done such checks so far, while some do not get involved in checking final recipients directly at all.
- Document based checks are conducted by all partners and most of them carry out on-the-spot checks, as well. However, only the minority of those partners that applies sampling use risk analysis when selecting contracts to be checked.
- Almost all partners reported that they check if the final recipient received other public financing. However, only very few partners are able to make a real check using a comprehensive central (national) database that includes all public subsidies received by final recipients. In all other cases clearly there is room for development in this issue.

6.9. Recommendations – Verifications, document based checks and on-the-spot checks

- ✓ **When implementing FEIs a well-functioning verification system should be established that can contribute to a proper management and control system through which Member States can comply with applicable Community and national rules.**
- ✓ **As verification is a preventive action it is important to create a procedure for verification at all level of bodies (e.g. financial intermediaries, FEI manager, holding fund manager, managing authority) that play a role in the FEI implementation.**
- ✓ **It is recommended to carry out verification activities (document based checks and on-the-spot checks) in a regular, planned form in order to avoid irregularities during the implementation.**
- ✓ **It is important to have on-the spot visits on every level of the implementation system.**
 - **First of all, financial intermediaries shall conduct such visits according to their internal regulations, which can take place before the investment decision, after the disbursement of the loan and after the finalization of projects.**
 - **On the other hand, the HFM/FEI managers shall visit the contracted partners to check the documentations of the projects financed comparing data received through the IT system.**
 - **Thirdly, the managing authority shall carry out its verification duties visiting the HFM/FEI managers in order to examine specific topics, processes related to a certain product, etc.**
- ✓ **It is recommended that partners using sampling investigate the relevance of using risk analysis instead of random sampling to better address potential risks.**
- ✓ **Central (national/regional) databases of public subsidies should be developed to limit the possibility of approving public financing over defined thresholds.**

7. Supporting IT systems

7.1. IT systems supporting monitoring

Question: Is there an IT system/Are there IT systems that support monitoring?

No. of responses: 13

All respondents reported about some kind of IT system supporting monitoring. The applied solutions are diverse as it can be seen from the replies below.

7.2. Central vs. decentralised systems

Question:

Is the IT system:

- *A central system commonly used by Managing Authority, HFM, FEI Manager, Financial intermediary?*

or

- *A decentralised system in which information is held in several local systems at Managing Authority/HFM/FEI Manager/Financial intermediary? How data flow is solved among different systems?*
- *Please attach a flowchart and/or brief description of the information system(s), showing their elements and the links between them and whether they are networked or decentralised.*

No. of responses: 11

One partner (IDEA, Spain) reported about such a central system that is commonly used by managing authority, HFM/FEI manager and financial intermediaries. Three partners replied that a partly centralised system is used in their case – typically it is the financial intermediary that is not integrated in the system. 7 partners indicated that a decentralised system is in use concerning their FEI implementation, in which information is held in several local systems. 3 from these 7 partners added that there is no direct communication between the local systems and data exchange takes place for example via emails and so requires manual involvement.

Two partners, IBB from Germany and the EDOP MA from Hungary attached a graphic flowchart of the IT systems that give a good overview of their solution.

Figure x: Graphic flowchart of the FEI implementation IT system at IBB (Partner 2)

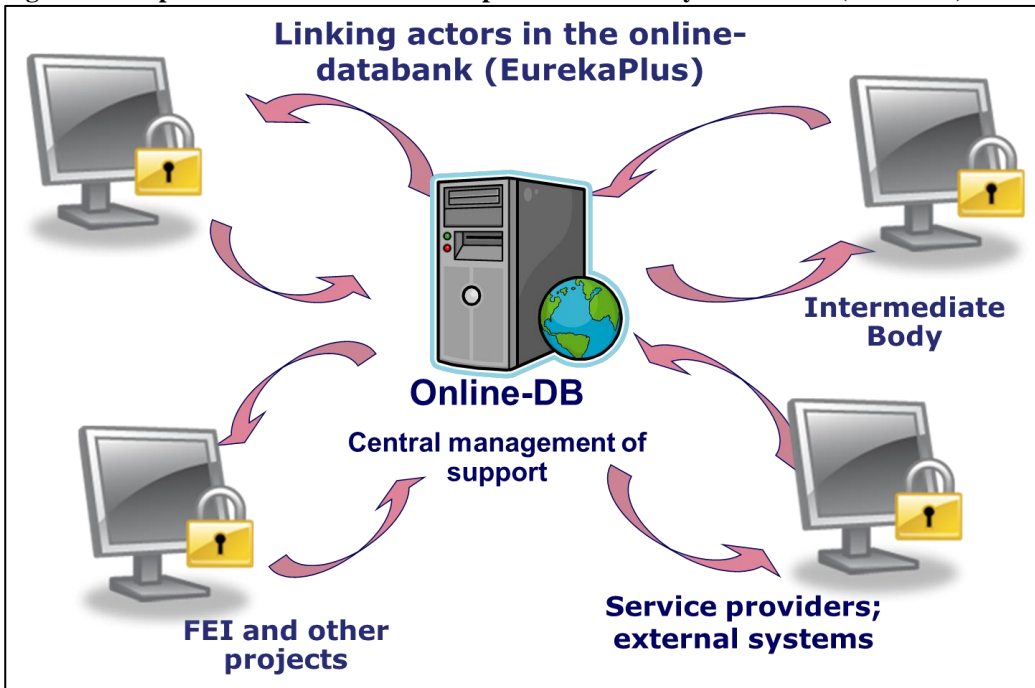
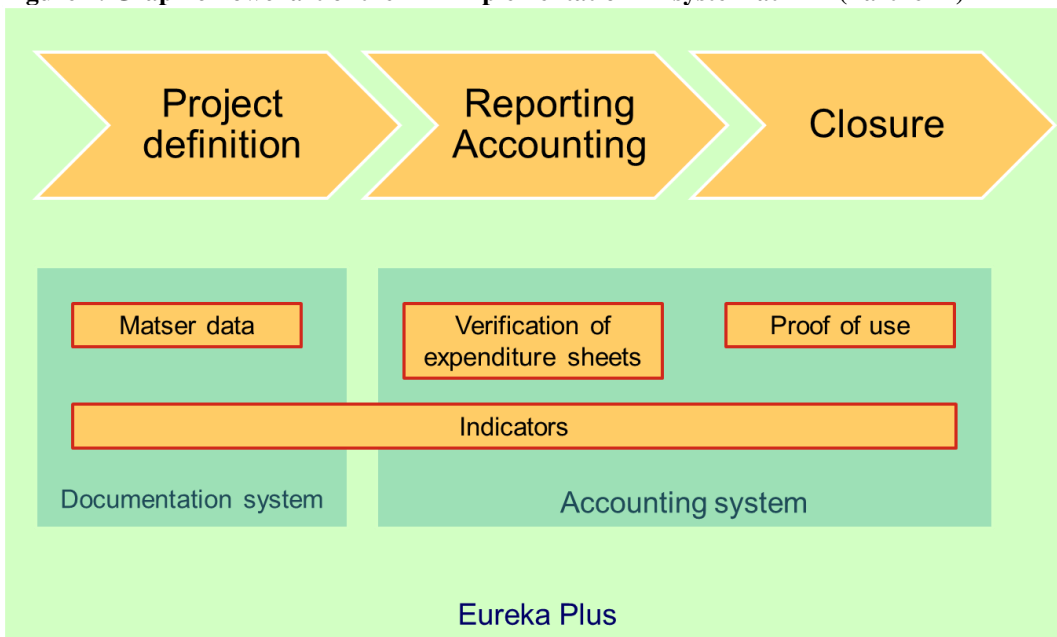
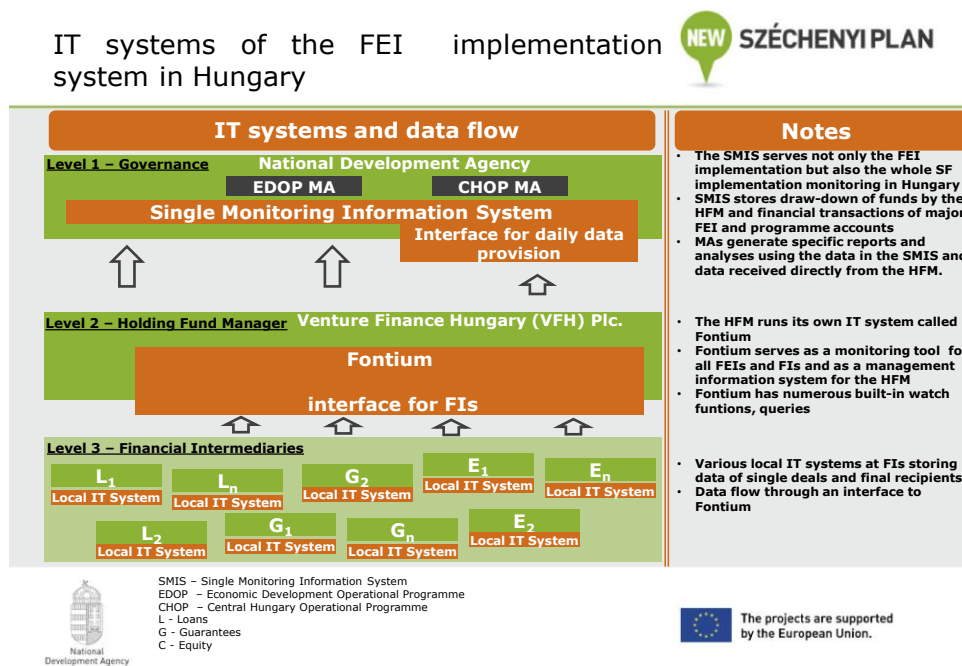


Figure x: Graphic flowchart of the FEI implementation IT system at IBB (Partner 2)



IBB uses a partly central system – FIs did not use the system at the time of filling in the questionnaire. In the case of IBB the central IT system called EurekaPlus was originally developed to manage grant measures. From 2013 the system is functional also for the FEIs.

Figure x: Graphic flowchart of the FEI implementation IT system at EDOP MA (Partner 4)



In Hungary decentralised systems are used and interfaces function between the different levels. The MA level uses the Single Monitoring and Information System which encompasses the data and information of grant measures, as well. The HFM runs its own IT system. It serves as a monitoring tool for the all FEIs and FIs and as a management information system for the HFM. The FIs input data into the HFM level IT system via an interface.

7.3. Basic outline of IT systems

Question:

Please, provide a basic outline for IT system(s) including the interfaces between the different levels and actors:

- Please indicate if you use web-based solutions or solutions requiring special software?
- Please, indicate if data flow at interfaces is automatic or need manual involvement.
- Please, indicate if reports based on queries are generated automatically or need manual involvement?
- Is it possible to make individual queries?

No. of responses: 11

7 from the 11 responding partners indicated that there are web-based interfaces and/or user surfaces in use. As for the data flow at interfaces is concerned only 2 partners reported about fully automatic solutions (IBB – Partner 2, ETEAN – Partner 11). 9 partners replied that some levels of the IT systems communicate to each other automatically but some kind of manual involvement is required at least at one level of the IT system. Typically the MA – HFM relation is automated and it is the FI level, at which the manual involvement is still needed.

6 partners indicated that reports based on queries are generated automatically, whereas 4 partners reported that generating reports requires some kind of manual involvement. Most of the partners (10

partners) reported that it is possible to programme individual queries to satisfy ad hoc information needs.

7.4. Development of IT systems due to reporting obligations

Question: Did reporting obligations require the development of applied IT systems in the case of HFM, FEI Manager, Financial intermediary? If yes, how did it affect the implementation?

No. of responses: 12

7 partners responded that development of their existing IT system was needed to satisfy the reporting obligations related to the FEIs. IBB (Partner 2) mentioned that the development of the interface function was very difficult. EDOP MA (Partner 4) indicated that the owing to the Commission Guidance on reporting for Member States and managing authorities in 2013 the development of the IT system was necessary. Auvergne Regional Council (Partner 5) added that the scope of financial data monitored by the IT system had to be extended.

Only few partners gave responses on how the development of IT systems affected implementation. These replies revealed that it had made reporting easier and more efficient, more reliable and quicker.

7.5. Illustrative practices

Identifi- cation and topic	Title of the practice	-
	Topic of the practice	Supporting IT system
	Country of the practice	Lithuania
	Region of the practice	Lithuania
	City	Vilnius
	Start date of the practice if applicable, end date	2015-2016
Description	Purposes	A lot of bureaucratic steps will be avoided, such as submitting paper documents to the agency, additional data, such as account verifications of final recipients etc. In the case of FEI we believe that financial intermediaries will be able to connect to INVEGA's system and provide us reports automatically, no paper versions will be necessary.
	Detailed description of the practice	<p>There is a centralized database for EU SF for 2007–2013 programming period. It is called SFMIS, and it is managed by Managing Authority using it for monitoring, doing payments, verifications, etc. At the moment it is not completely adjusted for FEI.</p> <p>A more convenient data exchange between public institutions, which are managing EU SF (one-stop-shop principle) is planned for the next programming period. There is a plan that all final recipients will be able to use a common IT system, which is connected not only to e-Government, but also with INVEGA and other national agencies' databases and also with SFMIS. This improvement will be useful for all the agencies allowing them to get all necessary data through SFMIS directly. process will be as follows:</p> <ul style="list-style-type: none"> - Final recipient submits an application for EU structural support through the SFMIS. By submitting the application final recipient has to select an applied instrument then application reaches the agency's database through the system automatically. - This application is assessed, and a decision by the respective agency is taken on-line. - Applicant automatically receives notice about the decision which is generated in e-Government.
	Evidence of success	It is just a plan. We hope that this IT system will help to improve not only monitoring and reporting procedures, but it also will reduce number of irregularities and will short decision-making time etc.

	Transferability	Every region could have common centralized database which could help the agencies not only to reduce their decision making process but also will help with the red tape cutting.
Contact details	Name	UAB „Investicijų ir verslo garantijos“
	Organization	UAB „Investicijų ir verslo garantijos“
	Email	viktorija.jonusaite@invega.lt
	web site	www.invega.lt

7.6. Findings

- Not surprisingly all partners use IT systems supporting monitoring activities, however there are large differences in the level and quality of the IT support. Highly efficient fully integrated solutions are not in operation (with one exception) although some partners report about such plans.
- Majority of partners use a decentralised system concerning their FEI implementation, in which information is held in several local systems. Three partners use a partly centralised system and only one partner (IDEA, Spain) reported about such a central system that is commonly used by managing authority, HFM/FEI manager and financial intermediaries.
- There is still strong manual involvement in data flows at interfaces. Only two partners reported about fully automatic solutions. In the case of most partners certain levels of the IT systems communicate to each other automatically but some kind of manual involvement is required at least at one level of the IT system. Typically the MA – HFM relation is more automated and it is the FI level at which manual involvement is needed.
- Overall there is still a lot of room for development concerning the supporting IT systems. This is reinforced by the replies of partners concerning future plans, in which the majority of the responding partners report that they plan to substantially develop their IT systems to increase efficiency, and to better support reporting obligations and decision making.

7.7. Recommendations – IT systems supporting monitoring

- ✓ **Monitoring and reporting requirements determined in EC regulations need to be taken into account in the design of the IT system.**
- ✓ **It is worth elaborating an IT system that provides wide range and in-depth information from the establishment to the closing of FEIs, at the level of holding fund, financial intermediaries and final recipients, as well.**

- ✓ **An IT system should be established so that it can provide significant support in order to assist the monitoring of qualitative implementation of FEIs and disbursements at the level of financial engineering instruments and final recipients.**

- ✓ **The IT systems should be flexible – i.e. they need to be able to follow the constant changes in product conditions, processes, depth and details of the different types of data, etc. Practically, it is a permanent updating task from the side of the IT experts.**

8. Corrective measures

8.1. Responsible bodies for corrective measures

Question: Who is responsible for/who can execute corrective measures in your institutional setup? At what level are the decisions brought on changes (MA, HF, FEI Manager, Financial intermediary)?

No. of responses: 12

	Monitoring Committee	MA	HFM	FEI manager	Financial intermediary
Proposal		HU, GR, PT, EN	HU, GR	DE (EAPB), HU	DE (EAPB), HU, LV
Decision making/ approval	IT, DE (EAPB)	DE (EAPB), ES, HU, FR, LV, LT, PT, EN	FR		
Implementation/ execution		IT, LT	IT, ES, FR, PT, EN	IT, DK, PT	LV

From the responses it can be seen that proposals or initiatives for corrective measures evenly come from almost all actors involved in the FEI implementation. Beyond MA, HFM, FEI manager and financial intermediary the external control/audit was also mentioned by some partners as relevant organisation in proposing corrective measures.

Decisions are brought mainly at MA level with some partners mentioning the Monitoring Committee, as well. The implementation of the corrective measures is carried out mainly by HFMs and FEI managers but also by MAs in some cases.

8.2. Features of implemented corrective measures

Question: Have you made any corrective measures so far? If corrective measures have been executed so far, what was the basis for them? Was it implemented based on the decision/proposal of the Commission or the OP Monitoring Committee (Art. 65-66. of 1083/2006/EC Regulation), on the conclusion of the internal monitoring procedure of the Managing Authority, HFM, FEI Manager, findings of evaluations, conclusions of a satisfaction survey, etc.

No. of responses: 11

9 partners indicated that corrective measures have already been implemented in the case of their FEIs. 6 partners referred to internal monitoring procedures as the base for the corrective measures. 2 partners mentioned that third party reviews, evaluations or conclusions of satisfaction surveys triggered the corrective measures and in one case European Commission decisions were mentioned as the reason for making corrective measures.

8.3. Concerned FEI life-cycle segments

Question: Which part of the FEI life-cycle the corrective measure was aiming at?

- a. Allocation of resources (e.g. reallocation is necessary)
- b. Financial instruments (are there changes necessary in terms of conditions, eligibility, and communication etc.)?
- c. Implementation procedures (e.g. to shorten the time to get access to resources)
- d. Financial intermediaries (are they performing well, is there a mechanism in place that makes the availability of sources dependent on financial performance)?
- e. Monitoring and reporting

No. of responses: 9

Target area of corrective measures	No. of responses
a. Allocation of resources (e.g. reallocation is necessary)	8
b. Financial instruments (are there changes necessary in terms of conditions, eligibility, and communication etc.)?	6
c. Implementation procedures (e.g. to shorten the time to get access to resources)	0
d. Financial intermediaries (are they performing well, is there a mechanism in place that makes the availability of sources dependent on financial performance)?	5
e. Monitoring and reporting	3

The most frequent response was the change in the allocation of resources for FEIs based on the actual performance. Changing the terms of the FEI seems also a typical corrective measure in the partnership. There were 5 responses explaining that changes related to the financial intermediaries were executed and 3 replies mentioned that monitoring and reporting has been changed as the result of corrective measures.

8.4. Actors involved

Question: What kinds of actors are involved in order to make the corrective actions?

No. of responses: 9

Replies to this question are in accordance with Section 8.1, i.e. most often the managing authorities and the holding fund/FEI managers were mentioned by partners.

8.5. Documents concerned

Question: What documents are typically concerned/changed as a result? (e.g. open calls, legal acts, manuals, internal regulations, contracts, performance data to be provided by the different actors)

No. of responses: 10

Partners gave diverse replies including contracts between concerned parties, open calls, legal acts, reporting tables/documents, etc.

8.6. Length of implementation

Question: How long does it typically take to implement a corrective measure from the identification of the issue to be improved?

No. of responses: 9

Replies ranged from few weeks to several months and typically longer implementation is reported if more actors need to be involved – this especially holds for monitoring committee decisions or the involvement of the European Commission. The actual technical preparation and implementation is often an issue of some weeks but if political/high level decisions are needed it extends the implementation length substantially (even to 6-8 months).

8.7. Good practices on implemented corrective measures

Question: Please, describe a good practice on an implemented corrective measure.

No. of responses: 7

7 partners introduced good practices related to corrective measures, as follows:

Name of partner	Country	Concerned FEI	Intervention area of the good practice
Finlombarda SpA	Italy	Made in Lombardy	Reallocation of resources
Finlombarda SpA	Italy	JEREMIE ERDF	Financial instruments conditions
EAPB – IBB	Germany	Berlin Kapital	Financial instruments conditions
IDEA	Spain	Risk Capital Fund	Reallocation of resources, financial intermediaries
NDA EDOP MA	Hungary	Micro-credit FEI	Financial instruments conditions
NDA EDOP MA	Hungary	Combined micro-credit FEI	Extending the scope of potential financial intermediaries
Auvergne Regional Council	France	All FEIs	Annual resources reallocations
ETEAN SA	Greece		Financial instruments conditions
MA COMPETE	Portugal	All FEIs	Reporting and monitoring

8.8. Illustrative practices

Identification and topic	Title of the practice	Corrective measures
	Topic of the practice	Implementation of corrective measures in Financial instruments as result of monitoring activity
	Country of the practice	Italy
	Region of the practice	Lombardy Region
	City	Milan
	Start date of the practice	2009
	if applicable, end date	still on going
Description	Purposes	The experience of the Made in Lombardy financial instrument can be considered as a good practices in the field of existence of mitigant and corrective measures taken by the managing authority and monitoring committee to ensure the quality and effectiveness of implementation
	Detailed description of the practice	The governance of Made in Lombardy foresees the presence of a scheduled reporting from the FEI manager to the Managing Authority together with a Monitoring Committee, made up of regional and FEI manager members, in charge of analyzing and evaluating data resulting from reporting. Following this scheme it was possible to analyze the performance trend of the instrument realizing that the budget of 33M€ as guarantee was over estimated and part of this amount could be differently allocated. The chance of putting in place corrective measures by the mean of the Monitoring Committee resulted to be a precious mean to adapt the financial instrument to context changing. In fact, lasting the programming period seven years, it can happen that the economic/financial context changes and financial instruments setted need to be adapted to new conditions; in case of Made in Lombardy 21M€ were transferred to FRIM FESR which resulted to be more attractive for SMEs.
	Evidence of success	Made in Lombardy governance practice resulted to be successful as gave the chance to correct and readapt the original setting of the financial instrument to a modified economic context avoiding decommitment of funds, the opportunity to quickly react is particularly relevant in a programming period of seven years during which many events could affect the foreseen trend of the instrument.
	Transferability	In the design/implementation phase of a financial instrument is quite easy to envisage a governance model foreseeing a Monitoring Committee able to evaluate instrument performance, critical aspects and quickly react even to external factors negatively

		affecting it
Contact details	Name	
	Organization	
	Email	-
	web site	-

Identification and topic	Title of the practice	Setting up a new mezzanine fund
	Topic of the practice	Corrective measure
	Country of the practice	Germany
	Region of the practice	Berlin
	City	Berlin
	Start date of the practice	January 2012
	if applicable, end date	December 2025
Description	Purposes	Achieve a higher spending level of FEI, better reach of the target group, finding private co-investors while at the same time be in line with state aid regulations
	Detailed description of the practice	A new "Mezzanine Fund" was set up that qualifies as free of state aid so that the private co-financing and leverage requirements can be met by normal bank loans. Financing is in form of silent participations that have more in common with subordinated loans than with venture capital (e.g. no participation in losses, regular interest payments) but are still recognized directly in equity because of the subordination and the fact that they are repayable at once at maturity.
	Evidence of success	The modified FEI is more flexible in using different possibilities of private co-investments.
	Transferability	Key factor is the interpretation of state aid regulation. Notifications of German mezzanine / subordinated loan instruments can be transferred to other regions.
Contact details	Name	Thomas Hüttich
	Organization	Investitionsbank Berlin
	Email	thomas.huettich@ibb.de
	web site	www.ibb.de

8.9. Findings

- Proposals or initiatives for corrective measures evenly come from almost all actors involved in the FEI implementation.

- Decisions are brought mainly at MA level with some partners mentioning the Monitoring Committee, as well. The implementation of the corrective measures is carried out mainly by HFMs and FEI managers but also by MAs in some cases.
- Most partners indicated that corrective measures have already been implemented in the case of their FEIs. Internal monitoring procedures are quoted most frequently as the base for the corrective measures.
- Concerning the target of the corrective measures, the most common response was the change in the allocation of resources for FEIs based on the actual performance.
- Overall it can be seen that corrective measures are actively used by partners - although the ones who have started recently do not report about an extensive use of corrective measures

8.10. Recommendations – Corrective measures

- ✓ **It is important to apply corrective measures from time to time during the lifetime of FEIs if efficient implementation can be ensured this way.**
- ✓ **It is essential to establish a procedure for carrying out corrective measures as simple as possible so that it can be executed in a time that doesn't affect in a negative way the implementation of the FEI. This holds particularly for changing the financial allocation of the FEIs since it is the most frequent reason for corrective measures.**
- ✓ **Corrective measures are essential to keep on track the products available for SMEs and to speed up the absorption. They should be based on experiences from every level of the Jeremie structure. Feedbacks from the financial intermediaries and from the market (SMEs, experts, evaluations, etc.) should be given particular attention.**

9. Quantitative and qualitative evaluations

9.1. Evaluation of FEIs

Question: Have you done evaluations specifically regarding your FEIs or only as part of the operational programme?

No. of responses: 12

Most partners have done already or plan to do evaluations regarding their FEIs. Around half of the partners reported that they do evaluations specifically regarding their FEIs, whereas the other half responded that evaluation of FEIs is executed as part of the operational programme evaluation.

9.2. Focus of evaluations

Question: What were in the focus of quantitative and qualitative evaluations in case of loan, guarantee, equity and combined FEIs?

No. of responses: 9

Respondents provided diverse answers to this question. Some of the evaluations seem to target one specific FEI and examines all relevant issues, whereas other evaluations target all FEIs belonging to one MA/HF/FEI manager and examines selected segments of the FEI's performance. Furthermore some of the FEI evaluations executed are part of the mid-term type evaluations of the relevant operational programmes. Replies included:

- setting up of the FEI
- performance of the FEI
- internal procedures and accounting
- operational and absorption questions
- efficiency of invested funds
- impact of borrowers in relation to national level
- effectiveness of FEIs
- finding reasons for the underperformance of the fund

9.3. Main findings

Question: What were the main findings (in terms of qualitative and quantitative indicators)?

No. of responses: 5

Only 2 partners reported on findings, some others indicated that the evaluations were just planned or going on at the time of filling in the questionnaire as such no conclusions can be drawn. Quotes from the replies:

- *'Enhance the role of combined products based on the experience of the current programming period,'*
- *'Simplify the implementing process in order to decrease administrative burdens,'*
- *'Shortening the time needed to evaluate applications.'*
- Issue of independency between HF manager and Financial Intermediary:
 - *'Financial intermediary was public and owned by HFM 100%.'*

- Communication to the final beneficiary: *'in case of denegation the financial Intermediary actually does not communicates the reason.'*
- Issue of transparency of investment criteria for the final beneficiary
- The proposal of the auditor was *'to use the same criteria in case of FEI as in case of grants.'*
- Issue of checks (document based/ on the spot) of the final beneficiary carried out by the HF manager: *'procedure and results not sufficiently documented.'*

9.4. Institutional level of evaluation

Question: At which level are these evaluations carried out (e.g. MA, HFM, FEI Manager, Financial intermediary)?

No. of responses: 11

Most of the respondents indicated that the evaluations are initiated by the respective managing authority. Only few reported that the evaluation is launched by the holding fund manager or by some other organisation.

9.5. Nature of evaluators (external/internal)

Question: What kind of evaluators are involved (external/internal)?

No. of responses: 9

Those partners that responded to this question unambiguously indicated that external evaluators are involved in the evaluations.

9.6. Public availability of evaluation reports

Question: Are there specific available reports (if yes please, indicate the websites on which they are published)?

No. of responses: 6

4 of the 6 respondents reported that the full report or at least its summary is published. Typically, the reports are published on the website of the organisation that initiates the evaluation.

9.7. Result of evaluations in relation to gap analyses

Question: Based on the completed evaluations so far had the gap analysis identified well the most important problems regarding financing SMEs? What was your experience?

No. of responses: 8

6 of the 8 respondents mentioned that the financial crisis - which was unseen when the first gap analyses had been completed – influenced the performance of the FEIs substantially therefore previous expectations could not be met.

Nevertheless 4 of the 8 respondents concluded that the originally defined market gaps were relevant or at least partially relevant at the time of filling in the questionnaire.

9.8. Conclusions of evaluations

Question: What was the conclusion of the evaluations in case of loan, guarantee, equity and combined FEIs?

No. of responses: 7

Conclusions were diverse in the case of the few completed evaluations. Quotes from the replies:

- ‘Timing is a critical issue in quite all financial instruments, it must be considered as an element to be improved in setting up 2014-2020 financial instrument’
- ‘Loan programmes will most probably fulfill their absorption targets. In case of guarantees, further efforts will be needed to achieve this, while as for equity programmes, the relevant evaluation is cautiously optimistic, though raises questions about the possible size of the target market.’
- ‘Support provided to SMEs in the form of guarantees for loans or soft loans are sufficiently attractive.’
- ‘Equity instruments are not suitable instruments for promoting SMEs in the economic downturn, because their implementation takes longer, the results of such instrument can only be seen only after 5-7 years.’
- ‘Combined instrument (loans + training) – it is not sufficient to provide only external funding to businesses, instruments are also required to increase the competences of businessmen.’

9.9. Good practice on the applied methodology for completed evaluations

Question: Please, provide a good practice on the applied methodology for completed evaluations (e.g. econometric analysis, interviews with stakeholders, availability of data sets, etc.).

No. of responses: 5

From the 5 respondents only 2 partners gave somewhat detailed replies and so no clear-cut conclusions can be drawn regarding this question.

9.10. Illustrative practices

Identifi- cation and topic	Title of the practice	Evaluations
	Topic of the practice	Quantitative & Qualitative Evaluations
	Country of the practice	UK
	Region of the practice	Northwest England
	City	Northwest England
	Start date of the practice	dec.09
	if applicable, end date	
Description	Purposes	The purpose of this practice was to give the MA the comfort that the fund would be fully invested by December 2015. It has enabled the MA to report to the various committees and stakeholders with confidence in the ability of the fund and the fund managers.
	Detailed description of the practice	The MA wanted to determine if the strategic rationale that underpinned the fund was still relevant and whether the contracted outputs and financial targets were achievable over the remainder of the fund. The review involved the HFM, the fund managers and the MA. Interviews were undertaken with the relevant stakeholders and a large amount of desk-based work was carried out.
	Evidence of success	The reviews that have taken place have outlined areas within the fund which need to be improved. They have suggested areas in which the fund can become more efficient and areas which need to be revised in order to secure full investment of the fund by 2015. The suggestions highlighted by the reviews have been taken on board and implemented by both the MA and the HFM. The investment and output profiles that the fund now has are far more realistic and achievable.
	Transferability	This should be a key stage in any other funds as this will give an independent view and opinion on the fund from somebody not involved in the fund. It would be good practice to do this half way through the life of the fund so if any issues are identified the fund can be brought back on track.
Contact details	Name	Gemma Perry
	Organization	DCLG
	Email	gemma.perry@communities.gsi.gov.uk
	web site	-

Identification and topic	Title of the practice	Cooperating with a local credit research company
	Topic of the practice	Quantitative and qualitative evaluation
	Country of the practice	Germany
	Purposes	Yearly general needs or gap analysis, the so-called SME-report, focusing on performance, equity level and access to finance, ensuring that the FEI is based on real demand and needs of target group.
	Detailed description of the practice	More than 1,000 Berlin-based small and medium-sized enterprises are interviewed by the local credit research company Creditreform. In cooperation with IBB, the questionnaires are analysed and a 50-page summary is published. Among others, companies assess how easy or difficult access to (debt) finance is, what the reasons for rejections have been and how often public finance schemes have been used.
	Evidence of success	IBB draws directly from the results in order to evaluate, improve or adjust the financial instruments. It will also be used as the basis for the ex-ante evaluation
Description	Transferability	Key factor is finding a local cooperation partner for the research that has access to regional company data.
	Name	Thomas Hüttich
	Organization	Investitionsbank Berlin
	Email	thomas.huettich@ibb.de
Contact details	web site	www.ibb.de

9.11. Findings

- Most partners have done already or plan to do evaluations regarding their FEIs.
- Most of the respondents indicated that the evaluations are initiated by the respective managing authority.
- Responding partners indicated unambiguously that external evaluators are involved in the evaluations.
- It was confirmed that experience from completed evaluations is used for correcting measures.
- In the majority of cases the full evaluation report or at least its summary is published.
- The financial crisis - which was unseen when the first gap analyses had been completed – influenced the performance of the FEIs substantially therefore previous expectations could not be met. Nevertheless half of the respondents concluded that the originally defined market gaps were relevant or at least partially relevant at the time of filling in the questionnaire.

9.12. Recommendations – Quantitative and qualitative evaluations

- ✓ **It is important to carry out such evaluations that can provide feedback on operational, performance and absorption issues to the decision makers.**
- ✓ **It is relevant to make an evaluation on the impact of FEIs as it can serve as useful information for the future implementation process.**
- ✓ **It is recommended to compare the results of the evaluations with the findings of the GAP analyses on the base of which the FEI was introduced.**
- ✓ **Evaluations can give inputs for corrective measures, so it is very useful to have evaluations not only related to the OP, which is compulsory task of the member states, but to get specific feedbacks from the products under implementation in order to make the necessary fine-tuning as early as possible.**

10. Final customer and financial intermediaries satisfaction survey

10.1. Carrying out satisfaction surveys

Question: Have you prepared an assessment concerning final recipients' and financial intermediaries' satisfaction related to the

- a. conditions of FEI (e.g. interest rate, duration of loan),*
- b. procedure or*
- c. monitoring requirements of FEIs?*

No. of responses: 13

5 partners replied that some kind of survey has been completed already targeting final customers or financial intermediaries. 2 partners reported that a survey was in progress at the time of filling in the questionnaire and 1 partner stated that a survey was planned for the future. As such more than half of the FIN-EN partnership uses surveys to receive more information on their customers.

In some cases it was reported that surveys are part of evaluations and complement them.

Only few partners indicated the focus of the surveys:

- 2 partners reported that the conditions of FEIs were surveyed and
- again 2 partners replied that the procedures of FEIs were covered in the survey.

10.2. Main findings of surveys

Question: If yes, what were the main findings and conclusions of the assessment?

The results and interpretation of the survey may be influenced by the moment of filling out the survey (e.g. time of application, resolution, exit etc.) and the target group (e.g. potential final recipients in general, applicants, only applicants approved, etc.). Therefore in your answer please indicate the time and the target group as well.

No. of responses: 7

From the 7 respondents 5 claimed that findings are already available (in line with the number of completed surveys in the previous point). Replies were very diverse. Quotes from the questionnaires:

- 'All revolving instruments including FEI have always a more positive feedback than classic grant programmes, especially with ERDF assistance because of the bureaucratic system of eligibility checks and the proof of use principle. That the FEI is the end-beneficiary and not the enterprises is a very important part of the efficiency of financial instruments.'
- 'Quality of deal flow: Nearly all high quality projects (good documentation, high probability of approval) entered via our private or semiprivate (but not public) collaboration network (law firms, consultancies, technology centres). However, projects that came in via campaigns, publicity or the public network mainly were very poor. Conclusions: Our communication activities have to be very focused and targeted to capture the projects that we really want. Massive publicity (which has been done to increase general awareness about JEREMIE) finally is contra productive for the investment strategy of JEREMIE Andalusia because it only increases the number of poor projects, creating false expectation (and thereafter disappointment).'

- ‘Main findings were that potential target group members are rather confused because there are several credit programmes targeted at SMEs, beside this they were rather aware of grant programmes.’
- ‘From 11 thousand targeted companies almost 1800 gave a response, and it turned out, that 85% knew about the Jeremie products, but only 21% applied for them.’
- ‘The programme participants evaluated the instrument as very useful for their current needs, especially the possibility to receive training for free of charge was emphasized.’
- The overarching changes/improvements were as follows;
 - Reduce the length of the application process
 - Increase clarity of the process and eligibility criteria
 - Reduce the amount of documentation required
 - Provide more help for start up businesses
 - Other responses included increase marketing and have more detailed information on the website. A number of businesses did reiterate they were happy with the process.

10.3. Effectiveness of FEIs based on satisfaction surveys

Question: Based on the result of a satisfaction survey can you judge whether your FEI is effective or not or if there is room for development (e.g. it can reach the target group)?

No. of responses: 9

Responses show that even if it is possible to judge that a FEI is effective or not based on a satisfaction survey there is always room for development using the feedback of the survey. Partners with completed surveys did report that they had used the feedbacks for the improvement of their FEIs.

10.4. Feedback from SMEs

Question: Do FEI manager/Financial intermediaries in direct contact with final recipients receive or ask for any feedback from SMEs? If yes, what kind of information?

No. of responses: 9

5 partners reported that feedback is received from SMEs. 2 partners mentioned formal feedback procedures, while 3 partners wrote about informally received feedbacks.

10.5. Corrective measures based on satisfaction survey

Question: Have you made any corrective measure based on the conclusions of a satisfaction survey?

No. of responses: 9

Only 2 partners mentioned that they had made corrective measures using the conclusion of the surveys. Beyond that, 1 partner mentioned that results of the survey had been used for the planning of the next FEI.

10.6. Good practice on the applied methodology for a completed customer/financial intermediary satisfaction survey

Question: Please, provide a good practice on the applied methodology for a completed customer/financial intermediary satisfaction survey (e.g. mystery shopping, interviews with final recipients, mass calls, mass email survey).

No. of responses: 8

Partners did not provide good practices as part of the TWG3 questionnaire.

10.7. Illustrative practices

Identifi- cation and topic	Title of the practice	Final customer satisfaction survey
	Topic of the practice	Topic of the practice is the method of carrying out final customer satisfaction survey in case of ESF combined FEI programme
	Country of the practice	Latvia
	Region of the practice	n.a.
	City	n.a.
	Start date of the practice	2010
	if applicable, end date	2015
Description	Purposes	Provision of regular final customer satisfaction survey of FEI through mass e-mail surveys to final recipients (both current and past clients) in order to get feedback on satisfaction aspects related to FEI's conditions, procedures, client services etc.
	Detailed description of the practice	The Mortgage and Land Bank of Latvia (MLB), a public development bank has practical experience in organizing regular final customer satisfaction surveys both on general bank's performance and specifically on performance of particular FEI's, e.g., of ESF combined FEI programme (the Start Programme). The surveys are being organized every year by sending mass e-mails to all final recipients (both current and previous). In the case of the Start Programme the survey allows to receive detailed feedback from the FEI's clients regarding the evaluation of conditions of the programme, impact of the programme on starting own business, identification of start-up motivation factors, satisfaction rate on services, procedures etc. In addition, statistical information on clients profile was gathered, e.g., gender, age, active years in business, nr. of employees, business branch etc.

	Evidence of success	The method of mass e-mailing to final beneficiaries is cost-efficient, as there is no need for outsourcing external services. Responsiveness of respondents usually ranges from 15 to 20%. The results of the survey shows that for every third respondent MLB was the only way to receive finance (especially, for start-ups, micro-businesses). Majority positively evaluates staff's attitude, competence. Some aspects for further potential improvement: faster decision making process, improvement of training quality, need for mentoring. The statistical data of the clients allows to better understand potential needs of specific target groups to be served by introducing next new programmes.
	Transferability	The method of mass e-mailing to final beneficiaries is very simple and in the same time efficient enough, thus this kind of survey may be easily transferable in other regions, institutions.
Contact details	Name	Andrejs Buharins
	Organization	State Joint Stock Company Latvian Development Financial Institution Altum (previously - MLB)
	Email	Andrejs.Buharins@altum.lv
	web site	www.altum.lv

Identification and topic	Title of the practice	Evaluations
	Topic of the practice	Satisfaction Survey
	Country of the practice	UK
	Region of the practice	Northwest England
	City	Northwest England
	Start date of the practice	dec.09
	if applicable, end date	
Description	Purposes	The purpose of this practice was to undertake a survey of the SME's that have been supported through the fund to ascertain a number of things including, ease of application and process. Clear guidance and direction from the fund managers and any ideas on improvement.
	Detailed description of the practice	The survey was carried out by an independent consultant and they interviewed 60 businesses. This covered businesses who had both been successful and unsuccessful in obtaining finance from the fund.
	Evidence of success	A number of recommendations came from the survey; 1. reduce the length of the application process, 2. increase the clarity of the process & eligibility criteria, 3. reduce the amount of documentation required, 4. provide more help for start up businesses. The survey proved very useful for the HFM and FEI manager as they gained an understanding as to what the SME's believe the barriers are to them accessing funding. One of the most common themes to come out of the survey was in relation to marketing. The HFM together with the FEI manager looked at who they were targeting and how. Following this they revised their communication plan and the number of quality applications to the fund has greatly improved.
	Transferability	This should be a key stage in any other funds as this will give an independent view and opinion on the fund from somebody not involved in the fund. However in terms of best practice the survey should be of a sufficient size to gather meaningful data and it should cover SME's from a range of sectors.
Contact details	Name	Gemma Perry
	Organization	DCLG
	Email	gemma.perry@communities.gsi.gov.uk
	web site	-

10.8. Findings

- Only the minority of partners have completed some kind of survey targeting final customers or financial intermediaries.
- Formal feedback procedures from SMEs are only operational at two partners.
- Overall it seems that there is substantial room for development in utilising customer and FI surveys in the field of FEIs.

10.9. Recommendations – Final customer and financial intermediaries satisfaction survey

- ✓ **Partners are recommended to carry out more satisfaction surveys and rely more on them than currently.**
- ✓ **Carrying out satisfaction surveys is very helpful as it can provide useful feedback for implementing bodies and decision makers in order to implement FEIs more efficiently (e.g. reduce the length of application process, provide more clear definition for eligibility criteria, reduce the amounts of documents required etc.).**
- ✓ **Satisfaction surveys can be a very useful tool if we need direct feedback from a certain product which could be a good input before launching a campaign for the public.**

11. Assessment and future

11.1. Monitoring and reporting procedures serving the efficient implementation of FEIs

Question: Do you think your monitoring & reporting procedures serve the efficient implementation of your FEIs? Based on results so far did your monitoring and reporting procedures result in better spending level/absorption?

No. of responses: 12

7 partners thought that their monitoring and reporting procedures serve the efficient implementation of their FEIs and 4 of them reported that it resulted (or would result in the future) in better spending level/absorption. A partner argued that in their view the aim of monitoring and reporting is not better spending levels but a general control for the MA and EU or the possibility to analyse the impact and give transparency to the public. One of the partners expressed that they were focused on the accomplishing of regulations and less concerned about spending levels.

11.2. Optimal level of reporting obligations

Question: What is the optimal level of reporting obligations (is unnecessary information collected, or is the collected information insufficient)? What would you change in that respect?

No. of responses: 11

Relatively few, 4 partners mentioned that their current level of reporting obligations is optimal/appropriate/sufficient. There were 2 partners that mentioned that more information was needed or would be needed in the future. At the same time most of the partners expressed their worries what to avoid or keep in mind regarding reporting obligations. Quotes from partners:

- ‘We would suggest to focus reporting at level of the financial instrument without managing single final recipients data.’
- ‘It is important that reporting obligations should remain the task of the FEI Manager based on data at the time of deciding the contract. It should be avoided to have obligations to contact final recipients in later years (e.g. validation of jobs created).’
- ‘The reporting obligations for the financial intermediary should not exceed too much the usual business reporting/monitoring standards of the intermediary.’
- ‘It is important to have a very clear definition of each indicator. The performance of the indicators ideally should be linked to the retribution scheme of the intermediary.’
- ‘We have to take into account that our FI’s are market players, so we should avoid to overburden them with unnecessary administrative tasks.’
- ‘The reporting concerning management fees is really too complicated for little structures.’
- ‘Irregularity report is too complicated, information which has to be filled in the irregularity register duplicate information which we need to provide in irregularity note.’

11.3. Planned changes for the next programming period

Question: Do you plan to make any changes (e.g. improving IT system) in your processes for the next programming period?

No. of responses: 11

There were 6 responses mentioning planned changes in processes for programming period 2014-2020. Interestingly 5 replies concerned exclusively the change in IT-systems: typically the improvement of the current IT system and in few cases the introduction of a new one.

There was one partner that wrote not only about the planned change in the IT system but it mentioned more detailed templates for on-the-spot checks and the organisation of separate information days to different types of FIs.

11.4. Suggestions concerning monitoring and reporting procedures

Question: Do you have any other suggestions (e.g. in terms of simplification) concerning monitoring and reporting procedures linked to FEIs?

No. of responses: 11

From the 11 respondents 9 partners raised suggestions concerning FEI monitoring and reporting.

Suggestions included

- the simplification of monitoring procedures, minimisation of number of reports, paperless reports
- a central IT system/ an IT tool to be used to all actors of the implementing phase (from the financial intermediary to the EC) so avoiding waste of time and risk of mistakes in transferring data from one to another IT support
- need for a clear differentiation between grants regulation and FEI regulation.
- need for indicators which are clearly defined and measurable from the beginning corresponding to the Commission's minimum requests
- data provision only at the level of FEIs cumulatively and not separately by each financial intermediary
- change in management fees based on documentary evidence
- Reporting oriented toward financial data

11.5. Influence on OP planning regarding monitoring issues

Question: How can you influence the planning of the operational programmes for the next programming period regarding monitoring issues?

No. of responses: 11

Almost all partners mentioned regular contacts, cooperation, lobbying, continuous communication to the relevant authorities, ministries and the European Commission. Directly or indirectly most of the partners are involved in the planning of the next period operational programmes.

Concerning content, two partners raised the issue of clear definition of indicators at this question (although there are similar notes from other partners in other sections of the questionnaire). Partners claim that definitions should be clearly set by the EC at the beginning of the programming period learning from the 2007-2013 implementation experience.

11.6. Findings

- Around half of the partners thought that their monitoring and reporting procedures serve the efficient implementation of their FEIs and only one-third of them reported that it resulted (or would result in the future) in better spending level/absorption.
- Only few partners mentioned that their current level of reporting obligations is optimal/appropriate/sufficient. There were only 2 partners mentioning that more information was needed or would be needed in the future.
- Around half of the partners responded about planned changes in processes for programming period 2014-2020. Interestingly almost all of these concern exclusively the change in IT-systems: typically the improvement of the current IT system and in few cases the introduction of a new one.
- Other than the above the majority of partners did not report about planned major changes in their procedures for the next programming period.
- Concerning content, two partners raised the issue of clear definition of indicators (although there are similar notes from other partners in other sections of the questionnaire). Partners claim that definitions should be clearly set by the EC at the beginning of the programming period learning from the 2007-2013 implementation experience.

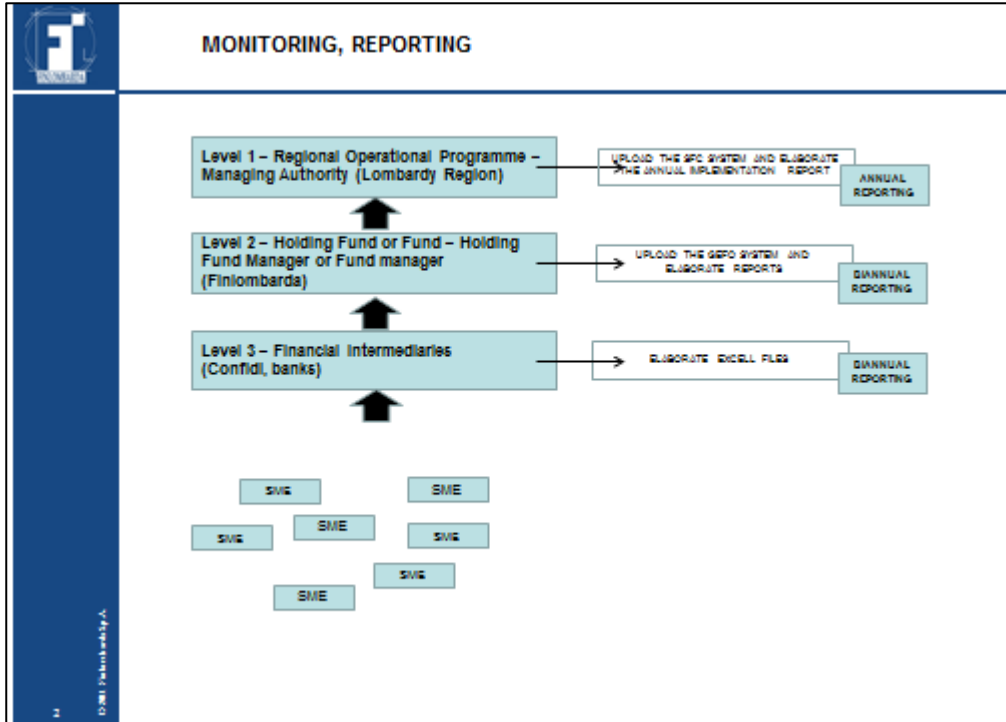
11.7. Recommendations – Assessment and future

- ✓ **It is important to take into account that the major share of financial intermediaries are market players who shouldn't be overburdened with unnecessary administrative tasks.**
- ✓ **A Jeremie product shall be attractive in two ways: on one hand for the market player financial intermediaries, on the other hand for the SMEs.**
- ✓ **In case of launching combined products, it should be taken into account that processes should not be much longer and complicated than in the case of regular single-profiled products (direct grants and assistances with revolving nature).**

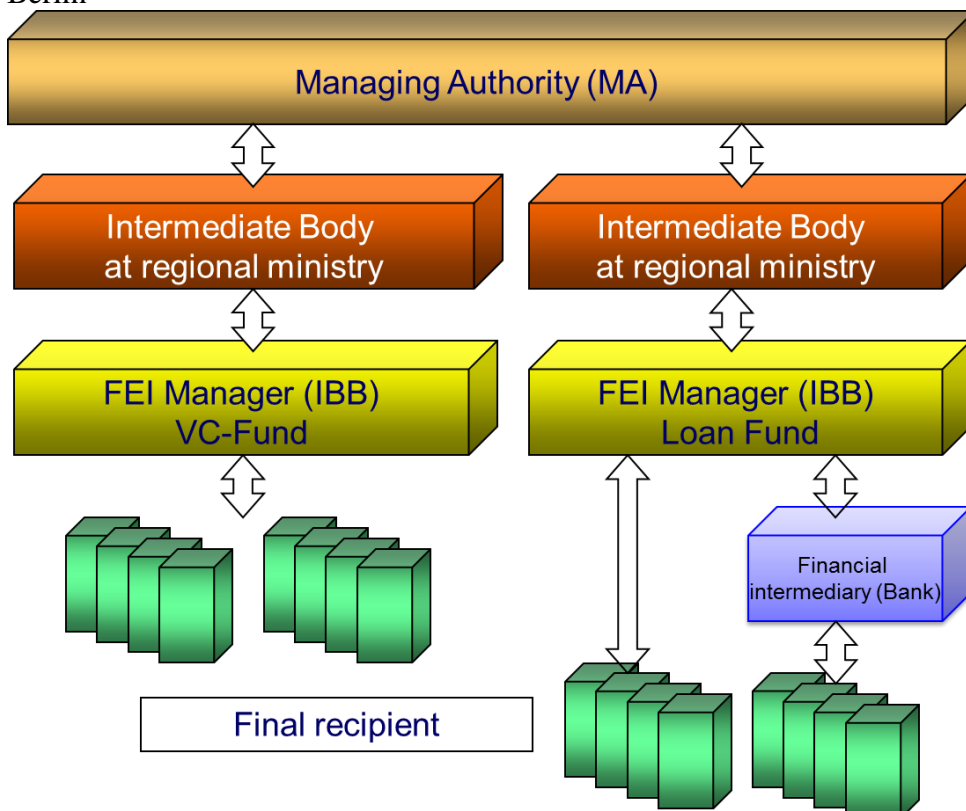
12. Annexes

12.1. Annex 1: Graphic description (and/or flowchart) on monitoring and reporting procedures

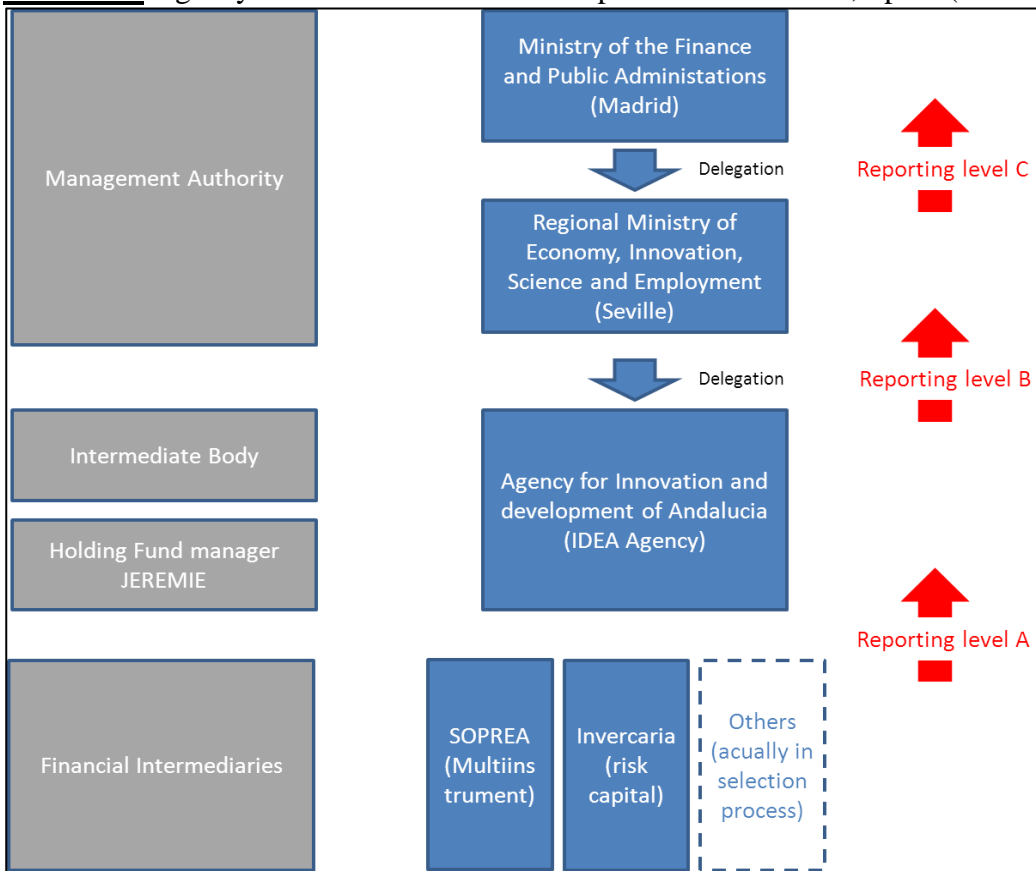
Partner 1: Finlombarda SpA, Italy (Milan)



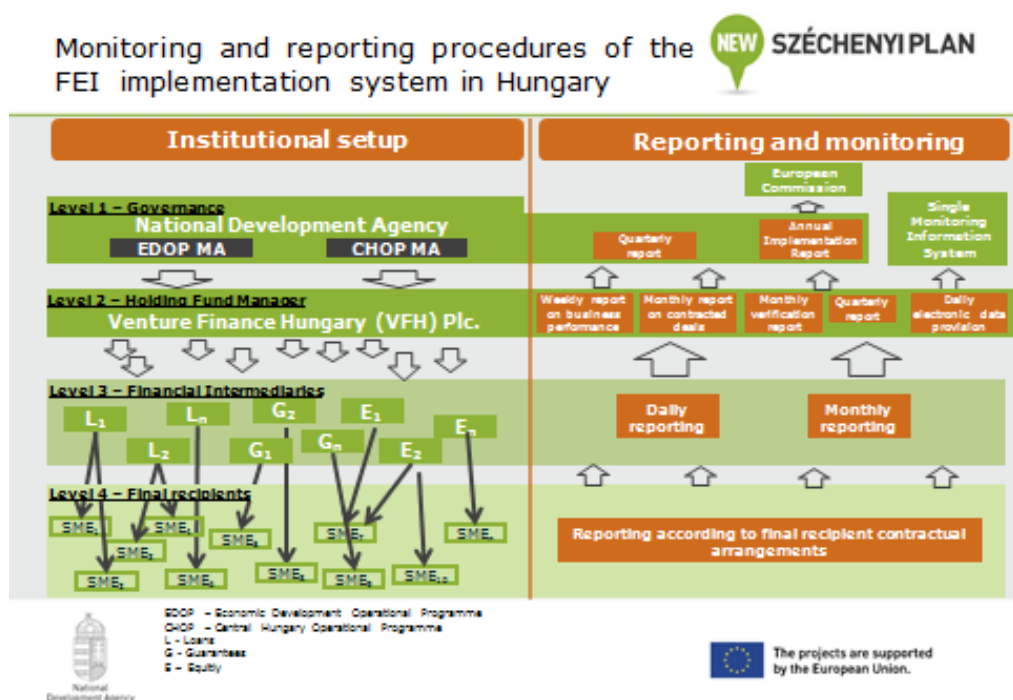
Partner 2: European Association of Public Banks, Belgium (Brussels) - Investitionsbank in Berlin



Partner 3: Agency for Innovation and Development of Andalusia, Spain (Seville)



Partner 4: National Development Agency, Operational Programme for Economic Development (EDOP) Managing Authority, Hungary (Budapest)

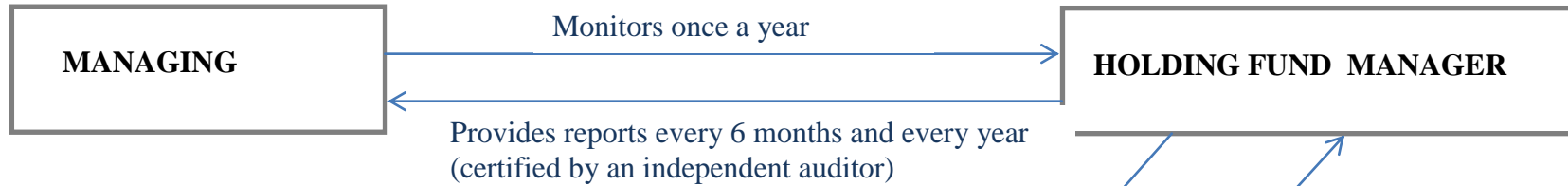


Partner 5: Auvergne Regional Council, France (Clermont-Ferrand)

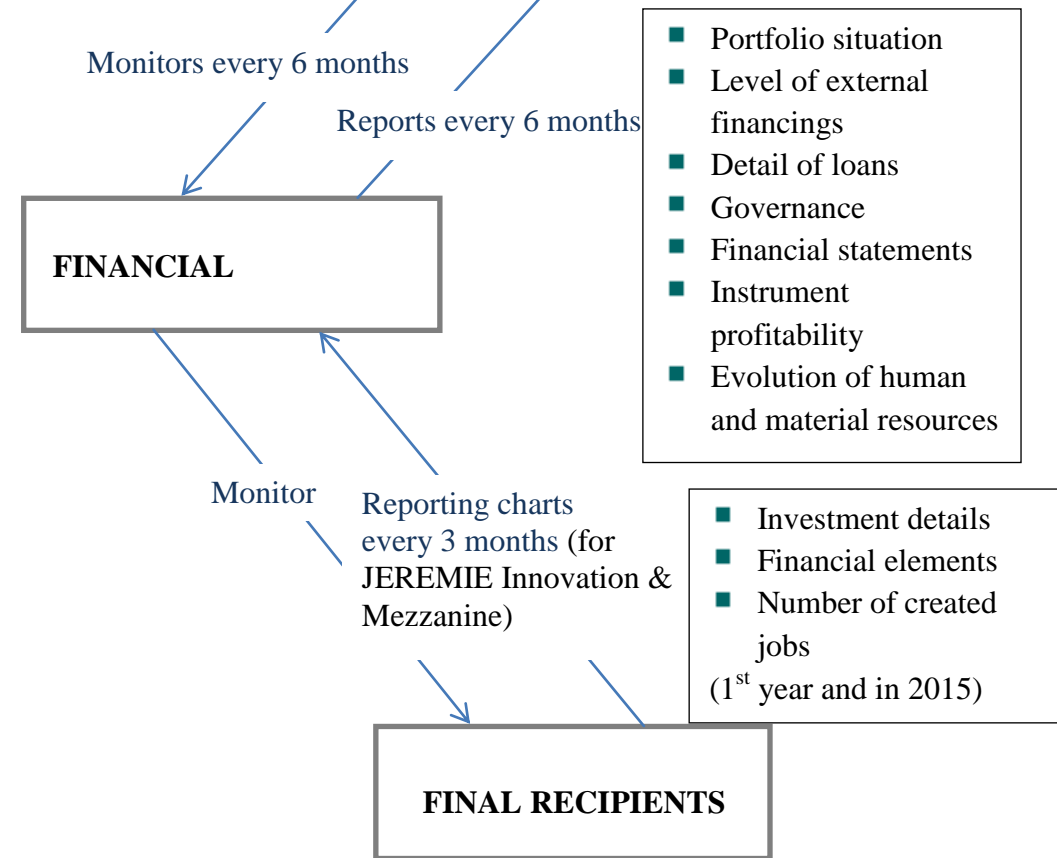
Graphic description on JEREMIE AUVERGNE monitoring and reporting procedure

European Commission and Ministry for Budget are evaluating the instrument unexpectedly

Staff meeting every 2 weeks
 Investors meeting every 6 months
 Subscribers (Regional Council and State) meeting every year



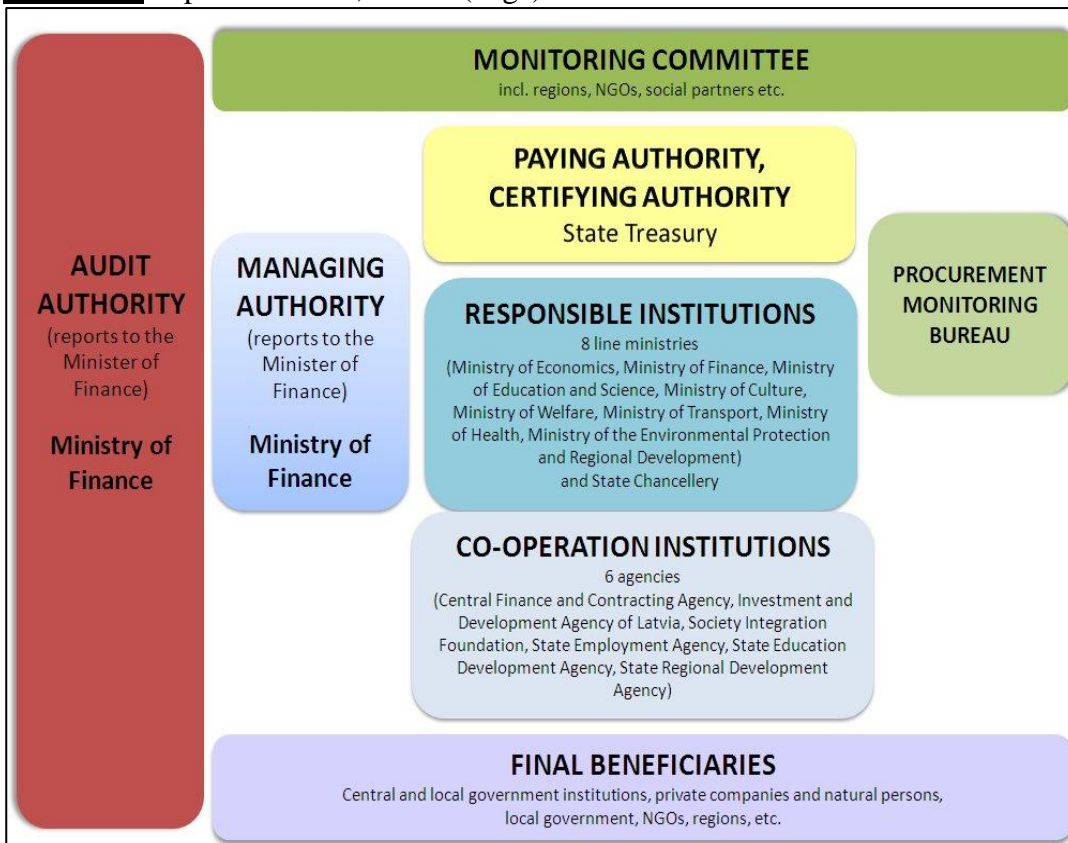
- Bi-annual report:
- Detailed analysis of JEREMIE progress, implementation of strategy and investment plan
 - Chart with OP contributions from Regional Council of Auvergne to JEREMIE Auvergne fund + share value
 - Investment amounts + beneficiaries
 - Perceived amounts after exits and value
 - Detailed information on fulfilment and evolution of investments and exits on last period
- Annual report:
- Detailed analysis of JEREMIE progress, implementation of strategy and investment plan
 - Detailed information on fulfilments and evolutions of investments and exits concerning last year with charts :
 - List of investments and exits with SIRET number(registration number for company) of each helped SME
 - Amount of allocated investment
 - Type of implemented instrument
 - Perceived amounts after investments and value



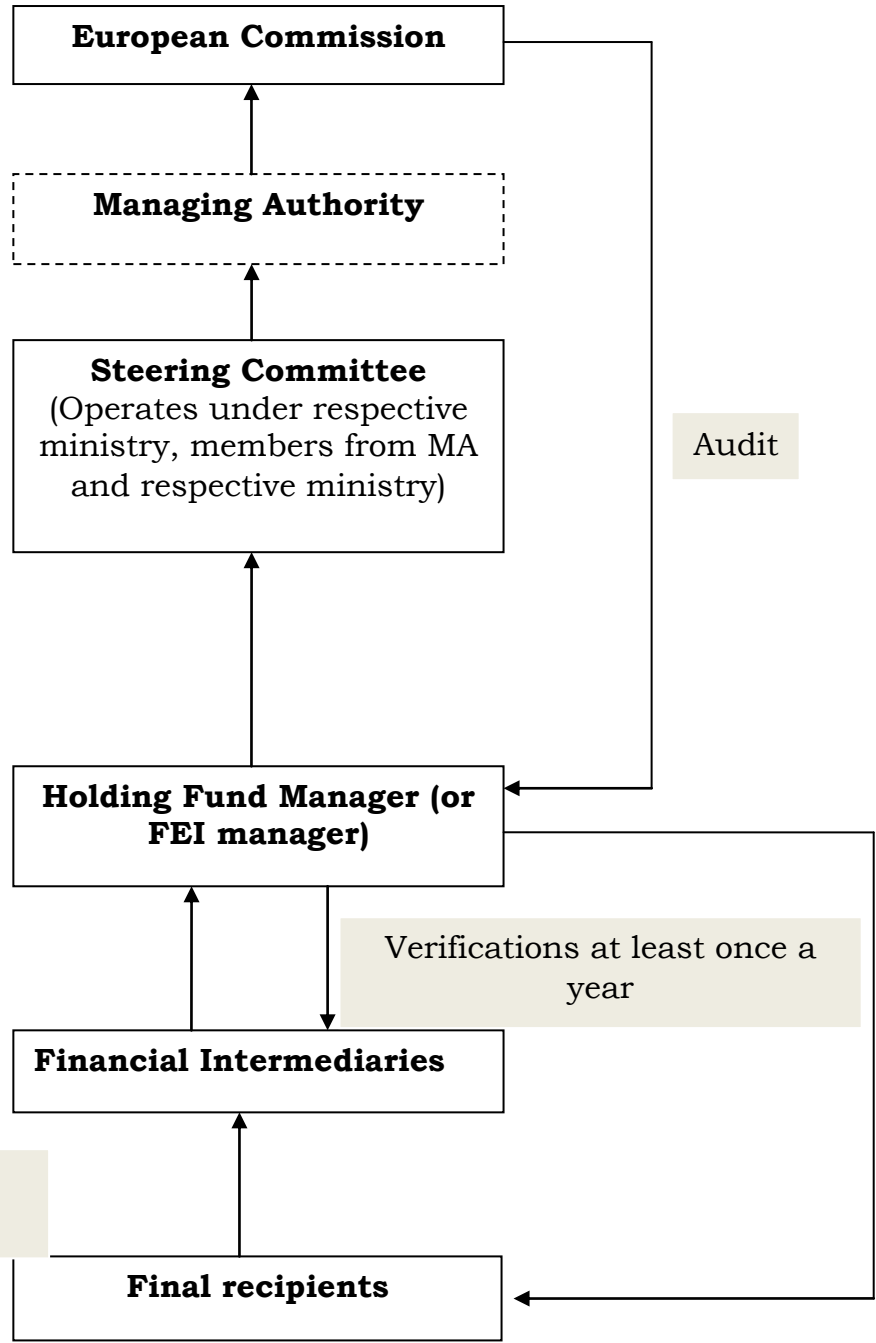
- Portfolio situation
- Level of external financings
- Detail of loans
- Governance
- Financial statements
- Instrument profitability
- Evolution of human and material resources

- Investment details
- Financial elements
- Number of created jobs (1st year and in 2015)

Partner 7: Hipoteku banka, Latvia (Riga)



Partner 8: INVEGA, Lithuania (Vilnius)



Reports under Funding Agreement:
 - Annual;
 - Every 6 months if needed.
 Monthly reports regarding achieved results on a parcel agreement.

Monthly reports
 Data provided in report depends on the instrument type. For the loan instruments it is required to provide information regarding:
 - Final recipient (name, status etc.);
 - Loan (purpose, amount, interest rate, maturity term etc.);
 - Disbursed amount;

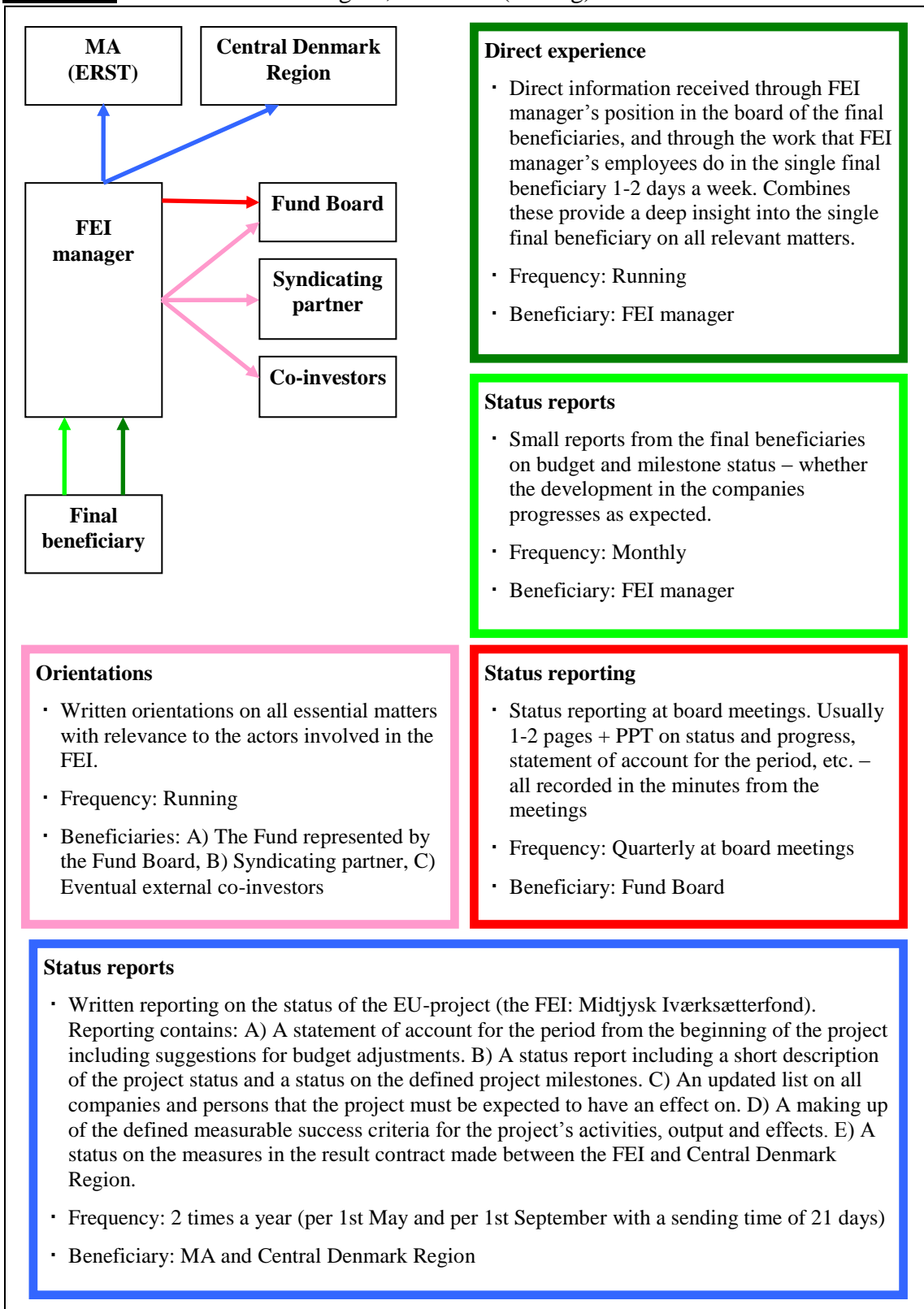
Information about disbursement

Verifications at least once a year

Audit

Selection based verification

Partner 9: Central Denmark Region, Denmark (Viborg)



Direct experience

- Direct information received through FEI manager’s position in the board of the final beneficiaries, and through the work that FEI manager’s employees do in the single final beneficiary 1-2 days a week. Combines these provide a deep insight into the single final beneficiary on all relevant matters.
- Frequency: Running
- Beneficiary: FEI manager

Status reports

- Small reports from the final beneficiaries on budget and milestone status – whether the development in the companies progresses as expected.
- Frequency: Monthly
- Beneficiary: FEI manager

Orientations

- Written orientations on all essential matters with relevance to the actors involved in the FEI.
- Frequency: Running
- Beneficiaries: A) The Fund represented by the Fund Board, B) Syndicating partner, C) Eventual external co-investors

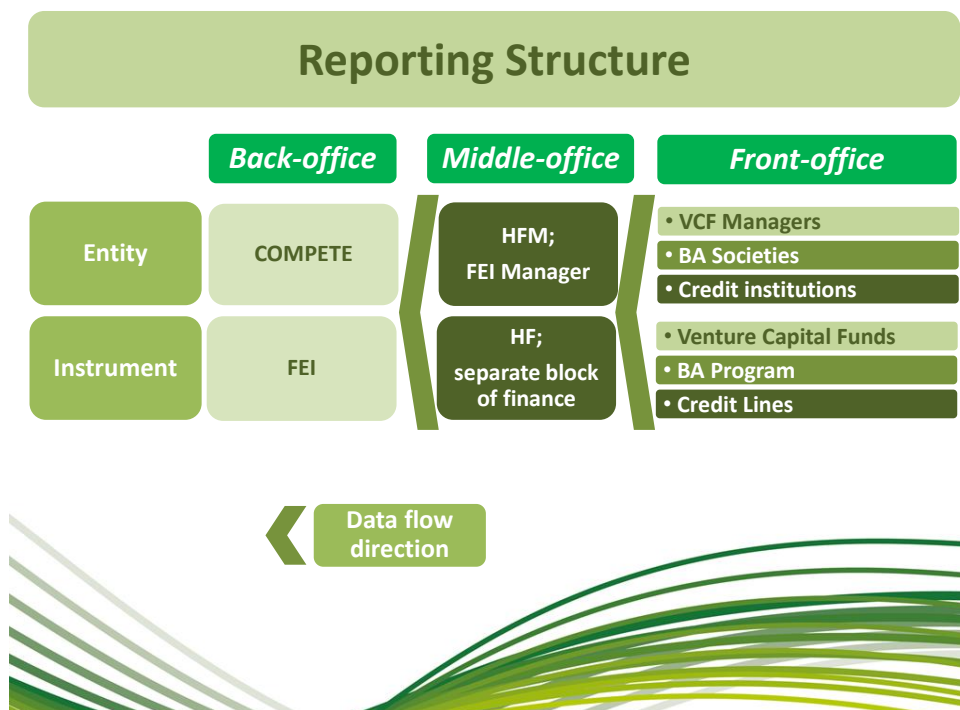
Status reporting

- Status reporting at board meetings. Usually 1-2 pages + PPT on status and progress, statement of account for the period, etc. – all recorded in the minutes from the meetings
- Frequency: Quarterly at board meetings
- Beneficiary: Fund Board

Status reports

- Written reporting on the status of the EU-project (the FEI: Midtjysk Iværksætterfond). Reporting contains: A) A statement of account for the period from the beginning of the project including suggestions for budget adjustments. B) A status report including a short description of the project status and a status on the defined project milestones. C) An updated list on all companies and persons that the project must be expected to have an effect on. D) A making up of the defined measurable success criteria for the project’s activities, output and effects. E) A status on the measures in the result contract made between the FEI and Central Denmark Region.
- Frequency: 2 times a year (per 1st May and per 1st September with a sending time of 21 days)
- Beneficiary: MA and Central Denmark Region

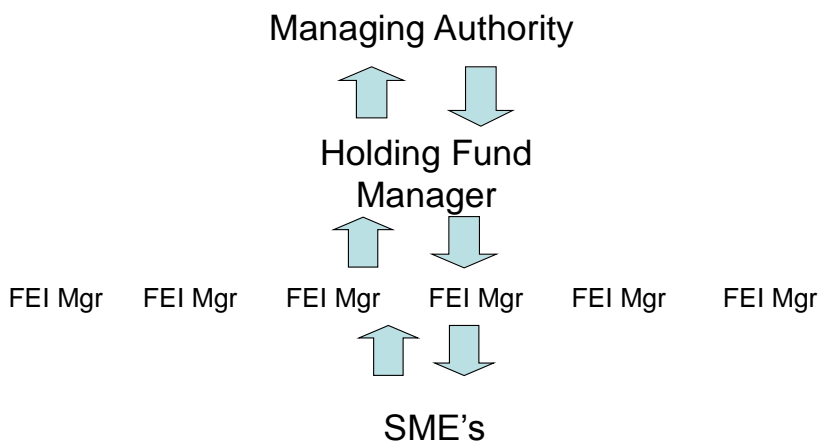
Partner 12: MA COMPETE, Portugal (Lisbon)



Partner 13: Department for Communities and Local Government (DCLG), UK (Warrington)



Reporting Structure



12.2. Annex 2: TWG3 questionnaire on monitoring and evaluation

Attached as separate document.

**12.3. Annex 3: Working group presentations from the TWG3 workshop in June 2013
in Budapest**

Attached as separate document.