



Conférence Européenne
des Directeurs des Routes

Conference of European
Directors of Roads

EU funds for roads



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Cover photo: Intersection of the EGNATIA motorway (Greece), co-funded by the ERDF

This report is: **FOR INFORMATION**

Executive summary

The European Union (EU) allocates the major part of its total budget for the development of road networks and other relevant interventions to its member states. In the period 2000–2006, the total amount allocated to road-related projects was €35 billion; 77% of this amount was allocated to its member states (approx. €27 billion) and 23% (approx. €8 billion) to other non-EU countries worldwide. Similarly, in the period 2007–2013, about €40 billion (87% of its total budget of €46 billion for road-related projects) is to be spent in EU member states, leaving €6 billion to be spent in third countries¹.

In general, EU funds that are earmarked for the achievement of specific EU targets (outputs/results/impacts) based on specific EU strategies are allocated, used, and managed through specific funds that serve these specific EU strategic goals². These funds are subject to very strict rules that are determined by specific European Commission (EC) legal documents (Regulations, Directives, Communications, etc.). Therefore, projects only receive financing from a fund if the project helps reach the specific objectives of the fund and covers all the eligibility requirements set by the fund's legal framework.

There are many EU funds that provide financing for road projects. A number of them are dedicated to financing projects in EU member states only; others are dedicated to financing projects in pre-accession countries or countries that have special relations with the EU or have concluded special agreements with the EU only.

For some funds, the project type (i.e. design studies, new construction, maintenance, supporting services etc.) is a key eligibility issue. For example, routine road maintenance projects are not eligible for EU funding within the EU; these projects must be financed solely by national or private funds³.

The allocation of funds from the EU budget to EU funds (and hence to the eligible countries and ultimately to the projects) is done through multi-annual engagements on the basis of a set of criteria and relevant negotiations among the EU member states (MS). Logically, the greatest part of these funds is made available to the regions/countries that have the greatest need in terms of the strategic goals that have been agreed and must be reached.

¹ Most of the information and data included in this document is taken from the pages of EU websites.

² For example, the EU's Cohesion Fund serves the strategic goal of achieving greater cohesion between EU member states by assisting those countries that are less developed than others.

³ Obviously this does not contribute to the promotion of the life-cycle cost management of road projects.

EU funds provide subsidies for the implementation of projects. For each project, this subsidy may cover either the total cost of implementation or (as is generally the case) part of it.

This depends on the kind of project⁴, the objectives of the programme under which it is provided⁵, and the financial restrictions set by the fund's legal framework⁶, but also on the relevant decisions of the benefiting country/organisation⁷.

EU funds usually stipulate that at least a small part of the total cost of the projects they finance is borne by the recipient country/organisation in order to ensure that proper ownership of these projects is developed within the recipient country/organisation.

The European Investment Bank (EIB) also contributes to the financing of road projects in many ways, mainly by giving loans to the state or directly to the (public or private) road development bodies responsible for the road construction projects.

The importance of EU funding, especially for less developed/poorer countries, is obvious: the EU fund contribution not only gives them a much larger amount of money to invest (for the implementation of their projects and the achievement of their developmental and other goals), it also helps them secure corresponding national funding and, therefore, indirectly helps ensure the timely completion of their projects.

Nevertheless, it is not easy to get and secure the use of EU funding:

- To get *EU funding*, the candidate body/organisation/country usually has to prove its relevant need and its capacity to use the funds, propose eligible projects, and compete against other candidates for the same funds. Obviously, it is more difficult to get EU funds when little funding is available or when funds are not dedicated to the type of project for which funding is being sought (e.g. road projects), but are open to numerous types (or any type) of project.
- On the other hand, the *use of EU funds* is also difficult since the money must be implemented within a specific time-frame and according to specific, strict eligibility, legal/regulatory, and procedural rules. It is not unusual for a recipient of EU funds to fail to use all the available funds for a project or to be asked to return some of the EU funds received if they have been used outside the EU funds' legal framework.

⁴ For example, new construction projects are not financed 100% by EU funds, while technical assistance projects (e.g. small-scale consultancy services) may receive 100% funding.

⁵ For example, a project in a poor third country covered by a EuropeAid technical cooperation programme is usually 100% financed by subsidies from the corresponding EU fund, while the cost of a similar project in an EU member state may not be 100% financed by the corresponding EU fund.

⁶ The regulation of a fund generally provides the limits of the permitted contribution from the fund (e.g. up to max. 85% of the total eligible cost of the project).

⁷ A country/organisation receiving funds may decide to cover a smaller percentage (than the maximum allowed) of the total cost of its projects with EU funds, undertaking to cover the remaining part with national or private funds.

In many countries, the 'bureaucracy' imposed by the competent EC and national authorities for the management of EU funds comprises a set of rules and procedures that are not included in the routine operations of the stakeholders involved, but are imposed as additional obligations and restrictions. This certainly generates relatively high costs at many levels and often causes frustration among the stakeholders involved.

Nevertheless, most countries and organisations are keen to get and use EU funding, mainly because the funding takes the form of subsidies (grants) that do not have to be repaid.

Table of contents

Executive summary	3	
Table of contents	6	
1	Definition of the issue	7
1.1	Brief presentation of EU funds	7
1.2	EU funds for roads.....	24
2	Ways forward	39
2.2	How to secure EU funds for road projects.....	47
2.3	How not to lose the acquired EU funds	49
2.4	How to get a loan from the EIB	50
ANNEX 1:	Information on EU funds for EU member states	57
ANNEX 2:	Information on EU funds for non-EU countries	60
ANNEX 3:	Titles of currently open EU funded programmes in non-EU countries relating to transport	62
ANNEX 4:	Fact-sheet for the loan guarantee instrument for trans-European transport network projects	63
ANNEX 5:	Country profiles	65

1 Definition of the issue

1.1 Brief presentation of EU funds

For the purpose of better presentation, the available EU funds described below are divided into two categories: (a) those for projects in EU member states and (b) those for projects outside the EU (in non-EU countries).

The first category of funds aims to achieve internal EU objectives such as cohesion, competitiveness, employment, sectoral objectives, pre-competitive development etc.

The second category of funds covers the requirements of the EU's external policy in third countries, i.e. in all poorer countries around the world.

1.1.1 EU funds for EU member states

The EU funds that provide financing for projects in EU member states (MS) are:

- *The Structural Funds and the Cohesion Fund*

The structural funds are:

- ✓ *The European Regional Development Fund (ERDF)*
- ✓ *The European Social Fund (ESF)*
- ✓ *The European Agricultural Fund (EAF)*
- ✓ *The Fisheries Fund (FF)*

The common aim of these funds is to strengthen economic and social cohesion in order to promote the harmonious, balanced, and sustainable development of the EU.

The specific objectives of the Structural Funds are changing over time⁸ (in accordance with the strategic goals at EU level set for each multi-annual programming period). More specifically the objectives served are presented in Annex 1.

In addition to these Structural Funds, the EC created (in 1993) and uses

- ✓ *The Cohesion Fund (CF)*,

which has a similar structure and area of implementation to the Structural Funds, operates under close coordination with them, and shares with them the same common aims.

The Cohesion Fund was set up to help less prosperous MS⁹ resolve a dilemma: to provide the vital development of infrastructure needed for their trans-European transport networks and environmental protection while ensuring that the high cost of these major works does not undermine their budgetary efforts to meet the economic and monetary union criteria and thus reduce their inequalities compared to the most developed MS.

⁸ In the text that follows, reference is made in two 'programming periods', i.e. 2000-2006 and 2007-2013, which are implemented in the periods 2000-2008 and 2007-2015 respectively, since presently (2008) we are in one of the common years of implementation for both periods.

⁹ Today, this is defined as those MS that have a Gross National Income (GNI) per capita that is below 90% of the EU (27) average.

Of all the EU funds listed above, only three are used to finance **road projects**: the ERDF, the CF (with important funds), and the EAF (with minor amounts for rural roads).

The total amount of funds made available to EU MS through these funds (for all kinds of projects, not only for roads) is very large: **€183.6 billion** for the period 2000–2006 (2008) and **€336.1 billion** for the period 2007–2013 (2015). An analysis of the above funds is provided in Annex 1.

EU funds are provided to MS according to the *principle of additionality*, which seeks to ensure that EU funds add to, rather than substitute, national efforts to promote economic and social cohesion. Therefore, the average annual level for public structural expenditure in real terms has to be at least equal to the established baseline (for the programming period). This principle is also served by the imposed upper limits (ceilings) for the EU funds' contribution to the financing of the total cost of the projects¹⁰.

More information on these funds can be found in the following EC documents: Regulations EU/1083/2006 (11-07-2006), EU/1080/2006 (5-07-2006), EU/1084/2006 (11-07-2006), EU/1081/2006 (5-07-2006), EU/1082/2006 (5-07-2006).

Web site of the EC (DG REGIO): [http://ec.europa.eu/info/region_en.htm].

▪ Sectoral EU funds

For the facilitation of the implementation of its sectoral strategies and endeavours in the MS, the EU uses special funds (thematic budget lines) to finance relevant interventions and projects. An example of such a fund is the one dedicated to the development of the **Trans-European Transport Networks¹¹ (TEN-T Fund)**.

¹⁰ These **ceilings** are different for each objective served: Thus, in the period 2007–2013 (2015) the ceilings for EU fund contributions to the financing of a project's cost, are:

For projects serving Objective 1 (Convergence):

- 75% by the ERDF [Note: this percentage can be increased up to 80% if the project is implemented in regions eligible for the CF and up to 85% if the project is implemented in an outermost region] and ESF,
- 85% by the CF

For projects serving Objective 2 (Regional Competitiveness and Employment):

- 50% by the ERDF or ESF [Note: this percentage can be increased up to 85% if the project is implemented in an outermost region].

For projects serving Objective 3 (European territorial cooperation):

- 75% by the ERDF.

It should be noted that by implementing certain criteria such as the 'polluter pays principle' or the financial feasibility of the projects, their total eligible cost is reduced and therefore the percentage of the EU funds' contribution to the projects' total cost is below these max. ceilings.

¹¹ The **Trans-European Networks (TENs)** are large infrastructure networks of transport, energy, and telecommunications underpinning the developmental and integration goals of the European Union. The TENs facilitate:

- the economic and social integration of the union
- the free movement of people and goods
- the development of less favoured EU areas

The trans-European transport, energy, and telecommunications networks cover the whole of the Union of 27 member states. In the context of the **transport corridors** in the countries of the wider European neighbourhood, there is also a focus on EU neighbours, specifically:

- accession countries (Croatia and Turkey)
- The European Economic Area (Norway, Iceland, and Liechtenstein)
- The Balkans
- The Mediterranean Partner Countries
- Russia, Ukraine, Moldova, and Belarus

It is not easy to estimate the total amount of funds made available to EU MS by all such funds for all sectors.

Indicatively, the amounts made available by the **TEN-T Fund** are:

- ~~~€4.2~~ **€4.2 billion** for the period 2000–2006 (2008)
- ~~~€8.0~~ **€8.0 billion** for the period 2007–2013 (2015)¹²

More information on the TEN-T fund can be found in the following EC documents: Regulation EU/680/2007, Decision EC/1692/1996, and Decision EC/884/2004. Further information can be found in the web site of the EC (DG TREN): [http://ec.europa.eu/transport/index_en.htm].

▪ Other EU funds

In addition to the funds mentioned above, there are also a few other funds (EU budget lines) that provide financing to ‘pre-competitive’ and other small projects (usually to projects for the development of a sector or the promotion/implementation of a cross-cutting issue within the EU etc). This kind of financing is generally provided through specific programmes launched by the EC. The amounts of funds made available through such funds are difficult to estimate since they vary in time. In general, however, they are not very large.



Fig. 1: Poland – A2 Konin-Strykow motorway

¹² For the period 2007-2013, the EC initially proposed the sum of **€20 billion**, but finally (as proposed by the MS) the amount agreed was only **€8.0 billion**.

1.1.2 EU funds for non-EU member states

The EU funds that provide financing for projects in non-EU countries are:

- The pre-accession funds

The EU funds that finance projects in pre-accession countries have changed over time:

- In the period 2000–2006 (2008), the following EU funds helped non-EU countries, which had been given pre-accession country status, to acquire the *Acquis Communautaire*:
 - *PHARE*, which seeks to reinforce the management capacity of the country and promote regional and social development, the industrial restructuring, and the development of SMEs: **€10.92 billion**;
 - *SAPARD*, which seeks to modernize agriculture and develop rural areas: **€3.64 billion**;
 - *ISPA*, which seeks to develop transport infrastructures and protect the environment: **€7.28 billion**.

The allocation of these funds per eligible country is presented in Annex 2.

The total amount of EU funds available for all these countries from all three funds in this period (2000–2006) was **€21.84 billion**. Considering that the ceiling contribution for these funds was 75% (in certain cases up to 85%) of the projects' total cost (public expenditure), it is obvious that the total available funds for this period exceeded **€30 billion**.

It is worth noting that in the middle of the period, all these pre-accession countries joined the EU. Nevertheless, in the same period, a number of other countries acquired this status, namely Croatia, FYROM, and Turkey.

- In addition to the above-mentioned ISPA, SAPARD, and PHARE funds, significant amounts were allocated to a new financial instrument called *CARDS (Community Assistance for Reconstruction Development and Stabilisation)* in the same period (2000–2006).

Under *CARDS*, more than **€5 billion** were allocated to the Western Balkans region (including: Croatia, FYROM, Albania, Serbia, Kosovo, Montenegro, and Bosnia & Herzegovina) in the period 2000–2006, with assistance focusing on reconstruction and infrastructure, promotion of democracy, economic and social development, and regional cooperation.

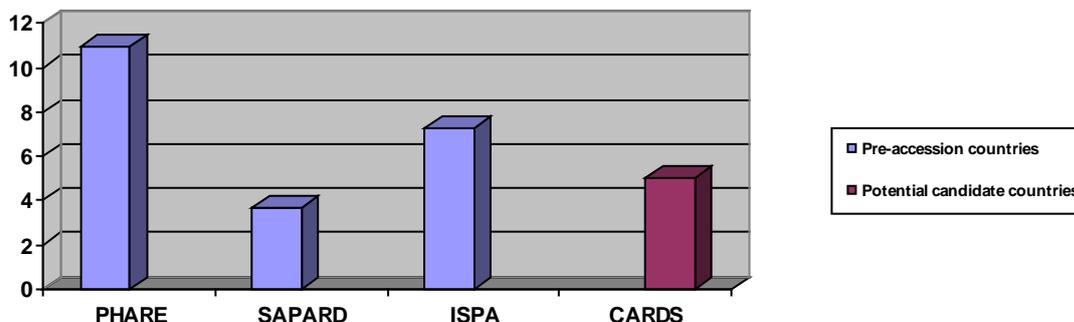


Fig. 2: EU funds for EU candidate countries (2000–2006)

For the period 2007–2013 (2015), the *Instrument for pre-accession Assistance (IPA)*, a new EU fund, replaces PHARE, SAPARD, and ISPA.

Countries that are eligible for IPA are both candidate countries for EU membership (Croatia, FYROM, and Turkey) as well as countries that have been given potential candidate country status by the EU (Albania, Bosnia & Herzegovina, Montenegro, and Serbia (including Kosovo¹³)).

The total amount of IPA funds available for all these countries in this period (2007–2013) is **€11.47 billion**¹⁴.

An indicative allocation of the funds per country in the period 2007–2009 is presented in Annex 2.

More information on IPA can be found in EC Regulation EU/1085/2006 (17-07-2008) and on the website of the EC (DG ENLARGEMENT) [http://ec.europa.eu/enlargement/dont-miss/index_en.htm].



Fig. 3: Lithuania – Krašto Kelias National Road

¹³ As defined in UNSC Resolution No. 1244.

¹⁴ About **€7.58 billion** has been budgeted for the period 2007–2011, out of which **€3.96 billion** will be used in the period 2007–2009 for the enhancement of political and economic reform and the development of the recipient countries on their path towards EU membership.

- Post-accession fund

A *Transition Facility* was created by the EC in 2003¹⁵ for certain institution-building actions in the (then) new member states¹⁶ over the period 2004–2006¹⁷. The purpose of the transition facility was to continue to assist new member states in their efforts to strengthen their administrative capacity to implement Community legislation and to foster exchange of best practice as an extension to assistance provided until accession under PHARE.

The total amount of funds made available by this instrument for all these countries in that period (2004–2006) was ~**€3 billion**.

Considering that the ceiling contribution for the Transition Facility was 75% of the projects' total cost (public expenditure), it is obvious that the total available funds for that period were ~**€4 billion**.

- External cooperation¹⁸ funds

The European Union is by far the biggest donor worldwide¹⁹. The EU external cooperation budget has constantly increased in the last 20 years. In the period 2008–2013 it will amount to an average of over **€10 billion per year** (not including IPA).

EuropeAid is the EC department (agency) that coordinates the implementation of all external development and cooperation projects and programmes, with the exception of humanitarian aid, which is handled by the European Commission's Humanitarian Aid Office (**ECHO**). In the period 2000–2002, the implementation of external development and cooperation projects/programmes was decentralised to **EC delegations** in the recipient countries²⁰. This proved a very successful move.

¹⁵ Please see EC Communication C (2003) 4884 of 19 December 2003.

¹⁶ Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia

¹⁷ The principle and related financial allocations were subsequently enshrined in the Act of Accession under Article 34.

¹⁸ **External cooperation** (and assistance) is considered a core activity of the EU. Its objectives are set out in the EU Treaty, in particular, Article 181 which states: 'Community policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to the objective of respecting human rights and fundamental freedoms.'

¹⁹ Politically, all EU operations in third countries are governed by the provisions and spirit of the **European Consensus on Development** (14820/05, DEVGEN 229, RELEX 678, ACP 155, 22-11-2005), which is indeed a wonderful document!

²⁰ In order to make its actions more responsive to local needs, facilitate coordination between donors, and speed up implementation, the EC decided to make its Delegations, i.e. its representations in partner countries, responsible for the management of external aid. There are currently around 110 devolved EC Delegations in Africa, Asia, the western Balkans, the Caribbean, Eastern Europe, Latin America, the Mediterranean, the Middle East, and the Pacific. The delegations act not only as the eyes and ears of the Commission in their host countries but also as its mouthpiece vis-à-vis the national authorities and society as a whole. Concerning development aid and external assistance, delegations are responsible for identifying projects, assessing their feasibility, as well as implementing and evaluating their results. EuropeAid's headquarters in Brussels are responsible for overall coherence, and for general, thematic, and quality support. Headquarters also coordinate with other Commission directorates-general, with member states and with the other EU institutions, and carry out the overall planning and reporting on the progress of development aid. Highly specialised areas—such as supporting reforms in the nuclear energy sector and regional and horizontal programmes which affect several or many recipient countries—are managed directly from Brussels as well.

The EU provides these funds as **grants** to more than 160 countries and territories all over the world. These grants are direct financial contributions from the general EU budget (through various financial instruments/programmes) or from the *European Development Fund* (EDF) and fall into two broad categories:

- *grants for actions*, which seek to achieve an objective that forms part of an external aid programme and
- *operating grants* for the financing of the operating expenditure of an EU body that is pursuing an aim of general European interest or an objective that forms part of an EU policy.

These EU grants are:

- Based on the reimbursement of the eligible costs, in other words, costs effectively incurred by the beneficiaries that are deemed necessary for carrying out the activities in question. The results of the action remain the property of the beneficiaries.
- Subject to a written agreement signed by the two parties and, as a general rule, require co-financing by the grant beneficiary.

Since grants cover a very diverse range of fields, the specific conditions that need to be fulfilled (eligibility etc.) may vary from one area of activity to another.

► **Financial Instruments (funds) used**

For the 2007–2013 financial perspective, the EU has adopted a package of six financial instruments for the implementation of external assistance.

- ✓ European Neighbourhood and Partnership Instrument (ENPI)
- ✓ European Development Fund (EDF)
- ✓ Development Cooperation Instrument (DCI)
- ✓ European Instrument for Democracy & Human Rights (EIDHR)
- ✓ Instrument for Stability (IfS)
- ✓ Nuclear Safety Cooperation Instrument (NSCI)

Details of these financial instruments are presented in Annex 2.

The funds originally available for each financial instrument (fund) for the period 2007–2013 are given below (all figures are in € billion):

○ ENPI	:	10.6
○ EDF	:	22.6
○ DCI	:	15.1
○ EIDHR	:	1.1
○ IfS	:	2.5
○ NSCI	:	0.5
○ Other	:	8.4
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TOTAL	:	€60.8 billion

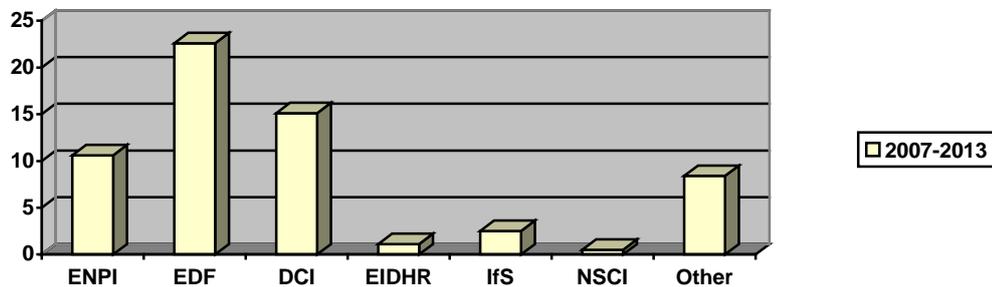


Fig. 4: EU funds by financial instrument (2007–2013)

► EU funds allocated per region

The EU funds allocated per region for the period 2007–2013 are as follows:

- ACP region: **~€25.0 billion**²¹ (these funds come mainly from the EDF and to a lesser extent from the general budget lines of the EU).
- Asia region: **~€5.2 billion** (these funds come from the DCI).
- Latin America region: **~€6.9 billion** (these funds come mainly from the DCI).
- EU neighbourhood & Russia region: **~€12 billion** (these funds come from the ENPI).
- Worldwide ('horizontal') thematic programmes²²: **~€11.7 billion** (these funds come from the IfS (€2.5 billion), EIDHR (€1.1 billion), NSCI (€0.5 billion), and HMFT²³ (€8.0 billion))

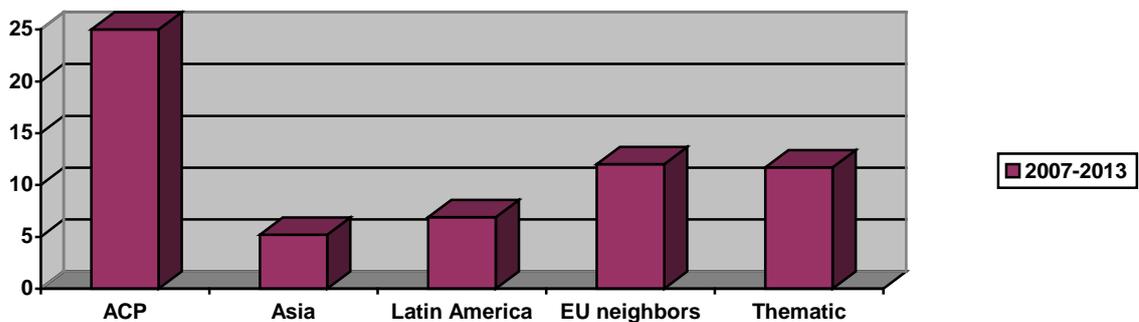


Fig. 5: EU funds per region

²¹ In addition to these funds (EU grants), loans from the European Investment Bank (EIB) amounting to €27.8 billion will be available during the same period, as decided by the ECOFIN on 28 November 2006.

²² These thematic programmes support actions in the following areas: Supporting civil society and local authorities, Democracy and human rights, Electoral support, Environment and natural resources, Food security, Gender and equality, Health issues, Migration and asylum, Nuclear safety and non-proliferation, Instrument for Stability.

²³ Tools for Humanitarian and Macro-Financial Aid

Obviously, the most important of the above regions for CEDR members is the EU Neighbourhood & Russia region.

1.1.3 The 'bureaucracy' involved in the use of EU funds

The obligations for all stakeholders involved in the management of EU funds that have been earmarked for the implementation of a specific intervention (project, programme etc.) start the moment the competent EC Service makes this decision.

These obligations are numerous and relate to a large number of issues such as:

- the 'features' of the funds (targets, ceilings of co-financing, eligibility restrictions etc.);
- competition rules (relevant EU and national legal frames);
- existing EU and national strategies (sectoral, regional, other);
- the timing of the implementation of the interventions;
- the procedures (to be) followed;
- other

They are the result of (and are documented in) a series of legal documents, both national (e.g. laws on the management of EU funds, valid national strategies, obligatory accounting systems etc.) and EU (Regulations, Directives, EC Communications, Vademecums etc.), which must be respected.

This implementation environment has become very difficult for the authorities that are implementing the projects.

In the name of transparency, accountability, and achievement of the expected results and impacts, the imposed rules and procedures have in recent years become suffocating, even for the implementing bodies because they don't have sufficient capacity to deal with all the associated restrictions, conditions, and rules.

The following two examples illustrate the corresponding difficulties very clearly. However, these are only examples, there are many other difficulties.

- Too many 'parallel' and overlapping audits/controls

The most pressing and nagging issue is the implementation of numerous parallel audits/controls by many different bodies (national and EU) throughout the period of implementation of the co-financed interventions. In some cases, the situation resembles an upside-down pyramid (with one body producing and many others auditing/controlling). The obvious solution, i.e. to coordinate all the (national and EU) audits/controls and reduce their number to the absolute minimum required, does not seem to be uppermost in the minds of the responsible (national and EC) authorities.

Unfortunately, after so many years of EU funding implementation, it seems as if the situation is not improving, the main reasons being that:

- EC Services are (or at least seem to be) suffering, mainly from (a) the huge size of the EU, EU bodies, and EU budgets used, which necessitate the implementation of a large number of systems to ensure their proper management, and (b) their auditors, who have also imposed the implementation of strict controls at all levels.

- National governments cannot practically implement the required upgrading of their public administrations, for example, by implementing measures leading to the incorporation of the requirements of the EC Services in their operation routines or the upgrading of the effectiveness of the administrations so that they can implement the co-financed interventions quicker but without violating the existing rules and best practices.
- Insufficient time-frame for the proper implementation of all life-cycle stages of a project

It is quite typical for the whole life cycle of the co-financed projects/programmes to be squeezed into an impossible time-frame. The main reason for this is that the competent authorities do not have 'mature' projects at the beginning of the programming period mainly because they do not have enough national funds for the early implementation of the design studies, investigations, public consultations etc. for their projects. Given the very strict eligibility frame of each programming period (which extends to about seven years), it is, of course, impossible to start the 'preparation' of a road project at the beginning of the programming period and have the project constructed at the end of the period.

This is why in such cases the project-implementing authorities usually try a number of 'tricks' that usually lead to mistakes, problems, and/or the non-eligibility of the relevant expenses. The final results are usually disappointing:

- ✓ Projects cannot be implemented within the eligible time-frame, which may lead either to difficulties in meeting the remaining funding needs with purely national (own) funds, or even to the return of the EU funds received so far (when the completion of the project with own funds is not possible within the logical time-frame).
- ✓ Available EU funds are not ultimately used (which means that the expected results and impacts from their proper use are not achieved).
- ✓ The state budget is stretched, which can lead to fiscal problems for countries with weak national economies.

The lessons learned from the implementation of EU co-funded projects are valuable and should always be considered in order to improve the situation (at least from one period to the next). The recommendations resulting from the two examples outlined above are given below.

In order to have positive results from the implementation of projects that are co-financed by money from EU funds, the funds' recipients should at least:

- ensure they fully respect the relevant national and EU legal and regulatory frameworks;
- start the 'preparation' of their projects sufficiently early to ensure that they can be implemented within the available time-frame of the programming period;
- develop their capacity and improve their effectiveness without resorting to any illegal measures (e.g. bribes, conflicts of interest, illegal hiring of extra capacity);
- make special efforts with regard to the management of these projects, e.g. by conducting periodic risk analyses and assessments of the progress pace of the projects.



Fig. 6: This section of the PATHE motorway in Greece was co-funded by the ERDF

1.1.4 The European Investment Bank (EIB)

The **European Investment Bank (EIB)**²⁴ plays an extremely important role in the financing of road (and other investment) projects not only in EU member states but also in non-EU countries. The EIB was set up in 1958 by the Treaty of Rome as the long-term lending bank of the European Union.

The EIB lends money to the public and private sectors for projects of European interest in the following areas:

- the cohesion and convergence of EU regions
- support for small and medium-sized enterprises
- environmental schemes
- research, development, and innovation
- transport
- energy

The EIB is a non-profit, policy-driven bank. Unlike commercial banks, the EIB does not manage personal bank accounts, conduct over-the-counter transactions, or provide private investment advice.

²⁴ Most of the information about the EIB presented here is taken from the EIB website.

The EIB makes long-term loans for capital investment projects (mainly fixed assets) but does not provide grants or venture capital. EU grants are managed by the European Commission (EC), while venture capital is provided by the European Investment Fund (EIF).

In accordance with Articles 16 and 18 of the EIB statutes, the EIB works with other banks, either co-financing projects or in security structures.

To allow promoters to make use of other sources of finance wherever possible, the EIB's intervention in any project is limited to 50% of the cost of the qualified investment cost of a project as it is established during appraisal. EIB financing may be combined with EU grants depending on the scope and definition of the individual project (in practice this is very common for road projects promoted by public authorities: a major part of the national contribution to the project financing scheme sources from EIB loans).

The EIB is owned by the member states of the European Union. They subscribe jointly to its capital, each country's contribution reflecting its economic weight within the union. The EIB does not use any funds from the EU budget. Instead, it is self-financing, borrowing on the financial markets.

Because the EU member states are the EIB's shareholders, it carries the highest possible credit rating (AAA) on the money markets. As a result, the EIB can raise large amounts of capital on very competitive terms. As the EIB is a not-for-profit institute, its lending conditions are equally favourable. The EIB cannot however lend anymore than 50% of the total cost of an individual project.

The projects in which the bank invests are carefully selected according to the following criteria:

- they must help achieve EU objectives;
- they must be economically, financially, technically, and environmentally sound;
- they should help attract other sources of funding.

The EIB also supports sustainable development in the candidate and potential candidate countries, in EU neighbour countries to the south and to the east, and in partner countries elsewhere. The EIB is active in the EU and in some 140 countries worldwide with which the EU has cooperation agreements.

In 2007, the European Investment Bank lent €47.8 billion in support of the objectives of the European Union: €41.4 billion to member states of the EU and EFTA, and €6.4 billion to partner countries.

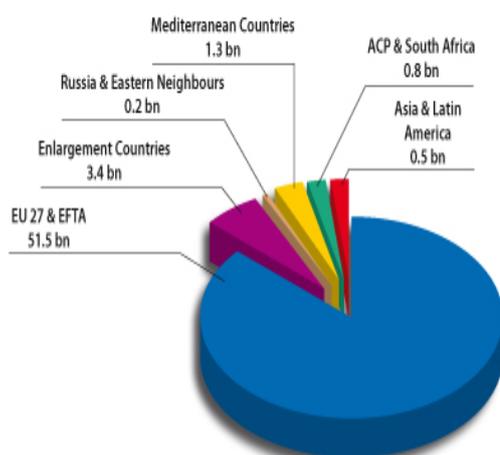


Fig. 7: Breakdown of EIB financing by region

Source: EIB website

Sectors	Year 2009 (in EUR)	Past 5 years (in EUR)
Agriculture, fisheries, forestry	0	22'100'000
Composite infrastructure	607'820'000	5'760'964'436
Credit lines	1'072'000'000	56'883'455'944
Energy	877'700'000	27'892'706'889
Health and Education	427'400'000	17'813'983'921
Industry	1'669'221'178	21'720'257'673
Services	452'000'000	13'200'439'751
Telecommunications	700'000'000	9'459'111'879
Transports	2'540'453'920	65'513'190'475
Urban infrastructure	229'180'000	9'688'376'491
Water, sewerage	751'200'000	13'769'021'296
Total Amount	9'326'975'098	241'723'608'755

Last update : 19/03/2009

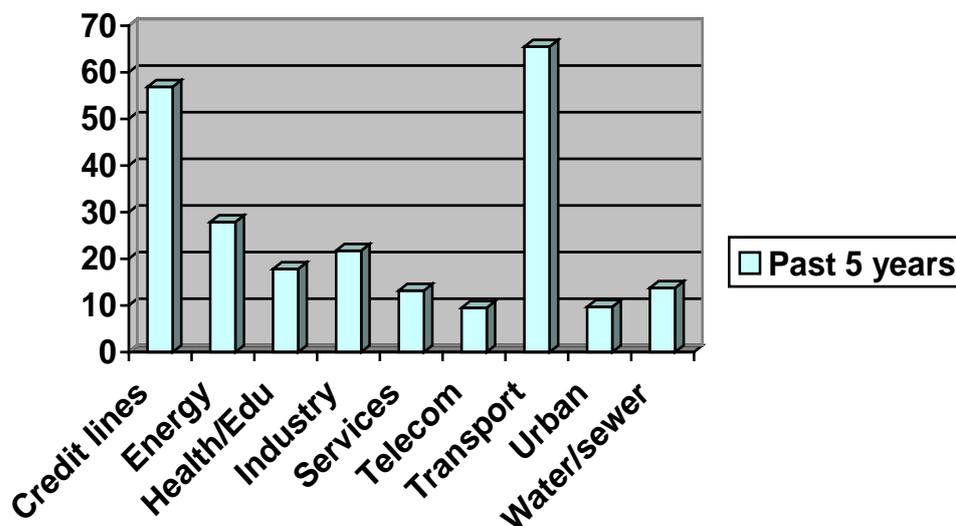


Fig. 8: Breakdown of EIB financing by sector

► The conditions of EIB lending

The EIB provides long-term loans, running from approximately 4 to 20 years (possibly more), depending on the economic life of the assets to be financed.

As well as fixed interest rates, the bank can offer revisable fixed and convertible rates, allowing for the change of interest rate formula during the life of the loan at predetermined dates or periods.

EIB variable rate loans are usually available at a spread below LIBOR, fixed for the full maturity of the loan at the time of each draw down.

In addition to its usually advantageous lending rates, the EIB normally charges neither commitment fees nor non-utilisation fees, but fees for a project's appraisal and required legal services may be applicable in certain cases.

The EIB seeks adequate security for its lending, such as that provided by a bank or banking syndicate, a financial institution, or a large diversified parent company with a good credit rating. In certain circumstances, the bank may also include a risk margin in the financing arrangements.

The EIB seeks assurances that no other creditor is in a more favourable position than itself, taking into account the tenor and expected amount of the commitment.

The EIB monitors the project's progress, and may carry out on-site inspection. It may also prepare an end-of-project evaluation report.

◆ Typical features of EIB project loans

Amounts

Individual loans (direct loans) are granted to projects where the total investment cost exceeds €25 million (or €10 million in the case of projects in the Africa/Caribbean/Pacific region).

The EIB may finance a maximum of 50% of the total cost of any project.

Individual loans are available to promoters in both the public and private sectors, including banks.

Conditions

The conditions of financing are adapted to the investment type. Adequate security is needed, such as that provided by a bank or banking syndicate, a financial institution, or a large diversified parent company with a good credit rating.

Interest Rates

The bank can offer:

- fixed rates
- revisable fixed rates
- convertible rates (allowing for the change of interest rate formula during the life of the loan at predetermined dates or periods.)

Fees

The EIB does not normally charge commitment fees or non-utilisation fees. Fees for a project's appraisal and required legal services may be applicable in certain cases.

Currencies:

The EIB Group's financial accounts are in Euro (EUR). In addition, the bank can lend in:

- UK Sterling (GBP)
- US Dollar (USD)
- Japanese Yen (JPY)
- Swedish and Danish Crowns (SEK and DKK)
- Swiss Franc (CHF)
- Currencies of candidate countries and other EIB partner countries.

Disbursement procedures

An EIB loan facility, once approved by the Board of Directors, can be drawn down in a number of instalments, according to the borrower's requirements. Typically, an EIB facility is available for use over a two to three year period. Disbursements would be usually at short notice, 10 to 15 days following each disbursement request.

The maturity, repayment terms and amortisation profile of each draw down instalment can be chosen by the borrower at the time of disbursement, facilitating active treasury management. Decisions on timing and choice of currencies, maturities, and interest rate formulae are kept open and decided upon at the time of each disbursement request.

Repayment

Repayment is normally on a semi-annual or annual basis. Grace periods for capital repayment may be granted for the construction phase of the project.

For projects where the total cost is under €25 million, the EIB provides intermediated loans (credit lines) to local, regional, and national banks. An EIB credit line may finance a maximum of 50% of the total cost of any project.

Credit lines are granted to intermediary banks and financing institutions in the country in which the project is based. These institutions pass on the EIB funds to the promoters, generally SMEs and local authorities.

The conditions of financing (interest rate, grace period, loan period etc.) are determined by the respective EIB partner bank. Maturities typically range between 5 and 12 years.

To qualify as an SME, a company must have fewer than 250 employees, an annual turnover not exceeding €50 million, and an annual balance sheet total of up to €43 million.

The lending decision for EIB loans via credit lines remains with the financial intermediary.

Promoters interested in EIB financing for projects under €25 million should contact the banks and other intermediaries involved directly with a detailed description of their capital investment together with the prospective financing arrangements. A list of intermediaries per country can be found in the website of the EIB (www.eib.org).

► The European Investment Fund (EIF)

The EIB is also the majority shareholder in the **European Investment Fund (EIF)**, which is the European Union's specialised financial institution for small businesses (small or medium-sized enterprises, SMEs). The EIF, which was established in 1994, makes venture capital investments to support the emergence of a performing and homogenous European venture capital market. Furthermore, the EIF's SME guarantee instruments help SMEs access debt finance from a wide range of intermediary banks and financial institutions.

More information on the EIF can be found in the website: www.eif.org

► Recent EIB initiatives

In recent years, the European Investment Bank (EIB) has taken very important initiatives to promote the financing of important infrastructures in both the EU and non-EU countries. Among others, the following two important initiatives are highlighted:

- Cooperation with the EBRD for the co-management of EU-supported projects in Eastern Europe and Central Asia

In 2006, the European Bank for Reconstruction and Development (EBRD) has joined forces with the European Investment Bank (EIB) to finance projects in countries to the east of the European Union, leveraging significant EU funds for the eastern neighbours' and potentially Central Asia with the EBRD's experience of project financing in the region.

The EBRD co-finances EIB transactions in Russia, Ukraine, Moldova, the Southern Caucasus, and Central Asia. The EIB has been authorised by the EU Council to extend loans that could exceed €3.7 billion until 2013 (or about €500 million per year) for co-financing investment projects in this region.

The EIB and the EBRD work together to identify projects that meet the EU priority of financing major infrastructures. Transactions are structured and negotiated jointly by both institutions, drawing on the EBRD's particular expertise and long experience working in the region. The EBRD shares the risk by providing up to 50% of the financing for each joint project. All transactions have to meet both EIB and EBRD conditions, including integrity, sound reporting, environmental standards, and transition impact.

Particular priority is given to projects that extend the Trans-European Networks and promote regional integration.

- EIB's new instrument to finance the European Transport Network

In 2008, the European Commission and the European Investment Bank (EIB) signed a Cooperation Agreement establishing the **Loan Guarantee Instrument for Trans-European Transport Network projects (LGTT)**.

This new instrument **facilitates greater participation of the private sector** in the financing of transport infrastructure of European significance, especially for investments in TEN projects, where there is a high level of revenue risk in the early operational period of a project.

The LGTT, which forms part of the Trans-European Transport Network (TEN-T) programme and the EIB's Action for Growth initiative, partially covers this risk and thereby significantly improves the financial viability of TENs investments: for some projects (e.g. for the development of new motorways), a partnership between the public and the private sector can prove to be the most efficient way forward. The new guarantee instrument is a powerful tool to facilitate such partnerships.

The capital contribution of €1 billion (€500 million each from the Commission and the EIB) is intended to support up to €20 billion of total capital investment.

This new instrument is extremely important since it facilitates the involvement of the private sector in the development of the needed TEN infrastructures. The EC Services have determined that the investment required to complete and modernise the Trans-European Transport Networks, exceeds the capabilities of public funding. For the period 2007–2013 alone, the investment needs in TEN infrastructures are estimated to amount to some €300 billion in total. A significant financial gap in public sector resources is anticipated and it can only be overcome by mobilising private investment in large infrastructure projects. The LGTT—being a guarantee for subordinated debt in the form of a stand-by liquidity facility to be provided by commercial banks—counters this problem by providing security for the initial traffic revenue risk over the first 5–7 years of a project's operation. The LGTT assists the project to cope with the initial risk while relying on the long-term perspective of the project being financially viable.

By improving the ability of the borrower to service senior debt, the design of the LGTT enhances the overall credit quality and thereby encourages a reduction of risk margins applied to senior loans to the project. These savings should surpass the cost to the borrower of the guarantee, resulting in added financial value for the project. By rendering private sector investment into a project more attractive and therefore less costly, the incorporation of the LGTT thus provides benefits to society as a whole.

The LGTT complements two other financial instruments of the European Commission tailored for TEN-T projects and aimed at increasing the participation of private capital. The **Risk Capital Facility** offers risk capital to investment funds focused on providing equity for TEN projects, whereas availability payment schemes can benefit from a construction cost-based **grant** during the operational, post-construction phase of the project.

For more information, see: http://ec.europa.eu/ten/index_en.html



Fig. 9: Estonia – E263 Tallinn-Tartu-Võru Luhamaa Road, Vaida-Aruvalla reconstruction 2008

1.2 EU funds for roads

The most common funding sources for the implementation of road projects in EU member states are illustrated in the figure below. Similar funding structures are also used in non-EU countries:

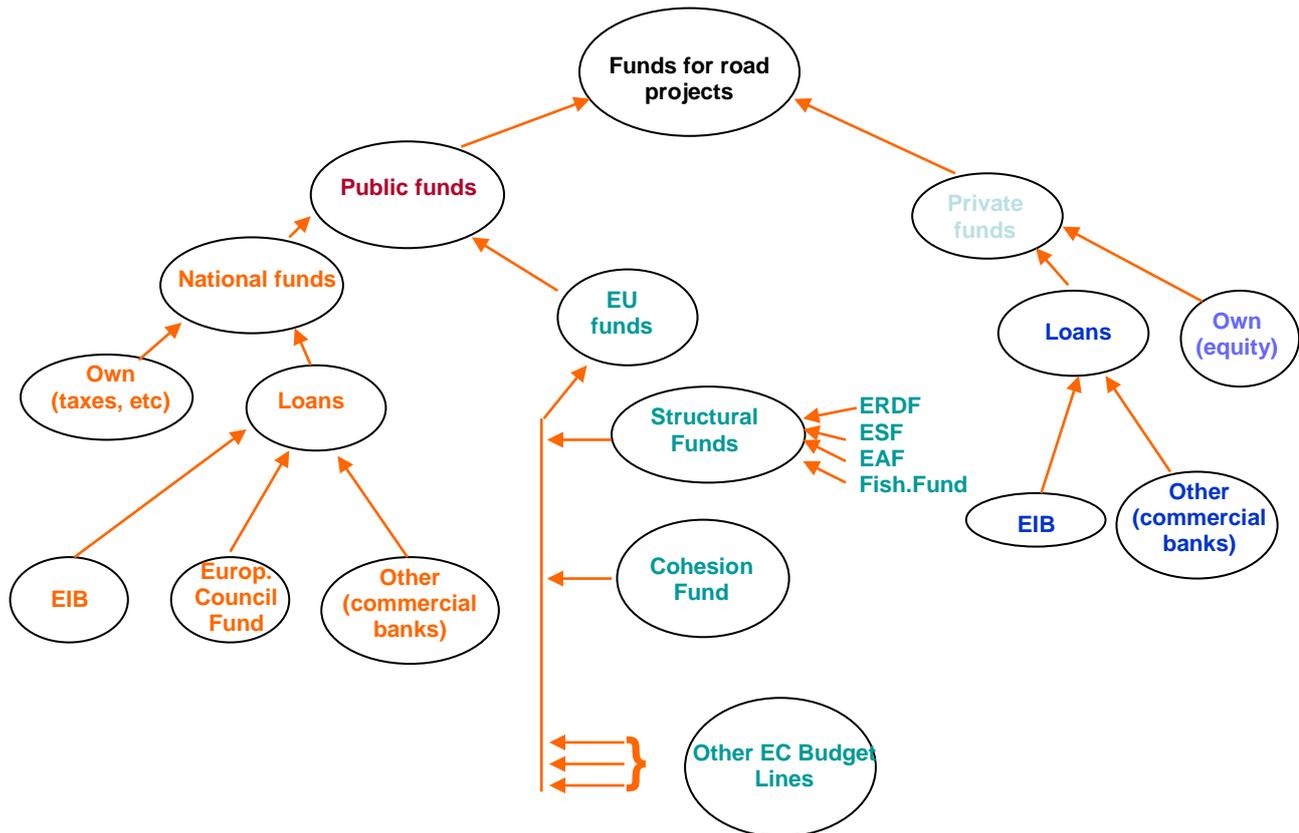


Fig. 10: The most common sources of funding for road projects in EU member states

1.2.1 Which EU funds finance road projects?

The eligibility rules pertaining to each EU fund have differences that affect the eligibility of the various types of road projects.

► **EU funds financing road projects in the EU member states**

○ European Regional Development Fund (ERDF)

The European Regional Development Fund (ERDF)²⁵ finances all kinds of road projects, except those for routine maintenance (namely new construction, upgrading/rehabilitation, design studies, external project management, safety enhancement projects, concessions etc.), for any type of road (motorway, expressway, other paved, non-paved etc.) either belonging to the TERN or not.

Readers are reminded that the ERDF operates in all EU regions. There are three different kinds of regions:

- 'Objective 1 regions', which have a Gross Domestic Product (GDP) below 75% of the EU average GDP);
- 'Objective 2 regions', i.e. all regions that do not fall under Objective 1; or
- 'Objective 3 regions', i.e. regions that are situated along internal land borders, certain external land borders, and certain maritime borders.
-

○ Cohesion Fund (CF)

Like the ERDF, the Cohesion Fund (CF) finances all kinds of road projects for any type of road, as long as it belongs to the TERN (in certain cases, financing may be provided to TERN feeder-roads).

Readers are reminded that the CF operates only in countries/regions with a Gross National Income (GNI) below 90% of the average GNI of the EU (27).

○ TEN-T Fund

Like the CF, the Trans-European Transport networks' Fund (TEN-T Fund)²⁶ finances all kinds of road projects, for any type of road, as long as it belongs to the TERN.

Readers are reminded that the TEN-T Fund operates with no (geographical or other) restrictions in all MS and that the focus of the TET-T Fund is mainly on TEN-T 'priority projects'.

²⁵ The ERDF has a long history of financing road projects in EU MS: it started almost immediately after its creation (note: legally the ERDF was set up with Art. 160 of the EU Treaty), financing decisions included in specific yearly regulations. Since 1989, funds from the ERDF have been provided in a more organised way, namely under Operational Programmes included in a Community Support Framework (i.e. in a multi-annual development programme, comprising interventions in almost all sectors of the national economy) or under a Single Programming Document (SPD). In summary, since 1989 there has been the CSF/SPD I (1989–1993), the CSF/SPD II (1994–1999), the CSF/SPD III (2000–2006), and, since 1 January 2007, the next Programming Period 2007–2013 (which is no longer called CSF/SPD, but National Strategic Reference Framework (NSRF)).

²⁶ A few years ago 'Line B5.700' of the EU Budget was used for the financing of the TEN-T (through yearly engagements).

o Other Funds

The European Agricultural Fund finances rural road projects.

Furthermore, there are many programmes financed by various EU funds (EU budget lines), concerning actions (mainly pre-competitive researches or studies, assessments etc.) relating to road networks, their operation, their accessories, their safety etc.

Examples of such programmes²⁷ include:

- *CIVITAS*: a programme for cleaner and better transport in cities. The budget for CIVITAS II (2005–2009) is ~ **€0.3 billion**.
- *MARCO POLO*: a programme that aims to shift freight transport from the road to the sea, rail, and inland waterways through the promotion of inter-modal transport. The budget for the Marco Polo II programme (2007–2013) is €0.45 billion.

► **EU funds financing road projects in non-EU countries**

Pre-accession funds

ISPA, *PHARE*, *CARDS* (period 2000–2006) and *IPA* (period 2007–2013) are the EU's pre-accession funds. They finance all kinds of road projects. Nevertheless, due to the relatively limited resources available, there are/have not been many new road construction projects. Rehabilitation of critical road infrastructures, road network development studies, project preparation, and road design studies are the most common types of projects financed by these EU funds.

▪ External Cooperation Funds

All External Cooperation Funds may finance road projects of all types, provided that transport and more specifically road transport development is a *priority sector* agreed to be supported by EU funds, and relevant interventions (projects) have been included in the relevant programmes²⁸. Obviously, the volume of the financial contribution of the EU will depend on the country's real needs for roads as compared to the needs for other developmental infrastructures²⁹.

²⁷ More information on these programmes can be found on the EC (DG TREN) website.

²⁸ See Annex I.

²⁹ The Commission aims to help partner countries improve transport as a means of achieving the broader goals of reducing poverty, sustaining economic growth, and stimulating social development. There is no doubt that improved transport infrastructure will also help developing countries integrate themselves into the global economy. To achieve its aims, the EC works in partnership with country stakeholders and other aid donors. The goal is to make improvements that meet local needs in a safe, affordable, and efficient way that has a minimal impact on the environment.



Fig. 11: Spain – New Malaga west ring round between C-3310 and A-7

1.2.2 Are all road projects eligible for financing from EU funds?

The eligibility of road projects is usually determined by the regulation governing the relevant EU fund.

In general, road-related projects should refer to real works (that are ‘productive’ in the wider sense). For most EU funds, public expenditure relating to the operating cost of the competent public services managing the co-financed road projects is not eligible.

Eligibility by type of intervention (works)

- New construction

New road construction projects are eligible under all EU funds (operating either inside or outside the EU).

- Maintenance + operation projects

Road maintenance and operation projects (and related costs) are not eligible for EU funds operating within the EU (ERDF, CF etc.), while they can be eligible under a number of EU funds operating in third (non-EU) countries.

- PPP/concession projects

Road projects which are implemented through PPP (concession or PFI) contracts are eligible for all EU funds. Note, however, that:

- o EU funds operating in EU MS and pre-accession countries contribute to (i.e. cover part of) the related public expenditure, but not the private expenditure of a PPP project.
- o Even for this funding (as mentioned in the above bullet point), the EC will only proceed following a thorough examination (and clearance) that this funding does not violate existing rules for state aid to the concessionaire.

- Design studies/other studies and surveys

Road projects' preparation/design studies and surveys, such as feasibility studies, Environmental Impact Assessment studies, technical design studies, geological/geotechnical surveys and studies, archaeological surveys etc. are all eligible for EU funds except if they refer to non-eligible projects (such as the routine road maintenance projects for EU funds operating in the MS).

- Project/construction management

Project/construction management projects are eligible for all EU funds if they are implemented by external contractors (i.e. not by public services using their own personnel and means).

- Other related issues expenses (expropriations etc.)

Most other road-related projects or expenses are also eligible for almost all EU funds. However, they are usually subject to specific conditions/restrictions.

For example, land expropriation costs are usually eligible for EU funds operating in EU MS, but only when the corresponding road project is also financed, while the eligible cost is restricted to a certain percentage (usually 10%) of the total cost of the co-financed road project.

The reader should note that the eligibility of projects and costs depends on the respect of EU and national legal and strategic frameworks.

1.2.3 EU funds allocated to road projects in recent years (2000–2008 and 2007–2015)

► **EU funds allocated to road projects in EU MS**

• ERDF + CF

The total amount allocated to the transport sector (by ERDF and CF) in the period 2007–2013 (€81.8 billion) increased nominally by 62.6% (!) compared to the corresponding funds for the period 2000–2006 (€50 billion).

This is due to the fact that transport needs are very high not only in the 'new' MS, but also in a small number of 'old' MS, and that since 2005, transport has been considered a way of contributing to the reaching of the Lisbon Strategy³⁰ objectives.

³⁰ The **Lisbon Strategy**, also known as the **Lisbon Agenda** or **Lisbon Process**, is an action and development plan for the European Union. Its aim is to make the EU 'the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010'. It was set out by the European Council in Lisbon in March 2000. [Ref.: European Union website, *Facing The Challenge. The Lisbon strategy for growth and employment. Report from the High Level Group chaired by Wim Kok*, November 2004, Office for Official Publications of the European Communities, ISBN 92-894-7054-2, (the 'Kok report')].

The corresponding amounts allocated to **road projects** are:

- ~~~€~~**24.2 billion** for the period 2000–2006
- ~~~€~~**40 billion** for the period 2007–2013

The increase in funds allocated to road projects in the period 2007–2013 compared to those for the period 2000–2006 is 65.3% (i.e. slightly greater than the increase for all transport!). This increase indicates the importance that is still attached to roads, but also the fact that the road sub-sector is more ‘mature’ when it comes to claiming and getting funds compared to the other transport sub-sectors.

Considering the limits of EU funds’ contribution to the financing of the total public expenditure of road projects and taking as an average that the percentage of EU fund contribution is ~60%, the total cost of road projects implemented in the EU (with co-financing by the EU funds) is estimated to be:

- ~~~€~~**40.3 billion** for the period 2000–2006
- ~~~€~~**66.7 billion** for the period 2007–2013

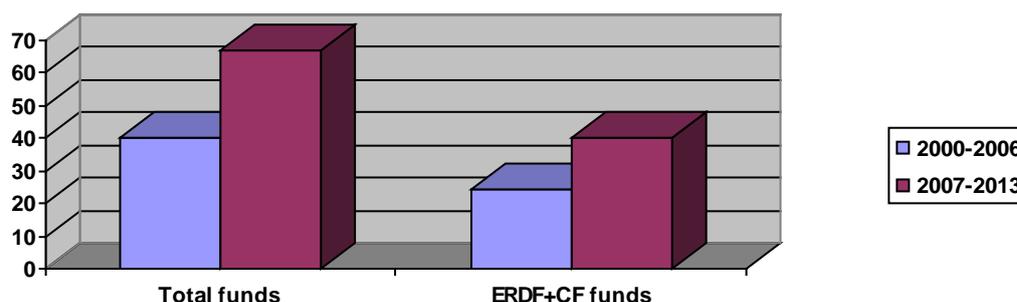


Fig. 12: Available ERDF + CF funds and corresponding total available funds

On top of these amounts we should also add the private funds used for road projects (through concession/PPP contracts), which are quite important.

- TEN-T

The funds made available by the TEN-T for **roads** are as follows:

- ~~~€~~**2.5 billion** for the period 2000–2006
- ~~~€~~**0.2 billion**³¹ for the period 2007–2013.

³¹ The considerably smaller amount (originally) allocated to road projects in the period 2007–2013 (in comparison with the period 2000–2006) is due to the fact that the EC has decided to support ‘Green Transport’ through increased investment in rail and water-based transport.

Considering the limits of the TEN-T Fund's contribution to the financing of the total public expenditure of road projects, the total cost of road projects implemented in the EU (with co-financing by the TEN-T Fund, the MS national budget, and the private sector³²) is estimated to be:

- ~~~€~~**8.0 billion** for the period 2000–2006
- ~**€15.0 billion** for the period 2007–2013

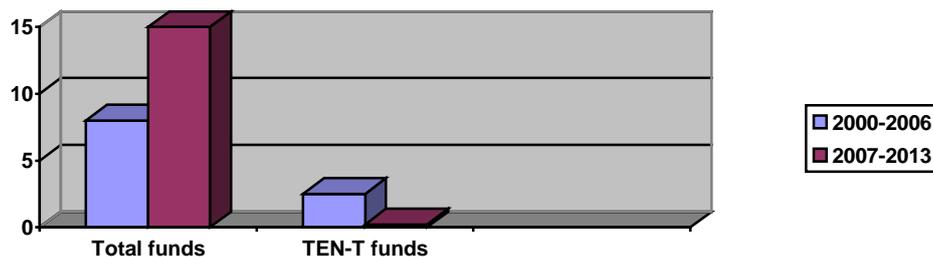


Fig. 13: Available TEN-T funds and corresponding total available funds

All of the above makes it clear that **the total 'turnover' in the roads sector in the EU** remains quite high (more than **€100 billion for the period 2007–2013**).

Nevertheless, the amount per EU MS varies greatly. The needs for basic road sector infrastructure are higher in the 'new' MS; therefore the greatest share of the funds (especially for the period 2007–2013) is directed at these countries, while a major part of the funds allocated to the 'old' MS goes to the completion of 'priority' projects³³ that have been agreed at EU level.

► **EU funds allocated to road projects in non-EU countries**

Important amounts from EU funds have been allocated and used in non-EU countries for road projects. This is obvious from relevant references on the EU websites.

A detailed analysis of these funds by category of funds (as presented above) was not possible within the framework of the present document due to the large number of the EU Programmes³⁴ implemented in the two programming periods worldwide and the difficulty of finding and collecting the relevant data. Nevertheless some easily accessible information is provided below.

▪ Pre-accession funds

Complete (cumulative) data on EU pre-accession funds allocated to road projects were not accessible during the preparation of the present document.

³² The private sector is expected to make a substantial contribution during the period 2007–2013, while in the period 2000–2006 its presence was rather limited.

³³ Especially those included in the list of the first 30 priority projects of the TEN-T, decided at the Essen Summit in December 1994. The 30 priority projects will have a total cost of €225 billion by 2020.

³⁴ A list of currently open programmes related to the transport sector is provided in Annex II.

The estimate for the period 2007–2013 is that approx. 10–15% of the total available funds have been dedicated to road projects, mainly for the rehabilitation of critical road infrastructures (bridges etc.) that were damaged during the civil war in the former Yugoslavia. According to this estimate, the relevant amount is:

- ~€1.5 billion for the period 2007–2013

▪ External Cooperation Funds

Between 1995 and 2006, the Commission spent ~€6.5 billion on 682 transport projects, mainly in African, Caribbean, and Pacific (ACP) countries. Indeed, the ACP region received about 80% of the development aid funds allocated by the Commission to improve transport. Most of this money was committed to improving road transport in ACP countries. The aim of the investment was to support economic growth and provide sustainable solutions, especially through road maintenance schemes.

In the Mediterranean region (MEDA), about 50% of transport funding went to improving road infrastructures³⁵.

Commission interventions in the Asian and Latin American transport sectors have been quite limited. Funding is mainly targeted at improving roads in both regions.

Countries in Eastern Europe and Central Asia (the 'Takis' region) also benefit from Commission investment through the TRACECA programme³⁶ and national indicative programmes.

The total amount of EU funds that have been dedicated to **road projects** in the period 2000–2006 is estimated at ~€4.0 billion. It was not possible to estimate the corresponding amount for the period 2007–2013 since the detailed engagements in sectors and projects for the whole period have not yet been completed. It is likely that at least the same amount of funds will also be used for road projects in this period.

► **EU funds allocated to road projects, per type of intervention**

No exact data is available concerning the allocation of EU funds per type of road project.

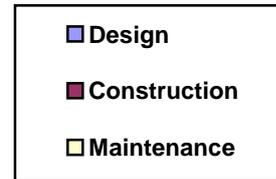
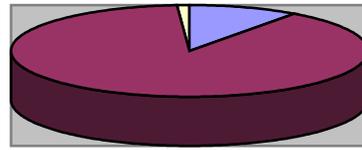
Nevertheless, considering the eligibility rules of EU funds and the usual cost difference of these types of projects among themselves a rough estimate has been made:

In EU MS

- ~89% on construction (new roads or the upgrading of existing ones)
- ~1% on maintenance (not routine, but rehabilitation) projects
- ~10% on design/other studies + other relevant services

³⁵ Around one third of the money available was committed to technical assistance. The rest was used on water and air transport projects.

³⁶ Established in 1998, upon signing of a Multilateral Agreement on International Transport (EU and all relevant countries) for the development of the **Transport Corridor Europe-Caucasus-Asia**



o In non-EU countries

- ~20% on construction (new roads or the upgrading of existing ones)
- ~60% on maintenance (rehabilitation and routine maintenance) projects
- ~20% on design/other studies + other relevant services

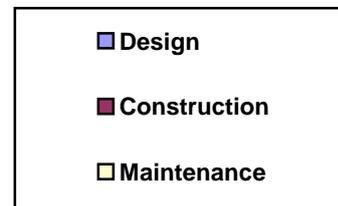
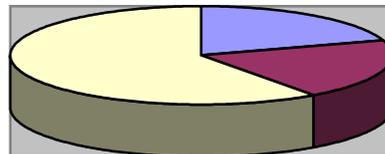


Fig . 14 : Latvia – E22 Jekabpils Varaklani 2009

1.2.4 Funds for roads versus funds for other transport modes in recent years (2008–2009 and 2007–2015)

The allocation of EU funds to the various sectoral interventions is jointly decided by the governments of the recipient countries (either EU MS or non-EU) and the EC so that both the needs of the country are covered and the sectoral and other strategic objectives of the EU are met.

► **EU funds in the EU member states**

In the EU, the construction of the Trans-European Transport networks (TEN-T) is fundamental for securing a single market with free movement of passengers and goods, as well as for reinforcing economic and social cohesion and promoting economic competitiveness and sustainable development in the EU. The aim of TEN-T is to ensure that national networks for all modes of transport are accessible, interconnected, and interoperable.

Within this framework³⁷, road projects over the last 30 years have received considerable subsidies from EU funds and continue to do so.

Nevertheless, with the gradual completion of a wide network of motorways in most of the 'old' MS and mainly because of the newly adopted approach towards a sustainable EU transport policy (Transport White Paper (2001)), EU funds are gradually focusing more on investments in rail and maritime and inland waterway transport (especially motorways of the sea).

For this reason, it is foreseen that in the coming years more funds will be directed to rail and water transport projects in the EU. Nevertheless, the funds allocated to road projects are still much bigger:

• EU funds for transport in the period 2000–2006 (in € billion)

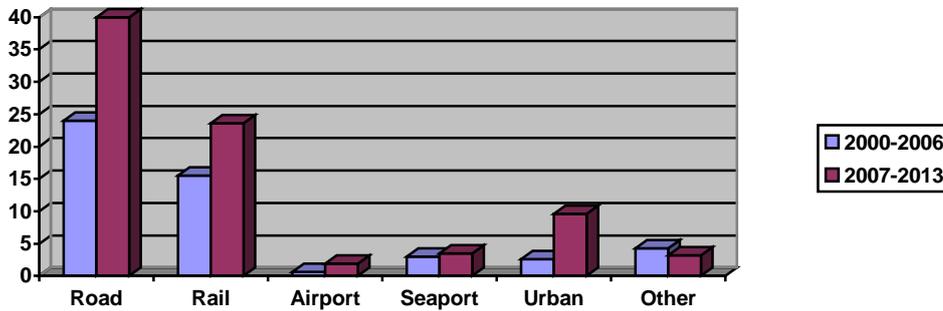
	<u>ERDF+CF</u>		<u>TEN-T</u>	
Road projects	24.0	(48.0%)	1.9	(45.2%)
Rail projects	15.5	(31.0%)	1.7	(40.5%)
Airport projects	0.6	(1.2%)		
Sea-port projects	3.0	(6.0%)		
Urban transport projects	2.6	(5.2%)		
Other	4.3	(8.6%)	0.6	(14.3%)
-----	-----	-----	-----	-----
TOTAL	€50.00 bn (100.0%)		€4.2 bn (100.0%)	

• EU funds for transport in the period 2007-2013

	<u>ERDF+CF</u>		<u>TEN-T</u>	
Road projects	40.0	(48.9%)	0.21	(2.7%)
Rail projects	23.6	(28.9%)	5.94	(74.2%)
Airport projects	1.9	(2.3%)		
Sea-port projects	3.5	(4.3%)		
Urban transport projects	9.6	(11.7%)		
Other ³⁸	3.2	(3.9%)	1.85	(23.1%)
TOTAL	€81.8 bn (100.0%)		€8.00 bn (100.0%)	

³⁷ Road transport services account for 1.6% of EU GDP and give jobs to 4.5 million people. The whole economy and society depend heavily on efficient road transport, 44% of goods are transported by truck and 85% of people by cars, buses, or coaches.

³⁸ Including waterways (regional, local, TEN-T), multimodal transport (TEN-T), cycle tracks, intelligent transport systems etc.



► **EU funds in non-EU countries**

It was not possible to conduct a detailed comparison of the EU funds dedicated to road projects and those dedicated to other (non-road) transport projects within the framework of the present document due to lack of data.

Nevertheless, as indicated in section 3.2.3 above, the major part of the funds used for transport sector interventions by the External Cooperation Funds in third countries (estimated at about 70-80%) was devoted to road projects.

1.2.5 Recapitulation of EU funds

Table 1 outlines the EU funds made available to both EU member states and non-member states, from all EU funds during the programming periods 2000–2006 and 2007–2013.

Table 1: EU FUNDS

All amounts in € billion

EU funds	Programming period 2000–2006		Programming period 2007–2013	
	All projects	Road projects	All projects	Road projects
Structural Funds + Cohesion Fund	183.6	24.2	336.1	40.0
TEN-T Fund	4.2	2.5	8.0	0.2
Other
SUB-TOTAL (funds for EU member states)	187.8 +	26.7 +	344.1 +	40.2 +
Pre-accession Funds	21.9	3.3	11.5	1.5
Post-accession	5.0	0.8	0.0	0.0
CARDS	3.0	0.0	0.0	0.0
SUB-TOTAL (funds for pre-accession countries)	29.9	4.1	11.5	1.5
External Coop. Funds (for non-EU countries)	~40.0	~4.0	60.8	4.0 +
SUB-TOTAL (funds for non-EU countries)	~69.9	~8.1	72.3	5.5 +
TOTAL FUNDS (EU MS & non-EU countries)	257.7 +	34.8 +	416.4 +	45.7 +

► Country profiles

Annex V contains a number of country profiles, presenting information on the use of EU funds for road projects. Presently there are only seven country profiles. Nevertheless they represent almost all categories of countries:

- (a) Developed EU member states (Germany, France), which receive limited amounts of grants from EU funds and do not use loans (from the EIB or other lending institutions) for their road projects;
- (b) Developing EU member states (Spain, Greece, Latvia), which receive considerable amounts from EU funds (ERDF, Cohesion Fund, and TEN-T) and use EIB and other loans in addition to their national funds;
- (c) Non-EU countries (Iceland, Norway), which do not receive any grants from EU funds.

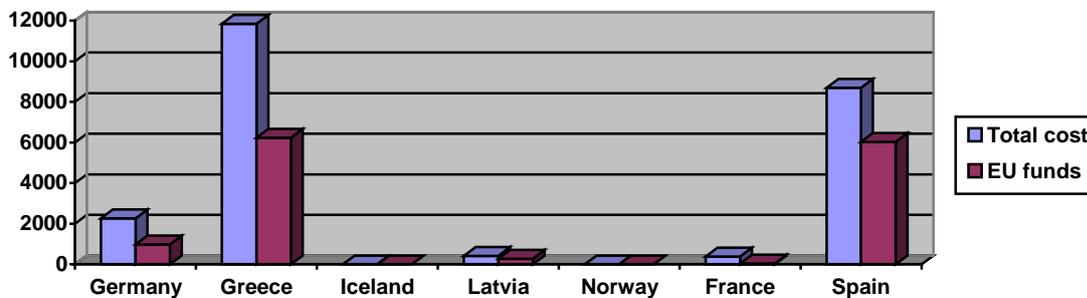


Fig. 15: Total cost and EU funds for road projects in the period 2000–2006

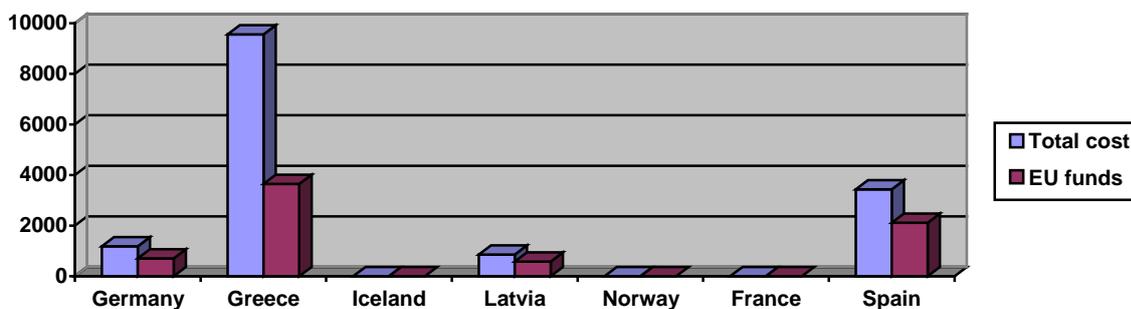


Fig. 15: Total cost and EU funds for road projects in the period 2007–2013

1.2.6 Loans provided by the EIB for road projects

Since its foundation, the EIB's financing of transport infrastructures throughout Europe has been one of its core activities. From the beginning of the TEN initiative in the 1990s, the financing of the TEN has been an important operational priority for the bank; TENs are currently one of the five main lending priorities for the EIB.

However, the bank is not restricted by the TEN regulations.

► **EIB loans to EU member states**

Total EIB signatures for Trans-European Network (Transport, Telecom, and Energy) projects amounted to **€66.8 billion between 1995 and 2005**, which is a substantial share (**23%**) of total EIB signatures during this period.

94% of all TEN projects financed by the EIB were located in the EU-25.

Transport-TENs (TEN-T) accounted for 74% of total TEN signatures (**€44.4 billion**), followed by telecommunications (e-TENs 18% or €15.2 billion) and Energy-TENs (8% or €7.2 billion).

EIB financing for transport and energy TEN projects can be broken down as follows: roads (39%), railways (27%), air transport (14%), gas (7%), roads and railways (4%), water transport (4%), electricity projects (3%), and others (2%).

The loans provided by the EIB for **road projects** during that period (**1995–2005**) amounted to **€27.76 billion**.

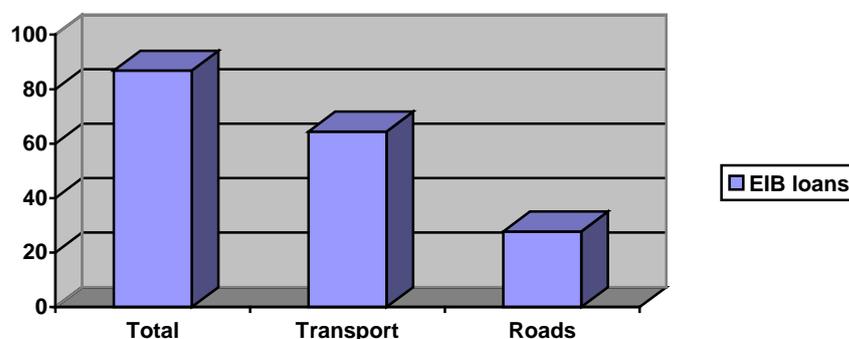


Fig. 16: EIB loans to EU member states (1995–2005)

► **EIB loans to non-EU countries**

Between 1990 and 1999, the European Investment Bank (EIB) provided some **€4.9 billion** in financing for 58 projects.

Of this, approximately 65% (i.e. **€3.19 billion**) went to **roads**, 27% to railways, 6% to air transport, and 2% to ports.

The distribution between countries reflected their size, population, and economic importance, with most funding going to the Czech Republic, Poland, and Romania.

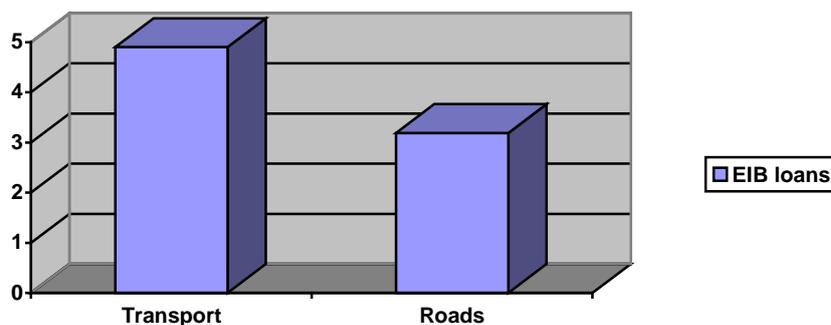


Fig. 17: EIB loans in non-EU countries (1990–1999)

► **2008, 2009 applications for EIB financing of road projects**

In the years 2008 and 2009 (up to date), the EIB has received a quite large number of loan applications for road projects from many countries (EU member states, EU candidate countries, potential EU candidate countries, and non-EU countries). Most of these projects are motorway development projects, while a considerable number of them are PPP projects. Table 2 presents the main data for 15 such projects.

Table 2: Applications for EIB financing of road projects

No.	Country	Road section	Length (km)	Total cost (€ million)	EIB contrib. (€ million)	Status*
01	Italy	A14 Potenziamento	171	1,800	800	3
02	Spain	Malaga-Las Pedrizas (new, PPP)	25	400	200	2
03	Spain	Albertis-AP-7 (enlargement)	123	550	275	2
04	Portugal	Centro motorway (improvement)	189	1,100	400	2
05	Portugal	Transmontana motorway (18 km new + 114 km improvement)	132	650	325	3
06	Poland	A2 Strykow–Konotopa (PPP)	90	??	??	2
07	Poland	A1 Strykow–Pyrowice (PPP)	180	??	??	1
08	Poland	A1 motorway – 2 nd Phase (52 km new + 10 km improvement)	62	1,100	550	3
09	Slovakia	Slovak motorways, D1, Ph.1 (PPP)	??	??	??	1
10	Romania	Cormarnic–Brasov motorway (PPP)	58	1,500	500	1
11	FYROM	Corridor X road project (new)	28	150	57	1
12	BiH	Corridor Vc -1 st Phase, South	18	200	120	1
13	Morocco	Rural roads	15,500	1,100	60	3
14	Tunisia	Priority roads V	??	220	110	3
15	S. Africa	RSA toll roads investment	Network	300	150	2

*Status of request within the EIB: **1** = under appraisal, **2** = approved, **3** = signed

2 Ways forward

2.1 How EU funds (in general) are accessed

The procedures for the allocation of EU funds to member states/regions and then to projects are fixed in negotiations involving the EC and representatives of all member states and recorded in the relevant legal documents (usually regulations). These procedures change over time (from one programming period to another) as a result of the implementation of the relevant participatory approach.

The procedures to be followed in each period are agreed and fixed at a sufficiently early stage (at least one year earlier than the start of the period) and are made known to all interested stakeholders (national authorities etc.).

It is important to mention that in recent programming periods, common multi-annual budgetary programming has been agreed for all activities of the EU, whether they be internal (in its member states) or external (in third countries). Therefore, the decision as to the volume of funds to be spent within an up-coming programming period—and consequently on the amounts to be used by the various EU funds in this period—is the same for all planned interventions (internal and external) and for all EU funds. Following lengthy preparation by relevant committees, the decision is taken by the heads of states of the member states during a summit on the basis of previously agreed criteria and relevant negotiations.

When the amounts to be used in each country/region, for every specific objective, have been decided as described above, the detailed programming of the use of these funds is prepared, usually by the recipient country in cooperation with the EC.



Fig. 18: Athens ring road, 'Attiki odos' (Greece), which was co-funded by the ERDF

2.1.1 The allocation of funds to EU member states

▪ Structural Funds/Cohesion Fund

In the period 2007–2013, the programming of the use of EU money from the Structural Funds and the Cohesion Fund in each country (MS) is common³⁹ to all funds and comprises the following steps:

- a) The country prepares a Strategy Paper presenting the strategic and tactical goals set out for the development of the country and its regions within the framework of the wider EU strategies, policies, and objectives⁴⁰. This paper is examined and, after any necessary changes are made, agreed by the EC (DG REGIO). When approved, this document forms the framework⁴¹ for the implementation of all co-financed interventions in the country. This is important, because during the reference period, projects which do not fall under the provisions of this document will not be allowed to be co-financed by EU funds.
- b) The country prepares a proposal for the organisation of the interventions to be implemented in the reference period under specific Operational Programmes (OPs). These OPs can either be 'regional'⁴² or 'sectoral'⁴³. The OPs are examined and approved by the EC (DG REGIO). Usually the OPs approved by the EC are documents that describe the objectives and general categories of the interventions to be implemented, but do not include details at project level⁴⁴.

³⁹ The Cohesion Fund had its own procedure until the period 2000–2006, albeit one that was very closely coordinated with the procedure of the Structural Funds. For the period 2007–2013, the procedure is the same for all funds (Structural and Cohesion Fund).

⁴⁰ Such as the Lisbon strategy goals, the EU Cohesion Policy, the Green paper for Transport etc.

⁴¹ In the period 2000–2006, this document could take the form of either a 'Community Support Framework' (CSF), which consisted of many Operational Programmes, i.e. sets of interventions aimed at achieving specific common objectives, or a 'Single Programming Document' (SPD), which is actually one single Operational Programme for the whole country. In the period 2007–2013, this document is known as either a 'National Strategic Reference Framework' (NSRF) when it refers to interventions funded by the ERDF, CF, and ESF, or a 'National Strategic Plan for Rural Development' when it refers to interventions funded by the European Agricultural Fund, or a 'National Strategic Plan for Fishery Development' when it refers to interventions funded by the European Fisheries Fund.

⁴² The 'Regional Operational Programmes' (ROPs) contain interventions (projects) which are implemented in a specific region (usually this region corresponds to an administrative region of the country, although this is not a pre-requisite).

⁴³ The 'Sectoral Operational Programmes' (SOPs) contain co-financed interventions referring to a specific sector of the national economy, such as transport, education, environment etc. SOPs are usually applied nation-wide (i.e. its interventions may take place in any region(s) of the country. Note: All OPs are usually funded by only one EU fund. In exceptional cases, an OP may be allowed to be financed by two EU funds (ERDF and CF or ERDF and ESF). However, its projects/interventions should be co-financed by only one EU fund.

⁴⁴ Exceptions include the so called 'major projects', i.e. interventions that have an estimated budget of over €50 million, which should be mentioned by name in the approved Strategic Framework document.

- c) When their OPs are approved by the EC, the competent national authorities⁴⁵ proceed with the detailing of the content of their OPs and in the ‘tendering’⁴⁶ of parts of them. Following the assessment of the proposals received, they decide which projects will be financed within the framework of their OP as well as the percentage of the EU fund contribution to their required total public expenditure.
- d) Following the approval of its project(s) by the OP Managing Authority (OPMA), the competent recipient authority proceeds with the implementation of the project(s), under the continuous monitoring by the OPMA of all its relevant activities.

In the period 2000–2006, the programming of the use of Structural Funds followed the same procedure as the one outlined above, while the programming of the available Cohesion Fund resources was as follows:

- (a) Knowing the available total amount from the CF, the competent national authority⁴⁷ announced the terms and conditions under which a potential recipient (national authority) could propose its (transport or environmental⁴⁸) projects, so that they could be co-financed by the CF.
- (b) Taking into consideration the CSF/SPD and other tactical issues, the CF Managing Authority (CFMA) screened the proposed projects and decided on the projects to be proposed to the competent EC Authority (in DG REGIO) for approval.
- (c) Following the approval by the EC, the recipient authorities proceeded with the implementation of their projects (by tendering their constituent contracts etc.) under the continuous and strict monitoring of the CFMA.

⁴⁵ These authorities are public services that have been set-up especially for the management of the OPs and are called OP Managing Authorities (OPMA).

⁴⁶ i.e. they announce the part of the OP they want to implement (through projects) and the terms and conditions under which a local (national) authority may be eligible to propose projects to be financed under the OP.

⁴⁷ This was a public authority set-up specifically to manage CF interventions.

⁴⁸ The total available funds from the CF were used on a roughly 50%–50% basis for transport and environmental projects. The funds for each category of project (e.g. transport) were then allocated to sub-category projects (e.g. road projects etc.) the basis of the general provisions of the CSF/SPD, the real needs of the country, and other tactical considerations.



Fig. 19: Estonia – E263 Tallinn-Tartu-Võru Luhamaa Road, Puurmani junction 2007

In the case of ‘Community Initiatives’⁴⁹, the procedure is as follows:

- a) The competent EC Service (DG REGIO) elaborates the fields of intervention at EU level that the EC would like to promote; these fields must be covered by a number of ‘EC Initiatives’.
- b) It then lays down guidelines, describing for each Initiative the aims, scope, and appropriate method of implementation. These guidelines are published in the Official Journal of the European Communities.
- c) On the basis of these guidelines, the EU member states prepare and propose to the EC corresponding Operational Programmes;
- d) When their ‘Community Initiatives’ OPs are approved by the EC, the competent national authorities proceed with all further actions in exactly the same way as for the OPs of the national CSF or the National Strategic Reference Framework.

Conclusively, a national authority (e.g. a roads authority) that wants to promote and implement its projects within the framework of an OP should:

- (i) search for existing opportunities in the relevant programmes co-financed by the EU funds, i.e. find out in which programmes their projects are eligible for financing;
- (ii) learn the exact requirements of these programmes as set out by their managing authorities;

⁴⁹ These are fields (areas/types/issues) of interventions at EU level that cannot be implemented (or can only be implemented with difficulty) by interventions at national level and thus require parallel/coordinated interventions by many (or all) MS. These interventions are implemented through coordinated national Operational Programmes or OPs that are common to more than one MS. Such Community Initiative OPs are: INTERREG, EQUAL, LEADER+, URBAN. The Interreg OPs, which seek to develop interregional cooperation (between EU MS or between EU MS and other neighbouring countries) finance road projects, among other things.

- (iii) prepare itself and react when necessary, by proposing its projects to the competent managing authority and providing all required documents and data/information so that its projects are accepted and co-funded by EU funds;
- (iv) follow closely the above steps and the instructions of the competent managing authorities.



Fig. 20: Athens Ring Road 'Western Hymettos peripheral' (Greece), which was co-funded by the ERDF

- Sectorally dedicated EU funds

Sectorally dedicated EU funds are allocated to projects and are generally managed by the competent EC Services (e.g. the TEN-T Fund is managed by the competent DG-TREN Services) on the basis of the provisions of the relevant regulation for the management of each Fund⁵⁰.

⁵⁰ The procedure that is followed is the same in both periods (2000–2006 and 2007–2013) and it is very closely coordinated with the procedure for programming the interventions co-financed by the Structural and the Cohesion Funds.

The competent EC Service usually announces specific 'calls' for participation in specific annual or multi-annual programmes, which they prepare.

In response to such a 'call', the eligible countries prepare and submit proposals to the responsible EC Service, requesting the funding of specific projects that fall under the objectives of the announced programme(s). These proposals are obviously the result of an internal procedure (i.e. within the country) for the selection of the most appropriate projects, which is coordinated by the competent national representative authority.

The decision on the acceptance or rejection of a proposed project for financing under a specific programme is taken by the responsible EC Service and is announced to the competent authority⁵¹ of the requesting country. The recipient authority of the project is then informed so that it can start the procedures for the implementation of the project.

▪ Other funds for member states

The procedures for these funds are the same as those for sector-specific funds.

2.1.2 The allocation of funds to non-EU countries

The procedures for the allocation of EU funds to non-EU countries and ultimately to interventions (projects/programmes) in these countries are different from those that apply to EU member states.

The IPA Fund

The procedure for the programming of the use of IPA funds includes the following steps:

- (a) On the basis of the provisions of the regulation for IPA⁵², the indicative breakdown per country and per component⁵³ proposed in the multi-annual indicative financial framework (prepared by the EC at the beginning of the procedure) and the progress of each recipient country towards the provisions of the Accession Partnerships (of the 3 candidate countries⁵⁴) or the Stabilisation and Association Agreements (of the potential candidate countries⁵⁵ with the EU), the EC (DG ENLARG), in collaboration with the recipient countries, prepares a multi-annual (3-yearly) indicative programming document that is reviewed annually, presenting indicative allocations for the main priorities within each component, also setting out, as appropriate, any funding provided for multi-country programmes and horizontal initiatives.

⁵¹ For the TEN-T projects, this authority is usually the 'TEN-T Fund Managing Authority'.

⁵² Council Regulation EC/1085/2006 (17-07-2006)

⁵³ The eligible components are: (a) Transition Assistance and Institution Building, (b) Cross-Border Cooperation, (c) Regional Development, (d) Human Resources Development, and (e) Rural Development.

⁵⁴ Croatia, FYROM, and Turkey

⁵⁵ Albania, Bosnia & Herzegovina, Montenegro, Serbia, and Kosovo (under the UNSC Resolution No. 1244)

- (b) On the basis of the above-mentioned multi-annual indicative programming document, the recipient countries prepare in cooperation with the EC (DG ENLARG) multi-annual or annual programmes for each component. These programmes are finally approved (by the EC), by country and by component, or, as appropriate, by group of countries or by theme.
- (c) On the basis of the above programmes, the projects are defined by the EC Services (the EC delegation in each country) and are tendered by the EC delegations.

- External Cooperation Funds

External Cooperation Funds provide EU development assistance through multi-annual programmes which are coordinated by DG Development (for African, Caribbean, and Pacific countries) and by DG External Relations for the rest of the world.

When formulating and managing these programmes, the Commission consults the authorities in partner countries⁵⁶. This results in an agreed country and regional strategy paper, which includes a multi-annual national indicative programme.

During the programming phase, the situation at national and sectoral level is analysed in order to identify problems, constraints, and opportunities that cooperation could address⁵⁷. This ultimately results in a specific response strategy⁵⁸.

As part of the programming process, partner countries, EU member states, and other bilateral and multilateral donors are consulted in order to ensure that all their developmental actions are complementary⁵⁹. This may lead to a joint programming exercise and discussions on possible divisions of the work.

⁵⁶ The EU is committed to the principle of 'ownership', i.e. that partner countries are fully involved in the process of developing the strategies and programmes that affect them. Developing countries have the primary responsibility to create an enabling domestic environment for mobilising their own resources, including implementing coherent and effective policies. This allows the EU's development assistance to be flexible and adaptive, responding to the specific needs of the beneficiary country. The EU acknowledges the essential oversight role of democratically elected representatives. It therefore encourages national assemblies, parliaments, and local authorities to get more closely involved in preparing country strategy papers.

⁵⁷ This involves a review of socio-economic indicators and of the priorities of the EU and its partner countries. The purpose is to ascertain the main objectives and sectoral priorities for cooperation so as to provide a relevant and feasible framework within which programmes and projects can be defined and prepared.

⁵⁸ The response strategy is defined in line with EU development policy priorities—as outlined in the *European Consensus on Development* and other documents—such as alleviating poverty, promoting sustainable development, and achieving the *UN's Millennium Development Goals*. Every effort is also made to ensure that the strategy is coherent with other relevant EU policy areas (trade, the environment, migration, employment and social cohesion, agriculture etc).

⁵⁹ The European Parliament, as well as the governments and national parliaments of the member states, are integral to the programming process. They are involved in amending and approving the general policies, the multi-annual financial perspectives, and the annual budgets proposed by the Commission. In addition, they give their opinion on the strategies for each Commission-run programme.

After discussions with stakeholders in partner countries, country strategy papers are presented to representatives of all EU member states, who have to give their consent before the Commission can make a final decision.

Aid is finally agreed and provided in a number of ways: through *specific projects*, via a *sector approach* or by *budget support to recipient governments*.

In particular:

The Commission follows the project approach to support initiatives outside the public sector, such as through civil society and the private sectors. Projects are also implemented where conditions do not yet permit the adoption of a sector approach or budget support. These projects are tendered by the EC Services (EC Delegations or EuropeAid)

- The Commission promotes the sector approach for work with partner countries, other donors, and stakeholders. This method of aid delivery has become increasingly important⁶⁰ in recent years. According to this method, the EU contribution is provided to a sector programme prepared by the recipient government, either through a Sector Policy Support Programme⁶¹ (SPSP) or through a Programme-Based Approach⁶² (PBA). Obviously, these national programmes are finally implemented through projects, which are designed, tendered, and managed by the recipient government authorities (under the monitoring/evaluation of the EC).

⁶⁰ The sector approach gives partner governments greater ownership of development policy and financing compared to the project approach. The end result is greater coherence between the allocation of internal and external resources, spending, and expected results.

⁶¹ The following forms of financing may be used under an SPSP:

- *Sector budget* consisting of a transfer of funds to the partner government national treasury to be used in pursuit of an agreed set of sector outputs and outcomes.
- *Common pooled funds or common basket funding* (resources from a number of donors pooled, using one agreed set of procedures) in support of a specific set of activities in the sector programme. Usually one donor will take responsibility for coordinating and managing the pooled funds. Funds are released by the donor to government according to agreed criteria.
- *E. Commission procedures* that follow contracting and procurement rules.

⁶² This is a loose and flexible way of engaging in development cooperation, based on the principle of coordinated support, for a locally owned programme of development. It should involve leadership by the host country, a single comprehensive programme and budget framework, as well as a formalised process of donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement. Another important feature is that it includes efforts to increase the use of local systems for programme design and implementation, financial management, monitoring, and evaluation.

- Where the conditions are right, the Commission is committed to providing budget support as a means to strengthen country ownership, finance national development strategies (including poverty reduction strategies), and promote sound and transparent public finances⁶³.
- Budget support⁶⁴ involves the direct transfer of funds to a partner country's budget, where they can be managed using national systems⁶⁵.
- Those receiving aid in this way must display sound macro-economic policies, and take steps to improve public financial management.

2.2 How to secure EU funds for road projects

The success of a body (being either a public authority, like a roads directorate, or a private company or person) in obtaining financial support from EU funds for its projects/operations, depends greatly on the body itself (supposing that there are EU funds available for roads, but there are many potential recipients eligible to receive them). A few recommendations for success in this respect are outlined below:

- (a) Good preparation: This is obvious for all human activities. However, in order to access EU funds, good preparation is a 'condition sine qua non' and a very critical issue since it requires time, effort, and money. This includes at the very least:
- ✓ The determination of one's own needs: What projects do we want to implement in order to reach our objectives in the referenced period? What priority projects must we implement? Can we finance these projects with our own/national available funds? What funds do we need to secure from 'external' sources?
 - ✓ The search for financial opportunities: Investigation of existing EU funds (financial instruments) and of the terms and conditions under which they provide their funds. Are there EU funds that might co-finance our projects (or parts of them)? What are the funding capabilities of the EU funds within the framework of potentially agreed axes of financing for priority sectors/cross-cutting issues or regions/areas? What other bodies/projects are likely (or certain) to compete for the same available funds? What is the possibility of succeeding in securing EU funds for (each of) our projects? What is the likely amount of funding that (each of) our projects could receive?

⁶³ To receive budget support, a partner country must meet certain eligibility conditions. These cover three main areas, which should be in place or under implementation:

- a well-defined national or sectoral development or reform policy and strategy;
- a stability-oriented macroeconomic framework;
- a credible and relevant programme to improve public financial management.

⁶⁴ There are two main types of budget support:

- *General budget support (GBS)*, representing a transfer to the national treasury in support of a national development or reform policy and strategy.
- *Sector budget support (SBS)*, representing a transfer to the national treasury in support of a sector programme.

⁶⁵ When transferred to the country, the EU funds form part of the partner country's global resources and are consequently used in accordance with its public financial management system. Therefore, budget involves three key elements: (a) foreign exchange from the EU fund is transferred to the partner country's central bank; (b) the central bank credits the country's national treasury with an equivalent amount of local currency; (c) transfers by the EU fund to the central bank are made only after certain agreed conditions for payment are met.

- ✓ The preparation of a plan of action: On the basis of the above: the preparation of a plan of action for requesting funds from different sources (EU, national) for the financing of each project. Preparation of the justification required by each source (fund).
- ✓ (When possible and to the max. possible extent) The maturity of the projects to be proposed for co-financing by the EU funds: Implementation of the required surveys and studies (feasibility, technical design, environmental impact assessment etc.) and promotion of critical project issues such as land expropriations, permits, the consensus of the people affected by the implementation of the projects. Note that in a group of equally feasible projects, 'mature' projects are more likely to be selected for EU financing.
- ✓ The improvement of the department/authority's image and its real capacity to implement projects: This means the proper implementation of previous co-funded projects and the strengthening of the implementation capacity of our departments. Note that capable, trustworthy bodies can promote their projects more effectively than others and are trusted more readily by the competent EC Service and national authorities.

(b) Proper requests for financing: A decision on the provision of funds will be made if a proper request is submitted by the road authority. This decision will be based on what has been included in the application. Therefore the timely and proper positioning of requests for EU funding is very important. This includes at the very least:

- ✓ The prompt submission of requests for financing: It is vital to prepare requests for financing correctly and fully and to submit the required documentation on time. Calls for the expression of interest issued by the competent managing authorities usually have specific requirements regarding content and the timing of the submission of the application.
- ✓ The proper & timely support of the requests: The managing authority very often requests additional data and information about the application. Naturally, these requests must be satisfied completely, properly, and in a timely manner.

(c) Follow-up of the situation: The approval or rejection of an application for EU financing submitted by a road authority does not necessarily mean that the road authority will be excluded from other forms of financing. It is therefore important to follow up the situation in order to see whether there are possibilities for (further) financing.

- ✓ Follow-up of the effected engagements of the EU funds: It is important to know whether the EU fund has already engaged all the available funds for the period. This is important because engagements are usually made with many consecutive 'calls'.
- ✓ Follow-up of the progress of the other co-financed projects: However, even if the full amount of the available funds are engaged, there are cases where funds that have already been engaged are moved away from projects that can not proceed according to the available time-frame. There might, therefore, be a possibility that other projects can take their place.

2.3 How not to lose the acquired EU funds

Success in receiving the approval of the competent EC Service for the co-financing of road projects by EU funds does not mean that these EU funds will definitely be provided to road authorities.

The implementation of EU funding depends on many parameters, and funding is provided under specific terms and conditions. If discovered, violation of these (obligatory) terms and conditions may result in the partial or total loss of the agreed EU funds. Please note that this does not depend on whether the EU funds have already been disbursed; if problems arise, the EU will ask for funds that have already been disbursed to be repaid.

Some of the critical issues that may lead to 'financial corrections' (i.e. to the cutting of EU funds or a request for their repayment) are the following:

- Implementation of the EU and National Legal Frameworks on Public Procurement

Violation of these legal frameworks automatically leads to non-funding of the project (as well as to other potential legal measures/consequences).

Notice: If violation of these frameworks is found to be systematic (i.e. happening in many projects), this may result in a fine that takes the form of a 'horizontal financial correction' on the wider financial framework (e.g. the whole programme, or the whole CSF/SPD etc.) provided by the EU fund. This financial correction may amount to up to 25% of the total EU funds!!

- Eligibility of the effected expenditure

Specific relevant rules must be obeyed. These rules are detailed in specific EC documents. Indicatively, non-eligible expenditure is the result of:

- the time when it has been effected, i.e. when it has been incurred out of the eligible period (for example, the eligible time for the projects financed by a programme of the programming period 2000–2006 extends to 31 December 2008);
- the non-legitimacy of procedures followed, for example those referring to: (a) the issuance of the decision for financing of the relevant intervention within an Operational Programme, (b) the tendering and awarding of the respective contract(s), (c) the legitimacy of the implementation of the contracts etc.;
- unjustified cost overruns, in comparison with the initially declared/estimated budget etc.

- Other

A single project (contract) may not be co-funded by more than one EU fund (except in very special cases); this restriction ensures the direct linkage of the expenditure with the works of the project, the adequate control of the upper funding limits, the more efficient management of the EU financing etc.

Further to the above, there are some other issues that may not relate to the projects, but may equally result in problems regarding the financing of the projects.

Such issues are:

◆ *The progress of public expenditure (v+2 rule)*

Available EU funds are always engaged in specific amounts for every year of the programming period. Correspondingly, the disbursements of the fund should be in accordance with the engagements. There is usually a time limit for the absorption of the available EU funds by the co-financed projects/programmes, which extends up to four years after the end of the originally foreseen period of financing.

In the case of EU funds operating in the EU there are also intermediate time limits for the absorption of the yearly engagements of EU funds: the progress of implementation of the co-funded projects within an Operational Programme (OP) should be such that all EU funds for the OP are used in the year for which they are engaged plus two⁶⁶ more years (the so-called 'v+2' rule). EU funds that are not used (absorbed) within these three⁶⁷ years are automatically removed from the Operational Programme and are 'lost'.

Therefore it is extremely important to programme correctly the implementation of the co-funded interventions (projects) and to correctly engage the relevant EU funds.

Note: When the 'v+2' (or 'v+3') rule is violated, funds that have not been absorbed are removed from the Operational Programme but are still necessary for the completion of its unfinished projects/interventions. This means that the lost amount of EU funds will have to be covered by national/own funds. Such being the case, the responsible national authorities carefully monitor the progress of the projects of the OP and, if they see that some projects are not progressing as they should, may decide to take these projects out of the OP and replace them with other, more 'mature' projects whose proper timely implementation can be guaranteed (i.e. under the limitations of the OP).

◆ *Macro-economic deviation*

Within the framework of the Stability and Development Pact, the EC has the right to put the Cohesion Fund's disbursements on hold, when a country does not fulfil its relevant obligations, particularly as far as the criterion of excess fiscal debt is concerned.

Of course, as a result of the huge international financial crisis that is affecting all countries, such measures are not expected to be implemented easily.

2.4 How to get a loan from the EIB

The financing of a road (or other) project by the EIB, follows a specific life cycle, presented in the following figure:

⁶⁶ For the engagements of the first four years (i.e. the years 2007, 2008, 2009, and 2010) in the new period 2007–2013, this flexibility is three years (v+3)

⁶⁷ Or four years; see previous footnote.

The EIB project cycle



Source: EIB website

Fig. 21: The EIB project cycle

► Submission of the loan application

The cycle begins with the relevant application (request) of the competent authority (or other body) promoting the development of the road (project).

No special formalities are attached to the submission of applications to the EIB for individual loans. Project promoters are simply required to provide the bank's Operations Directorate with a detailed description of their capital investment together with the prospective financing arrangements⁶⁸.

Initial contacts to discuss a proposed project can take any form (telephone, fax, e-mail, or letter). For such first contacts, the project promoter should provide sufficient information to allow verification of compliance of the investment with the eligibility criteria⁶⁹ of the EIB and have a well-developed business plan.

⁶⁸ For further information on loan applications, potential borrowers are invited to contact the EIB's Info Desk for general information on the loan application procedure (info@eib.org). Alternatively, a list of senior officials in the EIB Lending Operations Directorate can be found on the website. Promoters are asked to consult the directorate for Lending Operations in Europe or the directorate for Lending Operations outside Europe and contact the appropriate teams via the EIB switchboard : +352 4379-1

⁶⁹ The EIB finances projects in most sectors. Eligible projects are those contributing to EU economic policy objectives:

- Promotion of economic and social cohesion (development of poorer regions) in the EU
- Improvement of EU transport and telecommunications infrastructure (rail, air, road connections, and bridges)
- Secure energy supplies, production, transfer and distribution, more efficient energy use etc. ...



Fig. 22: Slovenia - Beltinci-Lendava

Application Documents

A) Corporate lending: EIB → Borrower/Promoter → Project

Individual loans for projects over €25 million may be requested directly from the EIB. The layout and content of documents to be submitted to the EIB are the responsibility of the project promoter.

Given the range and diversity of potential projects, there is no standardised documentation requirement. The bank does not require its borrowers to complete set forms or questionnaires. As a general rule, the EIB expects to receive a comprehensive Feasibility Study. Where this has not been prepared, the project promoter may use his own discretion in compiling detailed information to permit the technical, environmental, economic, financial, and legal appraisal of projects.

The following documentation list is intended as a guideline for application for a loan. Additional information may be subsequently required.

- Information concerning the borrower/promoter

General information about the enterprise (or institution), its legal status, principal partners and shareholders, organisational structure:

- Development of a competitive, innovative, and knowledge-based European economy (i2i)
- Investment in human capital (schools, universities, laboratories, research centres, hospitals etc.)
- Natural and urban environment schemes (water, waste, cleaner air, urban transport etc.)
- Development of small and medium sized enterprises
- Industrial projects improving EU competitiveness
- Projects that support the EU's external cooperation and development policies

Where the proposed borrower of the EIB loan is not the same as the promoter of the project, similar information is required from both.

Legal documents covering incorporation, statutes, activities, accounting policies, management, ownership, audited financial statements (balance sheets, profit and loss and cash flow statements) for the last three financial years, details of short-, medium-, and long-term liabilities, dividend distribution policy, and financial forecasts.

- Information concerning the project

Technical and environmental data:

General purpose, justification, and location (rated and forecast capacity).

Legal status of the proposed project, relationship with the borrower/promoter's other activities, licences and concessions obtained.

Technical description:

Technology, site development, buildings, production and storage plant, general services, transport systems and equipment.

Environmental impact assessment, where relevant and appropriate, including reference to relevant laws, mitigating measures to protect the environment, specific studies.

Engineering studies and implementation plan: consultants (if any), procedures for tendering and awarding contracts, supervision, works schedule, and implementation timetable.

Detailed cost estimate, itemising site and plant expenditure, provision for physical and price contingencies, interest during construction, initial and start-up expenses, together with a breakdown in foreign and local currencies.

Operation:

Raw materials and products, flowcharts, consumption and output levels, managerial staff and workers, management organisation, technical assistance where applicable.

Financial data:

Breakdown of project operating and maintenance costs, depreciation and overheads.

Financing plan for the project and schedule of projected expenditure.

Projected cash flows, profit and loss accounts, and balance sheets, until the project is expected to come fully on stream.

Estimate of project working capital requirements over time.

Calculation of the project's IRR.

Security and guarantees offered.

B) Project finance: EIB Project Promoter

In addition to the above information regarding the promoter(s) and the project, the following are required:

- A description of the project's envisaged commercial structure and risk allocation i.e. a description of the purpose of the project, any envisaged off-take (revenue) or supply contracts (including construction and operation/maintenance) and the parties to these contracts (including their experience in the domain of the project and their credit standing).

- An analysis of the project's revenue and cost risks, especially in cases where 'term of debt' supply or off-take contracts are not envisaged.
- A description of the project's financing structure including a detailed breakdown of the financing sources: equity, mezzanine and senior debt, and the envisaged role of EIB within the financing structure.
- A financial model, including cash flow forecasts for the life of the project in sufficient detail to enable analysis of the underlying assumption (e.g. detailed revenue, funding, operating and maintenance cost forecasts).
- In the case of a PPP project, information on the conceding authority and the procurement timetable, a summary of the key concession terms and a copy of the concession contract.
- Technical, legal or insurance advice received on the project.

► Application appraisal (by the EIB)

The EIB appraisal procedure for a project application can take any period of time between 6 weeks and 18 months, depending on the project scope, degree of complication, and the efficiency of the appraisal process on the part of both the EIB and the project promoter. The bank will review the promoter's own comprehensive feasibility studies, and make a preliminary assessment of certain aspects of the project including:

- technical
- environmental
- economic
- financial
- legal

This is then followed up with a detailed appraisal by an EIB project team, consisting of an economist, an engineer, and a loan or contact officer within the bank.

The project team will make use of all existing available reports, analyses, and documents, and include a visit to the project's operating company and the investment's location.

The EIB forms its own opinion on the basis of available data and documents.

Following a satisfactory outcome from the EIB review, a loan proposal will be put forward for approval by the Bank's Management Committee to the Board of Directors, which meets ten times a year.

Once approved by the board, the loan facility can be drawn down in one or a number of instalments according to the borrower's requirements, usually starting within 12 months of the approval date.



Fig. 23: Rion-Antirion bridge (Greece), which was co-funded by the ERDF

3 Conclusions

- a) Very important EU funds are available for road projects in the EU member states, which are mainly allocated to the regions/states that need the assistance of the EU (i.e. to the less developed ones) and/or lacking the infrastructures that are necessary for the promotion of the strategic/sectoral goals of the EU for the EU⁷⁰.
- b) The main EU funds providing financing for road projects in the EU are: The European Regional Development Fund (ERDF), the Cohesion Fund (CF), and the TEN-T Fund. Their operation is governed by specific regulations and directives that are applicable to all EU member states. It is widely felt that these legal documents (together with all other explanatory vademecums) have already created and are imposing a very 'heavy' management system.
- c) There are also important EU funds available for non-EU countries, depending on their relations and specific cooperation agreements with the EU. Naturally, the EU funds that are made available to rich non-EU countries/regions are much smaller (if even existent) than those made available to less developed (poorer) ones.
- d) The most important EU funds providing financing of road projects in non-EU countries are at present the Instrument for Pre-Accession (IPA), the European Neighbourhood and Partnership Instrument (ENPI), and the European Development Fund (EDF). The shifting of the 'technical assistance' types of EU financed projects to 'technical cooperation' projects (in which the recipient countries are gradually led to participate in the financing of the projects) is a positive step towards more ownership and thus better quality of the final outcomes.

⁷⁰ Such as the increase of mobility, development of the Trans-European Road Network (TERN), increase of competitiveness and employment, protection of the environment, increase of EU internal cohesion etc.

- e) The eligibility of the various types of road projects (i.e. construction, design, maintenance etc.) by each EU fund is usually determined by the regulation governing the operation of each fund. Restrictions exist for the roads' maintenance and operation projects and some road-works' management projects. Considering that in many developed EU member states—but also in a growing number of other member states—the road infrastructure is already complete or will be completed rather soon, the EC should start thinking about considering as eligible road projects that do not involve the construction of new infrastructure, but deal with operational improvement (e.g. 'incident management') and the maintenance of roads. The eligibility of all road-related types of projects will also contribute to the implementation of integrated road development solutions, based on the life-cycle cost-management approach.
- f) The securing of EU funds for the implementation of road projects by a Potential Recipient Authority (PRA) presupposes a series of actions taken at EU and national levels through which EU funds are made available for engagement in road projects. The PRA will then have to 'compete' with other eligible authorities to get its projects approved for co-financing by EU funds. This procedure is fair but takes a lot of time, and time is a very precious, scarce element when it comes to the use of EU funds.
- g) In order to be successful in applying for co-financing for its road projects by EU funds, a PRA should develop its relevant capacity and follow a number of practical guidelines. However, even following all these guidelines is not a guarantee of success if many PRAs compete for the same funds.
- h) Furthermore, even when the co-financing of a project by an EU fund is approved, the EU funds may not ultimately be received by the recipient authority if all the requirements of the EU fund Regulation are not fulfilled.
- i) The 'bureaucracy' involved in using EU funds is onerous; in certain cases this leads to questions being raised about the ultimate benefit of their use. This issue is acute in countries that have not integrated the rules, procedures, and practices required by the EU funds' Regulations into their own (national) legal and regulatory framework and are obliged to implement them in parallel to their own framework. Besides all these 'weaknesses', most countries and organisations are very keen to get and use EU funds, mainly because they are subsidies (grants) that do not have to be repaid.
- j) It is true to say that 'poor' countries are happy to receive EU funds because this funding allows them to increase their funding capacity for investment projects and at the same time to improve their management capacity, while 'rich' countries are also happy NOT to receive EU funds because not getting EU funding saves costs and means that these countries are not under pressure to prepare and implement their projects and are not subject to the tight deadlines imposed by the EU funds' restricted implementation periods.
- k) In addition to the grants from EU funds, a PRA may also use loans from the European Investment Bank. The lending conditions attached to these loans are much better than the conditions attached to loans from commercial banks. In addition to the good terms of the loans, the procedure for application, approval, disbursement, and servicing is easier for the recipient and quite swift. EIB loans are, therefore, very attractive.

ANNEX 1: Information on EU funds for EU member states

1.1 Objectives served by the EU funds:

- In the period 2000–2006 (2008)⁷¹:

Objective 1: To promote the development and structural adjustment of regions whose development is lagging behind.

Objective 2: To support the economic and social conversion of areas experiencing structural difficulties.

Objective 3: To support the adaptation and modernization of education, training, and employment policies and systems in regions not eligible under Objective 1.

- In the period 2007–2013 (2015):

Objective 1: To promote the convergence of the less developed regions of the EU.

Objective 2: To promote regional competitiveness and employment.

Objective 3: To promote territorial cooperation.

1.2 Funds made available to EU member states through the Structural and Cohesion Funds:

- In the period 2000–2006 (2008) the total amounts (which were originally made available to the 15 EU MS) under each Objective, are (in € billion):

- Objective 1:	136.0	
- Objective 2:	22.5 ⁷²	
- Objective 3:	24.0 ⁷³	
- Fisheries ⁷⁴ :	1.1	

TOTAL ⁷⁵ :	€183.6 billion	

⁷¹ The programming period (i.e. the period (years) used for the engagement of the funds) is 2000–2006. Projects financed by these budgets may be implemented until the end of 2008. This is known as the ‘n+2 rule’.

⁷² Including funds for ‘phasing out’ (or ‘statistical effect’) regions (i.e. regions statistically affected by the EU enlargement)

⁷³ Including funds for ‘phasing in’ (or ‘statistical effect’) regions (i.e. regions statistically affected by the EU enlargement)

⁷⁴ Fisheries projects not included under Objective 1.

⁷⁵ The total amount available for this period was actually €195.0 billion (1999 prices). The difference between the two figures results from the financing of Trans-EU programmes known as ‘**Community Initiatives**’ (in total ~€10.4 billion) and inflation (at 2% p.a.).

The allocation of these funds by EU MS (15) was (originally) as follows (in € billion):

- Belgium (B)	1.83
- Denmark (DK)	0.75
- Germany (D)	28.16
- Greece (EL)	20.96
- Spain (E)	43.09
- France (F)	14.62
- Ireland (IRL)	3.09
- Italy (I)	28.49
- Luxemburg (L)	0.08
- Netherlands (NL)	2.64
- Austria (A)	1.47
- Portugal (P)	19.03
- Finland (FIN)	1.84
- Sweden (S)	1.91
- United Kingdom (UK)	15.64
-----	-----
TOTAL	€183.60 billion

Structural & Cohesion funds

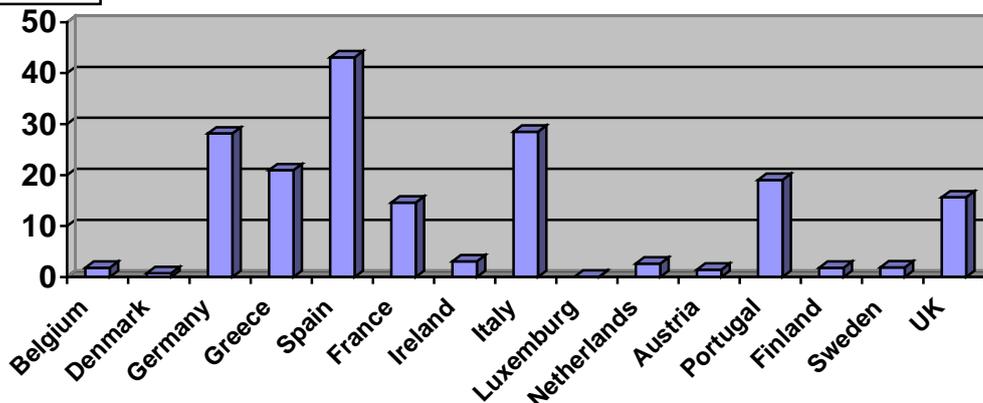


Fig. 24: Structural & Cohesion Fund grants to EU member states (2000–2006)

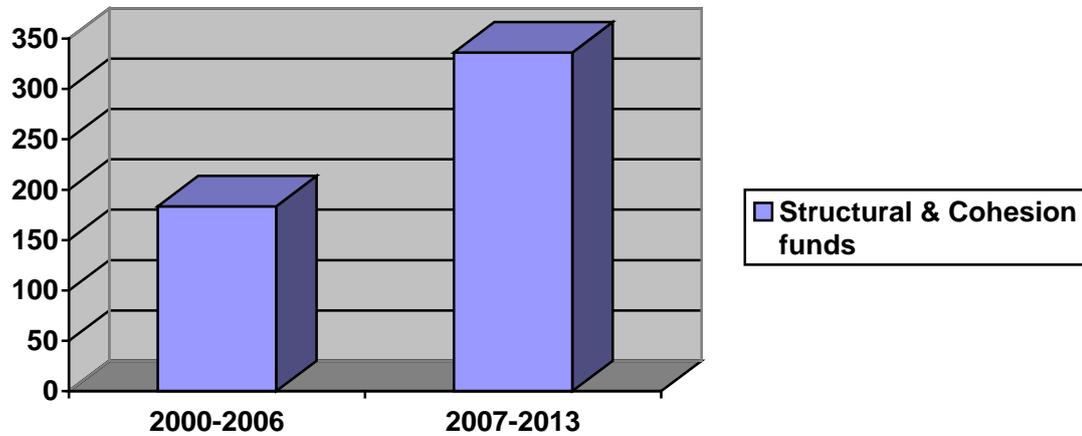
o In the period 2007–2013 (2015), the amounts made available are (in € billion):

- Objective 1: 279.2⁷⁶
- Objective 2: 49.1
- Objective 3: 7.8

TOTAL : €336.1 billion⁷⁷

⁷⁶ The enlargement of the EU has significantly increased the number of regions below the threshold at which the EU intervenes to help them catch-up. In the new MS, over 92% of the population lives in regions with a GDP/head below 75% of the EU average). This is why most of the available funds for the period 2007–2013 are going to Convergence Objective 1 regions.

⁷⁷ This is almost **one third of the total EU budget** for the years 2007–2013!



Structural & Cohesion Funds engaged

Fig. 25:



Fig. 26: Rion-Antirion bridge (Greece), which was co-funded by the ERDF

Based on the Cotonou Agreement, which is the bedrock of EU cooperation with African, Caribbean, and Pacific countries, the EDF supports assistance to the Union's 78 ACP partner countries and the overseas countries and territories of member states. The 10th EDF entered into force in January 2008.

✓ Development Cooperation Instrument (DCI)

The DCI covers three main components. Firstly, it provides assistance to South Africa and 47 developing countries in Latin America, Asia, Central Asia, and the Middle East (only those countries not covered by the European Neighbourhood and Partnership Instrument or the European Development Fund). Secondly, it supports the restructuring of sugar production in 18 ACP countries. Thirdly, it runs five thematic programmes: investing in people; environment and sustainable management of natural resources including energy; non-state actors and local authorities in development; food security; as well as migration and asylum.

The five DCI thematic programmes support actions in all developing countries (including those covered by ENPI and the EDF), global actions and external projections of as well as global actions and the fleshing out of Commission internal policies.

✓ European Instrument for Democracy & Human Rights (EIDHR)

EIDHR contributes to the development of democracy, the rule of law, respect for human rights and fundamental freedoms. It has been designed to complement the various other tools for implementation of EU policies in this area, which range from political dialogue and diplomatic demarches to various instruments of financial and technical cooperation, including both geographic and thematic programmes. It also complements the more crisis-related interventions of the new Stability Instrument.

✓ Instrument for Stability (IfS)

The IfS aims to contribute to stability in countries in crisis by providing an effective response to help preserve, establish, or re-establish the conditions essential to the proper implementation of the EU's development and cooperation policies (the 'Crisis response and preparedness' component).

In the context of stable conditions for the implementation of EU cooperation policies in third countries, the IfS helps to build capacity both to address specific global and trans-regional threats having a destabilising effect and to ensure preparedness to address pre- and post-crisis situations (the 'global and regional trans-border challenges' component).

The 'Crisis response and preparedness' component is managed by the Directorate General of External Relations. The 'Global and regional trans-border challenges' component is managed by EuropeAid.

✓ Nuclear Safety Cooperation Instrument (NSCI)

The NSCI finances measures to support a higher level of nuclear safety, radiation protection, and the application of efficient and effective safeguards of nuclear materials in third countries.

ANNEX 3: Titles of currently open EU funded programmes in non-EU countries relating to transport

- CEB – VICTIMS OF NATURAL & ECOLOGICAL DISASTERS
- CIP-3 INTELLIGENT ENERGY EUROPE
- CIP-3 INTELLIGENT ENERGY EUROPE – INTEGRATED INITIATIVES
- CIP-3 INTELLIGENT ENERGY EUROPE – SAVE
- CIP-3 INTELLIGENT ENERGY EUROPE – STEER
- CIVITAS II
- DG ENTERPRISE GRANTS PROGRAMME
- ESPON 2013
- EU CIVIL AVIATION COOPERATION
- EUREUA
- FP7- EU FRAMEWORK PROGRAMME FOR RESEARCH, TECHNOLOGICAL DEVELOPMENT AND DEMONSTRATION ACTIVITIES
- FP7- CAPACITIES
- FP7- COOPERATION
- FP7- COOPERATION – 10 SECURITY
- FP7- COOPERATION – 7 TRANSPORT
- FP7- COOPERATION – 9 SPACE
- FP7- IDEAS – EUROPEAN RESEARCH COUNCIL
- FP7 – PEOPLE
- GRANTS IN THE FIELD OF TRANSPORT (Transport – Energy – Environment)
- INOGATE
- INTELLIGENT CAR INITIATIVE
- IPA-2 CROSS BORDER COOPERATION
- IRA-3 REGIONAL DEVELOPMENT
- JASPERS
- MANAGENERGY
- MARCO POLO II
- PILOT PROJECT ON SAFETY TEN-T
- PRIZE – EUROPEAN MOBILITY WEEK AWARD
- PRIZE – EUROPEAN SOLAR PRIZE
- PUBLIC DIPLOMACY AND OUTREACH IN CANADA
- REHABILITATION & RECONSTRUCTION OF AFGHANISTAN

ANNEX 4: Fact-sheet for the loan guarantee instrument for trans-European transport network projects

What is the LGTT?

LGTT is the acronym for Loan Guarantee Instrument for Trans-European Transport Network Projects, an innovative financial instrument set up and developed jointly by the European Commission and the European Investment Bank (EIB) that aims to facilitate a larger participation of the private sector involvement in the financing of Trans-European Transport Network infrastructure ('TEN-T').

What are the objectives of the LGTT?

This new instrument facilitates private sector involvement in core European transport infrastructure, which often faces difficulties in attracting private-sector funding due to the relatively high levels of revenue risk in a project's early operating stages. The LGTT, which is part of the EU's TEN-T programme and the EIB's Action for Growth initiative, partially covers these risks and consequently significantly improves the financial viability of a project. The LGTT is financed with a capital contribution of €1 billion (€500 million each from the Commission and the EIB), which is intended to support up to €20 billion of senior loans. The LGTT aims to facilitate investment in TEN-T projects by significantly improving the ability of the borrower to service senior debt during the initial operating period or '*ramp-up*' phase of the overall project and of its initial traffic revenue. Its design substantially enhances the credit quality of the senior credit facilities, thereby encouraging a reduction of risk margins applied to senior loans to the project. These savings should surpass the cost to the borrower of the guarantee, resulting in a financial value-added for the project.

Which transportation projects can benefit from the LGTT?

Projects or part of a project of common interest in the field of transport in the framework of Decision No 1692/96/EC (the 'TEN-T Project') compliant with Community laws and for which financial viability is based in whole or in part, on revenues, tolls or other user-charges based income.

How much financing can the LGTT provide?

The stand-by liquidity facility guaranteed by the LGTT should not normally exceed 10% of the total amount of the senior debt (up to 20% in exceptional cases e.g. high traffic volatility during the ramp-up period with strong indication of stabilised traffic and acceptable debt service capacity post ramp-up). The amount of the guarantee is subject to a maximum ceiling of €200 million per project pursuant to the EIB Structured Finance Facility rules ('SFF'). The SFF is the EIB's main facility for increased risk taking, established in order to support projects of European importance including large-scale infrastructure schemes.

What risks does the EIB take under the LGTT scheme?

Under the LGTT, the EIB will accept exposure to higher financial risks than under its normal lending activities. In effect, if the EIB guarantee is called upon by the stand-by liquidity facility ('SBF') providers at the end of the availability period, then the EIB would reimburse the SBF providers and become a subordinated lender to the project but ahead of any payment to the equity providers and related financings.

Once the EIB has become a creditor to the project, amounts due under the LGTT will also rank junior to the debt service of the senior credit facility. The EIB, by taking such subordinated risk through the LGTT guarantee, helps the project to cope with the revenue risk of the early years of operation while relying on the long-term perspective of the project to be financially viable.

What do you mean by initial operating period or ‘ramp-up’ phase of the project?

The aim of the LGTT is to improve the ability of the borrower to service senior debt during the initial operating period or ‘ramp-up’ phase of the project, irrespective of initial traffic revenue. In other words, the LGTT together with the SBF, become effective and cover the period from the completion of the project, i.e. for example when the project is declared open to traffic in accordance with the concession agreement and/or the lenders’ technical adviser has confirmed satisfaction of the completion tests, until the 5th anniversary of the completion date (up to seven years in special cases).

How can promoters apply for LGTT financing?

Please contact the EIB directly through its website connections. There are no formal requirements such as application forms in order to apply for LGTT financing. The EIB can be contacted directly, either via its Head Offices in Luxemburg or via its European External Offices.

How does the LGTT work?

The LGTT is an EIB guarantee, the risk capital for which is jointly provided by EIB and the European Commission in favour of commercial banks, which will provide SBF in addition to the usual project finance funding instruments. The SBF can be drawn by the project company in case of unexpected reductions in traffic income of the project during the initial ramp-up period of operation in order to assure service of its senior credit facilities. The SBF, funded by commercial banks, will benefit from a guarantee from the EIB and will be available for draw down in the initial ramp-up period only (availability period, up to 7 years, but no longer than the ramp-up) after construction of the project is completed. All repayments to be made on the outstanding amounts of the SBF on a cash sweep basis are in principle subordinated to the senior loans underpinned by it, subject to specific needs of a given financial structure. If at the end of the availability period there are still amounts outstanding under the SBF (interest, interest accrued, and principal), the LGTT guarantee can be called upon by the SBF providers, the EIB would pay out the SBF providers and then become subordinated creditor to the project. Once EIB becomes a creditor to the project, amounts due under the LGTT will still rank junior to the debt service of the senior credit facility and would be repaid either on a cash sweep basis based on the post senior debt service available cash (default solution) or on a fixed reimbursement profile of the LGTT debt.

ANNEX 5: Country profiles

- a. The country profiles that follow provide information on the funding of road projects in the programming periods 2000–2006 and 2007–2013, for the countries:
- France
 - Germany
 - Greece
 - Iceland
 - Latvia
 - Norway
 - Spain
- b. The following clarifications were provided as instructions for the completion of these profiles:
- 1 Data/information to be included in the profile must refer to the whole of the country. If this is not possible (especially for the financial data) then please specify the area or service or sub-sector to which the data provided refers.
 - 2 Please provide data/info. separately for each programming period. Please note that the period of implementation of the projects of the programming period 2000–2006 extends up to 2008 (in certain countries up to 2009).
 - 3 The total cost of projects (see 1. above) includes all costs (i.e. for design, construction, land expropriations etc.) funded from all sources (i.e. public expenditure, including the EU funds' contribution, plus any private funds).
 - 4 The EU funds contribution amount (see 2. above) is the total amount from all EU funds (or other EU funding instruments) used within the programming period.
 - 5 The amounts under questions 1. and 2. above may either be in current prices, or in (in/deflated) constant prices (to a specific year of reference). Please add a note on the above.
 - 6 The range of percentages of EU funds' contributions (see 3. above) usually results from the relevant decisions of the recipient country (but, of course, they are always below the upper limits set by the EU funds' regulations).
 - 7 The pre-accession EU funds are different in the two programming periods (please see the text of the report)
 - 8 Question No. 7 should be answered only if there are road projects implemented with concession contracts; otherwise it should be left unanswered.
 - 9 In relation to question No. 8, if the answer is positive, please clarify in the space provided under 9. Whether the loans were made directly to the road project or indirectly to the programme under which the road projects received the contribution of EU funds.
 - 10 Please use the space provided under point 9. to write any information that does not fit in the space provided under the other questions/ points.
 - 11 Please feel free to comment on the implementation of EU funding in your country in the space provided under point 10.

Funding of road projects by the EU funds
Country Profile

Country: FRANCE

	<u>Programming Periods</u>	
	<u>2000–2006</u>	<u>2007–2013</u>
1 Total cost of road projects co-funded by EU funds (in € million) (1), (3)	387.8	N/A
2 Contribution of EU funds to the funding of above projects (in € million) (2), (3)	39.0	0
3 Range of the percentage of the EU fund contribution to public expenditure (%) (4)	10 to 50	0 to 0
4 EU funds/EU financing instruments used:		
- E. Regional Dev. Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Cohesion Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- TEN-T Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Other (please specify)	none	none
5 Category of roads co-funded by EU funds:		
- Motorways (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Other (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Other (non-TENs)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Types of interventions (works etc.) co-funded:		
- Design studies	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- New construction	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Rehabilitation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Maintenance/operation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Other (please specify)
7 Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

- 8 Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No
- Use of loans from other financing institutions
(please specify)

- 9 Comments/clarifications on the above:

French TERN road projects with strong environmental impact, safety measures,
border projects (Mont-Blanc tunnel, RN 10 near Spain, Frejus Tunnel...)

- 10 Comments on the use of EU funds (difficulties encountered, proposals for improvement of
their use etc.)

Needs :

More time to prepare the submission
More audits from the Commission at different stages
Multi-annual Investment Program is a good tool

Date: 20 March 2009

Name: Samira Irsane

Title: Officer in European Affairs at the Directorate
for Infrastructures of Transport- MEEDDAT

Funding of road projects by the EU funds

Country Profile

Country: **Germany** (1)

		<u>Programming Periods</u>	
		<u>2000–2006</u>	<u>2007–2013</u>
1.	Total cost of road projects co-funded by EU funds (in € million) (2)		
	• ERDF (OP Transport)	1'911	1'076
	• TEN-T	353	108
	Total	2'264	1'184
2.	Contribution of EU funds to the funding of above projects (in € million)		
	• ERDF (OP Transport)	951	699
	• TEN-T (3)	32	10
	Total	983	709
3.	Range of the percentage of the EU fund contribution to public expenditure (%)	6 to 75	10 to 65
4.	EU funds/EU financing instruments used:		
	- E. Regional Dev. Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Cohesion Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- TEN-T Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- Other (please specify)	---	---
5.	Category of roads co-funded by EU funds:		
	- Motorways (TENS) (4)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Other (TENS) (4)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Other (non-TENS)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6.	Types of interventions (works etc.) co-funded:		
	- Design studies	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- New construction	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Rehabilitation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- Maintenance/operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- Other (please specify)	Upgrading	Upgrading
7.	Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

8. Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No
- Use of loans from other financing institutions
(please specify) --- ---

9. Comments/clarifications on the above:

(1) Federal trunk roads, co-financed by OP Transport 2000–2006, OP Transport 2007–2013 or TEN-T only
(2) Eligible costs only, estimated figures
(3) Up to 2008 only due to financing by annual decisions
(4) Including projects matching TEN-T-criteria for projects of common interest

10. Comments on the use of EU funds (difficulties encountered, proposals for improvement of their use etc.)

Date: 19-03-2009

Funding of road projects by the EU funds
Country Profile

Country: GREECE

	<u>Programming Periods</u>	
	<u>2000–2006</u>	<u>2007–2013</u>
1. Total cost of road projects co-funded by EU funds (in € million) (1), (3)	11'848	~9'560
2. Contribution of EU funds to the funding of above projects (in € million) (2), (3)	6'235	~3'650
3. Range of the percentage of the EU fund contribution to public expenditure (%) (4)	50 to 85	50 to 75
4. EU funds/EU financing instruments used:		
- E. Regional Dev. Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Cohesion Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- TEN-T Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	none	none
5. Category of roads co-funded by EU funds:		
- Motorways (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Other (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Other (non-TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. Types of interventions (works etc.) co-funded:		
- Design studies	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- New construction	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Rehabilitation	<input checked="" type="checkbox"/> Yes (5) <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes (5) <input type="checkbox"/> No
- Maintenance/operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	(6)	(6)
7. Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

8. Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No
- Use of loans from other financing institutions
(please specify) (7) (7)

9. Comments/clarifications on the above:

(1) This is an estimation of the total cost of projects co-financed by EU funds. Private funds are also included (used for road projects constructed under concession contracts).
(2) This is an estimation of the EU funds engaged for road projects. They include funds from the ERDF, CF, and TEN-T for all road categories and all types of projects (interventions). A major part of the funds for the period 2007–2013 have not yet been engaged to specific projects.
(3) All amounts are in current prices (i.e. they refer to the years they were incurred).
(4) These percentages are the result of the decision not to exhaust the maximum percentage of EU fund contributions for all road projects. This approach resulted in bigger national contributions, so that more projects could be constructed. On the other hand, the percentage of EU funds' contribution could not be high for the projects generating revenues (e.g. tolled motorways).
(5) Upgrading and/or improvement of the safety features of the roads.
(6) For example: Land expropriations (up to the 10% of the total cost of the road project), archaeological surveys, outsourced project/construction management etc.
(7) Loans from commercial banks are also used (by the existing six concessionaires and by the EGNATIA S.A. The latter is a state company operating under private law, having the responsibility of construction, maintenance, and operation of the 'Egnatia Odos', a new 670-km motorway).

10. Comments on the use of EU funds (difficulties encountered, proposals for improvement of their use etc.)

Date: 17-03-2009

Name: Sarantis A. Pantelias
Title: Technical advisor MEPPPW

Funding of road projects by the EU funds
Country Profile

Country: ICELAND

	<u>Programming Periods</u>	
	<u>2000–2006</u>	<u>2007–2013</u>
1. Total cost of road projects co-funded by EU funds (in € million)	0	0
2. Contribution of EU funds to the funding of above projects (in € million)	0	0
3. Range of the percentage of the EU fund contribution to public expenditure (%)	-- to --	-- to --
4. EU funds/EU financing instruments used:		
- E. Regional Dev. Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Cohesion Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- TEN-T Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	No	No
5. Category of roads co-funded by EU funds:		
- Motorways (TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (non-TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. Types of interventions (works etc.) co-funded:		
- Design studies	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- New construction	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Rehabilitation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Maintenance/operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	No	No
7. Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

8. Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No
- Use of loans from other financing institutions
(please specify) No No

9. Comments/clarifications on the above:

10. Comments on the use of EU funds (difficulties encountered, proposals for improvement of their use etc.)

Date: 17. March 2009

Name: Kristín H. Sigurbjörnsdóttir
Title: Director of Administrative Division at
Icelandic Roads Administration

Funding of road projects by the EU funds
Country Profile

Country: **LATVIA**

	<u>Programming Periods</u>	
	<u>2000–2006</u>	<u>2007–2013</u>
1. Total cost of road projects co-funded by EU funds (in € million)	410	~860
2. Contribution of EU funds to the funding of above projects (in € million)	270	~573
3. Range of the percentage of the EU fund contribution to public expenditure (%)	75 to 85	31 to 85
4. EU funds/EU financing instruments used:		
- E. Regional Dev. Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Cohesion Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- TEN-T Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Pre-accession funds	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	---	---
5. Category of roads co-funded by EU funds:		
- Motorways (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Other (TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Other (non-TENs)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. Types of interventions (works etc.) co-funded:		
- Design studies	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- New construction	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Rehabilitation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
- Maintenance/operation	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
- Other (please specify)	---	---
7. Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

8. Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No

Use of loans from other financing institutions
(please specify)

The loan was made directly to the road project.

9. Comments/clarifications on the above:

None

10. Comments on the use of EU funds (difficulties encountered,
proposals for improvement of their use etc.)

None

Date: 18-03-2009

Name: Vytautas Lingaitis

Title: Chief Specialist, Economic Division.

Funding of road projects by the EU funds Country Profile

Country: **NORWAY**

	<u>Programming Periods</u>	
	<u>2000–2006</u>	<u>2007–2013</u>
1. Total cost of road projects co-funded by EU funds (in € million)	0	0
2. Contribution of EU funds to the funding of above projects (in € million)	0	0
3. Range of the percentage of the EU fund contribution to public expenditure (%)	0 to --	0 to --
4. EU fund s/ EU financing instruments used:		
- E. Regional Dev. Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Cohesion Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- TEN-T Fund	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	---	---
5. Category of roads co-funded by EU funds:		
- Motorways (TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (non-TENS)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. Types of interventions (works etc.) co-funded:		
- Design studies	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- New construction	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Rehabilitation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Maintenance/Operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
- Other (please specify)	---	---
7. Contribution of EU funds to the financing of road concession contracts (if you had concession projects)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

8. Use of EIB loans (+ other contributions)
for road projects' financing Yes No Yes No
- Use of loans from other financing institutions
(please specify) --- ---

9. Comments/clarifications on the above:

EIB lent funds to the PPP Company Allfarveg AS for the PPP project E39 Lyngdal–Flekkefjord and Agder OPS Vegselskap for the PPP project E18 Grimstad–Kristiansand.

The loans from the EIB amount to approx. NOK2 billion.

10. Comments on the use of EU funds (difficulties encountered, proposals for improvement of their use etc.)

Date: 20.03.09

Name: Morten Rannem

Title: Senior advisor, Norwegian Public Roads
Administration

Funding of road projects by the EU funds

Country Profile

Country: **SPAIN**

		<u>Programming Periods</u>	
		<u>2000–2006</u>	<u>2007–2013</u>
1	Total cost of road projects co-funded by EU funds (in € million)		
	ERDF	8'124.80	3'221.40
	Cohesion Fund	565.00	0
	TEN-T (1)	8.27	206.95
	TOTAL	8'698.05	3'428.35
2	Contribution of EU funds to the funding of above projects (in € million)		
	ERDF	5'544.00	2'092.00
	Cohesion Fund	480.00	0
	TEN-T	3.80	22.22
	TOTAL	6'027.80	2'114.22
3	Range of the percentage of the EU fund contribution to public expenditure (%) (2)	38 to 85	8 to 70
4	EU funds/EU financing instruments used:		
	- E. Regional Dev. Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Cohesion Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- TEN-T Fund	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Pre-accession funds	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- Other (please specify)	none	none
5.	Category of roads co-funded by EU funds:		
	- Motorways (TENS)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Other (TENS)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Other (non-TENS)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6.	Types of interventions (works etc.) co-funded:		
	- Design studies	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- New construction	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Rehabilitation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	- Maintenance/operation	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	- Other (please specify)
7.	Contribution of EU funds to the financing of road concession contracts (if you had concession projects) (3)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

8. Use of EIB loans (+ other contributions) for road projects' financing Yes No Yes No
- Use of loans from other financing institutions (please specify)

9. Comments/clarifications on the above:

(1) In the 2000–2006 period, the stated cost entailed only the cost of the design of three projects. Nevertheless, in 2007–2013, the stated cost relates to two design studies and four construction works.

(2) The average contribution of the Cohesion Fund is 85% of the eligible cost. The average contribution of the ERDF is between 65% and 70% depending on the region in the 2000–2006 period and between 50% and 65% in the 2007–2013 period. The percentage of TEN-T funding ranges from 38% to 50% in the first period and from 8% to 50% in the second.

(3) Filled in with the information from the National Road Network (State responsibility).

10. Comments on the use of EU funds (difficulties encountered, proposals for improvement of their use etc.)

Date: 7-04-2009

Name: Emilio Rgz.Rebollo
Title: International Affairs Area

Ref: CEDR report 2010/01 TDMangement2010 / EUFundsforRoads



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