Action Plan

Making the best use of new financial schemes for European transport infrastructure projects

PROGRESS REPORT

Prof. Kurt Bodewig
Prof. Carlo Secchi

JANUARY 2018

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The European Coordinators are designated by the European Commission, DG MOVE, in order to facilitate the coordinated implementation of the TEN-T core network corridors.

Prof. Bodewig is the European Coordinator of the Baltic-Adriatic Corridor. He is a former Federal Minister of Transport, Infrastructure and Housing of Germany. He is Professor for Transport Policy and Infrastructure at the University of Applied Sciences Osnabrück and Guest Professor for Transport Policy, Infrastructure and Logistics at the Hefei University in China. From 2013 until 2016, he has been president of two Commissions of the German Länder on 'Sustainable Financing of Transport Infrastructure in Germany' and on 'Construction and Maintenance of the German transport network' ("Bodewig Commission").

Prof. Secchi is the European Coordinator of the Atlantic Corridor. He is a former Member of the Italian Senate and of the European Parliament, where he was Vice-President of the Economic, Monetary Affairs and Industrial Politics Commission over 1994-1999 and a member of the High Level Group of the reform of the statute and financial treatment of the members of the European Parliament in 2000. He was the Rector of Bocconi University over 2000-2004 and is Professor Emeritus at Bocconi of European Economic Policy. He is also active in several boards and institutes. He has been involved with the TEN-T policy already since 2009, as Coordinator as well as Chair of the 'Expert Group on TEN-T financing' that contributed to the revision of TEN-T and the launch of the Connecting Europe Facility.

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Prof. Carlo Secchi, European Coordinator

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Glossary

CBA	Cost-benefit analysis
CBS	Christophersen-Bodewig-Secchi
CEF	Connecting Europe Facility
CSA	Coordination and Support Action
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFSI	European Fund for Strategic Investments
EIA	Environmental Impact Assessment
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIPP	European Investment Project Portal
EPEC	European PPP Expertise Centre
ERTMS	European Rail Traffic Management System
ESIF or ESI Funds	European Structural and Investment Funds
ETS	Emission Trading Scheme
GBER	General Block Exemption Regulation
GHG	Greenhouse Gas
JASPERS	Joint Assistance to Support Projects in European Regions
MGDD	Manual of Government Deficit and Debt
MFF	Multiannual Financial Framework
NER	New Entrants' Reserve
NPB	National Promotional Bank
PPP	Public Private Partnership
PSA	Programme Support Action
TEN-T	Trans-European Transport Network
TTE	Transport, Telecom and Energy

Foreword

In June 2015, former Vice-President Henning Christophersen (†) and the two European TEN-T Coordinators, Professor Kurt Bodewig and Professor Carlo Secchi, issued an "Action Plan to make the best use of new financial schemes for European transport infrastructure projects" upon the request of the Transport Ministers' Informal Council in Milano (September 2014). This Action Plan, so-called "CBS report", largely contributed to the debate on the Jobs, Growth and Investment Package of President Juncker and supported the implementation of the related European Fund for Strategic Investment (EFSI). It aimed at fully grasping the opportunities offered by EFSI and financing of transport projects in general, facilitating synergies between public sources at national (in particular National Promotional Banks) and EU level (Connecting Europe Facility (CEF), European Structural and Investment Funds (ESIF), European Investment Bank (EIB)) and private sources such as institutional investors, commercial banks and insurance companies. The report was presented in formal and informal Transport Councils in Milano, Bruxelles and Luxembourg.

Since its publication in June 2015, several of the measures called for by the CBS report have been developed and successfully implemented. Taking into consideration these improvements, Professor Kurt Bodewig and Professor Carlo Secchi have prepared the present progress report. It highlights the progress made with regard to their original twelve recommendations and, most importantly, outlines the steps and measures that are still needed to improve the framework for transport infrastructure investments in Europe.

This progress report was elaborated on the basis of the European Coordinators' own experiences on the TEN-T core network corridors and consultations with stakeholders. Next to numerous one-to-one contacts, a first draft of the Executive Summary was presented at a Commission seminar on the Investment Plan for Europe held in Belgium in June 2017 and an abstract[1] at the Informal Transport Council and Connecting Europe Conference in Tallinn in September 2017.

This progress report is embedded in a wider strategy of the Coordinators to contribute to the future of the TEN-T, notably through the publication of several issues papers[2] promoting a fully integrated mobility policy and their Joint Declaration on the future of TEN-T and CEF[3]. It is one element in the Coordinators' efforts to have a neutral and fully integrated and cross-cutting view on infrastructure policy, implementation and financing. As such, it is pivotal in "breaking up the silos".

In the overall context of the discussions on the future of the Juncker "Investment Plan for Europe" and the next financial perspectives, it should also be noted that the first CBS Action Plan was issued before the Juncker Investment Plan came out. Nevertheless, its twelve CBS recommendations very well match with the three pillars of the Investment Plan (1st pillar "Mobilising finance for investment", 2nd pillar "Making finance reach the real economy" and 3rd pillar "Improved investment environment") and can therefore directly apply to help improving the design and implementation of the EFSI. Figure 1 illustrates this interconnection.

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1 https://ec.europa.eu/transport/sites/transport/files/cbs_abstract.pdf

2 https://ec.europa.eu/transport/sites/transport/files/themes/infrastructure/news/doc/2016-06-20-ten-t-days-2016/issues-papers.pdf

3 https://ec.europa.eu/transport/sites/transport/files/coordinators_joint_declaration.pdf

Figure 1: The three pillars of the Juncker Investment Plan in conjunction with the 12 recommendations of the CBS Action Plan

1. MOBILISING FINANCE FOR INVESTMENT

European Fund for Strategic Investment (EFSI)

- Recommendation 7: Finding additional resources
- Recommendation 8: Monetisation of external costs and benefits
- Recommendation 9: Pooling and Blending

2. MAKING FINANCE REACH THE REAL ECONOMY

European Investment Advisory Hub
European Investment Project Portal

- Recommendation 1: Development of an adequate project pipeline
- Recommendation 2: Comprehensive approach to project life cycle
- Recommendation 3: Support for improving the quality of projects and attracting private finance

3. IMPROVED INVESTMENT ENVIRONMENT

Removing regulatory barriers
Structural reforms at national level

- Recommendation 4: Optimisation of procurement procedures
- Recommendation 5: Simplification of permitting
- Recommendation 6: Clarification of State aid rules
- Recommendation 10: Attracting the private sector: financial markets and regulations
- Recommendation 11: Statistical treatment of PPPs
- Recommendation 12: Stakeholders involvement and consultation. Communication.

The EFSI benefitted from EUR 2.2 billion of CEF budget to constitute the EU guarantee. From its launch in 2015 until July 2017, EFSI approved 47 operations contributing to transport objectives, triggering a total of EUR 21.4 billion in related investments. This represents around 15% of the overall investment from the Infrastructure and Innovation Window (IIW) of the EFSI. In addition, four programmes have been pre-approved, including the two green shipping programmes with potential to mobilise additional EUR 3.5 billion of investment.

Against this background, the overall purpose of this progress report is on the one hand to improve the financing and funding conditions for future investments in the transport sector, and more widely in general infrastructure investments. On the other hand, it aims at further maximising the success of the EFSI and in particular at increasing the share of investments in sustainable transport infrastructure, notably by EFSI. As such, the authors of this report wish to give a strong impetus to the discussions on the next MFF and on a reinforced CEF 2 and EFSI.

Deliberately, this progress report maintains the original structure (i.e. 12 recommendations) of the initial report of 2015, even though the situation has evolved in many ways. It was considered preferable not to change the structure as to allow a better comparison with the original recommendations and thus an easier highlight of the progress made.

Last but not least, the authors wish to express their sincere gratitude for the precious support and advice obtained from the other European Coordinators (with whom a final draft was discussed in Strasbourg on 14 November 2017), the Commission services, of which DG MOVE units B1, B2 and C4, DG COMP, DG ECFIN, DG FISMA, EUROSTAT and the EIB as well as all the public and private bodies consulted (including NPBs).

I. Executive Summary

This progress report highlights the remaining and additional steps and measures stemming from the original CBS Action Plan and the progress made since its publication in June 2015.

Stream 1: Strengthening the project pipeline

One major condition for private investors to engage in infrastructure projects is the existence of a sound and stable pipeline of mature projects.

Recommendation 1: **Give Member States and project promoters access to dedicated technical assistance through the European Investment Advisory Hub (EIAH) and national assistance schemes.**

Progress made: The EIAH is up and running and the European Investment Project Portal (EIPP) has been set up, where project promoters can make their project visible and investors can look for investment opportunities. National Promotional Banks (NPBs) generally stepped up their efforts in terms of evaluation and advice. On the side of the ESI Funds, the ex-ante conditionalities for the Transport Priority are almost fulfilled by all concerned Member States.

However, while the EIAH is fulfilling its original mandate, it is challenged to meet the higher expectations of project promoters. This discrepancy may need to be reflected in an amended agreement between the Commission and the EIB. Indeed, the EIAH is mainly aimed at giving high level (financial) advice and indicates where to find more detailed advice, e.g. with regard to the operational and technical aspects of projects, with suitable programmes such as JASPERS, and building on enhanced cooperation with NPBs. For the sake of completeness, it should be noted that the EIAH also develops relationships with the European Commission's Structural Reform Support Services for the provision of strategic advisory services from the EIB.

Regarding the EIPP, it is unclear at this stage whether transport projects have benefited from the visibility it offers.

Further actions needed:

- to assess the **CEF blending call** which may showcase promising sectors and types of projects for blending and also possible best practice and shortcomings, inter-alia in terms of project preparation;
- to enhance the effectiveness of the EIAH as a tool ensuring a systemic **coordination between the different sources of technical assistance** (JASPERS, EPEC, ELENA…); to increase awareness of the existence and mandate of the EIAH, and to assess the impact of the EIPP;
- to evaluate the **capacity-building programmes** (JASPERS, Fi-Compass…) and, if deemed necessary, introduce additional capacity building programmes and programme support actions for project promoters related to EFSI and CEF 2. In particular, to consider providing **tailor-made assistance**, e.g. via specific country teams, support groups, teams for cross-border projects or projects leading to decarbonisation; similarly, to consider preparing **toolkits for Member States** about financial instruments, conducting analyses of acceptable costs for infrastructure users and

possible private capital involvement in non-revenue projects etc.; finally, to encourage Member States to set up appropriate solutions, if needed, for technical/engineering assistance;

- to draw lessons from the past CEF calls by conducting a general review of **"low-quality" project proposals,** leading to lessons learnt and guidance for future project development;
- to prepare **aggregated guidance on cost-benefit analysis**, reviewing and deepening the current CBA guidance for ESI Funds.

Recommendation 2: **Project promoters should take the whole lifecycle of the project into account in terms of costs and revenues, also when not using EIB/EFSI.**

Progress made: The growing role of financial instruments compared to grants, due to continuously scarce(r) public resources, forces project promoters to think of alternative ways of financing which implicitly also leads to an improved quality of projects under a project life cycle perspective.

The EIB continues to be an essential partner in the development and implementation of new EU Financial Instruments, as well as in making them attractive to as many new financial partners as possible. Indeed, the EIB in deals is often welcomed by commercial banks as giving the necessary confidence to participate (a process resembling a crowding-in effect). Under the EFSI and EU financial instruments, the EIB ensures sound project appraisal and therefore an improved quality of projects. The EFSI Investment Committee assesses the additionality of EFSI intervention. However, an operational definition of additionality, beyond pure financial aspects, is needed and several stakeholders call for a closer link between additionality and policy priorities. Measures to limit the potential risk of crowding out commercial banks and other private investors are also discussed and considered.

For the TEN-T, the process of issuing Implementing Decisions has started as a way to provide a stable framework and ensure commitment of all parties involved in specific complex projects. A first such Implementing Regulation was issued on 5 January 2017 for the deployment plan of ERTMS.

Further actions needed:

- notwithstanding the enlargement of the market for financial instruments which we mention above, to act upon the **feedback that EFSI risks crowding out commercial banks** and other private investors, based on an assessment of the share of EFSI imputable to the incentive provided, compared to what the market would have taken up in any case;
- to assess whether it would be effective to modulate the current **cost recovery and incentives systems used by the EIB** and the set of **performance targets for EFSI 2.0** so as to systematically focus financing towards operations of EU added value and with potential to attract private finance, and, very importantly, to address also (bankable) small projects;
- to continue issuing **Implementing Decisions** for complex projects requiring strong commitment from all parties involved. Currently being looked at are the cross-border high speed rail connection between Evora in Portugal and Merida in Spain and the Rail Baltica project from Tallinn to Warsaw;
- to mainstream the **logic of the project life cycle** for CEF and other funding instruments by ensuring that projects focus not only on the technical side but also on the **financing** alike as a pre-requisite for their implementation. This can be captured in the **cost-benefit analysis** which is almost always required for public funding and in a full-fledged **business plan**, which is necessary for financing by financial institutions and private investors, but should become common practice also for public funding. In looking at the costs, **maintenance costs** in particular should not be forgotten;

- notably for large cross-border projects and important corridor projects and when blending is not possible, to assess the possibility to **enucleate specific components of projects (segmenting)** generating revenues and suitable for financing on the one hand and the parts not generating revenues which should receive priority in terms of public resources.

Recommendation 3: Member States and project promoters should focus on improving the quality of projects.

Progress made: The European TEN-T Coordinators continuously engaged in a dialogue with Member States and local and regional authorities as well as infrastructure managers of all transport modes in dedicated Corridor Forum meetings, working groups and various missions, with the objective of assessing the investments needs on each core network corridor and improving the quality of the projects by sound coordination and analysis. For all TEN-T core network corridors a detailed list of projects and investment needs until 2030 have been defined.

As stated under recommendation 2, the ex-ante conditionalities for the Transport Priority of the ESI Funds are almost fulfilled by all concerned Member States.

Further actions needed:

- to continue focusing funding from CEF on the **projects pre-identified in Annex I of the CEF Regulation** (currently under revision), further refined in interaction with the core network corridors;
- in parallel, by increasing the quality of projects, to expand for CEF projects the **potential for blending** of funding and financial instruments whenever feasible;
- to reinforce the **ex-ante conditionality as introduced under ESIF** in the funding instruments for transport of the next MFF by making sure that the supported projects are in coherence with the funding priorities set in Annex I of the CEF Regulation. This will ensure that Member States develop a realistic and mature project pipeline linked to both their national Transport Master Plans and the TEN-T priorities. Synergies with the European Semester should also be explored;
- to boost the project pipeline by the adoption and regular evaluation or update of **long-term transport strategies and plans** (at corridor, national and regional levels) and by a clear and stable **prioritisation of projects**.

Stream 2: Cutting the red tape and streamlining procedures

Private investors require certainty for procurement and permitting procedures, including an adequate State aid framework. Once the regulatory context is improved, it needs to remain stable for as long as possible.

Recommendation 4: Member States need to simplify their procurement procedures and the EU should help for cross-border projects.

Progress made: New EU procurement and concession rules were introduced via Directives 2014/23/EU, 2014/24/EU and 2014/25/EU in April 2016 with new features for cross-border projects. The European Commission also launched in October 2017 a voluntary ex-ante assessment of the procurement aspects for large infrastructure projects. This experimental mechanism is meant to provide more clarity and guidance to public authorities, and help them to exchange and adopt best practices. In addition, the study contracted by DG MOVE in 2016[4] on the facilitation of the implementation of TEN-T projects gave important guidance for future action. An impact assessment is currently being carried out to design possible new initiatives in this field.

Further actions needed:

- to gather the learnings from cross-border projects where the **transnational companies** successfully addressed procurement, especially in terms of their **governance structure**;
- to consider the **set-up of special (single) procurement rules for cross-border projects** covering for example the applicable law, jurisdiction and the language to be used;
- to introduce a **special treatment of strategic infrastructure investment** under the Stability and Growth Pact rules;
- to use the potential of the voluntary **ex-ante assessment** to spread best practices and design further EU action if needed. However, this ex-ante assessment should already lead to more stringent conclusions (e.g. more towards an ex-ante clearance than an assessment) as to avoid doubling the existing processes.

Recommendation 5: Member States should streamline and simplify their permitting procedures; this should also be facilitated by the EC.

Progress made: The study on the facilitation of the implementation of TEN-T projects promoted by DG MOVE in cooperation with other EC services provided guidance for the simplification on EU permitting. Based on the recommendations of the study, an impact assessment is on-going to design the best actions that can be undertaken at EU level to assist the Member States with this task. In this context, DG MOVE recently launched a public consultation and organised dedicated workshops to examine these issues with the relevant stakeholders.

Further actions needed:

- to establish a **single permitting authority** for TEN-T projects including all environmental assessments, either via an EU level permitting procedure or a **single leading authority** at national level acting as a 'one-stop-shop' for project promoters;

[4] See Final Report of the DG MOVE study on the facilitation of the implementation of TEN-T projects (2016): https://ec.europa.eu/transport/sites/transport/files/2016-12-permitting-facilitating-ten-t.pdf

- to propose an option for **setting time limits** for the permitting procedure overall and in distinct phases;
- to introduce a **mandatory joint procedure** for all environmental assessment procedures stemming from EU legislation, by **grouping and aligning several permitting steps** time-wise without undermining the qualitative standards of the assessment of the individual criteria;
- to **harmonise the permitting requirements** and procedures for projects involving EU co-financing as to avoid competition between or doubling of diverging bureaucratic and procedural requirements from different EU funds;
- to provide **technical clarification and/or guidance** on defining and understanding the most difficult procedures;
- to explore **existing conventions** (such as the Espoo Convention[5]) for the use of cross-border projects, in order to have a single procedure for several Member States replacing the national ones;
- to closely follow up on the **impact assessment** process that should lead the European Commission to take some initiatives to further streamline the regulatory environment and administrative procedures applying to TEN-T projects.

Recommendation 6: The EC should ensure an adequate State aid framework.

Progress made: Important progress has been made in revising the State aid rules by the adoption of a draft General Block Exemption Regulation (GBER) in March 2016, amended in June 2017 to extend its scope to other categories of transport projects. There is also agreement between EIB and DG COMP for EU guarantees treatment under EFSI. In December 2016, DG COMP also issued a new notice providing practical guidance on which measures constitute State aid, giving additional legal certainty for clarifying when public funding of infrastructure is in principle excluded from the application of the State aid rules[6]. Finally, first pilot cases have been established to be assessed by the Single Window appraisal process of the statistical treatment, the State aid clearance, eligibility, environmental impact assessment documentation and others.

Further actions needed:

- to further **widen the Single Window** for analysing complex projects and to gear the process more towards a **project clearance upfront**, thus providing legal certainty and predictability about the overall investment;
- to provide **sufficient human resources and expertise** available in the short term for the Single Window initiative;
- to assess the possibility of **fine-tuning the scope of the "Important Projects of Common European Interest"**, especially for strategic horizontal projects endorsed by all Member States (e.g. ERTMS, SESAR). This would allow for a simplified faster procedure for the notification and appraisal of State aid.

[5] https://www.unece.org/fileadmin/DAM/env/eia/documents/legaltexts/Espoo_Convention_authentic_ENG.pdf
[6] http://www.ec.europa.eu/competition/state_aid/modernisation/notice_aid_en.html

Stream 3: Broadening funding and financing

Public resources are increasingly scarce, but still essential to adequately involve private investors. Consequently, additional efforts and innovative ideas ensuring a coherent policy and funding/financing framework for infrastructure investments are of utmost importance.

Recommendation 7: The EC should propose a framework to find additional financial resources for projects of EU added value (e.g. earmarking of revenues and cross-financing solutions).

Progress made: Some work is on-going but there are very little results so far. It is however welcomed that a simplification of the EU Financial Regulation and the Common Provisions Regulations is currently under discussion. A Reflection Paper on the Future of EU Finances was adopted by the Commission in June 2017.

Further actions needed:

- to look into **widening the user-pays and polluter-pays principles**, without jeopardising the use of sustainable modes of transports, but instead as to generate extra resources to be allocated to green transport investments;
- to further promote the **combination of grants and private finance** (i.e. blending), when appropriate, to support EU added value operations which address areas in transition (i.e. neither fully revenue generating and thus marketable, nor made up for full grant support) such as the initial roll-out of alternative fuels, certain components of innovation like greening of shipping fleets, certain rail investments like ERTMS etc.;
- to consider the setting up of **CEF blending facilities** for specific policy objectives, which could even encompass transport, energy and digital. This would be relevant especially for projects with long implementation times and low direct financial returns which bring specific EU benefits ("EU added value") (e.g. deploying interoperability of rail, supplying alternative fuels, deploying C-ITS services etc.);
- to consider the setting up of a **special fund** in synergy with the CEF and its CEF blending facilities for the solution of special problems which require ad-hoc financial efforts e.g. by developing an investment fund in the type of financing platforms (e.g. for cross-border projects, interoperability, innovation and energy efficiency in transport, etc.);
- to ensure a realistic implementation of the simplified Financial Regulation once adopted and to keep working on one single set of rules and simplified financial and Common Provisions Regulations so to leverage the **joint use of EU instruments**. In this respect, consider to reinforce the flexibility with the next MFF of transferring budget from shared to direct management of ESIF.

Recommendation 8: The EC should propose a framework to monetise externalities.

Progress made: Some work is on-going but there are very little results so far. However, the revision of the ETS Directive is expected to set up Innovation and Modernisation Funds, and there are on-going discussions on green bonds.

Further actions needed:

- to develop guidance on the identification and quantification of the **positive externalities** generated by a project and their **internalisation** in its revenues;

- to ensure a close follow-up of the **recast of the Eurovignette Directive** which could lead to a better re-allocation of road-charging revenues especially into road maintenance;
- to consider **broadening the eligibility of the Innovation and Modernisation Funds to clean transport**, building on Commission Decision allowing the channelling of NER300[7] budget through the CEF Debt Instrument to support renewable transport demonstration projects;
- to consider the use of resources generated by **green bonds to support projects which contribute to the decarbonisation of transport**, such as rail projects and projects for the deployment of alternative fuels.

Recommendation 9: The EC, the EIB and the National Promotional Banks should facilitate the blending of financing and the pooling of projects.

Progress made: In transport, grants from CEF and the ESIF can both be blended with financial instruments, notably EFSI, instruments of National Promotional Banks and private financing. This concept has been tested with the recent first CEF blending call (68 proposals were submitted requesting EUR 2.2 billion out of the EUR 1 billion of available funding). Under the revised CEF Regulation (within the overall Omnibus), all CEF DGs will also have the possibility to set up blending facilities.

Further actions needed:

- to assess the TEN-T pipeline against **potential for blending** of funding and financial instruments and to draw the learnings from the first **CEF blending call** experience in setting up CEF blending facilities;
- to further develop guidance on how to set up **PPPs in a blending context**. Indeed, it appears that some opportunities to do so are not being taken up given the combined complexities of PPP procurement and the blending approach. Such guidance could take inspiration from EPEC's paper on blending ESIF with PPPs[8];
- to assess existing **pooling facilities** like investment platforms and ad-hoc facilities;
- to act upon the lessons learnt from the **mid-term evaluations and spending reviews** of the different EU funding and financing programmes and instruments, including those from the CEF transport mid-term evaluation;
- to also carry out **independent assessments** of those EU funding and financing programmes and instruments as this may reveal additional opportunities for improvement;
- to establish a **clearer division of tasks and missions** between EIB interventions under EFSI and regular EIB interventions or interventions from commercial banks and other private investors, in order to limit/eliminate the risk of crowding out these commercial banks and other private investors;
- to develop a **financial support system for administrative costs** for financing institutions in processing particularly small projects;
- to leverage the possibility to cooperate in a more systematic way with other financial institutions such as **National Promotional Banks and the EBRD**. Noteworthy, the EIAH is already establishing Memorandum of Understanding for collaboration with the NPBs and with the EBRD to provide advisory services to SMEs.

[7] https://ec.europa.eu/clima/policies/lowcarbon/ner300_en
[8] http://www.eib.org/epec/resources/blending-ue-structural-investment-fund-ppp

Stream 4: Fostering an investment-friendly environment

In order to adequately address the huge investment needs, a targeted cooperation of all actors is needed. Private investors require a friendly and stable environment (not only regulatory) to be willing for example to consider PPPs in infrastructure projects.

Recommendation 10: The EC should create a new infrastructure asset class.

Progress made: In their original versions, the Financial Regulations Solvency 2 and Basel III were considered detrimental to long-term infrastructure financing. The idea to create a new asset class for infrastructure projects for which long-term economic viability is proven led to the adoption of an implementing act on Solvency 2 for so-called "qualifying infrastructure investments", which now benefit from a lower risk calibration.

The Commission published in May a reflection paper on the deepening of the economic and monetary union, considering inter-alia options to link financial support from the EU budget to structural reforms and the creation of a "European safe asset".

Last but not least, the Commission formed a High Level Group on Sustainable Finance and asked it to come forward with recommendations to go (more quickly) towards a low carbon, more resource-efficient and sustainable economy. The final report of that group is expected end of 2017.

Further actions needed:

- to consider similar measures within the revision of the CRD4/CRR (that transposed in Europe the **BASEL III** guidelines) for investments from the banking sector, i.e. **reduction of the capital requirements** proposed for transport-related investments, possibly also as part of **sustainable finance**, according to conditions to be met by the promoter and the project;
- to consider possible support from the "**European safe asset**", which would be a new financial instrument pooling together national debt to reinforce integration and financial stability of infrastructure of EU strategic interest such as TEN-T projects.
- to leverage links/synergies between the TEN-T projects and the conclusions of the High Level Group on Sustainable Finance.

Recommendation 11: The EC should propose a clear statistical treatment of PPPs.

Progress made: In September 2016, Eurostat issued a guide in cooperation with EPEC, the European PPP Expertise Centre. The guide has received broadly positive feedback from stakeholders and is expected to have a positive impact on the project pipeline in the medium term.

Further actions needed:

- to assess the **feedback** (mostly positive) received **on the new guidance** and see if and how that guidance could be further refined;
- to act upon the assessment[9] which EPEC made of the **impact of the new procurement Directives**, highlighting ambiguities to be clarified;
- to encourage the finalisation and publication of new **guidance on concessions**.

[9] http://www.eib.org/epec/resources/publications/epec_ppp_and_procurement_en

Recommendation 12: The EC and the EIB should promote financial instruments and schemes.

Progress made: Several ideas have been elaborated such as making public involvement mandatory in permitting procedures or carrying out a general public campaign about TEN-T strategy and projects. In view of the importance of keeping local communities involved, particularly on cross-border projects, some good practices are available, although further results could be obtained through the implementation of ad-hoc initiatives (e.g. innovative flagship projects).

Further actions needed:

- to set up principles for **public consultation** procedures for TEN-T projects as to maximise transparency and quality dialogue with interested parties and to reduce court proceedings etc.;
- to introduce more effective **communication strategies** to raise visibility and acceptability of investments, e.g. by addressing the most important features of environmental studies;
- to carry out a TEN-T **public information** campaign;
- to improve the **process for appeals** of decisions on development consent;
- to align consent processes as much as possible and give special attention to **public acceptance** when translating the results of the DG MOVE study on the facilitation of the implementation of TEN-T projects into concrete measures;
- to interact with major projects in an integrated way – not only the basic infrastructure, but also any relevant issue ("**breaking the silos**");
- to contribute to **multilevel** institutional **governance** of large projects and cross-border projects;
- to trigger innovative **flagship projects** along core network corridors as to highlight the positive impact of deploying innovative features of transport and where possible the **active involvement of local communities**.

Financial Needs and key projects

The European Coordinators have worked very intensively in assessing and improving a stable and mature project pipeline for the realisation of the TEN-T core network corridors. More than **2,900 projects** have been identified through a very intensive participatory approach with all concerned corridor stakeholders, namely the Member States, the infrastructure managers of all transport modes, the Regions and the urban nodes. The analysis leads to an investment need of around **750 billion EUR for the realisation of the corridors until 2030**.

Conclusions

The TEN-T European Coordinators call for a stronger Investment Plan for Europe with an increased grant budget for European added-value investments in transport, energy and telecom and a greater use of blending and financial instruments at the same time. The **Connecting Europe Facility (CEF)** shall become the **main instrument for infrastructure financing** and thereby accelerate and simplify the EU investment framework, by tackling the overlap with other funds such as ESIF, by including its specific financial instruments and by further exploiting the blending of grants and private financing. In addition, this should be closely facilitated by the removal of regulatory barriers to national and European investment and by sound and tailored technical assistance and greater visibility of investment opportunities to help mobilising investment projects for the real economy.

They emphasise that a coherent mix of public funding and private financing is the way forward. Funding and financing ought to be combined in synergy, leveraging on each other, to achieve the TEN-T vision. CEF grant support needs to be focused on the projects of highest European added value (cross-border sections, bottlenecks, horizontal priorities) whereas the use of financial instruments, e.g. under the European Fund for Strategic Investment, is to be promoted for revenue generating projects which are not sufficiently attractive to private investors. Streamlining the EU funding instruments, blending EU grants with financial instruments, planning a strategic pipeline of projects relying on the TEN-T corridor logic should be further promoted.

In this respect, we call for the setting up under the next MFF of a **specific blending instrument for transport infrastructure, related to CEF 2**. It should link the public financing of all types of transport infrastructure with a real and measurable increase of the operational efficiency of the TEN-T.

II. Introduction

With the publication of the White Paper on the future of Europe by President Juncker in March 2017 and of the Reflection Paper on the future of EU finances in June 2017, the European Commission has given the starting point for a wide-ranging debate on tomorrow's Europe mapping out the different opportunities and options, including the way towards the future EU budget.

In this overall context, the European Coordinators of the trans-European transport networks presented their Joint Declaration on the future of TEN-T and CEF to the Informal Council of Transport Ministers in Tallinn in September 2017. In this Declaration, they call for a stronger Investment Plan for Europe with an increased grant budget for European added-value investments in transport, energy and telecom and a greater use of blending and financial instruments at the same time. The Connecting Europe Facility (CEF) shall become the main instrument for infrastructure financing and thereby accelerate and simplify the EU investment framework, by tackling the overlap with other funds such as ESIF, by including its specific financial instruments and by further exploiting the blending of grants and private financing. In addition, this should be closely facilitated by the removal of regulatory barriers to national and European investment and by sound and tailored technical assistance and greater visibility of investment opportunities to help mobilising investment projects for the real economy.

The present progress report of the CBS Action Plan shall constitute one important input for the debate on how to improve the framework for transport infrastructure investments in Europe in the next multi-annual financial framework (MFF).

Investment needs of the transport sector along the TEN-T

In addition, the preparation of a new proposal for reinforcing the Connecting Europe Facility as a single investment instrument for the realisation of the trans-European networks requires a thorough estimation of the investment needs for the next MFF. Based on a qualitative assessment of the TEN-T / CEF project pipeline through the corridor studies, the financial needs for the implementation of the core transport network in its entirety by 2030 are estimated in the range of EUR 750 billion (for 2016 until 2030). Complementary to this assessment, the European Commissioner for Transport, Violeta Bulc, invited the Member States to communicate their own estimates of investment needs on the core and on the comprehensive networks. 25 Member States have communicated their figures and 3 Member States have indicated that estimates are not feasible at this stage. This exercise led to an estimation of investment needs for the years 2021-2030 of around EUR 500 billion[10] for the TEN-T core network and of around EUR 1.5 trillion including the TEN-T comprehensive network and other transport investments[11]. Moreover, Member States provided feedback on what can be done to enhance the regulatory framework, to boost the project pipeline and to develop financial instruments with the help of the EU. This feedback has been taken into account when drafting the present report.

[10] EUR 488bn for the 25 Member States which responded, including a broad estimate for the remaining two Member States and excluding the UK. This is broadly in line with the Commission's estimate, excluding UK and reflecting only the years 2021-2030.

[11] Other transport investments include urban transport, intelligent transport systems, upgrade, etc. It should be noted that several Member States indicated growing needs for repair and maintenance of transport infrastructure.

III. Progress on the twelve recommendations

This progress report highlights the progress made with regard to the twelve recommendations of the original CBS Action Plan and the additional steps and measures that are still needed to improve the framework for transport infrastructure investments in Europe. Indeed, although current policy measures are certainly on the right track, there are still various opportunities for improvement which should be embraced. This is especially important in a context where grants are bound to become more and more scarce and new solutions must be found for securing the financial resources necessary to implement the transport infrastructure projects which will allow to meet the TEN-T objectives.

Stream 1: Strengthening the project pipeline

One major condition for private investors to engage in infrastructure projects is the existence of a sound and stable pipeline of mature projects.

Recommendation 1: Give Member States and project promoters access to dedicated technical assistance through the European Investment Advisory Hub (EIAH) and national assistance schemes.

The original CBS Action Plan states that Member States' administrations should have unimpeded access to dedicated technical assistance, in particular through the European Investment Advisory Hub which is an integral part of the European Fund for Strategic Investment (Juncker Plan), in order to undertake the following three goals: first, to support the activities for the development of a stable pipeline of mature projects, encouraging investors to engage in transport infrastructure; secondly, to help identify projects that could use project finance and thirdly, to provide advice, when necessary, for the adaptation of the procedures and the legal framework. The existing and future support schemes, for instance at the national level, should also be mobilised towards these goals. This dedicated technical assistance should also include support for generating a better understanding of the Public Private Partnership (PPP) schemes and for mastering risk-sharing techniques.

Since the publication of the Action Plan in 2015, the EIAH[12] is up and running and the European Investment Project Portal (EIPP)[13] has been set up, where project promoters can make their project visible and investors can look for investment opportunities. However, while the EIAH is fulfilling its original mandate, it is challenged to meet the higher expectations of project promoters. This discrepancy may need to be reflected in an amended agreement between the Commission and the EIB. Indeed, the EIAH is mainly aimed at giving high level (financial) advice and indicates where to find more detailed advice, e.g. with regard to the operational and technical aspects of projects, with existing programmes such as JASPERS, and building on enhanced cooperation with NPBs. Noteworthy, the EIAH also develops relationships with the European Commission's Structural Reform Support Services for the provision of strategic advisory services from the EIB. Regarding the EIPP, it is unclear at this stage whether transport projects have benefited from the visibility it offers.

[12] http://www.eib.org/eiah/
[13] https://ec.europa.eu/eipp/desktop/en/index.html

At the same time, one can however witness a stronger pipeline of projects: for all TEN-T core network corridors substantial progress has been made in defining a detailed list of projects and investment needs until 2030. Indeed, more than 2,900 projects / investments have been defined along the nine core network corridors for their completion until 2030. As for ESIF, the ex-ante conditionalities for the Transport Priority are almost fulfilled by all concerned Member States. As explained further under recommendation 3, ESIF ex-ante conditionalities should continue under the next MFF and should link more closely to the projects pre-identified in Annex I of the CEF Regulation while CEF should continue to focus on these projects, further refined in interaction with the different corridors' stakeholders. National Promotional Banks, from their side, generally stepped up their efforts in terms of evaluation and advice.

Besides the recognition of the above improvements, a number of enhancements and additional actions should still be put in place. First of all, the CEF blending call, which was set up in a way as to trigger an upgrade in project preparation, should be assessed. It needs to be seen whether the blending mechanism really led to an improved project preparation compared to a preparation in view of an application for grants. Best practice and shortcomings in that respect need to be evaluated. At the same time, the CEF blending call certainly also constitutes a good basis to assess promising sectors and types of projects that are more suitable for blending facilities. Furthermore, an exchange of (best) practice for project promoters in making use of blending facilities and the use of private financial instruments should be fostered.

The effectiveness of the EIAH as a tool to ensure a systematic coordination between the different sources of technical assistance could be enhanced**.** In that context, a Working Group was created by DG ECFIN to simplify and potentially merge the envelopes for technical assistance for investment projects. The challenge is that the framework which may consequently be put in place remains agile and flexible to address the different needs and sectorial specificities, allowing sectorial directorates / directorates general to continue steering policy developments and building up project pipelines.

Experience with the EIAH so far has also shown that it is of utmost importance to increase the awareness of the hub and of its mandate so as to manage expectations. The impact of the EIPP should also be assessed, measuring the number of projects able to attract private financing thanks to the visibility it offers and seeing how it could better benefit transport investments.

In view of the possible EFSI 3.0 and CEF 2, the existing capacity-building programmes for project promoters, such as JASPERS, ELENA for transport and Fi-Compass, should be evaluated as to assess whether additional capacity building and programme support actions are necessary. If deemed relevant, tailored-made advice could be provided, possibly through Coordination and Support Actions (CSAs) under the CEF, which could take the form of specific country teams, teams for cross-border projects, teams for projects leading to decarbonisation etc. Local advisory teams per country could prove particularly useful when pooling of different EU funds is needed.

Similarly, toolkits for Member States could be prepared in order to disseminate information on financial instruments, conducting analyses of acceptable cost for infrastructure users and possible private capital involvement in non-revenue projects etc. Member States should also be encouraged to put in place, if needed, appropriate schemes for technical/engineering support, calling upon for example polytechnics and public engineering companies.

Lessons shall also be drawn from the past CEF calls by conducting a general review of "low-quality" project proposals. Such lessons learnt could be the basis for guidance to be disseminated for future project preparation.

Finally, an aggregated guidance document on cost-benefit financial and economic analysis should be prepared, reviewing and deepening the current CBA guidance for ESI Funds and CEF. Specific examples (good practices) and sectoral guidance for projects to be supported through blending, notably on how to structure the financial analysis (including on key elements of the financial plan), could for example be included.

Recommendation 2: Project promoters to take the whole lifecycle of the project into account in terms of costs and revenues, also when not using EIB/EFSI.

It was recommended that project promoters should include and pay due consideration, in the project preparation process, to the project's life-cycle from project conception to development and implementation, including the costs and all other relevant issues linked to their maintenance. Maintenance activities and costs should be carefully planned and included in the project financial structure in order to ensure full functioning of the infrastructure during its entire life-cycle and avoid future budgetary issues linked to maintenance and other issues.

In general, projects which are privately financed tend to do this well. Therefore, steps taken to promote private finance investment in transport infrastructure, in particular EFSI, contribute implicitly to better project preparation, in particular under a life cycle perspective. The EIB continued to be an essential partner in the development and implementation of new EU financial instruments, as well as in making them attractive to as many new financial partners as possible. Indeed, the EIB in deals is often welcomed by commercial banks as giving the necessary confidence to participate (a process resembling a crowding-in effect). The EIB also contributes through sound project appraisal and thus an improved quality of projects. However, the overall pipeline for privately financed transport projects is still relatively weak which increases the risk of EFSI crowding out private investors. With regard to this risk, an operational definition of additionality, beyond pure financial aspects, is needed and several stakeholders call for a closer link between additionality and policy priorities.

Measures to address this potential issue (fed back by some stakeholders) of crowding out commercial banks and other investors are being considered by the EIB.

It also needs to be assessed whether it would be effective to modulate the cost recovery and incentives systems of the EIB and the performance targets for EFSI 3.0 in a way that financing is focused on projects of EU added value and with potential to attract private investors, and in a way that allows to address smaller, yet bankable projects. This is very important as it has been demonstrated that also smaller projects can directly contribute to the TEN-T objectives while for the time being the incentives are based on volume. Last, it would be beneficial for transport projects that EFSI and the EIB explicitly take into account in their evaluation the indirect benefits generated in terms of jobs/growth and environmental aspects.

Looking beyond private finance, publicly financed projects should adopt some of the methods of privately financed projects. Project preparation should focus not only on the technical aspects but also on the financial parameters. This should become a pre-requisite for implementation. Something which is not to be overlooked in the financial analysis is the maintenance costs of the project. It is crucial to not forget them as this can otherwise lead to disastrous situations such as abandoned infrastructure or infrastructure in poor conditions, leading to a loss of revenues (a case in point is the capillary rail network in some Member States).

For this financial analysis, not only is cost-benefit analysis important, but there is also a clear case for developing a robust business plan. While a cost-benefit analysis takes into account externalities and privileges socio-economic criteria, a business plan shows whether, based on the flow of revenues and costs, the project can stand on its feet. Such a business plan is already required when private investment is involved; the practice should be extended to projects considered for public funding, in complement to the CBA. Only a business plan can provide a real assessment of the value for money of a project and demonstrate its economic sustainability.

Financial analysis could also allow new opportunities for private finance investment, for example by systematically assessing the components of the project which can generate revenue and therefore be suitable for private finance (from PPPs or blending or pure market support). The parts not generating revenues should receive priority in terms of public funding. Such a segmenting is important because it allows complex projects to find financial solutions by opening space for the market, and it allows a better concentration of public funds where they are really needed. This is even more crucial for large cross-border projects and important corridor projects.

Progress has also been made for specific complex TEN-T projects by starting the process of issuing Implementing Decisions. These decisions provide a stable framework and ensure commitment of all parties involved. In January 2017, the Commission issued the first such Implementing Decision on the European Deployment Plan of ERTMS. It lays down the timetable for the deployment of the ERTMS on core network corridors and foresees that Member States shall notify the Commission of any delays in putting ERTMS in operation on a given core network corridor section to be equipped. It is addressed to all Member States. Two other Implementing Decisions are currently under development, one for the cross-border high speed rail connection between Evora in Portugal and Merida in Spain and one for the Rail Baltica project linking Tallinn, Pärnu, Riga, Kaunas and Warsaw. Based on these first experiences, it should be continued, whenever and wherever deemed useful, to issue such Implementing Decisions for complex projects requiring strong commitment from all parties involved.

Showcases:

The 306 km HSL **Tours-Bordeaux**, in operations since 1 July 2017, was built in five years with full control of quality, costs and timing, embedding life-cycle, thanks to a PPP with a single building and operating company, with the right incentive to deliver (payment on traffic) and a tailored guarantee to make it acceptable for investors (LGTT on traffic ramp-up).

Implementing Decision: ERTMS European Deployment Plan

On 5 January 2017 the European Commission adopted the Implementing Regulation (EU) 2017/6 on the European Rail Traffic Management System European Deployment Plan (ERTMS EDP). This is the first time that the Commission made use of its legislative power laid down in Article 47(2) of Regulation (EU) Nr. 1315/2013 to adopt implementing acts. ERTMS EDP replaces the old deployment plan of 2009. The deadlines of the old deployment plan for six ERTMS Corridors became unrealistic due to shortage of financing, limited number of available qualified experts or technical problems during implementation. The new ERTMS EDP sets new targets until 2023 by which about 30% of the core network corridors shall be equipped. In 2023, the ERTMS European Deployment Plan will be updated again setting out the precise implementation dates for the remaining part of the Corridors between 2024 and 2030. The new ERTMS EDP is the result of consultation and negotiation with Member States, carried out by the European ERTMS Coordinator Karel Vinck over the last two years.

Recommendation 3: Member States and project promoters should focus on improving the quality of projects.

The CBS report of 2015 recommended that Member States and project promoters work together and obtain support for improving the quality of projects in order to facilitate their development and make them attractive to investors. As part of the projects' quality, attention should be paid to the contractual arrangement and appropriate risk-sharing between public and private partners when appropriate. Dedicated technical assistance should be made available to project promoters and other stakeholders for the project preparation, in dealing with environmental aspects, as well as, when appropriate, for financial structuring, procuring projects as Public-Private Partnerships (PPPs), Project Finance and for setting up Special Purpose Vehicles. Assistance should also be considered to support European, national or local authorities in the setting-up of dedicated investment platforms on a sectoral or geographical basis. The European Investment Advisory Hub and national advisory and training structures should focus on these activities.

Since 2014, the European TEN-T Coordinators are continuously engaged in a dialogue with Member States and local and regional authorities as well as infrastructure managers of all the transport modes through dedicated corridor meetings, working groups and various missions. The primary objective of this dialogue is to assess the investments needs on each corridor and to improve the quality of the projects through sound analysis and coordination.

For all TEN-T core network corridors a detailed list of projects and investment needs until 2030 have been defined and the ex-ante conditionalities for the transport priority under the ESIF are almost fulfilled by all concerned Member States.

Along this line, Member States in close cooperation with the European Coordinators, the European Commission and all infrastructure managers and other relevant stakeholders must continue focusing funding from CEF on the projects pre-identified in Annex I of the CEF Regulation (currently under revision) and which should be further refined in interaction with the core network corridors.

In parallel, by increasing the quality of projects, the potential of the TEN-T pipeline for blending of funding and financial instruments can be expanded and should be leveraged whenever feasible.

Besides, the ex-ante conditionalities as introduced under ESIF should be reinforced in the funding instruments for transport of the next MFF by making sure that the supported projects are in coherence with the funding priorities set in Annex I of the CEF Regulation. This will ensure that Member States develop a realistic and mature project pipeline linked to both their national Transport Master Plans and the TEN-T priorities. Synergies with the EU semester should also be explored.

Member States and project promoters should further work together and seek support for improving the quality of their projects in order to make them more attractive to investors. In doing so, they should pay specific attention to contractual arrangements and appropriate risk-sharing between public and private partners. Dedicated technical assistance should be sought in particular for dealing with environmental aspects, financial structuring, and procurement under PPPs where appropriate. These are the areas where the highest complexity and biggest capacity limitations can be observed.

Finally, the project pipeline can be boosted by the adoption and regular evaluation or update of long-term transport strategies and plans (at corridor, national and regional levels) and by a clear and stable prioritisation of projects.

Showcase:

Problems on the **Madrid rail node**, notably for passengers, are nearly solved with an ambitious urban tunnel linking the Puerta de Atocha and Chamartin stations, including redesigning the Atocha station and merging two branches of the network. This will allow unbroken high speed services through the city, helping shift national traffic from air to HS rail. This will also free up capacity for international services.

Stream 2: Cutting the red tape and streamlining procedures

Private investors require certainty for procurement and permitting procedures, including an adequate State aid framework. Once the regulatory context is improved, it needs to remain stable for as long as possible.

Recommendation 4: **Member States need to simplify their procurement procedures and the EU should help for cross-border projects.**

Public procurement can bring major challenges to TEN-T projects. Delays in the procurement phase appear to be the consequence of a too complex legal framework, the absence of time limits for award procedures and, in particular, the long procedures in case award decisions are challenged. Challenges related to legal complexity and capacity also extend to PPPs, resulting in reluctance among authorities, promoters and investors to use this mechanism. This leads to missed opportunities to attract private investments.

Since the publication of the CBS Action Plan, new EU procurement and concession rules[14] were introduced via Directives 2014/23/EU, 2014/24/EU and 2014/25/EU in April 2016 with new features for cross-border projects. The European Commission also launched in October 2017 a voluntary ex-ante assessment of the procurement aspects for large infrastructure projects[15]. This experimental mechanism is meant to provide more clarity and guidance to public authorities, and help them to exchange and adopt best practices. In addition, the study contracted by DG MOVE in 2016[16] on the facilitation of the implementation of TEN-T projects gave important guidance for future action (see further details under recommendation 5). An impact assessment is currently being carried out to design possible new initiatives in this field.

Certainly, the above actions will improve the present situation. In addition, it is nevertheless recommended to pay increased attention to governance issues and in particular learn from cross-border projects where transnational companies successfully addressed procurement. For example, the Brenner Base Tunnel[17] and the Lyon-Torino rail connection[18] can be seen as laboratories for problem-solving-oriented cross-border governance.

Consider setting up special (single) procurement rules at EU level for cross-border projects – covering for example the applicable law, jurisdiction and the language to be used – is another possible way forward.

It is also recommended to introduce, when appropriate, a special treatment of strategic infrastructure investment under the Stability and Growth Pact rules. Indeed, one of the main obstacles to support investment in transport remains in certain Member States the lack of capacity of project promoters to raise debt and the fiscal treatment of Member States and local administrations.

[14] Directive 2014/23/EU http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0023&from=EN, Directive 2014/24/EU http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN and Directive 2014/25/EU http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0025&from=EN

[15] http://europa.eu/rapid/press-release_IP-17-3543_en.htm

[16] https://ec.europa.eu/transport/sites/transport/files/2016-12-permitting-facilitating-ten-t.pdf

[17] https://www.bbt-se.com/en/

[18] http://www.transalpine.com/lyon-turin

Finally, the potential of the voluntary ex-ante assessment should be used as to spread best practices and design further EU action if needed. However, this ex-ante assessment should already lead to more stringent conclusions (e.g. more towards an ex-ante clearance than an assessment) as to avoid doubling the existing processes.

Showcases:

Brenner Base Tunnel

Austria and Italy signed a shareholder agreement in 2011 defining the procurement rules governing the project, i.e. tendering according to the law applicable to the company's headquarters i.e. in Italy. Following the adoption of the new EU Procurement Directives, the agreement was amended in 2015 and now states that the law applicable is the one of the country where the works are to be carried out and that for works to be carried out in both countries as part of the same contract the law applicable is the one applicable to the company's headquarters. In addition, the option to formulate the contract documentation in English was included in the agreement. However, it remains an ad hoc solution based on the common will of the joint venture and the Member States involved.

Rail Baltica[19]

The Joint Venture RB RAIL AS, the Baltic States' Ministries as beneficiaries of the Rail Baltica Global Project and the national implementing bodies have agreed on a Contracting Scheme that defines the procurement principles governing the project. The scheme defines which types of contracts are to be procured under the sole responsibility of the Joint Venture (procurement committees consisting of RB Rail AS representatives only), which respectively as consolidated procurement (with participation of the relevant beneficiaries in the procurement committees) or as supervised national procurement (under the responsibility of the beneficiaries, with participation of RB RAIL AS). Common guidelines, templates and requirements for contracts and supplier qualifications are defined at the level of the Joint Venture. However, contracts are governed by the law of the state where the works are performed. For procurements by RB RAIL AS the tender documentation is published in English and – in case of country specific procurements – the respective national language, while the language regime for supervised national procurement is governed by the respective national Public Procurement laws and language rules (thus creating diverging situations, such as allowing offers to be submitted in English without providing a version in national language in Estonia, which is not the case e.g. under Latvian and Lithuanian law).

Evora – Merida

The rather slow progress in the Evora – Merida rail link seems imputable, among other causes, to the absence of joint procurement and governance. The Spain-Portugal Ministerial Working Group on interoperability set up in June 2015 and the AVEP EEIG, which recently included interoperability in its mandate, are expected to provide effective solutions to speed up the realisation of this crucial cross-border link.

[19] http://www.railbaltica.org/about-rail-baltica/

Recommendation 5: Member States should streamline and simplify their permitting procedures; this should also be facilitated by the EC.

Delays in permitting often occur due to the involvement of multiple steps and multiple authorities. It was therefore recommended that Member States should streamline and thus simplify their permitting procedures in order to facilitate and accelerate the implementation of projects, in line with EU legislation. A simplified process could for example consist of a single contact point ("one-stop-shop") for applying for a project, notably for cross-border projects. The different procedures linked to the Environmental Impact Assessment, Natura 2000 (Birds and Habitats Directives) and the Water Framework Directive could also be streamlined and aligned time wise. It would also be useful to anticipate as much as possible the relevant studies to avoid that they negatively impact the lead-times at the stage of procurement.

Since 2015, significant progress has been made in order to streamline and simplify the permitting. Indeed, the study on the facilitation of the implementation of TEN-T projects promoted by DG MOVE in cooperation with other EC services provided very relevant guidance for the simplification on EU permitting. The results of this study need to be very closely followed up. It is therefore highly welcomed that based on the recommendations of this study, an impact assessment is currently on-going to design the best actions that can be undertaken at EU level to assist the Member States in simplifying the permitting procedures. A number of options are being looked at, some of which could be combined. In this context, DG MOVE launched a public consultation[20] and organised dedicated workshops to examine these issues with the relevant stakeholders.

Firstly, a single permitting authority for TEN-T projects including all environmental assessments, either via an EU level permitting procedure or via a single leading authority at national level acting as a "one-stop-shop" for project promoters, should be considered. In one of the options (EU level permitting procedure), the EU would play a direct role in the process of reviewing selected TEN-T projects and issuing development consent. In another option (requirement of establishment of a leading authority at national level), the application of the requirement action would be adopted at EU level, however its execution would be decentralised and implemented at national level. Finally, a better application of existing instruments and development of soft law as well as accompanying measures is possible. However, this option seems to be the least effective. Another measure would be to set time limits for the permitting procedure overall and in distinct phases. A total of 3.5 to 4 years is suggested.

A mandatory joint procedure for all environmental assessment procedures at project level stemming from EU legislation should be introduced, by grouping and aligning several permitting steps time-wise without undermining the qualitative standards of the assessment of the individual criteria. Indeed, this is a particularly complex domain which is not helped by uncertainties related to certain provisions in some pieces of legislation (in particular the Water Framework Directive and the Birds and Habitats Directives). A legitimate lack of capacity of authorities, project promoters and even environmental experts to carry out high-quality environmental assessment studies in a timely manner in compliance with all requirements as they are currently set is often witnessed. In this context, the permitting requirements and procedures for projects involving EU co-financing should also be harmonised as to avoid competition between or doubling of financial resources from different EU funds and respective diverging requirements.

[20] https://ec.europa.eu/transport/themes/infrastructure/consultations/2017-ten-t-implementation_en

Next to it, technical clarification and/or guidance on defining and understanding the most difficult procedures need to be provided. A comprehensive exchange of best practices and ad-hoc capacity building should be considered.

Existing conventions (such as the Espoo Convention[21]) for cross-border projects should also be explored. The 'Espoo Convention on EIA in a Transboundary Context' allows for a coordinated, cross-border comprehensive EIA, streamlining different national procedures with a joint agreement and providing a single environmental report. This Convention was for example successfully applied to the Nord Stream 2 project[22] (gas pipeline in the Baltic Sea). As far as consultations are concerned, the Espoo Convention may be used at the discretion of the Member States. The EIA Directive, as amended in 2014, provides the possibility for establishing a joint body to facilitate such consultations and so does the Espoo Convention when such a joint body already exists. For important projects of EU interest, this practice shall not be discretionary but rather mandatory and backed by a joint body of high standards and legitimacy. An important point is to define the scope of projects which would benefit from those new streamlined rules. These may be those particularly crucial in terms of necessity for the functioning of the TEN-T core network or complexity of implementation, such as bottlenecks and cross-border projects. Another option are the projects which have the vocation to benefit from Union financial support through CEF (as well as from other sources such as EFSI etc.).

Showcases:

Integration of procedures: Integrating land acquisition into project permitting

Certain projects of particular interest for the development of the national transport network benefit of a special status or fast-track procedure aiming at accelerating the permitting process. Such fast track procedure can include a reduction in the number of permits to be obtained, tighter time limits for the completion of the permitting procedure or for appeals, the possibility to conduct several assessments in parallel and other arrangements aimed at prioritising the handling of procedures for priority projects. For instance, the **Polish Act on railway transport** from 2003 and the Polish Act on special rules related to preparation and implementation of investments in state roads of 2008 proved to reduce the number of permits needed to 2 or 3 and also makes that land covered by a permit becomes automatically the property of the State Treasury. Indeed, the decision on implementation of state roads investment and the decision on the location of railways is equivalent to an expropriation decision concerning the land in the area of the planned investment. All the land situated in the area covered by the decision becomes automatically a possession of the State Treasury, which is then transferred to road and railway managers. The regional administration can give the decisions on implementation of state roads investment or the decision on location of railways a status of immediate execution, if it is justified with social or economic interest.

Similarly, the **Hungarian Priority Projects Act** of 2006 and amended in 2015 gives the possibility to conduct several procedures in parallel (environmental permit and occupation and use of forest land and/or the use of rural land can be requested at the same time); and the procedure to obtain the construction permit can be started even if the environmental permit has not yet been issued.

[21] https://www.unece.org/fileadmin/DAM/env/eia/documents/legaltexts/Espoo_Convention_authentic_ENG.pdf
[22] https://www.nord-stream2.com/

Non-alignment of procedures, e.g. in terms of EIAs – the case of the Lys River (part of Seine–Scheldt)

Different procedures and phasing of EIA and permitting in France and Flanders (design following EIA in France, versus EIA following design in Flanders) cause a time gap in authorisations for the Lys River project between the two countries. Given the complexity of waterway systems, an upfront integrated planning approach and anticipating river data gathering and management would improve efficiency. Running processes in parallel and synchronising process steps is also necessary.

Different transposition of EU acquis into national legal frameworks: case of Zevenaar – Emmerich – Oberhausen

The project – in its cross-border context - encountered difficulties relating to the implementation of (European) environmental legislation. Different Dutch and German technical and regulatory standards related to fire safety, disaster control and transport of dangerous goods, caused an increased public demand in Germany for safety measures and the filing of a lawsuit against a planning permission allowing for less stringent standards in Germany than in the Netherlands. Development of an EU harmonised approach to rail safety legislation could provide a solution.

The Fehmarn Belt Fixed Link: a prominent example of a challenging cross-border project blocked at one side of the border

The problems experienced, and their underlying causes, stem from delays in the authorisation procedure in Germany, both as a result of public opposition, and also effects of the interpretation of the Water Directive. The delays in the approval procedure on the German side are the main concern, as this cross-border project cannot start until approvals are granted on both sides. As is customary, works in Denmark were delayed pending the granting of the required approvals in Germany, where a lot of public opposition remains. The procedures in the two countries are markedly different, and have not been aligned for this project.

Recommendation 6: The EC should ensure an adequate State aid framework (conducive of the use of EU financial instruments and of national support to infrastructure of European added value).

To give certainty with regard to the application of the State aid rules was considered as one of the crucial elements for project promoters and investors which need an early clearance e.g. as regards the consistency of ESIF supported projects with the rules, and compliance of any Members States co-financing. In this respect, the ideas brought forward in the Action Plan to ensure an adequate State aid framework included:

– establishing a "single window, fast-track clearance procedure" for notification of support linked to the EFSI and CEF, which would lead to an ex-ante clearance on the State aid. This is now established for EFSI;

– the automatic recognition that financial instruments managed by the EU, such as the CEF Debt Instrument and the EFSI guarantee, are fully consistent with State aid rules;

– the automatic recognition that national support to projects selected for EFSI support are fully consistent with State aid rules.

Important progress has been made in the meantime. The State aid rules have been revised with a draft General Block Exemption Regulation in March 2016. After the first consultation, the Commission simplified small investments in ports rendering the award of ports concessions more flexible, allowing the time needed for the concessionaire to recoup its investments. Public and stakeholders could submit further until Dec 2016. On 17 May 2017, the Commission approved the related Amending Regulation[23] which entered into force 20 days after its publication in the Official Journal on 20 June 2017[24].

The State aid rules were further revised in May 2016 with the publication of a Notice[25] with guidance on when public spending falls within, and outside, the scope of EU State aid control. The Notice clearly underlines when public investments do not involve State aid, notably because they do not risk distorting the level playing field in the Single Market or risk crowding out private investment. The Notice also clarifies a number of things including that public investment for the construction or upgrade of infrastructure is free of State aid, if it does not directly compete with other infrastructure of the same kind. This is typically the case for roads, railway infrastructure and inland waterways. In contrast, infrastructure in airports or ports is often in competition with similar infrastructure. In these sectors, if one project is financed with public money while competing projects have to operate without public support, this can give the subsidised project a selective economic advantage over its rivals. Therefore such financing is subject to prior Commission scrutiny under EU State aid rules. Another clarification provided by the Notice is that, when infrastructure is built with public financing that involves State aid in line with EU rules, public authorities need to make sure that such aid is not passed on to the operator or users of this infrastructure. This is the case if an operator or user pays a market price to use the infrastructure in question, for instance as a result of a competitive, transparent, non-discriminatory and unconditional tender. A last important clarification is that EU State aid control focuses on public investments that have effect cross-border. Funding provided to local infrastructures or local services which are unlikely to

[23] http://ec.europa.eu/competition/state_aid/legislation/gber_2017_amendment_en.pdf and http://ec.europa.eu/competition/state_aid/legislation/gber_2017_explanatory_note_ports_and_airports.pdf
[24] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1084&from=EN
[25] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719(05)&from=EN

attract customers from other Member States, and which only has a marginal effect on cross-border investment, does not fall under EU State aid rules.

An agreement was made between the EIB and DG COMP for the treatment of EU guarantees under EFSI[26].

First pilot cases have been established to be assessed by the Single Window appraisal process of the statistical treatment, the State aid clearance, eligibility, environmental impact assessment documentation and others.

However, there is still opportunity for progress. As acknowledged by stakeholders during numerous investment workshops and meetings, ex-ante appraisal of State aid compliance is crucial for the financial sector to engage in a project. Therefore, the swift appraisal procedure by the European Commission if a project is in conformity with State aid rules should be generalised in order to give project clearance upfront and thus providing legal certainty and predictability about the overall investment. In practice, the establishment of the Single Window does not seem sufficiently well implemented yet: some of the projects have had to sign conditional EFSI loans, pending the appraisal, which is a suboptimal situation. Sufficient human resources and expertise must be made available for the Single Window without delay.

Finally, it is recommended to update the Commission Communication on Important Projects of Common European Interest (IPCEI), based on Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU). This Communication focused on supporting transnational projects of strategic significance for the EU and for the achievement of European objectives. It should be considered to also include the strategic horizontal projects (ERTMS, SESAR) and the core network corridors, especially for projects clearly highlighted in the Corridor Work Plans which are endorsed by all the Member States involved in the Corridor activities. This would allow a wide flexibility and high intensity of support, while foreseeing a simplified and relatively fast procedure for the notification and appraisal of State aid.

[26] See point 24 in http://europa.eu/rapid/press-release_MEMO-15-5419_en.htm

Stream 3: Broadening funding and financing

Public resources are increasingly scarce, but still essential to adequately involve private investors. Consequently, additional efforts and innovative ideas ensuring a coherent policy and funding/financing framework for infrastructure investments are of utmost importance.

Recommendation 7: The European Commission should propose a framework to find additional resources for projects of EU added value, for instance through the earmarking of revenues and cross-financing solutions.

The CBS 1 report states that the European Commission should propose a framework to find additional resources for projects of EU added value in a comprehensive and multimodal setting, for instance through the earmarking of revenues and cross-financing solutions. "Polluter-pays" and "user-pays" principles should be more widely applied to reduce the burden borne by tax-payers for the construction and maintenance of infrastructure, as a way of eliminating distortion induced by asymmetric and inefficient taxations across transport modes, to promote more energy-efficient structures generating external benefits. For very large infrastructures with long implementation time and low direct financial return, it is worth exploring the possibility of establishing an "infrastructure fund-like" mechanism for their development and exploitation.

On this recommendation, some work is already on-going but there are very little results so far. However, a simplification of the Financial Regulation and the Common Provisions Regulations are under discussion by the European Institutions and a Reflection Paper on the future of EU Finances was adopted by the Commission in June 2017.

Based on these first measures, it is strongly recommended looking into widening the user-pays and polluter-pays principles so that the burden borne by tax-payers for the construction and maintenance of infrastructure would be reduced and all costs properly reflected in the financial assessment of the projects. This would generate extra resources to allocate to green transport investments. This should however remain fair for users and not jeopardise the use of sustainable modes of transports. A harmonisation of how these principles are applied in the different Member States would be useful.

In addition, the combination of grants and private finance (i.e. blending), which can be supported by EFSI, should be promoted when appropriate to support EU added value operations which address areas in transition (i.e. neither fully revenue generating and thus marketable, nor made up for full grant support) such as the initial roll-out of alternative fuels, certain components of innovation like greening of shipping fleets, certain rail investments like ERTMS etc.). Such projects which are too well advanced for a 100% grant support but at the same time not fully ready yet for being successful on the private financial market should receive such "boosting" by blending, until they reach the level of profitability and economic sustainability needed to pursue independently on the financial market.

Furthermore, it is encouraged to set-up CEF blending facilities for specific policy objectives. This would be especially relevant for projects with long implementation times and low direct financial returns which bring specific EU benefits ("EU added value"). Such benefits include for example deploying rail interoperability, supplying alternative fuels, deploying C-ITS services etc. A blending facility would change the current delivery mechanisms of EU support in a number of ways:

- It would offer the provision of EU support in a way attuned to project lifecycle – the facility could be set over a period of time (for example three years), with projects applying when ready on a rolling basis;
- It would, through bank engagement and "sponsorship" of a project, inject more due diligence into the project design;
- It is attractive for promoters which can use the bank as an intermediate " one stop shop" to package the appropriate mix of grant, financial instrument and senior lending;
- It can attract financing from Member States (i.e. structural funds) at the level of the facility;
- It can be open to other relevant sectors, such as digital, and renewable end energy efficiency, with the same principle: projects for which revenues are not enough to cover the cost of investment.

In addition to the above, one should consider the setting up of a special (ad-hoc) fund in synergy with the CEF and its blending facilities, not bound to the duration of the MFF, with the same purpose of addressing projects with long implementation times and low direct financial returns which bring specific EU benefits and other specific problems which require ad-hoc financial efforts. Such projects can be for example the deployment of recharging and refuelling infrastructure for alternative fuels, the realisation of rail interoperability in the Iberian peninsula and in the Baltic States, the deployment of C-ITS services etc.

Finally, a realistic implementation of the simplified Financial Regulation, once adopted, should be ensured so that Member States do indeed leverage the joint use of EU instruments. This could allow inter-alia to widen synergies between CEF and ESIF with a more flexible transfer of resources from shared to direct management.

Recommendation 8: The EC should propose a framework to monetise externalities.

A crucial problem in finding suitable financial resources relates to the incomplete or inexistent identification of the external positive economies produced by the projects, which reduces their return on investment and consequently their financial appeal. As a result, infrastructure investments are allocated a lower amount of resources than their economic contribution, a situation further aggravated by a very limited use of earmarking. A special effort and creative solutions are required to better internalise these positive external economies.

Therefore, the CBS 1 report recommended that the European Commission should propose a framework to find additional resources for projects of EU added value through an improved implementation of the user-pay principle. This can be achieved by calculating more accurately the external costs and by monetising the external benefits induced by the development of infrastructure. Tools such as Eurovignette or the Emission Trading Scheme (under a potential widened scope) could be implemented in such a way as to make funding available for projects generating positive externalities.

With regard to this recommendation, some work is on-going but there are very little results so far, although the ETS Directive which is expected to set up Innovation and Modernisation Funds as well as the on-going discussion on green bonds are very welcomed.

In that context, it is recommended to develop guidance to identify and quantify the positive externalities generated by a project and to internalise them in its revenues.

A close follow up on the recast of the Eurovignette Directive is also needed, in particular in order to see if it could lead to a better re-allocation of road-charging revenues especially into road maintenance. This would avoid a suboptimal re-allocation of resources devoted to infrastructure investments and the negative impacts of poorly maintained infrastructure.

Besides, one should build on the Commission Decision[27] allowing the channelling of NER300[28] budget through the CEF Debt Instrument to support renewable transport demonstration projects (e.g. rolling out of innovative technologies to deploy elector mobility) and consider broadening the scope of the expected Innovation and Modernisation Funds under the revised ETS Directive to support renewable transport demonstration projects. This could be seen as an implementing measure for COP21/COP22 to pay for GHG savings. Finally, it should be considered to use the resources generated by green bonds to support projects which contribute to the decarbonisation of transport, such as rail projects and projects for the deployment of alternative fuels. For instance in October 2016, SNCF Réseau issued a Green Bond for a total amount of 2.65 billion euros. The resources from the issuance of Green Bonds are allocated to projects for the renovation and modernisation on the core network as well as the completion of new lines, to avoid emission of 2.9 million tons equivalent of CO_2 over the fourty next years.

If the above proves insufficient on the medium-term, a more ambitious scheme applicable to all modes of transport should be envisaged.

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[27] EU ETS Directive set the NER300: 300 million monetized allowances for the financing of commercial demonstration projects of innovative renewable energy. The Commission has proposed reinvesting at least EUR 436 m non-disbursed NER 300 funds from the first call to be redeployed using the InnovFin (EDP) facility and to increase investment in the transport sector. Eligible projects should promote innovative, replicable and scalable use of RES using the Debt Instrument under Connecting Europe Facility. To this end, on 19 May 2017 Member States approved, in the Climate Change Committee, a relevant amendment to the NER 300 Decision, which is currently subject to a three-month scrutiny period by the European Parliament and Council.

[28] https://ec.europa.eu/clima/policies/lowcarbon/ner300_en

Recommendation 9: The EC, the EIB and the National Promotional Banks should facilitate the blending of financing and the pooling of projects.

As called for in the CBS 1 report, the European Commission should facilitate the blending and pooling by combining the grants from the Connecting Europe Facility (CEF) and the European Structural and Investment Funds (ESIF) with the financial instruments and products available under the CEF and the European Fund for Strategic Investment (EFSI). Financial instruments should be adapted to the needs of infrastructure sectors, the size of projects or geographical markets, and any other relevant features arising from the market needs. Consideration should also be given to developing, when appropriate, financial instruments that can better address project diversity regarding their size and risk.

Blending

Blending is based on the principle that financial schemes and instruments can be combined. For example grants from CEF and ESIF with private finance (including EFSI or other EU-backed financial instruments). In the transport sector, for projects that have positive expected socio-economic values, there exists the full range of financial returns (in terms of the inherent financial viability of the investment): from fully viable based on the income stream generated by users (e.g. bus leasing) to not generating revenues to cover investment and therefore being highly dependent on public sector/government support (e.g. non-PPP rail infrastructure).

The provision of grants to privately financed projects, e.g. through the 2017 CEF blending call and a proportion of grants made under previous CEF call, extends EU support to privately financed projects. It is an appropriate support mechanism because many transport projects are on the margins of financial viability, and support solely through EU-backed financial instruments including EFSI would not be sufficient to deliver financial viability. The blending approach still allows the bulk of the finance to be provided privately, minimising overall public sector contribution, in line with the goals of the Investment Plan for Europe. Further, the use of the CEF budget ensures fulfilment of the TEN-T priorities.

Economic benefits	*Financial benefits*	*Approach*
+	++	EIB/private finance exclusively
+	+	EU-backed financial instruments (EFSI/CEF FIs) plus private finance
+	+/-	EU grants plus private finance (incl. EU-backed FIs) blending call/facility
+	-	EU grants plus public sector finance (CEF call/facility)

The concept of targeted support to projects with differing financial viabilities is coherent and logical. One size does not fit all, and a range of mechanisms allows an efficient use of limited funds.

In addition, emphasis on private finance and blending can catalyse changes in investment strategies by Member States, for example, the delivery of roads can be fully public, fully private or through Concession/PPP structures; and the mode of support offered by the EU can influence this choice. For example, if support was offered only through blending or financial instruments, this would provide incentives for Member States and promoters to take an approach more focussed on the use of private finance. Therefore, in the design of future support schemes, the range of available support mechanisms needs to be protected and promoted.

The CBS Action Plan also recommended that the Commission reinforces the use of its right of scrutiny of the requests for grant support for revenue generating projects, for instance for Major Projects under ESIF, in order to better advise project promoters and shift them to a more efficient use of grants combined with financial instruments. This recommendation is still valid.

Pooling

Pooling of projects can, under certain conditions, be very appropriate to cope with procedural and administrative costs and to mitigate risks. It can be either bottom-up or top-down. The first case refers to initiatives directly carried out by Member States or project promoters while the second refers to Investment Platforms or Facilities set-up by financial institutions. For instance, the EIB also supports small projects and companies through its aggregated products administered by suitable intermediaries.

Progress has been made since the publication of the Action Plan, with the set-up of Investment Platforms supported by EFSI. These include for example the Green Shipping Guarantee and the Port Accessibility Fund in Spain. An assessment of their outcome ought to be made in order to pave the way for further successful implementations in the future.

Apart from the above, there is still room for many other opportunities for both blending and pooling. First, the TEN-T pipeline should be assessed against the potential for blending of funding and financial instruments. Secondly, it is recommended to assess the outcome of the CEF blending call and to draw learnings from this first experience in setting up CEF blending facilities. Questions to answer include:

- Did it bring in additional EU-added value projects that otherwise would not have been financed?
- Did it have an impact in focussing bank financing on high EU added-value projects?
- Did it improve the design of projects?

Second, further guidance needs to be developed on how to set up PPPs in a blending context. Indeed, it appears that opportunities to do so are not being taken up and that this is due to the combined complexities of PPP procurement and the blending approach. Such guidance could take inspiration from EPEC's paper on blending ESIF with PPPs.

The existing pooling facilities like EFSI investment platforms and ad-hoc windows and facilities should also be assessed. To date to date, 34 platforms have been approved by the Investment Committee, 3 under the SME Window and 31 under the Infrastructure and Innovation Window, totalling more than EUR 3.5 billion of EFSI investments for more than EUR 27 billion of total investments expected to be mobilised. A number of EFSI investment platforms have been created pursuing transport objectives, notably the Accessibility Ports Infrastructure in Spain, the Marguerite Fund II, the ICO Infrastructure Risk Sharing Loan, and the Green Shipping Facility Guarantee Programme.

Furthermore, lessons learnt from the mid-term evaluations and spending reviews of the different EU funding and financing programmes and instruments, including the CEF, should be adequately addressed in the set-up of the next MFF. Such evaluations give very valuable input for the future design of funding instruments.

Nevertheless, it is recommended to also carry out additional external, independent assessments of those EU funding and financing programmes and instruments. Indeed, these may provide different angles and highlight additional opportunities for improvement and rule out the risk of being criticised for self-complacency which often materialises for internal reviews.

A clearer division of tasks and missions between EIB interventions under EFSI and regular EIB interventions or interventions from commercial banks and other private investors needs to be established. This is closely linked to recommendation no 2, i.e. that there is feedback that EFSI is partly crowding out commercial banks and other private investors and that this should be adequately addressed, both to remedy the situation and to stop the complaints.

Moreover, the administrative costs for financing institutions in assessing small projects should at least partially be covered. Indeed, the transaction costs for banks such as the EIB to assess small projects is very high. For instance, these costs are borne by the EU budget for CEF project proposals.

Finally, the possibility to cooperate in a more systematic way with other financial institutions such as National Promotional Banks and the EBRD, with capacity to support small projects and provide technical advisory, should be leveraged. Noteworthy, the EIAH is already establishing Memorandum of Understanding (MOU) for collaboration with the NPBS and with the EBRD to provide advisory services to SMEs.

Showcases:

The **Port of Calais** represents a successful case of blending EU grants and financial instruments. While grants were provided to make the project financially viable, the Project Bond Credit Enhancement was provided by the EIB with the support of the EU budget, allowing attracting bond investors for very long term financing. The bonds were bought by the Insurance Company Allianz.

Accessibility Ports Infrastructure: The EFSI Investment Platform developed by the EIB and ICO consists of a framework loan to fund rail and road access investments in state-owned ports in Spain through a State Fund - "PAF" (Port Accessibility Fund). The project will help to improve land connectivity in key ports all located in the TEN-T Network. The operation will be a natural continuation of the extensive support provided by the CEF and the EIB to the development of this seaport network over the last years.

Stream 4: Fostering an investment-friendly environment

In order to adequately address the huge investment needs, a targeted cooperation of all actors is needed. Private investors require a friendly and stable environment (not only regulatory) to be willing for example to consider PPPs in infrastructure projects.

Recommendation 10: The EC should create a new infrastructure asset class.

In their original versions, the Solvency 2 Regulation which sets rules for how much capital EU insurance companies must hold - and the Basel III Regulation were detrimental to long-term infrastructure financing. In the Action Plan, the creation of an asset class category, notably for infrastructure projects supported by the EU, was thus recommended. Such category would cover key European projects (CEF and EFSI-related) for which economic viability is proven.

This led to the adoption in February 2016 of an implementing act on Solvency 2 for so-called "qualifying infrastructure investments", which now benefit from a lower risk calibration. For example, the calibration of the stress factor for such investments in unlisted equity is lowered from 49% to 30% which leads to a lower capital charge.

A similar measure should now be considered within the revision of the CRD4/CRR (that transposed in Europe the BASEL III guidelines), notably for investments from the banking sector, i.e. a reduction of the capital requirements proposed for transport-related investments, possibly also as part of sustainable finance, according to conditions to be met by the promoter and the project.

The Commission Reflection Paper published in May on the deepening of the Economic and Monetary Union, suggests the creation of a "European safe asset". It would be a new financial instrument pooling together national debt to reinforce integration and financial stability of infrastructure of EU strategic interest such as TEN-T projects. The use of this asset for TEN projects which are infrastructure of EU strategic interest should be considered.

The paper also suggests options to better link of financial support from the EU budget to structural reforms, notably by modulating co-financing rates more systematically according to the economic conditions in Member States and strengthening the link between policy reforms and the EU budget. This could take the form of either a dedicated fund to provide incentives to Member States to carry out reforms or by making the disbursement of the ESI Funds, or part of them, conditional on progress in implementing concrete reforms to foster convergence. These measures should in turn reassure that investment made under the European safe asset will happen under a healthy environment of structural reforms.

Last but not least, the Commission formed a High Level Group on Sustainable Finance and asked it to come forward with recommendations to go (more quickly) towards a low carbon, more resource-efficient and sustainable economy. The final report of that group is expected end of 2017. Many of our CEF investments and TEN-T projects can be labelled 'sustainable investments'. Therefore it is very important to follow up on the work of that Group and see how it can further support investments in sustainable transport infrastructure.

Recommendation 11: The EC should propose a clear statistical treatment of PPPs.

In the CBS Action Plan, it was recommended to clarify the role of EU guarantees provided by CEF financial instruments and EFSI in the off/on-balance sheet treatment of projects and to define ex-ante schemes of contracts involving national guarantees that can be kept off-balance-sheet to give certainty to investors. In addition, the active involvement of EUROSTAT in advisory functions was called for as well as to define the conditions for limiting the inclusion in the national debt/deficit to the sole cost of the guarantee provided by a Member State.

In September 2016, Eurostat issued a guide[29] in cooperation with EPEC. For example, this guide foresees that EU guarantees and contributions should be excluded from the weighting between public and private funds. Eurostat also started training for Member states.

Central to the success of the process and of the guidance itself was:

– the input from the Commission to support Eurostat engagement to engage more broadly and to address stakeholder views on the existing guidance;

– the input of EPEC, representing promoter views, and working closely with Eurostat to deliver the guidance document;

– the structure and language of the document, which reflects contracts used by project promoters (some previous issues with the guidance came from the fact that drafting was grounded in statistical language and not comprehensible to project promoters);

– the fact that it represents a material updating and refinement of the MGDD (Manual of Government Deficit and Debt), explicitly addressing issues which were unclear, and providing a synthesis of the overall balance sheet judgement.

Some stakeholders, whilst welcoming the direction of travel of the document, continue to press for elements of the guidance to be refined. The guidance itself, and the clearer position on the balance sheet impact of contractual choices, is expected to have a positive impact on the project pipeline over the medium term. There are already projects (e.g. the Liege Tram) where real progress has now been made as a direct result of the guidance.

From an EU funding perspective, the guide clarifies that EU guarantees and contributions should be excluded from the weighting between public and private funds. It also enshrines key principles such as the neutrality of EU funding and the private nature of EIB financing, which are basically favourable to PPPs and unleash the potential of EFSI. Eurostat also started training for Member states.

However, the original recommendation to define the conditions for limiting the inclusion in the national debt/deficit to the sole cost of the guarantee provided by a Member State has not yet been addressed. For example, projects with an important EU added value could receive a special treatment. It would be useful to assess the feedback (mostly positive) received on the new guidance and see if and how that guidance could be further refined. EPEC also made an assessment of the impact of the new procurement Directives which highlighted ambiguities to be clarified. Finally, it is recommended to finalise and publish the expected guidance on Concessions as soon as possible.

[29] http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-001

Recommendation 12: The European Commission and the EIB should promote financial instruments and schemes.

It was originally recommended that the European Commission and the EIB ensure in a joint effort a wide consultation with all the interested parties (project promoters, national promotion banks, commercial banks, institutional investors) on the financing of transport infrastructure, in particular for the exchange of best practices, the promotion of financial instruments or dedicated financial schemes, and provide regular information to the Member States and to the European Parliament.

It was also and still is clear that an appropriate and effective communication policy should be set up to the benefit of a better understanding and involvement of the general public. Indeed, projects face considerable delays when challenged by the public or stakeholders. This can be mitigated by the quality of the procedures used to engage the public and the choice of the point(s) in time at which those procedures take place during the project preparation.

Since the publication of the Action Plan, several ideas have been elaborated such as making public involvement mandatory in permitting procedures or carrying out a general public campaign about TEN-T strategy and projects.

However, it still remains to set-up principles for public consultation procedures for TEN-T projects and carry out for instance a TEN-T public information campaign. Consent processes should be aligned as much as possible, and public acceptance of infrastructure projects should be given special attention. These aspects should also be looked at when translating the results of the DG MOVE study on the facilitation of the implementation of TEN-T projects into concrete measures.

Similarly, the process for appeals of decisions on development consent should be improved. The institutions and Member States should also interact with major projects in an integrated and cross-cutting way, not only on the basic infrastructure but also on any relevant issue ("breaking the silos"). This would also lead to contributing to multilevel institutional governance of large projects and cross-border projects.

Finally, innovative flagship projects along the core network corridors should be triggered as to highlight the positive impact of deploying innovative features of transport and the active involvement of local communities. Indeed, infrastructure projects aimed at long-distance transport and border-crossing often generate negative externalities for these local communities. However, positive externalities are also produced by means of reducing congestion. By complementing them with measures to make local transport also more efficient, one can produce further positive externalities and gain public support. For example, in the case of a new border crossing line for freight, one can also improve the local passenger rail connection to and introduce a common ticketing system. Innovative flagship projects can also group several small projects in order to give them more visibility and higher attractiveness to private investors. For example, ports willing to develop LNG facilities to refuel LNG-motored vessels could coordinate their strategy and group their investments.

Showcases:

The promoters of the **Brenner Base Tunnel** involved the public from the earliest phases of preliminary planning on. This consultation included extensive communication with local municipalities and communities through information meetings (organisation of information-oriented and topic-specific evenings and meetings, set-up of information points, close contact with the media, weekly tours of the construction sites, regular visits from the Corridor Coordinator and all stakeholders, including the local mayors along the Brenner Corridor etc.). Since consultation had taken place early, there was still flexibility in project planning to take community concerns into account.

The project promotors of the project **Seine-Nord Europe (Seine-Scheldt)** established a thorough process of stakeholder involvement to gain their support. A consultation committee was established in October 2004, originally involving 215 institutions of which a large proportion of farmers. By the end of the consultation process, several years later, more than 1100 institutions had participated. The promoters paid special attention to the nature and complexity of the information provided, ensuring that it was adapted to the knowledge and interest of the relevant stakeholders. Specific complaints were responded to with information on the mitigation measures. The consultation process was held early enough so that concerns raised by affected stakeholders could be addressed.

[Extracts from the DG MOVE study on the facilitation of the implementation of TEN-T projects 2016]

IV. Conclusions and next steps

The European Coordinators have worked very intensively in assessing and improving a stable and mature project pipeline for the realisation of the TEN-T core network corridors. Almost 3,000 projects have been identified through a wide participatory approach with all concerned corridor stakeholders, namely the Member States, infrastructure managers, the regions and the urban areas. The analysis leads to an investment need of around 750 billion EUR for the realisation of the corridors until 2030.

Today, the European Coordinators call for a stronger Investment Plan for Europe across three pillars: the EFSI in conjunction with CEF and other EU instruments, technical assistance and greater visibility of investment opportunities to help projects reach the real economy, and the removal of regulatory barriers at both national and EU levels.

It is clear that a coherent mix of public funding and private financing is the way forward. Funding and financing ought to be combined in synergy, leveraging on each other, to achieve the TEN-T vision. Grant support needs to be focused on the projects of highest European added value (cross-border sections, bottlenecks, horizontal priorities) while financial instruments should be promoted for revenue generating projects or segments of projects which are not sufficiently attractive to private investors. Streamlining the EU funding schemes, blending EU grants with financial instruments, planning a strategic pipeline of projects relying on the TEN-T corridor logic should be further promoted. In this respect, we call for the setting up under the next MFF of a specific blending instrument, linked to CEF 2, for transport infrastructure. It should link the public financing of all types of transport infrastructure with a real and measurable increase of the operational efficiency of the TEN-T.

The first CBS report of 2015 initiated a sound dialogue with the European Commission and Member States about how to improve the financing and regulatory framework for infrastructure investments in Europe. The present progress report shall contribute to engage in the further discussions and cooperation and to increase the efforts at all levels to boost infrastructure investments in Europe. As such, it is intended to also give a precise impetus for the discussions of the next MFF, closely aligned with the work of the European Coordinators on various policy areas (e.g. via the Issues Papers) and their Joint Declaration on the future of TEN-T and CEF.

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