



EUROPEAN COMMISSION

DIRECTORATE GENERAL ENERGY & TRANSPORT

TECHNICAL ASSISTANCE CONSULTANCY CONTRACT

EVAMONTEN-T

EVAluation and **MON**itoring of **TEN-T**

MIP REVISION

WORKPACKAGE 4

FINAL REPORT

VOLUME I: MAIN FINDINGS & RECOMMENDATIONS

Issue 4: 18 December 2003

Document details:

Date of preparation:	18 December 2003							
Deliverable name:	MIP Revision (WP4) Final Report, Volume I: Main Findings and Recommendations							
Abstract:	This report summarises the main findings of the Technical Assistance Consultancy Contract, EVAMONTEN-T that has been commissioned by EC DG-TREN to assist in the evaluation of the TEN-T programme, with an emphasis on the evaluation and revision of the Multi-Annual Indicative Programme for TEN-T Projects.							
Document number:	Issue 4: D4 (Part 3) - Final Report on MIP Assessment and Revision							
Dissemination level:	Internal to Commission Services							
Distribution:	<ul style="list-style-type: none"> • EC DG-TREN • EVAMONTEN-T partners • Member States and Project Promoters 							
Authors:	<table border="0"> <tr> <td>Name</td> <td>Organisation</td> </tr> <tr> <td>Khaled El-Araby</td> <td>Dorsch Consult</td> </tr> <tr> <td>Steve Morello</td> <td>ISIS</td> </tr> </table>	Name	Organisation	Khaled El-Araby	Dorsch Consult	Steve Morello	ISIS	
Name	Organisation							
Khaled El-Araby	Dorsch Consult							
Steve Morello	ISIS							

Document Control Record:

Version	Main Changes:	Contributions from:	Date:
1a	Draft inputs and outline developed (First internal document entitled, "MIP Revision Preliminary Notes," discussed with DG-TREN on 13-Mar-03)	K El-Araby (KE)	12-Mar-03
1b	Draft outline refined with incorporation of inputs from SM	S Morello (SM)	14-Mar-03
1c	Initial update comprising results from meeting with DG-TREN on the 13-14 March, Brussels	SM + KE	18-Mar-03
1d	Amendments to outline and restructuring	SM + KE	19 & 20-Mar-03
1e	Amendments from JdB of 26-Mar-03 incorporated by SM	JdB + SM	28-Mar-03
1f	Update to begin inclusion of results of interviews with Member States and Project Promoters	KE + SM	20-May-03
1g	Inputs and contributions	SM	27-May-0
1h	Further inputs	KE	2-Jun-03
1i	Draft version 1i for discussion with DG-TREN	SM + KE	3-Jun-03
1j	Further inputs following DG-TREN meeting on 4-Jun-03	KE	6-Jun-03
1k	Update following review of draft report by DG-TREN and discussion on 10 June	SM + KE	11-Jun-03
1l	Update following internal review and inputs of interviews with DG-TREN Directorates E and F	SM + KE	18-Jun-03
1m	Result of review with EC DG-TREN	SM + KE + JdB	19-Jun-03
1n	Updates by SM and KE (20-Jun – 25-Jun)	SM + KE	22-Jun-03
1o	Version submitted to DG-TREN for review	SM + KE	25-Jun-03
1p	Revisions during meetings in Brussels	SM	30-Jun-03
1q	Incorporation of comments/remarks from WP2	KE+SM	17 to 24-Jul-03
Issue 1	Report formally submitted to DG-TREN	SM+KE	24-Jul-03
Issue 2	Update due to comments from DG-TREN received on the 29-Sep-03	SM+KE	03-Oct-03
3a	Meeting with DG-TREN Officials (G Schulze)	SM+KE+JdB	16-Oct-03
3b, c, d, e	Extensive work on Draft Final Report	SM+KE	16-Oct to 13-Nov-03
Issue 3	Draft Final Report formally submitted to DG-TREN	SM+KE	14-Nov-03
4a, b	Update to account for results of 5-Dec-03 Seminar and addition of Volume II	KE+SM	05 to 18-Dec-03
Issue 4	Final Report (Vol. I & II) formerly submitted to DG-TREN	SM+KE	18-Dec-03

PREFACE

This report summarises the main findings and recommendations of the Technical Assistance Consultancy Contract, EVAMONTEN-T that has been commissioned by EC DG-TREN to assist in the evaluation of the TEN-T programme with an emphasis on the evaluation and revision of the Multi-Annual Indicative Programme for Trans-European Transport Projects.

The support for MIP Revision represents effort from the independent consultants ISIS (France) and Dorsch Consult (Germany). This report is based upon written contributions from:

- Khaled El-Araby (Dorsch Consult), and
- Steve Morello (ISIS).

The work in this Technical Assistance contract represents an independent view on the MIP and provides recommendations on the mid-term MIP Revision organised around six main phases:

1. Assessment and review of the current MIP rules and the project cycle process for a number of MIP projects including a review of documentation and administrative processes.
2. Consultation and interviews within EC DG-TREN officials:
 - Within DG-TREN Unit B3, the unit responsible for management of the TEN-T budget, and
 - Outside Unit B3, other Directorates and units responsible for MIP and non-MIP TEN-T projects.
3. Consultations and interviews with Member State authorities and Project Promoters for a sample of MIP projects:
 - A representative sample of MIP projects was assessed in-depth with the Project Promoters and Member States' national organisations and Ministries. The MIP projects selected were located in four Member States (France, Spain, United Kingdom and Germany). The approach was not by the representation of the four Member States; rather it was by selecting a representative sample of MIP projects chosen among all MIP projects located in the 15 Member States.
4. Analysis and assessment of results.
5. Development of recommended actions including a road map for the MIP Revision and Support for the period 2004-2006.
6. Validation of the recommendations by the Commission Services and Member States.

The conclusions and recommendations expressed or implied in the report are those of the independent consultants. They are not necessarily those of the European Commission or any other national or European entity.

TABLE OF CONTENTS

PREFACE	III
ABBREVIATIONS	VII
EXECUTIVE SUMMARY	1
Main Findings	1
Recommendations and Proposed Road Map for Revision of the MIP	4
1. INTRODUCTION	6
1.1 Background	6
1.2 MIP Projects (2001-2006).....	7
1.3 Tasks and Objectives	8
1.4 Scope and Structure of this Report	9
1.4.1 Scope	9
1.4.2 Structure	9
2. METHODOLOGY AND WORKPLAN FOR MIP REVISION SUPPORT	11
3. FUNDAMENTAL BASICS IN MIP	14
3.1 MIP Decisions and Regulations.....	14
3.2 MIP Rules	15
4. EC PLAN FOR MIP REVISION.....	19
4.1 Objectives of the Commission for the MIP Revision.....	19
4.2 Legal Basis for the MIP Revision.....	19
5. STRUCTURE OF RESULTS OF INTERVIEWS.....	20
6. SYNTHESIS OF EC DG-TREN CONSULTATIONS.....	21
6.1 Consultations with Officials from Directorate B, Unit B3-TENs Management.....	21
6.1.1 Background of Consultations	21
6.1.2 Summary of Main Issues identified by DG-TREN B3 Unit Officials	21
6.2 Consultations with Officials from EC DG-TREN Directorates and Units (other than Unit B3).....	25
6.2.1 Background of Consultations	25
6.2.2 Summary of Main Issues identified by Officials from DG-TREN Directorates and Unit Officials (other than Unit B3)	25
7. SYNTHESIS OF INTERVIEWS WITH SELECTED MEMBERS STATES AND PROJECT PROMOTERS.....	29
7.1 List of MIP Projects reviewed with Project Promoters	29

7.2	Common concerns and issues from Member States and Project Promoters	30
7.3	Specific Concerns by individual Member States.....	31
7.3.1	France	31
7.3.2	Spain	31
7.3.3	United Kingdom	33
7.3.4	Germany	34
7.4	Summary of Issues from Member States and Project Promoters.....	35
8.	OVERALL ASSESSMENT	37
8.1	Project Performance Levels	37
8.2	Strengths/Weaknesses of current MIP Rules	38
8.2.1	Strengths of the MIP	38
8.2.2	Weaknesses of the MIP	38
8.2.3	MIP versus Non-MIP	39
9.	RECOMMENDATIONS FOR REVISION OF THE MIP	41
9.1	Options for MIP Revision.....	41
9.1.1	Outline of Main Options	41
9.1.2	Three Possible Scenarios for MIP Revision.....	42
9.2	Proposals for Revision/Activation of MIP Rules	43
9.3	Preliminary Provisions for New Member States	50
10.	ROAD MAP FOR MIP REVISION AND SUPPORT FOR 2004-2006	51
11.	CONCLUSIONS	52
12.	BIBLIOGRAPHY	53
13.	ANNEX 1: INDICATIVE SCHEDULES OF ROAD MAP FOR THE MIP REVISION PROCESS.....	55
14.	ANNEX 2: WORKPLAN FOR WP4 MIP REVISION	57
15.	ANNEX 3: CHARACTERISTICS OF THE MIP	58
16.	ANNEX 4: GLOSSARY OF TERMS.....	60
17.	ANNEX 5: TEMPLATE FOR "QUESTIONNAIRE FOR INTERVIEWS WITH DG-TREN OFFICERS"	63
18.	ANNEX 6: RESULTS OF QUESTIONNAIRES WITH MEMBER STATES AND PROJECT PROMOTERS.....	64
19.	ANNEX 7: TEMPLATE: QUESTIONNAIRE FOR MEMBER STATE REPRESENTATIVES IN <COUNTRY NAME>	75
20.	ANNEX 8: DETAILED RESULTS OF CONSULTATIONS WITH DG-TREN.....	76

LIST OF FIGURES AND TABLES

Figure 1: Overview of Methodology for MIP Revision Exercise	13
Figure 2: Overall view of current MIP Rules as a Process.....	18
Figure 3: Road Map for MIP Revision & Support for 2004-2006 & beyond	51
Table 1: Strengths and Shortcomings of the three MIP Revision Scenarios	43

ABBREVIATIONS

ATM	Air Traffic Management
DG TREN	EC Directorate-General for Energy and Transport
DBFO	Design Build Finance and Operate
EC	European Commission
ECMT	European Conference of Ministers of Transport
EFTA	European Free Trade Association
EEIG	European Economic Interest Group
ERTMS	European Rail Traffic Management System
ESA	European Space Agency
EU	European Union
FAC	Financial Assistance Committee
FDI	Final Date of Implementation
FP	Framework Programme
GIF	Ente Publico Gestor de Infraestructuras Ferroviarias
GR	Group(s) of Projects
ITS	Intelligent Transport Systems
JU	Joint Undertaking
MIP	Multi-Annual Indicative Programme
OECD	Organisation for Economic Co-operation and Development
PIARC	World Road Association
PP	Priority Project
PMS	Project Management System
PSR	Projet Status Report
RAL	Reste à Liquider
R+D	Research and Development
TEN-T	Trans-European Networks for Transport
TERN	Trans-European Road Network (TEN-T for road)
UN	United Nations
WERD	Western European Road Directors, currently CEDR (Conference of European Directors of Roads)

EXECUTIVE SUMMARY

The Technical Assistance Consultancy Contract, EVAMONTEN-T, was commissioned by EC DG-TREN to assist in the evaluation of the TEN-T programme with an emphasis in WP4 on the evaluation and revision of the Multi-Annual Indicative Programme for Trans-European Transport Projects. The MIP Revision process is in accordance with Article 5a of the Council Regulation (EC) N° 2236/95, amended by the Regulation (EC) N° 1655/1999, whereby a mid-term revision and review of the MIP is required in order to review the effective progress of the Priority Projects and Groups of Projects. This also relates to Article 21 (2a) of the Regulation (EC) 2342/2002 and Article 27 of the Financial Regulation (EC) 1605/2002; whereby an interim evaluation in terms of the resources allocated and the results obtained is mandatory in order to verify that they were consistent with the objectives seen at the start.

The result of this Technical Assistance Consultancy activity comprises an independent view on the MIP process, based upon experiences made since the start of the MIP in 2001, and provides recommendations on the mid-term MIP Revision organised around six main phases:

1. Assessment and review of the current MIP rules and the project cycle process.
2. Consultation and interviews within EC DG-TREN officials.
3. Consultations and interviews with Member State authorities and Project Promoters
4. Analysis and assessment of results.
5. Development of recommended actions including a road map for the MIP Revision and Support for the period 2004-2006.
6. Validation of the recommendations by the Commission Services and Member States.

The first three phases (review and consultation – Chapters 5, 6 and 7) of this approach enabled the consultants to acquire an in-depth level of understanding of the TEN-T Programme in terms of the range of issues related to implementing the TEN-T Multiannual Indicative Programme. Following the review and consultation, the consultants then undertook an analysis and assessment of the results as outlined in Chapter 8-Overall Assessment. This was followed by the development and validation of recommended actions and a road map for MIP Revision and support for 2004-2006 and beyond 2006, as outlined in Chapter 9-Recommendations for the Revision of MIP and Chapter 10-Road Map for MIP Revision and Support.

MAIN FINDINGS

The main findings for these phases of this Technical Assistance Consultancy support contract are summarised according to the corresponding headings of EC DG-TREN Consultations, Interviews with Member States and Project Promoters, and Overall Findings.

EC DG-TREN Consultations

The DG-TREN Officials expressed viewpoints related to various aspects of the MIP. This consultation phase was split to cover the viewpoints of Officials from DG-TREN Unit B3-TENS Management and the viewpoints of Officials from other DG-TREN Directorates and Units with MIP projects.

The key issues and concerns of these consultations are summarised according to this split within DG-TREN.

DG-TREN Unit B3 Consultations – Issues and Concerns

- For MIP: consistent and regular reporting and monitoring discipline at the expense of a higher administrative effort,
- For non- and pre-MIP: more flexibility in implementation with risk of delays and extension,
- MIP annual reporting: artificial separator financial exercise – no real connection to physical implementation and project status,
- Wide variance of project application and reporting among Member States and Project Promoters,
- Time creeping and possible overlap in Decisions caused by delays and extensions,
- PSR Forms: revised and modified on an annual basis – lack of a consistent and harmonised reporting process, and
- Strict schedules and reporting delays of some projects coupled with high workload of Member States and Project Officers allow for multiple rounds of MIP Decisions.

DG-TREN Consultations (other than Unit B3) – Issues and Concerns

- Aside from past and planned costs and budget absorption, insufficient level for project assessment (Indicators/Targets/ Detailed activity listing),
- Need for more precise identification of eligible costs in terms of activities and reporting dates vis-à-vis the financial decision,
- Need for “multi-annual” financial decisions and not annual, and
- Projects such as Galileo and ERTMS – need for “special conditions” due to their specific nature and requirements.

Interviews with Member States and Project Promoters

A representative sample of projects from several Member States were selected for review based on varying levels of performance, stage of development, and scale (of studies and small and large infrastructure projects, etc).

These projects were reviewed from the perspective of efficiency, timeliness and effectiveness of the application of the current MIP rules. The aim was to see how it might be possible to streamline and improve this process and provide innovative solutions taking into account the need for continuous changes in some administrative procedures and reporting formats, in light also of the future workload originating by the EU enlargement. The reviews were followed by interviews conducted with the Project Promoters involved and the responsible national authorities in the four Member States concerned (France, Spain, Germany and the United Kingdom).

For the most part, all persons interviewed had an overall positive view of the MIP. There were, however, a number of key issues expressed by the Member States and Project Promoters, respectively. The key issues and concerns of these consultations are summarised accordingly.

Member States – Issues and Concerns

- Start-up difficulties in first period of MIP,
- Appreciation of added-value of EC financial support despite low level of co-financing (10% studies and 50% implementation),
- Varying levels of support and responsibility by Member States to Project Promoters, and

- Handbook for clarifying MIP terms, procedures and functionalities needed.

Project Promoters – Issues and Concerns

- Insufficient guidance for project application and reporting,
- PSR completion and submission in a full and timely manner – problematic in some projects,
- Too much input required to fulfil PSRs, application, etc. despite low level of EC financial support,
- For annual reporting purposes, financial indicators are sufficient and the only “standard” across all Member States, and
- A variety of financial reporting and auditing systems exists in Member States and Project Promoters making it sometimes difficult to report on a standardised basis.

A supplementary survey conducted by DG-TREN Unit B3, covering other Member States, confirmed the above issues and concerns.

Overall Findings

The overall assessment of the consultations within DG-TREN and with Member States and Project Promoters elucidated a variety of key findings which were structured in terms of project performance levels, strengths and weaknesses of the MIP, and MIP versus non-MIP projects. The overall findings are summarised according to these four aspects.

Project Performance Levels

- Fast projects: Have incurred higher costs than planned and a higher acceleration of delivery than originally planned,
- Normal-running projects: In line with original MIP 2001 budget allocation, and
- Lagging projects: After review and analysis, the MIP Revision process is an opportunity for such projects.

Strengths of MIP

- Concentration of funds in specific projects of TEN priority,
- Long-term funding guarantee for Member States and Project Promoters, as long as projects perform well,
- Multi-annual programming of projects by Project Promoters,
- Payment of TEN-T funds in line with project progress,
- Reduced effort by Member States (only PSR submission and payment claims for continuing actions), and
- No more than two open Financial Decisions for any action.

Weaknesses of MIP

- Level of documentation at various stages of the project is high with no clear guidance, particularly at the start of the MIP process,
- Multiple rounds of MIP Decisions by the Commission services,

- Each Financial Decision is seen artificially autonomous with annual PSR and budget consumption reporting,
- Difficulty in monitoring and evaluation of project progress and forecasts, in particular, in clear technical and financial terms – in many cases in the Financial Decisions and frequently the PSR, there is no clear definition of portions of project eligible for funding,
- Little scope to accommodate delays and uncertainties in project implementation – no distinction is made between “mature” well-developed projects and some “new” projects that are liable to uncertainties and potential delays, and
- Little margin left in the current MIP budget for new Member States.

MIP versus non-MIP

What works for MIP:

- Allows Member States and project promoters to program project funding on a multi-annual basis – minimises barriers at start,
- Stability in funding over a multi-annual period, provided no delays in project progress, and
- For continuing actions, no application forms are needed. Only PSR Forms are needed in addition to payment claims.

What worked for pre-MIP:

- Accommodate delays in project execution: this is especially relevant for large-scale infrastructure projects that have duly-justified grounds for delays and stand to ‘lose’ money in case of non-closure of MIP Financial Decisions,
- Subject to approval, higher flexibility in accommodating justified changes in scope and scale of the projects, and
- Funding is made on the basis of tranches, with each tranche subject to the application, reporting and closure process, but without the fixed time reporting and closure schedules present in the current MIP.

RECOMMENDATIONS AND PROPOSED ROAD MAP FOR REVISION OF THE MIP

The recommendations outlined in Chapter 9 and the proposed “road map” in Chapter 10 are the culmination of the consultation and assessment process comprising ten months of effort which has also included numerous discussions and meetings with a range of EC Officials, two presentations to the TEN Financial Assistance Committee- FAC (1 July and 24 November), discussion of recommended actions at the FAC meeting on December 5, review and incorporation of comments from EC DG-TREN’s inter-service consultations and the production of numerous iterations of this report.

There are currently three possible scenarios being considered by the EVAMONTEN-T Consultants for the MIP Revision:

1. Two Phase plan scenario for MIP Revision (2004-2006): one for EU-15 and one for the new Member States.
2. Single Phase plan scenario for EU-25 maintaining the FAC voting powers.
3. Single Phase plan scenario for EU-25 with revision of FAC voting powers.

From the consultation exercise and based on extensive feedback from DG-TREN Officials on previous versions of this report, a number of proposals for revision/activation of the MIP rules have come to fruition. The main components of the issues and related proposals are as follows.

Issue	Proposals
Application stage	Handbook for Members States and Project Promoters- Clear harmonised guidance. Assess capacity of Project Promoters.
The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems	Clear guidance – clear description of timings, deadline and criteria. Level of administrative effort – one-go Decision process. Focus MIP funding on robust projects. Possible differentiation between PP and GR projects.
Reporting, monitoring and project management system	Clear guidance required. Pre-defined agreed time plan. Better activities description and Financial Decisions.
Problems of present rules concerning the annual Financial Decision (planned costs vs. actual revised costs and changes in project cost profile)	Set-up a global reserve system for MIP budget. Set-up a reserve system for indicative project budget to allow for flexibility in cost planning and estimation, subject to constraints of overall EU financing intervention rate. Increased level of Community funding and Multi-annual Legal Commitment for priority projects (after 2006).
Compatibility of the possible changes discussed above and the development of the MIP revision	Ideal single phase MIP Revision plan scenario for EU-25 with a revision of FAC voting process. Most likely scenario is the two-phase plan for revision maintaining the FAC voting powers.
Logistics for project management in DG-TREN	Encourage more frequent contact between DG-TREN and TEN-T projects. Increase number of Desk Officers. Independent evaluation. Establish internal and external TEN-T information database.
Other issues	Project implementation unit. Critical review of some projects. More detailed justification of delays – completion of works within eligible implementation period. Restrain number of new projects in MIP Revision beyond 2006. Special needs for special projects.

This report concludes with a figure entitled, "Road Map for MIP Revision and Support for 2004-2006 and beyond," that provides an overview of the proposals to streamline the MIP process both from the short-term perspective (2004-2006) and the long-term perspective (beyond 2006).

As a follow-up of the work to be conducted in Phase II of the EVAMONTEN-T contract, the in-depth experience acquired in WP4-MIP Revision support in Phase I would be used in supporting the evaluation and monitoring of the individual TEN-T projects to be conducted in Phase II in terms of timeliness, effectiveness and efficiency of project performance.

1. INTRODUCTION

1.1 BACKGROUND

For the development of the Trans-European Networks for Transport (TEN-T) and in particular priorities that have been confirmed by various Community institutions, a Multi-Annual Indicative Programme for the granting of Community financial aid to projects of common interest in the area of Trans-European Networks for Transport was founded in 1995¹ and the introduction in 2001 of the MIP rules under EC Decision COM(2001) 2654² was made to support those priorities to the maximum possible extent and the most efficient way.

European Commission allocations from the TEN-T budget line for the period 1996-1999, preceding the current MIP, was for a total of EUR 1 623 million with a breakdown of EUR 955 million for 14 projects of common interest commonly known as the Essen projects and ERTMS, EUR 453 million for traffic management projects, and EUR 215 million for other important projects³.

Overall, the co-financing of projects under the TEN-T budget since 2001 falls under three main categories:

- Projects under the MIP for the period 2001-2006,
- Projects under the annual TEN-T budget (non-MIP projects), and
- Risk Capital facility.

For the period 2000-2006, under the MIP Framework Decision (EC Decision COM(2001) 2654), the stated objective is to secure smooth and timely financing for projects of common interest on a multi-annual basis, thus providing a secure level of funding that is respondent to progress of the projects. Under the MIP Programme, eleven of the fourteen original Essen priority projects were followed on, in addition to the Galileo programme, and four coherent Groups of Projects (GR) were identified with a maximum budget of EUR 3127.5 million that could be allocated to different components of the MIP which corresponds to 75% of the budgetary resources of the maximum of EUR 4 170 million authorised by article 5a of the Regulation (EC) N° 2236/95.

Within the EC Decision COM(2001) 2654, MIP rules were identified for the following project cycle stages:

- Application,
- Monitoring including the systematic evaluation,
- Reporting, and
- Closure.

According to Article 5a of the Council Regulation (EC) N° 2236/95, amended by the Regulation (EC) N° 1655/1999, a mid-term revision and review of the MIP is required in order to review the effective progress of the Priority Projects and Groups of Projects. Also, according to Article 21 (2a) of the Regulation (EC) 2342/2002 and Article 27 of the Financial Regulation (EC) 1605/2002; an interim evaluation in terms of the resources allocated and the results obtained is mandatory in order to verify that they were consistent with the objectives seen at the start and therefore, as in all multi-annual programming activities in the European Union. In the framework

¹ Regulation (EC) N° 2236/95 of 18 September 1995: Laying down general rules of the granting of Community financial assistance in the field of trans-European networks.

² Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.

³ Projet de Programme Pluriannuel Indicatif d'Allocations pour les Réseaux Transeuropéens de Transport, Communication de M. Kinnock, Bruxelles, 19 mars 1996 (O.J. 1285 – point 14).

of a mid-term revision, the Multi-annual Programme will be subject to the evaluation of the performance of past activities, taking into account the evaluation findings, to re-adjust for the subsequent phase in co-ordination with the requirements and needs of the various stakeholders.

Within this context, the European Commission has launched this review seeking independent assistance in the MIP Revision, which is part of the Technical Assistance contract, EVAMONTEN-T. This work is nominated in this contract as Workpackage 4 - MIP Revision. The objective is to assist the EC in evaluating and reviewing the past performance of the MIP and provide recommendations for the development of the MIP Revision, on the one hand, through internal consultations with EC DG-TREN and, on the other hand, through external consultations with Member States and Project Promoters in order to overcome difficulties or shortcomings associated with the implementation of the MIP for the second phase (2004-2006).

The MIP Financial Instrument, for which resources come from the Budget Line B5-700, is where the maximum for MIP projects is 75% of the total TEN-T Budget, as mentioned above, which covers projects in all transport modes. Since 2001, as a programming and financial instrument, the Multi-Annual Indicative Programme (MIP) has been put into place to concentrate Community financial resources in the main infrastructure projects in several transport modes. The total budget indicatively allocated to MIP projects for the period 2001-2006 is EUR 2 781 million which is equal to 66.7% of the total TEN-T budget for the period.

The Community co-financing of projects is allocated via Commission Financial Decisions addressed to Member States and Project Promoters. In spite of the MIP as a multi-annual programming instrument, all projects still need to be addressed via individual and annual Financial Decisions.

1.2 MIP PROJECTS (2001-2006)

As previously stated, under the current MIP (EC Decision COM(2001) 2654), 11 groups of Priority Projects (PP) of common interest, the Galileo programme and four coherent groups of projects (GR) are identified. A maximum budget EUR 2 781 million was allocated to the MIP for the period 2001-2006 as follows:

- 47% to 11 groups of Priority Projects of common interest (Essen projects) with a total funding of EUR 1 308 million comprising the following individual projects:
 - PP1 – High-speed train/combined transport north-south: Nuremberg-Efurt-Halle/Leipzig-Berlin Brenner axis: Verona-Munich.
 - PP2 – High-speed train (Paris-Brussels-Cologne-Amsterdam-London): Belgium: F/B border – Brussels-Liège – B/D border; Brussels B/NL border United Kingdom: London-Channel Tunnel access Netherlands: B/NL border – Rotterdam – Amsterdam Germany: (Aachen) Cologne – Rhine/Main.
 - PP3 – High-speed train south: Madrid-Barcelona-Perpignan-Montpellier Madrid-Vitoria-Dax.
 - PP4 – High-speed train east: Paris-Metz-Strasbourg-Appenweier-(Karlsruhe) with junctions to Metz Saarbrücken-Manheim and Metz-Luxembourg.
 - PP5 – Conventional rail/combined transport: Betuwe line Rotterdam – NL/D border – (Rhine/Ruhr).
 - PP6 – High-speed train/combined transport: France-Italy Lyons-Turin Turin-Milan-Venice-Trieste.
 - PP7 – Greek motorways: Pathe/ Rio Antirio, Patras-Athens-Thessaloniki-Promahon (Greek/Bulgarian border) and Via Egnatia: Igoumenitsa – Thessaloniki – Alexandroupolis – Ormenio (Greek/Bulgaria border) – Kipi (Greek/Turkish border).

- PP8 – Multimodal link Portugal / Spain with the rest of Europe by developing rail, road, sea and air transport links as appropriate in the three principal Iberian corridors: - Galicia (La Coruña)/Portugal (Lisbon) – Irún/Portugal (Valladolid-Lisbon) – south-west corridor (Lisbon/Seville).
 - PP12 – Nordic triangle (rail/road).
 - PP13 – Ireland/United Kingdom/Benelux Road link.
 - PP14 – West Coast Main Line (rail).
- 20% to the Galileo Programme with a total funding of EUR 550 million comprising the Trans-European satellite navigation systems (GALILEO).
 - 33% to the four Coherent Groups of Projects with a total funding of EUR 922 million comprising the following:
 - GR1/2 – Removal of bottlenecks on the railway network to improve freight and passenger traffic.
 - GR3 – Intra-Community cross-border projects and cross-border projects with third countries.
 - GR4 – Intelligent transport systems for road.
 - GR5 – Intelligent transport systems in the air sector.

1.3 TASKS AND OBJECTIVES

Under the MIP Revision activity of the Technical Assistance Consultancy Contract, EVAMONTEN-T, WP4 is concerned with assistance in the review and evaluation of MIP rules for the application, monitoring and progress reporting and annual Financial Decisions of projects. An in-depth analysis of MIP rules and processes, advantages and disadvantages in light of past experience, in addition to needs and requirements for MIP revision, was made in consultation with DG-TREN Officials through a series of informal and semi-directive interviews. In parallel, a representative sample of projects from several Member States were selected for review based on varying levels of:

- Performance,
- Stage of development, and
- Scale (of studies and small and large infrastructure projects, etc).

These projects were reviewed from the perspective of efficiency, timeliness and effectiveness of the application of the current MIP rules. The aim was to see how it might be possible to streamline and improve this process and provide innovative solutions taking into account the need for continuous changes in some administrative procedures and reporting formats, in light also of the future workload originating by the EU enlargement.

The reviews were followed by interviews conducted with the Project Promoters involved and the responsible national authorities in the four Member States concerned.

Following these extensive consultation and validation activities, the findings were analysed and proposals developed to assist in devising innovative and transitional solutions that are respondent to the needs and requirements of the various stakeholders, and that are built upon a review and adaptation of existing rules and procedures. In turn, the recommendations and proposals for MIP Revision and support were reviewed and discussed in length at both the level of DG-TREN officials and at the level of EU Member States during several Financial Assistance Committee meetings, where the most recent meeting was on the 5th December 2003.

1.4 SCOPE AND STRUCTURE OF THIS REPORT

1.4.1 Scope

This Report describes the methodology, achievements and main findings of the MIP Revision process undertaken as part of the Technical Assistance Consultancy Contract EVAMONTEN-T. It comprises a review of interviews with EC DG-TREN Officials, semi-directive interviews with a representative sample of projects with associated responsible Project Promoters and Member States' authorities, and sets out the recommendations and conclusions.

1.4.2 Structure

Following this introductory chapter, the structure of the Report is as follows:

Volume I: Main Findings and Recommendations

- Chapter 2: Methodology and Workplan for MIP Revision Support** provides an overview of the main tasks of this Technical Assistance Consultancy Contract.
- Chapter 3: Fundamental Basics in MIP** comprises a review of the process for the MIP.
- Chapter 4: EC Plan for MIP Revision** includes a summary of the EC's plans in terms of the MIP Revision objectives and the legal basis.
- Chapter 5: Structure of results of Interviews.**
- Chapter 6: Synthesis of EC DG-TREN Consultations** addresses the main issues emanating from discussions with DG-TREN Officials.
- Chapter 7: Synthesis of Interviews with Selected Members States and Project Promoters** provides a summary of key issues in the MIP Revision (past experiences and recommendations) on the basis of the interviews with the Project Promoters and the Member States' authorities of the selected MIP projects for review.
- Chapter 8: Overall Assessment** summarises the strengths and weaknesses and of the MIP.
- Chapter 9: Recommendations for Revision of the MIP** provides options for the MIP Revision in light of the Consultation process.
- Chapter 10: Road Map for MIP Revision and Support for 2004-2006 and beyond.**
- Chapter 11: Conclusions.**
- Chapter 12: Bibliography.**

In addition, Volume I of this Report includes the following annexes:

- Annex 1: Indicative Schedules of Road Map for the MIP Revision Process.
- Annex 2: Workplan for WP4 MIP Revision.
- Annex 3: Variables in the MIP.
- Annex 4: Glossary of Terms.
- Annex 5: Template for "Questionnaire for Interviews with DG-TREN Officers."
- Annex 6: Results of Questionnaires with Member States and Project Promoters.

- Annex 7: Template for "Questionnaire for Member State Representatives in <Country Name>."
- Annex 8: Detailed Results of Consultations with DG-TREN.

Volume II: Interviews with Member States and Project Promoters

- France:** Completed Questionnaire for Interviews with the Member State Representatives and Project Promoters in France (Interview date: 24 March 2003)
- Spain:** Completed Questionnaire for Interviews with the Member State Representatives and Project Promoters in Spain (Interview date: 26 March 2003)
- United Kingdom:** Completed Questionnaire for Interviews with the Member State Representatives and Project Promoters in United Kingdom (Interview date: 10 April 2003)
- Germany:** Completed Questionnaire for Interviews with the Member State Representatives and Project Promoters in Germany (Interview date: 16 April 2003)

2. METHODOLOGY AND WORKPLAN FOR MIP REVISION SUPPORT

This chapter provides background on the methodology and workplan for the MIP Revision Support consultation process and summarises the main steps undertaken.

The methodology and workplan for the MIP Revision activity has been developed by the European Commission in order to provide timely input into the MIP Revision Process Action Plan, as defined by the EC (see chapter 4 'EC Plan for MIP Revision' and Annex 1 'Schedule of Road Map for the MIP Revision Process').

It should be noted that the figures in Annex 1 comprise two schedules:

- The first schedule covers the planned process up to July 2003 and was subject to change based upon conclusion of the consultation process, and
- The second schedule covers an update by the DG-TREN of the process as of mid-November 2003.

In light of the short-time span for the MIP Revision originally envisaged after the summer 2003, the Technical Assistance consultants in the MIP Revision activity embarked on an intensive work programme for the review and analysis of the MIP Programme to provide suggestions for the MIP Revision in line with the needs and concerns of Project Promoters, Member States' authorities and the European Commission services. This effort was designed to provide recommendations in a timely fashion in conformance with the critical milestones for the conclusion and approval of the MIP Revision Action Plan.

The work in this Technical Assistance contract represents an independent view on the MIP and provides recommendations on the mid-term MIP Revision organised around six main phases:

1. Assessment and review of the current MIP rules and the project cycle process for a number of MIP projects including a review of documentation and administrative processes, and questionnaire development:
 - Initial stage with the European Commission services consisting of introduction with the EC, consultation process with EC DG-TREN Directorate B, preliminary assessment, review of annual Project Status Reports (PSRs) and project documentation.
 - Development of questionnaires for Project Promoters and Member States' authorities in liaison with DG-TREN Officials.
2. Consultation and interviews within EC DG-TREN officials:
 - Within DG-TREN Unit B3, the unit responsible for management of the TEN-T budget.
 - Outside Unit B3, other Directorates and units responsible for MIP and non-MIP TEN-T projects.
3. Consultations and interviews with Member State authorities and Project Promoters for a sample of MIP projects:
 - A representative sample of MIP projects was assessed in-depth with the Project Promoters and Member States' national organisations and Ministries. The MIP projects selected were located in four Member States (France, Spain, United Kingdom and Germany). The approach was not by the representation of the four Member States; rather it was by selecting a representative sample of MIP projects chosen among all MIP projects located in the 15 Member States.
 - These consultations and interviews included conducting semi-directive interviews, producing reports of the interviews, obtaining feedback from European Commission Officials and forwarding reports to interviewees for review and validation.

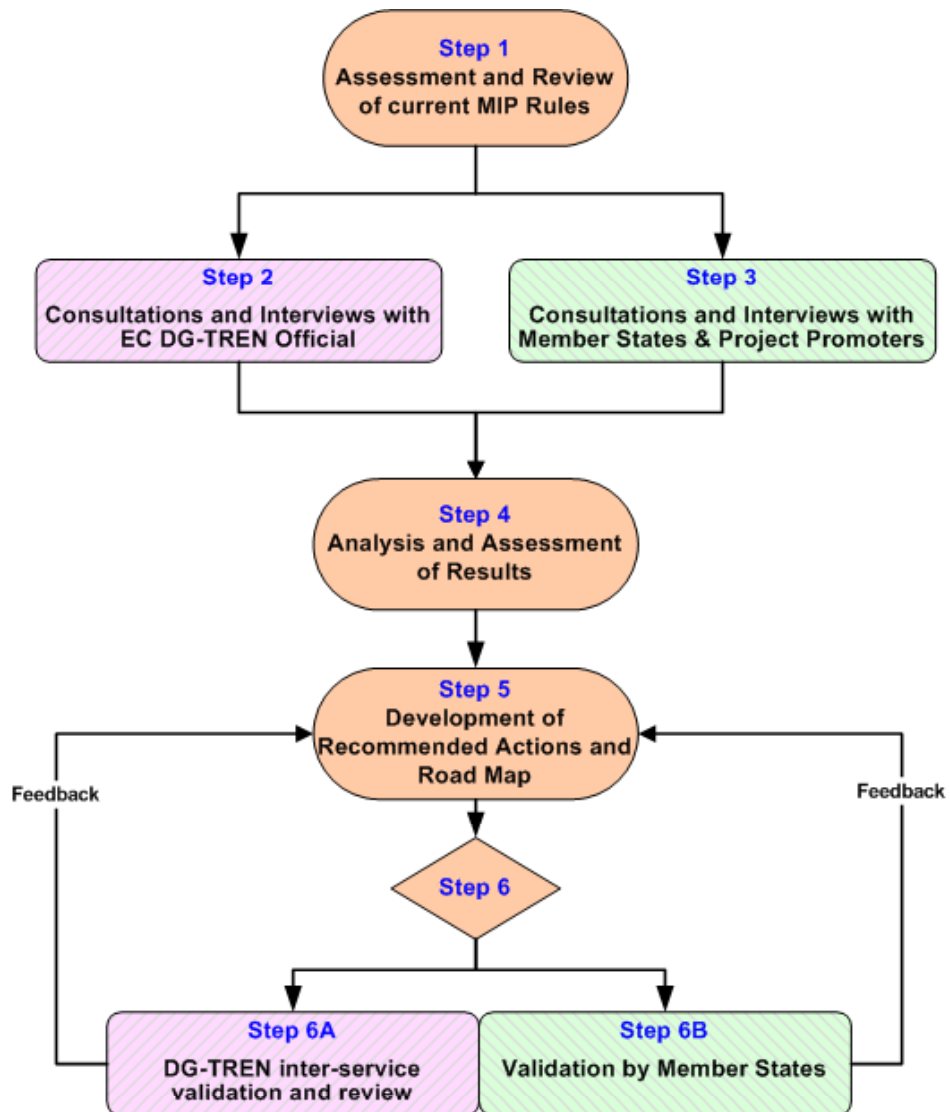
4. Analysis and assessment of results:
 - Producing in-depth analysis results based upon the various consultations and interviews.
5. Development of recommended actions including a road map for the MIP Revision and Support for the period 2004-2006:
 - Development of and recommendations for the MIP Revision Report including production of initial outline, extensive work on the Draft Interim Report and presentation of preliminary aspects of the Interim Report during the Financial Assistance Committee Meeting on the 1st July 2003.
 - Completion of Draft Interim Report for distribution within DG-TREN for the inter-services consultation process after the Financial Assistance Committee Meeting of 1 July – Issue 1 was delivered to DG-TREN on the 24th July – followed by updating the Draft Interim Report into the Interim Report.
 - DG-TREN inter-service consultation review of the Draft Interim Report:
6. Validation of the recommendations by the Commission Services and Member States:
 - DG-TREN inter-service consultation review of the Draft Interim Report.
 - Presentation of the Key Findings during the Financial Assistance Committee Meeting on the 24th October 2003.
 - Completion of Draft Interim Report into Draft Final Report for MIP Revision by mid-November including results of DG-TREN's inter-service consultation process.
 - Discussion and review of several key recommendations at the Financial Assistance Committee Meeting on 5th December 2003.
 - Completion of Final Report for MIP Revision by mid-December 2003.

The following figure provides an overview of the six steps undertaken during this exercise (see overleaf).

The time plan for these six main phases including detailed sub-tasks and milestones are provided in Annex 2.

The next chapter of this report provides a summary of the fundamental basics related to the MIP in terms of the MIP decisions and regulations, and MIP rules.

Figure 1: Overview of Methodology for MIP Revision Exercise



3. FUNDAMENTAL BASICS IN MIP

The following sections provide an overview of the current rules and guidelines governing the implementation of the MIP projects. This overview is based on a careful reading of the various Decisions and Regulations issued in this regard, and on an interpretation of the reasoning and boundaries of these rules that were in turn validated with the Commission services. Such an interpretation of the MIP rules, as they currently apply and as noted in Chapter 7, is sometimes not clear enough to several Project Promoters to allow for a harmonious understanding and application for all projects.

3.1 MIP DECISIONS AND REGULATIONS

Since the early 1980's, the European Community has provided financial support for the development of trans-European transport projects of common interest in the Member States.

In the early 1990's, the legal basis for the Trans-European Networks for Transport (TEN-T) is provided in the Treaty on the European Union. Under the terms of Chapter XV of the Treaty (Articles 154, 155 and 156), whereby the European Union must aim to promote the development of trans-European networks as a key element for the creation of the **Internal Market** and the reinforcement of **Economic and Social Cohesion**.

In July 1996, the European Parliament and Council adopted Decision N° 1692/96/EC⁴ on Community guidelines for the development of the TEN-T. These guidelines cover roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems which serve the entire continent, carry the bulk of the long distance traffic and bring the geographical and economic areas of the Union closer together. Decision N° 1692/96/EC is addressed to Member States, who are primarily responsible for realising the TEN-T.

To provide incentives for the development of the TEN-T, two financial instruments were set up at the Community level in order to conduct the development of the TEN-T and to support projects in Member States financially in specific cases, i.e., Cohesion Fund and TEN-T Budget line (B5-700). The Regulations that laid down the general guidelines for granting financial aid for Trans-European Networks for Transport projects under TEN-T Budget Line B5-700 were EC Regulation N° 2236/95 amended by EC Regulation N° 1655/1999 Community Financial Assistance Regulations for TEN-T.

As previously mentioned in Chapter 1, in the year 2001, in order to support European priorities to the maximum possible extent and in the most effective way, a Multiannual Indicative Programme (MIP) was developed comprising 11 individual Priority Projects (Essen projects), the Galileo programme, and 4 coherent Groups of Projects of common interest; and in line with Regulation (EC) N° 2236/95 as amended by Regulation (EC) N° 1655/99, and the Commission Decision COM(2001) 2654.

The MIP budget accounted for EUR 2 781 million or 66.7% of the total TEN-T budget of EUR 4 178 million programmed for the period 2001-2006. The maximum amount available for the MIP is 75% of the total TEN-T funding according to Commission Decision COM(2001) 2654. For each project and group of projects, an indicative support budget was provided by individual year for 2001-2003 and in total for the period 2004-2006.

According to Article 5a of EC Regulation N° 1655/99, the Multi-annual Indicative Programme must be reviewed and if necessary revised, at mid-term.

⁴ TEN-T Guidelines Decision No. 1692/96/CE (9/1996).

3.2 MIP RULES

Member States are fully accountable for the implementation and successful completion of projects. The Commission has the right to exercise financial control and technical verification of the project at any time.

Several rules were specifically tailored for MIP projects. These rules were defined in Annex II of the Commission Decision COM(2001) 2654, with the general guidelines laid out in Regulation (EC) N° 2236/95 as amended by Regulation (EC) N° 1655/99. In addition to the execution of these rules, additional clarifications and specific provisions are spelled out on a year-by-year basis in Annex II of the Annual Financial Decision for each project.

Guidelines are specified in Annex II of the Annual Financial Decision for the various phases of project identification, development, selection, reporting/monitoring and completion. In the EVAMONTEN-T Technical Assistance Consultancy contract, rules and forms for **project application and Financial Decision, reporting/monitoring and completion** were reviewed in line with the MIP Revision activity. The review included an assessment of past experiences of on-going projects and recognised the limited capacity that exists for inclusion of new projects in the MIP Revision, except in the case of new Member States.

MIP Project Process

According to Article 12 of EC Regulation 2236/95, Member States should verify on a regular basis that the projects and studies financed by the Commission are properly carried out and subject to effective monitoring and evaluation in co-ordination with the Commission. Article 15 of the same Decision states that monitoring will be carried out by reference to physical and financial indicators showing the stage of completion of the projects and the progress achieved.

For the MIP projects and bound by its obligations for sound and efficient financial management, granting of aid by the Commission is based upon an initial first year Detailed Application Form, and annual Progress Status Reports (PSRs) submitted in each subsequent year. A partnership between the European Commission officials and Member States is made through missions, regular contacts and reporting in addition to the FAC meetings. Annual Financial Decisions are made using the MIP Framework Decision as a reference framework and on the basis of project's progress, forecast performance and available funding.

Figure 2, at the end of this section, provides an overview of the current MIP rules and project process.

Several rules were laid out for the execution and monitoring of MIP projects and to provide discipline for the timely execution and monitoring of projects:

- *Programmed period of project:*
 - 1 or 2 calendar years per *MIP Annual Financial Decision*. *Eligible implementation period* should not exceed one year beyond the programmed period of the project as set out in the Annual Financial Decision.
 - *Eligible Implementation Period:* Programmed period +1 calendar year. Project Closure is defined as submission and initial acceptance of the Final Payment Claim.
- *Maximum extension:* *Eligible implementation period* +1 calendar year (to close Annual Financial Decision, only upon modification of the Decisions). In 2001, only indicative dates were provided and accepted by the EC for project closure. From 2002 onwards, a clearly defined maximum extension subject to a formal Decision modification was included in Annexe II of the Annual Financial Decision.

- No more than two *Annual Financial Decisions* are allowed to remain open for the same project (2N Rule). For example, no Annual Financial Decision for 2003 is made if the corresponding Annual Financial Decision for 2001 has not been closed and there is an on-going Financial Decision for 2002. Although a third decision may be opened before a closure of the first decision if the final payment claim in respect of the first decision has been received within the foreseen time period and if the first EC assessment validates the claim.⁵
- *Annual Financial Decisions* are made on the basis of an annual *Project Status Report (PSR)* reporting the progress and degree of achievement of the project in the previous year in relation to targets and activities planned in the Annual Financial Decision for that year. Projects are reported from both the financial (payments/commitments) and technical perspectives. In addition, the PSR provides an updated financial plan and forecast development for the following years of the project. The PSR should be submitted to the Commission services by the Project Promoters through the Member States no later than 31st January of each year.
- An important indicator is the *degree of cost consumption of the project* in relation to planned costs. Costs may be measured in different ways according to the relevant accounting system in the Member States, but include payments made in relation to eligible cost items and commitments using officially-certified estimates of costs of activities and/or the value of contracts let. Future grants of TEN-T funds (MIP and non-MIP projects) are made in line with project progress and work programme of the year concerned, and subject to an assessment of forecast development as follows:
 - If cost consumption > 70%, then the project is awarded 100% of the planned funding for the next Financial Decision,
 - If cost consumption > 50%, but < 70%, then the project is awarded a maximum of 50% of planned funding in the next Decision,
 - If progress < 50%, then no new Financial Decision is granted;
 - In case a project has progressed faster than foreseen, then the next Financial Decision can cover the programmed activities for 2 years.
- *No more than one duly justified modification* is allowed to be made per Annual Financial Decision.
- As specified in Annex IV of the 2001 Financial Decisions, includes to each Member State a list of all projects and indicative budget and Annex II of COM(2001) Framework Decision⁶.
- Projects, upon a careful and verifiable technical and financial assessment, can change their cost profile in relation to the indicative costs in Annex II of the MIP Framework Decision (2001) and Annex IV of the 2001 Annual Financial Decision, as long as the total amount allocated to the project is not exceeded and the maximum funding contribution rate is not exceeded (10% for works and 50% for studies).
- In case of well-performing projects, the annual allocations of EC funding can be increased from the funding '*envelope*' of 2004 till 2006 provided the annual allocation does not exceed half of the total envelope and the project is expected to be completed by 2005.

At various stages of preparation of the annual Financial Decision and for project monitoring and reporting, a number of documents must be prepared and reviewed by various stakeholders (Project promoters, Member States authorities and Commission Services)

⁵ Annex II of Annual Financial Decision.

⁶ Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.

An example of the administrative effort by the European Commission needed is the MIP 2002 and 2003 Financial Decision process, where 4 rounds of MIP Decisions occurred:

- MIP I 2002 Part a,
- MIP I 2002 Part b,
- MIP II 2002,
- MIP 2002 Galileo.

In addition, one round of decision making was required for the non-MIP projects in 2002.

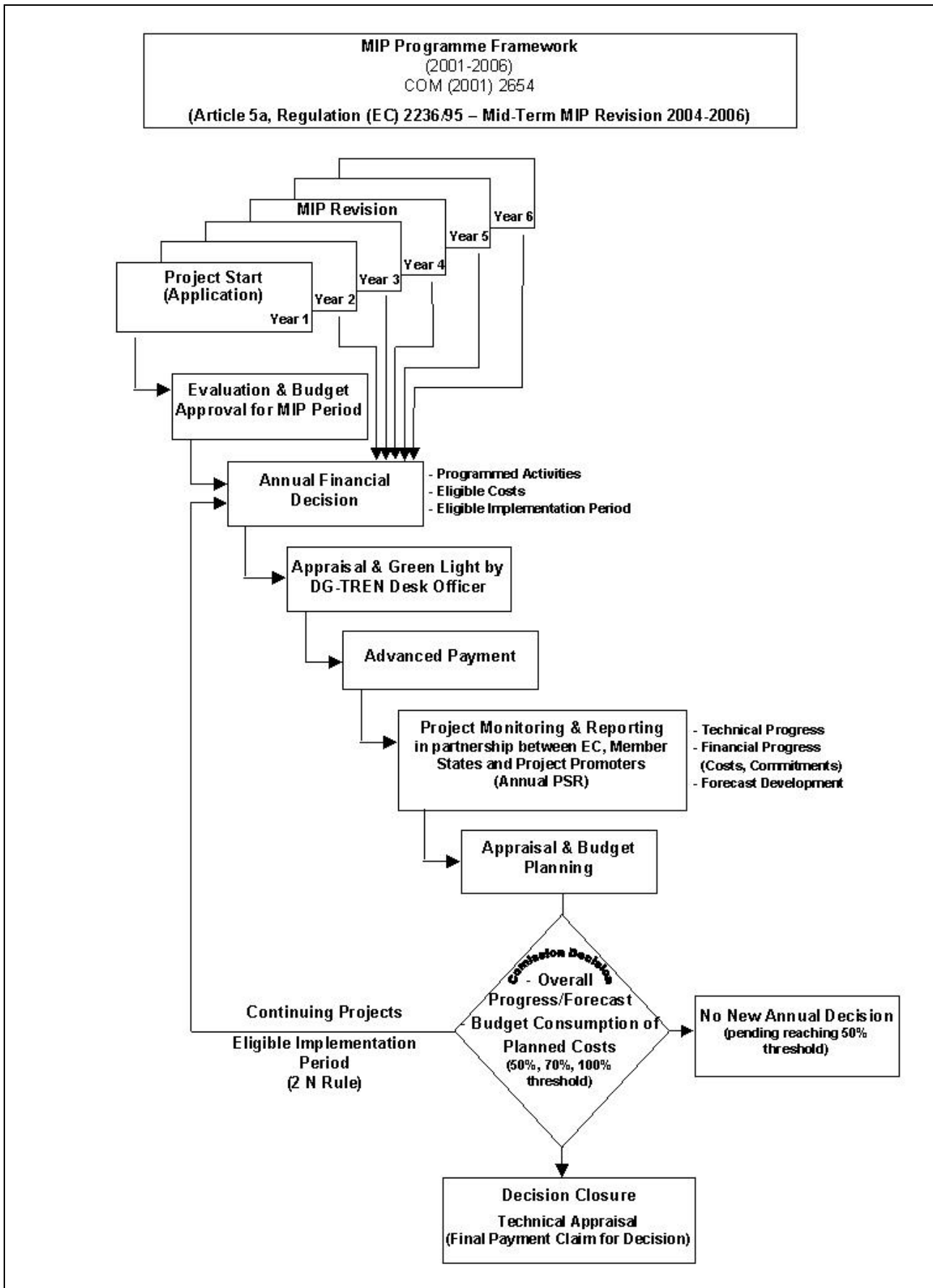
Each round entailed intensive inter-service consultations and preparations within DG-TREN, and all rounds had to be completed before a final budget for MIP Decisions for that particular year could be determined.

In 2003, two rounds of MIP Decisions and two for the non-MIP Decisions are underway:

- MIP I 2003,
- MIP II 2003,
- Non-MIP I 2003, and
- Non-MIP II 2003.

The large amount of inputs and necessary administration efforts involved has a significant impact on the timing and capacities of the Commission resources and services, Member States and Project Promoters to provide, develop and receive the Financial Decisions (evaluation, monitoring and reporting), payments and Decision closures in an efficient and timely manner.

Figure 2: Overall view of current MIP Rules as a Process



4. EC PLAN FOR MIP REVISION

This chapter summarises the European Commission's plans for the MIP Revision in terms of the MIP Revision objectives and the associated legal basis.

4.1 OBJECTIVES OF THE COMMISSION FOR THE MIP REVISION

According to an official EC correspondence to Member States⁷ and notes of various internal DG-TREN discussions, the main objectives for the MIP revision undertaken by the Commission can be summarised as follows:

1. Revise total allocations for projects established in the Commission Decision COM(2001) 2654⁸ and estimate the total budget allowances for 2004, 2005 and 2006 for these projects,
2. Define on a very limited basis new projects for Member States, and
3. Lay the foundation for inclusion of new projects for the 10 new Member States following the Van Miert High Level Group recommendations for both the EU 15 Member States and the 10 new Member States.

Another objective, according to internal DG-TREN discussions, is to create a unique and simplified programming framework for the smooth and efficient management of TEN-T projects in view of the EU enlargement to 25 Member States and an expected significant increase in the number of new TEN-T projects to be managed.

4.2 LEGAL BASIS FOR THE MIP REVISION

As referred to in Section 1.1, according to article 5a of the Regulation (EC) N° 2236/95⁹ amended by Regulation (EC) N° 1655/1999¹⁰, determining the general rules for the granting of Community financial aid in the field of the trans-European networks stipulates that "[...] The programme must be reviewed, at least at mid-term or in the light of the effective progress of the project(s) or group(s) of projects, and if necessary revised, in accordance with the procedure set out in Article 17" (Committee procedures).

The following chapters provide an introduction to the structure of the results of the interviews as well as summaries of the viewpoints of the Commission, Member States and Project Promoters regarding the current application and experience in working with MIP rules and procedures since 2001. This is in the context of the plans for mid-term revision of the MIP with the objectives of streamlining the MIP process and creating a smooth and efficient management of TEN-T projects.

⁷ Note from the DG-TREN Director General, "Letter to Members States for MIP Revision Launching," 4 April 2003.

⁸ Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.

⁹ Regulation (EC) N° 2236/95: Laying down general rules of the granting of Community financial assistance in the field of trans-European networks.

¹⁰ Regulation (EC) N° 1655/1999 of 19 July 1999: modifying the Regulation number 2236/95 and determining the general rules for the granting of Community financial aid in the field of the trans-European networks.

5. STRUCTURE OF RESULTS OF INTERVIEWS

The summaries of consultations and interviews with EC DG-TREN Officials, and Member States and Project Promoters provided in Chapters 6 and 7 have been developed along the lines of a similar structure outlined below of points drawn from the information collected through the interviews in order to allow cross comparisons from the different groups interviewed on the basis of difficulties detected and proposed solutions. The structure of these summaries, whose elements are inter-related, address the following.

Issue	Description
Application stage	<p>Difficulties found in the interpretation of the various forms that are requested.</p> <p>Any solution found to simplify them?</p> <p>Are the Preliminary and detailed applications needed or one single application would do it?</p>
The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems	<p>Which problems and which solutions are proposed to simplify them and make them viable in view of the established procedures and yearly calendar of activities? (2 MIP Commission Decision rounds, accompanied by the respective non-MIP, FAC meetings, inter-service consultations, requirements of the DG TREN manual of Procedures, deadlines for submission of PSR, etc)</p> <p>What is the margin to simplify procedures and yearly timing?</p>
Reporting, monitoring and project management system	<p>What kind of reform of the PSR is needed? (indicators, possible chronograms of activities-costs, the concept of budget absorption capacity etc)</p> <p>Are they feasible in view of the peculiarities of the Member States' administrative practices?</p>
Problems of present rules concerning the annual Financial Decision	<p>Can the rules be adapted (e.g. adapt the duration of the eligibility period, do not penalise quick projects, take account of costs, etc) to meet the problems found? Which way?</p> <p>How can the evolving RAL approach best help?</p>
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>How the possible scenarios for the MIP revision would impact the rules and the project management?</p>
Logistics for project management in DG-TREN	<p>Qualitative and quantitative picture of the problem (lack of human resources, possibilities to improve the internal and external information system, etc).</p>
Other issues	<p>Any other issues?</p>

6. SYNTHESIS OF EC DG-TREN CONSULTATIONS

This chapter provides a synthesis of two rounds of consultations the Technical Assistance Consultants had with EC DG-TREN Officials in Unit B3-TENS Management and other Directorates and Unit involved in the TEN-T Programme, respectively.

See Annex 8-Detailed Results of Consultations with DG-TREN for details of the interviews.

6.1 CONSULTATIONS WITH OFFICIALS FROM DIRECTORATE B, UNIT B3-TENS MANAGEMENT

6.1.1 Background of Consultations

A series of discussions were undertaken on the 6, 13 and 14 March 2003 – in liaison with the DG-TREN B3 Official in charge of this activity, Mr Jorge de Britto – with EC Officials in the EC DG-TREN Directorate B, Unit 3-Trans-European Networks Project Management who have a direct role in project and financial management of TEN-T projects.

The following persons from Unit B3 participated in the discussions during the two days:

- Jorge de Britto Patrício-Dias, Principal Administrator and Official in charge of the EVAMONTEN-T Technical Assistance Contract;
- Gudrun Schulze, Administrator;
- Alain Baron, Administrator, Chef de la Cellule, Budget Réseau transeuropéen de Transport;
- Adrian Neale, Financial Officer, Financial Cell;
- Alexandros Sotiriou, Desk Officer for Greece;
- Ana Isabel Rios Olmedo, Desk Officer for the United Kingdom and Luxembourg;
- Antonio Scala, Officer in Charge of TEN Procedures; and
- Joachim Schneider, Desk Officer for Austria and Germany (non-rail).

The following section provides a summary of the main issues identified by DG-TREN Unit-B3 Officials.

6.1.2 Summary of Main Issues identified by DG-TREN B3 Unit Officials

<i>Issue</i>	<i>Description</i>
Application stage	<p>MIP Process: DG-TREN feels that the Application Form (2001-2006) is too general and the need exists for clear and definite performance indicators for project description/application and assessment for monitoring and closure.</p> <p>For MIP: An advantage of the MIP process is that it provides a consistent and regular reporting and monitoring fixture with more discipline, albeit at a higher administrative effort by the Commission.</p> <p>For non- and pre-MIP: The non-MIP process provides more flexibility for project implementation in engineering terms, but at a risk of delayed reimbursements and extension into many years. For example, there are difficulties with not knowing if continued funding can be guaranteed. In the</p>

Issue	Description
The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems	<p>current rules, annual PSRs are submitted for non-MIP projects and there is a risk of stoppage/reduction of financing. There are no multi-annual indicative budgets such as for MIP projects because TEN-T financing operates on an annual budget basis. Prior to EC 2236/95, there were few projects and there was no need of annual progress reports (PSRs).</p> <p>MIP Rules: The current MIP rules are strict in these terms (i.e., in the penalties for non-complete absorption of budgets within the programmed period) and the requirement to submit a PSR by the end of January each year. Given the current level of responsibilities and concomitant workload, it is impossible to foresee the prospect DG-TREN Desk Officers undertaking additional tasks such as collecting and evaluating more intricate performance indicators.</p> <p>MIP annual reporting: Annual reporting to MIP can be seen as an “artificial” separator to improve the efficient reimbursement of funds vis-à-vis costs incurred during the year without a real connection to the physical implementation and status of the project. This is perhaps particularly relevant in large infrastructure projects where delays are normal and frequent, for a variety of justifiable reasons.</p> <p>Wide variance: The original objective was to leave some flexibility in the reporting process. This flexibility has unfortunately led to a wide variance of project reporting by the Member States and Promoters in the PSRs, ranging from a one-line “project title” to very detailed and “somewhat superfluous” project reporting with no clear indication of project completion vis-à-vis project status at application phase, apart from costs incurred vs. planned.</p>
Reporting, monitoring and project management system	<p>PSR template: the table and associated headings, particularly in the starting years of MIP process, have been interpreted differently by Member States and Project Promoters, thereby causing a lot of complications.</p> <p>In the PSR, regarding the list of contracts let by the Project Promoter, DG-TREN Officials pointed out that the EC is not interested in a long list of project implementation reports. The original objective was to leave some flexibility in the reporting process. This flexibility has unfortunately led to a wide variance of project reporting by the Member States and Promoters in the PSRs, ranging from a one-line “project title” to very detailed and “somewhat superfluous” project reporting with no clear indication of project completion vis-à-vis project status at application phase, apart from costs incurred vs. planned.</p> <p>The PSR is designed as a record for quick analysis and preliminary evaluation:</p> <ul style="list-style-type: none"> • There is currently a “two-track” approach (Fast track and Slow track). The due date for submission of the PSR by the 31st January each year it is one indicator relating to whether or not a project is on the fast or slow track. • An idea proposed, in order to avoid the large number of outstanding MIP Decisions, is to include all “fast track” projects that show a good budgetary consumption in an early MIP Group of decisions made by May or June each year. • Other PSRs for projects that have had some problems can be decided upon by a later MIP Group of Commission Decisions in October. This proposal would provide an efficient means of processing the PSRs and give an advantage to “well-functioning and reported” projects.

Issue	Description
Problems of present rules concerning the annual decision	<ul style="list-style-type: none">• If the MIP PSR submission deadline of 31st January were shifted to say mid-March, then Member States would submit the MIP PSRs in May or June.• A useful indicator in the PSR is value of work done versus value of work planned. <p>PSR Forms have been revised and modified on an annual basis which has led to lack of a consistent and harmonised reporting process.</p> <p>MIP budget versus programming: At the conception of the MIP, it was assumed that DG-TREN would have the multi-annual commitment with multi-annual budget. Now, however, there are no multi-annual commitments because of the obligation to adhere to annual budget procedures.</p> <p>Time creeping effect: A sort of “time-creeping” effect may occur for projects due to delays in project phase completion beyond the annual completion date and the resulting “overlap” in project phases (that of the current and previous years).</p> <p>The problem facing DG-TREN with the completion and finalisation of annual project phases is to have a consistent and harmonised framework for evaluation and monitoring and a mechanism to assess the degree of completeness (both technical and financial) of the project. - This is complicated by the fact that no consistent framework for project description or indicators for monitoring, other than costs and expenses incurred on an annual basis, were identified at the Application Phase at the start of the MIP Programme in 2001.</p> <p>A viewpoint was expressed as in favour of long-term commitments without all these constraints on dates which are prohibitive for managing projects and impose artificial constraints that have little relevance for physical project progress. The Official also made two additional remarks:</p> <ol style="list-style-type: none">(1) At the outset of the MIP, DG-TREN requested to the European Commission to have multi-annual budgeting in line with the multi-annual programming, but was told that there must be Annual Financial Decisions.(2) Furthermore, if the Technical Assistance Consultants undertaking the MIP Revision review propose that the MIP rules should be adapted in order to be more flexible, then maybe there will be some modifications/improvements to the current system. <p>Several options were outlined for a MIP project which has two open Financial Decisions on-going:</p> <ul style="list-style-type: none">• Finalise the MIP 2001 Financial Decision and submit final payment claim for the full financing (ideal case), or• Modify a Financial Decision, which is a heavy and cumbersome internal DG-TREN procedure, or• Submit a Final Report for 2001 (lose money by use of de-commit procedure) in order to get a 2003 decision, or• Suspend the project. <p>In either case, if a project does not use all the money within the “2-open Financial Decisions- 2N” rule, the surplus gets lost for that project and for the TEN-T budget because money committed by annual Financial Decisions can not be recovered for past budget years.</p>

Issue	Description
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>Financial reforms that have been instigated recently in the EC have resulted in more procedures, more control and less flexibility in overall financial management. This is particularly true for large infrastructure projects.</p> <p>MIP rules and “lost money” will come into play now because 2003 is a crucial year where it is not possible to have more than two on-going open Financial Decisions at one time.</p> <p>Strict schedules and reporting delays of some projects coupled with high workload of Member States and Project Officers allow for multiple rounds of MIP Decisions.</p>
Logistics for project management in DG-TREN	<p>Officials at DG-TREN Unit B3 are sometimes each responsible for monitoring as many as 30-40 projects, thus making it increasingly difficult to sift through large stacks of paperwork and provide a complete and consistent assessment of project status. The main point is the need to be able to compare later on when closing the project.</p> <p>In general, for 20 to 40 projects, there is one DG-TREN contact per Member State. Monitoring is best accomplished by constant communication, contacts, and visits to the Member State and Promoters. Many desk officers in DG-TREN have between 30-40 projects with open annual decisions to monitor as workload which means it is currently a major task to monitor costs and expenditures. Given this current level of responsibilities and concomitant workload, it is impossible to foresee the prospect DG-TREN Desk Officers undertaking additional tasks such as collecting and evaluating more intricate performance indicators.</p>
Other issues	<p>No complete glossary and definitions of terms exist for a consistent and harmonised understanding by Member States on how to report in the PSR. This is seen in the PSR submitted in 2002 for reporting the first MIP phase of 2001. DG-TREN provided examples of the PSR-2002 for the reporting of projects in 2001.</p>

6.2 CONSULTATIONS WITH OFFICIALS FROM EC DG-TREN DIRECTORATES AND UNITS (OTHER THAN UNIT B3)

6.2.1 Background of Consultations

A series of semi-directive interviews were undertaken on the 4 and 10 June of EC Officials in other EC DG-TREN Directorates and Units who have a direct role in project and financial management of TEN-T projects. In advance of the meetings, the EVAMONTEN-T WP4 Consultants developed an *interview template* of questions for the semi-directive interviews based on the *template* used for the interviews with Member States and Project Promoters (See Annex 5: Template for “Questionnaire for Interviews with DG-TREN Officers”).

The following persons from specific Units were interviewed during the two days:

- Frédéric Fournier, Unit A1-Financial Resources, Activities and Management;
- Antonio Caiano-Golaço, Unit E2-ERTMS;
- Marco de Sciscio and Jean-Pierre Horvath, Unit E0-Financial Cell;
- Catherine Kavvada, Unit E4-Galileo;
- Christopher North, Unit F2-Air Traffic Management;
- Mr Jensen, Unit F2-Air Traffic Management;
- Patrick de Maere, Unit F2-Head of Financial Cell; and
- Guiseppe Rizzo, Unit F3-Airport Policy.

The following section provides a summary of the main issues during the consultations with Officials from EC DG-TREN Directorates and Units (other than Unit B3).

6.2.2 Summary of Main Issues identified by Officials from DG-TREN Directorates and Unit Officials (other than Unit B3)

<i>Issue</i>	<i>Description</i>
Application stage	<p>Concentration of funds in large projects of TEN priority is a strength because the EC has to maintain an EU dimension regarding what is funded.</p> <p>The issue of multi-annual programming of projects with annual project funding was viewed as being part of the process required to ensure stringent reporting.</p> <p>MIP versus non-MIP: the non-MIP process comes to fruition every year and does not happen just once every five to six years which means that the non-MIP approach is more dynamic and flexible than the MIP. In particular, the MIP as a system is very rigid and inflexible which means that there are no obvious benefits of the MIP versus non-MIP projects. Regarding payments, it was also noted that non-MIP projects can have up to four intermediate payments for one Financial Decision, which is not the case for MIP Financial Decisions.</p>

Issue	Description
<i>The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems</i>	<p>The trend in Financial Regulations in the EC (Committee) is to move from management of projects to management of Programmes (priorities) where the Committees like the FAC will have an advisory status only. The idea is to have a limited budget with competition for resources. In particular, it was pointed out that there has been a reduction in the comparative advantage of the MIP versus non-MIP due to the requirement of the FAC delegates, to have significant number of projects and the concomitant compromise due to the voting (non-advisory) role of the Committee.</p> <p>Concerning the MIP rules, it was noted that this programme started with a set of rules that have been changing ever since. The main difficulty is that the rules were established at the start of the MIP and on this basis annual proposals are presented and on-going actions reported. Each time there is a change in the rules, these changes need to be conveyed to the Member States which causes problems given the complexity of these projects.</p> <p>The MIP is viewed as a purely a financial exercise because one must close the files yearly.</p> <p>The lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation is viewed as a weakness, since for projects of this size, it is difficult to plan on just one year's data.</p>
<i>Reporting, monitoring and project management system</i>	<p>Overview of issues and requirements:</p> <ul style="list-style-type: none">• The issue of multi-annual programming of projects with annual project funding was considered important as a means to have close monitoring of projects and follow-up on what is going on.• The payment of TEN-T funds in line with project progress is viewed as a good way of working in spite of the PSR being limited in the amount of information required and so making it difficult to assess project progress from a technical assessment point of view.• Discipline in the use of the rule for no more than 2 open decisions was considered a good mechanism for control of projects whilst it was also viewed as weakness in the way the MIP was conceived. The MIP covers mega-projects which should not be penalised for lack of progress. There is a need to agree to modulate funding based on progress and technical people from projects should be involved in this process.• Regarding physical or technical indicators for projects, there is an insufficient level of qualitative assessment – there is a need to increase in-house control. This was also viewed as a technical issue which is addressed for the ITS projects as external technical evaluators are utilised for project review and assessment of progress.• Clear deadlines for PSRs is important due to constraints for internal decision-making process for the year. Also, clear deadlines for PSRs and their legal value is an administrative issue which causes difficulties. For the ITS projects, the Cost Statement is submitted only at the closure of each annual Financial Decision and normally, about three months after the Final Report.• The issue of the lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation (lost money) was viewed as a necessary stick to maintain in order to keep projects in line. Nonetheless, to have a totally inflexible system was construed as a handicap for ATM projects.• There is a need for more precise identification of eligible costs since reporting of costs vary significantly from one Member State to another.

Issue	Description
Problems of present rules concerning the annual decision	<p>This relates to the qualitative assessment of projects for such issues as: date when costs become eligible, date of signature or date of first invoice.</p> <ul style="list-style-type: none">• The issue of multi-annual programming of projects with annual project funding was in theory viewed as strength of the MIP, but in practice this is not a strength because the PSR does not enable DG-TREN Officials to make an assessment on financial validity.• Annual deviations/shifts of expenditures/costs profile of projects has caused conflicts between Commission services and beneficiaries. There is a definite need for some kind of flexibility while still ensuring transparency and respect of the basic TEN-T rules. One difficulty has been the variation in the split between Coordination (Project Management) costs and project costs for which the breakdown is stipulated in the Financial Decision. Financial reports to date received for the MIP have been generally in line with the Financial Decisions.• Regarding the administrative process: this is considered a burden more with MIP projects than with non-MIP projects. For a MIP project, it is required to create an annual Decision with PSR, validation, approval, translation and forwarding to the Member State each year. Whereas for non-MIP projects, there is one Decision for one or several years with the same administrative burden only once. The main problem is to prepare the Financial Decision for the Director General (previously it was to prepare the Financial Decision for the FAC). <p>A proposal made included to re-think or re-tool the Detailed Application Forms as well as the PSR. Regarding the former the Detailed Application should include an overview of the objectives of the whole project (even if only part of it will be supported by the TEN), of its techno-economic justification, a detailed planning of the main phases of the work throughout the project with its scope and the corresponding investment profile. The level of detail regarding the latter should be appropriate to enable monitoring and control activities on an aggregated level corresponding to a time horizon of e.g. three to six months. This is the set of data considered as minimal to enable a sound evaluation of the specific project from a Community perspective.</p> <p>The PSR should then constitute a tool for the yearly review of the fulfilment of the intended planning both from a technical and financial point of view. In particular, it should provide the means to correlate the progress effectively achieved in the work with the original plans stated in the Detailed Application Form as well as to compare the estimated and the actually spent budget profiles. In addition, the PSR should provide a clear indication of any alterations to the main objectives of the project, to its planning, budget and budget profile as well as the indication of the mitigation measures that are deemed necessary to correct potential anomalies or problems. This extends well beyond the facets more currently controlled of the level and rate of expenditure by a project.</p> <p>The MIP is too rigid and bureaucratic with the main difficulty being the rigidity of the annual process: the EC should adapt the duration of the eligibility period. The idea of the MIP is an improvement of the pre-MIP, but it is still very rigid with yearly Decisions and being bound with annuality.</p> <p>The MIP gives very little flexibility, yet it provides a significant level of continuity and a long-term view on projects that are relevant to the EU.</p>

Issue	Description
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>From a financial perspective, there is a limited view on the performance of the MIP except that it is difficult to manage in that the rules of TENs are not that precise. There is generally a need for better defined rules, and guidelines for controls and verification. In particular, the rules required to back-up this need are missing and there is no real management tool in place for payment and control mechanisms.</p> <p>Annual deviations/shifts of expenditures/costs profile of projects should be modified to account for a 20 to 25% margin of flexibility of the annual funding to get around the rigidity of the MIP funding.</p> <p>Streamlining and improvement measures proposed:</p> <ul style="list-style-type: none">• Development of a reliable informatics system that includes the TENs process like that which is available for other EC funding programmes, e.g., R+D. Currently, the process requires manual following even though work is underway to include DG-TREN in the EC PMS system.• PSR: Need for more financial information because the current PSR does not allow for an effective assessment. There is a need to agree a specific and common format for reporting costs (like the one for Road Traffic Management ITS projects).• Allocation of the budget on a three year period as for example in FP6 and not an annual basis.• European Union level interests need to be better reflected in the projects: top-down for traffic management and the EU necessity rather than National interests.• The form for costs needs to have a better distinction between expenses incurred versus expenses committed because for Annex 1B (Application Form) the interpretation of some terms is different for each project. Therefore, there is a need for a consistent approach to defining cost categories. There is also a need for projects to distinguish budget consumed for 2001 and 2002 Decisions.• Non-MIP subvention should take more a research approach, where the decision is taken over a number of years with an evaluation annually to see whether we continue based on pre-defined criteria.
Logistics for project management in DG-TREN	No comments.
Other issues	<p>The financing of studies as well as works requires more follow-up which means the need for more detailed definitions of the eligible costs (a weak point in the MIP TENs).</p> <p>The focus of the MIP on large projects was viewed as one of the key objectives of the MIP which should be maintained. The recommendation regarding the MIP and Galileo was to keep the current structure, but be more flexible to changes. In particular, for Galileo it was recommended to have 1 open Financial Decision for a total cost of EUR 1.1 billion with special conditions for Galileo.</p>

7. SYNTHESIS OF INTERVIEWS WITH SELECTED MEMBER STATES AND PROJECT PROMOTERS

A representative sample of MIP projects was assessed in-depth with the Project Promoters and Member States' national organisations and Ministries. The MIP projects selected were located in four Member States (France, Spain, United Kingdom and Germany). The approach was not by the representation of the four Member States; rather it was by selecting a representative sample of MIP projects chosen among all MIP projects located in the 15 Member States.

This chapter therefore provides an overview and synthesis of a series of semi-directive interviews with Member States and Project Promoters undertaken as follows:

- France: 24 March 2003, Paris;
- Spain: 26 March 2003, Madrid;
- United Kingdom: 10 April 2003, London; and
- Germany: 16 April 2003, Brussels.

The semi-directive interviews were undertaken in liaison with the corresponding DG-TREN B3 Desk Officer responsible for the corresponding Member State. In advance of the meetings, the EVAMONTEN-T WP4 Consultants developed an *interview template* of questions for the interviews:

- See Annex 6: Results of Questionnaires with Member States for a comparison of the responses.
- See Annex 7: Template for "Questionnaire for Member State Representatives in <Country Name>" for information on the questionnaire.
- See Volume II: Interviews with Member States and Project Promoters for detailed results of the interviews.

7.1 LIST OF MIP PROJECTS REVIEWED WITH PROJECT PROMOTERS

For the four countries interviewed, a list of the projects reviewed with the Project Promoters are provided as follows:

- France: Due to scheduling issues, MIP projects were not reviewed with Project Promoters.
- Spain:
Studies for HST Madrid-Barcelona-French Border (PP301 Study), and
Studies for the Elimination of Freight Bottlenecks on Spanish Railways (GR1007 Study).
- United Kingdom:
Works for Channel Tunnel Rail Link (PP202A and PP202C),
Works for A120 Stansted to Braintree Road Upgrading (PP1302), and
Study for Felixstowe-Nuneaton Gauge Enhancement and Capacity Upgrade for Rail Freight (GR1092A).

- Germany:

Works for High Speed Railway link Nürnberg-München – Section Inglostadt-München (PP102B), and

Works for High-Speed Rail PBKAL/German Part – Köln-Frankfurt/Main – Section Eddersheim/Mainbrücke, Junction Mönchhof; Connection to Wiesbaden Main Station (PP203B).

The key aspects highlighted below include the common concerns and issues related to the current MIP rules and administrative requirements, and the specific concerns by individual Member States and Project Promoters associated with the Multi-Annual Indicative Programme.

The results of the interviews have been validated by the Member States and Project Promoters. The following synthesis provides preliminary insight into issues and problems, as identified during the interviews.

7.2 COMMON CONCERNS AND ISSUES FROM MEMBER STATES AND PROJECT PROMOTERS

There were a number of common concerns and issues expressed during the interviews with the Member States and Project Promoters.

For several of the Member States and Project Promoters, the first period of the MIP was difficult in terms of understanding the main administrative and reporting requirements. MIP rules were not clear, without adequate guidance to assist in the various phases of application, evaluation, selection and reporting.

For example, most Member States emphasised that, at the start of the MIP, guidance made available was deemed insufficient (definition of terms, process, time plans, etc) and often submission times were unclear. It was also noted that the PSR format has been repeatedly modified without sufficient supporting documentation. Furthermore, time plans and deadlines for submission of PSR were not understood fully and several Member States had difficulties in submitting completed and validated PSRs by the 31st January of each year resulting in subsequent delays in Decision(s) and the need for clarifications and revision of figures – this was construed as having a negative Ping-Pong effect between the Commission and the national organisation on Community support and concomitant requirements.

All Member States and Project Promoters expressed the need for a stable over time, clear and detailed Guidebook with “How to” and “Sample” forms.

The Annual Decision timing was viewed as presenting an artificial time separation without direct relevance to the management of the projects, viz. the project implementation period as covered by the Decision vs. the calendar year as required by PSR submissions and Decision appraisal. This has had the impact of making it nearly impossible to develop specific indicators in correspondence to any of the Decisions.

The idea espoused during the interviews of technical/physical indicators as measures of progress and project evaluation was considered inapplicable in a standard and homogeneous fashion across Member States (and Project Promoters). For most Member States, budget absorption capacity was seen as the most standardised and widely recognised method of measuring project progress, although it was recognised that standardised definitions of terms used in financial statements of various Member States need to be harmonised.

Lastly, several Member States noted that the low level of EC contribution (in terms of percentage of support of overall cost) was not conformant to the types of requirements to fulfil PSRs, Annual Applications, etc.

A supplementary survey recently conducted by DG-TREN Unit B3 and presented at the last FAC meeting on the 5th December 2003 covering other Member States, confirmed the above issues and concerns.

7.3 SPECIFIC CONCERNS BY INDIVIDUAL MEMBER STATES

7.3.1 France

On the basis of the interview with Ministère de l'Équipement des Transports du Logement du Tourisme et de la Mer, the MIP is recognised as being an important and valuable means to obtain a multi-annual funding for Priority Projects and Groups of Projects. France has a unique situation whereby the Ministry of Transport serves more as a conduit for TEN-T Community Support than as an entity running and managing these projects. This means that the role of Project Promoters is central to the functioning in France, as they are the key interface with the European Commission.

At the start of the MIP programme in 2000, there were difficulties in understanding the procedures, roles and responsibilities of the stakeholders. A lot of optimism was made in the estimation of project resources on a multi-annual basis. As typical in major projects, delays are common and have created problems in some projects in keeping with the strict procedures and dates for project progress and completion of annual financial decisions.

Regarding the multi-annual indicative budgets, this is considered as an exercise that is transmitted by the French MoT to Project Promoters. It was indicated that the Project Promoters consider it a constraining exercise, as it is very difficult to predict for specific years with high certainty for a major infrastructure project, with inherent possibilities for delays.

A main issue is: How to be more realistic in assessing project resources without jeopardising the uncertainty about procuring Community financial support?

Technical indicators for measuring project progress were seen as helpful, but should not overtake the role of the current financial indicator (expenditures/costs), since they are difficult to define on an annual basis and cannot be uniform for all types of projects. Another main issue in France, is the relationship between *annual tranche* and *functional tranche*: there is an apparent lack of visibility of physical progress of specific projects.

Non-MIP funding was seen as useful for projects, particularly studies that have a high-degree of uncertainty making it difficult develop a strict multi-annual programme.

A Handbook for clarifying procedures and functionalities and more importantly, fewer procedures was seen as helpful in particular for Project Promoters who are primarily responsible for planning, reporting, and completion of the projects.

7.3.2 Spain

Most MIP funds for Spain go towards studies. EU grants under the MIP are generally a small percentage of the overall costs and are primarily dedicated to studies. All studies in the MIP do not get the full 50% EU financing, so it is necessary to make a great investment to get a small level of EU financing, since the study budgets were originally proposed by Spain with the 50% EU financing in mind (i.e., to secure the most EU funding possible). As a result, there are difficulties to get the EU support. Thus, studies are faced with a decrease in financing over a long period of time.

The same situation applies for implementation works, albeit to a lesser degree, where EU financing is usually less than the maximum 10% co-financing. Notwithstanding, for works projects in Spain, Cohesion Funds play a major role in co-financing for Spanish projects.

For studies, delays are normal due to organisational, institutional, environmental and legal reasons with the MIP process leaving little flexibility in accommodating delays or re-programming costs. MIP rules were generally not well understood at the start, but the situation has become better with the years, despite recurrent modifications to the PSR.

Alternative proposals from Spain to increase the performance and progress of projects include:

- Re-estimating the eligible costs to rectify situations to reach an overall EU financing of 50% for studies and 10% for works,
- Attribute a Community support for the first years equal to 50% of the eligible cost of a study and then the Member States do the remainder of the activities on their own in the last years, i.e., reduce overall annual costs in the first years such that the grant equals 50% for studies, and 10% for works.
- For the non-MIP projects, there is a low level of support for the first years, but this can be recovered in subsequent years based on project progress.

7.3.2.1 HST Madrid-Barcelona-French Border (PP301 Study)

The PP301 Project shows good overall progress in budget consumption and realisation of contracts, with major components nearing completion. Studies are financed by the MIP, while works are financed by the Cohesion Fund and ENDF. Contracts signed are the major activities for reporting and for accounting for expenditures.

It is easier for the Promoter to have MIP projects since projects it undertakes can be more readily forecast and have already gone through the preliminary planning phases and passed through the political and organisational hurdles.

Secured funding for the period 2001-2006 has been beneficial because it has meant less work (on an annual basis) where the PSR is the primary form to complete each year. In general, Ente Publico Gestor de Infraestructuras Ferroviarias (GIF) prefers MIP projects to non-MIP projects with the qualification that there is a need to include changes in the procedures to be more flexible, e.g., allow for 3 open decisions.

The idea of targets for studies was seen as not useful due to the annual reporting requirements of the MIP.

7.3.2.2 Elimination of Freight Bottlenecks on Spanish Railways (GR1007 Study)

The GR1007 study is considered a good project with overall satisfaction from the DG Ferrocarriles, despite inevitable delays. This project is completed with a number of specific contracts (this is a main difficulty of the MIP).

The main problem has been the non-inclusion of the TardientaCanfranc section. This "missing" section is not in the TEN-T map (Decision 1692/96); thus making it difficult to be eligible for TEN-T funds, but it has been included in the Spanish proposal for the TEN-T guidelines revision as a priority project.

The delays incurred in the GR-type projects in Spain require more understanding from the European Commission since most projects by DG Ferrocarriles deal with pre-planning phases involving political and legal authorisations such as environmental appraisal and public consultation.

Non-MIP procedures do not necessarily mean a heavier administrative burden than for MIP procedures. DG Ferrocarriles prefers the non-MIP approach because the MIP projects undertaken by DG Ferrocarriles are very difficult to forecast involving procedures and authorisations.

7.3.3 United Kingdom

The value of the MIP in securing funding on a multi-annual basis for major transport projects is highly appreciated and essential. More guidance is needed for administrative processes and procedures to allow for an efficient application and monitoring mechanism of MIP projects. A pinpointing of tasks/activities covered by each Annual Decision would allow for a more efficient progress reporting.

The number and types of UK projects in PPs and GRs are such a priority that they generally procure State financing, where EC support acts as an impetus of trans-European added-value.

In the UK, there is an embedded and substantial audit and project management structure for mega-projects. There is also a structured and institutional process in the UK to administer MIP projects.

For major infrastructure projects, it is good to have some idea of certainty regarding funding on a multi-annual basis. Some projects might have foundered without the secured EC grants

A main concern in the UK is that if a study or project is at an early stage (at the outset of the MIP), then the level of Government commitment might be lower and priorities could change over time.

7.3.3.1 Channel Tunnel Rail Link (PP202A and PP202C)

For the CTRL project, TEN-T funding is a small but note-worthy contribution. Administrative procedures and forms should be made clearer with improved guidance. A harmonisation of understanding and reporting of costs and commitments is necessary. Timing of submission of the PSR is somewhat problematic due to the fiscal year in the UK ending in March.

7.3.3.2 A120 Stansted to Braintree Road Upgrading (PP1302)

Despite some start-up delays, the project is proceeding well. Several problems exist with the understanding of MIP rules, what costs are eligible, and the terms used in the PSR. This project is for one section of road with no distinction for a specific portion. This project is reported by activity rather than by contract. More detailed and improved guidance is needed for submitting the PSR.

7.3.3.3 Felixstowe-Nuneaton Gauge Enhancement and Capacity Upgrade for Rail Freight (GR1092A)

The situation regarding the defunct Railtrack (original Project Promoter) and its restructuring into Network Rail has led to delays. Most of the projects in the GR1092A are going ahead, but are deferred. For some studies, flexibility is needed due to the change of scope and tasks over time.

The PSR would be more useful if the timing were different to correlate with the UK Governments' financial year. More guidance is needed on the terms and definitions compliant with MIP rules. PSR submission at the end of January is a major problem, due to fiscal year in the UK ending in March.

The project will make up for the 'lost money' in MIP 2002 internally as this project is not reliant on EC financial support. The SRA has to have matching funding which means that the Government financing is reduced to account for the EC financial support.

7.3.4 Germany

Germany has a solid structure for administering large infrastructure projects where such strategic projects are a national, plus trans-European priority. The EC financing provides a high additive value for stimulating and ensuring adequate budget for some parts that would not be wholly financed by the national authority. The MIP programme has high value for plans of the Transport Ministry and the Deutsche Bahn Netz for planning and safeguarding the financing over a multi-annual period. More instruction is needed to understand and follow the procedures and regulations. It is an advantage to concentrate EU funds on priority projects because this leads to a higher acceleration effect. Funding of smaller projects in the context of coherent groups, such as GR, is reasonable, because the allowance replaces mainly the own resources of DB AG. Moreover, the funding of studies to a maximum funding height of 50 % is helpful.

When the revision of MIP (2004-2006) takes place, the Ministry wishes to see the EU intervention rate increased to 20 %, but not less than 10 % for projects and 50 % for studies. A Handbook on the regulations and rules of the MIP would be helpful.

7.3.4.1 High Speed Railway link Nürnberg-München – Section Inglostadt-München (PP102B)

The MIP provides higher planning security due to the multi-annual programming facility provided by the MIP Framework Decision. Because of the annual Financial Decisions, it is possible to have the agreed amounts of financing available faster. The expansion of the programmed period over the budgetary year gives the possibility to account for delays. Problems include faster project progress, or higher actual costs than planned in the Decision. In such cases it is not possible to use the full amount of the funds allocated. Examination of regulations is needed to account for such projects.

A system of provisional payments and the allocation of real costs in the following year would be more helpful and would reduce the bureaucratic effort required.

The actual reporting procedures demand additional processing of data by the project promoter. For the annual PSR, the deadline of 31st January of the following year is problematic. A deadline at the end of February would be preferable. Detailed instructions the content of the annexes to the PSR would also be recommended.

7.3.4.2 High-Speed Rail PBKAL/German Part – Köln-Frankfurt/Main – Section Eddersheim/Mainbrücke, Junction Mönchhof; Connection to Wiesbaden Main Station (PP203B)

In particular, large infrastructure projects can incur changes of the authorities or technical restraints. A fixed allocation of annual amounts cannot react on those changes. This means money can be lost in the case of faster project progress, or where project costs have increased over planned estimates

A multi-annual decision with provisional payments and the allocation in the following year would be, from project viewpoint, more flexible and easier.

The formal effort for application and reporting of project progress and settlement of payment claims is in comparison to the overall project cost relatively high.

The terms used in the various Forms are not wholly self-explanatory and need explanation.

For the estimation of the costs and expenses of the actual year through the PSR, solid figures are available after the end of the accounting year. A deadline in March or later for submission of the annual PSR would be preferable.

According to DG-TREN Unit B3, the PSR 2002 for this project was completed in a form compliant with European Commission requirements.

7.4 SUMMARY OF ISSUES FROM MEMBER STATES AND PROJECT PROMOTERS

Issue	Description
Application stage	<p>The first period of the MIP was difficult in terms of understanding the main administrative and reporting requirements. MIP rules were not clear, without adequate guidance to assist in the various phases of application, evaluation, selection and reporting.</p> <p>At the start of the MIP, guidance made available was deemed insufficient (definition of terms, process, time plans, etc) and often submission times were unclear. It was also noted that the PSR format has been repeatedly modified without sufficient supporting documentation.</p> <p>At the start of the MIP programme in 2000, there were difficulties in understanding the procedures, roles and responsibilities of the stakeholders. A lot of optimism was made in the estimation of project resources on a multi-annual basis. As typical in major projects, delays are common and have created problems in some projects in keeping with the strict procedures and dates for project progress and completion of annual financial decisions.</p> <p>Time plans and deadlines for submission of PSR were not understood fully and several Member States had difficulties in submitting completed and validated PSRs by the 31st January of each year resulting in subsequent delays in Decision(s) and the need for clarifications and revision of figures.</p>
The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems	<p>The need was expressed for a stable over time, clear and detailed Guidebook with "How to" and "Sample" forms.</p> <p>The value of the MIP in securing funding on a multi-annual basis for major transport projects is highly appreciated and essential. More guidance is needed for administrative processes and procedures to allow for an efficient application and monitoring mechanism of MIP projects. A pinpointing of tasks/activities covered by each Annual Decision would allow for a more efficient progress reporting.</p>
Reporting, monitoring and project management system	<p>The Annual Financial Decision start and end dates were viewed as presenting an artificial time separation without direct relevance to the management of the projects, viz. the project implementation period as covered by the Decision vs. the calendar year as required by PSR submissions and Decision appraisal. This has had the impact of making it nearly impossible to develop specific indicators in correspondence to any of the Decisions.</p> <p>The idea of technical/physical indicators as measures of progress and project evaluation was considered inapplicable in a standard and homogeneous fashion across Member States (and Project Promoters).</p> <p>Technical indicators for measuring project progress were seen as helpful, but should not overtake the role of the current financial indicator (expenditures/costs), since they are difficult to define on an annual basis and cannot be uniform for all types of projects. Another issue is the relationship between <i>annual tranche</i> and <i>functional tranche</i>: there is an apparent lack of visibility of physical progress of specific projects.</p> <p>The PSR would be more useful if the timing were different to correlate with the financial year in some countries and for some Project Promoters. More guidance is needed on the terms and definitions compliant with MIP rules.</p>

Issue	Description
Problems of present rules concerning the annual decision	<p>It is easier for the Promoter to have MIP projects since projects it undertakes can be more readily forecast and have already gone through the preliminary planning phases and passed through the political and organisational hurdles.</p> <p>Timing of the submission of the PSR on 31.January is viewed as a problem by several promoters (see above). This can result in delays to the Annual Decisions till the end of the year.</p> <p>Secured funding for the period 2001-2006 has been beneficial because it has meant less work (on an annual basis) where the PSR is the primary form to complete each year.</p>
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>Proposals to increase the performance and progress of projects include:</p> <ul style="list-style-type: none">• Re-estimate the eligible costs to rectify situations to reach an overall EU financing of 50% for studies and 10% for works, and• Attribute a Community support for the first years equal to 50% of the eligible cost of a study and then the Member States do the remainder of the activities on their own in the last years, i.e., reduce overall annual costs in the first years such that the grant equals 50% for studies, and 10% for works. <p>When the revision of MIP (2004-2006) takes place, the wish was expressed to have the EU intervention rate increased to 20 %, but not less than 10 % for projects and 50 % for studies.</p>
Logistics for project management in DG-TREN	<p>The relations between the EC Desk Officers and the Member States organisations and project promoters was in general very good.</p> <p>More guidance is needed with adequate time notice for providing inputs.</p>
Other issues	<p>A Handbook for clarifying procedures and functionalities and more importantly, less procedures, was seen as helpful in particular for Project Promoters who are primarily responsible for planning, reporting, and completion of the projects.</p>

The next chapter provides an overall assessment of the results of the consultation process undertaken with EC Officials, Member State authorities and Project Promoters.

8. OVERALL ASSESSMENT

On the basis of the consultations made with the Commission, and the selected Member States and Project Promoters, including presentations of progress, findings and conclusions at several FAC meetings (1 July, 24 November and 5 December), the following sections provide an overall assessment in terms of the advantages and shortcomings of the MIP process.

8.1 PROJECT PERFORMANCE LEVELS

With respect to the actual spending profile of projects (PSRs) versus original cost estimates made in the MIP under EC Decision COM(2001) 2654¹¹, there are three types of projects:

1. Fast Projects/ Projects that have incurred higher costs and a higher acceleration of delivery than originally planned:

These:

- Lose money due to a ceiling of EC funding for the particular period covered by the Annual Financial Decision.
- In this case, redistribution of an increased total allocation in line with the MIP Revision process for 2004-2006 may be possible.
- For well-performing projects, the annual allocations of EC funding can be increased from the funding 'envelope' of 2004 till 2006 provided the annual allocation does not exceed half of the total envelope and the project is expected to be completed by 2005.

2. Normal-running projects:

These are in line with the spending plans set out in the original MIP 2001 budget allocation.

They incur no penalties.

3. Lagging Projects (more than 50% of projects according to internal EC DG-TREN statistics of 2002 Financial Decisions):

These:

- Lose money for the following financial years, if the budget is in large part not consumed according to the specific Financial Decision and the PSR.
- Annual commitments of the MIP provide little latitude to accommodate uncertainty in budget planning of projects. If less than 70% of costs planned are not spent, then no full payments of instalments are made. If more than two years pass before complete implementation and finalisation of Annual Financial Decision, no more funding is allowed. If projects are delayed by more than two years beyond the programmed start date of the Financial Decision, the project is cancelled or "decommitted" with the agreement of the Member State.
- For lagging projects, an option is available for the redistribution of costs in line with the MIP Revision process for 2004-2006, as long as there exists a clear possibility of high-performance in the following years.

¹¹ Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.

8.2 STRENGTHS/WEAKNESSES OF CURRENT MIP RULES

On the basis of consultations and interviews with the European Commission Officials on one hand and project promoters and Member States authorities of the selected projects on the other hand, several issues were identified in the current practice and understanding of the strengths and weaknesses of MIP rules. The following sections provide a synthesis of the main strengths and shortcomings of the MIP, as currently applied.

8.2.1 Strengths of the MIP

- MIP is a catalyst for the mobilisation of projects of high trans-European relevance which, without MIP funding, would incur delays and funding problems.
- Concentration of funds in specific projects of TEN priority, with no dispersion over a large number of projects.
- Long-term funding commitment for Member States and Project Promoters. Many of the Member States and Project Promoters interviewed appreciated the added-value of the MIP in accelerating and supporting the funding of their projects.
- Multi-annual programming of projects by promoters.
- Greater scrutiny and visibility of projects by the EC, in theory, via annual PSRs
- Payment of TEN-T funds in line with project progress and forecasts. For financial progress:
 - If cost consumption > 70%, then 100% funding for next Financial Decision,
 - If progress > 50%, but < 70%, then maximum 50% funding for next Decision, and
 - If progress < 50%, then no new Decision.
- No need for involvement, and in particular, voting from FAC in Annual Financial Decisions.
- Reduced effort by Member States and Project promoters in the number and contents of documents required (only submission of PSR for continuing actions and Detailed Application Forms for new actions in addition to final payment claims and final reports for Decision closure).
- Greater discipline: for continuing actions, no more than two years for open decisions, i.e. MIP 2001 Financial Decisions should be closed by the end of 2003 (final payment claims received for 2001) prior to a new MIP Financial Decision in 2003.

8.2.2 Weaknesses of the MIP

- Due to limited overall budget, current levels of EC financing for many projects do not reach the maximum levels of contribution (50% studies and 10% implementation). In contrast to the "Commitment" made in the COM(2001) MIP Framework Decision¹², budget related to Annual Financial Decisions can be changed to reflect the level financial and technical performance of the project. However, such a rule is not clearly understood and implemented across all MIP Projects. Most Project Promoters view the budget planning in the MIP Framework Decision 2001 as a "Commitment" and not as an indicative budget; hence, the confusion in cost reporting and budgetary process.

¹² Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.

- No clear guidance on the terms, timings and understanding of the Commission for the MIP application and reporting process. This leads to some difficulties, particularly at start of MIP, and non-homogeneity of the understanding between the various Project Promoters, leading to delays and added administrative burden.
- Difficulty in monitoring and evaluation of project progress in clear technical and financial terms (in many cases). In most cases, no physical indicators are defined to provide a clear milestone in progress or annual project completion, and PSRs are not enough to provide a clear measure of project progress and achievements. PSRs are not seen by the Financial Cell as sufficient to provide a clear picture of project expenses and not seen by many Project Promoters as technical enough to provide a clear understanding of work undertaken and tasks performed.
- In several cases, there are large deviations of spending profile of projects in comparison to the estimates provided in the application form in 2000, due for example to start-up, technical and organisational difficulties, and the interpretation of eligible of costs). Major transport infrastructure projects are always subject to technical, legal and administrative uncertainties, leading commonly to delays in implementation and spending of costs.
- No multi-annual commitments of funding: project funding is done on a year-by-year basis with each Financial Decision seen as autonomous based upon an annual PSR and reported annual budget consumption. Individual Annual Financial Decisions are needed to commit annual budget.
- There is little scope under the MIP to accommodate delays and uncertainties in project implementation. Inability to perform the tasks and activities covered by the Financial Decision within the time and budget entails lost financing and a high risk of not having further EU financing through further Financial Decisions. For several MIP projects, non-consumption of the budget allocated through a Financial Decision means that money is lost without the ability to use it in the following annual decisions.
- The required input and processing at various stages of the project is prohibitively large entailing a significant effort from both the Commission services and Member States (see section 3.2). This level of detailed input has a significant impact on the timing and capacities of the Commission services, Member States and Project Promoters to provide, develop and receive the Financial Decisions, payments and Decision closures in an efficient and timely manner.
- Necessity of going through multiple rounds of Proposals/Decisions by the Commission services for MIP and non-MIP causing unclear prior knowledge of final planned MIP total. In 2002, due to start-up difficulties MIP projects had to go undergo four rounds before final approval. In 2003, two rounds of MIP Decisions are anticipated. It is impossible to assess the total funding needs for 2003 and 2004 early in 2003 due to delays in closure of several projects of MIP 2001 and 2002 Financial Decisions.
- Increased administrative burden on the Commission Services vis-à-vis third year application, selection and monitoring and evaluation, and preparation of Financial Decisions due to non-closure of for first year Financial Decisions (2N rule).
- Little margin left in the current MIP budget for new Member States.

8.2.3 MIP versus Non-MIP

For non-MIP projects, the current rules provide no distinct advantage or difference over MIP projects (in terms of PSR in addition to Application Form), apart from flexibility in programmed implementation period. As for MIP projects, current non-MIP projects have to provide annual Project Status Reports, however with the added flexibility of the maximum implementation period not going beyond the “Reste à Liquider” (RAL) period at which funding is stopped.

For the period preceding the introduction of Regulation EC 1655/1999 (pre-MIP), large and continuing TEN-T projects with multi-annual planning scale were financed on the basis of “tranches” with each tranche or phase subject to a separate Application and Decision following the successful completion of the previous phase. The level of Community financing was related to the amount of budget available for the fiscal year. In contrast to the MIP, where a multi-annual indicative budget is programmed for each project, pre-MIP projects had to undergo a detailed selection and budget development process involving DG-TREN and FAC negotiations.

What works for MIP:

- Allows Member States and project promoters to program project funding on a multi-annual basis. Minimises barriers at start.
- Stability in funding over a multi-annual period, provided no delays in project progress.
- For continuing actions, no application forms are needed. Only PSR Forms are needed in addition to payment claims.

What worked for pre-MIP:

- Accommodate delays in project execution. This is especially relevant for large-scale infrastructure projects that have duly-justified grounds for delays and stand to ‘lose’ money in case of non-closure of MIP Financial Decisions.
- Subject to approval, higher flexibility in accommodating justified changes in scope and scale of the projects.
- Funding is made on the basis of tranches, with each tranche subject to the application, reporting and closure process, but without the fixed time reporting and closure schedules present in the current MIP.

In conclusion, pre-MIP projects offer a great deal of manoeuvre over the current MIP projects, however, without the indicative budget of multi-annual programming. On the other hand, MIP projects offer a degree of stability in terms of planning over a multi-annual period, but with stringent conditions if projects encounter significant changes from planned costs (too little or too high budget consumption). This is especially relevant for major infrastructure projects that, due to a variety of technical or institutional reasons, incur changes in budget from those planned at the beginning of the MIP

The challenge is to provide on the one hand solutions for the MIP Revision that combine the discipline and multi-annual commitment of the MIP with, on the other hand, the flexibility offered by the non-MIP for accommodating unexpected changes or priorities in transport projects.

On the basis of this assessment, the following chapter provides recommendations for streamlining the MIP to alleviate the shortcomings identified.

9. RECOMMENDATIONS FOR REVISION OF THE MIP

The following sections provide options and recommendations for the revision of the MIP rules taking into account the assessment of the current MIP. An underlying principle is to preserve and strengthen the positive aspects and find solutions to alleviate the shortcomings of the current MIP process.

These options and recommendations were discussed in length and reviewed at both the levels of DG-TREN inter-service consultations and at the level of Member States, through communication and presentation at the various TEN FAC meetings in 2003 FAC (1 July and 24 November), ending with the last FAC meeting on the 5th December 2003 including Member States' authorities and several invited Project Promoters.

In the recent FAC Meeting on Procedural Aspects of TEN-T Budget Allocations (5 December 2003), an informal setting was set up for the meeting to obtain feedback on the experiences and viewpoints of a range of Member States' authorities and several Project Promoters. The discussions revealed and confirmed many of the issues and aspects viewed as shortcomings to the current MIP process identified in this Report. A workgroup discussion took place during the meeting where several recommendations from the MIP Revision interim document were discussed to alleviate some of the shortcomings discussed. Overall, the main recommendations, in particular, the concept of horizontal and vertical flexibility of MIP funding through global and project "reserve-systems" were seen in a positive manner, representing a way to smooth the process of the MIP and in line with the projects performance, and to be considered in the planning and implementation of the current and proposed Regulations and procedures being developed for MIP Revision (2004-2006) and beyond.

9.1 OPTIONS FOR MIP REVISION

9.1.1 Outline of Main Options

Several options are available for the MIP Revision taking into account continuing financing of major portions of the projects covered by the original Framework MIP Decision (2001) 2654. This will/can include some re-adjustment of project costs in 2001, 2002 and 2003 to be compensated in the period 2004-2006. These include:

- Non-acceptance of any new MIP projects for the Member States – only new non-MIP projects (2004-2006),
- Acceptance of a limited number of new MIP projects (difficult to satisfy all wishes of Member States and to obtain easy passage through the FAC) – Van Miert Group of Projects, and
- Additional funds for new Member States (little room under current funds for new Member States) – Van Miert Group of Projects.

Under the present rules, the MIP Revision is a largely political process entailing earmarking of budgets for each Member State through the FAC, and making sure they do not fall below the commitments set out in the MIP Framework Decision COM(2001) 2654. The process requires Informal and formal bilateral meetings with Member States to review experience and priorities for the current and revised MIP procedures in order to avoid delays in formulating and accepting the MIP Revision.

The MIP Revision entails a high degree of uncertainty regarding spending absorption capacities and implementation progress of current and planned projects and is an opportunity for Member States to recover lost financial resources during the period 2001-2003.

These options should be viewed in light of the possible scenarios illustrated in Section 9.1.2 below.

9.1.2 Three Possible Scenarios for MIP Revision

There are currently three possible scenarios being considered by the EVAMONTEN-T Consultants for the MIP Revision:

1. **Two Phase plan scenario** for MIP Revision (2004-2006):

- MIP Revision Phase I: 15 Member States revision for MIP budgetary commitments (2004-2006) by the end of 2003, and
- MIP Revision Phase II: New Member States supplementary budgetary commitments before the middle of 2004 (2004-2006).

This scenario is currently the most likely scenario for the MIP Revision.

2. **Single Phase plan scenario maintaining the FAC voting powers:** In case the current revision of the FAC role as an advisory capacity in certain matters is not accepted and in light of difficulties reaching a positive vote for Phase I of the two-phase scenario for the 15 Member States, the voting will be delayed and the necessity of passing the MIP Revision through one-phase voting procedure involving both current and new Member States.

3. **Single Phase plan scenario with revision of FAC voting powers:** a current revision of the actual Regulations for granting of Community financial aid in the field trans-European networks comes into force after acceptance by the European Council of Commission proposals for revising EC Regulation 2236/95 amended by EC 1655/1999.

In this revision the Financial Assistance Committee (FAC) will have an advisory capacity in certain matters, but not voting powers.

In this case, on the basis of the EC proposal the MIP within the actual legal framework for EU 25 Member States pre-phase vote (a single phase with revised legal framework), all projects and budgetary commitments for the EU 15 Member States and the 10 new Member States will be undertaken in one MIP Revision phase in 2004.

These three scenarios are to be considered in light of anticipated difficulties in obtaining a positive vote of the FAC on the MIP Revision(s). In the first scenario, there are two European Commission proposals going through two FAC voting processes, one for the current 15 Member State and one for the 10 New Member States. For the second and third scenarios, there is one European Commission proposal process, however, with one FAC voting procedure of all 25 Member States in the third scenario.

Table 1 provides an overview of strengths and anticipated shortcomings of each scenario.

Table 1: Strengths and Shortcomings of the three MIP Revision Scenarios

Scenario for MIP Revision	Strengths	Shortcomings
1. Two Phase scenario	<ul style="list-style-type: none"> • Currently accepted scenario that has been planned by the Commission and the Member States provided no significant delays in time plan beyond mid-2004 for Phase II. • Provides a good chance for assessing performance and budget needs for on-going MIP projects. • Avoids generating a large pot of on-going and new projects at the same time. 	<ul style="list-style-type: none"> • Risk of voting deadlock in any of the two FAC voting processes, entailing significant delays in decisions. • Risk of new projects, in particular for new Member States not receiving the highest benefit from unused programmed MIP budget. • More burden for Commission services for preparing two batches of MIP budgeting for current and new projects.
2. First Single Phase plan scenario maintaining the FAC voting powers	<ul style="list-style-type: none"> • One single voting process for all current and new Member States. • Allows new projects for new Member States to have a higher chance of benefiting from current MIP budget, particularly that unused by on-going projects, i.e., difference between maximum permissible of TEN-T funds (75%) and programmed MIP budget for on-going projects. 	<ul style="list-style-type: none"> • Risk of voting deadlock over a large pot of on-going and new projects, involving 25 Member States.
3. Second Single Phase plan scenario for revision of FAC voting powers	<ul style="list-style-type: none"> • Avoids risk of voting deadlock in the FAC. • Requires intensive consultation with all Member States prior to submission of MIP Revision plan to the FAC. 	<ul style="list-style-type: none"> • Requirement of Commission Services for producing a viable single batch for MIP Revision on the basis of merit and performance.

9.2 PROPOSALS FOR REVISION/ACTIVATION OF MIP RULES

The principal purpose of the following proposals is to simplify the current MIP rules and help deliver a simplified system that can be easily understood and followed through by the Member States and Project Promoters as well as the Commission services, in a flexible manner, allowing for adaptations to unforeseen developments and/or changing environment regarding project implementation and to ensure efficient monitoring and evaluation of the progress of the projects, and increasing transparency. At the same time, it should avoid excessive amounts of documentation, Decision rounds and uncertainty experienced by the various stakeholders under the current MIP.

<i>Issue</i>	<i>Proposal</i>	<i>Description</i>
<i>Application stage</i>	<i>Handbook for Members States and Project Promoters – clear harmonised guidance</i>	A handbook should be developed containing the terms and terminology as well as example Application Forms with concise instructions on the timing for submission and evaluation criteria used by the Commission Services. A clear definition of targets, milestones and monitoring schemes used by the project promoter and Member State to ensure the satisfactory progress of the project are essential evaluation criteria.
	<i>Assess capacity of Project Promoters</i>	For new projects, assess the capacity of the Project Promoters – in co-operation with the Member State authorities – to develop and run the projects should be validated. Issues such as promoter structure, personnel capacity and balance sheets could be used to assess the capacities of private project promoters in co-operation with the Member States' national authorities. In the case of projects that are at an early stage of implementation and where there are uncertainties regarding the capacity of the promoters, several measures have to be taken prior to the acceptance of the Decision.
<i>The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems</i>	<i>Clear guidance – clear description of timings, deadline and criteria</i>	From the Promoters viewpoint the application and PSRs, the forms should be clearly designed and structured to allow for an efficient evaluation by DG-TREN. This requires a clear definition of the tasks, activities, timings and targets covered in each Decision together with the evaluation criteria used by the Commission for the awarding of funds in the Financial Decision.
	<i>Level of administrative effort – one-go Decision process</i>	To alleviate the required input and processing, and multiple rounds of MIP Decisions before a final budget is fixed, it is recommended to set-up a one-go Decision process , where all MIP and non-MIP projects undergo assessment and decision at one-time at a later date in the second-half of the calendar year around July. This means that all PSRs of projects can be submitted at a later date in the calendar year than the current 31 st January date, in light of the difficulty of many projects in providing accurate cost estimates and project progress by the 31 st January of each year. Such a one-go, all project-one Decision round process, coupled with the clear and concise guidance, will ensure: <ul style="list-style-type: none"> • More concentrated efforts from the Commission. • A correct and complete reporting of project progress and forecast (PSR) allowing project promoters to report more accurately on costs and expenses and project performance and

Issue	Proposal	Description
		<p>enforcing discipline among projects to provide a clear picture of project progress. The current regimen of delaying projects with PSR rating of "2" and "4" to a later Decision round will be greatly reduced.</p> <p>In practice, the one-go Decision process might prove difficult to implement due to excessive concentration on Desk Officers.</p> <ul style="list-style-type: none">• A clear and precise allocation of MIP and non-MIP funding. <p>In line with the one-go Decision process in the mid-half of the calendar year, requests for final payment for previous Decisions should be received well at the beginning of each calendar year, i.e., final payment claim for Financial Decision 2001 should have been received by the end of January 2003.</p>
	<p>Focus MIP funding on robust projects</p>	<p>In the case of projects at an early stage or projects with a high-level of uncertainty regarding scope, objectives and level of funding, it would be better to have these types of projects financed under the non-MIP programme with no restrictions on Annual Decisions or budget commitments and completion. As the work progresses, the project can be converted from non-MIP to MIP funding. MIP funding would only focus on robust projects with a high degree of certainty and preparation made. This option can be seen in light of the current MIP rules on the necessity of going through Annual Financial Decisions. This is also relevant to the recommendation to have the flexibility of changing according new priorities and to have both MIP and non-MIP under a singular system for one-go Decision round with new/changing projects subject to a voting process from the FAC.</p> <p>Care should be taken as stated in Article 5 and Article 6.3 of the Financial Regulations (EC) N° 2236/95, amended by the Regulation (EC) N° 1655/99, which stipulates "Community aid shall be granted, in principle, only if achievement of a project meets financial obstacles." After 2006, for non-robust projects that have a high degree of trans-European relevance, according to the Commission proposal to amend the financial regulations, a multi-annual commitment corresponding to a pluri-annual Financial Decision can be made, in particular, for completion of cross-border TEN-T sections and projects concerning satellite and navigation systems.</p>

<i>Issue</i>	<i>Proposal</i>	<i>Description</i>
	<i>Possible differentiation between PP and GR projects</i>	A distinction should be made between priority projects (PP) and groups of projects (GR) in the MIP. Whereas, PP projects can have stability in funding guarantees due to scale, importance and progress, the GR projects can have a possibility of opening-up or adjusting to new priorities with a possibility of including new projects after careful appraisal. Thus, for the one-go alternative, PP projects can undergo on an annual basis one Decision round, while new GR projects can undergo one-Decision round-one FAC vote process, in a manner similar to non-MIP projects.
<i>Reporting, monitoring and project management system</i>	<i>Clear guidance required</i>	Clear guidance on the definition of terms and development of a Handbook of procedures and methodology to ensure a consistent and harmonised view and definition of Forms and PSR for all MIP Member States and Project Promoters. This will coincide with the development of a database and Handbook currently being developed in the Technical Assistance Consultancy Contract
	<i>Pre-defined agreed time plan</i>	In co-operation between the Commission, Project Promoter and Member State, a clearly defined time plan should be provided to each with all forms, guidance, and time schedules required. This time plan should be part of the Annual Decision. This is in order to avoid delays and confusion towards timing.
	<i>Better activities description and Financial Decisions</i>	Activities defined in the Financial Decision should reflect only the activities or portions of the project that are funded by the Commission. Clear targets and quantifiable indicators are required in the development of Annual Decisions. A clear distinction should be made between activities in the current Decision and that of the previous Decision. Indicators/Task Descriptions used in the Application Form should be the same as the ones used in the Annual Decision and the same as ones used in the PSR and consequently the same ones used in the Project Completion report. In the 2003 PSR, many of these concerns have been attempted within the particularities of the individual projects, in particular, financial indicators. In the case of overlapping project duration in consecutive MIP Financial Decisions, a clear distinction should be made between activities and tasks in both Financial Decisions.

Issue	Proposal	Description
Problems of present rules concerning the annual Financial Decision (planned costs vs. actual revised costs and changes in project cost profile)	Set-up a global reserve system for MIP budget	<p><i>A global reserve system to be set up:</i> Within the total indicative budget of the MIP budget, a global reserve budget is allocated. This global reserve budget will be used to 'feed' the different project reserves according to its current and forecast performance. To reduce the risk of projects from particular Member States getting reduced funding, a priority would be given to switching reserves between projects located of the same Member State on the basis of annual performance of projects in that particular Member State.</p> <p>Such a recommendation should be assessed in terms of legal feasibility.</p>
	Set-up a reserve system for indicative project budget to allow for flexibility in cost planning and estimation, subject to constraints of overall EU financing intervention rate.	<p><i>A project reserve system to be set-up:</i> Within each project, a certain amount of indicative funding is put up as reserve. Each year, the reserve of each project is modified according to the performance of the project. For each year, from the global reserve system, fast projects possess more reserve and slower projects less reserve. Each project can attain annual funding from both its indicative fixed programmed budget and its reserve budget, according to its performance as long as the permissible rates of intervention for the total project cost (10% for works, 50% for studies) are not exceeded.</p> <p>In addition to the current rules for acceleration of MIP funding, such a reserve system ensures efficient and smooth handling of MIP funding, in line with project performance and decreases the risk of 'lost' money not being used.</p> <p>Such a recommendation should be assessed in terms of legal feasibility.</p>
	Increased level of Community funding and Multi-annual Legal Commitment for priority projects (after 2006)	<p>According to the EC proposal (COM 2003/0561) amending Council Regulation (EC) No 2236/95, cross-border sections of priority projects deemed necessary for the completion of the TEN-T could received increased Community funding over 10% of total investment cost and a financing based on a multi-annual commitment throughout the implementation phase.</p>
Compatibility of the possible changes discussed above and the development of the MIP revision	Ideal single phase MIP Revision plan scenario (revision of FAC voting process)	<p>This scenario, as described in section 9.1.2, would avoid the risk of voting deadlock in the FAC and would require intensive consultation with all Member States prior to submission of MIP Revision plan to the FAC. However, this proposal would require Commission services to produce a viable single batch for MIP Revision, on the basis of merits and performance.</p>

<i>Issue</i>	<i>Proposal</i>	<i>Description</i>
<i>Logistics for project management in DG-TREN</i>	<i>Most likely scenario for revision maintaining the FAC voting powers</i>	This scenario of maintaining the project processing and approval within the FAC, subject to approval and consensus would be the most likely scenario in the short-term. Within the context of new Member States joining officially the FAC, the proposals for streamlining the MIP process become more and more important.
	<i>Encourage more frequent contact between DG-TREN and TEN-T projects</i>	Regular and scheduled contacts between Desk Officers and Projects themselves coupled with on-site visits should be established. The most pragmatic approach to see how a project is progressing is to undertake on-site visits (seeing is believing). Also, the use of Project Progress reports is a useful tool for assessing the qualitative and quantitative progress of project, which are used for the Traffic Management Projects (TEMPO).
	<i>Increase number of Desk Officers</i>	Increase the number of Desk Officers to reduce the project workload.
	<i>Independent evaluation</i>	In warranted cases, incorporate into the assessment phase an independent review process utilising outside experts similar to the process established for the Traffic Management Projects (TEMPO), Air Traffic Management projects and ERTMS.
<i>Other issues</i>	<i>Establish internal and external TEN-T information database</i>	An activity is currently underway to build upon the current TEN-T information system.
	<i>Project implementation unit</i>	In case of insufficient capacity by the project promoter and as a project component, set-up a project implementation unit to monitor and assist the promoter in the project. Another option would be to reduce the financing of the project to be compatible with the current capacity of the promoter.
	<i>Critical review of some projects</i>	Projects with more than 25% cost overruns compared to the original cost indicated in the Annual Financial Decision over the costs indicated in the Annual Decision should be critically reviewed.
	<i>More detailed justification of delays – completion of works within eligible implementation period</i>	Projects that have reported 70% budget absorption rate reported in the PSR should be expected, in most cases, to complete the works within eligible implementation period. If such projects face difficulty in closure of Financial Decisions in time, the EC Officer should ask the Project Promoter for more details and facts justifying the delay in co-operation with Member State authorities.

Issue	Proposal	Description
	<i>Restrain number of new projects in MIP Revision beyond 2006</i>	A limited number of new projects should fall under the MIP funding after a careful review of all current projects in the COM(2001) MIP Framework Decision. Only projects that have been identified in the Van Miert Group Report ¹³ including those that are required to complete the Essen projects and the other priority projects identified, in particular, those described in List 0 (completion by 2010) and List 1 of priority projects (completion by 2020).
	<i>Special needs for special projects</i>	For projects with special needs and requirements, a legal possibility exists for the inclusion of special conditions in the text of the Financial Decision. A past and actual example of a specially treated project is Galileo. In Galileo, the attaining of annual Financial Decisions (open and closure) is very difficult. Special conditions need to be put in the Decision text for annual amendments for budgetary allocations according to detailed project progress reporting. For Galileo-type projects, increased EC funding and multi-annual budgetary commitments are proposed in the amendments to Regulation (EC) No 2236/95.

¹³ "Priority projects for the trans-European transport network up to 2020." High Level Group (Van Miert) Report, 27 June 2003.

9.3 PRELIMINARY PROVISIONS FOR NEW MEMBER STATES

For new Member States, the conclusions and recommendations of the High-Level Group chaired by Van Miert to identify TEN-T priority projects up to 2020 has considered in detail the inclusion of new priority projects for new Member States in addition to EU-15 with the view of priorities to complete and link the transport network.

For the short-term MIP revision process (2004-2006), a supplementary budget of around EUR 200 million has been set aside for new Member States (EC internal communication), beside budget remaining from the current MIP revision for the projects under the MIP Framework 2001 Decision.

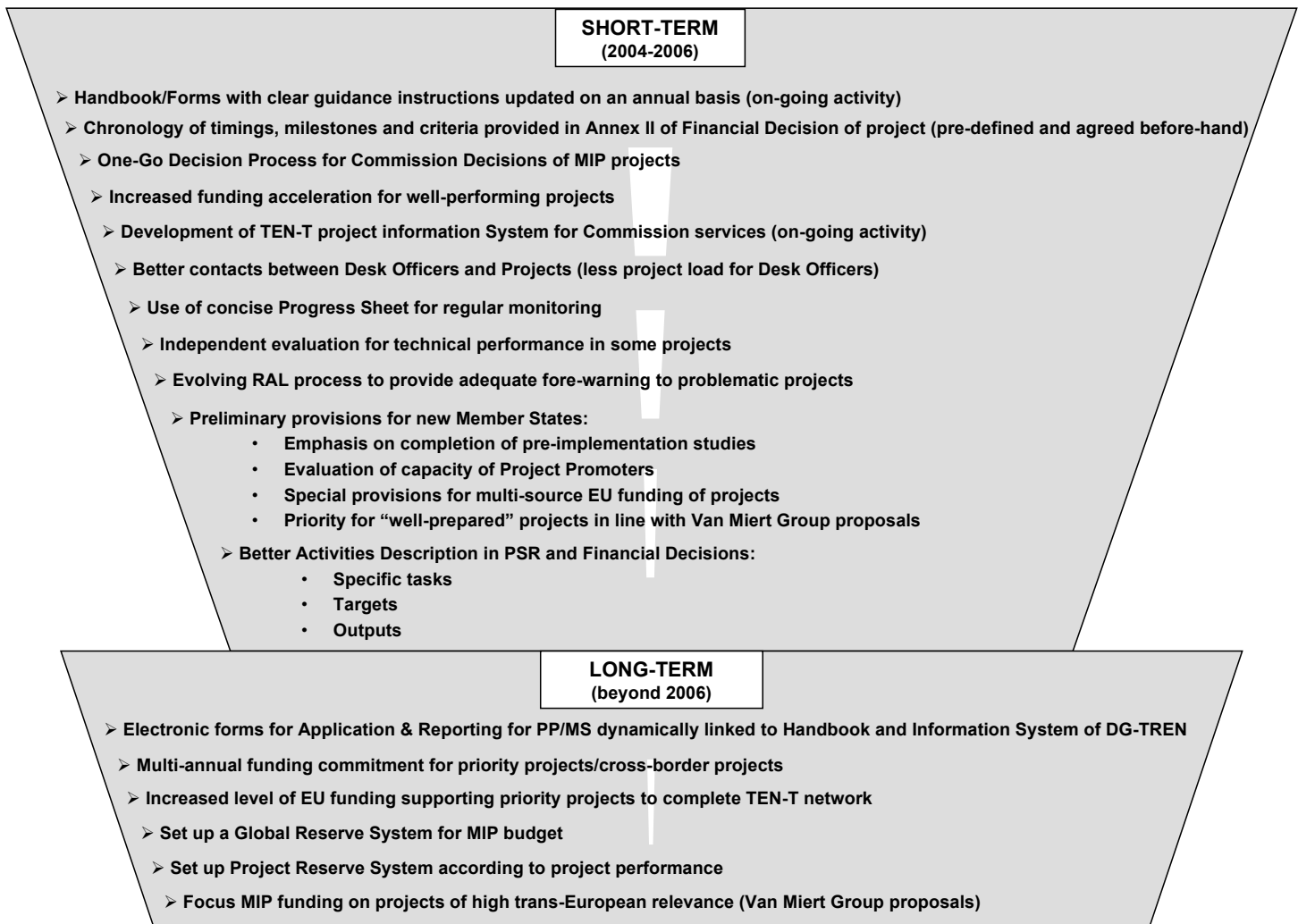
It should be emphasised that the recommendations detailed in section 8.2 apply in full to the new Member States. On the basis of the past difficulties encountered in the MIP process since 2001, the following specific provisions are recommended for new Member States:

Proposal	Description
Multi-source funding with flexible limits on EC funding limit	To act as a catalyst for the start and completion of the projects in the new Member States, projects qualifying for aid from the Structural Funds in addition to MIP funding, the limit of 10% of total costs for EC co-funding can be relaxed to allow for inadequate funding, in particular, for cross-border sections.
Focus MIP funding on robust projects of high trans-European relevance (2004-2006)	<p>Projects that show a clear degree of project preparation with clear details on targets, costs and delivery of results and that are in line with the Van Miert recommendations and proposed list of priority projects should have the priority in funding.</p> <p>In the case of projects at an early stage or projects with a high-level of uncertainty regarding scope, objectives and level of funding, it would be better to have these types of projects financed under the Structural Funds with no restrictions on Annual Decisions or budget commitments and completion. As the work progresses, the project can be co-financed under MIP funding. This option can be seen in light of the current MIP rules on the necessity of going through Annual Financial Decisions.</p> <p>Care should be taken as stated in Article 5 and Article 6.3 of the Financial Regulations (EC) N° 2236/95, amended by the Regulation (EC) N° 1655/99, which stipulates "Community aid shall be granted, in principle, only if achievement of a project meets financial obstacles."</p>
Phased Approach beyond 2006	For 2004-2006, the emphasis would be on robust projects and undertaking the necessary studies for preparation work for implementation. Beyond 2006, the level and nature of financing would evolve to include, according to the Commission proposal to amend the financial regulations, increased EC funding and a multi-annual commitment corresponding to a pluri-annual Financial Decision can be made, in particular for completion of cross-border TEN-T sections and projects concerning satellite and navigation systems (List 1, List 2 and List 3 of projects proposed in the Van Miert Group Report).

10. ROAD MAP FOR MIP REVISION AND SUPPORT FOR 2004-2006

The following figure provides an overview of the proposals to streamline the MIP process both from the short-term perspective (2004-2006) and the long-term perspective (beyond 2006).

Figure 3: Road Map for MIP Revision & Support for 2004-2006 & beyond



11. CONCLUSIONS

The Technical Assistance Consultancy Contract, EVAMONTEN-T was commissioned by EC DG-TREN to assist in the evaluation of the TEN-T programme with an emphasis on the evaluation and revision of the Multi-Annual Indicative Programme for Trans-European Transport Projects in respect of Article 5a of the Council Regulation (EC) N° 2236/95, amended by the Regulation (EC) N° 1655/1999, whereby a mid-term revision and review of the MIP is required in order to review the effective progress of the Priority Projects and Groups of Projects. This also relates to Article 21 (2a) of the Regulation (EC) 2342/2002 and Article 27 of the Financial Regulation (EC) 1605/2002; whereby an interim evaluation in terms of the resources allocated and the results obtained is mandatory in order to verify that they were consistent with the objectives seen at the start.

The result of this Technical Assistance Consultancy activity comprises an independent view on the MIP process, based upon experiences made since the start of the MIP in 2001, and provides recommendations on the mid-term MIP Revision organised around six main phases:

1. Assessment and review of the current MIP rules and the project cycle process.
2. Consultation and interviews within EC DG-TREN officials.
3. Consultations and interviews with Member State authorities and Project Promoters.
4. Analysis and assessment of results.
5. Development of recommended actions including a road map for the MIP Revision and Support for the period 2004-2006.
6. Validation of the recommendations by the Commission Services and Member States.

The first three phases (review and consultation) of this approach enabled the consultants to acquire an in-depth level of understanding of the TEN-T Programme in terms of the range of issues related to implementing the TEN-T Multiannual Indicative Programme.

The analysis and assessment of the results outlined in Chapter 8-Overall Assessment as well as well as the recommendations in Chapter 9 and the proposed "road map" in Chapter 10 are the result of ten months of effort which have included numerous discussions and meetings with a range of EC Officials, two presentations to the FAC (1 July and 24 November), discussion of recommended actions at the FAC meeting on the 5th December 2003 review and incorporation of comments from EC DG-TREN's inter-service consultations, and the production of numerous versions of the report.

The main output of WP4 was in assisting the analysis of the MIP process and the development of innovative and transitional solutions for MIP Revision that are respondent to the needs and requirements of the various MIP stakeholders, and that are built upon a review and adaptation of existing experiences with MIP rules and procedures.

The Consultants hope that the results of this Technical Assistance Consultancy effort respect the scope and spirit of the European Commission's requirements for such a mid-term review. Based on the Terms of Reference for the EVAMONTEN-T Project and with submission and acceptance of the MIP Revision Final Report, Phase I Contract, the effort for WP4-MIP Revision support has been concluded.

As a follow-up of the work to be conducted in Phase II of the EVAMONTEN-T contract, the in-depth experience acquired in WP4-MIP Revision support in Phase I would be used in supporting the evaluation and monitoring of the individual TEN-T projects to be conducted in Phase II in terms of timeliness, effectiveness and efficiency of project performance.

12. BIBLIOGRAPHY

EU-DG TREN Official Documents (www.europa.eu.int)

- Règlement (CEE) N° 3600/82 du Conseil du 30 décembre 1982: For funding of projects.
- Règlement (CEE) N° 3620/84 du Conseil du 19 décembre 1984: For funding of projects.
- Règlement (CEE) N° 4059/86 du Conseil du 22 décembre 1986: For funding of projects and example of Decision for the Rodoviario Paredes-Penafiel project, Portugal, and the TASC (questionnaire).
- Règlement (EEC) N° 4048/88 du Conseil du 19 décembre 1988: For funding of projects and examples of Decisions and “TASCs” for several projects in 1989.
- Règlement (EEC) N° 3359/90 du Conseil du 20 novembre 1988: For funding of projects and examples of Decisions and “TASCs” for several projects in 1989.
- Council Regulation (EEC) No. 4253/88: Laying down provisions for implementing Regulation No. 2052/88 as regards activities of the different Structural Funds.
- Regulation (EC) N° 2236/95 of 18 September 1995: Laying down general rules of the granting of Community financial assistance in the field of trans-European networks.
- Projet de Programme Pluriannuel Indicatif d’Allocations pour les Réseaux Transeuropéens de Transport, Communication de M. Kinnock, Buxelles, 19 mars 1996 (O.J. 1285 – point 14).
- TEN-T Guidelines Decision No. 1692/96/CE (9/1996).
- Regulation (EC) N° 1655/1999 of 19 July 1999: modifying the Decision number 2236/95 and determining the general rules for the granting of Community financial aid in the field of the trans-European networks.
- Framework of MIP Decisions with Annex: Decision COM(2001) 2654 Final of 19 September 2001.
- Note for the Attention of Mr Gonzalez Finat, Director TREN B from E. Kopanezou (dated, 2 Oct 2002).
- System description TEN-T – Simplified overview of main process (33 page flow chart) TEN-T Process Description (extract from TEN-T database).
- (First draft) DG-TREN internal document “2003 MIP Revision – Draft Terms of Reference.”
- Note à l’Attention de M. Lamoureux, “REVISION DU PROGRAMME PLURIANNUEL INDICATIF (PPI/MIP) POUR LE RTE TRANSPORT (dated, 19 Feb 2003).
- “Brain storming meeting Dir B on 16th January” attachment updated “*Action Plan TEN-T Budget Procedure 2003.*”
- Indicative Multiannual Programme for Transport TEN (First working document, DG-TREN).
- Note from the DG-TREN Director General, “Letter to Members States for MIP Revision Launching” dated, 4 April 2003.
- Proposition modifiée de RÈGLEMENT DU PARLEMENT EUROPÉEN ET DU CONSEIL modifiant la proposition modifiée de RÈGLEMENT DU PARLEMENT EUROPÉEN ET DU CONSEIL modifiant le règlement (CE) n° 2236/95 du Conseil déterminant les règles générales pour l’octroi d’un concours financier communautaire dans le domaine des réseaux transeuropéens présentée par la Commission conformément à l’article 250, paragraphe 2, du traité CE.

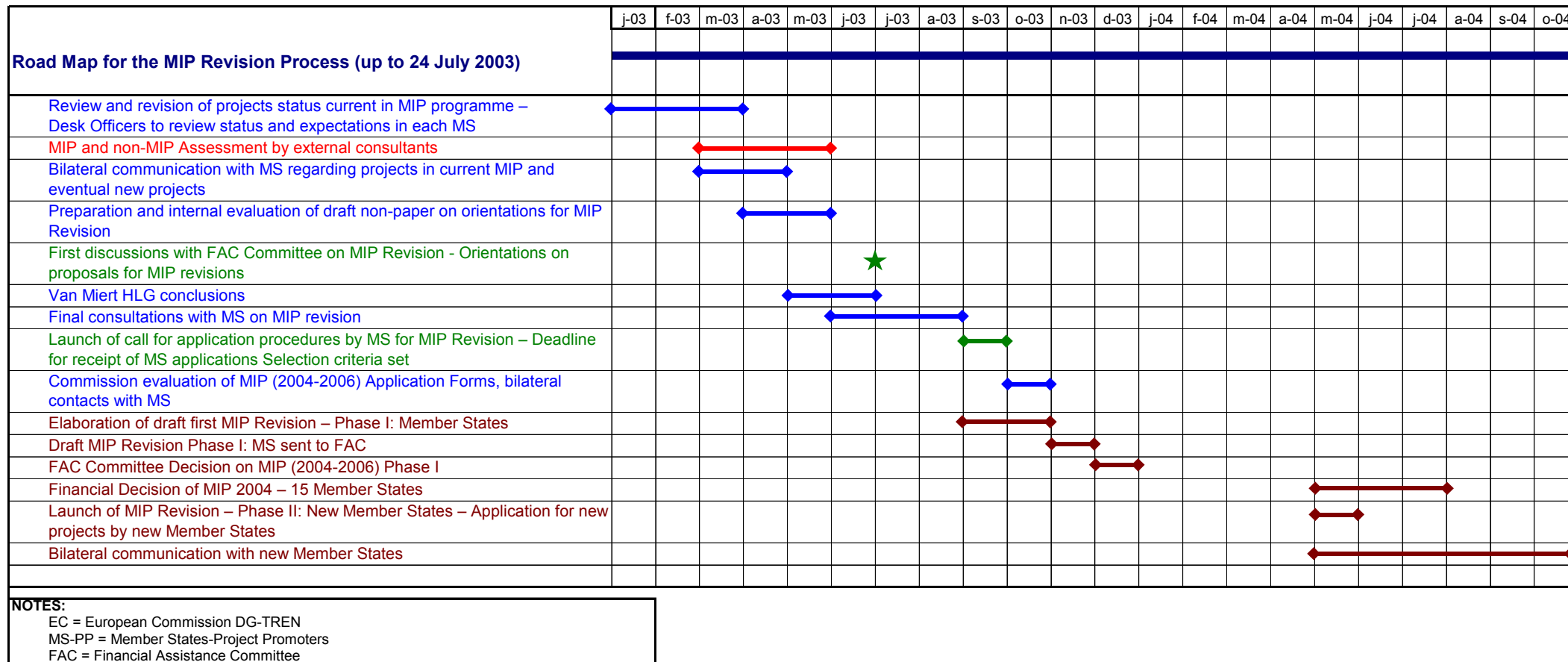
- “Priority projects for the trans-European transport network up to 2020.” High Level Group (Van Miert) Report, 27 June 2003.

Other Related Literature

- Transport Infrastructure Needs Assessment (TINA) for Accession Countries, Final Report (10/1999).
- OECD Performance Indicators for the Road Sector (1997).
- WERD- SG TERN Concept for future development of TERN. Draft Note (1/2001).
- WERD SG TERN. Service and performance indicators for TERN. Internal Draft Document (3/2000).
- UN/ECE. European Agreement on Main International Traffic Arteries (AGR) (5/1999).
- UN/ECE European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) (2/1991) www.unece.org
- UN/ECE Protocol on Combined Transport on Inland Waterways to the AGTC Agreement (1/1997) www.unece.org
- UN/ECE European Agreement on Main Inland Waterways of international Importance (AGN) (1/1996) www.unece.org

13. ANNEX 1: INDICATIVE SCHEDULES OF ROAD MAP FOR THE MIP REVISION PROCESS

N.B. These Figures provide a summary of the European Commission’s time plan for the MIP Revision according to dates and milestones derived from discussions with EC DG-TREN Officials and available documentation. It should be noted that these figures are only indicative and they are subject to modification.



	n-03	d-03	j-04	f-04	m-04	a-04	m-04	j-04	j-04	a-04	s-04	o-04
Road Map for the MIP Revision Process (up to mid-November 2003)												
Preparation of first phase of revision (EU 15) and initial activities for second revision phase (EU + 10)												
Assessment of detailed applications (request additional documentation as appropriate, bilateral meetings at DO level; completion of appraisal sheets)	←—◆											
Data base input (await stabilisation of data by DOs)	★											
Analysis of evaluation results; conclusions for revision strategy (elimination of projects, acceptance of new projects; criteria for increased support,)	◆—◆											
Meeting with B2 and DG REGIO on strategy for new Member States' TEN support (concentration on priorities, combination of funding, modalities for regular co-operation,)	◆—◆											
Launching of informal call for proposals for new Member States	◆—◆											
Seminar with Member States and promoters to discuss programme functioning (particular procedural aspects; typical technical and financial difficulties with projects, ...). Informally communicate ideas on strategy to MS	◆—◆											
Elaboration of draft proposal for MIP	◆—◆											
Bilateral meetings with Member States at HoU and Director's level where necessary ("Tour de capitals")	◆—◆											
Possible adaptation of proposal following "Tour de capitals".	◆—◆											
Informal interservice meeting	◆—◆											
Discussion of proposal within DG TREN (other Directorates, Director General, Cabinet).	◆—◆											
Submission of draft proposal to Committee Members. Invitation to Committee meeting	◆—◆											
Seminar with new Member States	◆—◆											
Committee meeting on MIP revision. Formal launching of application process for new MS	★											
Interservice consultation	◆—◆											
Preparation of written procedure	◆—◆											
Adoption of decision revising the MIP	◆—◆											
Following adoption of Commission Decision revising the MIP: preparation of 2004 financial decisions	◆—◆											
NOTES: EC = European Commission DG-TREN MS-PP = Member States-Project Promoters FAC = Financial Assistance Committee												

14. ANNEX 2: WORKPLAN FOR WP4 MIP REVISION

	févr-03	mars-03	avr-03	mai-03	juin-03	juil-03	août-03	sept-03	oct-03	nov-03	déc-03
WP4 MIP Revision											
Initial stage with European Commission services											
Introduction with EC											
Consultation with DG-TREN Directorate B											
Preliminary assessment and review of PSRs & documentation											
Develop questionnaires for MS and PP											
Consultation with other Unis and Directorates of DG-TREN											
Interviews with MS-PP and reporting											
Interviews with MS-PP											
Reports of interviews											
Feedback from EC											
Forward Reports to MS-PP											
Develop MIP Revision Interim Report											
Initial outline											
Work on First Draft Interim Report											
First Draft Interim Report - Meeting with DG-TREN (4 June)											
Work on Second Draft Interim Report											
Draft Interim Report: presentation at FAC Meeting (1 July)											
Work on Issue 1 of Draft Interim Report											
Draft Interim Report -- Issue 1 submitted on 24 July											
DG-TREN inter-service consultation phase											
Final Interim Report -- Issue 2 submitted on 3 October											
Receipt of DG-TREN inter-service consultations -- 16 October											
FAC Meeting and follow-up											
FAC Meetings: preparation/presentation -- 1 July, 24 October & 5 December											
Develop MIP Revision Final Report											
Submission of Draft Final Report -- Issue 3 submitted 14 November											
Submission of Final Report -- Issue 4 submitted 18 December											
NOTES:	<p>EC = European Commission DG-TREN MS-PP = Member States-Project Promoters FAC = Financial Assistance Committee</p>										

15. ANNEX 3: CHARACTERISTICS OF THE MIP

15.1 CHARACTERISTICS OF THE PROJECT DOCUMENT CYCLE

The following characteristics are listed after careful analysis of the project cycle stages. Those, which are variable, can provide a basis for modification and smoothing of MIP rules.

1- Type of Projects

- Priority Projects: Implementation (mostly fixed in MIP Framework Decision with little space for new projects)
- Groups of Projects: Studies and implementation
- Galileo: a special project due to level of budget and the particular institutional set-up between the Commission and the ESA.

2- Application Form (for MIP Revision 2004)

- Contents (financial and technical indicators/targets)
- Tasks and activities covered
- Timing of submission, evaluation and decision.

3- Financial Decisions (Annual Decisions)

- Contents of Decisions (indicators and targets)
- Tasks and activities covered by Financial Decisions
- Total costs and EC funding for implementation period
- Timing of submission, evaluation and decision.

4- Project Status Report (PSR)

- Contents (financial and technical indicators in line with activities and targets of Financial Decision)
- Eligible costs
- Timing of submission, evaluation and decision.
- Progress report, if needed

5- Project Completion Reports (to close Annual Decisions)

- Contents (financial and technical indicators)
- Eligible costs, Cost Statements
- Timing of submission, evaluation and decision.

For all these five variables, it is necessary to have clarity and harmonisation of understanding and requirements of Member States and Project Promoters.

15.2 CHARACTERISTICS OF MIP RULES

The following characteristics apply to the MIP Rules:

- 6- Decision-making levels and powers for MIP and non-MIP for:
 - Member States
 - Financial Assistance Committee (voting vs. advisory roles)
 - DG-TREN Director General and Directorate Heads
 - MIP Revision Committee of DG-TREN
 - DG-TREN B3
 - Other Directorates of DG-TREN.
- 7- MIP Programmed Activities (2004-2006) covering revised tasks, costs and funding:
 - Project total funding, and
 - Project annual programmed funding.
- 8- Annual Decision (annual programme) covering revised tasks, costs and funding.
- 9- Financial Decision Period for Implementation:
 - Eligible implementation period
 - Maximum implementation period (N+1 rule)
 - 2N Rule
 - PSR (31 January)
 - Changes in Decision
 - Reimbursement Rules (advance, interim, final payment) 70% - 50% - etc.)
 - MIP Decision: Timing.
- 10- Lost Money (unused funds): Under-performing projects.
- 11- Lost Money (higher costs and budget absorption): Over-performing (fast) projects.
- 12- Closure of Annual Decisions.
- 13- Ex-ante and ex-post evaluation.
- 14- Closure of Projects.

16. ANNEX 4: GLOSSARY OF TERMS

Advanced Payments – The advanced payment will be paid by the Commission once the application for aid has been approved and will not normally exceed 50% of the maximum contribution specified in the Commission Decision, or Annual Financial Commission Decision.

Air Traffic Management (ATM)

Annual Financial Commission Decision – for MIP projects, is the Commission Decision for a particular year.

Authority responsible – The authority responsible for the implementation of a *project of common interest* is the undertaking or body that has final responsibility for the execution of the project. It can be the same entity as beneficiary and recipient.

Beneficiary of aid – the undertaking or body that will actually benefit from EU support. In many cases the beneficiary and recipient of aid are the same.

Coherent Groups – Four Coherent Groups of *projects of common interest* were identified in the Commission Framework of MIP Decisions (Annex F): removal of bottlenecks on the railway network; intra-Community and acceding countries cross-border projects; intelligent transport systems in the road sector and intelligent transport systems in the air sector.

Commission Decision

Common Transport Policy (CTP)

Desk Officer

Direct Grants – Co-financing of direct grants for infrastructure works is one form of Community aid for *projects of common interest* within the trans-European network.

Draft Commission Proposals

EEIG – A European Economic Interest Group (EEIG) is a group of private or public companies from different *Member States* that form a legal entity based on Community law. An EEIG is created to facilitate and encourage cross-border cooperation within activities related to the economic activities of its members.

Eligible cost – for definition see Annex II, art 6 of Annex G of the Handbook.

Eligible implementation period – for MIP projects, is equal to the period of programmed activities plus 1 year.

European Economic Interest Group (EEIG)

ERTMS – The European Rail Traffic Management System (ERTMS) is an EEIG set up to run a project that aims to redress the incompatibilities between different rail management systems in the European rail network and create unique signalling standards throughout Europe.

ESA – The European Space Agency is the European entity that coordinates the financial and intellectual resources of its members to develop Europe's space capability. It undertakes programmes and activities designed to find out more about the Earth, its immediate space environment, the solar system and the Universe, as well as to develop satellite-based technologies and promote European industries.

Essen projects – see Specific Projects

EUROCONTROL

Fees for guarantees – One form of Community financial aid for *projects of common interest* within the trans-European network is the contribution towards fees for guarantees for loans from the European Investment Fund or other financial institutions.

Final Payment – The Commission will make the final payment after approval of the final report on the project or study, submitted by the beneficiary and itemising all the expenditure actually incurred.

Finance Officer

Financial Assistance Committee (FAC) (non-MIP annex III)

Galileo

Grant Agreement (non-MIP annex III)

Interest on loans – one form of Community financial aid to *projects of common interest* within the trans-European networks is through subsidies of the interest on loans granted by the European Investment Bank or other public or private financial bodies.

Intermediate payments – Intermediate payments from the Commission will be made on the basis of requests for payment, taking into account the progress made in implementing the project or study and, if necessary taking account of revised financial plans in a rigorous and transparent manner.

Member State (MS) – The Member States of the European Union are currently fifteen. These are: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom. The EU is also preparing for the accession of 13 eastern and southern European countries: Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, Slovakia and Turkey.

MIP (Multiannual Indicative Programme) – The Commission adopted on 19 September 2001 its decision on the Indicative Multiannual Programme (MIP) on Community funding of trans-European transport network projects over the 2001-2006 period (Annex F and Ref 7). The MIP was established with the aim of supporting the priorities defined for granting of financial aid to *projects of common interest* taking into account that the technical and financial efforts necessary to prepare and implement *projects of common interest* are generally spread over several years. Twelve individual *projects of common interest* (eleven *Specific Projects* and the Galileo Programme) and four *Coherent Groups of projects of common interest* were identified as components of the Indicative Multiannual Programme.

Official Journal of the European Community/Commission (?) (OJ)

On the Spot Control Mission

Payments (Advanced/Interim/Final) – As a general rule, payments from the Commission shall be made in the form of advances, intermediate payments and final payment.

Period of programmed activities – for MIP projects, is as specified in the Annual Financial Commission Decision and is usually for one or two calendar years.

Programmed activities – work on MIP projects as specified in the Annual Financial Commission Decision.

Project Promoter – Project Promoters may be *Member States* directly, government agencies, public bodies or contractors (ESA; ERTMS, EUROCONTROL etc.)

Priority Projects (PP) – From the 11 groups of Essen projects (or Priority Projects) of common interest.

Project Status Report (PSR) – the PSR is an annual summary on the progress of the *studies* or projects (*projects of common interest*), which must be completed by the PP and sent via the MS to the Commission each year. This report must include technical and financial indicators of the progress made with the *programmed activities* during the previous calendar year, highlight problems encountered and describe any delays or deviations from the original targets.

Projects – note the difference between:

- **Specific projects** – there are fourteen Specific Projects, which relate to transport infrastructure within the trans-European network. These projects were attributed particular importance by the Heads of State and Government at the Essen European Council in 1994 and their financing is of a priority nature.
- Specific **Priority Projects (PP)** and **Groups of Projects (GR) of Common Interest** are defined in the Commission Framework of MIP Decisions
- **Project Parts and Stages** are the parts of the PP and GR approved to be undertaken in the various MS (Annex F)
- Projects which are the particular projects undertaken by the MS or PP and include the Project Parts and Stages as defined above.

Projects of Common Interest – The implementation of projects of common interest should contribute to the development of the transport network throughout the Community, ensuring the cohesion, interconnection and interoperability of the trans-European transport network, as well as its access. The Community Guidelines for the development of the trans-European transport network define the characteristics that a project needs to fulfil in order to be considered of common interest.

Recipient of aid – the undertaking or body to which support will be paid by the Commission (holder of the bank account).

Risk capital participation – one form of aid for *projects of common interest* is risk-capital participation for investment funds or comparable financial undertakings with a priority focus on providing risk capital for trans-European network projects and involving substantial private-sector investment.

Specific Projects – see Projects.

Studies – Co-financing of studies related to projects is one form of Community aid within the trans-European networks framework which includes preparatory, feasibility and evaluation studies, and other technical support measures for these studies.

Tranche –

Works – Co-financing of projects (works) is one form of Community aid within the trans-European networks framework.

17. ANNEX 5: TEMPLATE FOR “QUESTIONNAIRE FOR INTERVIEWS WITH DG-TREN OFFICERS”

This annex comprises the most recent version of the template for the questionnaire for interviews with DG-TREN Officers.

The following hyperlink provides access to this file in PDF format:

[Annex 5 WP4 Issue2 Questionnaire DG-TREN 6Jun03.pdf](#)

<p style="text-align: center;">EVAMONTEN-T</p> <p style="text-align: center;">EVAluation and MONitoring of TEN-T</p> <p style="text-align: center;">Questionnaire</p> <p style="text-align: center;">for</p> <p style="text-align: center;">Interviews with DG-TREN</p> <p style="text-align: center;">Officers</p> <p style="text-align: center;">Person Interviewed:</p> <hr/> <p style="text-align: center;">(Interview date: 10 June 2003)</p> <p style="text-align: center;">Issue 2: 6 June 2003</p>
--

18. ANNEX 6: RESULTS OF QUESTIONNAIRES WITH MEMBER STATES AND PROJECT PROMOTERS

This annex comprises the “Approved” results of questionnaires with Member States and Project Promoters including Germany, Spain, the United Kingdom and France.

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
2.2.1 How would you rate the performance of the current overall MIP Programme in your country with respect to stated objectives?							
Good	Due to the short time frame for Application at start of MIP Programme, difficulties were encountered in providing quality demands. The definition of the coherent groups required additional decision-making. The 10% intervention rate was not reached for all projects. In contrast, part of the Studies reached the 50% financing rate without a decrease in quality. Demands	Acceptable	The issue evoked was the difficulties they had with understanding the MIP process. Rules were not clear at the start, but improved with time. Also, it was mentioned that the PSRs are not specific to MIP projects and forms have been changed every year. For MIP Studies, in particular those involving an environmental impact assessment (EIA) of the project or a full public consultation, delays are often times inevitable. Without either or both of these, there can be unforeseen delays and the concomitant inability to close the 2001 decision. This contrasts with non-MIP studies, where delays can be more flexibly handled.	Good	For major infrastructure projects, it is good to have some idea of certainty regarding funding on a multi-annual basis. Some projects might have foundered without the secured EC grants UK DfT is in support of reducing non-MIP projects. The current ratio of: • MIP: 75% of TEN-T budget, and • Non-MIP: 25% of TEN-T budget. should be maintained to allow for more flexibility.	Good	The start-up of the MIP Programme was rather difficult for two main reasons: • Procedures not well-defined at the outset of the MIP Programme. A lot of questions regarding the rules were made. • Projects were very optimistic at the outset of the MIP as a means to secure long-term funding. The main issue espoused concerned: How to be more realistic in assessing project resources without jeopardising the uncertainty about procuring Community financial support.
2.2.2 How would you rate these issues as strengths or weaknesses of the MIP Programme?							
a) Concentration of funds in specific large projects of TEN priority, Priority Projects (PP) and Group of Projects (GR) with no dispersion over a large number of projects.							
Strength Relevant	The long-term programming is an advantage. The Transport Ministry and DB Netz coordinate the planning based on the actual national legal regulations in the frame of middle and long time frame for railway projects. Planned or allowed funds are considered accordingly It is an advantage to concentrate EL	Strength Relevant	In two main ways this is viewed as a strength: • Priority Projects in Spain: allow for the inclusion of new PPs • Groups of Projects: there is the need to be able to include other projects. A weakness of the MIP is that it is set-up only for Priority Projects (Essen). The MIP is viewed as being useful only if	Strength Relevant	The current ratio and priorities for funding should be maintained as is with the actual number of MIP projects maintained.	Strength Relevant	No comments

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
	<p>advantage to concentrate EU-funding on priority projects to gain a higher acceleration effect. However, the funding of smaller projects is reasonable, because the funds replace resources of DB AG, so the project progress can be accelerated.</p> <p>Furthermore the funding of studies with a 50% intervention rate would be helpful.</p>		<p>the MIP Revision will allow for the inclusion of new projects because the 1996 TEN-T guidelines (Decisions 1692/96/EC) and the corresponding transport networks are no longer in line with Spain's actual plan.</p>				
b) Multi-annual programming of projects by promoters.							
Strength Relevant	<p>MIP is an advantage and provides a good basis for long-ranging planning of project financing.</p>	Weakness Relevant	<p>Multi-annual programming is more negative for Project Promoters:</p> <ul style="list-style-type: none"> It is very difficult to establish a plan for a long period of time. Grants are generally a small percentage of the overall costs and are primarily dedicated to studies. Studies in MIP do not get the full 50% EU financing, with the result of a difficulty in achieving the study, since Spain originally proposed the study budgets with the 50% EU financing in mind. Thus, studies are faced with a decreasing financing over a long period of time. The same is true, to a lesser degree for implementation works, where EU financing is usually less than the maximum 10% co-financing and where Cohesion Funds play a major role in co-financing Spanish projects. Most MIP funds for Spain go towards studies. 	Strength Relevant	<p>This is a particular strength for Project Promoters as they have future secured financial support. This situation has also benefited the Government.</p>	Strength Relevant	<p>There was a desire from Project Promoters to secure EC financial support for their projects as a lump sum.</p> <p>Public-Private Partnerships are easier with the backing of Community financial support.</p>

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
c) Multi-annual commitments of funding in comparison to multi-annual programming of projects whereby project funding is done on a year-by-year basis based upon annual PSR.							
Strength	<p>The annual decisions are an advantage regarding the discipline in project progress</p> <p>Basis of the annual decisions is the PSR.</p> <p>In the beginning of MIP, this was not clearly communicated In the context with the revision of MIP are the questions:</p> <ul style="list-style-type: none"> • What happens after 2006? • Will the revision of TEN-T guidelines have an impact 	Strength Relevant	<p>Negative aspect is that PSRs forms are too rigid to reveal overall project progress.</p> <p>Positive aspect is that the EC requires less information from Spain.</p>	Weakness Relevant	<p>It has clearly not been sufficient to rely purely on the current PSR. PSRs sent to the EC (and DFT) have generated an enormous number of queries.</p> <p>There is a definite and urgent need for more guidance to firm up what the EC expects from the PSR.</p>	Strength Relevant	<p>This is consider as an exercise that is transmitted by the French MoT to Project Promoters. From the viewpoint of the French Representatives, the Project Promoters consider it a constraining exercise, as it is very difficult to predict for specific years with high certainty for a major infrastructure project, with all possibilities for delays.</p> <p>This is a flexible aspect of the MIP that is preferred by France because annual budgeting also exists with multi-annual programming.</p> <p>The PSR is a bit complex and hard to follow form some Project Promoters in France. The PSR is sent to Project Promoters (e.g. RFF) by the MoT (DTT and DR):</p> <ul style="list-style-type: none"> • They have a good idea on the requirements: Sent to the regional RFF Direction that manages the project. They do not always have a clear idea of PSR requirements. • They are not aware of the EU functioning for the MIP. • RFF does not necessarily explain all requirements to its regional Directions. <p>Another main issue is the relationship between annual tranche and functional tranche: there is an apparent lack of visibility of physical progress of specific projects.</p> <p>A conclusion for this question was the suggested need for a “real” manual for the MIP.</p>

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
d) Payment of TEN-T funds in line with project progress, according to reported vs. planned costs and expenditures							
Strength Relevant	<i>Comment of EU:</i> No difference between Project status and cost profile.	Weakness Relevant	<p>The payments (grants) do not really respond to the progress of projects. There is a need for more flexibility: costs should not be attributed on an annual basis, e.g., for GR1008, there is an EC grant of EUR 7 million for EUR 34 million in costs. Spain's opinion is that if there is a grant of EUR 2 million, then the overall costs for the Member State should be EUR 4 million.</p> <p>Spain expressed the view that they are punished twice:</p> <ul style="list-style-type: none"> • Small percentage of grant in comparison to overall costs, and • Have to invest overall amount to get the grant. <p>However, if Spain had known at the outset the level of the grant, instead of proposing, for example, EUR 34 million to get EUR 7 million, they would have proposed EUR 14 million to get the maximum 50% of EUR 7 million.</p> <p>The proposed solution from Spain is:</p> <ul style="list-style-type: none"> • Revamp the MIP decision by re-estimating the total costs to rectify situations like the one for GR1008 and to reach an overall EU financing of 50% for studies and 10% for works, • Attribute 50% ratio Community support for the first years of a study and then the Member States do the remainder of the activities on their own in the last years, i.e., reduce overall annual costs in the first years such that the grant equals 50%. <p>Another issue is:</p> <ul style="list-style-type: none"> • For the non-MIP projects, there is a low level of support for year 1, but this can be recovered in subsequent years based on project progress. 	Strength Relevant	For some UK projects (e.g. CTRL), the final claim has been settled more rapidly than before the MIP – this situation might be coincidental.	Strength Relevant	<p>This is the only criterion and there is the issue: Should there be more criteria?</p> <p>The main criteria of planned vs. reported expenditure has several factors:</p> <ul style="list-style-type: none"> • Easiest to measure in a uniform manner (across projects and countries), and • Other criteria would bring into play the variability of indicators for “different” projects and it would be even more difficult to define uniform technical indicators for studies.

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
			<ul style="list-style-type: none"> Whereas, for MIP projects when the total grant is low at the beginning, this means that they are stuck in this situation for the whole MIP programme duration. 				
e) Discipline: No more than 2 open decisions, i.e., MIP 2001 financial decisions should be closed and final payment claims received for 2001 prior to MIP Financial Decision for 2003.							
Strength Relevant	No comments	Strength/ Weakness Relevant	<p>The response from Spain is that this is both a strength and a weakness:</p> <ul style="list-style-type: none"> Negative because it is a restriction. Positive because it is a logical rule. <p>The main difficulty is that at the beginning of the MIP, this rule did NOT exist – it was foisted upon the Member States (Spain) after the start of the MIP. Spain's proposal is to permit for 3 open decisions, which would be better for many projects in Spain and enable completion of unforeseen tasks and delays such as undertaking an environmental impact assessment and public consultation.</p>	Strength Relevant	UK DfT: we are all in favour of financial discipline for major projects.	Strength Relevant	It is pertinent to close decisions to avoid having too many open decisions at one time. The flexibility of having several open decisions often means that the project is not progressing. This requirement avoids Community support being provided to projects that are not progressing.

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
f) Lack of physical indicators or targets defined in order to provide a clear cut in progress for completion of activities for annual decisions.							
Strength Relevant	Costs are good indicators of the project progress. Material indicators are hardly to evaluate. No other alternative is anticipated. Discussion was made about the content of the various annexes of the PSR. The annual decision has to have effort or contracts, building the basis for documentation/ surveillance of the project. See annex of decision 2002.	Strength Relevant	Spain is only willing to accept the inclusion of physical indicators or targets for works and not for studies.	Weakness Relevant	UK DfT: This would make it a lot more bureaucratic if one tried to break it down into discrete parts. For the UK DfT, this issue is irrelevant because they rely on the reports of other technical units in the DfT. EC: As the "decisions" made are very vague (description of the "activities" is often for the entire project) perhaps there is a need for more precise description of the decision. It was generally agreed that there needs to be a one-to-one correspondence between the "Decision" and the PSR, i.e., the exact details of the activities covered by the Decision need to be more pinned down and followed through in the corresponding PSR.	Weakness Relevant	Such indicators/targets should be included, but they should not be used as a basis for an "evaluation" or decision. The main difficulty would be to find a single indicator that would be common to all projects. The idea of introducing common physical indicators was rejected due to the diversity in project types. Financial indicators are common and standard across all Member States and Project Promoters and cannot be contested. Technical indicators: PSR – At end there is a section and if we add more conditions, the Project Promoters would contest them The technical logic does not usually have an annual basis. Difficult to find technical indicators to report on an annual basis, since physical phases in projects do not usually correspond to calendar years.
g) Difficulty by projects in reporting project year progress covered by the MIP Annual Decision, as required by MIP in 31st January each year versus actual project status.							
Weakness Relevant	See also 1.2.2. The deadline 31 st January is hardly to meet by the project executing organisation. It was recommended to displace the deadline for the PSR by a later date.	Weakness Relevant	Spain has proposed extending the deadline to the 28 February as the 31 January is too close to the end of the fiscal year in Spain, i.e., 31 December.	Weakness Relevant	This issue is related to the problem of definitions of costs and commitments (need for them to be clarified with clear guidance).	Weakness Relevant	The decision at the end of the year is a bit problematic for Project Promoters, however they are now used to these dates: <ul style="list-style-type: none"> • MIP Annual decision means the requirement to respect the MIP rules, and • This is another aspect of securing Community financial support.

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
h) Annual deviations/shifts of expenditures/costs profile of projects in comparison to those estimated in Application forms and previous PSRs.							
Weakness Relevant	Misunderstandings of calendar year and project year of MIP decision.	Strength Relevant	The idea of re-estimating the total costs to conform to the 50% maximum ceiling of EU financing was answered in previous questions (b) and (d).	Strength Relevant	We are still in the early years of the MIP: should be able to have a better view on annual deviations/shifts in later years UK DfT suggestion: PSRs should be re-titled as "PSR-Application Form", as they entail both past activities covered by the Decision and future activities for evaluation in following Decisions.	Weakness Relevant	There was a lot of optimism for the first phase of project at the outset of the MIP. In other words, some of the original planned expenditures for projects were set at the end of 2000 on a political level. Now, we have to adjust our original forecast (optimism) to reflect the current reality. A problem with the MIP is the need to have more flexibility with planned expenditures.
i) Little flexibility under MIP to accommodate delays and non-absorption of budget implementation (lost money).							
Weakness Not relevant	No comments	Strength Relevant	No comments (same as above)	Weakness Relevant	The UK has no experience with this situation because it has not been tested as budgets have been well absorbed and the consequences are therefore unknown. In theory, if there was some flexibility, it would be a strength and relevant to the UK. For example, the CRTL project received a total grant of EUR 10 million in 2002 in lieu of the planned EUR 5 million. In order to adhere to the maximum level funding for the MIP period 2001-2006, it is planned that this project will have an incremental reduction in support of EUR 5 million over the period 2004-2006 with no change in the overall level of EC financial support.	Weakness Relevant	There is a significant variance between projects in terms of their readiness: some are mature, other less mature and some are not ready. At this stage in the MIP, there seems to be more disadvantages than advantages. The French MoT needs to focus on Priority Projects and they would like to have them fixed.

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
j) Lack of manoeuvrability in current MIP budget for starting new projects and initiation of projects in new Member States.							
Weakness Relevant	No comments	Weakness Not relevant	No comments	Weakness Not relevant	The UK has no projects in this situation. No new projects are currently in the plan. The UK Transport Master Plan was published in 2000 (at the same time of the MIP) and goes up to the year 2010.	Weakness Relevant	There are Cohesion funds for the new Member States: they should not necessarily get TEN-T financial support, except for cross-border links. The French MoT representatives outlined several points related to MIP vs. non-MIP projects: <ul style="list-style-type: none"> MIP projects were defined at the outset and Priority Projects should be a major part of the budget. At the outset, there was pressure to get projects on the list of Priority Projects. Those in the MIP received secured funding and those not on the list received no Community financial support. The constraints of the MIP help the French MoT to inform Project Promoters that a project will receive funding over a specific time span. Non-MIP projects should be for other projects and money not consumed by MIP projects should be re-allocated to non-MIP projects like Galileo and horizontal or trans-European projects.
2.2.3 What are the advantages and disadvantages of non-MIP TEN-T financed projects compared with MIP programming and financing?							
Advantages MIP is a long-term consent with annual budgets. MIP benefits priority projects and studies in connection with sophisticated projects. MIP provides a certainty on estimated available resources depending on the project progress.		Advantages Community support is secured at the outset which affords more stability for programming of large projects, but the level of support is still decided on an annual basis. There is less work because of the concentration on a smaller number of projects each year. The MIP is a logical approach for the European Commission.		Advantages Non-MIP final claims take months to get cleared, whereas MIP final claims seem to be processed quickly. Larger projects have secured funding over several years. Less paperwork for the MIP with no Detailed Application to submit each year.		Advantages Non-MIP projects are interesting and useful for the study phases (Feasibility Study, Technical Specifications, etc). These types of studies are very time-consuming and are dependent upon political decisions and project preparation (e.g., public acceptance, mitigation, etc.): difficult for them to be in a multi-annual programming process. These studies require flexibility with time. Thus, non-MIP can target such projects.	

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
<i>Disadvantages</i> Non-MIP is more flexible in the adoption of new projects due to the annual application. An accelerated project progress doesn't lead to the loss of funding.		<i>Disadvantages</i> With the MIP, there has been a related reduction in the number of non-MIP opportunities for Community support. Also, in non-MIP, there is more opportunity to attain around the 50% EU financing for studies.		<i>Disadvantages</i> Over a long period, the projects may have changed scope and focus. Non-MIP accommodates major changes in project scope.		<i>Disadvantages</i> No secure funding over a multi-annual time horizon as MIP.	
2.2.4 In light of the revision of the MIP for 2004 till 2006, what would you propose as ideas to tackle some of the drawbacks and to enhance the strengths identified for the MIP Programme?							
a) Multi-annual RE-programming and allocation of budget for the continuing MIP projects.							
At the moment the revision of the MIP (2004/2006) is made. From view of DB AG the increase of the intervention rate to 20% would be desirable. At least an intervention rate of 10 % for projects and 50 % for studies should be reached.		Require Member States to only report the percentage that are related to 50% for studies and 10% for works as a ceiling requirement. There is a need to have the flexibility to shift money from slow projects to fast track projects. Remark from the European Commission: What about the idea of setting aside an annual reserve (of Community support) per country for fast track projects and shifting between 'slow' and 'fast' projects, but it must be absorbed each year within each Member State		It would be useful to spell out more precisely – for a given “decision” – the planned activities, rather than have decisions which are general for the entire duration of the project. Re-programming: the UK does not know yet, at the date of the interview, how to proceed with the re-programming. This will be analysed in the coming weeks in concertation with the European Commission.		Several issues were outlined: • A Vade-mecum (Manual or Handbook) would be useful with a specification of key dates and related requirements. • Annual funding for a given year: there is a need for flexibility to make minor changes. • French government audit has created some uncertainty about the future of some projects currently in the MIP.	
b) Administrative Process for project cycle (Application Form, Project Status Reports (PSR's), Annual Decisions, Closures, and annual deadlines).							
A comprising manual to the regulations of MIP would be helpful. Besides procedure descriptions to execution/time tables of MIP it should contain explanations regarding the reports/report forms, including the annexes, clear definitions of terms.		The establishment of a PSR that is more clear and understandable to Members States and Project Promoters would be useful. The PSR should be modified to separate to ambiguity between Annual Decision (calendar year) and Global Decision.		Development by the EC of comprehensive guidance would be very well received by the UK and Project Promoters. The PSR 2003: the issue was raised concerning which format to use with the inclusion of both tables considered useful. The main problem relates to the need for guidance to go with the tables.		The tools for the MIP are not used at the Member State level: • They go to the Project Promoters. • The French MoT serves as central point for receiving and despatching information and requirements related to the projects. It was noted that some Project Promoters are implicated in the MIP process (frequent contact with the EC Desk Officer, completion of PSRs, whereas, others are much less involved in the process. The actual monitoring process is sometimes undertaken directly with the Project Promoters.	

Responses from Member State Authorities									
Germany		Spain		United Kingdom		France			
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment		
2.2.5 Has your Ministry prepared a plan for MIP financed projects for the next phase (2004-2006)?									
Yes		Yes		No		No			
<i>If so, what criteria are used to define and select continuing or new projects? What basis is made for estimating the cost estimates for the proposed continuing and new projects?</i>									
Work on the plan is under way.		Discussions have been undertaken in Spain, but no written plan has been established. It is not the goal of Spain to develop a written plan, they intend to make adjustments to the original plan in favour of continuing actual projects without the addition of new projects. Some modifications to current projects will be proposed based upon updated knowledge of the project's current status. For example, for the Figueras-Perpignon project (a key Priority Project link), the Community support for 2002 was lost due to delays in commencing the project and difficulties in closing the 2001 Decision because establishment of a concession was very complicated with a number of offers to evaluate – they now know a lot more about the costs. This project will be proposed in the MIP Revision as a “modify” to secure the Community support that was lost in 2002.		At the time of this interview the UK had not been made aware of any upcoming deadlines regarding MIP 2004-2006. There are no new projects anticipated for the UK, only continuing projects. Some projects in the “GR” group of projects might be re-defined due to change of scope and priorities.		The French MoT is currently considering their approach and strategy. The updating of programming is currently being analysed. It was noted that the deadline is the 15 May 2003.			
2.2.6 Is your fiscal year the same as the European Commission?									
Yes		No		No		Yes			
<i>If not, what is the impact on your budgeting process and how do you deal with this timing difference?</i>									
The fiscal year is the same. The project executing organisation needs more time to fill in the costs and expenses. In January not all figures are available.		Spain has proposed extended the deadline to the 28 February as the 31 January is too close to the end of the fiscal year in Spain, i.e., 31 December.		The fiscal year for the DfT is the end of March. This situation makes life somewhat difficult for the UK Government and some Project Promoters in defining costs and commitments by the end of January each year.		The fiscal year for the French Government is the 31st December. However, the fiscal year for some Project Promoters can vary.			
2.2.7 Are there any specific areas where you feel improved guidance would be of assistance?									
See also 2.2.4 b) Yes. A manual with a clear time table/definition of procedures and timetables for every year is necessary.		It is necessary to propose procedures that respond to the MIP requirements (rules): <ul style="list-style-type: none"> Improve the guidance (via a Manual) and simplify the rules. For the PSR, there is a need for improvement on the “committed” versus “expended” aspects because 		PSR process (provide specific guidance): the PSR in reality counts as an application for future years. There is a need for clear definitions of the terms for filling in the forms. Final claims: The provision of detailed guidance on closure of Decisions would be useful.		<ul style="list-style-type: none"> Guidebook (Manual): provide precise dates for and clarify the roles of EC, Member States and Project Promoters. Simplify procedures, less procedures are better. For TEN-T, there is a need define clearly the role and responsibilities of beneficiaries (final). 			

Responses from Member State Authorities							
Germany		Spain		United Kingdom		France	
Answer	Comment	Answer	Comment	Answer	Comment	Answer	Comment
		<p>“committed” is for an Annual Decision and “expended” is for the global view of the project – a definite cause for confusion from Project Promoters.</p> <p>Example: For PSR 2003, there will be six tables, two for each Annual Decision.</p>		<p>The UK made the recommendation that the EC develop an overall summary of the current status of the MIP in terms of:</p> <ul style="list-style-type: none"> • Setting of context: summary of current projects in all Member States, overall funding committed vs. still to be committed. • How things are going: Number of projects on track (final claims on time or late), projects running late, etc. 		<ul style="list-style-type: none"> • Need to clarify the role of each actor and define the responsibilities of each, i.e., explain clearly what the Member State has to validate or what it does not need to validate. 	
2.2.8 What is your overall view of the MIP in terms of multi-annual programming of projects with the annual budgeting process?							
		<p>There was a problem in 2002 because the non-MIP Community support was dedicated only to multi-national projects.</p> <p>As already noted, there is a lack of flexibility in the six year MIP plan where a given sum of Community support is allocated to a specific project, but some projects will not be able to absorb this support due to delays in spending the expenditures planned at the time of application.</p>		<p>The current process is the RIGHT way to do it because it is necessary for the financial discipline of projects.</p> <p>The MIP projects for the UK are in the 10-year Transport Master Plan. So, the UK would go ahead with them with or without EC financial support (TENs money).</p> <p>Rail projects: difficult issue due to the collapse of Railtrack. Notwithstanding, the MIP projects are safe due to high exposure and importance of these projects (TENs money), although changes in the precise scope might need to be considered.</p> <p>GR1087 – Study for Kings Cross-St Pancras High Speed Trains Interchange Station and New Rail Links: this project is not to be cancelled, rather it is only deferred.</p> <p>Also, work on Felixstowe-Nuneaton has also been deferred subject to availability of additional funding.</p>		<p>In France, they are used to this paradox because they have the some constraints associated with multi-annual projects and annual budgeting (with local communities).</p> <p>The French Representatives think that the MIP has created more paperwork for the DG-TREN Desk Officers.</p> <p>In response to the question of the relationship to each decision having one technical milestone, the French Representatives indicated that this would be a good idea in principle, but how would such a milestone be measured. The EC is mostly financing. If we start to give technical as well as financial indicators, then we move away from the financial support objective of the Community support. For example, RFF financial personnel are not really versed in the technical and physical progress of their projects.</p>	

19. ANNEX 7: TEMPLATE: QUESTIONNAIRE FOR MEMBER STATE REPRESENTATIVES IN <COUNTRY NAME>

This annex comprises the most recent version of the template for the questionnaire for Member States' authorities. It should be noted that this questionnaire went through a series of iterations prior to each of the interviews and that specific sections were developed for each Project Promoter interviewed.

The following hyperlink provides access to this file in PDF format:

[Annex 7 WP4 Issue6 doc ctrl 23Apr03 MS Questionnaire.pdf](#)



20. ANNEX 8: DETAILED RESULTS OF CONSULTATIONS WITH DG-TREN

This Annex provides the detailed results of two rounds of consultations the Technical Assistance Consultants had with EC DG-TREN Officials in Unit B3-TENs Management and with other Directorates and Unit involved in the TEN-T Programme, respectively.

20.1 CONSULTATIONS WITH OFFICIALS FROM DIRECTORATE B, UNIT B3-TENS MANAGEMENT

20.1.1 Background of Consultations

A series of discussions were undertaken on the 6, 13 and 14 March 2003 – in liaison with the DG-TREN B3 Official in charge of this activity, Mr Jorge de Britto – with EC Officials in the EC DG-TREN Directorate B, Unit 3-Trans-European Networks Project Management who have a direct role in project and financial management of TEN-T projects.

The following persons from Unit B3 participated in the discussions during the two days:

- Jorge de Britto Patrício-Dias, Principal Administrator and Official in charge of the EVAMONTEN-T Technical Assistance Contract;
- Gudrun Schulze, Administrator;
- Alain Baron, Administrator, Chef de la Cellule, Budget Réseau transeuropéen de Transport;
- Adrian Neale, Financial Officer, Financial Cell;
- Alexandros Sotiriou, Desk Officer for Greece;
- Ana Isabel Rios Olmedo, Desk Officer for the United Kingdom and Luxembourg;
- Antonio Scala, Officer in Charge of Procedures RTE; and
- Joachim Schneider, Desk Officer for Austria and Germany (non-rail).

20.1.2 Preliminary Issues

At the outset of the internal DG-TREN consultations regarding the MIP revision, the following issues have come to light:

- Will the current MIP projects for 2004-2006 absorb the whole programmed amount for the period of EUR 1 283.6 million?
 - What about projects in the current MIP that have forecast more costs than those originally planned?
 - How will budget differences between planned and actual costs be made?
 - Will “lost money” in the MIP phase 2001-2003 be recovered in the second MIP phase 2004-2006?
- How much space will there be in the budget for new projects: for current Member States and for New Member States?

- How can we improve the MIP rules in order to provide a smoother work flow for both Project Promoters and Member States on the one hand, and the European Commission, on the other, while ensuring a fair and accurate reporting of work undertaken in relation to each annual Financial Decision and subsequent smoother processing of requests and claims?

Since then:

- Member States have provided in May 2003 their proposals (i.e., Application Forms) for MIP Revision 2004-2006 funding with some exceptions extending the deadline to the end of July 2003.

The following sections provide a detailed summary of each consultation. The last section of this chapter provides a summary of the main issues and recommendations emanating from this series of interviews with these Officials.

20.1.3 Summary of Consultations

20.1.3.1 First Meeting with DG-TREN Unit B3 Officials on 6 March 2003

The meeting began with a discussion on the PSR template. DG-TREN Officials pointed out that the table and associated headings have been interpreted differently by Member States and Project Promoters, thereby causing a lot of complications.

The following notes provide an overview from the perspective of DG-TREN Officials of a number of the issues related to the PSR and the MIP in general, and the main difficulties encountered by Member States and DG-TREN:

- The MIP is an annual programme with the requirement of reporting and costs submission of each project on an annual basis, irrespective of project completion.
- Rail companies: it is generally difficult for them to identify contracts that are attributed to the MIP. In several rail implementation projects, some of the recurrent problems that arose are:
 - Several projects had already started prior to the MIP and in the Application Form there were no clear details what is under MIP and what is not under MIP, and
 - In the reporting (PSR), projects were reported as a whole and a clear difficulty is found in separating the MIP-financed parts of the project, both from the technical and financial side.
 - An important issue is the differences between the project reporting and accounting features within and between the Member States, and the requirement of the Commission for PSRs to be submitted on the 31st January for each reporting year.
- There was a discussion on a comparison of the current MIP process and the pre-MIP process prior to the introduction of the MIP rules in 2001:
 - An advantage of the MIP process is that it provides a consistent and regular reporting and monitoring fixture with more discipline, albeit at a higher administrative effort by the Commission, while the non-MIP process provides more flexibility for project implementation in engineering terms, but at a risk of delayed reimbursements and extension into many years.
 - In response to this, the idea was discussed that annual reporting to MIP can be seen as an “artificial” separator to improve the efficient reimbursement of funds vis-à-vis costs incurred during the year without a real connection to the physical implementation and status of the project. This is perhaps particularly relevant in large infrastructure projects where delays are normal and frequent, for a variety of justifiable reasons.

- This is in contrast to the pre-MIP time when projects had to be fully completed before final payment was made, resulting in longer time spans for reimbursement.
- In the PSR, regarding the list of contracts let by the Project Promoter, DG-TREN Officials pointed out that the EC is not interested in a long list of project implementation reports.
 - The original objective was to leave some flexibility in the reporting process. This flexibility has unfortunately led to a wide variance of project reporting by the Member States and Promoters in the PSRs, ranging from a one-line “project title” to very detailed and “somewhat superfluous” project reporting with no clear indication of project completion vis-à-vis project status at application phase, apart from costs incurred vs. planned.
 - The situation is compounded by the fact that Officials at DG-TREN Unit B3 are sometimes each responsible for monitoring as many as 30-40 projects, thus making it increasingly difficult to sift through large stacks of paperwork and provide a complete and consistent assessment of project status.
 - The main point is the need to be able to compare later on when closing the project.
- A sort of “time-creeping” effect may occur for projects due to delays in project phase completion beyond the annual completion date and the resulting “overlap” in project phases (that of the current and previous years):
 - In some cases, project phases for MIP 2001, 2002, and 2003 are overlapping with no clear distinction of the tasks/activities between the specified years.
 - Currently, the requirement is to have each annual project phase to take no more than a maximum delay of 2 years to avoid cancellation, i.e., all open MIP 2001 project Financial Decisions have to be finalised and reported for completion by January 2004.
- Cohesion countries had an easier time using the model because the funding they received is mostly for studies (they receive Cohesion funds for many of their infrastructure projects, and they are accustomed to establishing separate accounting for large Cohesion projects).
- MIP Process: DG-TREN feels that the Application Form (2001-2006) is too general and the need exists for clear and definite performance indicators for project description/application and assessment for monitoring and closure.
- The PSR 2003 is a new Model (template) which has been revised to include the “Cost of Activities” into two formats.
- The problem facing DG-TREN with the completion and finalisation of annual project phases is to have a consistent and harmonised framework for evaluation and monitoring and a mechanism to assess the degree of completeness (both technical and financial) of the project:
 - This is complicated by the fact that no consistent framework for project description or indicators for monitoring, other than costs and expenses incurred on an annual basis, were identified at the Application Phase at the start of the MIP Programme in 2001.
 - No complete Glossary and definitions of Terms exist for a consistent and harmonised understanding by Member States on how to report in the PSR. This is seen in the PSR submitted in 2002 for reporting the first MIP phase of 2001. DG-TREN provided examples of the PSR-2002 for the reporting of projects in 2001.

The discussion culminated with DG-TREN’s view regarding the role of WP4 whereby the MIP Revision activity of the Technical Assistance consultancy contract (EVAMONTEN-T) is to provide recommendations on how to resolve issues related to the MIP, particularly in the revision of the MIP in 2004, with the requirement to close projects from previous annual decisions and to instigate a revised set of rules that seek to mitigate some of the shortcomings seen in the implementation of the MIP 2001-2003 to allow for a more efficient application, monitoring and closure of MIP projects.

20.1.3.2 Second Meeting with DG-TREN B3 Unit Officials on 13-14 March 2003

20.1.3.2.1 General Issues

There was a discussion on the issues surrounding the MIP and non-MIP projects, the main points are summarised hereafter.

- The MIP projects concerned with works i.e., implementation, are major undertakings in infrastructure requiring major works over a number of years, with delays usual due to legal, environmental and technical reasons unforeseen at the time of initiation. The current MIP rules are strict in these terms (i.e., in the penalties for non-complete absorption of budgets within the programmed period) and the requirement to submit a PSR by the end of January each year. (Note: PSRs for non-MIP projects are due at the end of March each year).
- The PSR is complemented by bilateral contacts in the Member State: usually one person from DG-TREN for a Group of Projects, covering several modes e.g., Rail, Airports and Ports.
 - In general, for 20 to 40 projects, there is one DG-TREN contact per Member State. Monitoring is best accomplished by constant communication, contacts, and visits to the Member State and Promoters. Many desk officers in DG-TREN have between 30-40 projects with open annual decisions to monitor as workload which means it is currently a major task to monitor costs and expenditures.
 - In summary, given this current level of responsibilities and concomitant workload, it is impossible to foresee the prospect DG-TREN Desk Officers undertaking additional tasks such as collecting and evaluating more intricate performance indicators.
- There were there main comments expressed on the advantages of the MIP versus non-MIP:
 - The most pragmatic approach to see how the project is progressing is to undertake on-site visits (seeing is believing);
 - The relationship between Studies and Infrastructure projects is the relative difficulty in studies to sometimes provide tangible and visible milestones
- MIP advantages were expressed as:
 - Long-term commitment,
 - Commit all the money at the outset, and
 - Guarantees a certain amount of money for key and important projects.
- The issues related to non-MIP funding can be summarised as follows:
 - Difficulties with not knowing if continued funding can be guaranteed. In the current rules, annual PSRs are submitted for non-MIP projects and there is a risk of stoppage/reduction of financing. There are no multi-annual commitments such as for MIP projects because TEN-T financing operates on an annual budget basis. Prior to EC 2236/95, there were very few projects and there was no need of annual progress reports (PSRs).
 - Delays and project duration can be drawn out without any means of influencing the pace of project progress.

N.B: Since this meeting, it has been clarified that this is no longer true because of the effect of RAL (*Reste à Liquider*) which has shown that in 2001 and 2002 projects were closed very quickly, but taking into account the significant support lost by recommitting financial resources.
- A major goal or target of Community support is to provide added value to the Projects.

- Currently, the majority of 2001 MIP projects have two open decisions requiring to be finalised (including the final payment claim submitted for the 2001 Decision) by mid-2003.

In conclusion, one view was expressed that we should “drop the MIP as it is now.” This view was expressed as in favour of long-term commitments without all these constraints on dates which are prohibitive for managing projects and impose artificial constraints that have little relevance for physical project progress. The Official also made two additional remarks:

- At the outset of the MIP, DG-TREN requested to the European Commission to have multi-annual budgeting in line with the multi-annual programming, but was told that there must be Annual Financial Decisions.
- Furthermore, if the Technical Assistance Consultants undertaking the MIP Revision review propose that the MIP rules should be adapted in order to be more flexible, then maybe their will be some modifications/improvements to the current system.

20.1.3.2.2 Financial Issues

Following the general discussion, a series of issues related to financial aspects were noted as follows:

- Financial reforms that have been instigated recently in the EC have resulted in more procedures, more control and less flexibility in overall financial management. This is particularly true for large infrastructure projects.
- Procedures and steps are now required for monitoring, evaluation, follow-up and closure of projects.
- MIP budget versus programming: At the conception of the MIP, it was assumed that DG-TREN would have the multi-annual commitment with multi-annual budget. Now, however, there are no multi-annual commitments because of the obligation to adhere to annual budget procedures.
- Flexibility in MIP: the decision +2 years maximum extension (6 months to report) to complete the budget *tranche* provided in the *Annual Decision* really means that the MIP projects are managed like non-MIP projects.

For example: The West Coast Main Line in the UK is delayed but the UK is expecting to get the money later even though the decisions for 2001 and 2002 have been lost for the project. Community support has not been given so far due to delays in the project.

- Multiple MIP decisions in 2002: An explanation was provided regarding the various funding decisions in 2002 (MIP 2002 I Part A, MIP 2002 I Part B, MIP II, Galileo, and non-MIP 2002), due to the requirement for DG-TREN to get funding approved as and when available. In general, the procedure is more streamlined with fewer decisions. It was asserted that 2002 was probably a hybrid year that will not be replicated in 2003 (and onwards).
- The PSR is designed as a record for quick analysis and preliminary evaluation:
 - There is currently a “two-track” approach (Fast track and Slow track). The due date for submission of the PSR by the 31st January each year it is one indicator relating to whether or not a project is on the fast or slow track.
 - An idea proposed, in order to avoid the large number of outstanding MIP Decisions, is to include all “fast track” projects that show a good *budgetary consumption* in an early MIP Group of decisions made by May or June each year.
 - Other PSRs for projects that have had some problems can be decided upon by a later MIP Group of Commission Decisions in October. This proposal would provide an efficient

means of processing the PSRs and give an advantage to “well-functioning and reported” projects.

- If the MIP PSR submission deadline of 31st January were shifted to say mid-March, then Member States would submit the MIP PSRs in May or June.
- A useful indicator in the PSR is value of work done versus value of work planned.
- MIP rules and “lost money” will come into play now because 2003 is a crucial year where it is not possible to have more than two on-going open Financial Decisions at one time.

In conclusion to the financial issues outlined above, several options were espoused for a MIP project which has two open Financial Decisions on-going:

- Finalise the MIP 2001 Financial Decision and submit final payment claim for the full financing (ideal case), or
- Modify a Financial Decision, which is a heavy and cumbersome internal DG-TREN procedure, or
- Submit a Final Report for 2001 (lose money by use of de-commit procedure) in order to get a 2003 decision: Example: Lose part of 2001 money (say €2 million) to get all of 2003 money (say €10 million) – the loss is less than the gain, or
- Suspend the project: This case happened in a project from Portugal due to the government not wishing to pursue the continuation of the study and project.

In either case, if a project does not use all the money within the “2-open Financial Decisions” rule, the surplus gets lost for that project and for the TEN-T budget because money committed by annual Financial Decisions can not be recovered for past budget years.

20.1.4 Summary of Main Issues identified by DG-TREN B3 Unit Officials

<i>Issue</i>	<i>Description</i>
Application stage	<p>MIP Process: DG-TREN feels that the Application Form (2001-2006) is too general and the need exists for clear and definite performance indicators for project description/application and assessment for monitoring and closure.</p> <p>For MIP: An advantage of the MIP process is that it provides a consistent and regular reporting and monitoring fixture with more discipline, albeit at a higher administrative effort by the Commission.</p> <p>For non- and pre-MIP: The non-MIP process provides more flexibility for project implementation in engineering terms, but at a risk of delayed reimbursements and extension into many years. For example, there are difficulties with not knowing if continued funding can be guaranteed. In the current rules, annual PSRs are submitted for non-MIP projects and there is a risk of stoppage/reduction of financing. There are no multi-annual indicative budgets such as for MIP projects because TEN-T financing operates on an annual budget basis. Prior to EC 2236/95, there were few projects and there was no need of annual progress reports (PSRs).</p>

Issue	Description
The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems	<p>MIP Rules: The current MIP rules are strict in these terms (i.e., in the penalties for non-complete absorption of budgets within the programmed period) and the requirement to submit a PSR by the end of January each year. Given the current level of responsibilities and concomitant workload, it is impossible to foresee the prospect DG-TREN Desk Officers undertaking additional tasks such as collecting and evaluating more intricate performance indicators.</p> <p>MIP annual reporting: Annual reporting to MIP can be seen as an “artificial” separator to improve the efficient reimbursement of funds vis-à-vis costs incurred during the year without a real connection to the physical implementation and status of the project. This is perhaps particularly relevant in large infrastructure projects where delays are normal and frequent, for a variety of justifiable reasons.</p> <p>Wide variance: The original objective was to leave some flexibility in the reporting process. This flexibility has unfortunately led to a wide variance of project reporting by the Member States and Promoters in the PSRs, ranging from a one-line “project title” to very detailed and “somewhat superfluous” project reporting with no clear indication of project completion vis-à-vis project status at application phase, apart from costs incurred vs. planned.</p>
Reporting, monitoring and project management system	<p>PSR template: the table and associated headings, particularly in the starting years of MIP process, have been interpreted differently by Member States and Project Promoters, thereby causing a lot of complications.</p> <p>In the PSR, regarding the list of contracts let by the Project Promoter, DG-TREN Officials pointed out that the EC is not interested in a long list of project implementation reports. The original objective was to leave some flexibility in the reporting process. This flexibility has unfortunately led to a wide variance of project reporting by the Member States and Promoters in the PSRs, ranging from a one-line “project title” to very detailed and “somewhat superfluous” project reporting with no clear indication of project completion vis-à-vis project status at application phase, apart from costs incurred vs. planned.</p> <p>The PSR is designed as a record for quick analysis and preliminary evaluation:</p> <ul style="list-style-type: none">• There is currently a “two-track” approach (Fast track and Slow track). The due date for submission of the PSR by the 31st January each year it is one indicator relating to whether or not a project is on the fast or slow track.• An idea proposed, in order to avoid the large number of outstanding MIP Decisions, is to include all “fast track” projects that show a good budgetary consumption in an early MIP Group of decisions made by May or June each year.• Other PSRs for projects that have had some problems can be decided upon by a later MIP Group of Commission Decisions in October. This proposal would provide an efficient means of processing the PSRs and give an advantage to “well-functioning and reported” projects.• If the MIP PSR submission deadline of 31st January were shifted to say mid-March, then Member States would submit the MIP PSRs in May or June.• A useful indicator in the PSR is value of work done versus value of work planned.

Issue	Description
Problems of present rules concerning the annual decision	<p>PSR Forms have been revised and modified on an annual basis which has led to lack of a consistent and harmonised reporting process.</p> <p>MIP budget versus programming: At the conception of the MIP, it was assumed that DG-TREN would have the multi-annual commitment with multi-annual budget. Now, however, there are no multi-annual commitments because of the obligation to adhere to annual budget procedures.</p> <p>Time creeping effect: A sort of “time-creeping” effect may occur for projects due to delays in project phase completion beyond the annual completion date and the resulting “overlap” in project phases (that of the current and previous years).</p> <p>The problem facing DG-TREN with the completion and finalisation of annual project phases is to have a consistent and harmonised framework for evaluation and monitoring and a mechanism to assess the degree of completeness (both technical and financial) of the project. - This is complicated by the fact that no consistent framework for project description or indicators for monitoring, other than costs and expenses incurred on an annual basis, were identified at the Application Phase at the start of the MIP Programme in 2001.</p> <p>A viewpoint was expressed as in favour of long-term commitments without all these constraints on dates which are prohibitive for managing projects and impose artificial constraints that have little relevance for physical project progress. The Official also made two additional remarks:</p> <p>(3) At the outset of the MIP, DG-TREN requested to the European Commission to have multi-annual budgeting in line with the multi-annual programming, but was told that there must be Annual Financial Decisions.</p> <p>(4) Furthermore, if the Technical Assistance Consultants undertaking the MIP Revision review propose that the MIP rules should be adapted in order to be more flexible, then maybe their will be some modifications/improvements to the current system.</p> <p>Several options were outlined for a MIP project which has two open Financial Decisions on-going:</p> <ul style="list-style-type: none"> • Finalise the MIP 2001 Financial Decision and submit final payment claim for the full financing (ideal case), or • Modify a Financial Decision, which is a heavy and cumbersome internal DG-TREN procedure, or • Submit a Final Report for 2001 (lose money by use of de-commit procedure) in order to get a 2003 decision, or • Suspend the project. <p>In either case, if a project does not use all the money within the “2-open Financial Decisions- 2N” rule, the surplus gets lost for that project and for the TEN-T budget because money committed by annual Financial Decisions can not be recovered for past budget years.</p>
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>Financial reforms that have been instigated recently in the EC have resulted in more procedures, more control and less flexibility in overall financial management. This is particularly true for large infrastructure projects.</p> <p>MIP rules and “lost money” will come into play now because 2003 is a crucial year where it is not possible to have more than two on-going open</p>

Issue	Description
Logistics for project management in DG-TREN	<p>Financial Decisions at one time.</p> <p>Strict schedules and reporting delays of some projects coupled with high workload of Member States and Project Officers allow for multiple rounds of MIP Decisions.</p> <p>Officials at DG-TREN Unit B3 are sometimes each responsible for monitoring as many as 30-40 projects, thus making it increasingly difficult to sift through large stacks of paperwork and provide a complete and consistent assessment of project status. The main point is the need to be able to compare later on when closing the project.</p> <p>In general, for 20 to 40 projects, there is one DG-TREN contact per Member State. Monitoring is best accomplished by constant communication, contacts, and visits to the Member State and Promoters. Many desk officers in DG-TREN have between 30-40 projects with open annual decisions to monitor as workload which means it is currently a major task to monitor costs and expenditures. Given this current level of responsibilities and concomitant workload, it is impossible to foresee the prospect DG-TREN Desk Officers undertaking additional tasks such as collecting and evaluating more intricate performance indicators.</p>
Other issues	<p>No complete glossary and definitions of terms exist for a consistent and harmonised understanding by Member States on how to report in the PSR. This is seen in the PSR submitted in 2002 for reporting the first MIP phase of 2001. DG-TREN provided examples of the PSR-2002 for the reporting of projects in 2001.</p>

20.2 CONSULTATIONS WITH OFFICIALS FROM EC DG-TREN DIRECTORATES AND UNITS (OTHER THAN UNIT B3)

20.2.1 Background of Consultations

A series of semi-directive interviews were undertaken on the 4 and 10 June of EC Officials in other EC DG-TREN Directorates and Units who have a direct role in project and financial management of TEN-T projects. In advance of the meetings, the EVAMONTEN-T WP4 Consultants developed an *interview template* of questions for the semi-directive interviews based on the *template* used for the interviews with Member States and Project Promoters (See Annex 5: Template for “Questionnaire for Interviews with DG-TREN Officers”).

The following persons from specific Units were interviewed during the two days:

- Frédéric Fournier, Unit A1-Financial Resources, Activities and Management;
- Antonio Caiano-Golaço, Unit E2-ERTMS;
- Marco de Sciscio and Jean-Pierre. Horvath, Unit E0-Financial Cell;
- Catherine Kavvada, Unit E4-Galileo;
- Christopher North, Unit F2-Air Traffic Management;
- Mr Jensen, Unit F2-Air Traffic Management;
- Patrick de Maere, Unit F2-Head of Financial Cell; and
- Guiseppe Rizzo, Unit F3-Airport Policy.

The following sections provide a detailed summary of each interview. The last section provides a summary of the main issues and recommendations emanating from this series of interviews with Officials from this range of EC DG-TREN Directorates and Units.

20.2.2 Summary of Consultations

20.2.2.1 *Unit A1-Financial Resources, Activities and Management*

The Unit A1 expressed the overall view that the MIP is too rigid and bureaucratic with the main difficulty being the rigidity of the annual process. He expressed the sentiment that the EC should adapt the duration of the eligibility period. The idea of the MIP is an improvement of the pre-MIP, but it is still very rigid with yearly Decisions and being bound with annuality.

It was noted that the trend in Financial Regulations in the EC (Committee) is to move from management of projects to management of Programmes (priorities) where the Committees like the FAC will have an advisory status only. The idea is to have a limited budget with competition for resources. In particular, it was pointed out that there has been a reduction in the comparative advantage of the MIP versus non-MIP due to the requirement of the FAC delegates, to have significant number of projects and the concomitant compromise due to the voting (non-advisory) role of the Committee.

It was indicated that the concentration of funds in large projects of TEN priority is a strength because the EC has to maintain an EU dimension regarding what is funded.

It was also stressed that the financing of studies as well as works requires more follow-up which means the need for more detailed definitions of the eligible costs (a weak point in the MIP TENs).

Other main points raised are summarised as follows:

- The issue of multi-annual programming of projects with annual project funding was considered important as a means to have close monitoring of projects and follow-up on what is going on.
- The payment of TEN-T funds in line with project progress was considered as being insufficient to have a clear view on what is going on.
- Discipline in the use of the rule for no more than 2 open decisions was considered a good mechanism for control of projects.
- Regarding physical or technical indicators for projects, there is an insufficient level of qualitative assessment – there is a need to increase in-house control.
- Clear deadlines for PSRs is important due to constraints for internal decision-making process for the year.
- There is a need for more precise identification of eligible costs since reporting of costs vary significantly from one Member State to another. This relates to the qualitative assessment of projects for such issues as: date when costs become eligible, date of signature or date of first invoice.
- Advantages of MIP: The MIP is important in the sense of TENs budget is not huge which means there is increased visibility for a smaller number of projects. For the non-MIP projects there is the problem of small projects with a multiplication of Financial Decisions.
- Disadvantages of MIP: Need for pluri-annual Financial Decisions.

20.2.2.2 Unit E2-ERTMS

At the outset, it was noted that the MIP process has had little impact since ERTMS (European Rail Traffic Management System) funding has been provided via the non-MIP process. The activity has been on-going since 1995 (pre-MIP financing) with the establishment of an European Economic Interest Group (EEIG) to manage the ERTMS programme via the development of a long-term master plan of activities to cover the whole life cycle process. The EEIG has had endorsement of Member States with the 50% co-financing being provided by the National Rail Companies.

The main issue being dealt with by ERTMS is to devise a common European system for railway signalling and telecommunications. A specific constraint of this development regards the need for interconnection and/or interoperability of the new common standards with the existing high-value legacy systems within the National railway infrastructure.

The main phases of the EEIG for ERTMS were summarised as follows:

- Up to 1997: R+D funds with the EEIG encompassing the French, Germany and Italian National Rail Companies
- 1997-1998: Arrival of new Partners (other National Rail Companies)
- 1998-2003: Development of ERTMS system in both its components: signalling and telecommunications. The bulk of the development work for telecommunications was completed in 2000 paving the way for the commercial deployment of the system. A similar trend is now observed in regard to signalling with the emergence of the first batch of commercial contracts.

The main change proposed was to re-think or re-tool the Detailed Application Forms as well as the PSR. Regarding the former the Detailed Application should include an overview of the objectives of the whole project (even if only part of it will be supported by the TEN), of its techno-economic justification, a detailed planning of the main phases of the work throughout the project with its scope and the corresponding investment profile. The level of detail regarding the latter should be appropriate to enable monitoring and control activities on an aggregated level corresponding to a time horizon of e.g. three to six months. This is the set of data considered as minimal to enable a sound evaluation of the specific project from a Community perspective.

The PSR should then constitute a tool for the yearly review of the fulfilment of the intended planning both from a technical and financial point of view. In particular, it should provide the means to correlate the progress effectively achieved in the work with the original plans stated in the Detailed Application Form as well as to compare the estimated and the actually spent budget profiles. In addition, the PSR should provide a clear indication of any alterations to the main objectives of the project, to its planning, budget and budget profile as well as the indication of the mitigation measures that are deemed necessary to correct potential anomalies or problems. This extends well beyond the facets more currently controlled of the level and rate of expenditure by a project.

Other main points raised are summarised as follows:

- The issue of multi-annual programming of projects with annual project funding was not relevant to ERTMS. The whole project was designed from a life cycle perspective both for its technical development and management components rather than from a "Financial Decision" basis. Based on this life cycle perspective, which is embodied in a project master plan, an appropriate financial structure was then devised to financially support the activities making use of a panoply of Community financial instruments (R+D, non-MIP, PHARE).
- The non-MIP Financial Decision has been the basis for a contract with the EEIG to carry out the successive phases of the work as foreseen in the master plan for the project. Each of these contracts includes a detailed technical annex (70 to 100 pp) with a detailed list of the tasks to be performed, its timing and the expected deliverables: reports specifications, test results, copies of certificates of installed equipment, etc. There has been an attempt to adapt the level of financing of the successive Financial Decisions to the effective progress of the work which due to its intrinsic complexity and dependence from external factors (e.g. national railway regulatory authorities) has covered a time period in excess of that initially foreseen in the master plan.
- The fact that ERTMS has not been part of a long-term secure funding concept similar to the MIP, but was dependent from a yearly decision about the level of financial support, brought some uncertainties and delays mainly in the early stages of the project. These have been mitigated both by the emergence of the Directives on Railway Interoperability as well as by the continued support of the Commission to the project.
- Discipline in the use of the rule for no more than two open decisions and other rules specific to the MIP have not been an issue for ERTMS as it has not been part of the MIP and being funded via the non-MIP mechanism.
- Regarding physical or technical indicators for ERTMS, external evaluators are not used as DG-TREN on a regular basis. Up to the year 2000 DG-TREN had an in-house team with national experts that ensured a comprehensive follow-up of the activities, including the review of all deliverables. A hybrid approach based on in-house expertise with external assistance for specific technical issues is in force nowadays. It was expressed that is fundamental for every project to undergo a peer review by experts with expertise in the technical area viewed. The level of investment associated to such an activity is indeed marginal when compared with the enhancement of the quality of monitoring and control and the reduction of the risks for a funding entity it enables, notably on those projects that command significant amounts of financial resources.

- Clear deadlines for PSRs is a mute issue for ERTMS as a non-MIP project. This is simply explained by the fact that the PSR do not play a central role in terms of the monitoring and control of the progress of the project which is an activity mainly based on the technical annex attached to the contract with the EEIG as well as on the assessment of the deliverables of the tasks foreseen therein. Detailed technical reports are provided as part of these deliverables for peer review with a detailed view of project progress in both technical and financial terms. However, as a non-MIP project, ERTMS is not required to demonstrate budget absorption to get the next tranche of support.
- Advantages of MIP: The MIP minimises barriers at the start of a project as it provides a medium-term guarantee regarding Community funding. However, the lack of flexibility of its financial regulation is not at all adapted to the financing of a complex development project such as ERTMS that is constrained by the search for consensus at a broad European level, the inherent complexity and difficulty of the technical work and the pivotal role played by external parties to the project (e.g. national safety authorities). All these manifold constraints have the potential to hamper the advancement of the project being a cause for concern in terms of budget absorption capacity.
- Disadvantages of MIP: The MIP regulation is too budget orientated as most of the assessment criteria for project control are based on financial indicators rather than on ratios between objectives fulfilled and expenses incurred, giving a fair perspective of the “value for money” of the Community support.

20.2.2.3 Unit E0-Financial Cell

This Financial Cell manages the financial aspects related to the Road Traffic Management (ITS) Projects which cover primarily the six Euro-Regional Projects (ARTS, CENTRICO, CORVETTE, SERTI, STREETWISE and VIKING), and also the Galileo projects (see next Section). At the outset of the MIP, a choice was made to require the ITS, but not the Galileo projects in Directorate E to have Cost Statements for the sake of having more visibility. On the other hand, grants awarded for Galileo are governed by separate grant agreements which contain a higher level of details. For comparison, note that ERTMS (non-MIP) has more than 20 boxes of Cost Statements to be completed on the PSR.

Concerning the MIP rules, it was noted that this programme started with a set of rules that have been changing ever since. The main difficulty is that the rules were established at the start of the MIP and on this basis annual proposals are presented and on-going actions reported. Each time there is a change in the rules, these changes need to be conveyed to the Member States which causes problems given the complexity of these projects.

For Galileo, the MIP funding procedures are not adapted to the Galileo programme.

From a financial perspective, there is a limited view on the performance of the MIP except that it is difficult to manage in that the rules of TENs are not that precise. There is generally a need for better defined rules, and guidelines for controls and verification. In particular, the rules required to back-up this need are missing and there is no real management tool in place for payment and control mechanisms.

This Financial Cell indicated a series of “streamlining” measures:

- Development of a reliable informatics system that includes the TENs process like that which is available for other EC funding programmes, e.g., R+D. Currently, the process requires manual following even though work is underway to include DG-TREN in the EC PMS system.
- PSR: Need for more financial information because the current PSR does not allow for an effective assessment. There is a need to agree a specific and common format for reporting costs (like the one for Road Traffic Management ITS projects).

Other main points raised are summarised as follows:

- The issue of multi-annual programming of projects with annual project funding was in theory viewed as strength of the MIP, but in practice this is not a strength because the PSR does not enable DG-TREN Officials to make an assessment on financial validity.
- Discipline in the use of the rule for no more than 2 open decisions was viewed as weakness in the way the MIP was conceived. The MIP covers mega-projects which should not be penalised for lack of progress. There is a need to agree to modulate funding based on progress and technical people from projects should be involved in this process.
- Regarding physical or technical indicators for projects, this is a technical issue which is addressed for the ITS projects as external technical evaluators are utilised for project review and assessment of progress.
- Clear deadlines for PSRs and their legal value is an administrative issue which causes difficulties. For the ITS projects, the Cost Statement is submitted only at the closure of each annual Financial Decision and normally, about three months after the Final Report.
- Annual deviations/shifts of expenditures/costs profile of projects has caused conflicts between Commission services and beneficiaries. There is a definite need for some kind of flexibility while still ensuring transparency and respect of the basic TEN-T rules. One difficulty has been the variation in the split between Coordination (Project Management) costs and project costs for which the breakdown is stipulated in the Financial Decision. Financial reports to date received for the MIP have been generally in line with the Financial Decisions.
- Advantages of MIP: Long-term programming is good with large or mega projects.
- Disadvantages of MIP: There is need for the MIP procedures to be streamlined and should be able to be adapted to the difficulties encountered in very large projects over their lifetime.
- Commitment versus expenditure: 'Commitment' is defined as something that is planned (contracts actually signed or about to be let). 'Expenditure' is defined as costs incurred.

20.2.2.4 Unit E4-Galileo

This discussion began with introduction to the EGNOS (which is financed under the Non MIP) and Galileo programme. Galileo is being implemented in the following four phases:

- Definition phase (1999-2000): Financed under the 5FP with EUR 40 million from the EC and EUR 40 million from the ESA;
- Development phase (2001-2005): financing under the current MIP with total MIP funding of EUR 550 million with another EUR 550 million coming from the ESA;
- Deployment (2006-2007): It is planned to have investments reach around EUR 2.3 billion with this phase including a significant amount of private sector involvement according the concession process; and
- Operation (from 2008): The current plan is to let the Operation under a Concession contract.

In order to complete the Development and Validation phase and pave the way for the deployment phase, the Galileo Joint Undertaking has been set up. This novel structure ensures a single and effective management and enables a combination of public and private funding to be used. The EC contribution to this phase (EUR 550 million) will be progressively transferred to the Galileo Joint Undertaking.

The founding members of the Galileo Joint Undertaking are the EC and the European Space Agency (ESA). Its governing bodies are an Administrative Board, an Executive Committee and a Director. Regarding the Acceding Countries, they now have observer status within Galileo and by 2004 they will officially become "co-owners" of the Galileo system.

The MIP Financial Decisions for Galileo are/ will be as follows:

- 2001: MIP support of EUR 70million¹⁴,
- 2002: MIP support of EUR 170 million,
- 2003: MIP support of EUR 80 million, and
- 2004-2006: planned MIP support of EUR 200 million.

The main issue regarding Galileo concerns the budget line because this Programme is currently following different administrative and financial rules for different programmes including R+D under the 6FP, TENs under the MIP, etc. Therefore, the eventual goal is to have a specific Galileo budget line for the next phases of the programme.

The focus of the MIP on large projects was viewed as one of the key objectives of the MIP which should be maintained. The recommendation regarding the MIP and Galileo was to keep the current structure, but be more flexible to changes. In particular, for Galileo it was recommended to have 1 open Financial Decision for a total cost of EUR 1.1 billion with special conditions for Galileo.

Other main points raised are summarised as follows:

- The issue of multi-annual programming of projects with annual project funding was viewed as being part of the process required to ensure stringent reporting.
- The payment of TEN-T funds in line with project progress was considered a strength of the MIP because there is a need to have a basis for making payments. For Galileo, it was indicated that there is preference for a more detailed PSR for monitoring technical and financial progress.
- Discipline in the use of the rule for no more than two open decisions was viewed as inappropriate for Galileo. The preferred approach for Galileo is one Financial Decision in 2002 with amendments (or modifications) each year to add another tranche of funding.
- Clear deadlines for PSRs is another requirement which needs to be flexible for Galileo due to the force majeure issues encountered in the set up of the project management in the last years.
- Annual deviations/shifts of expenditures/costs profile of projects should be modified to account for a 20 to 25% margin of flexibility of the annual funding to get around the rigidity of the MIP funding.
- The issue of the lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation (lost money) was noted as a weakness of the MIP even though delays could be justified to the EC.
- Regarding the administrative process: It was stressed that the EC is part of the Galileo JU which will be specifically monitored. It was also mentioned that the EC Court of Auditors will carry out audits on the Galileo Joint Undertaking's activities.
- Advantages of MIP: Less stress regarding funding streams means more secure funding with partners and ESA. GNSS1 was stressful because every year there were discussions with the FAC with over 100 projects competing for the budget and priority.
- Disadvantages of MIP: The administrative procedures are difficult in terms of the rules and procedures which change from year-to-year.

¹⁴ Non MIP financial support of EUR 30 million for the detailed definition phase has been granted to ESA

20.2.2.5 Unit F2-Air Traffic Management

The Unit F2 expressed the overall view that the MIP gives very little flexibility, yet it provides a significant level of continuity and a long-term view on projects that are relevant to the EU.

Another major issue relates to the concentration of funds in large projects of TEN priority being in principle a strength, but is a weakness if the technical area (like ATM) is not a PP. There is a need to balance the National interests with the EC interests in that all ATM projects are multi-national with a push underway for consolidation.

The funding for ATM has been twofold: EC Research Framework Programme 6 (FP6) with EUR 150 million for the period 2002-2006 and TENs with EUR 50 to 60 million. The goal of ATM is to increase the TENs financial support in order to increase the linkage between research and implementation activities.

Other main points raised are summarised as follows:

- The issue of multi-annual programming of projects with annual project funding was noted as a weakness from the point of view of the ATM domain. It was recommended, that, for the end of a project (Closure), there should be an obligation for a close down, on-site check that would benefit from being more formal in terms of auditors having a more active role in the projects.
- The payment of TEN-T funds in line with project progress is viewed as a good way of working in spite of the PSR being limited in the amount of information required and so making it difficult to assess project progress from a technical assessment point of view. No formal Annex describing project progress is required on the PSR even though it is now required for ATM projects (Note that this is also for ITS projects).
- Discipline in the use of the rule for no more than 2 open decisions was viewed as appropriate, even though this is a mute issue for ATM projects as all six projects have closed their 2001 Financial Decisions.
- Clear deadlines for PSRs was viewed as a definite weakness of the MIP. For ATM projects, it is a source of confusion. A proposed approach would be to move from an annual fixed deadline like the 31 January to something more linked to the actual progress of the project in terms of deliverables, trials, etc.
- The issue of the lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation (lost money) was viewed as a necessary stick to maintain in order to keep projects in line. Nonetheless, to have a totally inflexible system was construed as a handicap for ATM projects.
- For new projects and the initiation of project in new Member States, it was noted that there will be a proposition for at least one new ATM project in addition to potential new projects from the ten new Member States.
- Regarding the administrative process: this is considered a burden more with MIP projects than with non-MIP projects. For a MIP project, it is required to create an annual Decision with PSR, validation, approval, translation and forwarding to the Member State each year. Whereas for non-MIP projects, there is one Decision for one or several years with the same administrative burden only once. The main problem is to prepare the Financial Decision for the Director General (previously it was to prepare the Financial Decision for the FAC).
- Advantages of MIP: A major advantage goes to larger projects with longer duration and multi-annual objectives. Also, the MIP has a "programme" whereas, non-MIP projects submitted (application) cover a wider scope.
- Disadvantages of MIP: Inflexibility of the framework MIP Financial Decision. The MIP should be revamped to have a multi-annual budgeting process in line with the multi-annual programming process. The non-MIP approach can compensate for the lack of flexibility in the

MIP for important projects and is more independent regarding the annual situation of projects.

Several suggestions for improvement of the MIP were proposed:

- Allocation of the budget on a three year period as for example in FP6 and not an annual basis.
- European Union level interests need to be better reflected in the projects: top-down for traffic management and the EU necessity rather than National interests.
- Higher profile for ATM.
- The form for costs needs to have a better distinction between expenses incurred versus expenses committed because for Annex 1B (Application Form) the interpretation of some terms is different for each project. Therefore, there is a need for a consistent approach to defining cost categories. There is also a need for projects to distinguish budget consumed for 2001 and 2002 Decisions.

20.2.2.6 Unit F2-Financial Cell

The Financial Cell for Unit F2 indicated that the PSR does not reflect well the financial performance because it only gives the total amounts per year. The PSR is more a technical instrument than a financial instrument.

Currently, the Unit F2 has no projects under the 2N rule since all the 2001 Decisions are closed and for the 2002 Decisions, there is only one open.

In the event there are cost overruns or the overall cost is underestimated, then Unit F2 simply “decommits” the project.

Other main points raised are summarised as follows:

- The MIP is viewed as a purely a financial exercise because one must close the files yearly.
- The lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation is viewed as a weakness, since for projects of this size, it is difficult to plan on just one year’s data.
- Advantage of MIP: It is faster to close a decision.
- Disadvantages of MIP: in the second year, the cost statements are difficult to check due to the possibility of double “invoicing” (they try to get everything into the first year) and the difficulty for contractors to reach 100% budget under one decision.

Other issues to consider for improving MIP projects include the idea that non-MIP subvention should take more a research approach, where the decision is taken over a number of years with an evaluation annually to see whether we continue based on pre-defined criteria.

20.2.2.7 Unit F3-Airport Policy

This discussion began with an overview of an example for the study for a new airport in Lisbon (an Essen project with full governmental support in Europe). This project was a non-MIP project prior to 2000 with a first Financial Decision in 1996 in the form of a direct grant for a feasibility study for a Public-Private Partnership as DBFO (Design Build Finance and Operate) contract as well as privatisation of the airport management company.

The main remark regarding the MIP versus non-MIP is that the non-MIP process comes to fruition every year and does not happen just once every five to six years which means that the non-MIP approach is more dynamic and flexible than the MIP. In particular, the MIP as a system is very rigid and inflexible which means that there are no obvious benefits of the MIP versus non-MIP projects. Regarding payments, it was also noted that non-MIP projects can have up to four

intermediate payments for one Financial Decision, which is not the case for MIP Financial Decisions.

Other main points raised are summarised as follows:

- Disadvantages of MIP versus non-MIP: For airports, non-MIP financing is more interesting as airports are viewed by the EU as being in favour of the national flagship air carrier for individual Member States. To date, the MIP has been primarily involved in the financing of rail links to existing airports and streamlining of baggage handling facilities.

The following section provides a summary of the main issues during the consultations with Officials from EC DG-TREN Directorates and Units (other than Unit B3).

20.2.3 Summary of Main Issues identified by Officials from DG-TREN Directorates and Unit Officials (other than Unit B3)

<i>Issue</i>	<i>Description</i>
<i>Application stage</i>	<p>Concentration of funds in large projects of TEN priority is a strength because the EC has to maintain an EU dimension regarding what is funded.</p> <p>The issue of multi-annual programming of projects with annual project funding was viewed as being part of the process required to ensure stringent reporting.</p> <p>MIP versus non-MIP: the non-MIP process comes to fruition every year and does not happen just once every five to six years which means that the non-MIP approach is more dynamic and flexible than the MIP. In particular, the MIP as a system is very rigid and inflexible which means that there are no obvious benefits of the MIP versus non-MIP projects. Regarding payments, it was also noted that non-MIP projects can have up to four intermediate payments for one Financial Decision, which is not the case for MIP Financial Decisions.</p>
<i>The nature of procedures concerning evaluation of projects and award of funds and the correlated timing problems</i>	<p>The trend in Financial Regulations in the EC (Committee) is to move from management of projects to management of Programmes (priorities) where the Committees like the FAC will have an advisory status only. The idea is to have a limited budget with competition for resources. In particular, it was pointed out that there has been a reduction in the comparative advantage of the MIP versus non-MIP due to the requirement of the FAC delegates, to have significant number of projects and the concomitant compromise due to the voting (non-advisory) role of the Committee.</p> <p>Concerning the MIP rules, it was noted that this programme started with a set of rules that have been changing ever since. The main difficulty is that the rules were established at the start of the MIP and on this basis annual proposals are presented and on-going actions reported. Each time there is a change in the rules, these changes need to be conveyed to the Member States which causes problems given the complexity of these projects.</p> <p>The MIP is viewed as a purely a financial exercise because one must close the files yearly.</p> <p>The lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation is viewed as a weakness, since for projects of this size, it is difficult to plan on just one year's data.</p>
<i>Reporting, monitoring and</i>	Overview of issues and requirements:

Issue	Description
project management system	<ul style="list-style-type: none">• The issue of multi-annual programming of projects with annual project funding was considered important as a means to have close monitoring of projects and follow-up on what is going on.• The payment of TEN-T funds in line with project progress is viewed as a good way of working in spite of the PSR being limited in the amount of information required and so making it difficult to assess project progress from a technical assessment point of view.• Discipline in the use of the rule for no more than 2 open decisions was considered a good mechanism for control of projects whilst it was also viewed as weakness in the way the MIP was conceived. The MIP covers mega-projects which should not be penalised for lack of progress. There is a need to agree to modulate funding based on progress and technical people from projects should be involved in this process.• Regarding physical or technical indicators for projects, there is an insufficient level of qualitative assessment – there is a need to increase in-house control. This was also viewed as a technical issue which is addressed for the ITS projects as external technical evaluators are utilised for project review and assessment of progress.• Clear deadlines for PSRs is important due to constraints for internal decision-making process for the year. Also, clear deadlines for PSRs and their legal value is an administrative issue which causes difficulties. For the ITS projects, the Cost Statement is submitted only at the closure of each annual Financial Decision and normally, about three months after the Final Report.• The issue of the lack of flexibility under the MIP to accommodate delays and non-absorption of budget implementation (lost money) was viewed as a necessary stick to maintain in order to keep projects in line. Nonetheless, to have a totally inflexible system was construed as a handicap for ATM projects.• There is a need for more precise identification of eligible costs since reporting of costs vary significantly from one Member State to another. This relates to the qualitative assessment of projects for such issues as: date when costs become eligible, date of signature or date of first invoice.• The issue of multi-annual programming of projects with annual project funding was in theory viewed as strength of the MIP, but in practice this is not a strength because the PSR does not enable DG-TREN Officials to make an assessment on financial validity.• Annual deviations/shifts of expenditures/costs profile of projects has caused conflicts between Commission services and beneficiaries. There is a definite need for some kind of flexibility while still ensuring transparency and respect of the basic TEN-T rules. One difficulty has been the variation in the split between Coordination (Project Management) costs and project costs for which the breakdown is stipulated in the Financial Decision. Financial reports to date received for the MIP have been generally in line with the Financial Decisions.• Regarding the administrative process: this is considered a burden more with MIP projects than with non-MIP projects. For a MIP project, it is required to create an annual Decision with PSR, validation, approval, translation and forwarding to the Member State each year. Whereas for non-MIP projects, there is one Decision for one or several years with the same administrative burden only once. The

Issue	Description
Problems of present rules concerning the annual decision	<p>main problem is to prepare the Financial Decision for the Director General (previously it was to prepare the Financial Decision for the FAC).</p> <p>A proposal made included to re-think or re-tool the Detailed Application Forms as well as the PSR. Regarding the former the Detailed Application should include an overview of the objectives of the whole project (even if only part of it will be supported by the TEN), of its techno-economic justification, a detailed planning of the main phases of the work throughout the project with its scope and the corresponding investment profile. The level of detail regarding the latter should be appropriate to enable monitoring and control activities on an aggregated level corresponding to a time horizon of e.g. three to six months. This is the set of data considered as minimal to enable a sound evaluation of the specific project from a Community perspective.</p> <p>The PSR should then constitute a tool for the yearly review of the fulfilment of the intended planning both from a technical and financial point of view. In particular, it should provide the means to correlate the progress effectively achieved in the work with the original plans stated in the Detailed Application Form as well as to compare the estimated and the actually spent budget profiles. In addition, the PSR should provide a clear indication of any alterations to the main objectives of the project, to its planning, budget and budget profile as well as the indication of the mitigation measures that are deemed necessary to correct potential anomalies or problems. This extends well beyond the facets more currently controlled of the level and rate of expenditure by a project.</p> <p>The MIP is too rigid and bureaucratic with the main difficulty being the rigidity of the annual process: the EC should adapt the duration of the eligibility period. The idea of the MIP is an improvement of the pre-MIP, but it is still very rigid with yearly Decisions and being bound with annuality.</p> <p>The MIP gives very little flexibility, yet it provides a significant level of continuity and a long-term view on projects that are relevant to the EU.</p> <p>From a financial perspective, there is a limited view on the performance of the MIP except that it is difficult to manage in that the rules of TENs are not that precise. There is generally a need for better defined rules, and guidelines for controls and verification. In particular, the rules required to back-up this need are missing and there is no real management tool in place for payment and control mechanisms.</p> <p>Annual deviations/shifts of expenditures/costs profile of projects should be modified to account for a 20 to 25% margin of flexibility of the annual funding to get around the rigidity of the MIP funding.</p>
Compatibility of the possible changes discussed above and the development of the MIP revision	<p>Streamlining and improvement measures proposed:</p> <ul style="list-style-type: none"> • Development of a reliable informatics system that includes the TENs process like that which is available for other EC funding programmes, e.g., R+D. Currently, the process requires manual following even though work is underway to include DG-TREN in the EC PMS system. • PSR: Need for more financial information because the current PSR does not allow for an effective assessment. There is a need to agree a specific and common format for reporting costs (like the one for Road Traffic Management ITS projects). • Allocation of the budget on a three year period as for example in FP6

Issue	Description
	<p>and not an annual basis.</p> <ul style="list-style-type: none">• European Union level interests need to be better reflected in the projects: top-down for traffic management and the EU necessity rather than National interests.• The form for costs needs to have a better distinction between expenses incurred versus expenses committed because for Annex 1B (Application Form) the interpretation of some terms is different for each project. Therefore, there is a need for a consistent approach to defining cost categories. There is also a need for projects to distinguish budget consumed for 2001 and 2002 Decisions.• Non-MIP subvention should take more a research approach, where the decision is taken over a number of years with an evaluation annually to see whether we continue based on pre-defined criteria.
Logistics for project management in DG-TREN	No comments.
Other issues	<p>The financing of studies as well as works requires more follow-up which means the need for more detailed definitions of the eligible costs (a weak point in the MIP TENS).</p> <p>The focus of the MIP on large projects was viewed as one of the key objectives of the MIP which should be maintained. The recommendation regarding the MIP and Galileo was to keep the current structure, but be more flexible to changes. In particular, for Galileo it was recommended to have 1 open Financial Decision for a total cost of EUR 1.1 billion with special conditions for Galileo.</p>