

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **D**
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Budgets

Budgetary Control



Assessment of Connecting Europe Facility

IN DEPTH ANALYSIS



DIRECTORATE-GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D: BUDGETARY AFFAIRS

ASSESSMENT OF CONNECTING EUROPE FACILITY

IN-DEPTH ANALYSIS

Abstract

The paper assesses the first two years of Connecting Europe Facility (CEF), taking into account its initial backloading in 2014-2015 as per 2013 agreement on the Multiannual Financial Framework (MFF) 2014-2020, as well as the evolution and the new priorities since the MFF agreement. It provides key information on the CEF, summarises the programme's performance to date, discusses the budget cuts, and presents conclusions on the basis of the assessment.

This document was requested by the European Parliament's Committee on Budgets. It designated Mr Jan Olbrycht and Ms Isabelle Thomas to follow the study.

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LIST OF ABBREVIATIONS

CEF Connecting Europe Facility

DG CNECT European Commission Directorate-General for Communications Networks,
Content & Technology

DG ENER European Commission Directorate-General for Energy

DG MOVE European Commission Directorate-General for Mobility and Transport

EC European Commission

ECA European Court of Auditors

EFSI European Fund for Strategic Investments

EIB European Investment Bank

EP European Parliament

ESI European Structural and Investment Funds

INEA Innovation & Networks Executive Agency

TEN-T Trans-European Transport Network

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1. INTRODUCTION

On 3 December 2015, the European Parliament's Directorate for Budgetary Affairs commissioned Blomeyer & Sanz to prepare an in-depth analysis on the '*Assessment of Connecting Europe Facility (CEF)*'.

This introductory section briefly presents the objectives and scope, method and report structure for this assessment of the Connecting Europe Facility (CEF).

Objectives and scope

This in-depth analysis aims to provide an overview and assessment of the CEF for the European Parliament Committee on Budgets, with a specific focus on recommendations for the future of the facility.

Method

The in-depth analysis was prepared on the basis of desk research, interviews with European Commission (EC) representatives, and a survey addressed to project promoters and CEF Member State Contact Points.

- Desk research: Desk research covered a review of relevant documentation on the CEF, including EC Annual Activity Reports for 2014, European Court of Auditors' reports on CEF financial instruments etc.
- Interviews: Interviews were conducted with representatives from the European Commission's Directorates-General for Energy (ENER), Communications Networks, Content & Technology (CNECT) and the Innovation & Networks Executive Agency (INEA).
- Survey: A survey was addressed to a sample of 108 project promoters and contact points in all Member States. 39 promoters (36 %) from 22 Member States and Norway answered¹.

Report structure

Further to this introduction, the in-depth analysis is organised in four sections. Section 2 presents key information on the CEF. Section 3 summarises the programme's performance to date. Section 4 discusses the budget cuts. Finally, section 5 notes our conclusions and recommendations.

2. THE CONNECTING EUROPE FACILITY

This section presents key information on the CEF objectives (section 2.1), budget (2.2) and implementation modalities (2.3).

¹ No survey responses were received from ES, HU, PL, PT, SE, SK.

2.1. CEF objectives

The CEF was adopted at the end of 2011, to contribute to the development of infrastructures in the areas of transport, telecommunications and energy in the European Union (EU). Before CEF, EU funding was fragmented in several programmes, and the EC considered that CEF *'will reduce risks and increase effectiveness and efficiency of EU funding'*².

CEF contributes to the completion of the *'Trans-European Networks'* in the areas of transport, telecommunications and energy infrastructure³. The facility promotes the participation of private investors and supports public-private partnerships, considering the investment constraints further to the economic and financial crisis. The development of CEF Projects helps to secure private investments.

According to Regulation 1316/2013 *'the CEF shall enable projects of common interest to be prepared and implemented within the framework of the trans-European networks policy in the sectors of transport, telecommunications and energy. In particular, the CEF shall support the implementation of those projects of common interest which aim at the development and construction of new infrastructures and services, or at the upgrading of existing infrastructures and services, in the transport, telecommunications and energy sectors'*.

Transport

In the area of transport, the specific objectives are:

- Removing bottlenecks, enhancing rail interoperability, bridging missing links and improving cross-border sections;
- Ensuring sustainable and efficient transport systems in the long run; decarbonisation of all modes of transport;
- Optimising the integration and interconnection of transport modes and enhancing the interoperability, safety and security of transport.

Energy

In the area of energy, the specific objectives are:

- Promoting the integration of the internal energy market and the interoperability of networks through infrastructure;
- Enhancing Union security of supply, system resilience and security of system operations through infrastructure.

² Commission Staff working paper accompanying the regulation establishing the Connecting Europe Facility. Impact Assessment. (SEC(2011)1262).

³ Trans-European Networks, covering the periods 1995–1999, 2000–2006 and 2007–2013.

Telecommunications

Finally, in the area of telecommunications, the projects of common interest shall contribute to the development of the broadband and digital services infrastructures. The projects shall contribute to one of the following specific objectives:

- Improvements in the competitiveness of the European economy;
- Promotion of the interconnection and interoperability of national, regional and local networks;
- Access to such networks, thus supporting the development of a Digital Single Market.

2.2. CEF Budget

This section presents the CEF total and annual budgets.

Total budget

The EC estimated investments required for trans-European networks in the transport, telecommunications and energy sectors for the period until 2020 to amount to **EUR 970 billion**⁴. This is distributed as follows: EUR 500 billion for transport, EUR 200 billion for energy and EUR 270 billion for fast broadband infrastructures⁵.

The initial total budget for the CEF was **EUR 33.2 billion** for the period 2014-2020. In June 2015 the EU established the European Fund for Strategic Investments (EFSI) aiming to remove obstacles to investment and completing the internal market. This considered the drop in investments by 15 % since the beginning of the financial crisis in 2007⁶. Following the establishment of EFSI, the financial envelope for the implementation of the CEF was reduced to **EUR 30.4 billion**. This budget is distributed per thematic area as follows:

- Transport: EUR 12.7 billion (before EFSI cut: EUR 14.9 billion) + EUR 11.3 billion for countries eligible under the Cohesion Fund;
- Energy: EUR 5.4 billion (before EFSI cut: EUR 5.85 billion);
- Telecommunications: EUR 1 billion (before EFSI cut: EUR 1.1 billion).

Annual budgets

The annual budgets are organised as follows:

- Transport: EUR 11.93 billion in 2014 and EUR 7.6 billion in 2015;

⁴ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing Connecting Europe Facility

⁵ Ex-ante assessment on the potential use of financial instruments within the Connecting Europe Facility, 29 August 2014

⁶ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments

- Energy: EUR 750 million in 2014 and EUR 650 million in 2015 (EUR 100 million for the first call 2015 and EUR 550 million for the second call 2015);
- Telecommunications: EUR 28.4 million in 2014 (distributed over three calls) and EUR 45.6 million in 2015 (distributed over two calls).

2.3. CEF implementation

The main CEF implementation modalities include the following:

Calls for proposals

The CEF is implemented via annual Work Programmes, identifying the priorities and the actions to be launched during the year.

In the transport area, two calls for proposals were launched (one in 2014, and one in 2015). In the energy area, three calls (one in 2014, two in 2015) were launched. In the telecommunications area five calls have been launched (three in 2014, two in 2015)⁷.

Concerning project selection, EC interview feedback confirms the focus on European added value. There is no 'forum' for Member States to introduce national preferences. Selection criteria are clearly defined, with a strong focus on trans-European benefits.

Projects funded

For the time being, 32 actions were selected in the energy area in 2014, and 19 actions following the first 2015 call for proposals. In the telecommunications sector, 48 actions have been selected for funding under the 2014 calls⁸. In the transport area 263 projects have been selected under the 2014 and 2015 calls. Further detail is provided in section 3.2.

Other implementation data

- Types of financing: The different types of financing offered by the CEF programme are grants, procurement, innovative financial instruments and project support actions.
- Types of projects: The programme finances studies and works.
- Beneficiaries: Projects can be submitted by Member States or with the agreement of Member States, by public or private undertakings, joint undertakings, and international organisations.
- Planned evaluations: The EC will undertake an evaluation of the CEF programme by the end of 2017 in close cooperation with the Member States and the beneficiaries.

⁷ The deadline for the submission of proposals for the 2015 calls is still open (19 January 2016 and 15 March 2016)

⁸ Information on actions funded by the EUROPEANA call 2014 is not yet available at the INEA website. 19 actions funded on the electronic Identification Authentication call and 29 on the Safer Internet call

3. PERFORMANCE

This section presents key information on the CEF budget performance (section 3.1), projects funded (3.2), CEF efficiency (3.3), achievement of objectives (3.4), and budget cuts (3.5).

3.1. Budget performance

EC interview feedback confirms adequate provisions with regard to commitments and payments, i.e. the levels of annual commitment and payment appropriations were considered sufficient in the light of actual implementation.

Moreover, the EC does not expect difficulties for future years, since the multiannual and annual work programmes provide for sufficient flexibility to mirror implementation needs. In this context it is worth referring to the '*Connecting Europe Regulation*'. This allows the EC, on the basis of the mid-term evaluation, to propose the transfer of appropriations between the three sectors (Introductory consideration 5 and Article 5.3)⁹.

The following two tables present commitment and payment appropriations for the areas of energy and telecommunications. No data on transport was available¹⁰.

Table 1: Commitment appropriations - Energy¹¹

| Appropriation Year | Total Budget delegated to the Agency for the grants | Total executed (at level 1) | % execution at Level 1 | Total individualisation (at level 2) | % individualisation |
|--------------------|---|-----------------------------|------------------------|--------------------------------------|---------------------|
| 2014 | 367 458 927.24 | 367 458 927.24 | 100 % | 367 458 927.24 | 100 % |
| 2015 | 346 564 528.46 | 346 564 528.46 | 100 % | 54 300 871 | 15 % |

Table 2: Commitment appropriations – Transport¹²

| Appropriation Year | Total Budget delegated to the Agency for the grants | Total executed (at level 1) | % execution at Level 1 | Total individualisation (at level 2) | % individualisation |
|--------------------|---|-----------------------------|------------------------|--------------------------------------|---------------------|
| CEF-Transport-2014 | 2 050 864 646 | 2 050 864 646 | 100 % | 654 857 519.28 | 31.9 % |

⁹ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010

¹⁰ "No projects were financed with the help of CEF in 2014 due to the fact that the 1st call for Project proposals under the CEF close 3 March 2015 and the CEF Debt instrument to be managed by the EIB has not yet been approved". DG MOVE Annual Report, 2014

¹¹ All the data included in tables 1 - 6 have been provided by DG ENER and INEA. Please note that with regard to the 15 % of individualisation for 2015, the remaining commitment appropriations will be individualised in the course of the year 2016 (use of the N+1 rule).

¹² Please note that with regard to the percentage, the remaining commitment appropriations available will be individualized with the 2015 Calls.

Table 3: Commitment appropriations – Telecommunications

| Appropriation Year | Total Budget delegated to the Agency for the grants | Total executed (at level 1) | % execution at Level 1 | Total individualisation (at level 2) | % individualisation |
|-----------------------------|---|-----------------------------|--------------------------|---|---|
| CEF-ICT-Safer Internet-2014 | NA - 2014 appropriations | NA (2014 appropriations) | NA (2014 appropriations) | 11 993 248 | 100 % |
| CEF-ICT-e-ID-2014 | NA - 2014 appropriations | NA (2014 appropriations) | NA (2014 appropriations) | 5 300 000 | 83.4 % |
| CEF-ICT-2015 Calls | 46 338 645.22 | 46 338 645.22 | 100 % | NA – individualisation will start in 2016 | NA – individualisation will start in 2016 |

Table 4: Payment appropriations 2015 – Energy¹³

| Call for proposals | Number of pre-financing payments | Total budget allocated in 2015 | Total executed | % individualisation |
|--------------------|----------------------------------|--------------------------------|----------------|---------------------|
| 2014 | 31 | 35 010 186.53 | 35 010 186.53 | 100 % |
| 2015-1 | 15 | 19 017 114.93 | 19 017 114.93 | 100 % |
| TOTAL | | 54 027 031.46 | 54 027 031.46 | 100 % |

Table 5: Payment appropriations 2015 – Transport¹⁴

| Call for proposals | Number of pre-financing payments | Total budget allocated in 2015 (not including assigned revenue) | Total executed | % execution |
|--------------------|----------------------------------|---|----------------|-------------|
| CEF-Transport-2014 | 255 | 1 166 755 060 | 1 166 755 060 | 100 % |

¹³ In addition, an amount of EUR 92 471.54 has been disbursed in 2015 for the costs of the experts for the evaluation of the 2015 Calls. The Call 2015-1 refers to the first call 2015.

¹⁴ An amount of EUR 1 197 344 is included, referring to the payment of the experts for the evaluation of the 2014 Calls.

Table 6: Payment appropriations 2015 – Telecommunications

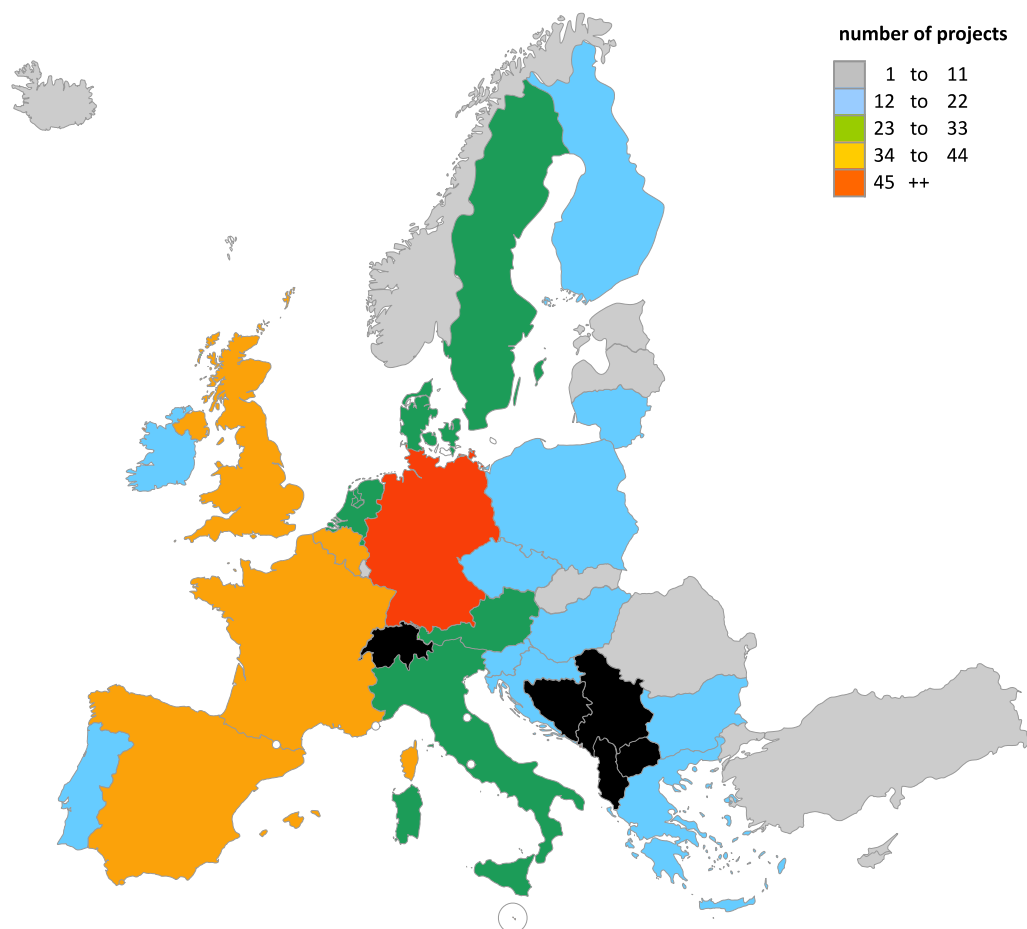
| Call for proposals | Number of pre-financing payments | Total budget allocated in 2015 (not including assigned revenue) | Total executed | % execution |
|-----------------------------|----------------------------------|---|----------------|-------------|
| CEF-ICT-Safer Internet-2014 | 29 | 4 797 291 | 4 797 291 | 100 % |
| CEF-ICT-e-ID-2014 | 17 | 1 925 000 | 1 925 000 | 100 % |
| TOTAL | | 1 173 477 351 | 1 173 477 351 | 100 % |

3.2. Projects in 2014 and 2015

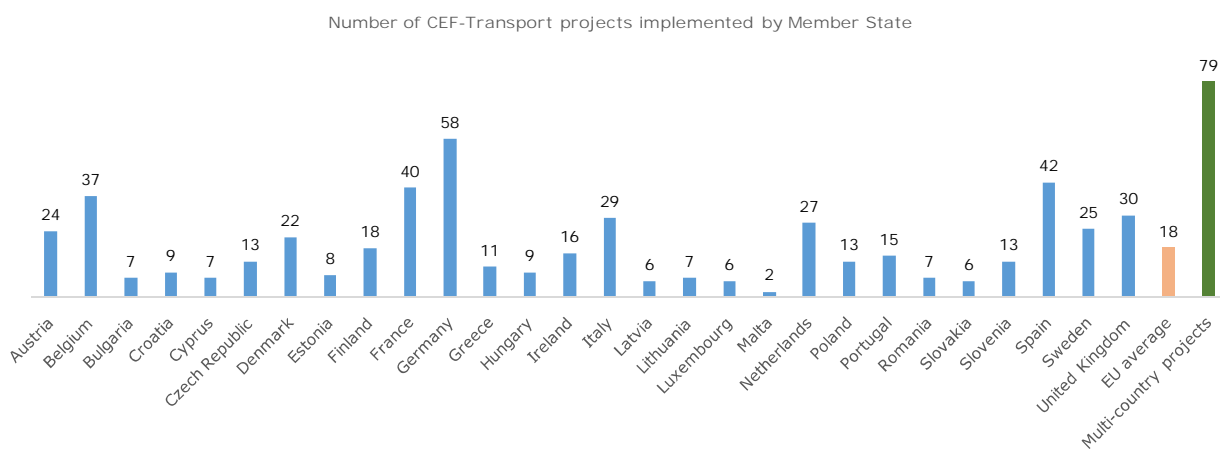
The following maps and tables show project selection for 2014 and 2015. For the area of telecommunications, for 2015, the evaluation of the first call has not been published yet, whilst the second call remains open.

Map 1: CEF projects in 2014 and 2015 – all sectors

Aggregate of Transport, Energy and Telecom projects per country



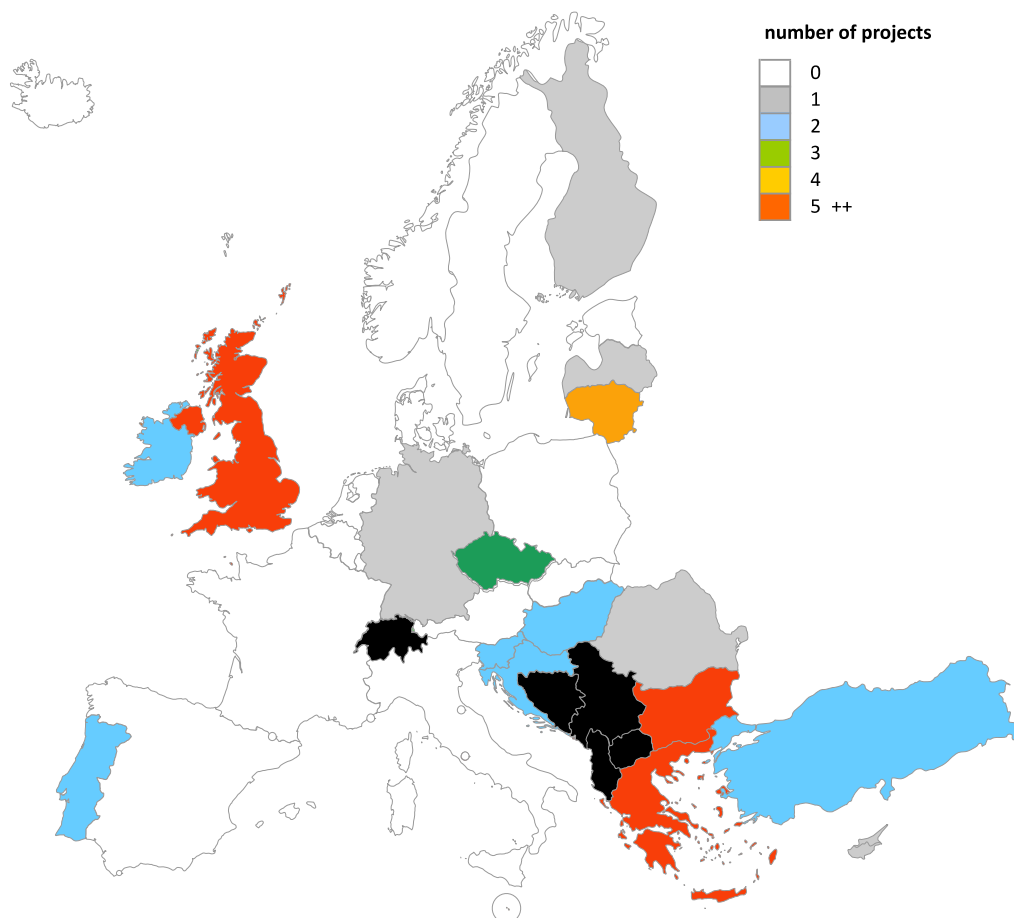
Source: Author

Figure 1: Transport projects

Source: Author

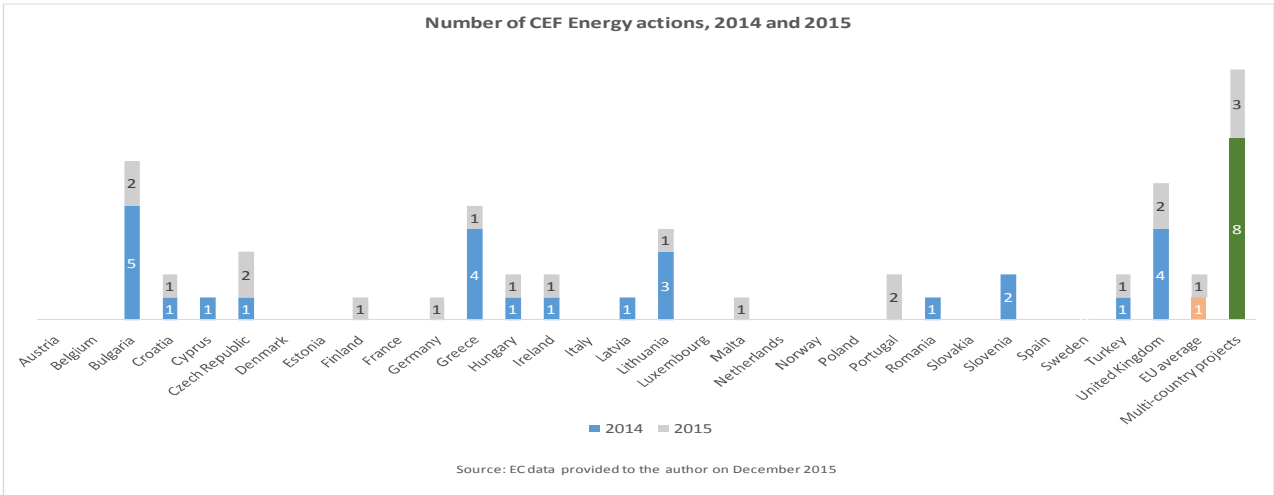
Map 3: CEF projects in 2014 and 2015 – energy

Energy projects per country



Source: Author

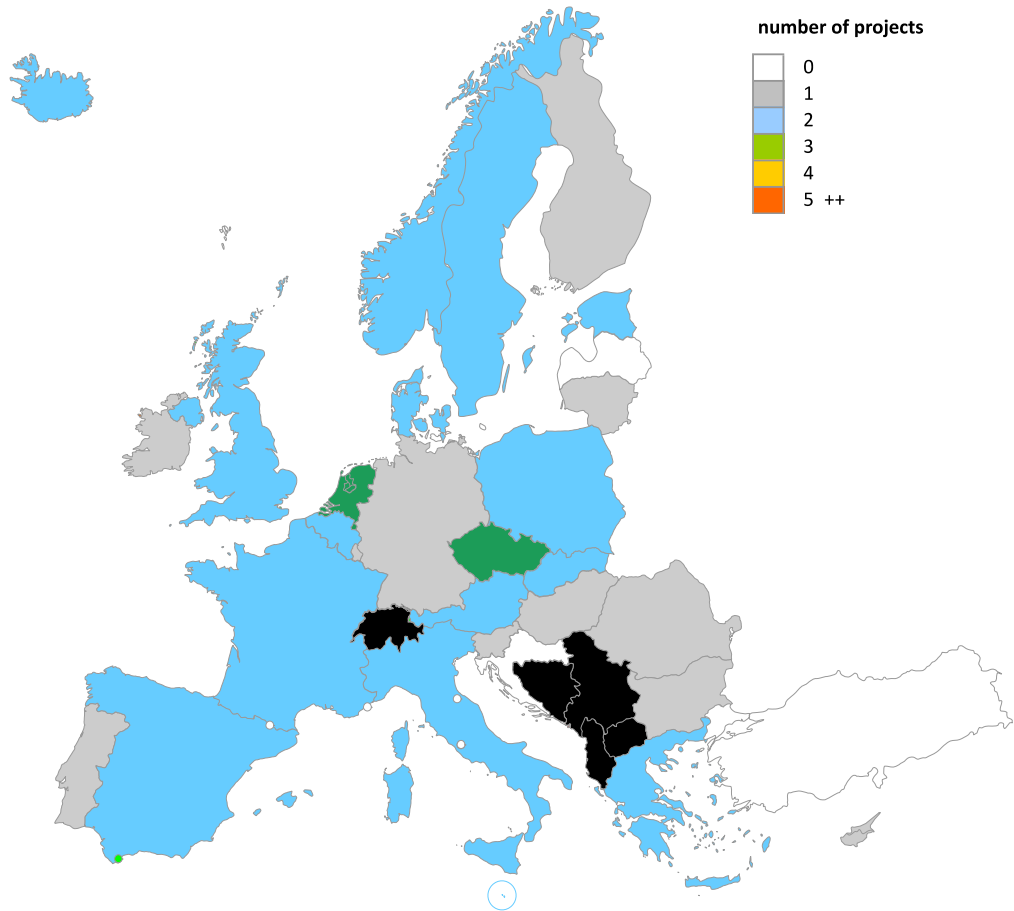
Figure 2: Energy projects



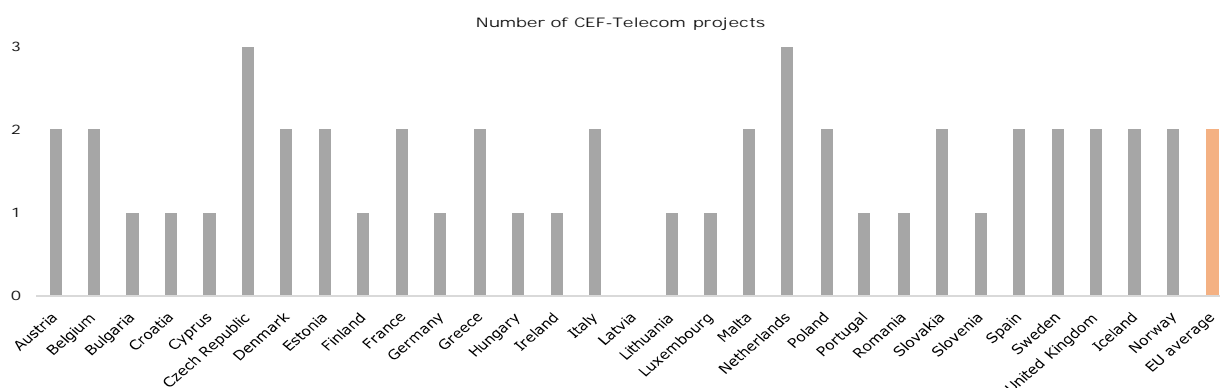
Source: Author

Map 4: CEF projects in 2014 – telecommunications

Telecom projects per country



Source: Author

Figure 3: Telecommunications projects

Source: Author

3.3. Efficiency (delays and mitigation)

3.3.1. Interview feedback

EC interviews confirm, to date, the overall efficient implementation at programme and project level. This is explained, inter alia, with the very recent transfer from the original TEN-T programme to the CEF, and the limited duration of the CEF's operation, e.g. at project level the absence of delays is explained with the very recent start of project implementation.

In this context it is worth noting the absence of any negative comments on INEA's management of the CEF in the European Court of Auditor's 2014 report¹⁶.

Notwithstanding the overall positive experience, some delays were noted with regard to funding for Broadband Networks (DG CNECT). Moreover, delays were noted with regard to the establishment of the CEF Financial Instruments. Indeed, the agreement with the European Investment Bank (EIB), tasking the latter with the implementation of the CEF Financial Instruments¹⁷, experienced a seven-month delay, and this was explained with uncertainties related to the EFSI negotiations. The agreement was finally established on 22 July 2015 (DG ENER).

Moving to the question on mitigation measures to address delays, stakeholder feedback referred to the requirement for project promoters to prepare annual 'Action Status Reports'. The latter include a section allowing for the establishment of mitigation measures in case of implementation delays.

¹⁶ European Court of Auditors (2015), Report on the annual accounts of the Innovation and Networks Executive Agency for the financial year 2014 together with the Agency's reply

¹⁷ The EIB is tasked to 'select and appraise the projects according to its normal standards; structure and price the credit enhancement instrument; monitor the projects thereafter' (<http://www.eib.org/products/blending/project-bonds/>)

3.3.2. Survey

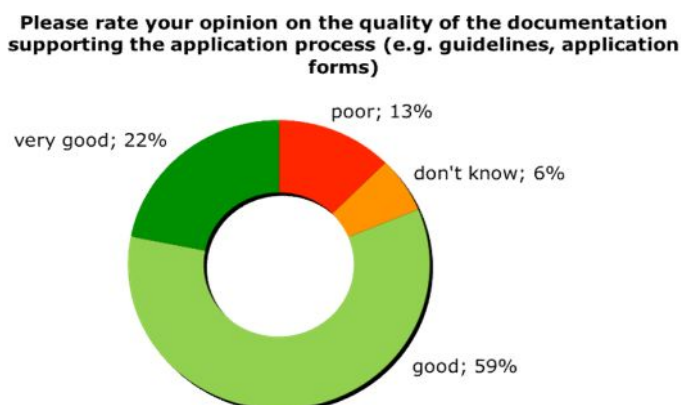
The survey assessed efficiency by reviewing the experience with applications and payments.

Application process

Survey responses indicate the good quality of the documentation supporting the application process. About 81 % of survey respondents considered the quality to be good / very good; 6 % noted '*don't know*'; and 13 % considered the documentation to be of poor quality (see figure below). Notwithstanding the positive feedback, some of the survey responses suggest potential for improvements. Recommendations included:

- More regular and swift updating of the 'FAQ' section;
- More systematic attention of INEA to answering applicant questions;
- Enhance the quality / clarity of the application text (the current text shows language deficiencies and allows much room for interpretation, improve clarity of forms B and C);
- Allow for more time between issuing the call and the deadline, and avoid changes following the publication of the call.

Figure 4: Quality of application documentation



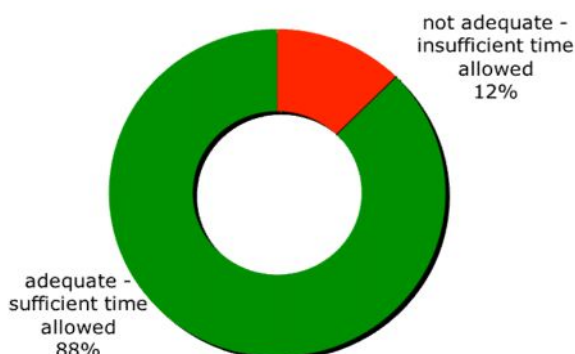
Source: Author

Survey responses also confirmed that sufficient time is allowed for the preparation of proposals, with 88 % of respondents noting that sufficient time is allowed, and 12 % considering that more time is required. Again, some of the survey responses suggest potential for improvements. Recommendations included:

- Organise more calls per year, since one year is too long for mature projects;
- Speed up the process of evaluating applications and signing contracts.

Figure 5: Time for preparing applications

What is your view on the timelines of the call for proposals?



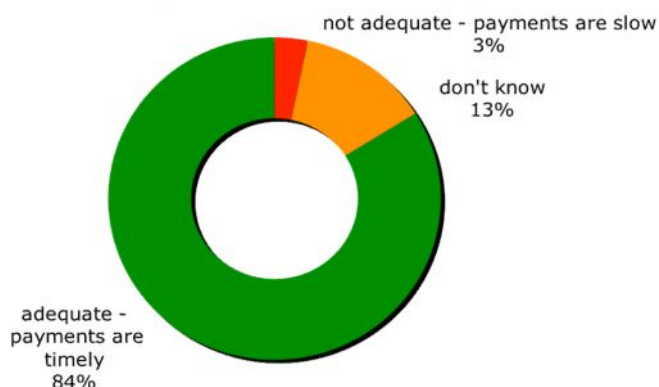
Source: Author

Payment process

Survey responses also confirmed the timeliness of payments, with 84 % of respondents noting that payments are timely; 3 % of respondents considered payments to be slow; and 13 % answered '*don't know*'. Survey respondents offered limited additional detail on the payment process, and this is explained with the, to date, limited experience with payments. Indeed, most promoters have only received the advance payment (pre-financing equal to 50 % of first annual instalment). One survey respondent considered payments to be slow, and to create cash-flow problems for non-public sector promoters.

Figure 6: Timeliness of payments

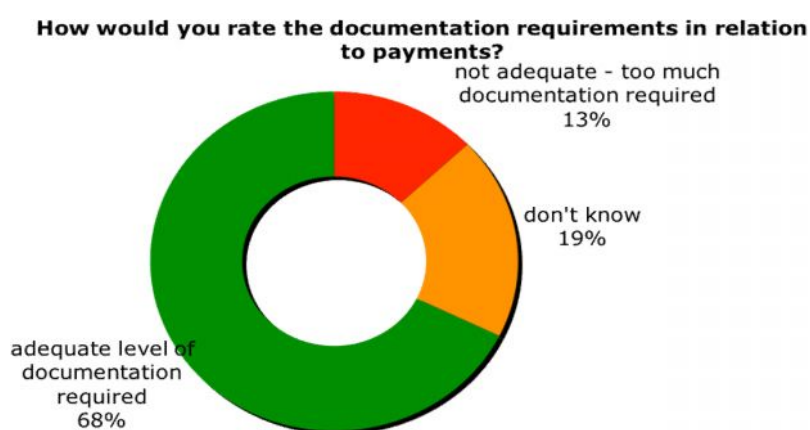
How would you rate the timeliness of payments?



Source: Author

Finally, looking at the documentation requirements for payments, 68 % of survey respondents considered requirements to be adequate; 19 % 'don't know'; and 13 % considered that too much documentation is required. Again, survey respondents provide few additional comments, considering the limited experience to date. One respondent criticised INEA for *'using a one-size-fits-all approach to the introduction of Grant Agreements, making the process inflexible and extremely bureaucratic'*. A further respondent considered that *'New Grant Agreements have caused problems especially on obligations of Member States and especially projects with private sector organisation involvement'*.

Figure 7: Payment documentation requirements



Source: Author

3.4. Achievement of objectives

Considering the recent start of project activities, stakeholders considered it too early to comment on the achievement of objectives, beyond ongoing efforts to ensure alignment between project and Europe 2020 objectives via the project selection process.

There are expectations that first outcomes will materialise in 2016 and 2017 when several projects will come to an end. This expectation is aligned with the regulatory framework. Indeed Regulation (EU) No. 1316/2013 foresees the publication of an evaluation before the end of 2017¹⁸. This evaluation is required to report, inter alia, *'on the achievement of the objectives of all the measures (at the level of results and impacts), the efficiency of the use of resources and the European added value of the CEF, with a view to deciding on the renewal, modification or suspension of the measures'* (Article 27). In this context, the importance of ensuring continuous relevance to needs was highlighted. Indeed, whilst the wider infrastructure needs are decided, on the basis of needs assessment, by the European legislators, it is important to continuously verify alignment with needs. Failure to align infrastructure interventions

¹⁸ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010

with needs can constrain the actual use of infrastructure, and thus limit effectiveness in terms of achieving Europe 2020 objectives (DG ENER).

With regard to telecommunications, stakeholders noted more modest expectations with regard to achieving Europe 2020 objectives, and this is explained with the limited resources, in particular affecting 'Broadband Networks'.

3.5. Budget cuts

Why budget cuts?

In November 2014, the EC adopted the 'Investment Plan for Europe' aiming to promote investments in the EU. The EC expected the plan to create 1 to 1.3 million new jobs during the next three years. The plan is based, inter alia, on the establishment of a new European Fund for Strategic Investments (EFSI) *'to mobilise over the next three years 2015-2017, at least 315 billion euro of additional investment'*¹⁹. The initial proposal was that the EFSI would get funds from the Member States (either directly or through financing of investments), the EIB (EUR 5 billion) and the existing margins of EU budget (EUR 2 billion), the CEF (EUR 3.3 billion) and the Horizon 2020 Programme (EUR 2.7 billion). According to the EC, *'the multiplier effect generated by the EFSI will allow for a significant overall increase of investment in the policy areas covered by those two (CEF and Horizon 2020) existing programmes'*²⁰. The EC considered that *'the reduction of both programmes to finance the guarantee fund is expected to ensure a greater investment in certain areas of their respective mandates than is possible through the existing programmes. The EFSI should be able to leverage the EU guarantee to multiply the financial effect within those areas of research, development and innovation and transport, telecommunications and energy infrastructure compared to if the resources had been spent via grants within the planned Horizon 2020 and Connecting Europe Facility programmes. It is, therefore, appropriate to redirect part of the funding presently envisaged for those programmes to the benefit of EFSI'*²¹. On 25 June 2015, the European Parliament and the Council reached a political agreement reducing the CEF contribution to EUR 2.8 billion and the Horizon 2020 to EUR 2.2 billion.

How are budget cuts organised?

Stakeholders refrained from commenting in detail on the organisation of the budget cuts (i.e. years affected), noting uncertainties, to date, of actual financial needs.

DG ENER commented positively on the 'backloading' of the CEF budget in the energy sector, as the end of the programme period is expected to have the most important budget needs.

DG CNECT, referring to the 'frontloading' of the CEF budget in the telecommunications area (in particular, Broadband Networks) would have preferred cuts to be applied later than 2016-2017.

¹⁹ European Court of Auditors (2015), Opinion concerning the proposal for a Regulation of the Strategic Investments, No 4/2015.

²⁰ Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013, COM (2015) 010 final.

²¹ Idem 17

Implications for CEF

On its own, CEF funding is considered insufficient to achieve wider infrastructure network objectives, and this was exacerbated by the budget cuts. As noted above, the EC estimated investments required for trans-European networks in the transport, telecommunications and energy sectors for the period until 2020 to amount to EUR 970 billion, with EUR 500 billion for transport, EUR 200 billion for energy and EUR 270 billion for fast broadband infrastructures²². CEF will cover about 3 % of total investment needs (4.8 % for transport, 2.7 % for energy, and 0.4 % for telecommunications).

Stakeholders illustrated the implications of the budget cuts by noting the rejection of many high-quality applications. Indeed, funding was only available for about half the technically eligible project proposals.

Based on existing experience with the leverage effect of EC grants, stakeholder feedback indicated a need for further efforts on promoting public-private partnerships to complement existing CEF funding.

Stakeholder feedback also suggested a need for further coordination with Member States in terms of leveraging Member State funding to complement CEF-funded interventions. Indeed, it was suggested that there is potential for enhancing the cross-border and European perspective of existing national infrastructure strategies and investment plans.

EC feedback indicated the specific expediency of identifying additional sources of funding for the telecommunications sector of 'Broadband Networks'; available funding for the other telecommunications sector, i.e. 'Digital Service Infrastructure' was considered sufficient.

Research on the CEF coincides with stakeholder feedback, i.e. the available resources are considered insufficient²³, and this is explained with the insufficient volume of available funding to trigger multiplier effects at national level and induce private investment: *'Any effective recovery plan must administer a positive shock to the confidence level of European public opinion: its size must demonstrate the political will of the federal government to reverse the declining trend and to provide a long term policy for sustainable development'*²⁴. It is also worth noting that existing research suggests that the EC might have underestimated needs, with some research noting CEF-related needs of EUR 2.000 billion by the year 2020²⁵.

Finally, survey responses confirmed budget constraints. Whilst 40 % of respondents considered budget allocations to be sufficient, 44 % note budget limitations, and 16 % noted (*'don't know'*). This was the only survey answer drawing more negative feedback. Individual survey responses include the following:

- Budget allocations are not aligned with the volume of technically eligible proposals;
- There might be a bias for large-scale corridor projects, with more support required for small to medium-size projects offering high value outputs;

²² Ex-ante assessment on the potential use of financial instruments within the Connecting Europe Facility, 29 August 2014.

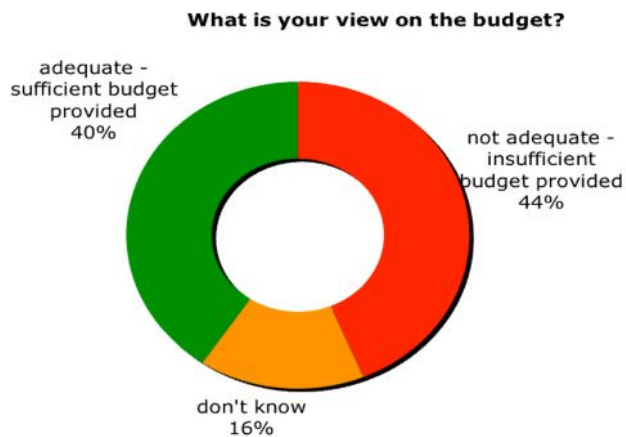
²³ Andreotti, M. (2012) The future developments of the European Union Budget and the Connecting Europe Facility

²⁴ Fiorentini, R. and Montani, G. (2014) A Keynesian Recovery Policy for the European Union

²⁵ Fiorentini, R. and Montani, G. (2014) A Keynesian Recovery Policy for the European Union

- One respondent commented in more detail on the budget for the area of telecommunications: *'The Safer Internet Centers have suffered over many years from insufficient budget (when grants covered 75 % and accepted 30 % as indirect); Now 50 % funding with 7 % indirect is a formula to kill them. The logic that Member States will now assume their responsibility and co-fund them has the opposite effect. Member States are interested to "invest" in them only if they take them over, which means that they will no longer be able to attract volunteers and build up enthusiasm for such projects'.*

Figure 8: Budget limitations



Source: Author

4. CONCLUSIONS AND RECOMMENDATIONS

This final section presents a set of conclusions (section 4.1) and recommendations (4.2).

4.1. Conclusions

The CEF is designed to promote and part-finance the construction of pivotal cross-border transport, energy and telecommunications infrastructure links between the EU's Member States. More specifically, it is meant to *attract and facilitate private funding* - particularly insurance companies and pension funds - *for investments that otherwise may be difficult to secure*, amid a shortfall in private infrastructure investment since the financial crisis.

Overall, the stakeholders consulted consider it *too early to draw well-founded conclusions on the achievement of CEF objectives*, considering the recent start of project activities. The first outcomes will materialise in 2016 and 2017, with several projects coming to completion.

However, the interviews and survey undertaken reveal a *growing perception that the Facility is somehow insufficient to achieve wider infrastructure network objectives*, and this is exacerbated by the recent budget cuts.

The *rejection of many high-quality applications* due to insufficient budget allocation must be noted.

A survey has confirmed the *overall positive experience and efficiency associated with the CEF application process and payment timelines*.

The feedback obtained highlights the need for *further coordination with Member States in terms of leveraging Member State funding* to complement CEF-funded interventions, as there seems to be potential for enhancing the cross-border and European perspective of existing national infrastructure strategies and investment plans.

With the above conclusions in mind, and based on existing experience with the leverage effect of EC grants, stakeholders also highlight the *need for further efforts on promoting public-private partnerships to complement existing CEF funding*, this element having been the main rationale justifying the launch of CEF.

4.2. Recommendations

A set of key recommendations for the effective use of CEF to help build the infrastructure underpinning the EU's growth strategy is presented below, with the following targets in mind:

- *Strengthening the project pipeline;*
 - *Broadening funding & financing;*
 - *Cutting red tape; and*
 - *Securing a positive investment environment.*
1. The long-term success of CEF will certainly require *enhancing the current stakeholder dialogue*, in order to secure a regular feedback from Member States, project managers, public authorities, private companies, financial institutions and financial intermediaries alike. It might be worth exploring the utilisation of online consultation tools, in addition to the organization of high-level expert groups and/or conferences.

2. A review of the actions financed so far might raise subsidiarity-related concerns about the Facility's 'top-down nature', with a somehow 'inflexible' definition of infrastructure corridors in the core and comprehensive networks. Such approach might be already promoting a *bias for large-scale corridor projects*, with more support required for small to medium-size projects offering high value outputs.
3. It is highly advisable that CEF finances *well-prepared and bankable projects with structures designed to accommodate private financing* (i.e. non-grant based model). In this regard, the market will likely support well-defined projects with critical mass.
4. CEF projects should hold a clear understanding of the *regulatory treatment* applicable - including State Aid and Eurostat –: structures using financial instruments like CEF are particularly sensitive to uncertainty.
5. The potential degree of *complementarity* (and combination) between the different EU instruments (CEF, EFSI, EIB...) should be further stimulated at project level, at financial instrument level and through investment platforms. CEF should already anticipate (and accommodate) the existence of a variety of funding sources supporting a selected action.
6. The *mid-term review* of the Facility should explore that CEF has avoided the following shortfalls:
 - i. A lack of investment leverage, with EU funds not being spent on projects of common EU interest, and co-financing rates too low to trigger the investment needed;
 - ii. The financing of poorly managed and lagging projects; and
 - iii. A minor degree of private investor involvement.
7. The complex nature of CEF-financed projects recommends a certain *degree of flexibility allowing for an 'on-going' contract renegotiation process* during the projects' implementation.
8. CEF must *document and monitor closely the impact of completed actions*, building a 'knowledge centre' allowing a deep understanding of the Facility's deployment progress and true market impact. It is recommended that the impact of each single action is measured by means of Key Performance Indicators (KPIs) grouped around the following topics:
 - i. Objectives;
 - ii. Risk;
 - iii. Contract Specifications;
 - iv. Tendering Process;
 - v. Implementation;
 - vi. Monitoring and Evaluation; and
 - vii. Finance.

REFERENCES AND SURVEY

References include:

- Andreotti, M. (2012) The future developments of the European Union Budget and the Connecting Europe Facility
- European Commission (2011), Commission Staff Working Document, Accompanying the Regulation establishing the Connecting Europe Facility, Impact Assessment, SEC(2011) 1262 final.
- European Commission (2011) Memo/11/469, 29 June 2011
- European Court of Auditors (2015), Opinion concerning the proposal for a Regulation of the Strategic Investments, No 4/2015
- European Court of Auditors (2015), Report on the annual accounts of the Innovation and Networks Executive Agency for the financial year 2014 together with the Agency's reply
- Fiorentini, R. and Montani, G. (2014) A Keynesian Recovery Policy for the European Union

The following eight survey questions were addressed to project promoters:

- Please note if you are: Member State, Private undertaking, Public undertaking, International organization
- What type of project have you applied for?
- Please indicate your Member State
- Please rate your opinion on the quality of the documentation supporting the application process (e.g. guidelines, application forms)
- What is your view on the timelines of the call for proposals?
- What is your view on the budget?
- How would you rate the timeliness of payments?
- How would you rate the documentation requirements in relation to payments?



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