

## Research for TRAN Committee – EU funding of transport projects

### Aim

This study provides comprehensive information on the current status of European Union (EU) funding for transport projects, including the main achievements/benefits and issues/problems, with the aim to propose recommendations for improving the effectiveness of EU funding for the future multiannual financial framework (MFF) 2021-2027.



### Financial instruments supporting transport policy goals

The policy goals of EU funding for transport projects are threefold: (i) achieving socioeconomic convergence among Member States (MSs); (ii) completing the Trans-European Transport Network (TEN-T); and (iii) tackling specific transport challenges such as decarbonisation, digitalisation, etc. Addressing the transport gaps of MSs and their regions, especially the less developed ones, and promoting a European-wide intermodal transport network are considered essential aspects for boosting growth and competitiveness within the EU and ensuring the proper functioning of the internal market.

Reducing transport externalities<sup>1</sup> is crucial to tackle climate change and improve citizens' quality of life. In this respect, the EU gives great importance to reach a more sustainable and safer transport system by progressively decarbonizing all transport modes and promoting a better use of existing infrastructure through digitalization. On the other hand, given the importance of EU security and defence, adapting the transport network to comply with military requirements is deemed essential for facilitating military mobility within the EU.

The present document is the executive summary of the study on EU funding of transport projects. The full study, which is available in English can be downloaded at: <http://bit.ly/2lHo8Mc>

<sup>1</sup> Transport externalities or transport external costs refer to the costs related to the negative impacts of transport that are not borne by the transport users — such as pollution, accidents, congestion, etc. — and are therefore not considered when making a transport decision (Korzhenevych et al., 2014).

Overall, there are three different types of EU funding instruments available for transport projects: EU grants, European Investment Bank (EIB) loans and innovative financial instruments. Some EU funding instruments — the Cohesion Fund (CF) and the Connecting Europe Facility (CEF) — are mostly focused on supporting TEN-T projects, while other instruments — such as the European Regional Development Fund (ERDF), the European Fund for Strategic Investment (EFSI) and the EIB loans — have greater capacity to finance other projects not included in the TEN-T as long as they produce EU added value.

The European Commission (EC) is increasingly encouraging the use of innovative financial instruments rather than grants. In the next MFF 2021-2027, both the volume and scope of available financing instruments is expected to increase, while some traditional instruments, such as the CF, might see their budgets decrease. In order to reduce overlaps and ease the access to EU financing, the next MFF 2021-2027 intends to merge all centrally managed financial instruments into a new investment fund called InvestEU.

## **Performance review of current EU funding mechanisms**

The following findings regarding the current performance of EU funding instruments for transport projects can be highlighted:

- EU funds have not been as effective as expected in fulfilling transport policy priorities and, according to the European Court of Auditors (ECA), audit authority of the EU, they require better targeting.
- The current EU allocation of funds to transport seems to be insufficient. The CEF is not able to cover all the valuable applications it receives, while Cohesion policy instruments have been accompanied by a reduction of their budget despite the still existent EU's regional imbalances.
- While the funding allocation of some instruments, such as the European Structural and Investment Funds (ESIF), is too much influenced by MSs towards national and regional priorities, the allocation of more sophisticated instruments, such as the EFSI and CEF, does not seem to be balanced across regions.
- The evaluation of projects and programmes funded by the EU often lack focus on results and impacts. Moreover, the evaluations conducted by the EC/EIB are often challenged by the ECA.
- Impact assessment analyses are often regarded by MSs as a hurdle to be overcome rather than a tool to select the best projects according to EU priorities.
- Administrative procedures keep on being an obstacle for the effective delivery of projects. The situation is even more critical in cross-border sections where procurement is a major issue.
- The capacity of MSs remains being critical to manage EU funding, especially under the shared management approach.
- Regarding coordination among funding instruments, there is still certain overlapping while examples of combination remain limited.

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## Challenges and opportunities for the future

The following key challenges and opportunities likely impacting EU transport funding in the future have been identified:

- The need to improve infrastructure resiliency to climatic events, minimize the impact of transport on the environment, digitalize infrastructure, and provide widespread facilities to supply low-carbon energies will require larger funding resources for transport projects.
- Given the current demographic trend, special attention will have to be paid to issues in big cities and remote places that are steadily losing population.
- EU resources for transport projects may be affected by political pressures to reduce the EU budget and other budgetary priorities gaining importance (such as social aspects, immigration, and security).
- The implementation of tougher controls at the intra-EU borders for security reasons may constrain the effectiveness of cross-border relationships between EU countries.
- EU funding for transport may also be undermined by the lack of coordination among institutions, the inability to prove the added value of the projects funded, the difficulties of less developed regions to take advantage of complex financial mechanisms and the lack of willingness of MSs to promote cross-border sections.
- The EU still lacks a framework aimed at both safeguarding fair competition among transport modes through the internalisation of external costs<sup>2</sup>, and ensuring the effective integration of different transport means, including emerging mobility forms such as car-sharing, ride hailing, scooter-sharing, etc.

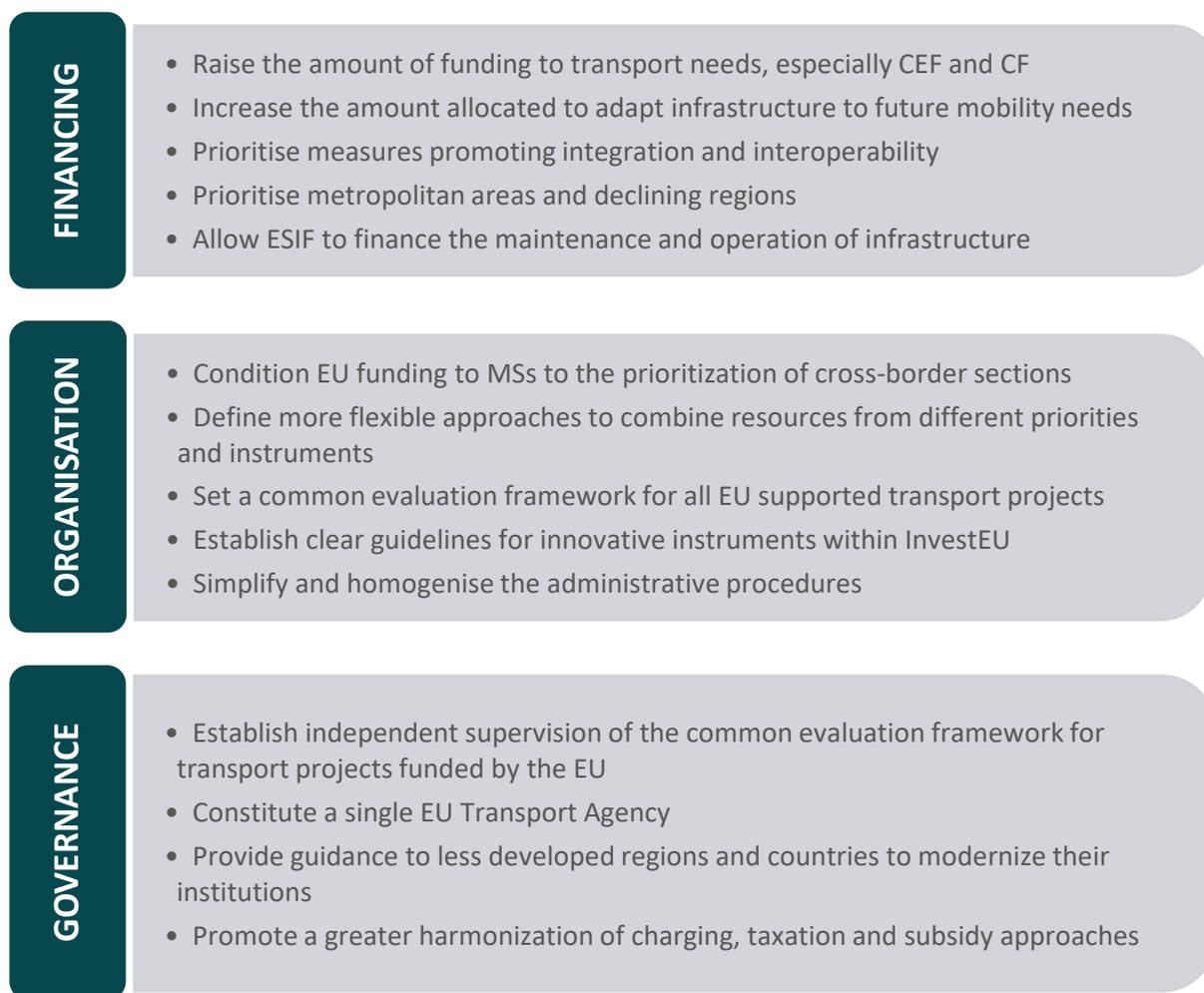
## Recommendations

On the basis of the analysis conducted, this study proposes the recommendations summarized in the following figure:

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<sup>2</sup> Internalising transport externalities means making these costs part of the decision-making process of transport users, which can be achieved either directly through the provision of regulation or indirectly by providing appropriate incentives to users (Korzhenevych et al., 2014)

Figure 1: Recommendations of the study



## Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <http://bit.ly/2lHo8Mc>

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