

PUBLIC HEARING

COMMITTEE ON BUDGETARY CONTROL



Wednesday 20 April 2016 – **15.00-18.30**
JÓZSEF ANTALL BUILDING – ROOM **6Q2**

CONTROL OF PROJECTS AND IMPLEMENTATION OF EU FUNDS IN THE AREA OF INFRASTRUCTURE AND TRANSPORT - EFFECTIVENESS AND PROBLEMS

CHAIR: **Ingeborg Gräble**

RAPPORTEURS: **Claudia Schmidt** and **Ryszard Czarnecki**

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PROGRAMME

Hearing on

"Control of projects and implementation of EU funds in the area of infrastructure and transport - effectiveness and problems"

20 April 2016 (15.00-18.30)

Brussels, JAN 6Q2

15.00 - 15.05	Opening remarks and introduction by Chair
15.05 - 15.15	Introduction by the Co-Rapporteurs
15.15 - 16.15	<p>I - Control of EIB financed projects: what kind of challenges the EIB has to face?</p> <p><i>Views of key-stakeholders involved in the control and the assessment of effectiveness of EIB financed projects:</i></p> <ul style="list-style-type: none"> - <i>funding schemes at stake,</i> - <i>ways of selection and controlling of projects,</i> - <i>consistency of methodologies to measure the effectiveness of transport and infrastructure investments.</i> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> - EIB, Mr <i>Neil Valentine</i>, Head of division in the Projects Department and Ms <i>Ivory Yong-Prötzel</i>, Head of Operations Evaluation, - Counter Balance (Brussels), Mr <i>Xavier Sol</i>, Director.
16.15 - 16.45	Questions, replies, debate

16.45 - 17.45	<p>II - The implementation of EU funds in infrastructure and transport: lessons learnt from the project Lyon-Turin</p> <ul style="list-style-type: none"> - <i>key-infrastructure investment strategies,</i> - <i>inherent difficulties and operational constraints,</i> - <i>further improvements and options to be considered in future similar projects.</i> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> - Mr Olivier Onidi, European Commission, Director of DG MOVE, Mr Stéphane Ouaki, European Commission, Head of Unit B.4. of DG MOVE, and Mr Herald Ruijters, Head of Unit B.1. of DG MOVE - Société Tunnel Euralpin Lyon Turin (TELT), Mr Hubert du Mesnil, Président, - Mr Daniel Ibañez, économiste des Procédures collectives (redressements et liquidations judiciaires).
17.45 - 18.20	Questions, replies, debate
18.20 - 18.30	Closing remarks by Co-Rapporteurs

Background documentation

Provided by Policy Department D on Budgetary Affairs

THE EUROPEAN INVESTMENT BANK:

Governance, Control and Operations Evaluation

The European Investment Bank (EIB) was founded in Brussels in 1958 as the Treaty of Rome came into force and moved to Luxembourg in 1968. The bank's workforce is around 3000 staff. Most of them work in Luxembourg, but the EIB also have 30 external offices, in the European Union and across the regions in which the bank is active around the world.

The shareholders of the European Investment Bank are the 28 Member States of the European Union.

Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession.

The EU Member States are fully eligible for Bank financing operations, without any geographical or sectorial quotas being applied.

The EIB funds its operations by borrowing on the capital markets rather than drawing on the EU budget. Under its Statute, the Bank is authorised to have maximum loans outstanding equivalent to two and a half times its capital.

From ECU 10bn in 1988, the EIB annual lending neared EUR 45bn in the mid-2000s before jumping to EUR 79bn in 2009 as a temporary response to the crisis; it was EUR 77.5bn in 2015.

The Bank enjoys decision-making independence within the EU's institutional system.

1. GOVERNANCE

Since the EIB is, at the same time, an EU body and a bank, it is governed by both public governance and corporate governance principles. The EIB has four statutory bodies (i.e. those referred to in the EIB Statute):

- Three decision-making bodies: the Board of Governors, the Board of Directors and the Management Committee;
- One control body: the Audit Committee.

2. CONTROL

As both a Community body and a financial institution, the Bank cooperates with other independent control bodies entrusted with such tasks under the Treaty or other regulations:

European Court of Auditors

In accordance with Article 287(3) of the Treaty on the Functioning of the EU (TFEU), the Court of Auditors can audit loan operations under the mandate conferred by the EU on the Bank as well as the operations managed by the Bank that are guaranteed by the general EU budget. To that end, a "[Tripartite Agreement](#)" has been adopted by the Commission, the Court of Auditors and the EIB.

European Anti-Fraud Office

A 2003 ruling from the Court of Justice of the EU provides the EIB with a legal framework for working in close cooperation with the European Anti-Fraud Office (OLAF) in the fight against fraud and corruption.

European Ombudsman

The European Ombudsman has the power to conduct inquiries concerning instances of maladministration in nearly all the activities of the EU institutions or bodies, including the European Investment Bank. When citizens are not satisfied with the outcome of the internal EIB complaints investigations, they can complain to the European Ombudsman about alleged maladministration. This possibility of upward recourse is unique among International Financial Institutions.

European Parliament

The Committee on Budgetary Control (CONT) and the Committee on Economic and Monetary Affairs (ECON) are lead committees on EIB matters. CONT exercise the control of the financial activities of the European Investment Bank and ECON is responsible for the relevant financial activities of the European Investment Bank as part of European economic governance in the Eurozone.

3. OPERATIONS EVALUATION – THOROUGH ASSESSMENTS TO IMPROVE EIB PERFORMANCE

In line with good governance, the EIB Group (European Investment Bank and European Investment Fund, i.e. EIF) strives towards constant improvement in all aspects of performance, and the Operations Evaluation¹ forms an important part of this.

¹ Operations Evaluation is described in the [Operational Evaluation Terms of Reference](#) which were approved by both the EIB and EIF Board of Directors on 2009.

Operations Evaluation carries out independent ex post evaluations of EIB and EIF activities with two aims:

- **Accountability:** to assess whether the bank's activities have been in line with the policy mandates and the strategies that have derived from them, and if these activities have delivered as expected.
- **Lessons learned:** identifying possible areas of improvement that can be applied to Group activities to increase performance in the future.

What does evaluation bring to the EIB?

- Assess the relevance and performance of the EIB's activity - while taking into account its business model
- Identify factors that enable or thwart project implementation and achievement of policy objective
- Highlight lessons learned
- Provide inputs for strategic orientations

Operations Evaluation work is carried out mainly at a thematic level. This can be by sector, mandate or financial product. Geographical scope is usually by region or sub-region, meaning that reports will deal with the EU or the Mediterranean as whole, rather than individual nations. Temporal scope is typically 10 years, but this could be revised.

The evaluation criteria for the EIB follow internationally accepted standards. In accordance with the criteria defined by the OECD Evaluation Network and adopted by the [Evaluation Cooperation Group \(ECG\)](#), the Operations Evaluation looks at Relevance, Effectiveness, Efficiency and Sustainability. More specifically to EIB and EIF operations, Operations Evaluation examines the management of the project cycle.

4. OPERATIONS EVALUATION – PROCESS AND METHODOLOGY

The thematic evaluations of EIB and EIF operations take approximately 12 to 16 months, a figure in line with other International Financial Organisations, and include:

- Analysis of the Bank's relevant policies and strategies,
- Analysis of the portfolio of relevant projects,
- Interviews with relevant parties inside and outside the EIB group,
- The specific evaluation of some individual operations,
- Complementary studies or surveys, depending on the overall theme.

The process itself is regularly updated, taking into account the evolving activities of the EIB Group, new areas of analysis for Operations Evaluation and recommendations made from outside the organisation.

The criteria for evaluation of EIB operations are:

- **Relevance:** Are objectives consistent with underlying policies and beneficiary needs?
- **Effectiveness:** Were objectives achieved?
- **Efficiency:** Are benefits commensurate with costs?
- **Sustainability:** Are there continued long-term benefits?

In addition to these project-based criteria, the **EIB's contributions** are also assessed, notably what financial value added is brought about compared to alternatives, as well as **how the Bank manages the project cycle** from beginning to end and any other contribution that may have been made. This aspect of the evaluation is rated separately from the overall study, though it does form part of it. The Bank also uses its self-assessment to consider its own practices.

A process of consultation is carried out before Operations Evaluation reports (thematic and their component individual parts) are finalised. Recommendations are included in the reports, and EIB Management is bound to provide an official reply to these recommendations.

Evaluation of projects normally takes place between 18 months and three years after completion, allowing for a wider overall view. A detailed timeline of the phases of the thematic evaluations can be found in Annex 1.

Operations Evaluation – rating scale

In accordance with the Evaluation Cooperation Group principles used by international financial organisations, operations are rated on a four level scale. These are 4 – excellent, 3 – satisfactory, 2 – partially unsatisfactory and 1 – unsatisfactory.

Sources: [EIB web site](#), [EIB 2014 Activity report](#), [EIB 2014 Statistical report](#) and [EIB 2014 Financial report](#).

ANNEX 1

Thematic Evaluations - Summary of the phases

1. Structuring (2-3 months)

- Definition of the scope of the evaluation both in terms of time (period evaluated) and themes, sectors or instruments
- Preliminary desk review and in-house preparatory interviews with services
- Determination of the portfolio of operations relevant for the evaluation
- Drawing-up a sample of 20-25 operations to be evaluated in detail
- Policy review (both EU, EIB and where relevant, national/regional)
- Definition of complementary activities (additional survey or other studies, e.g. policy study)

Result:

- *Issues Paper, a document that is discussed with operational counterparts*

2. Implementation (6-8 months)

- Identifying, tendering and managing external consultants if applicable
- Elaboration of an evaluation framework to guide all individual evaluations
- In-depth evaluations of up to 20-25 individual operations, including field visits
- Complementary activities
- Analysis
- Preparation of draft individual evaluation reports
- Quality assurance and coherence check across all individual evaluation reports
- Consultation with the services on each individual evaluation report (5 weeks)

Result:

- *20-25 fully-fledged individual evaluation reports*
- *report(s) for complementary activity, if applicable*

3. Analysis and synthesis (2-4 months)

- Bringing together the different insights gathered through previous steps
- Workshop with services on emerging findings
- Drafting of synthesis report

Result:

- *draft synthesis report, including conclusions and recommendations*

4. Consultation of synthesis report (2-3 months)

- With services, operational level (3 weeks, incl. 1 week for Operations Evaluation to adjust to comments)
- With services, Directors General (2 weeks, incl. 1 week for Operations Evaluation to adjust to comments)
- Dispatch to Management Committee prior to its discussion (2 weeks)
- Dispatch to Board of Directors prior to its discussion (between 3 and 5 weeks)

ANNEX 2

EIB Financing provided within the European Union in 2014 and from 2010 to 2014

Detailed breakdown by sector (EUR million)

	2014		2010-2014	
	Amount	% of total	Amount	% of total
Energy	10 305	14.9%	45 704	15.5%
Transport	12 965	18.8%	62 288	21.1%
Telecommunications	2 270	3.3%	9 863	3.3%
Water, sewerage	2 255	3.3%	14 865	5.0%
Solid waste	417	0.6%	1 275	0.4%
Urban development	2 798	4.0%	9 366	3.2%
Composite infrastructure	489	0.7%	2 809	1.0%
Industry	5 257	7.6%	30 729	10.4%
Services	2 043	3.0%	12 719	4.3%
Education	4 741	6.9%	14 434	4.9%
Health	1 406	2.0%	9 048	3.1%
Agriculture, fisheries, forestry	375	0.5%	1 857	0.6%
Total individual loans/framework loans	45 321	65.6%	214 958	72.8%
Total credit lines	23 760	34.4%	80 245	27.2%
Total	69 081	100.0%	29 5203	100.0%

Source: European Investment Bank 2014 Statistical report

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ElB policy in the area of infrastructure and transport

Summary of EIB Policy in the Area of Infrastructure and Transport

The European Investment Bank (EIB)

As the EU bank, the EIB provides long-term finance for sound, sustainable investment projects in support of EU policy goals in Europe and beyond. Owned by the 28 EU Member States, we are the largest multilateral lender and borrower in the world and our 2 900 staff can build on over 50 years of experience in project financing. We are headquartered in Luxembourg and have a network of over 30 local offices.

Overview of EIB: <http://www.eib.org/infocentre/publications/all/the-eib-at-a-glance.htm>

EIB Lending Policy:

Article 16 of the EIB's statute (2009), along with related provisions in the Treaty of Lisbon, allows the Bank to grant loans and guarantees for economically productive investment projects in three areas:

- (i) Projects for developing less-developed regions
- (ii) Projects for modernizing or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market
- (iii) Projects of common interest to several Member States. Following this mandate, the Bank's Corporate Operational Plan (COP), a rolling three year strategy which is reviewed and updated on an annual basis, establishes the mission statement, priority lending objectives and key performance indicators which determine the activities pursued by the Bank.

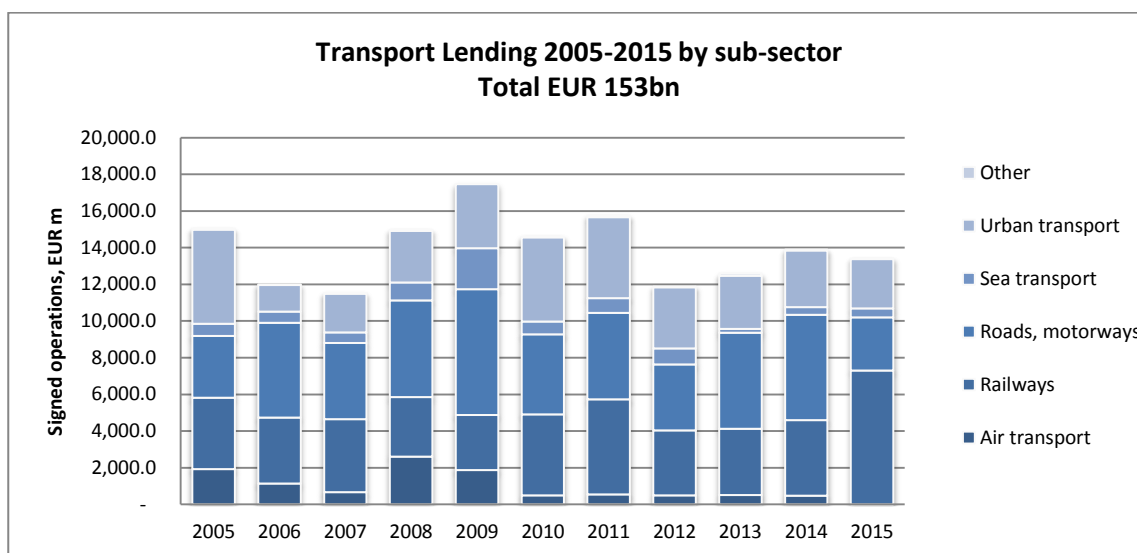
As the Bank of the European Union, the EIB Group uses its special expertise and resources to make a difference to the future of Europe and its partners by supporting sound investments that further EU policy goals.

In line with the COP 2015-2017 , the Bank's Public Policy Goals and lending objectives within the EU:	In line with the External Lending Mandate 2014-2020 , the lending objectives for the regions outside the EU in which the Bank operates are:
Innovation	Local private sector development
SMEs & Midcap finance	Social and economic infrastructure, in particular in support of SMEs
Infrastructure	Climate change mitigation and adaptation
Environment	



EIB Transport Lending Policy:

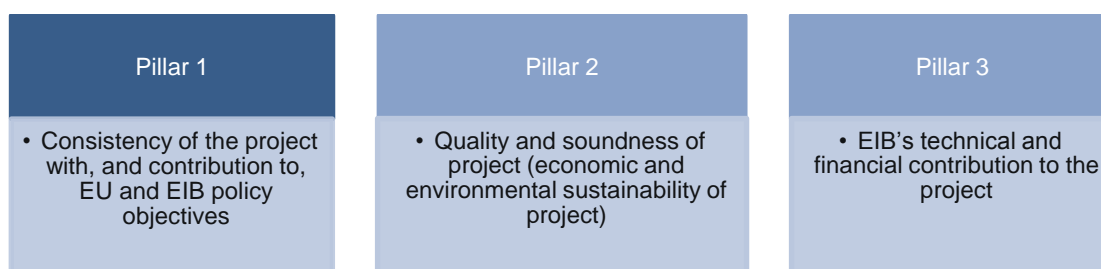
The EIB seeks to focus on activities that are likely to have the greatest impact on furthering EU policy goals. In financing the transport sector, the EIB prioritises its support to technologies and infrastructures with the objective of developing a more efficient and sustainable European transport system with a further use of renewable sources, contributing to reducing oil dependency and enhancing the competitiveness of the European industry.



Link to Transport Lending Policy: http://www.eib.org/attachments/strategies/transport_lending_policy_en.pdf

Project Appraisal:

Transport project selection and appraisal is performed via a multi-stage and multidimensional approach designed to maximize the value added of the Bank's lending so as to best contribute to further EU policy. The Bank's strategy identifies three 'pillars' for measuring the 'value added' (VA) of the Bank's lending activities within the EU and accession countries. Investments are screened and graded to determine their level of value added against the following main criteria:



While this paper focuses on the process of assessment of transport projects with respect to the first two pillars, such assessment takes place alongside a more general screening performed for all projects that includes the following points:

- Not all projects are eligible for EIB support, and a list of excluded sectors is maintained (for example, projects with a military purpose are excluded);



- The Bank's borrowers must be capable of repaying a long term loan and must provide adequate financial security; and
- Projects must represent sound long term economic investments and comply with the Bank's relevant policies (particularly on procurement, environment and social aspects).

Projects which pass this multiple screening exercise are presented individually to the Bank's Board of Directors, which takes a funding decision on a case-by-case basis, depending on the circumstances of the individual project. Certain projects are also identified as meeting the requirements to be fulfilled for classification as "climate action projects", which will then count towards meeting the climate action indicator established in the COP.

More information on EIB's 3 Pillar Assessment 2014: <http://www.eib.org/infocentre/publications/all/report-2014-on-3-pillar-assessment.htm>

GENERIC APPRAISAL ASPECTS

The alignment of a given project with the Bank's policy priorities must not be construed as the Bank's commitment to fund a particular project or sector. Wherever possible, the Bank undertakes its own cost benefit analysis (CBA) for the projects it finances applying methods drawing on international best practice. In addition, all projects are checked for compliance with the following documents of the Bank:

- Guide to Procurement. This informs promoters of a project whose contracts are financed in whole or part by the EIB of the arrangements to be made for procuring works, goods and services required for the project. The Guide is available at:

<http://www.eib.org/projects/cycle/procurement/index.htm>

- EIB Statement of Environmental and Social Principles and Standards. This sets down the environmental and social requirements to be fulfilled throughout the project cycle for projects to be financed in whole or part by the EIB. Amongst other things, the Statement includes a commitment by the Bank to seek to increase the environmental and social benefits of the projects it finances and decrease the environmental and social costs. The Statement is available at:

<http://www.eib.org/about/news/eib-statement-of-environmental-and-social-principlesand-standards.htm>

Since 2009, the Bank has examined methods to estimate the greenhouse gas (GHG) impact of significant investment projects in line with international best practice. Two GHG measures are currently being estimated for a typical year of future operation of a project: the absolute level of GHG emissions and the relative GHG emissions i.e. compared to a baseline scenario without the project. The GHG emission estimates of relevant projects will be included as part of the documentation prepared by the Bank's Services and submitted to the Board. Application of these tools allows the Bank to take a more informed decision on each project submitted for approval. A summary of the current methodology is available at:

<http://www.eib.org/about/documents/footprint-summary-of-themethodologies.htm?lang=-en>

For those projects meeting the generic and sub-sector specific quality criteria outlined below, the EIB may still condition disbursement of an approved loan on the promoter performing certain additional tasks. Such conditions may typically be attached to completion of pending project preparation activities as well as implementation and operating arrangements. Projects with significant environmental or social impacts will be subject to additional monitoring and reporting obligations, including where necessary independent oversight of such activities.



As a means of enhancing the Bank's value added, the Bank will seek to ensure that promoters have access to relevant technical assistance where necessary, including helping promoters to access grant funds where available. Specific technical assistance facilities such as JASPERS and ELENA are available to support project development and implementation within the EU and others outside the EU (for example the EU Africa Infrastructure Trust Fund).

Specific selection criteria regarding transport sub-sectors can be found within the EIB's Transport Lending Policy: http://www.eib.org/attachments/strategies/transport_lending_policy_en.pdf

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TEN T Policy Financing and the New Lyon Turing railway

Indepth analysis
Provided by Policy Department D on Budgetary
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POLICY DEPARTMENT **D**
BUDGETARY AFFAIRS

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TEN T Policy Financing and the New Lyon Turin railway

IN-DEPTH ANALYSIS

DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D: BUDGETARY AFFAIRS

TEN T POLICY FINANCING AND THE NEW LYON TURIN RAILWAY

IN-DEPTH ANALYSIS

Abstract

Over the last 20 years, the EU has made large steps to promote and improve its transport network and devoted a large amount of financing to this aim.

Since 2014, the EU has had a new transport infrastructure policy that plans to connect the Continent from east to west and from north to south. The objective is to close the gaps between Member States' networks and to remove bottlenecks that hinder the proper functioning of the single market, by promoting seamless transport chains for both passengers and freight.

The budget planned to reach these aims is EUR 24.05 billion up to 2020, in combination with funds from the EIB and other sources. The Connecting Europe Facility plays a major role in financing the trans-European transport network (TEN T).

The Lyon-Turin project envisages the construction of a new railway line crossing the Alps between Saint-Jean-de-Maurienne in Savoie (FR) and Suse in Piedmont (IT). This project is financed by France, Italy and the EU budget.

The debate on the project sees the Governments of France and Italy, as well as sections of the general public, in favour of it. However, quite a large public movement that criticises the project for the risks it implies at both a legal and environmental level has been growing.

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PART I

I. TEN T Policy General Background¹

The first "Community Guidelines" for the development of a trans-European network in the transport sector, adopted by the European Parliament and the Council in 1996², established a "master plan" connecting national networks of all transport modes. These Guidelines - modified in 1999 - determined projects' eligibility for EC/EU funding. Regulations governing EC/EU funding from the TEN-T budget were adopted for the periods 1995–1999, 2000–2006 and 2007–2013. Other EU funds – notably the Cohesion Fund and the ERDF – also contributed significantly to developing the TEN-T. At the same time, the Guidelines constituted a reference framework for Member States' infrastructure policy.

With a view to the EU's financial framework 2014–2020, the European Commission launched a policy review in 2009. The review started with an analysis of the strength and weaknesses experienced so far, built on the advice of technical experts and involved a broad range of stakeholders through formal consultations and regular TEN-T Days. The new policy framework, which was established as a result of this review, brought innovations in a number of areas, amongst which: governance at European level, a strong legal form, a genuine network approach, and a powerful instrument for TEN-T funding.

As of January 2014, the European Union has a new transport infrastructure policy that connects the continent from East to West and North to South. This policy aims to close the gaps between Member States' transport networks, remove bottlenecks that still hamper the smooth functioning of the internal market and overcome technical barriers such as incompatible standards for railway traffic. Its objectives are to promote and strengthen seamless transport chains for passengers and freight, while keeping up with the latest technological trends, re-boosting EU economy and generating new jobs. The budget foreseen to reach these aims is EUR 24.05 billion up to 2020, in combination with funds from other EU sources and the EIB.

I.1. Main political decisions

The main political decisions concerning the TEN-T policy were taken on the following dates. On 16 and 17 September 2014, EU Transport Ministers in Milan discussed how to make the most effective use of core network corridors and how to tackle the investment challenges of the new core network. Discussions were based on the document "Building Infrastructure to strengthen Europe's economy" prepared by the Italian Presidency. Former Commission Vice-President Siim Kallas spoke about planning and governance, as well as policy and funding instruments, for TEN-T corridors. Five European Coordinators were given the floor at the Ministerial meeting to contribute on governance and financing issues.

On 3 December 2014, the Transport Council adopted the Conclusions on Transport Infrastructure and the Trans-European Network.

¹ http://ec.europa.eu/transport/themes/infrastructure/index_en.htm

² OJ L 228, 9.9.1996, p. 1

During the Transport Council held on 11 June 2015, Former Vice-President Christophersen, European Coordinators' Professors Bodewig and Secchi presented their final report³.

On 8 October 2015, the Transport Council discussed opportunities for the transport sector under the Investment Plan on the basis of a Commission non-paper on the subject.⁴

The TEN-T Executive Agency, created by the European Commission in 2006, managed the Programme on behalf of the European Commission for all projects established under the 2000-2006 and 2007-2013 funding schemes. The projects represent all transport modes – air, rail, road, and maritime/inland waterways – plus logistics and intelligent transport systems, and involve all EU Member States.

On 1 January 2014, the TEN-T Executive Agency became the Innovation and Networks Executive Agency (INEA), but the management of all open TEN-T projects continues unchanged.

The European Parliament (EP) plays a fundamental role in the development of the TEN-T. As a colegislator, it helped to shape the legal framework and to secure appropriate financing to this sector.⁵

The EP also played an active role by adopting initiative reports in the field of Transport Policy⁶ and monitoring its financing.

I.2. EU Funding for TEN-T

At EU level, **two sets of funding instruments make financial support available to projects implementing the TEN-T:**

1. the Connecting Europe Facility⁷
2. the Cohesion Fund and the European Regional Development Fund⁸.

These funding instruments have a timespan of seven years, to coordinate with the spending programme of the EU budget, whose current EU multiannual financial framework runs from 2014 to 2020.

I.2.1. Connecting Europe Facility (CEF) funding

On 10 July 2015, EU Member States approved the list of projects to receive funding under the Connecting Europe Facility (CEF).

³ http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/doc/2015_06_03_cbs_action_plan_final.pdf

⁴ <http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/doc/2015-09-30-non-paper-transport-sg.pdf>

⁵ http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuld=FTU_5.6.1.html

⁶ resolution of 15 December 2011 on the Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system (2011/2096(INI)); resolution of 6 July 2010 on a sustainable future for transport (2009/2096(INI)); resolution of 22 April 2009 on the Green Paper on the future TEN-T policy (2008/2218(INI)); resolution on the European Court of Auditors' Special Report No 6/2005 on the Trans-European Network for Transport (TEN-T) (2006/2238(INI))

⁷ <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013R1316>

⁸ http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuld=FTU_5.8.2.html

EP resolution on the implementation of the 2011 White Paper on Transport, adopted in September 2015 calls, among other things, for a drastic increase in the funds allocated to the CEF.⁹

Under the CEF, **EUR 26.25 billion will be made available from the EU's 2014-2020 budget to co-finance TEN-T projects in the Member States.** Of this amount, EUR 11.305 billion will be available only for projects in Member States eligible for the Cohesion Fund.

The CEF regulation sets out the rules for awarding EU financial support, priority projects and the maximum limits of EU co-financing per type of project. It also includes a pre-identified list of projects where most CEF investments will be placed.

Annual and multi-annual work programmes are used to detail the priorities and the total amount of financial support to be committed for each of them in a given year. The first programming year was 2014.

The priorities of the work programmes are established on the basis of the Delegated Act of 7 January 2013, detailing the transport funding priorities for the Connecting Europe Facility, and are in line with the indicative amounts per funding priorities contained in the Commission's Communication¹⁰ on "Building the Transport Core Network: Core Network Corridors and Connecting Europe Facility".

CEF financial support primarily takes two forms:

1. **grants**, which are non-reimbursable investments from the EU budget; and
2. **contributions** to innovative financial instruments, developed together with entrusted financial institutions like the European Investment Bank, such as: the Marguerite Fund, the Loan Guarantee for TEN Transport (LGTT) and the Project Bond Initiative .

CEF investments are programmed via annual and multi-annual work programmes, which specify the set of priorities and the total amount of financial support to be committed for each of them priorities in a given year.

- **Multi-annual Work Programmes (MAP)**

Between 2014 and 2020, MAPs will be allocated between EUR 20 and EUR 21 billion (or 80–85 % of the total budget).

The first MAP¹¹ was adopted on 26 March 2014. Its financial envelope amounts to EUR 11 billion.

⁹ http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.6.1.html

¹⁰ <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013DC0940>

¹¹ http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/project-funding/doc/c_2014_1921_f1_commission_implementing_decision_en_v5_p1_762738.pdf

The MAPs only cover projects that are already identified in Annex I of the CEF Regulation:

- cross-border projects (rail, inland waterway, road), projects to tackle bottlenecks (rail and inland waterway), port and airport connections and "motorways of the sea" (MoS) projects along nine core network corridors;
- other core network projects (rail, inland waterway, cross-border road, ports);
- horizontal priority implementing projects: telematics applications for all modes (particularly ITS, ERTMS, RIS, VTMS), SESAR, new technologies, multi-modality, safety, security, MoS.

By concentrating 80-85 % of the EU funds on a clearly limited set of projects, the EU pursues the overall objective to stimulate efficiency and strengthen visibility of the nine Core Network Corridors, as forerunners of the core network implementation (to be completed by 2030).

- **Annual Work Programmes (AP)**

Between 2014 and 2020, APs will be allocated for between EUR 5 billion and EUR 6 billion – or roughly 15-20 % of the total CEF transport budget.

APs must target projects that address transport infrastructure development or shorter-term transport policy priorities. These include initiatives to reduce rail freight noise, support freight transport services, and specific projects related to transport telematics and innovation. AP priorities can be adjusted annually in line with evolving policy needs.

The first AP¹² was adopted on 26 March 2014. Its financial envelope amounted to EUR 1 billion.

- **Grants**

Based on the annual and multiannual work programmes, the Commission launches calls for proposals for project applications for EU grant support. The Commission selects the projects to which financial support will be allocated and decides on the amount of financial support for each project, on the basis of a competitive selection process.

The list of the selected projects, and the respective amounts of EU financial support, is submitted for approval to a committee formed by Member States' representatives (the "CEF Committee").

Following approval by the CEF Committee, the Commission adopts individual financing decisions for each of the selected projects, detailing the conditions under which the EU funds will be disbursed, including a set of milestones and deadlines to be reached.

The Innovation and Network Executive Agency (INEA) assists the Commission in processing, evaluating and selecting the projects. It also helps with communication regarding the calls for proposals, managing the funds once these are allocated to specific projects, and monitoring the implementation of the projects.

¹² https://ec.europa.eu/inea/sites/inea/files/download/calls2014/CEF-telecom/c_2014_9588_f1_commission_implementing_decision_en_v2_p1_792054.PDF

On 11 September 2014, the Commission invited Member States to propose projects to use EUR 11.9 billion of EU funding to improve European transport connections. This is the largest ever single amount of EU funding earmarked for transport infrastructure. Member States had to submit their bids by February 2015.

- **Financial instruments**

One of the CEF's key elements is a more systematic use of innovative financial instruments (e.g. Project Bonds) to provide a funding alternative to traditional grants and to fill financing gaps for strategic investments.

The CEF builds on the experience of existing financial instruments, put in place in cooperation with the European Investment Bank (EIB), such as the Loan Guarantee Instrument for trans-European transport networks projects (LGTT)¹³, the pilot phase of Project Bonds¹⁴ and the 2020 European Fund for Energy, Climate Change and Infrastructure Marguerite Fund¹⁵.

The CEF will act as a catalyst for further private and public funding by giving credibility to infrastructure projects and lowering their risk profiles, thereby attracting investors. It will also finance technical assistance programmes.

The main terms, procedures and conditions for the use of financial instruments are detailed in Part III of Annex I to the CEF Regulation.

I.2.2. EU Structural and Cohesion Funds

In the 2000-2006 period, these funds contributed approximately EUR 26 billion to TEN projects — particularly through the Cohesion Fund in Greece, Ireland (until 2003), Portugal, Spain and the EU-10 Member States. The latter were allocated EUR 2.48 billion in pre-accession aid, as well as EUR 4.24 billion from the Cohesion Fund and EUR 2.53 billion from other Structural Funds. Of the aggregate pre-accession and cohesion funding in question, approximately 50 %, or EUR 3.9 billion, was allocated to TEN-T projects.

¹³ http://europa.eu/rapid/press-release_BEI-08-5_en.htm

¹⁴ <https://ec.europa.eu/inea/en/news-events/newsroom/eu-eib-project-bond-initiative-launched>

¹⁵ <http://www.marguerite.com/>

PART II

II. THE LYON-TURIN PROJECT¹⁶

As mentioned before, for rail transport, over the last 25 years the Commission has proposed restructuring the European transport market in order to strengthen the position of railways vis-à-vis other transport modes. EU action has concentrated on three major areas, all of which are crucial for developing a strong and competitive rail transport industry:

- (1) opening the rail transport market to competition,
- (2) improving the interoperability and safety of national networks and
- (3) developing rail transport infrastructure.

The EU's rail network consists of both high-speed and conventional railway lines and their related infrastructures and facilities which enable rail and other transport modes to be integrated.

Rail projects ultimately aim to create a safe and high-quality infrastructure, by ensuring network continuity and interoperability.

Many TEN-T rail projects are devoted to the implementation of common technical standards and the European Rail Traffic Management System (ERTMS), a command and control system recommended for the European railway network¹⁷.

The Lyon-Turin Project covers the creation of a 265 km international railway line as part of the Priority Project 6 (Railway axis Lyon-Trieste-Divača/Koper-Divača-Ljubljana-Budapest-Ukrainian border), as set out in 2004 by Community guidelines for the development of the trans-European transport network¹⁸. The railway axis is also denominated "**Mediterranean Corridor**"

The railway line project includes a 57 km long main tunnel comprising two single track tunnels.

In 2001, France and Italy agreed to split their respective competences into the management of national sections (one for each country) and an international section managed by Lyon Turin Ferroviare - LTF, a Franco-Italian company to which each country participates 50 %. Since 23 February 2015, the public promoter - Tunnel Euralpin Lyon Turin - TELF - (50 % French and 50 % Italian) took over LTF competences and now ensures the management of this section of the works.

The Lyon-Turin project has been evaluated positively by both the French and Italian governments, in terms of increased capacity for the transport of passengers and goods. However, it has also been highly criticised in Italy, where protest movements against the project have arisen.

¹⁶ [http://www.camera.it/temiap/temi16/2011scheda\[002\].pdf](http://www.camera.it/temiap/temi16/2011scheda[002].pdf)

¹⁷ <https://ec.europa.eu/inea/en/ten-t/ten-t-projects/projects-by-transport-mode/rail>

¹⁸ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV%3A124094>

II.1.From Lyon Turin Ferroviaire to Tunnel Euralpin Lyon Turin

Founded in 2001, Lyon-Turin Ferroviaire (LTF)¹⁹ is a franco-italian company. On 23 February 2015, LTF passed the baton to a new public promoter called TELT (Tunnel Euralpin Lyon Turin).

LTF (Lyon Turin Ferroviaire), a subsidiary company of RFF (Réseau Ferré de France) and RFI (Rete Ferroviaria Italiana), was responsible for the cross-border section of the Project between Saint Jean de Maurienne in Savoie and Bussoleno in Piedmont, Val di Susa, from 2001 until 2015.

During this period LTF was in charge of the study and survey work.

In the first phase, LTF launched preliminary studies and geographical surveys in relation to access tunnels and galleries, in order to provide a basis for the future governments' decisions.

After this first phase, and under the authority of the Board of Directors and the IGC (Intergovernmental Commission), LTF proposed:

- the final scope and content of the works
- their location
- the provisional budget
- the implementation procedures, both legal and financial.

On the basis of this proposal, the two governments were then able take the **second step** and **launch the operational phase for the cross-border part of the project**.

France, Italy and the EU are the major financial players in the cross border part of the Lyon-Turin project.

To finance pre-project studies and surveys studies and works by LTF:

- approximately EUR 1.194 billion were committed between 2001 and 2014
- 40 % of the funding was provided by the European Union
- **EUR 395.4 million for cross-border section of the Lyon-Turin was also to have been provided by the EU** following the revision of the MFF (2007-2015)

To finance the construction of the new Lyon-Turin link, 60 % of the financing for the cross-border section is to be carried by France and Italy following the intergovernmental agreement of January 2012. The finance is split as follows: 25 % by France and 35 % by Italy. The EU will provide the additional financing of 40 % under the new Financial Regulation (2014-2020) of the Trans-European Networks (TENs).

A detailed table of EU contribution to the Lyon Turin Project is annexed.

¹⁹ <http://www.ltf-sas.com/accueil>

II.2. Legal problems

Legal problems have arisen in several fields:

- **conflicts of interest** have been discovered both in France and in Italy and criminal convictions for rigged contracts have been imposed in both countries²⁰.
- **Mafia infiltration** - The Minotaur inquiry²¹
- **Inquiries into TLF**²²
- **assignment of works, contracts, bankruptcy**²³
- **land allocation procedures**

Due to the international nature of the works, the risk of any Mafia infiltration is rather low. The contracts are to be based on international calls for tender and awarded by an international evaluation panel (made up of French, Italian and EU representatives). However, **the problem of mafia interference could arise later, in cases where work is subcontracted at national levels.**

In order to prevent any illegal activities, Italian law 136/2010 states that contracts must include "anti-mafia" clauses that establish arrangements for monitoring the State and the activities of contractors and subcontractors, and must also set out the provisions to terminate a contract.

In the specific case of NLTL, further measures have been adopted: on 11 September 2012, LTF and the trade unions signed a **Memorandum of Understanding in order to counter possible mafia infiltrations**. A special body was set up, GITAV (Gruppo Interforze Tratta Alta Velocità), led by a Carabinieri colonel and including all forces at the national level dealing with combating organised crime. GITAV will carry out an autonomous action of intelligence with those who, for different reasons, play a role or are in contact with the Lyon-Turin project.

II.3. The controversy covering the New Lyon-Turin Railway Line (NLTL)

For over 20 years, the economic need for the Lyon-Turin tunnel and its impact on environment has been a long-running controversy in Italian public opinion and the political field on.

²⁰ Politis - Questions autour de la gestion du grand projet Lyon-Turin - 18 décembre 2012

²¹ http://archivio.lastampa.it/LaStampaArchivio/main/History/tmpl_viewObj.jsp?objid=11907773

²²

http://torino.repubblica.it/cronaca/2011/02/08/news/appalti_truccati_per_lavori_stradali_otto_condanne_e_sei_assoluzioni-

²³ http://torino.repubblica.it/cronaca/2012/03/15/news/tav_accusa_di_bancarotta_per_i_fratelli_martina-31595932/

The key opinions for and against can be summarised as follows:

II.3.1. Reasons In favour²⁴

- 1) The existing railway line is economically uncompetitive compared to road traffic. The gradients and winding nature of the 19th century railway lines limit the speed and capacity of trains, despite often using three engines. The historic line is considered to be unattractive to freight since such problems affect transit costs, making them two to three times higher than those of other European lines. **Costs are going to be reduced** by at least 40 %.
- 2) The New Lyon-Turin Line (NLTL) is a key part in the single European rail network that will improve trade conditions and favour rail transport with **more efficient lines**. The EU objective is to reach 30 % of rail freight transport by 2030 and 50 % by 2050.
- 3) The West TEN-T connection (the volume of which is valued at around EUR 150 billion per year) will benefit from a system which is less expensive than road traffic and the historic railway line. The NLTL will also contribute to **reducing the logistics gap** between Italy and other European countries.
- 4) Rail passenger traffic is heavily penalized by competition from airline travel which is less time-consuming, but also far more energy-inefficient and polluting²⁵. Upon completion of the tunnel and the work on the French side (which is planned for 2035), the new line would enable travel along the 250 km stretch from Turin to the junction with the high speed Paris-Marseille line in just over an hour and a half, against the three and an half hours at present. This could bring a **potential transfer of 1.8 million passengers from air to rail transport by 2035**.
- 5) The transfer of goods and passenger transport from "road" to "rail" will have a **positive impact on the environment by reducing pollution** from emissions, greenhouse gases and noise. At the same time, the new technologies applied in the excavation of the Swiss tunnels shall be applied to the NLTL project to effectively counter the risks caused by dust or dangerous substances such as asbestos.
- 6) In recent years, the NLTL project has been revised, though neither the Italian, nor the French Governments or Parliaments have ever questioned the usefulness of the work and its implementation methods. **The project is now considered to be a main part of a single development strategy combining infrastructure policy with those of transport, environment and land.**

²⁴ <http://www.slideshare.net/quotidianopiemontese/tav-torinolione-domande-e-risposte>

²⁵ <http://eurostar4agents.com/treadlightly/greener.html>

II.3.2. The "Anti-HST (High Speed Train)"^{26 27}

- 1) The current railway line is not obsolete, but nearly everyone admits it is definitely under-used; according to RFI (Rete Ferroviaria Italiana) itself, it could be used to transport up to 20 million tonnes of goods (currently it transports only 3.9 Mt). The existing line has recently been renovated by making it possible to take containers of the standards in use on all other European railways, thus making it **unnecessary to make further expansions on the Turin-Lyon line.**
- 2) The gradient and average characteristics of the existing line are similar to other existing railway lines, such as those to Switzerland and Austria, whose traffic is growing. Conversely, **freight to France has decreased or remained stable over the last 15-20 years** (according to the manager of the motorway company SITAF spa), both on the railway and in the Frejus (T4) road tunnel which is also greatly under-used.
- 3) Current passenger and freight traffic does not justify the investment in the NLTL (and is probably very likely to be the case for decades to come). **The "corridor" is a theoretical project that does not take account of real transport needs.**
- 4) **LTF forecasts of the increase in freight and passenger traffic are based on an exaggerated optimism for economic growth**; economic growth forecasts have, in fact, already proved to be objectively wrong in the last 15 years.
- 5) LTF itself predicted that **the international section of the tunnel will drain vast amounts of groundwater**, with obvious consequences such as hydro-geological instability, drying up of groundwater sources, pollution, etc.²⁸
- 6) Environmental risks also exist because of **presence of asbestos** in the future tunnel. Moreover, **extracted materials could be highly radioactive.**
- 7) As for the LTF forecast of a reduction in the number of trucks on the A32 motorway, the decrease should not be seen in absolute values but only in percentages. In fact, **a numerical increase in global freight traffic is forecast**, even assuming that the NLTL will never be completed.
- 8) The **official cost estimate of about EUR 10 billion is going to rise**, as has been the case for all the Italian HST lines; costs increased by 6.5 times on the Bologna-Florence line, by 4 times on the Turin-Milan line.
- 9) **There are other, existing projects** in the Susa valley, such as the FARE Project (Ferrovie Alpine Ragionevoli ed Efficienti) that could allow an increase in freight transport, and would be **less expensive and more environmentally friendly.**²⁹

²⁶ <http://www.notav.info/> ; <http://www.notav-savoie.org/>

²⁷ www.polito.it/tavsalute

²⁸ http://ec.europa.eu/ten/transport/priority_projects/doc/2006-04-25/2006_ltf_final_report_it.pdf

²⁹ <http://www.territorialmente.it/wordpress/wp-content/uploads/2012/03/FARE-sintesi1.pdf>

ANNEX 1

EU co-funding of "Lyon-Turin"

Overall 2005-2015

(in EUR)

Year	2005-EU-603A	2007-EU-06010	2014-EU-TM-0401-M	Total Year
2005	24,000,000.00	-	-	24,000,000.00
2006	-	-	-	-
2007	-	-	-	-
2008	-	16,050,000.00	-	16,050,000.00
2009	22,419,363.54	19,445,000.00	-	41,864,363.54
2010	-	47,132,936.44	-	47,132,936.44
2011	-	20,075,302.45	-	20,075,302.45
2012	-	9,998,035.94	-	9,998,035.94
2013	-	137,287,378.17	-	137,287,378.17
2014	-	8,865,700.00	-	8,865,700.00
2015	-	2,845,462.50	36,432,000.00	39,277,462.50
	46,419,363.54	261,699,815.50	36,432,000.00	344,551,179.04

2005-EU-603A New Lyon-Turin Rail Link

Year	Appropriation	Type	Amount	MS
2005		Pre financing	12,000,000	FR
2005		Pre financing	12,000,000	IT
Total 2005			24,000,000	
2009	BGUE-B2009-06.030100-C1-TENEA	Final Payment	11,209,681.77	FR
2009	BGUE-B2009-06.030100-C1-TENEA	Final Payment	11,209,681.77	IT
Total 2009			22,419,363.54	
total 2005-2009			46,419,363.54	

2007-EU-06010 New Lyon-Turin Rail Link

Year	Appropriation	Type	Amount	MS
2008	BGUE-B2008-06.030300.00-C1-TENEA	Pre financing	3,125,000.00	FR
2008	BGUE-B2008-06.030300.00-C1-TENEA	Pre financing	4,775,000.00	FR
2008	BGUE-B2008-06.030300.00-C1-TENEA	Pre financing	3,125,000.00	IT
2008	BGUE-B2008-06.030300.00-C1-TENEA	Pre financing	5,025,000.00	IT
Total 2008			16,050,000.00	
2009	BGUE-B2009-06.030300-C1-TENEA	Pre financing	9,157,500.00	FR
2009	BGUE-B2009-06.030300-C1-TENEA	Pre financing	10,287,500.00	IT
Total 2009			19,445,000.00	
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	3,125,000.00	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	3,125,000.00	IT
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	4,685,688.91	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	4,931,899.16	IT
2010	BGUE-B2010-06.030300-C1-TENEA	Pre financing	6,793,416.50	IT
2010	BGUE-B2010-06.030300-C1-TENEA	Pre financing	6,596,583.50	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	58,750.51	IT
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	55,817.56	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	33,053.53	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	8,331,603.77	FR
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	34,790.33	IT
2010	BGUE-B2010-06.030300-C1-TENEA	Interim payment	9,361,332.67	IT
Total 2010			47,132,936.44	
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	2,775,040.00	FR
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	2,995,460.00	IT
2011	BGUE-B2011-06.030300-C1-TENEA	Interim payment	1,752,063.56	FR
2011	BGUE-B2011-06.030300-C1-TENEA	Interim payment	320,962.16	FR
2011	BGUE-B2011-06.030300-C1-TENEA	Interim payment	872,157.30	IT
2011	BGUE-B2011-06.030300-C1-TENEA	Interim payment	1,339,819.43	IT
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	1,665,020.00	FR
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	1,797,280.00	IT
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	3,197,437.00	FR
2011	BGUE-B2011-06.030300-C1-TENEA	Pre financing	3,360,063.00	IT
Total 2011			20,075,302.45	
2012	BGUE-B2012-06.030300-C1-TENEA	Interim payment	1,228,460.87	FR
2012	BGUE-B2012-06.030300-C1-TENEA	Interim payment	3,697,571.44	FR
2012	BGUE-B2012-06.030300-C1-TENEA	Interim payment	1,264,863.41	IT
2012	BGUE-B2012-06.030300-C1-TENEA	Interim payment	3,807,140.22	IT
Total 2012			9,998,035.94	
2013	BGUE-B2012-06.030300-C1-TENEA	Interim payment	423,241.71	FR
2013	BGUE-B2012-06.030300-C1-TENEA	Interim payment	435,783.46	IT
2013	BGUE-B2013-06.030300-C1-TENEA	Pre financing	77,945,662.06	IT
2013	BGUE-B2013-06.030300-C1-TENEA	Pre financing	58,482,690.94	FR
Total 2013			137,287,378.17	
2014	BGUE-B2014-06.025100-C1-TENEA	Interim payment	1,198,186.62	IT
2014	BGUE-B2014-06.025100-C1-TENEA	Interim payment	3,360,063.00	IT
2014	BGUE-B2014-06.025100-C1-TENEA	Interim payment	1,110,013.38	FR
2014	BGUE-B2014-06.025100-C1-TENEA	Interim payment	3,197,437.00	FR
Total 2014			8,865,700.00	
2015	BGUE-B2015-06.025100-C1-INEA	Pre financing	1,374,073.84	FR
2015	BGUE-B2015-06.025100-C1-INEA	Pre financing	1,471,388.66	IT
Total 2015			2,845,462.50	
Total 2008/2015			261,699,815.50	

**2014-EU-TM-0401-M Cross Border Section of the New Lyon-Turin Rail Link –
Mont Cenis Base Tunnel (TBM)**

Year	Appropriation	Type	Amount	MS
2015	BGUE-B2015-06.020101-C1-INEA GRANTS	Pre financing	36,016,000.00	TELT
2015	BGUE-B2015-06.020101-C1-INEA GRANTS	Pre financing	416,000.00	Fr
Total 2016			36,432,000.00	

Source: European Commission - DG MOVE

POLICY DEPARTMENT BUDGETARY AFFAIRS **D**

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

Policy Areas

- Budgets
- Budgetary Control

Documents

Visit the European Parliament website:
<http://www.europarl.europa.eu/supporting-analyses>

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I - Control of EIB financed projects: what kind of challenges the EIB has to face?

Presentation from Xavier Sol, Director of Counter Balance



A civil society perspective on EIB-financed infrastructure projects: challenges and lessons learnt

Presentation of Counter Balance

- Coalition of 9 European NGOs created in 2007, with a Brussels-based secretariat.
- Counter Balance's mission is to make **European public finance** a key driver of the transition towards socially and environmentally **sustainable** and **equitable** societies.
- Created to **monitor** the activities of the **EIB** and push for its **reform**.



A variable geometry approach to fraud and corruption

- The **EIB anti-fraud policy** (Policy on preventing and deterring prohibited conduct in European Investment Bank activities) and associated “Zero Tolerance to Fraud and Corruption Policy ” are not fully implemented.
- The EIB should not finance projects under **corruption investigations** at national or European level, and stop further disbursements for such projects.
- In recent years, the EIB has financed projects under investigations, and is now about to do so once more in Italy.



The case of Passante di Mestre (1)

- Passante di Mestre is a motorway bypass around the city of Mestre, close to Venice. In April 2013 the EIB disbursed **a loan of EUR 350 million** to refinance the debt the project has been accumulating since its start in 2003.
- In March 2011 the project was subject to a critical report by the Italian Court of Auditors. The concerns raised in the report included a lack of public supervision and control leading to an unjustified increase in costs, as well as the risk of infiltration of organised crime via subcontracting companies carrying out the construction.
- The project and several subcontracting companies are **under investigation** by the Italian authorities for alleged fiscal fraud and the possible infiltration of the Mafia. This is linked to one of the biggest corruption scandals in Italy's history.

20/04/2016

The case of Passante di Mestre (2)

- In January 2014, we filed a complaint to OLAF to open an **investigation** into the EIB loan, but this was rejected by OLAF.
- The European Parliament adopted in April 2015 the following via a resolution:



Regrets that the EIB financed ‘Passante di Mestre’, after the Italian authorities publicly announced the arrest of the CEO of its main subcontractor for fiscal fraud; in light of the still ongoing investigations by the Italian authorities into the corruption scandal related to the construction and management of the ‘Passante di Mestre’, **calls on the EIB not to finance the ‘Passante di Mestre’ project** through the PBI or any other financial instrument, and to ensure that it implements its zero tolerance to fraud policy when considering the use of project bonds

- In 2016, the EC and the EIB confirmed they will use the **EU Project Bonds Initiative** to refinance the project. Bonds are to be emitted for the project thanks to EU support, even if the investigations are still ongoing.



What due diligence for ensuring sustainability and viability of projects?

- Financing to **unsustainable, untransparent and unviable projects** still happens (example of S7 project in Poland).
- Issue of **due diligence**: the EIB is not fully equipped to face the political push from EU Member States promoting projects violating European legislations.
- The complexity of financial instruments used increases the need for enhanced due diligence (Public Private Partnerships, Project bonds, etc).
- Example of Castor project: insufficient geological studies, even if the project was financed twice by the EIB. This raises doubts on the added value brought by the Bank in terms of due diligence.

20/04/2016

Case study: the D4 R7 Bratislava bypass

- New PPP highway project in Slovakia worth **EUR 4 billion** - one of the biggest **EU PPP projects**.
- Slovak think tanks, NGOs and independent experts are challenging the project from several aspects including over-pricing, tendential manipulative analyses, conflict of interests and false information provided to the public.
- The project is to be co-financed by the EIB with a EUR 500 million loan.
- The Foundation 'Stop corruption' filed an official complaint to the EIB, asking the bank to withdraw financing and to show consistency in its approach to transport projects in Slovakia. A response from the Bank is pending.

What level of accountability for the EU Bank?

- The EIB is not sufficiently learning lessons from past mistakes:
 - Example of the Castor case, still branded as a success in financial terms.
- A limited involvement of the EIB Board of Directors around EIB problematic and sensitive cases – **governance** issues:
 - The Directors remain little informed about complaints lodged towards the EIB at the EIB internal Complaints Mechanism and at the European Ombudsman.
 - Corrective actions plans remain the responsibility of the EIB Management Committee.
- The EIB is still **lagging behind** other International Financial Institutions in terms of **transparency**:
 - Maladministration ruled by the European Ombudsman on a case in Zambia.
 - A controversial revision of EIB's transparency policy in 2015.



Recommendations

- Reinforced due diligence at the EIB, prioritizing **quality of lending** rather than quantity.
- EIB to **stop** financing or further disbursement of **loans for projects under investigations** at national or European level.
- Guaranteeing strong checks and balances within the EIB: towards a more independent and efficient **Complaints Mechanism Office**.
- Ensuring the EIB follows recommendations from the **European Ombudsman**.
- More systematic and pro-active role for the **European Court of Auditors**.
- A more structured scrutiny and **engagement of the European Parliament** is highly necessary ⁹

20/04/2016

Further readings (1)

- Re: Common: *Italian Malaffare, European Money - Or how the European Union funds Italian mega projects linked to corruption*, August 2015 <http://www.counter-balance.org/italian-malaffare-european-money/>
- NGO letter to EIB, 8 July 2014 <http://www.counter-balance.org/letter-to-the-eib-regarding-the-financing-of-projects-in-italy-that-are-under-investigation-for-corruption/>
- The Ibori case in Nigeria <http://www.counter-balance.org/update-eib-and-corruption-the-ibori-case/>
- Counter Balance: *Towards a reinforced accountability architecture for the EIB*, July 2015 <http://www.counter-balance.org/new-report-towards-a-reinforced-accountability-architecture-for-the-european-investment-bank/>

Further readings (2)

- CEE Bankwatch Network: *Climate's enfants terribles, How new Member States' misguided use of EU funds is holding back Europe's clean energy transition*. December 2015
<http://bankwatch.org/sites/default/files/enfants-terribles.pdf>
- CEE Bankwatch Network: *S7 – A road to nowhere*
<http://bankwatch.org/sites/default/files/briefing-s7-15Sep2014.pdf>
- Counter Balance – *Activity Report 2014* <http://www.counter-balance.org/counter-balance-activity-report-2014/>



Thank you for your attention

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20/04/2016

II - The implementation of EU funds in infrastructure and transport: lessons learnt from the project Lyon-Turin

Presentation from Hubert du Mesnil, Président de la Société Tunnel Euralpin Lyon- Turin (TELT)



TELT

Tunnel Euralpin Lyon Turin

HEARING
CONTROL OF PROJECTS AND IMPLEMENTATION OF
EU FUNDS IN THE AREA
OF INFRASTRUCTURE AND TRANSPORT
- EFFECTIVENESS AND PROBLEMS -

Bruxelles, 20 avril 2016

15h – 18h30

Organisé par la Commission du Contrôle budgétaire
du Parlement européen

16.45 – 17.45 : - Société Tunnel Euralpin Lyon Turin (TELT), M. Hubert du Mesnil, Président

1. Une programmation bien maîtrisée (appel à projet)
2. Les difficultés de maîtrise du planning (phase 1 et phase 2)
3. Un dialogue de gestion très opérationnel
 - programmation annuelle et compte-rendu de gestion
 - régularité des flux comptables

16.45 - 17.45 : - Société Tunnel Euralpin Lyon Turin (TELT), M. Hubert du Mesnil, Président

4. Les difficultés liées aux trois niveaux : UE, Etats, Société
5. Le rôle essentiel du Coordonnateur
6. L'importance de l'ingénierie financière
7. La contribution attendue de la BEI

16.45 – 17.45 : - Société Tunnel Euralpin Lyon Turin (TELT), M. Hubert du Mesnil, Président

Financement UE selon programmes

Programme TEN 2001 – 2006	Montant éligible	209.605.000 €		
Action clôturée	Montant financé	175.922.000 €	87.961.000 €	87.961.000 €
Programme TEN 2007 – 2015	Montant éligible	671.800.000 €		
Action en cours de clôture	Montant financé	255.234.530 €	142.624.950 €	112.609.580 €
Programme CEF 2016 – 2019	Montant éligible	813.781.900 €		
Action en cours	Montant du préfinancement	36.016.000 €	18.592.464 €	17.423.536 €