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**Proposal for a
COUNCIL REGULATION (EC)**

**amending Regulation (EC) No 2236/95 laying down general rules
for the granting of Community financial aid in the field of
trans-European networks**

(presented by the Commission)

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EXPLANATORY MEMORANDUM

1. INTRODUCTION

The development of trans-European networks (TEN) remains a priority for the Union. Their importance was first acknowledged in the Maastricht Treaty by the insertion of a specific section devoted to the subject. Then the Commission identified them in its 1993 "White Paper" as one of the key instruments for encouraging growth, competitiveness and employment. More recently, "Agenda 2000" has reaffirmed their importance and their priority:

"The continued development of the Trans-European networks will serve to enhance both sustainable development and the internal cohesion of the Union by tying regions closer together. (...) TEN also have a particularly important role to play in creating new links with the Central and Eastern European candidate countries. It is precisely the trans-European nature of the benefits from [TEN] projects which justifies continued substantial contributions at the Union level towards their realization"¹.

"... certain programmes, which have been given priority because of the value-added they derive from Community-level action, for example in terms of growth, employment and the development and dissemination of new technologies. This would essentially mean the trans-European networks, research, education and training, the introduction of environment-friendly technologies and measures to support SMEs"².

In 1995 the Council adopted Regulation (EC) No 2236/95 for the granting of financial assistance to TEN projects. The Regulation set out a financial envelope of ECU 2 345 million for the period 1995 - 1999.

In the light of the experience gained so far (cf. section 6 on evaluation below), the Regulation could be improved in a number of respects. In a preliminary discussion that the Commission had on this subject with the TEN financial assistance Committee on 3 November 1997, the Member States were broadly of the same opinion. The Commission therefore proposes a limited revision.

2. WHY REVISE NOW?

Regulation (EC) No 2236/95 for financial assistance for the trans-European networks (TEN) in the transport, telecommunications and energy sectors stipulates in its Article 19 that "before the end of 1999, the Council, ..., decides if and in which conditions the actions provided for by this Regulation could be maintained beyond the period referred to in Article 18" (i.e., 1995-99). The Commission considers, for several reasons, that it is appropriate to launch the revision of the Regulation now.

¹ For a stronger and wider Union, Part 1, Section I, sub-section 1, p. 18.

² For a stronger and wider Union, Part 3, Section II, sub-section 3, p. 64.

First of all, one must take account of the length of the legislative procedures. A revised financial envelope and the multiannual programming approach need to be in place in good time for the next financial perspectives period. This is all the more necessary as the election of the new European Parliament will take place in June 1999, with the result that the current Parliament will go into recess in April or May 1999 and that the new Parliament will not be operational before September 1999.

Secondly, bearing in mind the structural implications of TEN, there are obvious advantages in proposing the revision of this Regulation at the same time as those of the Structural Funds and Cohesion Fund and the creation of the Instrument for Structural Policies for Pre-Accession (ISPA). This parallel treatment should ensure consistency in a range of areas and help to strengthen coordination between the various financial instruments which fund TEN.

3. LEGISLATIVE ADOPTION PROCEDURE: IMPLICATIONS OF AMSTERDAM TREATY

3.1. Co-decision

In accordance with Article 129d of the Treaty establishing the European Community, the present proposal is being made under the cooperation procedure.

However, if the Treaty of Amsterdam enters into force before the present proposal is adopted, the co-decision procedure will apply (Article 156 of the EC Treaty, as renumbered).

This would allow the insertion into the Regulation of a privileged financial amount on which the Parliament and Council would have agreed.

3.2. Public/private partnerships

The Treaty of Amsterdam amends Article 129c to facilitate further the access of the private sector to Community funding. This will make public/private partnerships easier. This modification is also of major importance in the telecommunications and energy sectors, where the private sector plays an increasingly important role in the implementation of projects of common interest.

Clearly, it is not possible to anticipate at this stage the entry into force of the Amsterdam Treaty. However, it is the Commission's intention, as soon as the new Treaty does become binding, to table the necessary additional amendments which could concern in particular deleting Article 2.2 (which would become redundant) and amending Articles 8, 12 and 15 to take account of situations where Community aid is granted to private companies without their requests being processed by the Member States.

However, such modifications should not delay unduly the adoption of the Regulation, since it is anticipated that appropriate general arrangements will be made to ensure an efficient changeover to the procedural requirements of the new Amsterdam Treaty. The overall aim should be, as for the rest of the Agenda 2000 package, adoption in good time for the new financing period.

3.3. Financial aspects

The TEN financial regulation, as revised by this proposal, will also constitute the legal basis for expenditure on TENs in the period 2000-2006. The attached financial statement provides an appraisal of financing requirements on the TENs in the forthcoming period.

As "Agenda 2000" argues³, Community funds play a crucial role in getting TEN projects off the ground and resolving financing problems. The next financial period will see the main construction phase on many of the priority projects in the transport sector, involving higher overall spending than in the period 1994-99, during which the Community essentially financed preparatory works. With greater geographical concentration of the Structural Funds (from 50% to 35-40% of population coverage) a significant additional burden will fall on the TEN budget line.

In the telecommunications sector, the next financial period will see the development of new types of services and applications, e.g., Internet-based applications, satellite-based systems and broadband mobile communications. These will also accelerate the development of new markets and stimulate the climate for investment. With the new guidelines adopted in 1997, TEN-Telecoms projects can now be started on a larger scale which assures the necessary impact.

In the energy sector also, the next financial period will see the completion of the studies and the main construction phase of most of the projects of common interest so far identified. At the same time, new projects will be launched.

With regard to the new financial perspective, "Agenda 2000" proposes that TEN be considered as one of the priority programmes for which allocation may be increased faster than GNP growth.

The inter-institutional declaration of 6 March 1995 foresees the inclusion of a financial envelope in a regulation only in cases of co-decision procedure. This proposed regulation, which begins under the cooperation procedure, does not therefore include a financial envelope. The Commission will propose the inclusion of one as soon as the Amsterdam Treaty is ratified, based on the figures set out in the attached financial statement.

³ For a stronger and wider Union, Part 1, Section I, sub-section 1, p. 18.

4. PROPOSED CHANGES

One of the major aims of this revision is to profit from the experience that the Commission, the Member States and the private operators have gained to improve, simplify and adapt the operation of the Regulation where necessary.

4.1. Indicative multiannual planning

In the light of this experience the Commission considers that there is a good case for developing a more multiannual approach, notably by introducing the concept of indicative multiannual programmes. This possibility would be additional to that of financing individual projects.

The projects financed by the TENs budget, especially for transport, tend to be large scale and long-term. In contrast, the procedures for allocating funding under the TENs budget are essentially annual in character. National authorities in charge of infrastructure planning have regularly expressed the wish to have a medium-term view of Community financing. This is even more important for projects financed by the private sector, or through public-private partnerships, since establishing financial packages for such projects requires firm undertakings from all participants. The level of Community budgetary appropriations is decided on an annual basis. This makes it more difficult for the Community to play a more active role, alongside the EIB, in innovative financing arrangements for TENs projects, involving the private sector.

Against this background, some changes to the Regulation are proposed in order to facilitate a more genuine multiannual approach to financing decisions, while respecting the annual budgetary procedures:

- (1) It is proposed to include provisions for a "multiannual indicative programme", the purpose of which would be to give a clear indication of planned spending on major projects, and on other significant categories of projects (e.g. traffic management, global navigation systems etc.). The programme would be approved by the TEN Committee under Article 17, and would provide authority for the Commission to take decisions on proposals in respect of the major projects for which there is an allocation in the programme. It would thus be possible to manage the Community financial support for a project as a single multiannual allocation, rather than as a series of annual project proposals. All other financing requests would continue to be approved by the TEN Committee as at present.
- (2) In appropriate cases, it should be possible to treat budgetary commitments for long-term projects with high financing requirements in the same way as under the Structural Funds, which means annual tranches of commitments, based on the initial Commission decision to finance the project.
- (3) As already explained in points 3.1 and 3.2 above, it is possible that this proposal will be adopted by co-decision in the final stage of the procedure. In this case the revised Regulation would, when adopted,

include a privileged financial envelope, endorsed by the two arms of the budget authority. This would provide essential reassurance on the availability of finance over the time period of the new financial perspective, and thus facilitate multiannual programming.

Taken together, these changes should improve the efficiency of the functioning of the TENs programme, by allowing a coherent multiannual approach to planning, and by making it easier for the Community to take an active role in the development of financial packages for public-private partnerships.

To introduce multiannual programming, the Commission proposes introducing a new Article 5(a) into the current Regulation (see Article 1.4). This in turn requires amending a certain number of other related Articles: Article 1.6 (Article 10: granting of financial aid), Article 1.7 (Articles 11.3 and 11.4: financial provisions), Article 1.10 (Article 14: coordination) and Article 1.11 (Article 15.4: appraisal, monitoring and evaluation).

4.2. Forms and amount of Community assistance

The Commission, the Member States and private-sector promoters have, since September 1995, been involved with 1 145 requests for support totalling ECU 3 232 million. The Commission and the Committee have approved 448 grants for ECU 982.5 million⁴. In the light of this experience, and in the light of the recommendations of the High-level Working Group, under the chairmanship of Mr. Kinnock, on public/private partnerships and of "Agenda 2000", the Commission proposes the following changes as regards the form of financial assistance to be given under this Regulation:

- (1) Article 4.1.a: this would allow the Commission to undertake studies of an overall strategic nature and therefore not connected with a specific project and to finance 100% studies undertaken on its own initiative (Article 1.7).
- (2) Article 4.1.b: this would remove the five-year limitation with regard to interest rate subsidies. Projects' cash flow problems can go beyond the construction period, when debt builds up extending into the early operation stage when traffic and revenues slowly start to grow. This was highlighted by the High-level Group on public/private partnerships in transport. As this period, together with the construction period, may easily last more than seven years, it is desirable to delete the five-year limit to interest rate subsidies in order to allow such subsidies in the period when they are most needed, thus helping establish appropriate financial packages for specific projects (Article 1.2).

⁴ It should be recalled that in the energy and telecommunication sectors Community aid has been limited until now to studies.

- (3) Article 4.1.(e) and 11.8: this would allow Community support in the form of grants or risk-capital participation in investment funds or comparable financial undertakings with a priority focus on providing risk capital for TEN projects. This need was highlighted by the work of the High-level Working Group on public/private partnerships in transport, whose conclusions were fully endorsed by the Commission in a Communication in September 1997⁵ and were then approved by the Transport Council of Ministers in October 1997. The availability of such funds in Europe is at present very limited and their emergence needs to be encouraged if TEN projects are to be developed as PPPs. The aim would be to use limited amounts of public resources to help stimulate development of such risk-capital investments which have an important role to play in allowing PPPs to tap the considerable pool of long-term private investment funds. For reasons of efficiency and cost-effectiveness, it is best to use investment funds or comparable financial undertakings with a focus on providing risk capital for TEN projects (Articles 1.2 and 1.7(d)).
- (4) A new Article 4.3 is introduced, setting out the principle that in a situation where public funding will be limited, it is necessary to increase the multiplier effect of the Community's financial instruments, in particular by recourse to public/private partnerships (Article 1.2).
- (5) Article 5.3: At present the Regulation limits Community aid under the Regulation to 10% of the total investment cost. Such a limit is normally appropriate given the catalytic role of the TEN budget. However, in some cases - cross-border missing-links are an example - the broad trans-European interest and network advantage could be demonstrably so high as to justify a maximum rate of Community aid of 20% of the total investment cost. This would cover projects in one Member State the benefits of which accrue mainly to other Member States. Projects with an important environmental dimension should also benefit from this higher rate of Community aid. The Commission proposes to modify Article 5.3 accordingly (Article 1.3).

4.3. Other changes

The current TEN Regulation was adopted before the implementation of the "SEM (Sound and Efficient Management) 2000" programme. It is necessary therefore to amend certain Articles on financial provisions, evaluation, monitoring, follow-up, etc., all the while taking into account the specific nature of TEN.

The transitional clause in Article 3 is no longer necessary and is deleted (Article 1.1).

⁵ COM(97) 453.

Article 16 relating to information and to publicity is amended to align it with practice in the Structural Funds and the Cohesion Fund (Article 1.12) by specifying the need to erect display panels, use the Community logo, etc.

Article 8 (Submission of applications for financial aid) is amended concerning the agreement of Member States in relation to applications introduced by the private sector (Article 1.5).

5. COORDINATION OF THE FINANCIAL INSTRUMENTS

"Agenda 2000" stressed the need for greater coordination between the TEN financial instruments. The Commission considers that the introduction of indicative multiannual programmes into this Regulation, in connection with the overall strategies which will be developed within the framework of the Structural Funds (cf., *inter alia*, Articles 14 and 15 of the draft General Provisions), of the Cohesion Fund (cf. Article 1.3) and of ISPA (cf. Article 1.3) constitutes an useful step in this direction. Further progress in improving coordination is in part a matter for the internal procedures of the Commission, but also requires the cooperation of Member States, since infrastructure planning remains primarily a national responsibility.

One particular area where there is a parallel is the application of the polluter pays principle to transport, where, as with the Cohesion Fund, this principle can only be applied in the context of a Community framework setting out guidelines.

6. EVALUATION

SEM 2000 underlines the importance of evaluation of all Commission proposals. As far as TEN are concerned, individual projects funded by the Community under Regulation (EC) No 2236/95 are subject to on-going monitoring and evaluation. The evaluation of the impact of the TEN programme as a whole, however, will not be possible for some time, the Regulation having been adopted only in September 1995.

A first series of mid-term evaluation studies at the level of the actual projects are being undertaken; the scale of this work varies from one sector to the other. Initial results will be known by the end of 1998. The Commission hopes that these results, combined with the findings of more detailed on-going evaluation studies, will make it possible to set up specific indicators to evaluate the programmes' impact.

In addition, with a view to the revision of Regulation (EC) No 2236/95, the Commission services have produced a short assessment report of how the Regulation has worked so far, in particular at the level of procedures⁶. These assessments draw on the practical experience gained by the Commission, the Member States and private operators over the past three years.

⁶ "Report on the functioning of the TEN financial regulation 1995-97".

It should also be remembered that the adequacy of the existing financial instruments and the problems holding back the emergence of public/private partnerships in the transport sector were the subject of detailed discussions in 1996-97 by the Kinnock High-level Group, comprising representatives of the Ministers of Transport of the Member States plus representatives of the private sector (financial institutions, construction companies, railways, etc.)⁷ as well as the Commission, the EIB and the EIF.

7. ENLARGEMENT

Enlargement of the Union will entail a further revision of the Regulation. This however cannot be anticipated at this stage.

The current Regulation already permits the financing of links with third countries. With a view to enlargement these provisions should now be used more fully, in close collaboration with PHARE and ISPA. Some of these links of particularly clear trans-European importance could be eligible for financial support of up to 20% of their total investment costs.

⁷ VII/321/97, May 1997.

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COUNCIL REGULATION (EC)**

**amending Regulation (EC) No 2236/95 laying down general rules
for the granting of Community financial aid in the field of
trans-European networks**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third paragraph of Article 129d thereof,

Having regard to the proposal from the Commission⁸,

Having regard to the opinion of the Economical and Social Committee⁹,

Having regard to the opinion of the Committee of the Regions¹⁰,

Acting in accordance with the procedure laid down in Article 189c of the Treaty, in cooperation with the European Parliament¹¹,

- (1) Whereas experience with the application of Council Regulation (EC) No 2236/95¹² has demonstrated that a number of amendments need to be made thereto;
- (2) Whereas Community financial participation provided for under that Regulation may exceed the limit of 50% for studies undertaken on the initiative of the Commission; whereas it is necessary to facilitate the financing of certain projects by including, among the possible forms of aid, contributions to the formation of risk capital; whereas it is desirable to use the financial resources provided under Regulation (EC) No 2236/95 in order to maximize the contribution from private finance;
- (3) Whereas provision should be made so that certain projects related to more than one Member State, or contributing strongly to the broader trans-European interest, including those with an important environmental dimension, may receive an increased level of support;

⁸ OJ

⁹ OJ

¹⁰ OJ

¹¹ OJ

¹² OJ L 228, 23.9.1995, p. 1.

- (4) Whereas it is desirable, in order to increase transparency and to meet expectations for projects or groups of projects having important financial needs for a long period, that indicative multiannual programmes in specific sectors or fields should be drawn up; whereas those programmes should indicate the total amount of support which could be allocated for a given period to such projects or groups of projects, and decisions should be taken to grant financial aid when they conform to the relevant indicative multiannual programmes;
- (5) Whereas it is necessary to specify that bodies directly concerned with projects or groups of projects and submitting applications for financial aid, if they are enterprises, may be either public or private; whereas it is necessary to specify the date by which the agreement of the Member State(s) concerned on an application submitted under the Regulation is to reach the Commission;
- (6) Whereas projects or groups of projects should be able to benefit from successive financial assistance decisions;
- (7) Whereas financial aids granted should be cancelled if the actions concerned have not been started by a given date;
- (8) Whereas it is necessary to include the activities of the European Investment Fund among the Community financial instruments with which action under Regulation (EC) No 2236/95 is required to be coordinated;
- (9) Whereas the Commission should be able to require beneficiaries to provide evaluations of projects supported under Regulation (EC) No 2236/95 or the necessary information to allow the Commission to undertake its own evaluation;
- (10) Whereas it is necessary to specify the manner in which beneficiaries should publicize Community contributions;
- (11) Whereas, throughout the transitional period from 1 January 1999 to 31 December 2001, all references to the euro should be read as references to the euro as a monetary unit as referred to in Council Regulation (EC) No .../98 of1998 [on the introduction of the euro]¹³;
- (12) Whereas Regulation (EC) No 2236/95 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 2236/95 is hereby amended as follows:

1. Article 3 is deleted.
2. Article 4 is replaced by the following:

¹³ OJ L

**"Article 4
Forms of aid**

1. Community aid for projects may take one or several of the following forms:

- (a) co-financing of studies related to projects, including preparatory, feasibility and evaluation studies, and other technical support measures for these studies.

Community participation may in general not exceed 50% of the total cost of a study.

In exceptional cases, at the initiative of the Commission and with the consent of the Member States concerned, Community participation may exceed the limit of 50%, in particular for studies undertaken at the initiative of the Commission;

- (b) subsidies of the interest on loans granted by the European Investment Bank or other public or private financial bodies;
- (c) contributions towards fees for guarantees for loans from the European Investment Fund or other financial institutions;
- (d) direct grants to investments in duly justified cases;
- (e) grants or risk-capital participation, for investment funds or comparable financial undertakings with a priority focus on providing risk capital for trans-European network projects;
- (f) Community assistance under points (a) to (d) shall be combined where appropriate, in order to maximize the stimulus provided by the budgetary resources deployed, which shall be used in the most economical way.

2. The forms of Community aid referred to under points (a) to (e) shall be used selectively to take account of the specific characteristics of the various types of network involved and to ensure that such aid does not cause distortions of competition between undertakings in the sector concerned.

3. The Commission shall seek to maximize the multiplier effect of the financial resources provided for by this Regulation by promoting recourse to private sources of financing."

3. The following subparagraph is added to Article 5(3):

"However in the case of projects related to more than one Member State, or contributing strongly to the broader trans-European interest, including those having an important environmental dimension, the total amount of Community aid under this Regulation may reach 20% of the total investment cost".

4. The following Article 5a is inserted:

**“Article 5a
Indicative multiannual programme**

1. Without prejudice to the application of Article 6 and in order to improve the efficiency of the Community's action, the Commission may, in accordance with the procedure set out in Article 17, elaborate by sector an indicative multiannual programme for granting financial resources (hereinafter called “programme”) on the basis of the guidelines referred to in Article 129c of the Treaty. The programme shall reflect *inter alia* information provided by Member States.
 2. A programme may be composed of projects of common interest and/or coherent groups of projects of common interest in specific fields having substantial financial needs over a long period.
 3. For each project or group of projects referred to in paragraph 2 the Commission shall establish the indicative global amounts for the granting of financial aid for the programme's time-period.
 4. The programme shall serve as a reference for the annual decisions allocating the Community financial resources set out in this Regulation. It shall be revised at mid-term or in the light of the effective progress of the project(s) or group(s) of projects, in accordance with the procedure set out in Article 17. The programme shall also give an indication of other sources of financing for the projects concerned, in particular from other Community instruments and the European Investment Bank.”
5. Article 8 is replaced by the following:

**“Article 8
Submission of applications for financial aid**

Applications for financial aid shall be submitted to the Commission by the Member State(s) concerned or, with the agreement of the Member State(s), by the public or private undertakings or body directly concerned. The Commission shall take note of the agreement of the Member State(s) concerned no later than in the course of the procedure set out in Article 17.”

6. Article 10 is replaced by the following:

**“Article 10
Grant of financial aid**

The Commission shall decide to grant financial aid under this Regulation according to its assessment of the application in accordance with the selection criteria. With the exception of decisions concerning projects identified in the relevant indicative multiannual programme established pursuant to Article 5a, and within the indicative financial allocations provided for in that programme, decisions to grant

aid shall be taken in accordance with the procedure specified in Article 17. The Commission shall notify its decision directly to the beneficiaries and to the Member States”.

7. Article 11 is amended as follows:

(a) Paragraph 3 is replaced by the following:

“3. Budgetary commitments shall be carried out on the basis of decisions to grant aid taken by the Commission. The commitment of the total amount of aid shall be made when the Commission adopts the decision to grant aid”.

(b) A new paragraph 3a is inserted as follows:

“3a. Notwithstanding the provisions of paragraph 3, for interventions for which the responsible authority is a Member State, whose duration is equal to or greater than two years and for which Community aid exceeds ECU 25 million, commitments shall be made annually. The first commitment shall be made when the Commission adopts the decision granting financial aid. Commitments in respect of subsequent annual instalments shall be based on the initial or revised financing plan for the project and shall normally be made at the beginning of each budget year and no later than 1 March of the current year, based on the expenditure forecasts for the project for that year.”

(c) Paragraph 7 is replaced by the following:

“7. The Commission shall determine, following the procedures set out in Article 17, the procedures, timetable and amounts for payments of interest-rate subsidies, guarantee premium subsidies and support in the form of grants or risk capital participation, for investment funds or comparable financial undertakings with a priority focus on providing risk capital for trans-European network projects”.

8. The introductory phrase to Article 12(1) is replaced by the following:

“In order to guarantee successful completion of projects financed by this Regulation, Member States and the Commission, each in its field of competence, shall take the necessary measures to”;

9. In Article 13, the following paragraph 2a is inserted:

“2a. Except in cases duly justified to the Commission, aids granted to projects which have not started within two years following the date of their expected start, as indicated in the decision granting assistance, will be cancelled by the Commission”.

10. Article 14 is replaced by the following:

**“Article 14
Coordination**

The Commission shall be responsible for coordination and coherence between the projects and, where necessary, the programmes referred to in Article 5a(1), undertaken under this Regulation and projects undertaken with the help of contributions from the Community budget, the European Investment Bank, the European Investment Fund and other Community financial instruments”.

11. Article 15 is replaced by the following:

**“Article 15
Appraisal, monitoring and evaluation**

1. The Member States and the Commission shall ensure that the implementation of projects under this Regulation is subject to effective monitoring and evaluation. Projects may be adapted according to monitoring and evaluation results.
2. In order to ensure that Community aid is used efficiently, the Commission and the Member States concerned shall systematically monitor progress with projects, where appropriate with the cooperation of the European Investment Bank or other appropriate bodies.
3. On receipt of an application for aid, and before approving it, the Commission shall carry out an appraisal in order to assess the project's conformity with the conditions and criteria laid down in Articles 5 and 6. Where necessary, the Commission shall invite the European Investment Bank or other appropriate bodies to contribute to this appraisal.
4. The Commission and the Member States shall assess the manner in which the projects and the programmes have been carried out and evaluate the impact of their implementation, in order to assess whether the original objectives can be, or have been, achieved. This evaluation shall, *inter alia*, cover the impact of projects on the environment, regard being had to the Community laws in force. The Commission may also require the beneficiary to provide a specific evaluation on projects or groups of projects supported under this Regulation, or to provide it with the information and the assistance required to evaluate such projects.
5. Monitoring shall be carried out, where appropriate, by reference to physical and financial indicators. The indicators shall relate to the specific character of the projects and its objectives. They shall be arranged in such a way as to show:
 - the stage of the project reached in relation to the plan and the operational objectives originally laid down,
 - the progress achieved on the management side and any related problems.

6. In vetting individual applications for assistance, the Commission shall take into account the findings of appraisals and evaluations made in accordance with this Article.
7. Procedures for evaluation and monitoring, as provided in paragraphs 4 and 5, shall be established in the Decisions approving the projects and/or in the contractual provisions relating to the financial aid.
12. The second sentence of Article 16(2) is replaced by the following:

"They shall ensure, in particular in the case of infrastructure works, that directly visible display panels are erected bearing the Community logo and the expression "Trans-European networks". In the case of studies and/or any other documents concerning a project, they shall ensure that they carry the Community logo".
13. Throughout the text, "ecu" is replaced by "euro".

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

Point 13 of Article 1 shall apply from 1 January 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

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1. TITLE OF OPERATION

Trans-European Networks (TENs).

2. BUDGET HEADINGS CONCERNED

B5-700: TEN - Transport

B5-710: TEN - Energy

B5-720: TEN - Telecommunications

3. LEGAL BASIS

Articles 129b, c and d of the Treaty on European Union.

Parliament and Council Decision No 1254/96/EC of 5 June 1996 laying down a series of guidelines for trans-European energy networks (OJ L 161, 29.6.1996 p. 147), as last amended by Parliament and Council Decision No 1047/97/EC of 29 May 1997.

Parliament and Council Decision No 1692/96/EC of 23 July 1996 on Community guidelines for the development of the trans-European transport network.

Parliament and Council Decision No 2717/95/EC of 9 November 1995 on a set of guidelines for the development of the Euro-ISDN (Integrated Services Digital Network) as a trans-European network.

Parliament and Council Decision No 1336/97/EC of 17 June 1997 on a series of guidelines for trans-European telecommunications networks.

Council Regulation (EC) No 2236/95 of 18 September 1995 laying down general rules for the granting of Community financial aid in the field of trans-European networks.

Proposal for a Regulation (EC) amending Council Regulation (EC) No 2236/95 of 18 September 1995 laying down general rules for the granting of Community financial aid in the field of trans-European networks.

4. BUDGETARY CHARACTERISTICS

4.1. Classification of Expenditure, FP Heading

NCE, DA, FP Heading: 3

4.2. Period covered by the Operation and Arrangements for Renewal:

The budgetary resources proposed for the implementation of this proposal for a Regulation cover the period 2000-2006.

The Commission will submit an evaluation of the results in good time so as to establish the financial implications of a possible extension beyond 2006.

5. NEED FOR COMMUNITY INTERVENTION AND OBJECTIVES PURSUED

5.1. General

5.1.1. Justification

The effective and harmonious operation of the internal market, the strengthening of economic and social cohesion, and the development of communications and trade with neighbouring countries, in particular the applicant countries, are hindered by the lack of interconnection and interoperability between the national transport, telecommunications and energy networks.

In order to realize transport, telecommunications and energy networks on a continental scale that are adapted to the internal market and the needs of European industry, it is necessary, at Community level, to enhance and coordinate the efforts of the Member States and the private sector. There is no alternative which would make it possible to achieve the same objectives at another level of responsibility.

As indicated in the communication on "Community policies in support of employment"¹⁴, TENs have an important role to play in medium-term employment strategy since they are essential for the EU's competitiveness and hence for long-term growth and the creation of lasting jobs.

Last but not least, "Agenda 2000" indicates that TENs have a priority role in the context of the internal policies on account of their value added in terms of growth, employment and the dissemination of technologies.

5.1.2. Objectives

Action by the Union with regard TENs is aimed at promoting the interconnection and interoperability of national networks as well as access to such networks. It takes account in particular of the need to link island, landlocked and peripheral regions with the central regions of the Union. To achieve these objectives, the Union has established guidelines identifying projects of common interest.

¹⁴ SEC(97) 2168.

5.2. Transport

5.2.1. Justification

1. The benefits deriving from the realization of an efficient and safe transport network are greater than just the benefits for the transport sector alone, since they contribute to the achievement of the objectives of the internal market and economic and social cohesion. In addition, as indicated in Agenda 2000, the role of TEN-transport is important for the creation of new links with the Central and Eastern European applicant countries.
2. Action by the Community is justified mainly in the case of projects that are potentially economically viable but for which the financial profitability is deemed insufficient (Article 6(2)). It is also based on the need to act as a springboard to other funds, such as EIB loans.
3. The prior definition and identification of the risks of a project remain one of the main activities: that is the purpose of the feasibility studies and support measures (e.g. excavation of an exploration level for a tunnel). However, the Community also does a great deal to coordinate and stimulate Euro-regional projects that are the responsibility of several Member States.
4. As indicated by the October 1997 Transport Council, and following the final report of the high-level group on public-private partnership financing of trans-European transport network projects, the priority for the Member States is to identify suitable projects for public-private partnerships (PPPs) in order to speed up the completion of the network. The Commission, the EIB and the EIF will, in this connection, help the Member States set up such PPPs as soon as possible.

5.2.2. Objectives

In accordance with the Community guidelines for the development of the trans-European transport network, financial support will be channelled in particular to specific projects pursuing the following objectives:

- (i) development of connections, key links and interconnections needed to eliminate bottlenecks, fill in missing sections and complete major routes. Example - HST Rhine-Rhône, high-speed train in Denmark, rail link Verona-Florence;
- (ii) development of access to the network making it possible to link island, landlocked and peripheral regions with the central regions of the Community. Example - measures to improve air traffic management systems, Madeira/Azores;
- (iii) optimum combination and integration of the various modes of transport. Example - new Berlin Airport (including access roads);

- (iv) gradual achievement of interoperability of network components; Example - HST - South of France - Spain (introduction of the European Rail Traffic Management System (ERTMS) on the Spanish network);
- (v) optimization of the capacity and efficiency of existing infrastructure. Example - various road traffic management measures in order to improve traffic;
- (vi) establishment and improvement of interconnection points and intermodal platforms. Example - feasibility studies for the new port of Vuosaari (Finland);
- (vii) improved safety and network reliability. Example - measures to improve shipping;
- (viii) taking the environment into account in the implementation and development of the network. Example - Öresund fixed link (Denmark, Sweden);
- (ix) the development and establishment of systems for the management and control of network traffic and user information with a view to optimizing use of the infrastructures;
- (x) studies contributing to improved design and better implementation of the trans-European transport network.

5.3. Telecommunications

5.3.1. *Justification*

TEN-Telecom is a **deployment** programme. It provides selective financial support for initiatives to promote the continuous development of the telecommunications sector with a view to offering new telecommunications services and applications meeting the needs of professional and private users.

Similar initiatives to promote the information society are under way in the United States and Japan with the same aim. However, in Europe in particular, where the markets are still fragmented, private enterprise - which should remain the main vehicle for investment in this area - often has difficulties with launching new services.

The Community's role is to give political backing and contribute financially in a targeted fashion to the development of telecommunications TENs.

The Community plays a **catalytic role** to ensure that projects of common interest can achieve a critical size. By giving a boost at European level, it makes it possible to reduce the risks, in particular the financial and political risks, attaching to the deployment of

applications and services which can only be economic with the full scale of the single market.

Action by the Community also enables consortiums to start up more quickly, in particular by assuming part of the costs of feasibility and validation studies for applications at trans-European level. Last but not least, the Community supports actions to facilitate the deployment of innovative applications of public interest which often have uncertain commercial prospects despite obvious socio-economic benefits.

Their deployment requires the establishment of public-private partnerships to make optimum use of the resources of each party and generate the revenue needed.

5.3.2. Objectives

In the telecommunication TENs sector, the guidelines are based on a three-layer structure (**networks - services - applications**) reflecting the convergence of telecommunications, information technology and content. The projects of common interest identified by the guidelines contribute to the following general objectives:

- (1) demonstrating the **transition towards the information society** by means of concrete examples of new services and applications;
- (2) strengthening the **internal market** by means of the development and interoperability of telecommunications infrastructure;
- (3) improving **industrial competitiveness** by means of services tailored to the needs of firms
- (4) strengthening **social cohesion** by expanding the use of telecommunications services in societal applications (distance education, health telematics, etc.).

5.4. Energy

5.4.1. Justification

Energy transmission systems are infrastructures which ensure the continuity of energy supply and, hence, the operation of the economy and the carrying-out of many activities.

The establishment, interconnection and interoperability of energy TENs in the Community and, gradually, throughout the European continent, contribute to the security of energy supply, the establishment of the internal market in energy, and the strengthening of cohesion through the connection of peripheral and isolated zones. The energy TENs guidelines identified projects of common interest which meet these objectives.

The completion of energy TENs also contributes to job creation (cf. study "The employment effects of building the trans-European energy networks"), economic development and the consolidation of international cooperation which are also important general objectives of the European Union.

In addition, the TENs contribute towards optimizing supply in relation to energy demand at European Community level and to sustainable development, to the extent that energy carried by TENs has less impact in terms of the greenhouse effect (cf. CO₂ emission reduction commitments entered into in Kyoto).

The financial resources available in the context of the TEN-energy programme are used exclusively with a view to accelerating the carrying-out of projects of common interest identified in the energy sector.

With regard to energy TENs, the European Community plays a catalytic role in relation to the efforts of the Member States and the electricity and gas companies.

5.4.2. Objectives

The specific objectives of the TEN-energy programme are to encourage, coordinate and accelerate the study of projects of common interest and their realization.

Taking into account the specific features of the energy sector (revenue-generating projects, possibilities of funding existing in the sector), the general focus is on the definition and preparation of projects, through co-financing, where appropriate, preliminary studies, detailed technical and economic feasibility studies, environmental impact studies and route studies, etc.

It is necessary to expedite these initial stages, up to and including administrative authorisations, if concrete progress is to be made.

Where appropriate, a contribution may be made to investment financing for some projects of common interest, if this contribution is necessary and if it may have a decisive influence on their realization.

6. ACTIVITIES ENVISAGED AND BUDGETARY ARRANGEMENTS

6.1 General

6.1.1. Regulation (EC) No 2236/95

The Union's financial support for TENs since 1995 under Regulation (EC) No 2236/95 has mainly been intended for the definition and launching of projects of common interest through the realization of feasibility studies for such projects and/or where appropriate, while

the projects are being implemented, interest subsidies, contributions towards fees for guarantees for loans and, in duly justified cases, direct grants.

As a general rule, feasibility studies are co-financed up to 50% of their total cost, but in exceptional, duly substantiated cases, at the initiative of the Community, the Community contribution may exceed 50%. The maximum rate of aid in the case of projects is 10% of the total cost of eligible investments.

6.1.2. Main Features of the new Proposal for a Regulation

The new proposal for a Regulation differs from Regulation (EC) No 2236/95 in the following ways:

- (1) introduction of the concept of indicative multiannual planning;
- (2) raising of the maximum rate of aid to 20% in the case of projects of particularly significant Community interest;
- (3) greater use of private financing and public-private partnerships;
- (4) possibility of contributing to funds specialising in the provision of risk capital for TEN projects.

6.2. Transport

6.2.1. Activities

For the period 2000-2006, the TEN-transport budget will be devoted mainly to:

- the completion of the 14 priority projects identified at the Essen European Council (new projects may also be identified);
- the strengthening of public-private partnerships;
- the introduction of new technologies in transport.

In terms of operational objectives, the main priorities will be as follows:

- (i) to provide appropriate support for the Essen projects in their main construction phase, e.g. – “HST-South” (France/Spain), “West Coast Main Line” (railway, United Kingdom), “Nordic Triangle Multimodal Corridor” (Finland/Sweden), HST-East (France/Germany);
- (ii) to support other major projects such as those identified in Part II of Annex A to the report by Christophersen Group (Personal Representatives of the Heads of Government -1994). Examples

of the projects which should be carried out (construction investment needed) are the A20 motorway (Germany), the Dutch sections of the HST Rhine-Ruhr', the Berlin International Airport, and the high-speed rail network in Denmark;

(iii) to support the implementation phase of major traffic management projects aimed at improving shipping, safety and efficiency and reducing the risk of adverse environmental impacts as a result of collisions, etc. The following are examples of specific measures in this connection:

- European Rail Traffic Management System (ERTMS);
- Global Navigation Satellite System (GNSS);
- Air Traffic Management;
- Vessel Traffic Management Information System;
- Road Transport Telematics, including a number of 'Euro-regional' initiatives to improve the safety and efficiency of road infrastructure in the European Union.

6.2.2. *Budgetary Arrangements*

The type of intervention depends primarily on the status and degree of maturity of each project.

Feasibility studies are appropriate to guarantee that projects are properly defined from their design to their launching. This instrument should be used to a lesser extent for the 14 priority projects which are due to begin or continue their implementation phase, but represents an appropriate form for other major projects such as the HST Rhine-Rhône, for example, which will necessitate preparatory and feasibility studies before the launching of work.

The other types of intervention, i.e. **interest subsidies, contributions to loan guarantee fees, and risk-capital participation**, have been chosen to ensure that the type of funding selected is the most appropriate for the project in question. This also applies to **grants** which make it possible to speed up projects where this had hitherto been impossible because of shortage of funds.

These types of intervention will be particularly important for the 14 priority projects and for certain traffic management projects (ERTMS, GNSS, for example).

Interest subsidies and risk capital participation will be the preferred instruments in the case of projects carried out in the form of public-private partnerships, provided that the projects' financial structure allows this.

6.3. Telecommunications

6.3.1. Activities

TEN-Telecom began in 1995 on the basis of guidelines limited to the development of Euro-ISDN as a universal network for trans-European multimedia services. In the meantime two major network revolutions that have taken place - the Internet as a universal platform for services, and mobile and satellite networks - have considerably reduced the scope of ISDN.

The Commission therefore wanted to establish new guidelines taking these changes into account and placing our efforts in a new and much wider framework, including the development and integration of broadband networks - in particular satellites and mobiles - and multimedia applications using the new Internet facilities. **Parliament supported these guidelines** which were adopted, following conciliation, in June 1997, and has shown growing interest in this subject through its support for the development of a user-friendly information society and the deployment of trans-European applications.

Where the projects of common interest are concerned, the operational priorities envisaged for the new budget planning period are defined by the work programme (a document of the rolling plan type that can be revised depending on needs, and which was adopted for the first time on 7 January 1998) and explained in the contents of **calls for proposals** decided upon by the Commission and published in the OJ. The main objectives as regards the projects of common interest defined by the guidelines are as follows:

- (1) The development of an interoperable state-of-the-art global telecommunications infrastructure capable of stimulating new uses
 - **satellite communication systems for broadband multimedia services:** in line with the first low-budget call for proposals launched in January 1998, to validate new services and facilitate the integration of the satellite component in the global telecommunications infrastructure.
 - **mobile networks:** to prepare for the evolution of applications towards high performances (data applications) and support the development of the next generation of mobile communications on the basis of a common standard.
 - to meet the challenge of **global interoperation and interconnection**, taking into account the evolution of networks towards greater fragmentation between components (IP, ATM, ISDN, satellites, GSM, etc.).

Target population: telecommunications operators, licence holders, equipment manufacturers, suppliers of satellite and mobile systems, suppliers of services specifically

exploiting satellite and mobile networks, standardisation and specification bodies, bodies promoting the interoperability of telecommunications networks.

(2) The promotion of telecommunications services for the greatest possible number of SMEs

- to improve the quality of **Internet**-type services, and the potential of **Intranets/Extranets** for SMEs, and encourage the mobility of these services through appropriate agreements between suppliers of Internet services
- to prepare for the generic telecommunications services needed for the development of electronic commerce: electronic signature, authentication, security, catalogues
- to promote the **evolution** towards a more standardised supply of services tailored both the needs of SMEs and the requirements of product distribution channels for this market (teleservice packages for SMEs).

Target population: telecommunications operators, suppliers of Internet/Intranet services for SMEs, SME organisations, software suppliers in the field of services in support of electronic commerce;

(3) Deployment and perpetuation of telematics services in areas of general interest

- to stimulate **investment in new telecommunications services for areas of general interest:** to provide value added in these areas (distance education, telemedicine, access to the cultural heritage, environmental applications, etc.), by contributing to economic development and social dynamism
- to promote **example-setting projects encouraging the participation of private sector partners**, in particular where drawing up the "business plan" requires initial validation in a real commercial environment.

Target population: public entities, in particular regional or local entities, network operators, final users, schools, universities, hospitals, museums, environmental agencies, bodies in the transport and tourism sector, content suppliers in areas of public interest.

Apart from the projects of common interest, the 17 June 1997 guidelines and the work programme provide for **support and coordination actions** in relation to the development of telecommunications TENs, for which specific calls for proposals are organised: market analyses and technology watch, sectoral preparatory measures and analyses (e.g. in the distance training sector), cooperation and standardisation measures, networking of correspondents, and dissemination measures. These actions are funded to the extent of 50% or 100% depending on their type.

6.3.2. *Budgetary Arrangements*

6.3.2.1. 100% grants: for studies carried out at the Commission's initiative.

6.3.2.2. Grants for co-financing (in general not exceeding 50%) with other public or private sector sources for preparatory

studies, feasibility studies, validation studies, and technical support measures.

6.3.2.3. In the case of projects involving innovative applications of public interest, the desire to ensure maximum effectiveness for the Community assistance designed to promote the start-up of a project may necessitate recourse to other forms of aid provided for in Article 4 of Regulation (EC) No 2236/95, namely:

- (1) Interest subsidies, and contributions to loan guarantee fees: methods of support for the deployment of projects of common interest.
- (2) Direct grants for projects of common interest: in duly justified cases.
- (3) Risk-capital participation: support to facilitate PPPs.

Aid under this budget heading could be combined with aid from other Community financial instruments in accordance with conditions laid down in the Financial Regulation.

6.4. Energy

6.4.1. Activities

The TEN-energy programme concerns two areas: electricity and natural gas.

In the case of **electricity networks**, the specific activities concern:

- (1) connection of isolated electricity networks to European interconnected networks;
- (2) development of interconnections between Member States;
- (3) development of internal connection necessary to make the best use of interconnections between Member States;
- (4) development of interconnections with third countries in Europe and the Mediterranean region helping to improve the reliability, security and supply of Community electricity networks.

In the case of **natural gas networks**, the specific activities concern:

- (1) introduction of natural gas into new regions ;

- (2) connection of isolated gas networks to the interconnected European networks, including the necessary improvement of existing networks;
- (3) increasing natural gas transmission, reception and storage capacity, including underground storage capacity;
- (4) increasing gas pipeline transmission capacity.

Target population: public, private or joint entities or undertakings with the capacity to design, study, construct, maintain, operate or administer the trans-European networks defined and identified by the TEN-energy guidelines.

6.4.2. Budgetary Arrangements

(1) Co-financing of preparatory and feasibility studies

In accordance with the statement entered in the minutes of the meeting at which Regulation (EC) No 2236/95 was adopted, Community assistance under the TEN-energy programme is normally granted in the form of co-financing of studies in the energy sector.

In view of the risks inherent in the initial project definition and preparation stages and authorisation procedures involving deadlines which are in many cases problematic, the level of assistance needs to be particularly significant for preparatory and feasibility studies.

Experience with the operation of the Regulation in the first three years indicates that a level of aid of 50% of the cost of studies is appropriate, taking into account also the underlying aim of encouraging the development of energy TENS.

(2) Investment financing

Regulation (EC) No 2236/95 does not rule out any other forms of assistance for the energy sector.

Recourse to one of the other forms of assistance (interest subsidies, contributions to loan guarantee fees, direct grants) provided for in the Regulation must be duly justified and substantiated; in particular, it must not cause distortions of competition between undertakings in the sector.

During the first three years of operation of the Regulation the Commission has received half a dozen applications for investment financing in the energy sector that it has considered to be unjustified or unsubstantiated.

Financial support for investment under the TEN-energy programme may be justified in the following cases:

- to make attractive a project of common interest that is economically viable but for which the financial profitability is insufficient;

- to ensure the continuation of a project of common interest that is economically viable but confronted with unforeseen costs which jeopardise its financing.

7. FINANCIAL IMPLICATIONS

7.1. Indicative Planning of TEN Appropriations

(ECU million in current prices)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
B5-700 Transport	562	601	650	700	760	831	888	4 992
B5-710 Energy	25	25	26	26	26	26	26	180
B5-720 Telecoms	38	41	44	46	50	53	56	328
TOTAL PER ANNUM	625	667	720	772	836	910	970	5 500

According to this schedule, the share of TENs in heading 3 of the Financial Perspective would increase from 9% of the ceiling for the heading in 1999, the last year of the current financial period 1993-99, to 11.2% of the ceiling for the heading in 2006, the last year of the new financial period 2000-2006 proposed by the Commission in Agenda 2000.

7.2. B5-700: TEN - Transport

(ECU million in current prices)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
14 Specific Projects	423	442	462	415	400	400	400	2942
Other and New Projects	93	104	117	195	260	331	388	1488
Traffic Management Projects	46	55	71	90	100	100	100	562
TOTAL	562	601	650	700	760	831	888	4992

- (1) With regard to quantification in budgetary terms, it should be noted that the total cost of the investment proposed for the Essen priority projects is at present roughly ECU 54 billion for the programme period (2000-2006), compared with some ECU 25 billion during the period of the Edinburgh financial perspective (1995-99). This reflects the fact that the majority of the main projects will enter the construction phase after the year 2000.
- (2) The desire to ensure a reasonable rate of Community intervention (closer to 10% than is at present the case) for these projects, and the need to preserve a margin for manoeuvre for the other major projects, including traffic management activities, suggests that a figure between ECU 5 billion and ECU 6.3 billion would be needed in the period 2000-2006.
- (3) From 2002 onwards, the amounts proposed for the 14 specific projects are decreasing and will stabilize at around ECU 400 million because many of the projects will be finalised during the period and the investments therefore gradually decline. With an increasing TEN-Transport budget over the period this means that the share for the 14 specific projects will decrease from 75% to approx. 45% of the TEN-Transport budget, with an average of 59%. The intervention rate per project is intended to increase from approx. 3-5% of investments for the current financial perspective to an average 7% for the specific projects for the period 2000-2006.
- (4) The support proposed for other and new projects that will be identified during the revision of the TEN guidelines will increase both in real terms and as a percentage of the TEN-Transport budget. It is anticipated that the current priorities will be revised in the coming years and several new projects will be identified. For example, projects from the second group of projects identified in the Christophersen Report are relevant (for example, based on the investment costs, Berlin airport: ECU 4.1 billion; HST in Denmark: ECU 1.8 billion; Dutch HST Rhine-Ruhr: ECU 1.56 billion, etc.)

- (5) Concerning the traffic management projects the yearly support is proposed to double, after which the amount will be stabilized at around ECU 100 million a year. The study period is coming to an end and the actual construction of the projects will begin. The indicative investment costs related to some of the more important projects are as follows, road traffic management ECU 320 million; GNSS (satellites) ECU 490 million; ERTMS (rail management) ECU 154 million.

7.3. B5-710: TEN – Energy

(ECU million in current prices)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
Electricity Networks	10	10	10	10	10	10	10	70
Natural Gas Networks	15	15	16	16	16	16	16	110
TOTAL	25	25	26	26	26	26	26	180

The total cost of the investment proposed for the 74 projects of common interest (PCIs) identified by the TEN-energy guidelines is estimated at approximately ECU 15 billion over the period 2000-2006, compared with some ECU 11 billion of proposed investment during the period 1995-1999 for these projects.

The distribution by area over the period 2000-2006 indicates proposed investments of around ECU 4.5 billion for the electricity PCIs and ECU 10.5 billion for the natural gas PCIs. In view of the rapid developments in the energy sector, it is foreseeable that the list of PCIs will be supplemented over the period 2000-2006, mainly as a result of the introduction of new projects concerning the natural gas networks. This updating would increase the total cost of investment for TEN-energy projects and would increase the relative weight of the area "natural gas networks".

The estimate of financial support requirements indicated in the table above is based on an analysis of the state of progress and the information available about the financial profitability of the 74 current PCIs and the forecast for the new PCIs.

On these bases, during the period 2000-2006 some 50 PCIs would need support for the co-financing of studies (20 electricity PCIs and 30 natural gas PCIs) and some 10 PCIs would need financial support for investment (4 electricity PCIs and 6 natural gas PCIs).

The estimates resulting from the financial support requirements are:

- in the area "electricity networks" ECU 25 million for the co-financing of studies and ECU 45 million for investment support;
- in the area "natural gas networks" ECU 45 million for the co-financing of studies and ECU 65 million for investment support.

7.4. B5-720 : TEN - Telecommunications

(ECU million in current prices)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
BASIC NETWORKS	12	14	16	18	22	25	28	135
GENERIC SERVICES/INTERNET	13	13	13	13	13	13	13	91
APPLICATIONS	10	11	12	12	12	12	12	81
ACCOMPANYING MEASURES	3	3	3	3	3	3	3	21
TOTAL	38	41	44	46	50	53	56	328

An analysis of the markets for each of these three layers gives rise to the following budget estimate for the period in question, which incorporates the new priorities for the basic networks (46% of the overall "envelope") and maintains our support vis-à-vis applications and Internet services:

- **The envelope for the basic networks is evaluated at ECU 135 million.** There are no concrete results so far because the first call for proposals ends on 15 April 1998. The priorities set out in the work programme as part of our market research efforts concern:
 - navigation satellites, with aid for market launch, essentially from 2004, and interoperation with terrestrial networks
 - multimedia communication satellites, in order to encourage a mass effect in new markets (evaluated at ECU 15-30 billion in 2005) such as distance education, telemedicine and intelligent transport
 - mobile networks supporting a new generation of integrated broadband services (UMTS) from 2004.
- **The envelope for the generic services is evaluated at ECU 91 million.** TEN Telecom aid, which is due to start now, concerns high-quality secure support services for electronic commerce and the new Internet facilities.
- **The envelope for applications in areas of general interest is evaluated at ECU 81 million** with a significant increase as from the last three years for investment projects.
- **The envelope for accompanying measures is evaluated at ECU 21 million.** Apart from the projects of common interest, the 17 June 1997 guidelines and the work programme provide for support and coordination actions in relation to the development of telecommunications TENs, for which specific calls for proposals are organised: market analyses and technology watch, sectoral preparatory measures and analyses (e.g. in the distance training sector), cooperation and standardisation

measures, networking of correspondents, and dissemination measures. These actions are funded to the extent of 50% or 100% depending on their type.

These figures correspond to targeted actions and are quite modest compared with the investment which the private sector will be called upon to provide. However, Community intervention is needed in order to reduce the risk attaching to this investment, promote the development and interoperation of the global infrastructure, ensure the dissemination of telecommunications services for SMEs, and encourage the use of new applications in areas of general interest.

As indicated in Agenda 2000, the value added in terms of growth, employment and dissemination of technologies gives TEN-Telecom a priority role among all the internal policies.

8. MONITORING AND EVALUATION

8.1. Monitoring and Evaluation: General

The new proposal for a Regulation provides for boosting the monitoring and evaluation activities by:

- (1) clarifying the strict obligation on beneficiaries of Community aid to supply data regularly for monitoring purposes;
- (2) enabling the Commission to require beneficiaries to make a specific evaluation of projects, or
- (3) where appropriate, enabling the Commission to carry out evaluations of projects or groups of projects jointly with the Member States; to do this, it will be able to require beneficiaries of Community aid to provide the necessary information and assistance;
- (4) enabling the Commission to invite the EIB and other appropriate bodies to take part in monitoring and evaluation activities.

8.2. Monitoring and Evaluation: Transport

- (a) Article 15 of Regulation (EC) No 2236/95 provides for monitoring and evaluation of each project. In this connection, it is laid down that Commission decisions will include, where appropriate, physical indicators drawn up in agreement with the Member States.

In addition, in accordance with the standard Commission decisions, beneficiaries must provide each year information about progress with the projects to be used as the basis for the analyses underlying the joint evaluation with the Member States concerning the project implementation procedures.

The priority projects will be monitored more closely and systematically during seminars and bilateral meetings.

- (b) studies, for which indicators cannot be drawn up, will be evaluated jointly with the Member States, according to the objectives pursued.

An annual activity report to be submitted to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions is provided for in Article 16(1) of the Regulation. This report must contain an evaluation of the results achieved with Community aid in different fields of application in terms of the original objectives. Given the annual nature of the Community budget for TENs and the multiannual nature of the budget for major transport infrastructures, an adequate time horizon will, however, be necessary in order to judge the activities extensively.

Each year individual projects will be monitored in detail, according to the financial commitments and implementation schedules. This monitoring will also relate to technical and financial aspects.

Ad hoc evaluation

For a limited number of activities, it is possible to carry out more conventional "mid-term" or "*ex-post*" impact evaluations given that it is easier to quantify the results achieved in a short or medium-term perspective. By way of example, in 1997 the Commission carried out an evaluation of the impact of Community support on certain traffic management projects and the "ERTMS" rail project.

Mid-term overall evaluation

With regard to the overall evaluation of budgetary assistance under Regulation (EC) No 2236/95, at the end of 1997 the Commission launched a call for expressions of interest, so that a mid-term overall evaluation can be carried out in the course of 1998. This formative evaluation, conceived in the context of the SEM 2000 initiative and the Commission's communication on the evaluation, seeks to take stock of the situation and assess the project evaluation procedures at national level, the application and decision-making procedures at the Commission and the monitoring systems for projects and studies. The evaluation will also address the following questions:

- (i) the advantages and disadvantages of the various financial instruments (direct grant, interest subsidy, feasibility study, guarantee);
- (ii) rates of Community aid, including the "value added" effect;
- (iii) coordination of TEN budget assistance with aid under the ERDF programmes and the Cohesion Fund.

The mid-term formative evaluation will be administered by a steering group consisting of various Commission services and the EIB. This group has already been consulted in connection with the preparation of the specifications.

Appraisal of results

The appraisal of the results of the evaluations must take into account the provisions set out in the "SEM 2000" initiative, in particular as regards a procedure for feedback between the conclusions to be drawn and the setting of new objectives (e.g. for the continuation of the action provided for in Regulation (EC) No 2236/95 and for the report before 1 July 1999 indicating whether the guidelines should be adapted to take account of economic developments and technological developments in the transport field).

8.3. Monitoring and Evaluation: Telecommunications

The entire monitoring system is provided for in the **contractual provisions**: work programme for the study, technical measure or project, reports, deliverables, technical and financial audit, cancellation of the contract in the event of non-performance.

Monitoring is ensured by the Commission services: examination of the periodical reports, deliverables and examination of statements of costs charged to the project before payment.

A **project** is designed as a succession of stages leading to deployment (preparation, feasibility, including validation and deployment). A project is therefore multiannual with clear results at the end of each stage. It must result in a credible business plan prepared and adjusted throughout the project. The project promoters identify the development stages and the criteria on which they will decide to continue the actions. These stages will give rise to status reports, which will include physical and financial indicators.

An **annual evaluation of the projects** in progress is provided for in the contract. This evaluation entails presenting the project to a board of outside evaluators recruited in the context of a call for expressions of interest published in the OJ (OJ 97/S 14-153147 of 21 January 1997). Following this evaluation, projects are confirmed, modified or, in the event of doubts about the chances of the project succeeding, subjected to a thorough examination procedure, internal to begin with and then external (Red Flag Procedure). This in-depth examination may, where appropriate, lead to cancellation of the contract by the Commission services.

An **intermediate evaluation** under the guidelines for Euro-ISDN will be carried out in the course of 1998. While strict reference to the objectives and priorities of the new guidelines will be impossible, it should nevertheless provide useful assessment information on account of the similarity of certain types of projects of common interest.

8.4. Monitoring and Evaluation: Energy

- (a) All the programmes administered by DG XVII, with the exception of THERMIE which is covered by the RDFP and TEN-Energy, will be grouped together from 1998 within an "Energy" framework programme. Along the lines of the provisions for this "Energy" framework programme, and in order to take advantage of the structures in place and the experience acquired, TEN-Energy activities will be the subject of similar treatment based on monitoring and evaluation activities.
- (b) The "TEN-Energy" activity will be the subject of **annual monitoring** which is neither an evaluation nor an audit but essentially seeks to give an independent and rapid analysis of the establishment of the programme in order to be able to correct any slippages or weaknesses. Are the objectives and priorities being respected? What about the utilization of resources?

It must be a factual analysis which, at the beginning of the period 2000-2006, will concentrate on the actions launched and which, as the years go by, may also relate to the results and impacts. Part of the analysis will be devoted to the European value added (value added deriving from the European rather than national direction of activities).

The monitoring reports should be brief, comprehensible and set out clear and practical recommendations. The independence, clarity and factual nature of the monitoring reports should make it possible to facilitate and accelerate the evaluation activities.

The teams in charge of monitoring should examine the following aspects:

- effectiveness and transparency of the carrying out of the programme (in particular calls for proposals, information for proposers, proposal evaluation and selection procedure, contractual aspects) and internal coordination at the Commission;
- consistency of the projects selected with the objectives of the programme, the work programme and other European Union policy objectives;
- balanced geographical distribution of the organisations and undertakings selected in the calls for proposals, taking into account the needs identified by the TEN-Energy guidelines;
- compliance with the recommendations resulting from the monitoring for the preceding year.

The monitoring reports will be addressed to the Secretariat-General, DG XIX, DG XX and, where appropriate, other Commission services concerned.

- (c) **An evaluation of results** will be carried out **before the end of 2006**, as provided for in the Regulation.

In addition to this evaluation of results, an **intermediate formative evaluation** will be carried out in the second half of 1998.

Launched in the context of SEM 2000, the aim of this intermediate evaluation is to measure not only the results of the actions financed in the context of the energy TENs but especially to see to what extent these actions have contributed, by their impact, to achieving or getting close to the political objectives of the energy TENs. It will also make it possible to adapt the guidelines to take account of technological developments and changes in the structure of energy production and consumption in Europe and in neighbouring countries concerned by the energy TENs.

The evaluation reports will be addressed to the Secretariat-General, DG XIX, DG XX and, where appropriate, other Commission services concerned. They will also be submitted to the other Community institutions.

- (d) The annual monitoring and the evaluation will be carried out in close liaison with a **steering group** comprising representatives of the Commission services concerned by the energy TENs and EIB representatives.

9. FRAUD-CONTROL MEASURES

The fraud-control provisions are set out in Article 12 of Regulation (EC) No 2236/95. The proposal to amend that Article of the Regulation is intended to strengthen the Commission's role in these activities by providing that the Member States and the Commission, each in its field of competence, shall take the necessary measures in order to verify that projects have been carried out, to prevent irregularities and take action against them, and to recover any amounts lost as a result of irregularity.

The Member States are required to give the Commission a description of the management and control systems established to ensure efficient implementation of projects.

In addition, in accordance with Article 12(4) and (5), the Commission may carry out on-the-spot inspections.

10. ADMINISTRATIVE EXPENDITURE

Actual mobilisation of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional amounts authorised by the budgetary authority.

10.1 Transport

Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		<u>Permanent posts</u>	<u>Temporary posts</u>	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A	13		12	1	7 years
	B	7		6	1	
	C	4		4		
Other resources (A-7003 END)			2	2		7 years
Total		24	2	24	2	

Overall financial impact of human resources

ECU

	Amounts	Method of calculation
Officials ¹	ECU 18 144 000	22 x ECU 108 000 x 7 years = ECU 16 632 000 ¹
Officials (<i>additional</i>)		2 x ECU 108.000 x 7 years = ECU 1 512 000
Temporary staff		
Other resources (A-7003 END)(1)	ECU 518 000	2 x ECU 37 000 x 7 years = ECU 518 000 ¹
Total	ECU 18 662 000	

¹ By using existing resources assigned to manage the operation (calculation for the officials is based on titles A-1, A-2, A-4, A-5, A-7).

Other administrative expenditure as a result of the operation

Budget heading	Amounts	Method of calculation
A-7031 (Compuls. Committees) ¹	ECU 136 500	15 repres. Member States x ECU 650 x 2 meetings x 7 years = ECU 136 500
A-701 (Missions) ¹	ECU 525 000	ECU 750 x 100 x 7 years = ECU 525 000 (within the European Community) ¹
Total	ECU 661 500	

¹ The appropriations will be found in the existing DG VII envelope.

10.2 Telecommunications

Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		<u>Permanent posts</u>	<u>Temporary posts</u>	Existing resources in the DG or department concerned	Additional resources **	
Officials or temporary staff	A	9	1	8*	2	7 years
	B	2		1	1	
	C	3		2	1	
Other resources (A-7002: technical assistance)			3	3		7 years
Total		14	4	14	4	

* including 1 temporary post

** The allocation of additional staff will be decided in the course of the annual procedure for the allocation of human resources.

Overall financial impact of human resources

	Amounts	Method of calculation
Officials ¹	ECU 7 560 000	10 x ECU 108.000 x 7 years = ECU 7 560 000 ¹
Officials (<i>additional</i>)	ECU 3 024 000	4 x ECU 108 000 x 7 years = ECU 3 024 000
Temporary staff ¹	ECU 756 000	1 x ECU 108.000 x 7 years = ECU 756 000 ¹
Other resources (A-7002)	ECU 2 100 000	3 x ECU 100 000 x 7 years = ECU 2 100 000
Total	ECU 13 440 000	

¹ By using existing resources assigned to manage the operation (calculation for the officials and temporary staff is based on titles A-1, A-2, A-4, A-5, A-7)

Other administrative expenditure as a result of the operation

Budget heading	Amounts	Method of calculation
A-701 (Missions) ¹	ECU 525 000	ECU 750 x 100 x 7 years = ECU 525 000 (within the European Community) ¹
A-7031 (Compuls. Committees) ¹	ECU 546 000	2 repres. x 15 Member States x ECU 650 x 4 meetings x 7 years = ECU 546 000 ¹
Total	ECU 1 071 000	

¹ The appropriations will be found in the existing DG XIII envelope.

10.3 Energy

Effect on the number of posts

Type of post	Staff to be assigned to managing the operation		Source		Duration
	<u>Permanent posts</u>	<u>Temporary posts</u>	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A	5	5		7 years
	B	1	1		
	C	3	3		
Other resources (A-7003 END)		2	2		7 years
Total	9	2	11		

Overall financial impact of human resources

	Amounts	Method of calculation
Officials ¹	ECU 6 804 000	9 x ECU 108.000 x 7 years = ECU 6 804 000 ¹
Temporary staff		
Other resources (A-7003 END) ¹	ECU 518 000	2 x ECU 37 000 x 7 years = ECU 518 000 ¹
Total	ECU 7 322 000	

¹ By using existing resources assigned to manage the operation (calculation for the officials is based on titles A-1, A-2, A-4, A-5, A-7)

Other administrative expenditure as a result of the operation

Budget heading	Amounts (ECU)	Method of calculation
A-7031 (Compuls. Committees) ¹	ECU 205 000	15 repres. Member States x ECU 650 x 3 meetings x 7 years = ECU 204 750 ¹
Total	ECU 205 000	

¹ The appropriations will be found in the existing DG XVII envelope.

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