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A EUROPEAN INITIATIVE FOR GROWTH

Investing in Networks and Knowledge for Growth and Jobs

FINAL REPORT TO THE EUROPEAN COUNCIL

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1. INTRODUCTION

The European economy has experienced two difficult years. Now there are encouraging signs that the worst is behind us. Business and consumer confidence is starting to improve. Economic growth is expected to pick up in the second half of 2003 and to gather pace throughout 2004. Our recent forecasts indicate an average GDP growth in the euro area of 1.8% in 2004 and up to 2.3% in 2005.

The situation remains fragile. The recent lacklustre economic performance confirms the need for our ambitious Lisbon agenda for economic, social and environmental renewal. These reforms must be vigorously pursued, so that their contribution to raising Europe's growth potential can now be felt. Reform at a national and European level is essential, but not enough on its own to consolidate progress. It must be backed by action now to rekindle investment. This action should reinforce the Union's capacity to grow and contribute to setting it on a sustainable path.

If this is done, it will send a message of confidence and commitment; a signal of effective economic governance. There is now a window of opportunity not to be missed, as happened in the economic upturn of 1999-2000.

The European Council last October[1] therefore called on Member States to maintain sound macroeconomic policies, accelerate structural reforms and promote investment in networks and knowledge. It highlighted the importance of speeding up the roll out of European transport, energy and electronic communication networks and of increasing investment in human capital. These are crucial steps to boost growth, better integrate an enlarged Europe and improve the productivity and competitiveness of European businesses on global markets.

This European Initiative for Growth responds to that call.

This Initiative seeks to mobilise investment in areas that will reinforce on-going structural reforms, stimulate growth and create jobs. Energy and transport links are needed to bind together an enlarged internal market and to promote greater geographical and social cohesion. Broadband communications can provide a physical backbone for bringing the knowledge economy to every part of the Union. Boosting our ability to generate and use knowledge – be it through science, skills or people - is the key to ensuring that European businesses can continue to innovate and compete and that our citizens can participate more fully in society.

It combines action needed to create the right regulatory, financial and administrative conditions to boost private investment and the mobilisation of Community funding with an invitation to Member States, in line with the 2003 Broad Economic Policy Guidelines[2], to continue refocusing public expenditure towards growth-enhancing areas

[1] Presidency Conclusions, European Council, 16-17 October 2003, SN 300/03
[2] COM(2003) 170 final/2 of 24.07.2003

without increasing public budgets. In this way, it recognises that continuing macro-economic stability and adherence to Stability and Growth Pact are essential elements for returning the Union to steady growth. The measures proposed also take account of the Union's own budgetary discipline contained within the current Financial Perspective ceilings and the likely focus on promoting growth in the next Financial Perspectives after 2006.

Taken together the measures proposed can provide renewed confidence, while offering in the medium term a growth dividend in the form of cost savings in production and transport time, improvements in quality, accelerating rates of innovation particularly through support for key technologies, increased competition and greater choice in terms of where to invest and to locate businesses. It should also help to reinforce cohesion as infrastructure is upgraded and our citizens are given new choices and opportunities.

This **Final Report**, drawing on contacts with the Member States and with the European Investment Bank (EIB):

– Identifies the **areas for action** within the European Initiative for Growth and sets out key decisions needed from the Council and the European Parliament, as well as areas where the Commission will be taking work forward.

– Presents as the first stage of this initiative a "**Quick-start programme**" of concrete projects within these overall priorities that are ready to go. It identifies the costs involved and where the financial support should come from.

– Identifies current and new **financial tools to support the European Initiative for Growth**, including those which can help to leverage private investment. It also looks at how different sources of funding - Structural Funds, research spending, European Investment Bank support - can be better combined and co-ordinated.

– Sets out a range of **(non-financial) measures** needed to create the right regulatory and administrative framework to encourage private investment in the European Initiative for Growth and, in particular, the Quick-start Programme. In transport, the idea of a **co-ordinator or co-ordination body** and the principle of a Declaration of European Interest, to push forward progress on the cross-border links were proposed in the Commission's recent TENs proposals.

– Reviews the statistical principles within the framework of the **European System of Accounts (ESA-95)**, on the basis of which public-private partnerships should be treated within national budgets in the framework of their compatibility with the Stability and Growth Pact.

– Describes **how progress will be assessed** as the initiative progresses.

2. A EUROPEAN INITIATIVE FOR GROWTH

2.1. The scope of the Initiative

The European Initiative for Growth targets public and private investment in networks and knowledge. The Commission's Interim Report[3] ahead of the October European Council identified three principal areas and a concrete roadmap for policy action:

- Moving ahead with the priority Trans-European transport projects requiring €220 billion investment by 2020.
- Accelerating the roll out of high speed, broadband communications in all parts of the Union to meet the target of widespread access and use by 2005.
- Strengthening the Union's capacity to generate and use knowledge through specific action to boost investment in leading edge technologies from the use of hydrogen as a fuel to space technologies and their applications.

The October European Council endorsed this approach, while highlighting as well the importance of interconnected Trans-European energy networks. Such networks will reinforce the internal market for gas and electricity and to help avoid blackouts on the scale recently seen in some Member States. The European Council stressed the link between knowledge and the broad context of investing in human capital. It also invited the Commission and the European Investment Bank, as a first phase of the initiative and to show its credibility, to prepare a Quick-start Programme covering both the network and knowledge dimensions of the initiative.

Projects in the Quick-start Programme are cross-border ones with a strong European dimension which, in the Commission's assessment, are mature, financially and economically viable, can facilitate investment in other national infrastructures and initiatives and which will deliver considerable long-term benefits for growth, jobs and the environment. These are projects where, before the end of 2006, money can be committed and works can start.

Overcoming barriers which hold back investment

Underlying the approach is the need to overcome the whole variety of barriers that are holding back private investment. Some of these are regulatory or administrative, others reflect the fact that the financial instruments available through Community or national funding or through the EIB need to provide greater incentives for projects to go ahead.

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[3] Interim Report to the European Council on a European Initiative for growth COM(2003) 579 final, 01.10.2003

BOX 1: PAST INVESTMENTS HAVE STALLED FOR A VARIETY OF REASONS

Too often in the past investment in networks and knowledge projects has been delayed by a combination of financial and non-financial problems, including:

- In relation to networks, delays have accumulated for large-scale **cross-border transport projects** as a result of complex administrative procedures, low priority by Member States, uncertainties associated with the choice of routes and the planning process and the complexity of co-ordinating projects with a cross-border dimension. This has been compounded by the difficulty of structuring supranational businesses to run such operations. The absorption capacity of the administration in the Acceding Countries was also an important factor in the speed with which projects moved forward. Finally, even where Community funding has been available, the level of support and political commitment has not always been sufficient to encourage public or private actors to move ahead with investment. In the case of **the roll out of broadband networks,** where the main burden for financing investment falls on private investors, several factors have been holding back investment. For high-speed internet access, the severe impact of economic conditions on the sector, the limited degree of competition in many Member States, the lack of profitability prospects to deliver services in remote and rural areas, and the fact that more needs to be done by public authorities to provide everyday services on line as a way of making the Information Society a reality and creating demand among the public have all slowed down investment.

- In relation to knowledge, the main burden for financing investment in **research, development and innovation** falls on the private sector. A range of factors have been holding back investment including the difficulty for innovative companies, particularly SMEs to obtain the necessary access to capital to the need for a better skilled workforce, the continuing lack of a Community Patent, and the fiscal treatment of investment in research and innovation. While progress in some of these areas is being achieved, public investment in research has at best stabilised and in several cases fallen and private research spending is still far from the target established by the European Council in March 2002.

Decisions are needed from Council and the European Parliament to accelerate work on networks and knowledge

The Commission's Interim Report addressed the challenges outlined above. It set out a roadmap for decisions and examined possible sources of financing for the European Initiative for Growth, focusing particularly on how public spending might provide a catalyst for private investment. It highlighted pending measures where Council and the European Parliament must move ahead, as well as areas where the Commission will make proposals shortly to improve the administrative, regulatory and financial conditions for complex, cross-border investment projects. It also stressed the importance of the effective application of existing rules – such as the new legal framework for electronic communications that entered into force last July.

This action is important to provide business and government with a predictable framework within which to plan investment.

The scale, focus and extent of the action needed at the level of the Union vary from area to area. While public funding at EU level plays an important role for the cross-border sections of TEN-transport links, the roll out of broadband or the development of cross-border energy connections tends to be driven more by private investors. Equally in pushing progress towards research targets, the key responsibility lies on the research and innovation community itself. EU research funding plays a key catalytic role, but it represents a small proportion of national research budgets, which are themselves smaller than the budgets of industry and business.

In this respect, the Commission's Growth Initiative is fully consistent with the subsidiarity principle, both vertically (the appropriate level of action between the Union, the Member States and the local authorities) and horizontally (public authorities intervene when and where market forces are insufficient, inefficient or dispersed).

BOX 2: ACTION REQUIRED AT EUROPEAN LEVEL TO IMPROVE THE REGULATORY, ADMINISTRATIVE AND FINANCIAL ENVIRONMENT FOR INVESTMENT

The right regulatory, administrative and financial environment must back up the Initiative.

This means the <u>Council and the European Parliament</u> must rapidly agree on five sets of measures:

– Adoption of the **priorities for TEN-transport and updated financing rules** for transport and energy networks and for the **eTENs programme**.

– New rules related to charging for and financing transport infrastructure (the "**Eurovignette proposal**").

– The final adoption of the **Community Patent**.

– The legislative package modernising the **Community procurement rules**.

– **Company law and taxation changes to make cross-border mergers easier** and as well as the operation of parent and subsidiary companies in the Union.

At the same time <u>Member States</u> must do more to implement existing legislation, for example, the new rules of electronic communications, and to foster investment by re-orienting spending towards growth-enhancing investment in line with the Union's Broad Economic Policy Guidelines for 2003.

In addition, the <u>Commission</u> will take work forward five areas over the next few months:

– Simplify the procedures applied to **State aid given to SMEs**, including rules governing aid for R&D and look at the needs of small, research-intensive companies as regards State aid and competition rules.

– Examine the way public-private partnerships (PPPs) are treated under **Community public procurement rules** and provide early guidance as to how PPPs should be accounted for within national **budgets**.

– Creation of a **Harmonized European Fund Legal Structure for risk capital** capable of ensuring transparency, from the fiscal point of view, all over Europe.

– Establish a range of **European Technology Platforms** intended to develop and implement a strategic research and innovation agenda for a range of key technology sectors, in order to better mobilise resources at European level through co-ordination and integration of efforts.

– Develop a proposal for the **creation of a European Guarantee Instrument** to provide support for post construction risks associated with TEN-transport projects (see Box 6 below).

2.2. *Mobilising investment and finance in support of the European Initiative for Growth*

The role of funding at EU level

The October European Council invited the Commission and the European Investment Bank to explore how best to mobilise private financing in support of the European Initiative for Growth. It nevertheless recognised the important role of Community funding in supporting some of the goals of the initiative, not least as a lever to attract private investment. Community level support covers, inter alia, the Union's research budget, the Structural and Cohesion Funds and the dedicated funding for Trans-European Networks for transport, energy and electronic communications.

In addition, a number of proposals have been put forward including new EIB financial facilities, a new Guarantee Instrument, and an increase of the EIB's risk-bearing capacity without calling into question its credit rating, through the use of its Structured Finance Facility and other innovative tools, such as securitisation. These ideas are returned to in the following Chapter. The EIB and the Commission also intend to further examine the possibilities for cooperation and co-financing between the EIB and the European Social Fund to support e-skills learning programmes.

Furthermore, the European Initiative for Growth implies a review of the current budgetary and financial instruments at Community level to exploit their full potential to support the European Initiative for Growth within the limits provided by the existing Financial Perspectives and the examination of how this momentum for growth can be maintained into the next Financial Perspectives.

BOX 3: OVERVIEW OF COMMUNITY AND EIB SUPPORT FOR THE EUROPEAN GROWTH INITIATIVE

The Community budget can play a key role in supporting the Growth Initiative.

– The **TEN-Transport budget line** contributes with €700 million yearly to fund up to 10 percent of total project costs. The Commission's proposal amending the TENs financial regulation for transport and energy networks opens up the possibility of funding up to 30 % of the costs of the cross border sections of the priority projects. A similar proposal for a 30% funding threshold for deployment projects under the TEN telecom programme (eTENs) is also pending.

– Over the current period 2000-06, the **Structural Funds** are foreseen to support infrastructure investment (energy, transport and electronic communications); research; technological development and innovation up to around €60 billion: in particular, €29.2 billion for transport infrastructures, €9.2 billion for research, technological development and innovation (RDI); €6.1 billion for electronic communications and information society, €1.8 billion for energy. The European Social Fund (ESF) is providing €20 billion for ICT skills and €7 billion for entrepreneurship skills. Furthermore, the Cohesion Fund resources can mobilise up to €1.5

billion yearly for infrastructure investment in the four Cohesion countries.

- The **Sixth Framework Programme** is devoting €17.5 billion over four years to supporting Research and Development investment within Europe. It is already supporting key areas identified in this Report. The Framework Programme foresees support for many of the areas in which specific Quick-start projects have been identified.

- In addition, a dedicated budget of almost €300 million has supported the roll out of a **highspeed communications backbone (GEANT)** linking 3000 universities and research centres, more than 18000 higher education sites and more than 3000 hospitals, libraries and other institutions in all existing and future Member States.

- The Commission is considering setting up an innovative **Guarantee Instrument to facilitate private sector funding in PPPs for TEN-transport projects**. The Guarantee Instrument would provide time-limited coverage for specific risks in the immediate post-construction phase that are currently insufficiently covered in the financial markets. (This is discussed in more detail in Box 6 below).

The European Investment Bank is also fully engaged in supporting both the Lisbon reforms and this Growth Initiative.

- The **EIB** is prepared to commit €50 billion under a TENs Investment Facility (TIF) in support of TENs priority projects.

- **EIB investments in research, development and innovation** have amounted to €15.3 billion since its i2i Initiative was launched in 2000. It intends to continue and develop those activities in support of Research, Development and Innovation (RDI) under its Innovation 2010 Initiative that also includes broadband and eTENs related applications as well as training. This will deliver up to €50 billion by 2010 and offer a broader range of instruments better adapted to needs.

- The EIB is prepared to reinforce its financing capacity under the **Structured Finance Facility (SFF)** that is of importance both for its support to TENs as well as to RDI. The SFF was established by the EIB Board of Governors in 2001 and extended the scope of the Bank's financing through the provision of senior loans or guarantees (incorporating pre-completion and early operations risks), subordinated loans and guarantees, mezzanine finance. Following a first allocation to the specific SFF reserve of €250 million in 2001, the EIB is now proposing a further allocation of €250 million, which would allow an additional financing volume of up to €2.5 billion.

- **Supporting innovation through risk capital.** The European Investment Fund (EIF) support for risk capital funds including the Community scheme "ETF start-up facility" represents €2.5 billion spread across 185 risk capital funds, supporting 1500 high technology businesses to the tune of €10 billion. The EIB is committed to earmark to the appropriate reserve an additional €500 million that will allow the EIF to raise its level of investment by around a further €1 billion under the Risk Capital Mandate.

In order for the European Initiative for Growth to have an impact on current and future priorities for public investment at both Community and national levels, the coordination between different sources of finance must be fully exploited.

BOX 4: IMPROVED COORDINATION OF FUNDING SOURCES AT EU LEVEL

The Commission and the EIB Group have established practical ways to coordinate and increase the use of their financing tools:

- Between EIB operations and the Structural Funds, they aim at facilitating the joint programming of interventions (global commitments by the EIB in the framework of Community Support Frameworks; appropriate modulation of intervention rate; advisory role of the EIF in developing financing mechanisms for SMEs at regional level);

- Between EIB Group and the Commission's Research Programme, an inter-institutional cooperation agreement has been signed establishing a framework for joint work. Similar agreements are envisaged for other major policy areas.

- Both institutions continue to explore how to extend this joint collaboration to other areas where the EIB intervention can crucially complement that of the Community budget.

Mobilising private investment in favour of growth

Mobilising private investment in infrastructure and research and innovation will be a central factor in boosting the Union's growth potential over the years ahead. The creation of a fully integrated financial market by 2005 is crucial in this respect. It can be instrumental in helping to make the enormous pool of European savings available for growth-related projects across the Union. This represents - some €10 trillion of private savings in 2003 – invested in pension funds, life-insurance policies and UCITs.

The combination of an affluence of savings in financial markets, historically low long-term interest rates, and the leverage effects of EIB's top-credit rating offer a unique opportunity to attract private investment. This opportunity is also a result of the progress made in consolidating public budgets within the framework of the Stability and Growth Pact that is freeing private resources which are now available and that can now be diverted to support the European Initiative for Growth. This should raise Europe's capacity for growth through efficient investment in selected projects with longer time horizon and that lie at the very core of the Europe's competitiveness and cohesion.

This is why many of the actions above seek to create the right incentives for private investors:

- The European Council last October highlighted the importance of the European Initiative for Growth, by addressing missing links in key network and knowledge infrastructures, to achieve effective integration of the enlarged Europe. By increasing the level of Community support available and by focusing on a list of ready-to-launch projects, it will ensure the efficiency of the Community intervention and will **boost cross-border investment projects to complete and interconnect national infrastructure networks**.Greater integration of infrastructure networks will help to ensure higher traffic volume and more efficient utilisation of transport infrastructures and diminished congestion costs so that the expected return to investment for private investors will increase while giving rise to considerable gains in terms of economic efficiency, transportation time savings and environmental sustainability.

Moreover, the pending Eurovignette proposal provides greater leeway for cross-financing between different transport modes. It provides a much-needed level playing field at the Union's level, and will allow **recovery of the internal and external costs of the use of the TENs road network. It** will allow Member States, when adopted, to impose extra charges in some sensitive bottlenecked areas in order to finance alternative sustainable infrastructures (for example, estimates suggest that between 30 to 40% of the costs associated with the proposed Brenner Tunnel could be met using revenues from the mark-up allowed under the proposed Eurovignette rules).

Finally, providing a clear and co-ordinated strategic vision of these infrastructure projects will help potential investors to **determine the expected return on their investment**, be it in the cross-border segment itself, in national segments of a TENs priority corridor, or in other connected infrastructures. Moreover, selected Community support will provide greater incentives to public and private investors to bring forward all priority projects as defined in the TENs-T Guidelines to a degree of readiness and maturity that will make them also eligible under the Quick-start list. Co-ordinating and combining better Community financial instruments such as the Research Framework Programme, the TENs programme, Structural Funds and EIB support will also improve their leverage effect on private investment.

- Experience from the Essen infrastructure projects selected back in 1994 and from the on-going projects funded by the EIB and through the Structural Funds show that non-financial factors can often be more powerful **barriers to the viability and attractiveness of particular projects** than the actual lack of funding. Furthermore, uncertain prospects for high return from R&D spending can deter private investors from spending on knowledge and innovation because of costly cross-border protection of intellectual property rights, legal and financial barriers to cross-border seed and venture research networking, and poor co-ordination with or access to basic research funded through public spending. Hence the **importance of co-ordination** and of ensuring that public procurement and concession rules work in favour of large scale projects and encourage public-private partnerships, of getting the right tax and regulatory treatment of the cross-border and venture capital operations which may promote these projects and of ensuring a level playing field in terms of simplified rules on state aids for SMEs investing in R&D.

  Furthermore, it is essential to press on with efforts to integrate and remove barriers within the internal market in key network sectors from railways and port services to electronic communications and financial markets. For financial markets, the adoption of remaining measures included in the Financial Services Action Plan and their full and correct enforcement should contribute to mobilise private funding. For the rail sector, given the predominance of rail within the Quick-start projects this implies rapid progress on interoperability, market opening and the modernisation of management structures within rail companies. These efforts provide potential investors with the necessary predictability and the level playing field against which to plan investments.

- A major element of the TEN-Transport and TEN-energy financing proposals is to concentrate available resources and political will through focusing on a selected number of priority projects, and **increasing the amount of support from the Community budget** from 10% up to 30% for cross-border sections of TEN-transport links and certain e-TENs projects[4].

- A further crucial factor that has led to delays in the past has been the **complexity of moving ahead with cross-border projects or co-operation**, be it in the transport or research area. In transport there is a real need for an effective co-ordinator or co-ordination body, as recently proposed by the Commission, linked to particular projects that can push the project forward. Such a co-ordinator could help steer the evaluation of projects, synchronise administrative procedures and monitor the works on either side of the borders, help to engineer the necessary financing and act as a contact point for private investors. However, for progress to be made, a temporary solution to co-ordination problems cannot wait for the legislation to have made its way through Council and the European Parliament. The Commission may provide facilities for Member States that are willing to organise their co-ordinated efforts with respect to specific cross-border sections of the TENs or to Motorways of the sea. Co-ordination of planning, environmental impact assessment, complex financial operations are the most likely, albeit not exclusive areas of intervention. In the research area, European Technology Platforms can play a similar driving role. They will be instrumental in fostering and facilitating transitional partnerships by bringing together public and private stakeholders to define common strategic visions and roadmaps for development and deployment of technologies and to address non-technical barriers and public acceptance issues. Finally, the **administrative capacity** of countries to manage and move ahead with these projects must be strengthened independently of the issue of the co-ordinator.

3. TAKING THE INITIATIVE FORWARD

This Report on the European Initiative for Growth moves beyond the October Interim Report and national initiatives and sets out, on the basis of objective and explicit criteria, the **Quick-start Programme** requested by the European Council. It identifies in more detail the financial instruments at Community level that will support both that programme and the whole of the initiative. Finally, it addresses other issues raised by the Council – how can a more effective interface be established between different types and levels of funding? How should public-private partnerships (PPPs) be treated in the budgets of the

[4] In the revision of the eTEN guidelines in 2002, the Commission has aligned eTEN with the goals of the eEurope initiative, which include the wide availability and use of broadband. The aim of eTENs is to accelerate the roll-out of ICT applications in general interest services in areas such as e-government, health, inclusion and learning

Member States in the context of the macroeconomic budgetary surveillance? How will progress be monitored over the years ahead?

3.1. The Quick-start Programme

The Quick-start Programme lies at the heart of the European Initiative for Growth. It aims at rallying political commitment and resources behind key priority investment projects of European interest. It is based on a thorough assessment of priorities and needs on the basis of objective and explicit criteria and account is taken of the potential sources of finances at Community and national level.

The Quick-start Programme is a dynamic and open process. It provides efficient and selective Community and national support to projects that are "ready-to-launch" while, at the same time, gives powerful incentives for public and private investors to move forward on other priority projects of European interest. Once those projects meet these criteria and attain the necessary level of commitment, maturity and readiness, they can be included in this Programme. Such assessment and possible updating of the Quick-start Programme will take place in the framework of the annual reporting cycle linked to the Spring European Council as from 2005.

Working together with the European Investment Bank, the Commission has identified this "Quick-start Programme" of projects. These cover both a range of decisions and immediate actions to develop both the network and the knowledge strands of the European Initiative for Growth. For transport projects, these form part of **the Priorities for TEN-transport and updated financing rules** for transport and energy networks that the Commission has proposed on 1st October 2003, whilst the projects related to knowledge reflect research, innovation and eEurope priorities within the Lisbon Strategy.

These projects have been identified after assessing the following four criteria.

1. The **maturity of the project**. Quick-start projects are ones which are either ready to go or where that may soon be the case, both in terms of the project planning and the financing for the project. The aim is to ensure that substantial investment be underway before the end of 2006. In some cases, support via the European Initiative for Growth may help to unlock or accelerate progress. For example, by increasing the return to private capital, by reducing the requirement for national public funding or by ensuring that very costly technical preparatory work such as in depth technical studies are launched, it may allow for a rapid start of the works.

2. Its **trans-frontier dimension**, with a particular focus in transport links on the cross border segments of the TENs priorities[5]. This dimension is both politically and economically important. Cross-border segments constitute the fragile links

[5] In relation to TENs in the transport field, the Commission's proposal provides that cross-border segments of trans-European networks could benefit from TENs financing of up to 30% in order to focus Community funding on areas where it can make the biggest difference

in the construction of a fully integrated internal market in an enlarged Union and are often subject to long delays both because they may deliver a lower return on investment and are inherently more complex to co-ordinate. Moreover, it is these links which can often have a significant multiplier effect, improving the financial viability of other "domestic" parts of TENs corridors or adding value to other infrastructure investment, for example, funded by the Structural Funds.

3. The **impact on growth and innovation in an enlarged European Union**. While the direct and indirect impact of these projects may sometimes be difficult to quantify, projects have been identified which are likely to support growth and jobs through the better integration and mobilisation of resources and by boosting the Union's innovative capacity by keeping it at the cutting edge of technological development from hydrogen to nanoelectronics and space.

4. The **benefits for the environment**. A preference should be given to projects offering strong environmental benefits. For example, projects linked to supporting a hydrogen economy, or shifting traffic from road to rail or from road to the sea. Moreover, the problems of pollution and congestion are often most acute at the bottlenecks within the European transport network which form natural barriers within our continent such as the Alps and the Pyrenees.

These projects, identified on the basis of the criteria above have both a political importance and a strong economic and financial case.

BOX 5: EUROPEAN INITIATIVE FOR GROWTH
QUICKSTART PROGRAMME – OVERVIEW

This Quick-start programme identifies key areas for investment in network and knowledge. These projects, where work and investment can be under way **within three years**, accelerate progress towards achieving existing EU goals. The total volume of investment that this Initiative mobilises will be around **€60 billion between now and 2010 and, in some cases, beyond**. The split between private and public investment will vary depending on the type of projects supported. The specific projects foreseen cover:

a) Investing in networks

The Commission identified at the beginning of October 29 pan-European corridors as priority TEN-transport links requiring investment of €220 billion up to 2020. Those corridors are made up of a large number of segments. Within those segments, it has been possible working with the EIB and Member States to identify a number of **Quick-start Transport Projects** which involve investment of €38 billion between now and 2010. Using the Quick-start criteria, the links selected are predominantly mature cross-border rail connections, sea and inland waterways or road links interconnecting with other networks such as the "motorways of the sea". The **Galileo Satellite navigation system** is also supported.

Many of these projects will be co-financed through a combination of programmed TENs support and Structural Funds at the level of the Union. They may also benefit from around €12-13 billion loans available from the European Investment Bank over the next three years, in addition to other support that the Bank may offer (e.g. guarantees or its new securitisation instrument).

Seventeen potential **Quick-start energy links** have also been identified from within energy TENs proposals involving investment, principally from the private sector, of €10.1 billion up to 2010.

Three **Broadband Quick-start projects** seek to speed up the delivery and use of high capacity communications networks as part of our transition towards the knowledge society.

The **Digital Divide project** will focus over the next two years on delivering broadband connections in remote and rural areas using a variety of technologies. The total investment required will be identified in the light of Member States national broadband strategies due to be published before the end of the year. It can also draw on part of the substantial support from European Investment Bank lending of €7 billion available from the over the next three years for Information and Communication Technologies.

The **Mobile communication and technologies project** will focus on supporting research related to the introduction of 3G mobile communications systems and also looking beyond those technologies (with some EU level support through the Community research or structural funding).

The **ICT-based research network infrastructure project** focuses on further upgrading the Géant network, which currently connects 3000 universities and research centres and 18,000 higher education centres across the existing and future Member States. A Community contribution of around €250 million is foreseen to investment of around €2.35 billion investment between now and 2010. This should upgrade connections first to 10 Gbit/s by 2005 and then to terabit speeds by the end of the decade.

b) Investing in knowledge

In terms of research, development and innovation five areas are identified with a total cost of around €10 billion up to 2010.

Three projects focus on key technology sectors for the Union's long-term competitiveness and strength of the European economy. These cover **nanoelectronics**, **next generation lasers**, as well as the use of **hydrogen as a source of energy and electricity**. One example of what will be done in practice relates to the hydrogen economy. *Hypogen* involves the construction of a large scale test facility for the production of hydrogen and electricity, while *Hycom* will establish a limited number of "hydrogen communities" around the Union, using hydrogen as source of energy for heat and electricity and fuel for vehicles. Another example is support for developing a network of national facilities working on the next generation of laser technologies. These lasers will be crucial in areas like new materials, nanotechnologies, biotechnology and genomics. In addition, a unique international laser facility would come on stream in Hamburg around 2012.

The two other Quick-start projects seek to boost the European Union's presence in **space**, complementing the support given to the Galileo and the possible use of satellite technologies, among others, to deliver broadband connections. **GMES** continues support for the new satellite-based Global system for Monitoring of the Environment and Security, which aims to be fully operational by 2008. The other space project aims to build **a launch facility for Soyouz rockets** at the European facilities in Guiana in order to extend the European space launch capabilities in terms of type of launch vehicle and size of payloads.

A fuller overview of these projects, timing and investment requirements is set out in Annex 1.

Other projects can become eligible for the other Quick-start Programme providing they meet the criteria above in particular within the TENs-Transport priorities. In relation to research, development and innovation, mature projects could emerge from the work of various Technology Platforms (covering areas such as aeronautics, hydrogen, mobile communications, maritime and steel technologies, rail transport, textiles, embedded systems and biotechnology) as well as from on-going work in the area of environmental technologies.

3.2. Innovative financing in support of the European Initiative for Growth

Innovative financing techniques will play an important role in facilitating access to private finance for the European Growth Initiative. Four types of instrument are of particular relevance:

– the **provision of third-party equity or quasi-equity** to projects, alongside grant aids and contributions from promoters. Under the TENs Financial Regulation, provision is made for a share of the budget to be used for equity or quasi-equity investment in projects through specialised investment funds. The Commission has contributed to such a fund, which is expected to finance PPP-type transport infrastructure projects. As far as knowledge and innovation is concerned, the role of the European Investment Fund (EIF) in providing venture capital to innovative small companies will be strengthened by the agreement of the EIB to increase the amounts available under its venture capital mandate to the EIF.

– **securitisation** can help to increase the available pool of resources from financial markets for new growth-inducing investments and to reduce the balance sheet and liquidity constraints of banking institutions active in the fields covered by the Growth Initiative. Bond issues backed by the expected net revenue streams from projects has already financed some TENs projects. But the securitisation market for infrastructure is much less developed and less liquid than the markets for credit card or mortgage-backed securities. Measures to develop a more liquid and more 'commoditised' market, including the packaging by financial institutions of assets from different projects, merits further encouragement. In this respect, the Commission and the EIB will examine the feasibility of setting up a Securitisation Fund to pool infrastructure lending portfolios of participating financial institutions and securitise them to be placed with institutional investors. Participating credit institutions would undertake to earmark the liquidity obtained through securitisation to increase their lending capacity for projects related to the European Initiative for Growth.

– mechanisms to share and spread the risk of debt provided to major projects. The **EIB's Structured Finance Facility** will contribute to increase the availability of debt finance for the early, pre-construction stages of projects. The Commission is preparing a **new Guarantee Instrument** to cover specific commercial risks to TENs projects in their post-construction phase. The key features of this Instrument are described in Box 6.

BOX 6: AN EU GUARANTEE INSTRUMENT TO SUPPORT THE GROWTH INITIATIVE

An EU Guarantee Instrument should have the following key features:

1. **Aim.** The aim of the instrument is to leverage private sector funding of TENs. It should help to reduce the financing cost of projects and accelerate the conclusion of financial packages. The new Guarantee Instrument will be similar to current Guarantee Funds (for instance, that for External Actions). It should complement existing EU grant support and EIB facilities under the TIF (TENs Investment Facility), including the Structured Finance Facility (SFF). The Facility should offer guarantees covering specific commercial risks that are not adequately available from financial markets or the existing EU support mechanisms. How to extend the potential of the new Guarantee Facility for funding European-wide R&D and broadband projects could be explored.

2. **Risk covered.** The SFF of the EIB provides an important addition to the mechanisms already available through grant support and from the market to finance the construction phases of major infrastructure projects. The Community guarantee instrument should focus on post-construction risk such as the risks of traffic/revenue shortfalls in the early years of operation of green field projects. It would act in a way similar to deficiency payment mechanisms introduced into some transport projects in the past. The guarantee would partially cover shortfalls measured relative to an agreed break-even base scenario during an initial period (e.g. 3 years) of the post-construction phase. A portion of the total revenue risk would be borne by the private sector.

3. **Eligible projects.** All projects would have to be economically sound and cost-effective and, after grant aid, have an acceptable prospect of financial viability. The guarantee would be available to projects with a share of risks taken by the private sector, especially PPPs. A priority would be given to cross-border projects, in line with the priorities proposed in the amended TENs Financial Regulation and the quick start programme.

4. **Beneficiaries**. The guarantee would be available to debt providers, who would benefit from appropriate debt-service for the period in question. As a debt-service guarantee the instrument would work in a similar way to the insurance offered by monoline insurers[6]. Unlike other forms of guarantee (letters of credit, etc), the instrument would not provide a commitment to repay debt upon an event of default triggered by the traffic/revenue shortfall. It would provide the beneficiary with a time-limited substitute for the revenue sources that would normally meet regular debt repayments.

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[6] Monoline Insurer : An insurer writing only a single line of insurance contract. It usually guarantees all scheduled interest and principal payments of the insured debt. In the case of a guarantee call, it makes periodical payments in line with the agreed repayment schedule

5. **Risk premium**. The guarantee should not be free of charge. The intention would be to charge to the beneficiary a premium calculated on a risk basis taking into account the trade-off between the attractiveness of the guarantee instrument for investors and the cost for the EU budget. The definition of risk categories would draw on the methodology developed by the EIB for the provisioning and risk-management of its SFF.

6. **Guarantee risk sharing**. The guarantee risk should be borne equally by the EU budget and the Member State or Member States sponsoring the project. In the case of projects where two Member States are involved, each party (Member State 1, Member State 2 and EU) would take 33% of the guarantee risk.

7. **A limited, provisioned budgetary risk**. The risks taken by the instrument would represent a contingent liability on the EU budget. However the potential budgetary risks are limited and the Commission intends to propose to build up a provisioning mechanism to provide a liquidity cushion for the budget. This will work on a similar basis to the cushion provided in respect of loans outside the EU by the Guarantee Fund for external actions. Three features of the instrument will further limit the potential budgetary risk. First, covering debt-service only for a fixed number of years rules out the risk of the budget having to finance a large call to meet the outstanding capital on loans covered. This is in contrast to the guarantees on EIB external lending that are covered by the budget. Second, the priority focus on cross-border transport TENs limits the pool of eligible projects. Third, risk sharing with the Member States will also significantly reduce the potential impact on the EU budget. Given that the guarantee will only come into effect in the post-construction phase the risk of any call on the Community budget will in any case be deferred. The maximum amounts that may be involved and the likely incidence of risk over time are under more detailed examination before a formal proposal can be made.

8. **Market testing**. It is essential that the instrument should provide a workable response to the needs of market operators who will finance and manage the projects concerned. With the help of the EIB the Commission has therefore started a process of market testing with financial institutions and other interested parties.

9. **Next steps**. In the light of market testing and the feedback from the Council the Commission hopes to resolve the outstanding questions about the Instrument in time to a formal proposal early in 2004.

3.3. The statistical treatment of public-private partnerships and securitisation operations in ESA95

The European System of Accounts (ESA 95) - basis for the Maastricht criteria - sets out statistical rules governing how to classify different types of expenditure within the National Accounts and how government commitments should be considered in terms of impact on government deficit and debt.

The ESA95 fundamental statement set out that economic ownership of an asset depends on which party bears the risks and rewards associated with the asset. Implementing this principle is rather complex and further guidance is needed. In particular, to solve one **important technical question:** namely how to establish the **economic ownership of the underlying asset in the PPP**, either as government's asset or as partner's asset, regardless of the legal provisions related to ownership.

The European Initiative for Growth, aimed to remain fully within the framework of the Stability and Growth Pact, adds to the need for clarification on this technical issue, given its potential for more intense utilisation of PPPs in investment in physical infrastructure.

In February 2003, the Commission set up a **Task Force**, in co-operation with experts from the National Statistical Institutes (NSIs) of Member States, Acceding Countries, the ECB, and the EIB, to clarify such statistical treatment and to develop the necessary technical guidance regardless of legal provisions relating to PPP ownership. The Task Force has recently concluded its works and consensus appears to rally on several key principles:

- to distinguish two types of PPP: those where the contractor raises revenue direct from users of the asset (e.g. tolled road); and PPPs where the contractor charges the government. For the former, any asset is assumed to be fully owned by the contractor. For the latter, full ownership is attributed to the party most exposed to risks and rewards of asset ownership during the period.

- PPP assets should not be classified as a government asset whenever the non-public partner will bear, in any case, construction risks <u>and</u> one of the two following risks: (i) availability risk (depending on the performance of the partner); and/or (ii) demand risk (relating to the behaviour of final users of the assets). Other aspects to take into account are: the effect of the call of some guarantees granted by government; the classification of the unit in charge of the project as regards its autonomy of decision in respect of government; and the final allocation of the assets in some specific cases.

- if the PPP asset is considered as government asset, capital expenditure (for new asset or for significant refurbishment) will be recorded as government expenditure, with a negative impact on government deficit/surplus. As a counterpart, government will incur as new debt recorded at the same time of the expenditure.

- If the PPP asset is not considered as government asset, capital expenditure has no impact neither on government deficit/surplus nor on government debt. Regular purchase by the public partners of services from the private one will qualify as government expenditure all along the life of the contract.

The Task Force will submit its final report, for consultative opinion, to the next Committee for Monetary, Financial and Balance of payments statistics (CMFB) in January 2004. Later, a final decision will be taken in time before the official deficit and debt notification on **1st of March 2004**.

BOX 7: RULES ON SECURITISATION OPERATIONS UNDERTAKEN BY THE GENERAL GOVERNMENT

1. Securitisation over future flows not attached to a pre-existing asset is always to be treated as government borrowing.

2. The granting of guarantees by government to a Special Purpose Vehicle (SPV) or to another entity implies an incomplete transfer of risk and is evidence that there was not an effective exchange in ownership of the assets. Therefore, in the case of a securitisation operation undertaken with a SPV, it implies the reclassification of the SPV within government sector, or the recording of an implicit loan from the SPV to government.

3. Whenever the securitisation contract includes, in addition to the initial payment by the SPV to the general government unit, a clause on additional future payments (deferred purchase price) from the SPV, specific provisions apply. In particular, whenever the difference between initial payment and the observed market price or market-based estimated price is higher than 15%, the transaction has to be treated as government borrowing.

4. The value of the initial transaction must be recorded as an amount of cash effectively paid by the SPV to government. Possible additional payments might have an impact on net borrowing/net lending in the case of sales of non-financial assets only at the time they occur.

3.4. Monitoring progress and regular reporting

At an Union level, progress in taking the European Initiative for Growth will be assessed on a regular basis in the context of the annual reporting cycle linked to the Spring European Council as from 2005. In addition, five years after its launch, a more comprehensive assessment of progress will be undertaken.

4. CONCLUSIONS

This report responds to the request of the European Council last October to take the European Initiative for Growth forward.

It provides a roadmap for boosting investment in networks and knowledge in support of the wider process of structural reforms within the Union. It sets out how these investments can be financed and, in particular, how a combination of the right regulatory and administrative environment and targeted funding at a European level can help the private sector to get involved. The Report, as requested, provides a first set of projects within a Quick-start Programme of actions which can help to better integrate an enlarged European Union and reinforce our capacity to innovate. This is not a closed list. As other projects mature and providing they satisfy the criteria identified in this report, they may become part of this Quick-start Programme.

This report must provide a framework within which both policy and funding priorities at a national and European level are now set. In particular, the Quick-start projects proposed must be supported by the necessary financing. This means making best use of dedicated funds such as the TENs programme and the sixth Research Framework Programme, but also of the Structural Funds and EIB sources to support those projects.

The European Council is invited to endorse the approach proposed and to confirm a clear timetable for action by the Commission, the Council, the European Parliament, the EIB and the Member States to get this European Initiative for Growth underway.

Annex 1: Quick-start Projects : Tranport Networks, Broadband Networks, Research, Innovation and Development

Transport Networks

Mature trans-frontier segments of TEN-T Priority projects[7] (*projects underlined* completed by Dec. 2007)	Country	Start	End	Cost [8]	Stage[9]	National financing [10]	Synergies with Community Funding until 2006[11]	Synergies with EIB until 2010[12]
1. Railway axis Berlin-Verona/Milano-Bologna-Napoli-Messina-Palermo								
- Brenner Tunnel	A-I	2004	2015	4312	P/S	t.b.c	EUR 28.15 mio from TEN 2003-2006	EUR 3 billion already signed for the whole priority project. On-going & in preparation on Italian components. Greater involvement in whole project possible. Involvement in access to tunnel and the tunnel as and when it starts.

7 As defined in COM (2003) 564. For Brenner and Mont-Cenis tunnel, maturity refers to heavy drilling works (geological studies).

8 Total cost of segment mentioned, including studies. In EUR mio, 2003 price level.

9 O = on-going; P= Start before Dec. 2006; S= heavy technical studies; W= works

10 National funding matching Community funding and other national funding must be distinguished

11 The Commission has proposed to increase the TEN budget contribution up to 30% of the grant intensity rate for cross-border sections. For projects involving EU15, TEN grants are those planned within the current Multiannual Indicative Programme (MIP) framework (decision 19/09/2001) or those allocated in 2003 outside the MIP. CF= Cohesion Fund; ERDF= European Regional Development Fund.

12 The EIB Group contributions identified in this as well as in the other tables below refer to support via loans, in contrast to the Community funding in the form of grants. Moreover, the EIB Group estimates relate to the whole of each identified TENs-Priority corridor, whereas the Commission estimates refer to Community funding to the specific segments identified as Quick-start projects.

2. High-speed railway axis Paris-Bruxelles/Brussel-Köln-Amsterdam-London - Liege-Köln	B-D	1996	2007	1184	O/W	t.b.c	EUR 5 mio from TEN 2003-2006	EUR 4.5 billion already signed for the whole priority project. On-going & in preparation in UK, Belgium and NL.
3. High-speed railway axis of south-west Europe - Figueras-Perpignan - Lisboa/Porto – Madrid	E-F P-E	2004 2006	2009 2011	950 5700	P/W P/W	t.b.c t.b.c	EUR 63.5 mio from TEN 2003-2006 Possible CF	EUR 300 million already signed, with an additional EUR 2.4 billion imminent, for the whole priority project. On-going & in preparation for Madrid, Barcelona, Figueres. Possible involvement in Madrid-Valladolid.
4. High-speed railway axis east - Strasbourg – Appenweier (Kehl bridge)	F-D	2004	2010	150	P/W	t.b.c		EUR 600 million already signed for the whole priority project. TGV Est on-going Possible further involvement for German section and Metz-Luxembourg.
<u>5. Betuwe axis</u>								

6. Railway axis Lyon-Trieste/Koper-Ljubljana-Budapest-Ukrainian border								EUR 100 million signed for the whole priority project. Possible involvement for tunnel and access links. On-going & in preparation for Ljublijana-Budapest
- Mont-Cenis Tunnel	F-I	2006	2017	6100	O/S	t.b.c	EUR 42 mio from TEN 2003-2006	
- Budapest-Ljubljana – Rail upgrade	HU-SI	2006	2015	760	P/W	t.b.c	EUR 43.5 mio from ISPA and 40.8 mio from CF	
7. Motorway axis Igoumenitsa/Patra-Athina-Sofia-Budapest								EUR 3.5 billion already signed for the whole priority project. On-going & in preparation for Via Egnatia and Via Pathe and for Sofia-Kulata
- Athina-Thessaloniki-(Bulgaria) (included in Pathe)	EL	1996	2008	1200[13]	O/W	t.b.c	On-going ERDF and CF	
- Sofia- Kulata - (Greece)	BG	2003	2010	675	P/W	t.b.c		
8. Multimodal link Portugal/Spain-rest of Europe								EUR 3.7 billion already signed for the whole priority project. On-going & in preparation for Portuguese and Spanish Motorways and Coruna-Lisboa-Sines railway.

13 Remaining works

<u>9. Conventional rail link Cork-Dublin-Belfast-Larne-Stranraer (completed in 2001)</u>								
<u>10. Malpensa airport (completed in 2001)</u>								
<u>11. Fixed rail/road link between Denmark and Germany (completed in 2001)</u>								
12. Nordic triangle railway/road axis								EUR 1.2 billion already signed for the whole priority project.
- Kerava-Vainikkala - (Russia) – Rail upgrade	FIN	2003	2006	591	O/ W	t.b.c		
- Malmö and Stockholm rail tunnels	S	2004	2011	2000	P/W	t.b.c	EUR 31 mio from TEN 2003-2006	Possible involvement in Kerava-Vainikkala rail upgrade. On-going & in preparation for Malmö City Tunnel
13. UK/Ireland/Benelux road link								
- Felixtowe-Holyhead/Stranraer – Road (new or upgrade)	UK	1996	2010	1349	O/W	t.b.c	EUR 5.8 mio from TEN 2003-2006	EUR 119 million signed, and EUR 600 million imminent, for the whole priority project. Sections on-going & in preparation for road components in both UK and Ireland.

14. West coast main axis								EUR 600 million signed for the whole priority project. No further short term involvement expected.
16. Freight railway axis Sines-Madrid-Paris								No involvement yet
17. Railway axis Paris-Strasbourg-Stuttgart-Wien-Bratislava								Not involved in on-going works.
- München-Mühldorf-Salzburg – Rail upgrade	D-A	2002	2015	898	O/W	t.b.c	EUR 6 mio from TEN 2003-2006	Possible involvement in longer term.
- Wien – Bratislava – Rail upgrade	A-SK	2004	2010	134	P/W	t.b.c		
18. Rhine/Meuse-Main-Danube inland waterway axis								
- Wien-Bratislava	A-SK	2006	2015	180	P/W	t.b.c	EUR 5.6 mio from TEN 2003-2006	No involvement yet
- Rhine-Meuse, including lock of Lanaye	NL-B	2005	2019	504	P/W	t.b.c		
19. High-speed axis interoperability on the Iberian peninsula								Expect significant involvement in short term AVE Cordoba-Malaga and AVE Levante.
- Corredor Norte - Noroeste, including Vigo-Porto	E-P	2001	2010	8736	O/W	t.b.c	Possible CF and ERDF	Not involved in on-going Vigo-Porto (n.b. not undertaken by GIF).

20. Fehmarn Belt railway axis								No involvement yet
21. Motorways of the sea [14]								EUR 1.8 billion signed for EU port projects in the four regions. Further involvement possible.
- Motorway of the Baltic Sea	EU	2004	2010	t.b.c	P/W	Depending on final EC Decision		
- Motorway of the sea of western Europe	EU	2004	2010	t.b.c	P/W			
- Motorway of the sea of south-east Europe	EU	2004	2010	t.b.c	P/W			
- Motorway of the sea of south-west Europe	EU	2004	2010	t.b.c	P/W			
22. Railway axis Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden								EUR 90 million signed for the whole priority project. On-going & in preparation for Danube bridge. Possible on Czech, Hungarian and Romanian sections.
- Budapest-Sopron-Wien- Rail upgrade	A-HU	2004	2010	1318	P/W	t.b.c		
23. Railway axis Gdansk-Warszawa-Brno/Bratislava-Wien								EUR 240 million signed for the whole priority project. On-going & in preparation for small sections. Others possible.
- Katowice-Breclav – Rail upgrade	PL-CZ	2004	2010	731	P/W	t.b.c	Possible CF or ERDF	
- Katowice-Zilina-Nove Mesto n. V. – Rail upgrade	PL-SK	2002	2010	1331	O/W	t.b.c	Possible EUR 49 mio from SC 2004-2006	

[14] The Commission may provide facilities for Member States that are willing to organize their cooperation (e.g. seminars)

24. Railway axis Lyon/Genova-Basel-Duisburg-Rotterdam/Antwerpen								
- Dijon - Mulhouse-Mülheim – New rail	F-D	2006	2010	2080	P/W	t.b.c	EUR 7.5 mio in 2003	No involvement yet.
- Basel – Karlsruhe – New rail	CH-D	1987	2015	4235	O/W		EUR 79 mio from TEN 2003-2006	Possible future involvement.
- "Iron Rhine": Rheidt – Antwerp – Rail upgrade	B-NL	2004	2010	550	P/W			
25. Motorway axis Gdansk-Brno/Bratislava-Wien								EUR 173 million signed for the whole priority project.
- Brno-Wien	CZ-A	2005	2010	479	P/W			On-going & in preparation for small sections. Others possible.
26. Railway/road axis Ireland/United Kingdom/continental Europe								No involvement yet.
- Cork-Dublin-Belfast – Rail upgrade	IRL-UK	2003	2010	469	P/W	t.b.c	Possible ERDF	Possible future involvement.
- Crewe - Holyhead - Rail upgrade	UK	2005	2008	120	P/W		Possible ERDF	
27. "Rail Baltica" axis Warsaw-Kaunas-Riga-Tallinn								No involvement yet
28. "Eurocaprail" on the Brussels-Luxembourg-Strasbourg railway axis								No involvement yet
29. Railway axis of the Ionian/Adriatic intermodal corridor								No involvement yet

15. Galileo - Development and deployment phase	EU	2002	2007	3200	O/W	EUR 1100 mio by private sector[15] EUR 550 mio by ESA	EUR 550 mio from TEN 2001-2006 EUR 200 mio from TEN planned until 2006	Possible involvement

[15] This will depend on the result of the call for concession to be negotiated by the Galileo joint undertaking.

Energy Networks

Mature trans-frontier segments of TEN-E Priority projects[16]	Country	Start	End	Cost [17]	Stage[18]	Synergies with Community Funding until 2006[19]	Synergies with EIB until 2010
Electricity							
EL 1. France — Belgium — Netherlands — Germany: electricity network reinforcements in order to resolve congestion in electricity flow through the Benelux.							General comment : this category of projects can benefit from EIB finance available for energy –TEN (annual lending estimated at EUR 500-1000 mio)
- Avelin-Avelgem line	FR-BE	2003	2005	13	P/W		
- Moulaine-Aubange line	FR-BE	2005	2007	30	P/W		
EL 2. Borders of Italy with France, Austria, Slovenia and Switzerland: increasing electricity interconnection capacities.							
- Robbia – St.Fiorano line	CH-IT	2003	2005	25	P/W		
- Phase shifter installation	IT-SI	2004	2005	40	P/W		

16 As defined in COM (2001) 755.
17 Total cost of segment mentioned, including studies. In EUR mio, 2003 price level.
18 O = on-going; P= Start before Dec. 2006; S= heavy technical studies; W= works
19 CF= Cohesion Fund; ERDF= European Regional Development Fund.

EL 3. France — Spain — Portugal: increasing electricity interconnection capacities between these countries and for the Iberian peninsula and grid development in island regions. *- Sentmenat – Bescano – Baixas line* - Aldeadávila – Douro- Valdigem line	ES-FR ES-PT	2004 2006	2006 2008	100 11	P/W P/W		
EL 4. Greece — Balkan countries — UCTE System: ***development of electricity infrastructure to connect Greece to the UCTE System.*** *- Philippi – Hamidabad line*	GR-TR	2004	2006	50	P/W		Support to wider UCTE criteria
EL 5. United Kingdom — Continental Europe and Northern Europe: ***establishing/increasing electricity interconnection capacities and possible integration of offshore wind energy.*** *- Undersea cable*	NL-UK	2004	2006	480	P/W		

EL 7. Denmark — Germany — Baltic Ring (including Norway — Sweden — Finland — Denmark — Germany): ***increasing electricity interconnection capacity and possible integration of offshore wind energy.*** *- Skagerak 4 undersea cable* *- Harku – Espoo (ESTLINK)* *- Alytus-Elk*	DK-NO EE-FI LT-PL	2005 2005 2006	2008 2007 2008	400 110 434	P/W P/W P/W		

Natural gas							
NG 1. United Kingdom — Northern Continental Europe, including Netherlands, Denmark and Germany — (with connections to Baltic Sea Region countries) — Russia: ***gas pipelines connecting some of the main sources of gas in Europe, improving the interoperability of the*** ***networks, and increasing the security of supply.*** *- North Transgas pipeline*	RU-DE-NL-UK	2006	2010	5000	P/W		EIB approached for the UK-NL section

NG 2. Algeria — Spain — Italy — France — Northern Continental Europe: ***construction of new gas pipelines from Algeria to Spain, France and to Italy, and increasing network capacities in and between Spain, Italy and France.*** *- Algeria – Spain – France pipeline* *- Algeria – Libya - Italy*	DZ-ES-FR DZ-LY-IT	2004 2004	2008 2008	1500 540	P/W P/W		Under EIB appraisal
NG 3 . Caspian Sea countries — Middle East — European Union: ***new gas pipeline networks to the European Union from new sources, including the Turkey — Greece,*** ***Greece — Italy and Turkey — Austria gas pipelines.*** *- Turkey – Greece – Italy*	TR-GR-IT	2004	2010	900	P/W		Feasibility study requested

Broadband Networks, Research, Development and Innovation

Project Area	Specific projects	Start	End	Total cost	Synergies with Community Funding	Synergies with EIB
Broadband / Digital Divide	Promoting broadband coverage of remote and rural areas (optical, fiber, copper, wireless, satellite, etc.) by the end of 2005, in line with national broadband strategies[20] to be published by the end of 2003. This will also allow to connect schools and health centres	2004	2006	To be determined later on the basis of national broadband strategies	Eligible for support through the Structural Funds. €6 billion programmed for the information society in general over the period 2000-2006 (to be reviewed following SF mid-term review). Criteria and modalities of use are detailed in the Guidelines on use of Structural Funds for electronic communications.	
Mobile Communications and technologies	To be developed through Mobile Communication Technology Platform. In Community R&D area two projects supporting (1) a large scale distributed mobile interoperability tested, (2) evolution of current mobile systems beyond 3G.	2004	2006	€ 800 million for R&D	Indicative amount of **Community** funding of €400 million for R&D through the 6th FP. To be matched by an equivalent amount from private participants in Community R&D projects. In general Community funding for R&D on ICTs represents about 5% of total R&D spending on ICTs in the EU. The remaining funds are private (companies investing in R&D) or public (support from national R&D programmes).	Projects will benefit from the ICT and Research envelopes within the **Innovation 2010 Initiative, itself** globally amounting to **€20 billion** between 2004-2006
ICT-based research network infrastructure (Géant)	Upgrade research and education networks to 10 Gbit/s by 2005 and transition to Terabit networks	On-going	2010	€2.35 billion	Indicative amount of Community funding of €150 million through 6th R&D Framework programme.	

20 Member States committed to put in place national broadband strategies by end 2003 at the European Council. 20-21 March 2003, Conclusions point 38.

Hydrogen economy	**Hypogen** - large scale test facility for production of hydrogen and electricity **Hycom** – Establishment of a limited number of "hydrogen communities" around the Union, using hydrogen as source of energy for heat and electricity and fuel for vehicles	2004	2015	*Hypogen* €1.3 billion *Hycom* €1.5 billion Phasing 2005-2007 (€500 million) 2007-2012 (€1.5 billion) 2013-2015 (€800 million)	Possible Research Framework Programme and Structural Funds	
Nanoelectronics	Infrastructure and projects being defined with industry via Nanoelectronics Technology Platform	2004	2009	Infrastructure €2.5 billion R&D Projects €2.8 billion	Possible Research Framework Programme and Structural Funds	Projects will benefit from the ICT and Research envelopes within the **Innovation 2010 Initiative, itself** globally amounting to **€20 billion** between 2004-2006
Next generation lasers	Develop network of national laser facilities by 2010 and an international facility by 2012	2005	2012	Up to €1.25 billion	Possible Research Framework Programme and Structural Funds	
GMES (global monitoring for the environment and security)	Build up of the GMES satellite network, facilities and related applications	2004	2013	2004-2006 €900 million 2007 onwards increasing from €300 to €450 million p.a.	Possible Research Framework Programme	
Korou launch facility		2004	2005	€320 million	Possible Research Framework Programme and Structural Funds	

Annex 2: A roadmap for knowledge and networks

By December 2003

- Simplification of procedures related to State aid to SMEs including rules for aid to R&D (Commission)
- Launch of a preparatory action for security-related research
- TENs proposals: priorities for transport networks and adjusted financing rules for transport and energy TENs
- Proposals for changes to existing company law provisions to facilitate cross-border mergers
- Proposed guidance on the treatment of Public Private Partnerships in national accounts
- Implementation of national broadband strategies
- Review of initial progress by December European Council

By March 2004

- Political agreement on priority projects for Trans-European Transport Networks and on financing rules for transport, telecoms and energy TENs
- Final adoption of the pending measures on public procurement rules and on the Community Patent
- Final adoption of the second railway package

By June 2004

- Final adoption of the proposals modifying the system for the Eurovignette
- Agreement on proposals on tax treatment of parents and subsidiary companies and of mergers
- Final adoption of the Investment Services and Transparency Directives
- Mid-term review of Structural Funds
- Green Paper on public-private partnerships and public procurement law
- Commission proposals on a possible harmonised European fund structure to ensure tax transparency for risk capital operations
- Commission to complete setting up first wave of European Technology Platforms

By December 2004

– Final adoption of priority projects for Trans-European Transport Networks and on financing rules for transport, telecoms and energy TENs

EIB/EIF ACTIONS WITHIN THE ROADMAP FOR THE EUROPEAN GROWTH INITIATIVE

By December 2003:

– Approval of EIB and EIF Corporate Operational Plans 2004-2006 (COP), including their contribution to the European Growth Initiative. TENs Investment Facility (TIF) formally launched. Innovation 2010 Initiative refocused in line with Growth Initiative

By March 2004:

– Progress Report on the Growth Initiative, with measures put in place and first ongoing or identified operations (in view also of Spring European Council)

– EIB Group to launch (with Research Framework Programme funding) the feasibility study for a new type of risk capital vehicle for centres of excellence and bridging the gap between research and early stage investment. This could lead to implementation of pilot action in 2004

By June 2004:

– Mid-term review of COP and of EIB Group contribution to the European Growth Initiative; report to Management Boards

By December 2004:

– Approval of EIB and EIF Corporate Operational Plan 2005-2007, including possible adjustments to their EIB contribution to Growth Initiative

Annex 3: Map of Quick-start Transport projects