

Additionality of the Trans-European Transport Network (TEN-T) –

Strategic Policy Implications related to Programme Renewal based on a Subjective, Formative Approach to Programme Performance and Evaluation.

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1.0 Introduction

Systematic periodic evaluation of expenditure programmes is now an explicit requirement for all services of the European Commission under the *Sound and Efficient Management 2000* initiative.

The TEN-T financial regulation itself requires that both during the implementation of the projects and after their completion the Commission and the Member States (MS) shall evaluate the manner in which they have been carried out and the impact of their implementation, in order to assess whether the original objectives can be, or have been, achieved.

Two evaluations have been conducted over the past years of the TEN-T programmes – the last one with a field of enquiry related to financial support in the period 1995-97. Since few of the bigger projects had been completed by 1997, and because of the methodological difficulties associated with measuring the impact of transport infrastructure, a formative approach to programme performance and evaluation was chosen.

The mandate and the study activities of these exercises have been more technical and process oriented in their scope rather than focusing on the Trans-European political themes and strategic issues. The legitimacy of the TEN programme is – as is the case with other European programmes - closely linked to their additionality in a European context. The non-political and strategic bias of the TEN-T programme evaluations could suggest and give rise to concern with regard to the effectiveness and impact of the European objectives of the TEN-T programme.

This paper addresses the issues of European additionality from a strategic perspective, focusing on arguments rather than argumentation. The approach used is subjective and formative based on a comparative, dynamic analysis of programme objectives, performance and environmental requirements including accession of new member states. The analysis, and thus this paper, does not in any way pretend to be exhaustive or conclusive but it is hopefully serving the purpose of stimulating constructive dialogue between service users, member states and decision makers at the European level for programme renewal. The paper is also serving the purpose of defusing some of the frustration felt by the author having been through the latest TEN-T evaluation and finding it somewhat difficult to keep the additionality issues an

important point of the evaluation process. For a number of reasons, fellow evaluation team members and the client were more eager to debate programme efficiency rather than programme effectiveness (with implications for the validity of the intervention logic and the overall development hypothesis).

Why allocate funds for Brussels – and pay twice for administration – if there is no additionality to be gained?

2.0 Background

The Trans-European Network (TEN) consists of a number of projects of common European interest in the transport, energy and telecommunication sectors. The purpose of these projects is simply to enhance the infrastructure in the EU. The TEN programme is complementary to other EU policies such as economic and social cohesion, employment and environmental policies creating employment, growth and wealth not only directly but also indirectly through the improved functioning of the single European market.

The TEN-Transport (TEN-T) programme – which this paper is particularly concerned with – is managed separately from the programmes for energy and telecommunications, - although under the same budgetary legal base. The legal base limits support for the selected projects to 10% of construction costs, and 50 % for studies, - using four instruments for EU interventions – grants for studies, direct grants for construction, interest rebates and loan guarantees.

Community support for Member States transport infrastructure projects which started as a limited yearly financial instrument supporting very specific *land transport projects in some Member States*, has evolved over time to become a financial support measure available to all Member States and all transport modes, and with a primary focus on fourteen Priority Trans-European Projects (the Essen Projects).

There is a general tendency for national transport budgets to dry out as projects approach national borders!

The Essen projects, as well as most of the wider TEN-T project portfolio, should be completed by year 2010. Support to projects is the subject of a Multi-annual Indicative Programme agreed between the Commission and the Member States.

The financial support distributed by form for the period 1995 – 97 amounts to:

Form	MECU	%
Studies	533.17	61.14
Interest Rebates	83.62	9.59
Direct Grants	255.21	29.27
TOTAL	872.00	100

The 14 Essen projects carry about 70% of overall allocations.

At the time of the creation of the Common Market in 1958, the financial and political involvement of the Commission in the field of transport infrastructures was very limited, although Title IV of the Treaty of Rome did introduce a Common Transport Policy. The planning and laying-out of transport networks remained a national issue, with each Member State developing its own networks according to its priorities, with no explicit consideration of wider, European networks. Only in 1978 did the European Community establish the Transport Infrastructure Committee, an instrument enabling the development of the Communication networks of Community interest. The primary objectives of the Transport Committee were to define **guidelines** for the future development of transport infrastructure and to examine questions concerning transport projects of Community interest.

“Implementation problems persist because national infrastructure policies are not always in line with EU policy and, more importantly, because the general objectives of the TEN have not been translated into workable project criteria and clearly defined priorities”.

In 1993, Council Regulation No 3359/90 was amended to identify **transport infrastructure projects of specific EU interest** aimed at meeting one of the following European objectives:

- eliminating bottlenecks;
- eliminating missing links;
- integrating areas which, geographically, are either landlocked, islands, or located on the periphery of the EU;
- reducing the costs associated with transit traffic and combined transport in co-operation with any third countries concerned;
- providing high-quality links between the major urban centres, including high speed rail links;
- furthering the interconnection and interoperability of different transport networks with a view to a EU-wide, multi-modal network;
- improving compatibility with European networks outside the EU in co-operation with the non-member countries concerned, particularly in Central and Eastern Europe;
- ensuring optimal traffic management;
- ensuring a high level of safety for all modes of transport; and
- protecting the environment and fostering the rational use of existing and future infrastructure.

The TEN-T maps should be a consequence of existing objectives!

According to the Guidelines the scope of the network must:

- ensure sustainable mobility of persons and goods under the best possible social and safety conditions, while helping to achieve the Community's objectives, particularly in respect to the environment and competition, and contribute to strengthening economic and social cohesion;
- offer users high-quality infrastructure on acceptable economic terms;
- include all modes of transport, taking account of their comparative advantages;
- allow the optimal use of existing capacities;
- insofar as possible, be interoperable within modes of transport and encourage inter-modality;
- insofar as possible, be economically viable;
- cover the whole territory of the Member States of the Community, so as to facilitate access in general, link island, landlocked and peripheral regions to the central regions, and inter-link without bottlenecks the major conurbations and regions;
- be capable of being connected to the networks of the European Free Trade Association (EFTA) States, the countries of Central and Eastern Europe and the Mediterranean countries, while at the same time promoting interoperability and access to these networks, insofar as this proves to be in the Community's interest; and
- promote continuous co-operation between interested parties.

The present Guidelines define the objectives and scope of the TEN-T and describe the priorities and the characteristics of the networks for each transport mode. The description is general and is supplemented by maps of the various networks. **Generally, the networks are extensive and give room for a large number of possible TEN-T projects.**

"Fair shares" is always the dominant determinant, but this is never admitted.

3.0 Programme Structure and Additionality

The existing structural characteristics of the TEN-T programme give reasons for concern when considering the issue of institutional arrangements for effective promotion of European additionality in the transport sector:

- The Commission has a co-ordinating role - de-centralized management is the feature of all TEN-T interventions insofar as all final expenditure is administered by the relevant national, regional or

- local government – and only a rather limited budget. The additionality of expenditures is often questioned when rates of intervention are very low,
- A long timescale for project completion, but an annual budgetary process, and
 - Higher programme objectives are not related to the activity itself, - infrastructure is one among many contributing factors towards growth, competitiveness etc. (assuming that the development hypothesis is valid for the programme in the first place).

As to additionality and structural issues, it may also be worth assessing the extent to which the effectiveness of the TEN-T budget line is being limited by "fair shares" type arguments in relation to the annual allocation of TEN-T funds between Member States. One dominant factor is the *de facto* convention that payments to individual Member States should very roughly be proportional to their contributions to the EU budget. It is hard to see how Member States could collectively agree to any substantial change to this convention. It is not a convention which could realistically be set out in a Regulation. However, the evolution of the budget line would be greatly helped if the present tacit agreement between Member States (with occasional solitary exceptions) could be openly recognized.

The TEN-T programme is degenerating into "getting back what is put in".

4.0 Additionality – and its Dimensions

There are, however, major problems in assessing and indeed defining additionality. In part, this is because such an assessment requires a counter-factual, i.e. what would have happened in the absence of the TEN-T intervention. The economic models available to do this in regard to assessing the impact of infrastructure investment on economic activity are weak. In addition the concepts can have different meanings to different individuals, and are not well defined or understood either by Member State or even within the Commission.

Before considering to what extent the TEN-T budget line does in practical terms involve additionality, it is necessary first to review what additionality **might** involve. In doing this, a distinction is being made between two concepts - financial additionality and economic additionality. The concepts are defined as follows:

- **Financial additionality.** Spending from the TEN-T budget line increases total expenditure on transport studies or projects, which have a European dimension.
- **Economic additionality.** Spending from the TEN-T budget line leads to an increase in net social welfare. Financial additionality is not a pre-condition for economic additionality, since it is possible that the existence of the TEN-T budget line improves the overall benefits resulting from a fixed amount spent on transport infrastructure studies and projects.

Financial additionality occurs when TEN-T funding adds **directly** to spending on transport infrastructure, which has a European dimension. The contrasting case would arise when a national government reduced its own spending on transport studies or projects with a European dimension by the same amount as the TEN-T funding provided by the Commission. Additionality may mean that wholly additional studies or

projects are carried out, or that studies or projects are accelerated, so that they are **started** and carried out earlier than would otherwise be the case.

Financial additionality can also occur when the TEN-T spending leads **indirectly** to extra funding from **other** private or public sector sources. This could occur in a number of ways:

- TEN-T funding might encourage private investment by providing a European "seal of approval". This may strengthen private sector confidence in there being both European and national commitment to a project;
- TEN-T funding might increase the likelihood of other EC funding, for example by Cohesion Fund or EIB funding for works being available as a result of TEN-T funding for studies;
- TEN-T funding, for example matching funding for studies, might bring in national and regional government funding that would not otherwise be available;
- By funding a part of a project (although normally only up to ten per cent), TEN-T funds might provide a more acceptable rate of return to private sector participants;
- The TEN-T funding might, for example by means of studies, highlight the existence of economic and social benefits from other transport investments that would not otherwise have been clear to other potential providers of funds.

Economic additionality refers to ways in which TEN-T funding can increase social welfare. In particular:

- The TEN-T funding might realise cross-border benefits from new transport infrastructure, in circumstances where individual national governments would not take full account of benefits to non-nationals travelling in their country,
- TEN-T funding might increase the use of compatible systems or technology, for example for traffic management, by deepening the level of dialogue and common purpose between Member States;
- TEN-T funding might act as a facilitator in bringing together different groups with common aims, and so improve co-ordination between Member States.
- TEN-T funding, and the process of applying for it, might lead to identification of benefits, including possibly environmental benefits, that would not otherwise have been foreseen. This may occur because the TEN-T budget line process encourages a more systematic approach to assessing the net benefits of transport infrastructure projects, for example through the requirement that applications use cost-benefit analysis and environmental assessments at the national level (even though there is not a common methodology applied for doing so, and even though DGVII does not generally assess these appraisals in great detail as part of its process for approving funding). In addition, the emphasis on environmental consequences of transport infrastructure may mean that these are taken into account in circumstances where this would not otherwise have been the case.

5.0 Findings – at the Aggregate Level

According to the above definitions, three sets of issues are relevant to the Member States in relation to additionality:

- In what ways, if any, has the TEN-T programme increased the budget for transport spending in a Member State, as opposed to helping fund studies or projects that would in any case have been undertaken in the same way on a similar time-scale.
- In what ways, if any, has the TEN-T programme increased the benefits both in the Member State and in the European Community as a whole from transport expenditure, over and above the benefits which would be achieved by national spending of the equivalent funds
- How has the existence of the TEN-T budget line altered transport expenditure in a Member State since 1995, distinguishing between impacts on the total size of transport expenditure, and on relative priorities for different types of spending within the transport budget, and

It is usually so that Member States claim that TEN-T funding is additional to some extent. Furthermore, most state that national funding is not diverted away from projects on their receiving TEN-T support. This apparent demonstration of the financial additionality of TEN-T money is rendered somewhat less clear. It is frequently mentioned that the actual sums awarded are too small to make anything more than a symbolic difference to the finance of individual undertakings. Thus, the impact of the additionality of TEN-T funding in what might be called a "strictly financial" sense would appear to be a far less straightforward matter than, maybe, expected.

Less complicated is the assertion, common amongst Member States, that TEN-T support exhibits indirect additionality in attracting funding from other sources. It was widely felt that the endorsement of a project by the TEN-T programme made the securing of funding from both national and private sources significantly more likely. Another opinion frequently found is that TEN-T interventions produced better results than would similar sums of money from other sources, due to increased and external scrutiny. Typically, projects and studies are operated more within projected timetables when supported under the TEN-T budget line.

Moving further towards the idea "economic additionality", it is frequently asserted that TEN-T interventions involving several Member States led to far higher benefits than an equivalent expenditure at a purely national level. Cross-border harmonisation tends to improve the allocation of resources, as well as allowing a higher level of strategic planning for certain routes of corridors. Indeed, certain schemes could be said to be only sensible at a pan-European level, such as air traffic management.

In terms of the TEN-T effects on the transport policy and priorities of individual Member States, however, it is fairly unanimously thought that amounts of funding actually dispersed through the programme were too small to have any real effect. This is especially true of countries eligible for support through the Cohesion and Structural Funds. Probably the best that could be said of the influence of the TEN-T programme in affecting Member State policies would be that it tends to highlight and increase public acceptance of the larger cross-border projects. Where benefits external to a Member State are not appreciated by its citizens, there is the risk that projects with a large overall importance, in terms of the trans-European networks, but with limited national benefit, could suffer from public disapproval. Some Members regard the TEN-T programme as instrumental in avoiding this possible political problem, through the introduction of a "European dimension".

Finally, suggestions by some Members on how the different types of additionality present in the TEN scheme might be enhanced or increased tended to centre around the concentration of funding in fewer larger projects and the undertaking of more projects with a cross-border or European element. This is consistent with other views expressed, many of which called for the rationalisation of the programme into fewer, perhaps more strictly-chosen, interventions. The most obvious candidates for selection in this case would be supra-national projects, since they are regarded as producing the most European economic additionality. They can involve all Member States, so respecting the "fair shares" ethos.

**“We have found no examination of the case for network planning at the European level. It is widely seen as self-evident that major and rapid restructuring of trade and other transport patterns implied by the opening up of the former communist bloc European states requires a supra-national role, in planning the expansion of (especially) new road networks. However the case for such a role for networks within the present Member States is much less clear”.
The case for strategic network planning at the European level would be a valuable remit for a summative evaluation, drawing on the experience of mature TEN-T projects.**

6.0 Findings – at the Individual Intervention Level

After having scrutinized together with Member States more than 100 individual interventions it can be concluded, that there are relatively few cases where it can reasonably be argued that TEN-T involvement has been the crucial factor in ensuring that a particular study or project was carried out.

Much more common is the fact that the parties involved with the different interventions believe that TEN-T support has accelerated studies or projects that would still have been carried out without Commission support.

Other observations can be summarized as follows:

- In some cases European support was particularly valuable in overcoming political obstacles,
- In other cases TEN-T support has been of particular symbolic value,
- A number of the studies and projects have been particularly concerned with cross-border flows and “missing links” in the network,
- The TEN-T budget line also contributed to environmental improvements in the case of a number of the interventions considered. Underlying most high speed rail schemes is the idea that these will contribute to the environment by shifting traffic away from more environmentally-sensitive modes, and
- Another form of co-operation funded by TEN-T has been the cross-border projects in the field of traffic management. It is believed that both CENTRICO and VIKING are Euro-regional studies that have succeeded in promoting a high level of regional co-operation in the field of telematics. Without TEN-T co-financing the studies would probably not have been realised, and not on a

cross-border basis. Generally, implementation of telematics in border regions is often not funded from national or regional budgets because traffic flows are considered too low to justify expenditure, since positive spillover effects on neighbouring countries are often not taken into consideration.

7.0 Recommendations on Additionality and Programme Renewal

It must be recognized that the objectives at present driving the TEN-T programme are predominantly political, but it is sensed that there are many in DGVII, and elsewhere in the Commission, who would prefer to see the programme driven by objectives which had a stronger analytical base. The contribution of the programme to EU social and economic welfare would be improved if this could be achieved.

Realistic measures to move in this direction might focus on explicitly recognizing the political constraint of “fair shares”, and explicitly recognizing and highlighting the concept of EU benefits, external to the Member State undertaking the expenditure, as the rationale for DGVII expenditure. In parallel with this, the programme could be made more focused by defining a much less dense network, on the lines of that defined for the candidate accession countries in Eastern Europe by restricting the coverage to road and rail networks and possibly looking for alternative mechanisms for traffic management.

First of all this requires that the guidance manual available to applicants contains a clear statement of the different types of additionality that are relevant. Applicants should be required to indicate whether particular applications might contribute to different types of additionality, and give brief reasons for saying so. The specific considerations could include:

- Whether the project would yield substantial EU benefits outside the Member State in which the money is spent, including:
 - Time savings to users;
 - Environmental benefits; and
 - Benefits from European standardisation.
- Whether it would contribute to a substantial new link between Member States;
- Whether it would have very important symbolic values;
- Whether it would strengthen links to accession countries; and
- Whether it would strengthen links to less accessible parts of the European Union.

<p>The TEN objectives run further and further in advance of the analytical tools to assess their validity and appropriateness.</p>

8.0 Recommendation for further Studies

Increased EU investments in the TEN-T – in addition to the national investments - are only justified by the additionality provided by new infrastructure to the Community as a whole. In view of the forthcoming revision of the Guidelines (Decision No 1692/96/EC) and the ongoing planning exercises for infrastructure development in the accession countries a new beginning – a new study seems to be necessary to identify new priority links which deliver tangible benefits and additionalities. The overall objective of the study should be to demonstrate how individual TEN-T projects contribute to a more efficient operation of the new network. The outputs of the study could be:

- A status and an assessment of the existing methodologies for identifying additionality,
- Establishment of a set of authoritative criteria for defining additionality, and
- Identification of key links within the TEN which are of particular interest and benefit to the EU.

The answers of the study, if implemented, will be awaited with much interest.