Connecting Europe Facility – Results of the 2016 Transport calls for proposals

152 projects, requesting a total of €2.7 billion in EU funding, were selected for funding.

What are the types of projects which receive funding?

The 2016 Connecting Europa Facility (CEF) Transport calls for proposals have three funding objectives:

- Removing bottlenecks and bridging missing links, enhancing rail interoperability, and, in particular, improving cross-border sections that invite applicants from all Member States
- Ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected future transport flows, as well as enabling all modes of transport to be decarbonised through transition to innovative low-carbon and energy-efficient transport technologies, while optimising safety
- Optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructures

Funding is awarded to carry out works supporting these three objectives or studies.

Who applied?

349 applicants from all Member States and several neighbouring countries submitted proposals for a total of nearly €7.5 billion of co-funding by the call deadline on 7 February 2017. The applicants were mostly Member States and public or private undertakings.

All Member States could apply for funding under the general calls, whereas only the 15 Member States eligible for funding from the EU's Cohesion Fund could apply for funding under the Cohesion call.

The CEF call has been over-subscribed almost 4 times, and the Cohesion envelope 6.5 times the amount of funds indicatively available.

Which Member States are eligible for funding from the EU's Cohesion Fund?

The eligible Member States are: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

Could third countries participate?

Applicants from neighbouring countries could participate in the calls under certain conditions and may only receive financial assistance if it is necessary to the achievement of the objectives of a given project of common interest. Further information is available on the call's FAQ page. One project in Serbia for navigation on Rhine-Danube corridor will receive financing within this call.

How much funding was available under the 2016 CEF Transport calls for proposals?

€1.9 billion was available to fund one or several call objectives. An additional sum of €639 million from unspent funds of several ongoing actions was made available to support projects in Member States eligible for funding from the EU's Cohesion Fund.

How is the EU funding for transport infrastructure awarded?

CEF Transport funding is awarded via competitive calls for proposals mainly through grants. The 2016 CEF Transport calls for proposals were published by the European Commission's Innovation and Networks Executive Agency (INEA) on 13 October 2016 and remained open until 7 February 2017.

The selection was based on a standard evaluation process in two phases:

- External assessment by independent experts basing their evaluation on pre-identified award criteria to ensure transparency and equal treatment of all eligible proposals
- Internal selection by the Commission service in charge of Mobility and Transport (DG MOVE), which undertook a qualitative analysis of the overall contribution of projects for the development of EU transport policy

Following these two steps, 152 projects, requesting a total of €2.7 billion in EU funding, were retained. The European Commission's Innovation and Networks Executive Agency will prepare and sign individual grant agreements with project beneficiaries by autumn 2017.

What projects will get CEF funding under the 2016 calls for proposals?

Projects selected for funding are those with the highest EU added-value and primarily located on the core trans-European transport network. In order to ensure the most effective use of limited EU resources, these grants will be reserved for projects which are difficult to implement due to their cross-border nature, or due to a very long return on investment.

Examples of projects to be financed under the general envelope include:

- Deployment of Air Traffic Management solutions for faster, safer and more efficient travel in EU Member States (€274.8 million CEF co-funding)
- Construction of the second tunnel tube for the Karawanken road tunnel on

the Austria-Slovenia cross-border section to improve road traffic flow, as well as increase capacity and road safety (€17.7 million CEF co-funding)
- Deployment of 158 high-speed electric charging points in Sweden, Denmark, Germany, France, the United Kingdom and Italy to make electric travel across borders possible (€10.2 million CEF co-funding)

The calls that were open for projects in Member States eligible for funding from the EU's Cohesion Fund will support the flagship infrastructure projects on the core Trans-European transport network, in particular those which address low carbon modes of transport such as railways, inland waterways and ports.

Examples of projects financed include:

- Upgrade of the Białystok-Ełk section of the E75 railway line in Poland, including trackside ERTMS deployment, to shorten the travel time and increase the efficiency and safety of rail transport (€338 million CEF co-funding)
- Third stage of the Rail Baltica project that will adapt the rail link between the Baltic States to the EU gauge (€110.5 million CEF co-funding)
- Implementation of harmonised and synchronised Intelligent Transport Systems (ITS) applications on the high level road network in the Central European region for improved cross-border traffic (€4.2 million CEF co-funding)
- Modernisation and development of the rail infrastructure necessary for transport operations at the Rijeka Port – (€28.6 million CEF co-funding)

How does the co-financing work? How much money comes from Member States and how much from the EU?

Transport infrastructure requires significant investment – and an important share will always come from Member States and other public and private investors. The EU's role in terms of investment and co-ordination is to add value by removing difficult bottlenecks and building missing links and connections, and to support the creation of a real European transport network.

The normal CEF co-financing rates for TEN-T projects are:

- For the cohesion envelope: up to 85% for all projects
- For the general envelope:

o Up to 50% for studies

o Up to 10% for works on cross-border road sections

o Up to 20% for works (for example exploratory works for a major tunnel)

o Up to 50% for certain traffic management projects, like for ERTMS, to support Member States making the transition to higher standards

The call texts do not define the minimum amount of requested funding. The European Commission however strongly encourages applicants to only submit projects requesting an EU contribution for the eligible costs above €500,000 for studies and €1,000,000 for works. Applications below these thresholds are checked on a case-by-case basis.

How will the projects be managed?

The CEF Programme is managed centrally by the European Commission, which sets the political priorities and is responsible for the selection of projects through competitive calls for proposals.

The Commission is assisted by INEA for the evaluation and selection of projects and for the overall technical and financial monitoring of project implementation.

Beneficiaries in the Member States manage the projects, and the Member States remain responsible for monitoring the implementation of the projects.

What are the perspectives for further financing?

A CEF Blending call for €1bn EU funds is ongoing with two milestones for applications: 14 July and Nov. 2017. This allows financing projects across CEF objectives, in combination with EFSI funds whenever possible, or, for projects removing bottlenecks or with cross-border benefits, also with EIB, National Promotional Banks or private sector.

About 95% of the CEF Transport budget 2014-2020 will be committed, once the CEF Blending call amount of € 1 billion will be allocated (expected by end 2017). Thus, to support investments in the key priority area (promoting connectivity, efficiency, decarbonisation and digitalisation of transport) in the second half of the MFF 2014-2020, efforts to find additional sources of funds have to be made, including the proposed increase of ceilings for CEF-Transport by €300 million (under MFF Mid-Term Review), use of blending, ESI funds, EFSI and leverage of private sources whenever possible.

In addition, the European Structural Investment funds (ESI funds) Operational Programmes of Members States foresee funding of about EUR 70 billion for Transport investments during 2014-2020.

Remarks by President Donald Tusk on the European Council meetings of 22 June 2017

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Europe’s shrinking middle class

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The Great Recession depressed real income levels across European countries. But the impact was very unequal across countries and income groups. Countries in the European periphery have been more affected than those in the core, halting the process of income convergence between European countries that could be observed pre- crisis. Individuals at the bottom quintile of the income distribution have generally been more affected than their higher-income counterparts, resulting in growing income inequalities among many European countries and, what’s more, a shrinking middle class after years of expansion.

In a previous blog post, we showed how income inequalities increased in a majority of EU countries from the onset of the crisis, although often moderately. Here we focus on the evolution of household disposable real income levels over the period 2004-2013, revealing a generally stronger and more widespread impact of the crisis, especially among the less well-off. This points to the importance of using a wider set of indicators when assessing the impact of the Great Recession on living standards: these may be masked when relying solely on data on GDP or even Gini indices on income inequalities.

The downwards impact of the crisis on disposable income levels

Before the crisis, slow progress in average income levels for the EU as a whole masked an important process of convergence between its core and periphery, with fast catch-up growth in the latter and stagnation or a mild decline in the former economies. (This effect of the crisis on material well-being is illustrated by the evolution of household disposable real income levels shown in Figure 1).

Among the lower-income countries, most eastern European countries registered notable growth in real income levels (only Spain managed to do the same in the Mediterranean region), while progress in real income levels was more subdued among higher-income countries (and even going backwards in Germany).

In most countries, the crisis produced a sharp reversal in the trends of real income levels. For the EU as a whole, real income levels declined from 2008, but this development once more masks a clear core-periphery divide, moving in the opposite direction this time and resulting in a halt in the afore-mentioned process of income convergence. The crisis depressed real income levels across most European countries, but much more so in the European periphery (Mediterranean and some eastern European countries plus Ireland) than in the core (moderate declines occurred in the UK, Germany or France, while progress was registered in other Continental and Scandinavian countries). Among the periphery countries most hit by the recession, only the Baltic trio has bounced back significantly in recent years. Poland and Slovakia weathered the crisis much better than the rest, continuing to expand their real income levels (albeit much more slowly).

Figure 1 Average household disposable real equivalised income (Index) and unemployment rate (index, secondary axis)

Source: EU-SILC (and LFS for unemployment rates). Note: Income levels are expressed in PPP-euros for the EU as a whole, in euros for members of the euro zone and in national currencies for the other countries. Income levels are adjusted for inflation to obtain real income levels across countries, with 2004 as the base year. Countries are ranked by the magnitude of the decline in real income levels between 2008 and 2013

The uneven impact of the crisis on disposable income levels

The downwards impact of the crisis on income levels differed in intensity across European countries and, moreover, was not equally shared within individual societies. Table 2 depicts changes in aggregate income levels (first column, summarising results from the previous section) but also across different segments of the income distribution (second, third and fourth columns) and how such trends shape income inequality developments (column five).

Before the crisis, the income catch-up process taking place in Eastern European countries was generally more intense among lower-income individuals, which explains the generally declining income inequalities there. Conversely, the more moderate income progress among many higher-income countries affected relatively more those at the bottom of their income distributions, propelling income inequalities upwards in most Continental and Scandinavian countries.e downward impact of the Great Recession on income levels has been generally more significant among lower-income earners than among their higher-income counterparts across most European countries. Income levels for the bottom quintile declined in almost all European countries (except Poland and Austria), while those in the top quintile were more resilient and even progressed in a third of countries. This diverging impact at both extremes of the income distribution explains why inequalities in household disposable income have increased since the onset of the crisis in two-thirds of the countries.

Table 1 Relative Changes In Household Disposable Real Equivalised Income, Income Inequalities And Real GDP Per Capita (Growth Rates Before And After The Crisis).

Source: EU-SILC (And Eurostat For GDP Per Capita).

Data on real GDP per capita (column six) offers sometimes a different picture than that provided by change in income levels. GDP per capita progressed (Germany, Latvia and Lithuania) or declined significantly less (Greece, Spain, France, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal and the UK) than average income levels in many countries. This suggests that a fully comprehensive set of indicators to map progress and well-being is necessary to assess the full magnitude of the impact of the Great Recession upon living standards across European societies.

The shrinking European middle class

The impact of the crisis on social structures can be evaluated alternatively by distinguishing between different classes defined by their income levels: the lower, the middle and the upper income class. This allows one to assess the impact of the crisis on the size of the middle class, a topic that has received considerable attention in the policy debate.

Figure 2 reflects how the crisis reversed the trends in the evolution of the middle class. Prior to the crisis, it was expanding in around two-thirds of Member States, especially on the European periphery (although declining significantly in Austria, Germany, Sweden, Luxembourg and Latvia). But the Great Recession has squeezed the middle class across most EU Member States (all except Latvia, Luxembourg, Poland and Lithuania). This squeeze is particularly intense in those countries hardest hit by the crisis in the

European periphery (Mediterranean countries such as Cyprus, Greece and Spain and Eastern countries such as Estonia, Hungary and Slovenia), but it is also surprisingly significant in Scandinavian countries, and in Germany, where middle income segments have been shrinking all over the period (as in Sweden).

This hollowing out of the European middle class has generally resulted in an expansion of the lower-income class rather than in the upper-income class, even though the latter has expanded significantly in some countries too (especially in Ireland and Czech Republic).

These trends emerge as a clear source of concern and, if not reverted, may have significant implications. The middle class is essential for the stability of European democracies and welfare systems and its erosion may generate increasing unrest at the political and social level.

Figure 2 Change in size of middle-income class before (2004-2008) and after (2008-2013) the crisis and decomposition of change by income class of destination after the crisis, in percentage points

Source: EU-SILC. Note: Countries are ranked by the absolute magnitude (in percentage points) of the decline of the middle class size from 2008 to 2013. We define the middle class as including those with a household disposable income that ranges between 75 and 200% of the median disposable income in each country.

For more details, see the full report: Income inequalities and employment patterns in Europe before and after the Great Recession

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