Major Projects and the Cohesion Policy

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The MEGAPROJECT Final Action Conference
Major projects 2007-2013

- about 1000 major projects foreseen
- 950 submitted to the EC
- 794 approved
- 46 projects still to be submitted
Thematic objectives

1. Research and innovation
2. Information and Communication Technologies
3. Competitiveness of Small and Medium-Sized Enterprises (SME)
4. Shift to a low-carbon economy
5. Climate change adaptation and risk management and prevention
6. **Environmental protection and resource efficiency**
7. Sustainable transport and disposal of congestion on major network infrastructure
8. Employment and support for labour mobility
9. Social inclusion and poverty reduction
10. Education, skills and lifelong learning
11. Increased institutional capacity and effectiveness of public administration
✓ **Result orientation;**

- Major projects need to deliver significant contribution to results that the priorities of EU programmes aim to achieve;

✓ **Ex-ante conditionalities;**

- Projects should follow Strategy; not that Strategy follows projects;

✓ **Concentration;**

- Scope of major projects need to be concentrated on the best "value for money";

✓ **Integrated programming;**

- Effects of major projects may be dependent on the links with other projects and legislative framework;
Major projects in the Operational Programme 2014-2020
Operational programme 2014-2020

The main role of the operational programme is to set out a coherent intervention strategy for the MS/region/sectors

Core elements:

- Selection of thematic objectives, investment priorities, allocations and justification – intervention logic
- Financing plan and list of major projects
- Integrated approach to territorial development; specific needs and demographic challenges
- Ex ante conditionalities
- Performance framework

Short, concise programmes with a clear focus on results
Major projects in the Operational Programme 2014-2020: they have to be in line with the intervention logic
Challenges in the project life cycle

Programming
- Quality of applications
- Period of decision-making
- Quality of quality control
- Capacity to be preventive

Implementation
- Quality of procurement
- Administrative capacity
- Quality of contract management
- Quality of monitoring
- Quality of payment procedures

Evaluation
- Quality of quality check
- Quality of reporting
- Self-corrective measures
- Reaction time

Regional Policy
**Key general challenges for major projects**

- High quality project design;
- Procurement procedures;
- Environmental Impact Assessment;
- State Aid aspects;
- Consistency with the programme;
- Timely implementation;
- Timely availability of financial resources.
Key specific challenges for major projects

✓ **Water sector** - risk of overcapacity;
  - low connection rates;

✓ **Waste sector** - risk of non-compliance with waste hierarchy requirements;
  - active participation of population in sustaining the project results;

✓ **Transport sector** - environmental impact assessment;
  - integrated intermodal planning;
  - demand projections;

✓ **Productive investments** – profitability.
# Legal Base – core articles

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Articles</th>
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<tbody>
<tr>
<td><strong>Common Provisions Regulation (Reg 1303/2013)</strong></td>
<td>Article 100-103 Major Projects</td>
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<tr>
<td></td>
<td><em>Definition, specific documentation, decision of a major project</em></td>
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<td>Articles 58 Role of the EIB</td>
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<td>Article 96 Relation OPs-MPs</td>
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<tr>
<td><strong>European Territorial Cooperation (ETC) (Reg 1299/2013)</strong></td>
<td>Art. 8</td>
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Definition of major project (art.100 of EU Reg. 1303/2013):

an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature which has clearly identified goals and for which the total eligible cost exceeds EUR 50 000 000 and
Definition of major project (art.100 of EU Reg. 1303/2013):

in the case of operations contributing to the thematic objective under point (7) of the first paragraph of Article 9 where the total eligible cost exceeds EUR 75 000 000 (the 'major project'). Financial instruments shall not be considered to be major projects.
Article 101 Information necessary for the approval of major projects

(a) **the body** to be responsible for implementation of the major project, and its capacity;
(b) a **description of investment** and its location;
(c) **total cost and total eligible cost**, taking account of the requirements set out in Article 61
(d) **feasibility studies** carried out, including the options analysis, and the results;
(e) a **cost-benefit analysis**, including an economic and a financial analysis, and a risk assessment;
Article 101 Information necessary for the approval of major projects

(f) an analysis of the environmental impact, taking into account climate change adaptation and mitigation needs, and disaster resilience;

(g) the consistency with the relevant priority axes of the operational programme or operational programmes concerned, and its expected contribution to achieving the specific objectives of those priority axes and the expected contribution to socio-economic development;
Article 101 Information necessary for the approval of major projects

(h) the financing plan showing the total planned financial resources and the planned support from the Funds, the EIB, and all other sources of financing, together with physical and financial indicators for monitoring progress, taking account of the identified risks;

(i) the timetable for implementing the major project and, where the implementation period is expected to be longer than the programming period, the phases for which support from the Funds is requested during the 2014 to 2020 programming period.
Additional requirements for 2014-2020:

**Legislative:**

- The Commission Delegated act no 480/2014 on the methodology to undertake IQR / the revenue-generating projects
Methodology to for carrying out quality review of MP

✓ Requirements for independent experts, and the procedure to accept proposals for experts from the MS;
✓ Principles of work of independent experts;
✓ Criteria for the quality review, included in Annex II to this act;
**Additional requirements for 2014-2020:**

*Legislative: Implementing Act on notification form*  
Additional requirements for 2014-2020:

Legislative: Implementing Act on application form and CBA


Additional requirements for 2014-2020:

Non-Legislative: CBA guide
Key differences between 2007-2013 and 2014-2020
Key changes in MP 2014-2020

- Compulsory list of major projects in the operational programmes;
- Stronger role of independent experts
- Fewer major projects: the thresholds are higher and based on total eligible cost
Key changes in MP 2014-2020

- Stronger focus on realisation of major projects: all decisions are conditional;
- Simplified rules for CBA and grant calculations: "flat rates", updated CBA aiming at simplification while keeping essentials;
Key changes in MP 2014-2020

- Certification of expenditure possible when the project is submitted to the Commission.
## Key differences (1)

<table>
<thead>
<tr>
<th>Item</th>
<th>2007-2013</th>
<th>2014-2020</th>
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<tr>
<td><strong>Threshold</strong></td>
<td>EUR 50 million for all projects (total cost)</td>
<td>EUR 50 million (general rule) EUR 75 million transport (for both based on total eligible cost)</td>
</tr>
<tr>
<td><strong>List of MPs in OPs</strong></td>
<td>Indicative</td>
<td>Compulsory and Comprehensive</td>
</tr>
<tr>
<td><strong>Approval of MP</strong></td>
<td>Compulsory appraisal by the Commission</td>
<td>Two possibilities: 1. Notification: with ex-ante involvement of independent external experts 2. AF based submission to the EC – as in the 2007-2013 programming period</td>
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## Key differences (2)

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<td><strong>Payment applications</strong></td>
<td>Expenditure relating to major projects can be included in payment applications <em>before</em> the project has been approved by a Commission decision. This was abandoned when the Regulation was amended.</td>
<td>Expenditure relating to major projects may be included in payment applications only: <em>after</em> 1. the notification to the Commission of the major project decision by the Managing Authority, or 2. the submission for approval of the major project application to the Commission.</td>
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# Key differences (3)

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<tr>
<td><strong>Validity of the Commission approval</strong></td>
<td>A Commission decision on a major project is valid for the <strong>entire programming period</strong></td>
<td>The approval by the Commission shall be <strong>conditional</strong> on the first works contract (or PPP agreement) being concluded ... <strong>within three years of the date of the approval of the project by the Commission</strong>. The deadline could be extended in duly motivated cases by not more than two years.</td>
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### Key differences (4)

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<td>Consistency with the EU policies</td>
<td>Analysed and verified by the Commission during the <strong>appraisal process</strong> of a major project</td>
<td>Analysed and verified during assessing the <strong>fulfilment of the ex-conditionalities</strong> plus in case of non-compliance consistency with the agreed action plan will be checked</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: compliance with EU and national law will still be verified (art. 6 of 1303/2014)</td>
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Major project decision procedures 2014-2020
Project approval - Notification procedure

When the project is assessed by independent experts:

- Managing Authority provides the complete information to experts as specified in Article 101 (a)-(i)
- The experts produce an independent Quality Review Report, which includes an appraisal of the available information required in Article 101 (a)-(i)
- in addition, the experts provide a clear statement on the investment's feasibility and economic viability as required in Article 102.1 (b)

**NEW:** Commission defines the format of the independent expert review in the Delegated Act.
Project approval – Application Form based procedure

When the project is directly sent for the **Commission's appraisal** (Article 102.2):

- Managing Authority provides **the complete information on a project** to the Commission as specified in Article 101 (a)-(i)
- The provided information is the same as in case a major project would be appraised by independent external experts.
- The appraisal process done by the Commission is similar to that in the 2007-2013 programming period
Project Approval - scope of the Commission's review

NOTIFICATION

- Commission assesses the information provided in the Notification (limited assessment)
- Two steps: acceptance of a Notification for further appraisal by the Commission and launching of the Intra and Inter-Service Consultations

AF BASED SUBMISSION

- Commission assesses the complete documentation on the project (full assessment)
- Two steps: acceptance of a full application for further appraisal by the Commission and launching of the Intra and Inter-Service Consultations
IMPLEMENTING ACT ON THE METHODOLOGY FOR THE COST-BENEFIT ANALYSIS
Article 101 (1) of CPR - the Commission shall adopt implementing acts establishing the methodology to be used based on recognised best practices, in carrying out the cost-benefit analysis:

- Implementing Act for CBA methodology
  
  - to present a set of working rules to ensure consistency and rigour in preparing CBAs and their assessment

- Practical guide to CBA (update of 2008 guide)
  
  - to provide project promoters with practice-oriented methodological guidance for the preparation of CBA
ELEMENTS OF CBA

2.1 Presentation of the socio-economic context and definition of objectives, identification of the project, feasibility of the project with demand and option analysis

2.2 Financial analysis (some elements in Delegated Act on revenue generation)

- Carried out from the point of view of the project owner and/or operator (if not the same entity – a consolidated analysis)
- Carried out in constant prices
- Discounted cash flow methodology (4% FDR in real terms)
- Reference periods by sector Determination of costs, revenues and residual value, in compliance with polluter-pays principle, full-cost recovery, affordability
Financial analysis

- Evaluation of financial profitability of the investments and own (national) capital
  - FNPV/C before EU contribution must be negative
  - FRR/C must be lower than FDR
- Ensuring financial sustainability (key aspects)
- Financial analysis in Public Private Partnership
Economic analysis

✓ Key steps of economic analysis:
(simplification: conversion of market to shadow prices - if conversion factors not available at national level and in absence of significant market distortion CF=1)

✓ Social discount rate of 5% for cohesion MS and 3% for others; different SDR if justified
Economic analysis

✓ Calculation of the economic performance indicators (ENPV > 0, ERR > SDR and B/C > 1)

✓ The main economic benefits by sector to be considered

✓ Simplified economic analysis in special cases (e.g. projects driven by compliance) – cost-effectiveness analysis with qualitative assessment of main economic benefits
ELEMENTS OF CBA

2.4 Risk assessment

- Sensitivity analysis
- Qualitative risk analysis including measures for risk mitigation and risk matrix
- Optional: probabilistic risk analysis (required only if residual risk exposure is still significant)
- The minimum risks to be taken into account
Info sources


Thank you for your attention

For further information please contact
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