



UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

**Conference on Financing development of road and rail transport
infrastructures**

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Opening address by

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for Europe**

Excellencies, Ladies and Gentlemen,

Please allow me first to welcome you all to this very important gathering. I would also like to thank Austrian Government, especially Madame Bures, Federal Minister of Transport, and our colleagues from OSCE, who provided their support to the UNECE in organizing this Conference.

I am pleased to see that the issue of infrastructure financing attracted so much interest among governments, financial institutions and representatives of road and rail sector industries.

The UNECE Trans-European Motorways (TEM) project from 1977 and Trans-European Railway (TER) project from 1990 have been instrumental in providing an efficient sub-regional cooperation framework to almost twenty Central, Eastern and South-Eastern European countries¹.

Since the time when these two projects have been launched, Europe has gone through profound political and economic changes. The results achieved by the projects have indeed confirmed their utility. This fact is confirmed by undiminished interest of governments to continue their cooperation in order to improve the quality and efficiency of transport operations, to intensify the integration process of European transport infrastructure systems, and to develop a coherent and efficient international road and railway transport system in accordance with the UNECE Pan-European infrastructure agreements. This has been achieved by constantly taking into account evolving political and economic realities in the region. Armenia and Georgia have recently joined TER and TEM, Azerbaijan is on the way to becoming a TEM member, and Russia and Serbia have joined the TER – all this speaks in favour of this formula of cooperation and the positive assessment of the results of both projects by Governments of involved countries.

Indeed, by developing, revising and refining the backbone TEM and TER network, participating Governments supported by Project's central offices and the UNECE secretariat were able to ensure the coordination of actions leading to the establishment of transport networks, based on commonly accepted standards and practices.

A network of more than 22,000 kilometres of roads was established in TEM project. More than 27 per cent of this network is in operation, and about 8 per cent is under construction, despite the significant financial difficulties of most countries in the region. This has been achieved on the basis of scientific assessment and long, permanent political dialogue and

¹ Countries participating in TEM and TER are: Armenia, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Georgia, Greece, Hungary, Italy, Lithuania, Poland, Romania, Russian Federation, Slovak Republic, Slovenia, Serbia, and Turkey.

co-operation between participating countries. TEM project also contributed to the formation of present Trans-European Transport Network (TEN-T) of the European Union in which TEM network constitutes an integral part. Furthermore, the TEM project contributed to the improved preparation and implementation of infrastructure project proposals, to the improvement of national techniques and know-how of construction, management, operation and maintenance of motorways, and to better performance of the whole road sector including contractors, administrators and public sector.

The TER project, through elaboration and introduction of TER network plan, including nodal and border stations and their constant revision, assisted in the development of rail infrastructures in TER countries. The project elaborated studies for economic evaluation of railway projects, pre-feasibility studies on two corridors - Baltic Sea/Black Sea/Eastern Mediterranean - and- Adriatic Sea/Baltic Sea and created the data base and data bank on infrastructure and rolling stock. The project also established agreements on technical and operational parameters and produced technical standards, guidelines, and recommendations on different railway issues. Through these and other activities, the TER project provided continuous support to the European integration process by assisting in implementation of EU directives on infrastructure, access charges and was instrumental in knowledge dissemination and exchange of expertise and know-how.

TEM and TER also played an important role in capacity building. By organising over 40 training courses and seminars in which several hundreds of technical experts were trained as well as through the organisation of regional conferences and round tables, both projects further contributed to the strengthening of co-operation among Western, Central, Eastern and South-East European countries and international institutions.

The TEM and TER Master Plan, reflecting the priority transport infrastructure needs of Central, Eastern, and South-Eastern European countries, was published in 2005. This was an important achievement because it identified the backbone road and rail networks in those countries and presented a realistic investment strategy to gradually develop these networks. The revised TEM and TER Master Plan proposes a total of 558 projects and their aggregated implementation will need almost 172 billion Euros. You will hear more details about it later. The implementation of such an investment plan is aimed at contributing to the economic growth of the countries concerned and to the well being of their populations, as well as assisting the integration and harmonization of transport within Europe and beyond. With this Plan, TEM and TER Projects provided substantial contribution to the extension of European Union TEN-T network, better complementarity of transport modes, and better efficiency of transport infrastructure.

The TEM and TER Master Plan achieved its initial goal, but the projects identified by it have encountered funding difficulties and their implementation has slowed. These difficulties

were accentuated by the arrival of the world financial and economic crisis in 2008 and the new emerging developments in transport sector prompted the participating Governments to undertake the revision of the Master Plan.

Revision of the TEM and TER Master Plan started in September 2008 when the financial crisis started to have profound impact on national economies. Therefore, the part of the new, revised Master Plan which deals with securing of funding and ensuring financing of projects became even more important. Resources from the public sector's pool of general revenue are today - and will most likely continue to be - a primary means of financing much of European countries' transport systems. However, given the increasingly difficult financial environment which imposed budgetary savings and capital market restrictions, securing financing from public sector will continue to be difficult.

All Governments are facing pressure on their ability to meet transport infrastructure needs. In most countries, public budgets are not perceived to be sufficient to fulfil this need and very often there is a conflict with other policy priorities and the needs of other sectors. The public discourse has thus turned to "innovative" financing as the solution, especially through PPPs which are often seen as a way of bringing in "new money".

The picture in the UNECE region is varied. Most roads in the UNECE region are publicly provided and most are not directly charged for use. PPPs still account for a minority of investments and usually focus on high profile, high capacity individual links. The rail infrastructure in Europe is mostly publicly owned with independent operators providing the service. In UNECE countries there exists a great variety in public subsidisation and cost recovery schemes. PPPs are less used in railways, but have a similar focus as in roads.

Ensuring adequate provision of infrastructure is a key responsibility of Governments because transport sector has important implications for society and the economy. Also, the nature of transport infrastructure does not allow for full reliance on market forces. Thus, ensuring an adequate provision of infrastructure involves a wide range of tasks over a long term period: administrative (policy setting, planning, needs assessment, project conceptualisations and development, procurement, regulation, oversight); financing (of the sector and of specific initiatives); construction (building and maintenance) and operation.

However, not all of these must be carried out by a Government. Some tasks are sovereign and some are operational and thus could be delegated. There are different models of delegation of responsibility, degrees of direct public control and provision of tasks by a Government ministry or other possible actors (public agency, publicly owned companies, mixed companies, not-for-profit companies or entirely private companies). The choice of a model will correspond to main policy objectives of a government and will reflect the consensus between political actors in each country.

In each economy there are only two main sources of financing – users and taxpayers. Channels for financing (subsidies, private borrowing, user charges and related services and property) are also limited. Therefore, investments needed for a particular infrastructure project will only be made if a country allocates sufficient resources of its own or is able to raise sufficient external finance. The experience so far has shown that, with regard to international funding, the financing packages must meet the following requirements.

- ***Financing must be based on feasibility studies.*** Only economically viable projects will have access to international financing. Proper planning, prioritisation and project definition involving various alternatives should precede a comprehensive feasibility study incorporating an economic, social and environmental analysis. International Financial Institutions (IFIs) could play an important advisory role during this process.
- ***Financing must be appropriate.*** Every project requires a specific financial structure, adequately blending funds from the national budgets, International Financial Institutions, the EU assistance funds or financial markets. For financing packages to be as effective as possible, there must be transparency and sound co-ordination between the various sources of financing and especially between the various IFIs involved. This financial coordination must be ensured.
- ***Financing involving PPPs.*** If a rigorous, realistic approach to the way public and private funds are to be combined can be developed, PPPs can provide an interesting alternative, but they must only be one financing option among others. Financing packages for PPPs are complex and if they are to be a success, they require good quality projects as well as good governance in the countries concerned.
- ***Financing must be sustainable.*** Whatever the contribution of the private sector and the IFIs, a very substantial part of financing will continue to be provided by national public funds. It is therefore essential to stabilise the national sources of financing, notably against political changes or budgetary constraints.
- ***Financing should be linked to infrastructure use.*** Transport infrastructure should be financed at least in part, by dedicated tolls, charges or other user taxes. Co-ordination and harmonization of pricing systems should be ensured in order to simplify payment operations.

In addition, I would like to underline that there is and there should be a growing responsibility for sustainable development. In this regard, the investment plans of governments are expected to give higher priority to rail infrastructure development in

order to strengthen the position of railways to keep or even improve their share in the modal split.

Excellencies, Ladies and Gentlemen,

In conclusion, I expect that today's Conference will highlight the results of this just accomplished and huge work on the need to secure funds for priority projects in the TEM and TER networks.

Our objective with this Conference was to bring together governments, international organisations and financial institutions, businesses and academia and provide them with the opportunity to have a constructive discussion and an exchange of views on many challenges we are facing in meeting the transport infrastructure needs of our society. I believe that you will make the most of this opportunity and I wish you a fruitful and successful conference.