



**UNECE, Transport Division, TER**

# **Funding considerations and TER Master Plan projects' funding securitisation**

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## Background

The main goals of TER participating countries are:

- ❑ Effective railway infrastructure harmonised and integrated into the single European market, and
- ❑ Welfare for the population and local economies providing the access to the standardised and high-level services in goods and passenger rail transport.

TER “backbone network” , drafted in the Master Plan of July 2006, identified **172 projects** with the cost estimate at **52.5 billion Euros**.

## Scope of activities (TER component only)

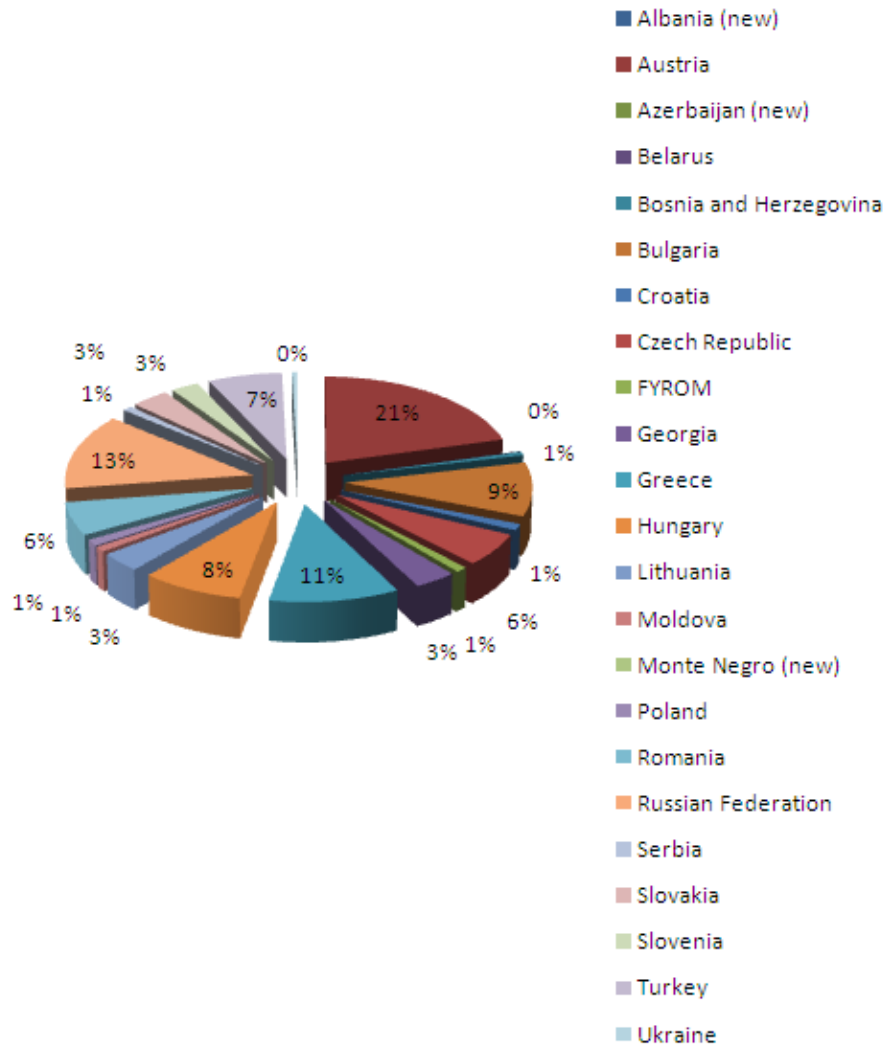
- ❑ Identification of possible sources of funding for these projects (Task 9.1),
- ❑ Assessment of application of the projects' evaluation criteria on socio-economic return on investment and on financial feasibility prioritisation (Task 9.3),
- ❑ Addressing funding considerations for non-secured or partly secured TER Master Plan projects (Task 9.5),
- ❑ The prerequisites for the bankable projects and the steps to be followed for ensuring funding (Task 9.9),
- ❑ Establishment of technical and institutional actions required to secure missing funds (Task 9.10)

# TER projects summary

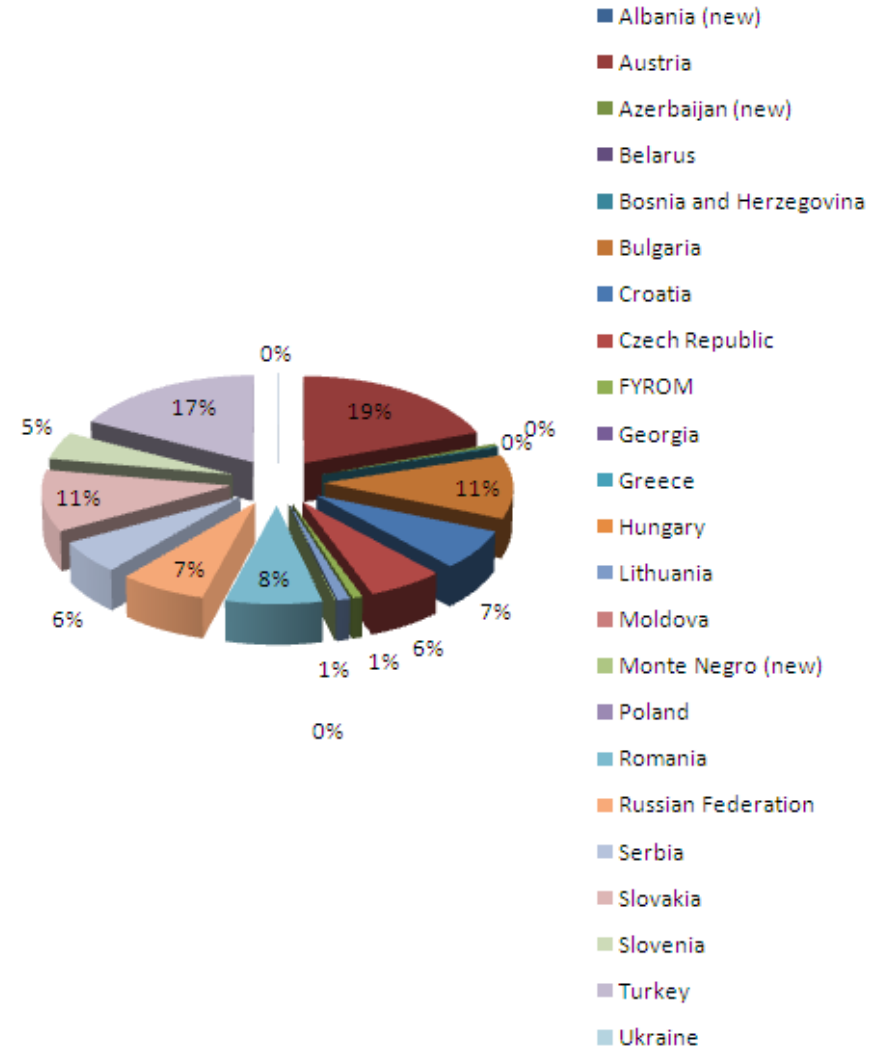
No.	Country	2006		2010		Note
		No. of projects	Cost Estimate (mil. Euros)	No. of projects	Cost Estimate (mil. Euros)	
1	Albania (new)			3	29.00	1 project without CE in 2010
2	Austria	6	10,900.00	17	13,639.00	
3	Azerbaijan (new)			2	319.00	1 project without CE in 2010
4	Belarus	1	0.57			No updates
5	Bosnia and Herzegovina	7	354.10	8	130.00	5 projects without CE in 2010
6	Bulgaria	8	4,969.00	9	7,845.00	
7	Croatia	16	595.60	16	4,839.00	1 project without CE in 2010
8	Czech Republic	8	3,042.92	5	4,367.00	
9	FYROM	5	511.60	5	580.00	3 projects without CE in 2006
10	Georgia	2	1,826.37			2 projects beyond 2020
11	Greece	12	5,626.43			No updates
12	Hungary	23	4,405.35			No updates
13	Lithuania	22	1,803.10	32	739.00	9 projects without CE in 2010
14	Moldova	2	482.31			No updates
15	Monte Negro (new)			2	41.00	
16	Poland	6	594.50			All projects completed before 2010?
17	Romania	4	3,072.10	6	5,549.00	
18	Russian Federation	19	7,000.00	32	5,009.00	Estimate from mixed TEM/TER projects in 2006. 2 projects without CE in 2010
19	Serbia	13	465.10	11	4,021.00	
20	Slovakia	5	1,820.51	13	7,559.00	
21	Slovenia	7	1,314.60	9	3,401.00	1 project without CE in 2010
22	Turkey	4	3,534.80	21	12,221.00	
23	Ukraine	2	239.80			No updates
	<b>Totals:</b>	<b>172</b>	<b>52,558.76</b>	<b>191</b>	<b>70,288.00</b>	

# TER Master Plan 2006 and 2010

## Master Plan in 2006 (TER)



## Master Plan in 2010 (TER)



## Changes in TER projects

No.	TER country	Project change	Cost estimate change in billion Euros
1.	Austria	+11	2.7
2.	Bulgaria	+1	2.9
<b>3.</b>	<b>Croatia</b>	<b>0</b>	<b>4.3</b>
4.	Czech Republic	-3	1.3
5.	Lithuania	+10	-1.1
6.	Romania	+2	2.5
7.	Russian Federation	+13	-2.0
8.	Serbia	-2	3.6
<b>9.</b>	<b>Slovakia</b>	<b>+8</b>	<b>5.7</b>
10.	Slovenia	+2	2.1
11.	Turkey	+17	8.7

**Belarus, Georgia, Greece, Hungary, Moldova, Poland and Ukraine did not provide the updated data. Greece and Hungary counted around 10 billion Euros investment, which is one fifth of the Master Plan from 2006.**

# Secured sources of funding

Project ID	Cost estimate in million Euros	Percentage of secured funding source			
		National	Bank	Grant	Private
AT-R-2	1,123		100%		
AT-R-3	109		100%		
AT-R-4	685		100%		
AT-R-5	105		100%		
AT-R-6	654		100%		
AT-R-7	189		100%		
AT-R-8	348		100%		
AT-R-9	113		100%		
AT-R-10	138		100%		
AT-R-11	2,988		100%		
AT-R-13	116		100%		
AT-R-14	1,339		100%		
AT-R-15	4,784		100%		
AT-R-16	276		100%		
AT-R-17	381		100%		
AT-R-20	95		100%		
AT-R-21	196		100%		
GR-R-1	356	50%		50%	
GR-R-2	505	42%		42%	
GR-R-3	633	24%		24%	
GR-R-4	221	50%		50%	
GR-R-5	826	32%		32%	
GR-R-6	216	50%		50%	
GR-R-7	63	15%		85%	
GR-R-8	101				
GR-R-9	5	50%		50%	
GR-R-10	1,510				
GR-R-11	776				
GR-R-12	415				

**EU countries  
before May 2004**

# Secured sources of funding

Project ID	Cost estimate in million Euros	Percentage of secured funding source			
		National	Bank	Grant	Private
BG-R-1	340	11%	44%	45%	
BG-R-2	180	9%	50%	41%	
BG-R-3	40	20%		80%	
BG-R-4	4,800	20%		80%	
BG-R-5	1,600	20%		80%	
BG-R-6	300	20%		80%	
BG-R-7	200	100%			
BG-R-8	85	20%		80%	
BG-R-9	300	20%		80%	
CR-R-3	510	100%			
CR-R-7	65	100%			
CR-R-9	18	17%		83%	
CR-R-15	90	100%			
CZ-R-1	1,400	38%	21%	41%	
CZ-R-3	669	42%	23%	35%	
CZ-R-4	505	42%	35%	23%	
CZ-R-7	1,479	42%	23%	35%	
CZ-R-8	314	38%	21%	41%	
LT-R-1	41			85%	15%
LT-R-2	8			85%	15%
LT-R-3	89			85%	15%
LT-R-4	9			85%	15%
LT-R-5	39			85%	15%
LT-R-8	19			85%	15%
LT-R-9	161			85%	15%
LT-R-10	30			85%	15%
LT-R-11	26			85%	15%
LT-R-12	54	15%		85%	
LT-R-13	3			85%	15%
LT-R-14	7			85%	15%
LT-R-15	21			85%	15%
LT-R-16	29			85%	15%
LT-R-17	13			85%	15%
LT-R-21	20			85%	15%
LT-R-22	7			85%	15%
LT-R-23	15			85%	15%
LT-R-24	25			85%	15%
LT-R-25	22			85%	15%
LT-R-26	27			85%	15%
LT-R-27	47			85%	15%
LT-R-28	27	73%	27%		

Project ID	Cost estimate in million Euros	Percentage of secured funding source			
		National	Bank	Grant	Private
RO-R-3	802	20%	45%	35%	
RO-R-5	250	15%		85%	
RO-R-6	199	25%		75%	
SK-R-1	216	44%	10%	55%	
SK-R-3	363	10%		50%	40%
SK-R-4	53	40%		60%	
SK-R-5	1,118	30%		70%	
SK-R-6	564	19%		81%	
SK-R-9	82	18%		82%	
SK-R-10	388	18%		80%	2%
SK-R-13	788	16%		84%	
SL-R-1	95	74%		26%	
SL-R-4a	145	65%		35%	
SL-R-5	141	59%		41%	
TR-R-1	2,400	25%	75%		
TR-R-2	500	100%			
TR-R-3	910	100%			
TR-R-5	390	10%	90%		
TR-R-7	1,700	25%	75%		
TR-R-8	2,000	10%		90%	
TR-R-9	140	15%	85%		
TR-R-10	60	15%	85%		
TR-R-11	320	15%	85%		
TR-R-12	100		100%		
TR-R-15	130		100%		
TR-R-16	50	100%			
TR-R-19	10		100%		
TR-R-21	166	100%			

**EU countries after  
May 2004 and  
acceding countries**



## Secured funds by now-major conclusions

- ❑ National budgets and bank loans are participating substantially in implementation of TER projects.
- ❑ Private funding is participating substantially in case of Lithuania only.
- ❑ There is an obvious strong link between a country's status in respect of EU and access to the EU funds.
- ❑ What about **funding policy to non-acceding countries** in respect to TER projects?

## Main factors to secure funding

- Level of political, economic and social development of a country.
- Disposable incomes of taxpayers in a country.
- Extent and efficiency of taxation instruments.
- Flexibility of financial market in a country.
- Accessibility of a country to international financial markets.

## Government budget vs. “Off the budget”

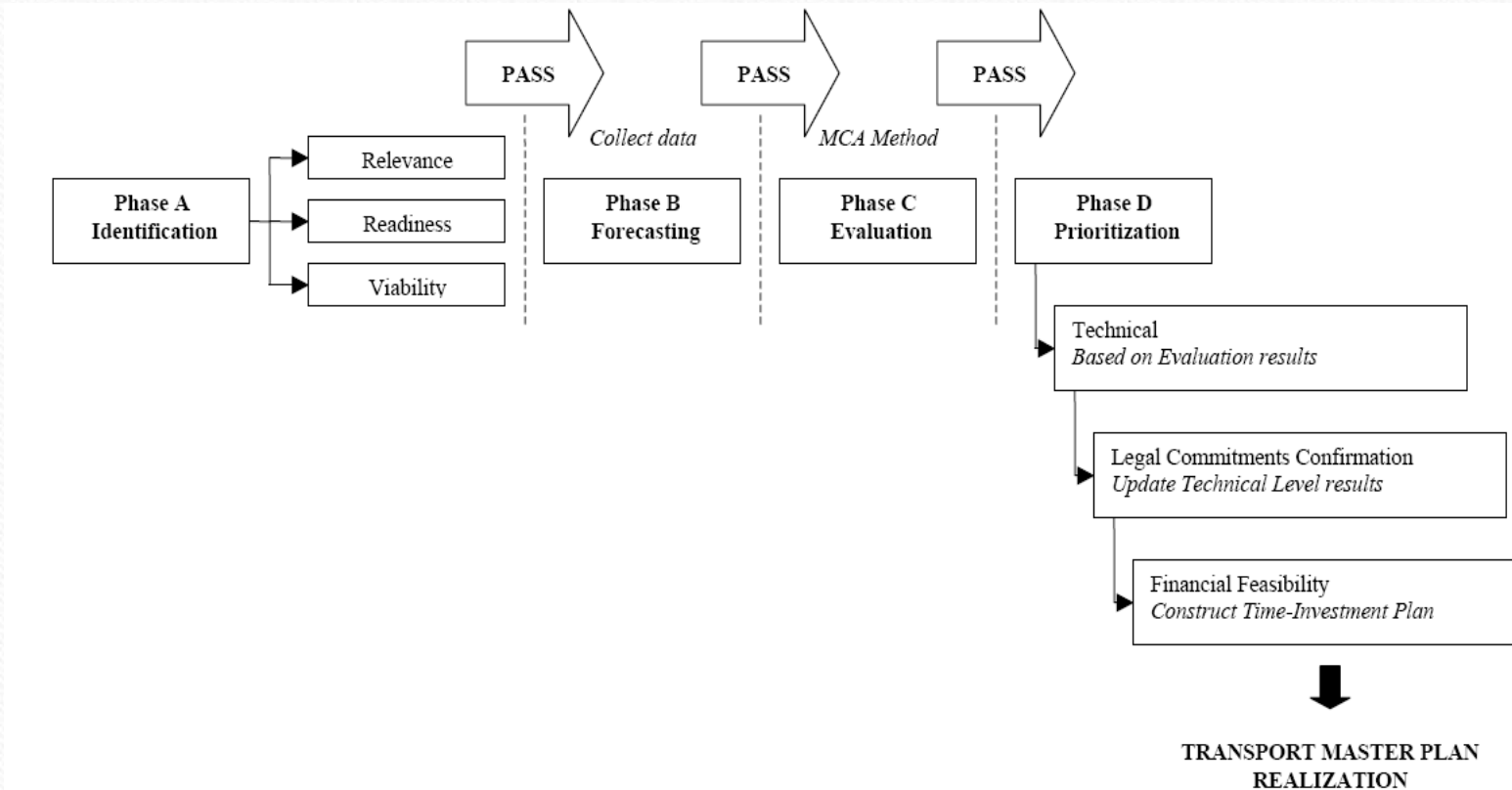
Government budget is a “traditional” source of funding, which refers to direct allocation of funds to a project from the country’s budget in general no matter to the government hierarchy.

“Off the budget” is a source, which uses indirect allocations collected from users and taxpayers.

- ❑ User charges (fees and earmarked taxes),
- ❑ Debts (loans and bonds),
- ❑ Capital markets (PPP, various financial tools, etc.)

# Reflection of TER projects evaluation criteria

The evaluation procedure applied for MP 2006 was divided in 4 phases below:



## Evaluation-Phase “C”

Two clusters: socio-economic return on investment and functionality-coherency of the network.

### Socio-economic return on investment:

- degree of urgency,
- cost-effectiveness,**
- relative investment costs,
- level of traffic demand,
- financing feasibility

### Functionality-coherency of the network:

- importance of traffic demand in international traffic
- alleviation of bottlenecks,
- interconnection of existing networks,
- interoperability of networks

## Evaluation-Phase “D”

Prioritisation of TER projects was based on the following:

- ❑ Technical prioritisation resulting from scores,
- ❑ Compliance with the pre-set priorities, like TEN-T network for EU countries, and
- ❑ Financial prioritisation resulting from the **financial capability** of a country (1.5% of GDP).

# A need for revised context? Slovakia case

Code	Project title	Year						Total costs	Category	Class	Start year	End year
		2008	2009	2010	2011	2012	2013					
SK-M-5	Motorway D3 Cadca, Bukov - Svrčinovec					21.3	21.3	42.5	II	2	2011	2022
SK-M-6	Motorway D3 Svrčinovec - Skalite				47.5	47.5	47.5	142.5	II	1	2004	2023
SK-H-1	Expressway R3 Horna Stubna, bypass	3.8	3.8	3.8	3.8			15.0	II	2	2011	2019
SK-H-2	Expressway R4 Kosice - Milhost			24.8	24.8	24.8	24.8	99.0	I	1	2004	2018
SK-H-3	Expressway R4 Svidnik, relocation	5.3	5.3	5.3				15.8	II	2	2011	2019
SK-M-7	Motorway D1 Sverepec - Vrtizer	126.7	126.7	126.7				380.0	I	1	2004	2018
SK-M-8	Motorway D1 Hricovske Podhradie - Dubna Skala			269.6	269.6	269.6	269.6	1,078.4	I	1	2004	2018
SK-M-9	Motorway D1 Dubna Skala - Turany		38.8	38.8	38.8	38.8	38.8	194.0	I	1	2004	2022
SK-M-10	Motorway D1 Turany - Hubova			101.6	101.6	101.6	101.6	406.4	II	2	2011	2024
SK-M-11	Motorway D1 Hubova - Ivachnova		71.0	71.0	71.0	71.0	71.0	355.0	I	1	2004	2023
SK-M-12	Motorway D1 Janovce - Jablonov	62.0	62.0	62.0	62.0	62.0	62.0	372.0	II	2	2011	2022
SK-M-13	Motorway D1 Jablonov - Beharovce		21.0	21.0	21.0			63.0	II	2	2011	2020
SK-M-14	Motorway D1 Fricovce - Svinia			50.3	50.3	50.3	50.3	201.0	II	2	2011	2024
SK-M-15	Motorway D1 Presov West - Presov South					48.6	48.6	97.2	II	2	2011	2024
SK-M-16	Motorway D1 Budimir - Bidovce				41.7	41.7	41.7	125.0	II	2	2011	2022
<b>SK-M-19</b>	<b>Motorway D4 Intersection Stupava, south</b>		10.0	10.0				20.0				
SK-R-1	Modernization of line Zilina – Krasno nad Kysucou		72.0	72.0	72.0			216.0	II	2	2007	2011
SK-R-3	Modernization of line Kysak - Kosice						72.6	72.6				
SK-R-4	Station Cierna nad Tisou BG and NG		17.7	17.7	17.7			53.0				
SK-R-5	Modernization of line Nove Mesto nad Vahom - Puchov		223.6	223.6	223.6	223.6	223.6	1,118.0	II	1	2007	2009
SK-R-6	Modernization of line Puchov - Zilina						112.8	112.8				
SK-R-9	Modernization of line Kutý – Czech border				20.5	20.5	20.5	61.5				
SK-R-10	Modernization of line Kutý - Bratislava				55.4	55.4	55.4	166.3				
SK-R-11	Modernization of line Kosice – Cierna nad Tisou		141.8	141.8	141.8	141.8		567.0				
SK-R-13	Modernization of line Krompachy - Kysak						157.6	157.6				
SK-R-14	Modernization of line Liptovsky Mikulas - Poprad						236.4	236.4				
SK-R-15	Modernization of line Poprad - Krompachy						280.6	280.6				
	<b>Total costs in million Euros</b>	<b>197.7</b>	<b>793.5</b>	<b>1,239.7</b>	<b>1,262.9</b>	<b>1,218.3</b>	<b>1,936.6</b>					
	<b>GDP in million Euros</b>	<b>64,572.4</b>	<b>63,050.7</b>	<b>65,591.9</b>	<b>69,961.2</b>	<b>73,000.0</b>	<b>77,000.0</b>					
	<b>Investment costs to GDP ratio</b>	<b>0.31%</b>	<b>1.26%</b>	<b>1.89%</b>	<b>1.81%</b>	<b>1.67%</b>	<b>2.52%</b>					

## Basis for revised context

-The context of over-indebtedness risk is related to the policies of TER countries and policies of major IFIs. So, 1.5% of GDP and the GDP itself **should not be regarded as fixed values for such long term development projects**, as TER projects are. Also, the stated ratio does not seem to represent the threshold for over-indebtedness risk, because there are other components, which indicate it (certain macroeconomic indicators of a country), and **a country can make a decision to allocate more funds for investments in specified subsector like railways in order to meet the pre-defined objectives**. It is more a question of affordability and supporting instruments for a country's policy.

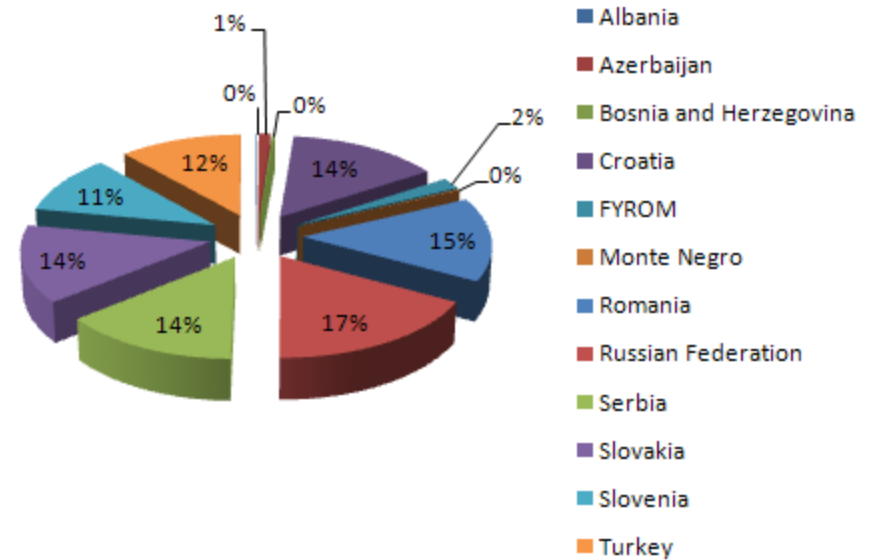
- The Transport Policy of a country has a major impact to the funds foreseen to be allocated into individual transport subsectors for their development (roads, railways, airports, etc.) and it does not need to be balanced in terms of "equalisation" between the subsectors. **It should be rather "harmonised" and "consistent" to the EU Transport Policy, which actually leaves more space for the railways** or to say TER projects



# Non-secured funds for TER projects

Country	Non-secured funds in million Euros
Albania	29
Azerbaijan	319
Bosnia and Herzegovina	70
Croatia	4,156
FYROM	580
Monte Negro	41
Romania	4,298
Russian Federation	5,009
Serbia	4,021
Slovakia	3,987
Slovenia	3,020
Turkey	3,345
<b>Total</b>	<b>28,875</b>

Non-secured funds for TER projects



## Opportunities to secure the funding

### Government budget-policy

A firm Government commitment to the implementation of TER projects in order to secure funds for co-financing and for public sector share in potential PPP scheme.

### “Off the budget”-policy

- ❑ IFI loans (EIB, EBRD)
- ❑ EU funds (ERDF, CF, IPA=Croatia, Turkey, FYROM)

CF has been using by Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia for period 2007-2013. CF is aimed to EU members whose GNI per capita is less than 90% of the EU average.

## Prerequisites for the bankable projects

Why do we need the Feasibility Study? To seek for funds of bankable projects!!

A Feasibility Study is based on **five "corner stones"**:

- ❑ Technical/Engineering=to reach physically measurable objectives at the lowest possible costs. Basis: **Preliminary Design.**
  - ❑ Environmental=to fit a project to the natural and human environment on sustainable base. Basis: **EIA/EIS.**
  - ❑ Economic=to justify an investment from the socio-economic point of view. Basis: **CBA.**
  - ❑ Financial=to create sustainable funding of a project. Basis: **Financial Appraisal.**
  - ❑ Institutional/Legal=to assess the risks that affect a project from instit. standpoint. Basis: **Risk Assessment.**
- A "sixth corner stone": **Traffic Study.**



**Thanks for your attention!**

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