



EU Broadband Policy, ERDF and EARDF

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DG CONNECT

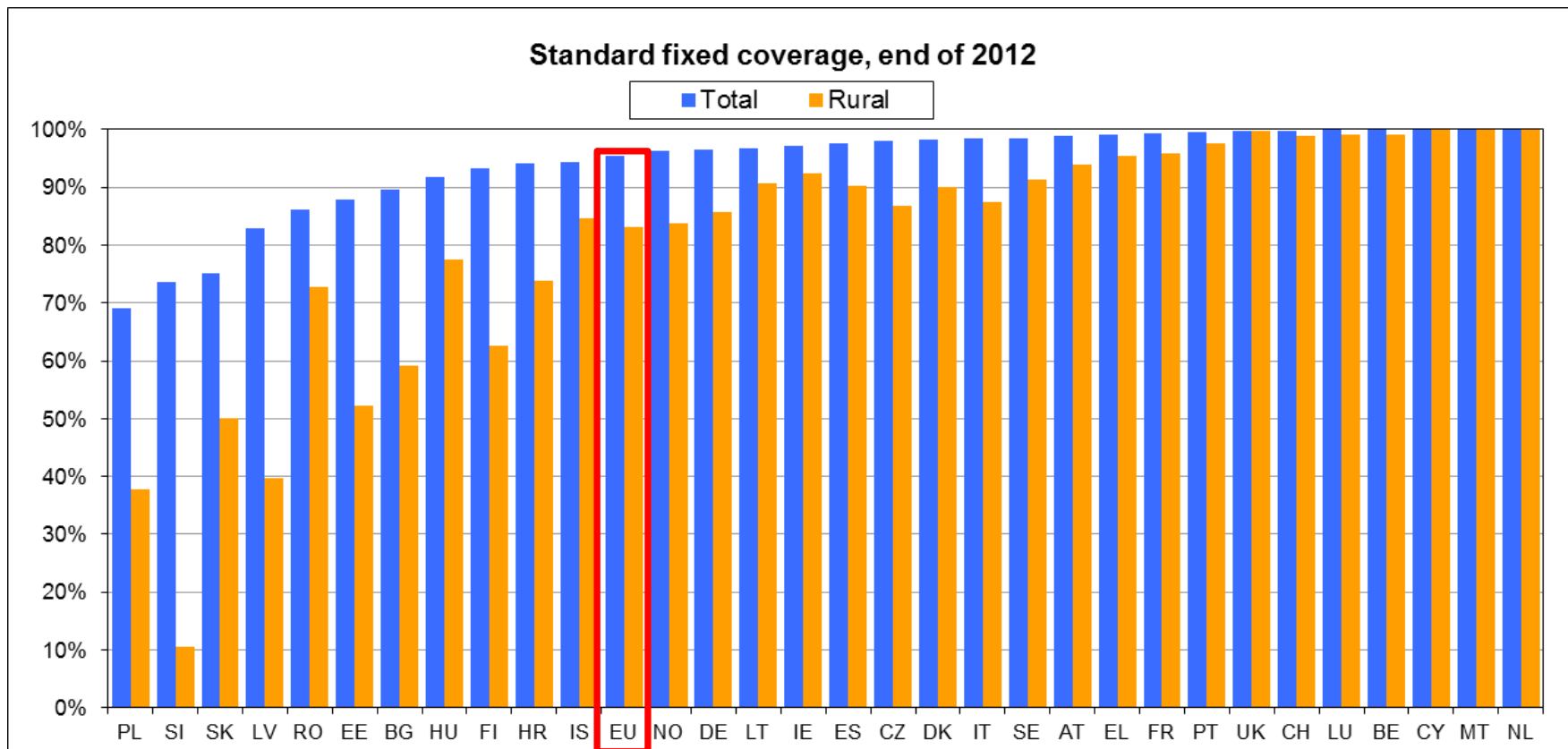
23 January 2014

SABER workshop



Standard fixed broadband* availability

adding wireless, EU coverage is 99.97%

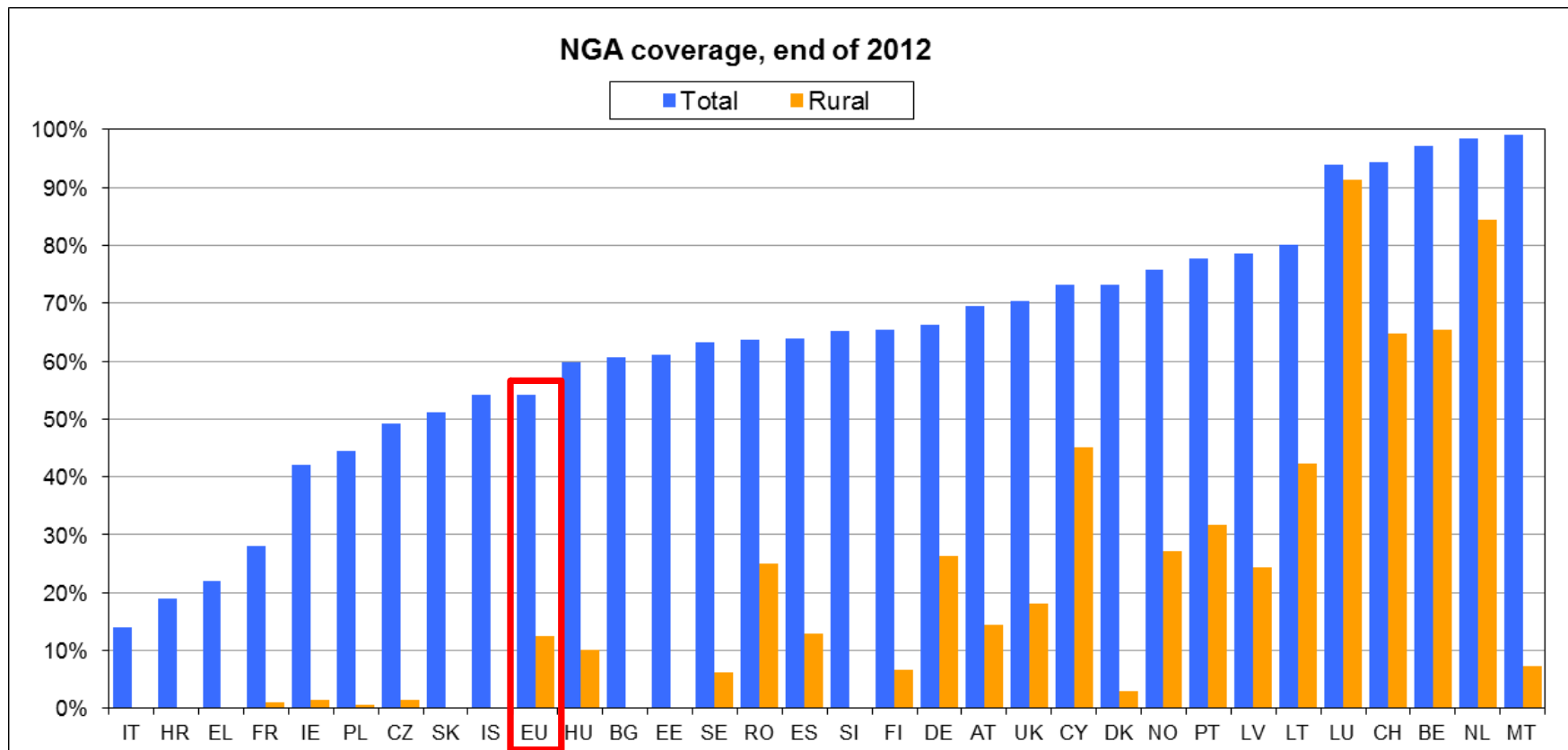


*xDSL, Cable, FTTP and WiMax; Source: Point Topic



NGA* availability (54% of EU homes)

But only 12% of EU rural areas are covered



* Next Generation Access (NGA): VDSL, Cable Docsis 3.0 and FTTP. Source: Point Topic

Market frictions in long-term funding for NGA infrastructure

- Long-dated NGA infrastructure projects are risky investments
- 2 categories depending on project's expected cash flows (CF):



CFs **sufficient** to cover risk-adjusted cost of capital

Market-driven investment, but: impeded by **financial market frictions**

CFs **not sufficient** to cover risk-adjusted cost of capital

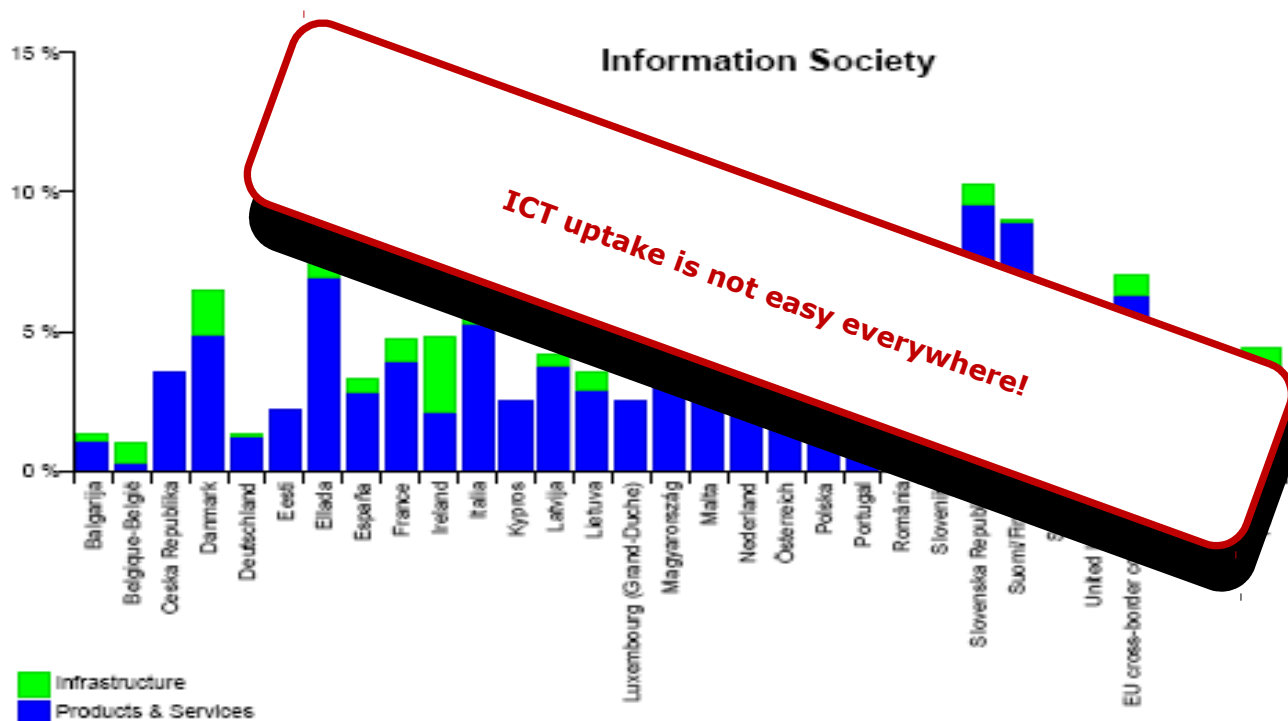
Public support:

- Risk-taking without compensation
- Grants (mainly Structural Funds, national schemes)

Basics on current Cohesion Policy

Funds allocated to ICTs in 2007-13:

- over **EUR 15 billion** or 4.4% of the total cohesion policy budget.
- Shift in the investment priorities **from infrastructure** to support for **content development**, both in the public sector (eHealth, eGovernment, etc.) and for SMEs (eLearning, eBusiness, etc.)



Broadband - Lesson learnt from the past(1)

Lack of implementation of investments in Broadband

Broadband investments were not enough linked to the real uptake of the technology by the end users

Public money used for broadband roll-out should leverage private investment and not replace it!

Better low speed broadband than no broadband, but priority is high-speed!

Projects should clearly demonstrate social and economic costs and benefits – avoid rent seeking of beneficiaries (lessons from current Major Projects)

Broadband - Lesson learnt from the past(2)

General difficulty of starting out at such an early stage of a new technology. For Broadband it is important to install a **sufficient capacity** (number of fibres) in order to avoid a successive upgrade.

A key source of cost savings measure is the coordination of civil works and re-use of existing infrastructure. For example, if existing ducts can be re-used this avoids the hugely expensive activity of digging new trenches when installing fibre infrastructure.

Broadband - Lesson learnt from the past(3)

Having a **collective call for proposals** facilitates the establishment of economies of scale, as selecting a single candidate to deploy an extended interregional network reduced the cost for the regions and cities which are part of a Backbone. If each had undertaken the process on its own, it was generally felt the total cost would have been greater.



Financing Broadband in the EU

– Current Developments



EU-level funding

2014 - 2020: ICT a priority in the **European Structural and Investment Funds (ESIF):**

European Regional Development Fund (ERDF),

the European Social Fund (ESF), the Cohesion Fund (CF),

the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

Connecting Europe Facility (CEF): Some complementary EU support by means of **financial instruments**

Currently **project bonds pilot – open** for project proposals

Possibly **greater EIB lending activity** in ICT/broadband following capital increase



State aid: new guidelines

Achieving the right mix between public and private investment: public interventions targeted at market failures; faster decisions.

Principles:

- **Technological neutrality.**
- publicly financed infrastructure can only be allowed if it provides a **substantial improvement** ("step change") over existing networks.
- **public funding** of ultra-fast broadband networks (of more than 100 Mbps) will be **possible also in urban areas** subject to very strict conditions.
- when network is realised with taxpayers' money, competitors will benefit from a truly **open network** for the benefit of consumers.
- **Transparency** has been reinforced: publication of documents, a centralised data base for existing infrastructure.



Cohesion policy 2014-2020

After the reduction of the Connecting Europe Facility, the Structural Funds will be the main sources of funding for broadband

Member State authorities are currently preparing their Operational Programmes, to be agreed with the Commission

EP and Council decided that ICT and broadband is now a 4th priority in the 2014-2020 Operational Programmes

Cohesion policy 2014-2020

(eligibility simulation)

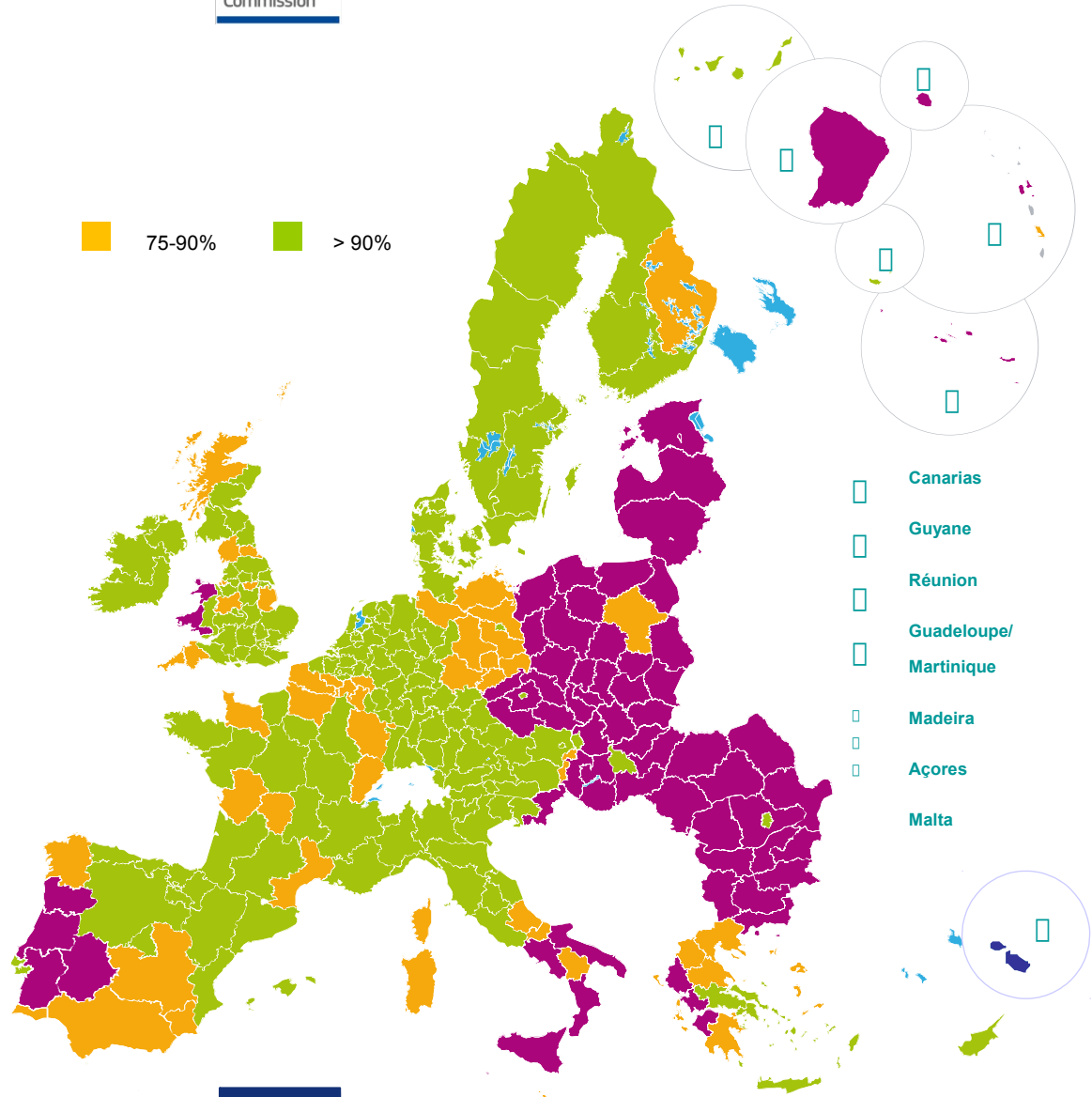
GDP/capita* ■ < 75% of EU average ■ 75-90% ■ > 90%

*index EU27=100

3 categories

of regions

- Less developed regions
- Transition regions
- More developed regions



Regional GDP figures: 2006-07-08

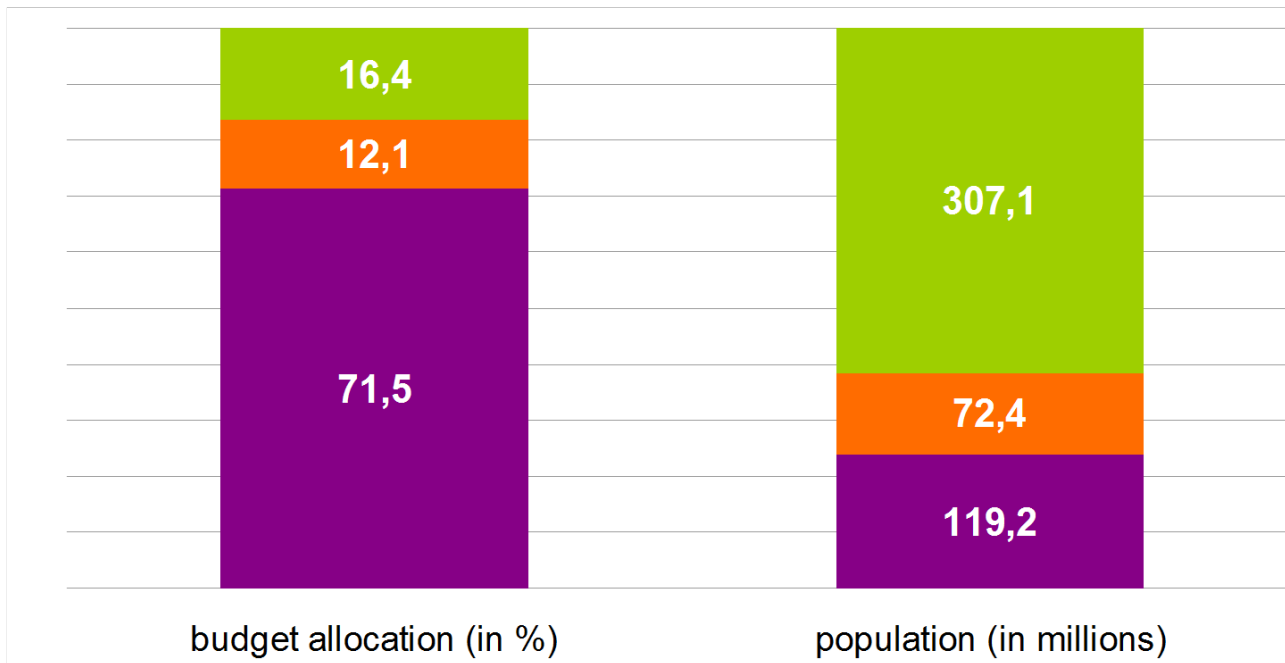
GNI figures: 2007-08-09

© EuroGeographics Association for the administrative boundaries

Cohesion policy post 2013

How will funding be allocated?

■ Less developed regions/MS ■ Transition regions ■ More developed regions



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

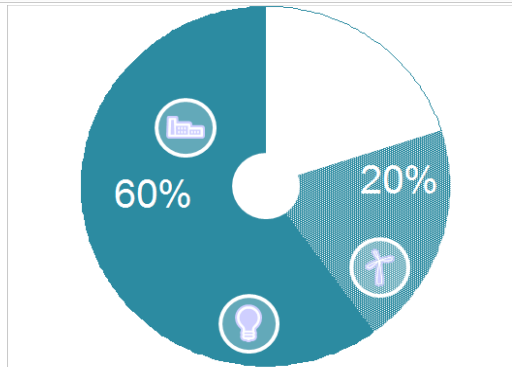
Cohesion policy 2014-2020

Special case ERDF: 11 thematic objectives, 3 priority

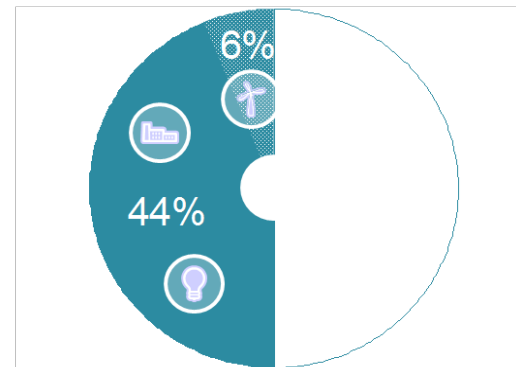
 **Energy efficiency and renewable energy**

 **Research and innovation**

 **SME competitiveness**



Most developed and transition regions



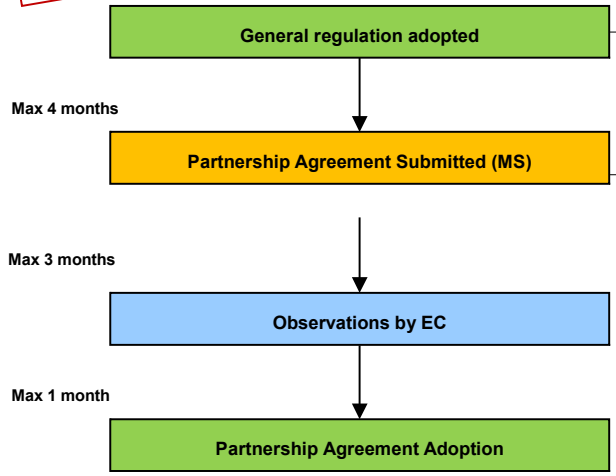
Least developed regions

Specific modalities for the old Convergence Regions

But – EC and Council decided: ICT and BB is now 4th priority!

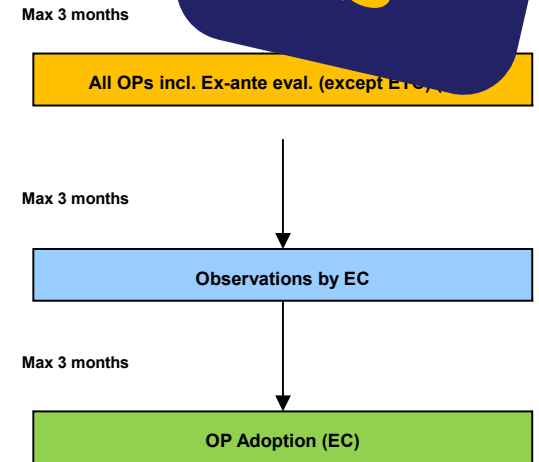
Calendar for partnership agreements & OPs

Part 1
2nd half of 2013

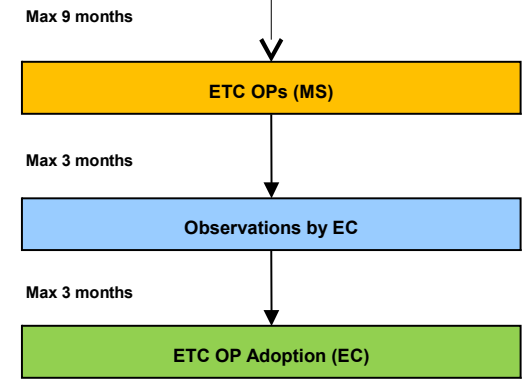


Country / region specific
Operational programmes

RIS3



European Territorial Cooperation
("INTERREG") programmes



**Is already on-going
on an informal basis ...**

Broadband investment in PA's – PO's

MS	AT	BE	BG	CY	CZ	DK	EE	FI	FR	DE	EL	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	UK	HR
No PA or PO available	0			0					0		0			0							0				0			0
Checked		no	yes		yes	no	yes	yes		yes		yes	yes		yes	yes	yes	yes	no	yes		yes	yes	yes		yes	yes	



Thank you for your attention!

State Aid in Broadband infrastructure projects

The purpose of this JASPERS paper is to provide guidance for the identification of State aid in broadband infrastructures projects in the context of Article 107 of Treaty of Functioning of the European Union, as well as the understanding of when the aid can be considered compatible.



JASPERS Knowledge Economy and Energy Division Staff Working Papers

State Aid in Broadband Infrastructures

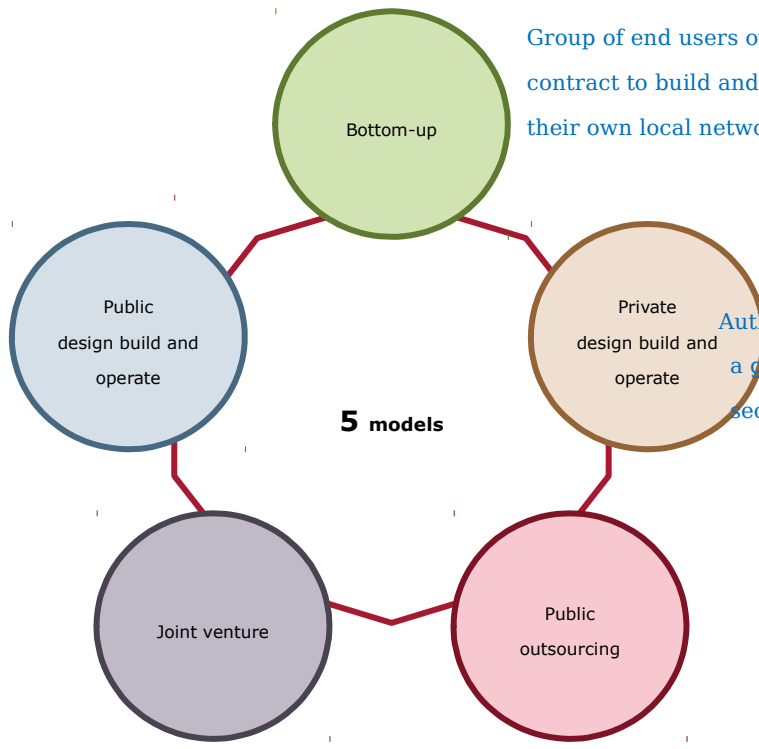
Pedro Cruz Yábar (*)

August 2012

Five investment models provide a broad spectrum of funding options



Public sector owns and operates the entire network



Group of end users oversee the contract to build and operate their own local network

Managing Authority provides a grant to private sector to assist in deployment of new network

Ownership of the network is split between the public and private sector

Single contract for construction and operation of network, but public sector retains ownership and some control



<http://s3platform.jrc.ec.europa.eu/home>

A new CBA Guide published in 2014

The cost-benefit analysis Guide already published in 2008 which is an essential tool for estimating economic benefits of the project is being renewed and will be available by beginning 2014.

