



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 04.09.1996
COM(96) 388 final

ANNUAL REPORT OF THE COHESION FUND

1995

MAIN REPORT

(presented by the Commission)

Due to the excessive length of this report, it has been broken down into sections.

Report, pages 1-99

Annex 1 - Main Points of the Decisions Approved in 1995

Spain - Environment pp. 99-310

Spain - Transport pp. 311-356

Portugal - Environment pp. 357-407

Portugal - Transport pp. 408-413

Greece - Environment pp. 414-478

Greece - Transport pp. 479-559

Annex 2 - Tables and Graphs pp. 560-571

Annex 3 - Maps of the roads and railways-networks pp. 572-580

PREFACE

The Cohesion Fund report for 1995 is the first to cover the activities of a whole calendar year. The operations carried out between 1 April 1993 and 26 May 1994 were covered by a separate report on the cohesion financial instrument, which was set up pending the ratification of the Maastricht Treaty. The Cohesion Fund operations from 27 May 1994 to end-1994 were the subject of a supplement to that report; a consolidated version of these reports covering 1993-94 was issued in 1995.

This first full annual report also reflects the fact that at the end of 1995 the Cohesion Fund is a fully operational instrument to promote economic and social cohesion. Experience has been very satisfactory in terms of implementation of both the budget and projects on the ground. Efficient and adequate procedures have now been put in place in order to assure the preparation, implementation and monitoring of projects, facilitate exchanges between Member States and the Commission and help clarify and resolve problems which occur.

On a general level, the Commission clarified two major principles in 1995. The target of allocating finance to environment projects and transport infrastructure projects on a 50/50 basis for the whole period until end-1999 was confirmed as the Commission's objective. This is an important signal that environment projects, which may not always be as visible or large-scale as transport infrastructure, have the same high priority in the view of the Commission and that the Member States should put forward proposals accordingly.

Secondly, the Commission made clear how it intends to apply the principle of conditionality to the Cohesion Fund. A special section in this report deals in detail with that question. It is important that conditionality should be perceived as a credible and reliable policy stance and at the same time be implemented without unduly disrupting development in the Member State concerned.

This report has been drafted to serve as the main source of information for Cohesion Fund activities in 1995 and will be distributed appropriately.

INTRODUCTION

Economic and Social Cohesion ranks as one of the main objectives of the Treaty on European Union. During 1995 the Cohesion Fund continued and reinforced its contribution to the achievement of this objective. Most of the difficulties which surrounded its creation in 1993/94 have now been overcome.

1995 marks the first full year of Cohesion Fund activities. However, the experience gained with the cohesion financial instrument in 1993-94 and the initial operation of the Cohesion Fund in the remainder of 1994 proved very useful in establishing the present operational mode of the Fund. This means that 1995 was also a year in which the Fund found its normal level of activity and settled down to a "business as usual" style of management.

During the year, the financing strategy of the Fund was further developed in full compatibility with the provisions of its Regulation. The balance between the two areas of assistance - transport infrastructure and environment - advanced further towards a 50/50 split and, within the transport sector, more emphasis was placed on the increase of rail facilities than on roads. This development meets the comments made by the European Parliament in its opinion on the annual report on the Cohesion Fund 1994 and remarks on the same topic by the Committee of the Regions and the Economic and Social Committee.

The Fund continues to finance exclusively those transport infrastructure projects which form part of, or provide direct access to, the Trans-European Transport Network (TEN - transport). The completion of priority sections of the network therefore remains the main funding strategy in the field of transport and projects presented by the Member States are selected for finance according to this priority. The delay in adopting the final version of the TEN complicates matters, but this problem could be overcome within the present Cohesion Fund Regulation.

In the field of the environment, the priorities followed reflect the European Directives on drinking water supply, waste water treatment and sewage and urban waste. Other environmental measures have also received finance, e.g. reforestation, habitat protection and nature conservation. All assistance from the Fund has been provided with due respect to the polluter-pays principle and best evaluation practices available. In this latter area the Commission found in the past that there was room for improvement of analytical methods and their practical application and took steps in that direction. The situation has considerably improved since 1993.

The Cohesion Fund is now a fully operational, efficient and flexible instrument of finance for projects intended to improve the economic and social cohesion of the Union. Budgetary

implementation for the year was 100% for commitment appropriations and almost 100% for payment appropriations. It is thus the third year in a row that a full commitment of the available budget has been achieved and the first year that payments are near the 100% mark.

These figures are impressive considering that each individual project must be fully scrutinized before commitments and payments can be made and that continuous monitoring and checks on physical indicators are made prior to any further payments. The result is full certainty that the projects are being physically implemented; there is no "optical" budget effect, i.e. that high payment ratios reflect only first advances on approved projects rather than actual implementation on the ground.

Even though the results achieved are positive and contribute significantly to cohesion, background economic conditions are weak. In spite of the efforts undertaken in the wake of the White Paper on Growth, Competitiveness and Employment - the comprehensive initiative for growth introduced by the Commission in 1993 - the present economic context for furthering economic and social cohesion and reducing the under-development of the least-prosperous Member States is not the most favourable.

The generally high levels of unemployment and dampened growth expectations in the Union as a whole also reflect the situation in the four cohesion countries: with the notable exception of Portugal, unemployment levels remain high and economic forecasts give only scant hope of substantial reductions. The combatting of unemployment and a reinforced effort of job-creation has long been a high priority for the Commission as well and increasing emphasis is being placed on the employment-creating effect of all measures undertaken. This is also the case for the Cohesion Fund projects and the Commission has taken steps to improve the assessment of short and long term employment effects in this connection. Section 4.6.4 of this Report gives more details on this important issue.

In this context, several Member States are at the same time experiencing difficulties in meeting the Maastricht convergence criteria and following the guidelines laid down in the economic convergence programmes leading up to the third phase of EMU. For the four cohesion Member States, the work of the Cohesion Fund does indeed help to address this situation: the call on public expenditure is being curtailed while it is still possible to continue priority investment activities. The total resources available to the Cohesion Fund are of course limited and the investment levels can be maintained only within the strict limits set by the budgetary allocation for each Member State.

Some difficulties have persisted as a result of the late notification of environment projects, the notification of such projects below the threshold of ECU 10 million and delays caused by public procurement difficulties. Delays in implementing environment projects have regrettably increased.

Cooperation with the EIB continues to give satisfactory results and increases the quality of evaluation of the projects.

Several projects could not be adopted as proposed and were refused or had to be amended before they could be accepted. Member States were informed accordingly. Suspension proceedings had to be opened in several cases.

During 1995 the number of meetings of the Monitoring Committees increased and inspection visits intensified. Some irregularities were found but these had no impact on the Union budget since corrective measures could be taken before payments were made. No case of fraud has so far been found in the first three years of operation of the Cohesion Fund.

A certain number of projects were already completed or were very close to completion in 1995. Some had even been opened to the public for use.

A draft decision on information and publicity measures was been to the European Parliament.

CONTENTS

CHAPTER 1 IMPLEMENTATION OF THE COHESION FUND

1.1	Background	9
1.2	Operations	11
1.3	Enlargement	12

CHAPTER 2 FINANCIAL ASSISTANCE COMMITTED AND PAID BY THE FUND

2.1	Budget available	13
2.2	Breakdown by Member State	14
2.3	Budget implementation	14
	2.3.1 Spain	16
	2.3.2 Portugal	25
	2.3.3 Greece	31
	2.3.4 Ireland	37
2.4	Assistance for studies and technical support measures	42
	2.4.1 General	42
	2.4.2 On the Commission's initiative	43
	2.4.3 At the request of the Member States	44
2.5	Payments by Member State in 1995	45

CHAPTER 3 CONVERGENCE AND CONDITIONALITY

3.1	Convergence programmes	
	3.1.1 Spain	46
	3.1.2 Portugal	47
	3.1.3 Greece	47
	3.1.4 Ireland	48

CHAPTER 4 EVALUATION OF PROJECTS AND MEASURES ADOPTED

4.1	General	50
4.2	Trans-European transport networks	51
4.3	Contribution to the implementation of environment policy	60
4.4	Balance between the environment and transport	61
4.5	Assessment of compatibility with the other policies	62
4.6	Socio-economic impact	67
4.7	Coordination and consistency with the other measures	75
4.8	The role of the EIB in project evaluation	79

CHAPTER 5 MONITORING AND INSPECTION

5.1	Monitoring Committees	81
5.1.1	Spain	81
5.1.2	Portugal	83
5.1.3	Greece	84
5.1.4	Ireland	85
5.2	Inspection missions	86
5.3	Role of the EIB	88
5.4	Fraud and irregularities	89
5.5	Legal proceedings in progress	89

CHAPTER 6 INTER-DIALOGUE, INFORMATION AND PUBLICITY

6.1	Information to the European Parliament, the Economic and Social Committee and the Committee of the Regions	90
6.1.1	European Parliament	90
6.1.2	Economic and Social Committee and Committee of the Regions	92
6.2	Information to the Member States	93
6.3	Information to the social partners	93
6.4	Information meetings for interested parties	93
6.4.1	Hearings for interested parties	93
6.4.2	Rail day	94
6.4.3	Other information meetings	94
6.5	Seminar on financial management	96
6.6	Publicity at the initiative of the Commission	96
6.7	Measures taken by the Member States	97

ANNEXES

- Annex 1 Main points of projects approved in 1995 (published in the Official Journal of the European Community)
- Annex 2 Graphs
- Annex 3 Rail and road network maps

CHAPTER 1**IMPLEMENTATION OF THE COHESION FUND****1.1 BACKGROUND****1.1.1 Conditionality**

The Cohesion Fund is subject to the principle of conditionality set out in Article 6 of the Fund Regulation¹. This principle was suspended until two years after the entry into force of the Maastricht Treaty, i.e. until 1 November 1995. On 20 December 1995 the Commission decided to apply this principle in practice.

Unlike the Structural Fund Regulations, the Regulation establishing a Cohesion Fund establishes a link between the granting of assistance from the Fund and the monitoring of national budget deficits provided for in Article 104c of the EU Treaty, as amended by the Maastricht Treaty. Article 6 of the Regulation requires the Commission to suspend finance for new projects or - in the case of projects divided into different stages, new stages of projects - if the Member State concerned is found in accordance with the procedure to have an excessive deficit.

In September 1994 the Council decided that Spain, Portugal and Greece had excessive budgetary deficits; Ireland, on the contrary, was found not to have an excessive deficit. For the first three countries the Council recommendation specified targets to be reached for 1995 and in July 1995 Council confirmed these targets and established new ones for 1996.

In the spring of 1996, after the Member States concerned have presented their final budgetary reports for 1995, an examination will be made to see whether the targets for 1995 have been achieved. If a Member State has not achieved that target, the Commission will suspend payments to it from the Cohesion Fund for all new projects and new stages of projects already under way. If financing has been suspended in spring 1996, it may resume if the objective for 1996 is met. The Commission has decided to apply these rules in a flexible manner.

1.1.2 Balance between environment and transport infrastructure projects

On 22 November 1995 the Commission adopted a paper on Cohesion and the Environment, which clarified a major principle concerning the Cohesion Fund.

¹ Council Regulation (EC) No 1164/94 of 16 May 1994.

Article 10(2) of the Cohesion Fund Regulation states that "a suitable balance shall be struck between projects in the field of the environment and projects relating to transport infrastructure." The importance of this principle is clear: it would be unacceptable if one of the two investment areas systematically received a substantially larger share of total funding than the other, simply because of differences in the nature of the investments, average project size, maturity of the sector and lead-times in project planning.

The target of allocating finance to environment projects and transport infrastructure projects on an equal basis for the whole period until end-1999 was confirmed as the Commission's objective. This means that environment projects, which may not always be as visible or large-scale as transport infrastructure projects, have the same high priority in the view of the Commission and that the Member States should put forward proposals accordingly. The Commission is of course prepared to apply this principle flexibly and not insist on a 50/50 split year-by-year. That would be counter-productive and mean that good projects in one area were held up because of lack of projects in the other. Such flexibility has already been exercised in 1993, 1994 and 1995, as this Report shows.

1.1.3 Community and national priorities

Under Article 10 of the Cohesion Fund Regulation, the list of projects to be financed is to be adopted by the Commission in agreement with the beneficiary Member State.

The Member States are responsible for submitting proposals for projects to the Commission. It is clear that the proposals for finance will reflect the priorities established at national level by those Member States in the fields of the environment and transport infrastructure. It is equally clear that the Commission must adopt projects for the Cohesion Fund while applying Community considerations and priorities.

In the field of transport infrastructure, all projects must be part of the decisions concerning the trans-European Transport Network (TEN) or provide access to that network. In practice, the Commission has agreed to finance projects which were identified as high priorities for the TEN by the Essen European Council.

In the field of the environment, the Commission is following closely the priorities laid down in the Directives concerning the supply of drinking water,² waste water³ and treatment of solid waste⁴. All three sectors are included in the Fifth Environmental

² Directive 80/778/EEC as amended by Directive 91/692/EEC (OJ No L 377, p.48).

³ Directive 91/271/EEC (OJ No L 135, p. 40).

⁴ Directive 75/442/EEC as amended by Directive 91/156/EEC (OJ No L 78, p. 32)
Directive 78/319/EEC as amended by Directive 91/689/EEC (OJ No L 377, p. 20).

Programme on sustainable development. Most of the finance for environment projects is given to these areas; this does not mean that other environment projects are excluded, as this report shows. The Cohesion Fund is getting an increasing number of applications concerning erosion control, reforestation and protection of habitats. Nature conservation measures and coastal protection are also on the increase. A large number of these projects have received finance in the past and new projects will be approved in the future. The three main areas covered by the Directives remain, however, priorities for Commission assistance.

1.2 OPERATIONS

The operation of the Cohesion Fund in 1995 finally revealed the strong points of the approach set out in Regulation (EC) No 1164/94 and implemented by the Commission:

- a substantial increase in the prior appraisal of projects, in both economic and technical terms, as a result of the development by both the Commission and the Member States of appropriate analytical instruments and an increase in the Commission's capacity for analysis thanks to its use of outside expertise and cooperation with the EIB;
- introduction of a system for the effective monitoring of projects. After a running-in period, this has proved effective;
- the implementation of financial management procedures which ensure a close link between payments and implementation on the ground. This is now operating satisfactorily.

By utilizing all these instruments, the Commission can discharge to the full the tasks entrusted to it by the Regulation and obtain detailed knowledge of the progress of each project it is financing.

It should also be noted that the very large number of small-scale projects submitted to the Cohesion Fund, particularly in the field of the environment, has resulted in a proliferation in the number of approval decisions. The application of fairly complex procedures requires a very considerable administrative effort which, spread over an excessive number of projects, has resulted in a very heavy workload.

The Commission considers that this situation should be corrected in 1996 and that in future assistance from the Cohesion Fund should be concentrated on a smaller number of large projects or on coherent groups of projects with a significant impact which form part of an integrated strategy in the transport and environment sectors.

1.3 ENLARGEMENT

Following up the conclusions of the presidency of the Madrid European Council, the Commission has continued its examination of the implications of enlargement for economic and social cohesion.

While cohesion is a fundamental principle of the European Union, it is clearly difficult to make any predictions concerning the future of cohesion policies or their financial implications for the Union. Enlargement will profoundly affect the cohesion of the Union; any reform of or change to cohesion policies must be progressive and be implemented over time if it is to be acceptable to all.

As a preliminary comment, the Commission has stated that the general application of cohesion policy throughout the Union should be maintained. The cohesion countries should benefit from a guarantee of continued solidarity which takes account of the success achieved in economic and social cohesion. The shape of policies should provide a clear signal that the principle of budget discipline is being concretely respected in a situation when most Member States are going through a process of rigorous budget management in order to meet the Maastricht criteria.

The Cohesion Fund is just one of the instruments aiming at economic and social cohesion to be examined in this context; its continued application until 1999 may provide elements for that reflection.

CHAPTER 2

FINANCIAL ASSISTANCE COMMITTED AND PAID BY THE FUND

2.1 BUDGET AVAILABLE

At the December 1992 Edinburgh summit, the Heads of State and Government decided to grant ECU 15 150 million (at 1992 prices) to the four beneficiary Member States for the period 1993-99. The year-by-year breakdown of these appropriations is as follows:

ECU million (1992 prices)

Year	1993	1994	1995	1996	1997	1998	1999	Total
Amount	1 500	1 750	2 000	2 250	2 500	2 550	2 600	15 150

Subsequently, adjustments for inflation meant that, following indexation, commitment appropriations for 1993, 1994 and 1995 were set at ECU 1 565 million, ECU 1 853 million and ECU 2 152 million respectively. Payment appropriations for those years amounted to ECU 1 000 million, ECU 1 679 million and ECU 1 750 million respectively.

In 1995, the budgetary authority (the European Parliament and the Council of the European Union) decided to transfer ECU 300 000 to the budget item managed by the UCLAF (Unité de coordination de lutte anti-fraude - anti-fraud unit) to provide commitment and payment appropriations for use in the fight against fraud in the Cohesion Fund. This transfer reduced the commitment appropriations available to the Cohesion Fund in 1995 to ECU 2 151.7 million and the payment appropriations to ECU 1 749.7 million.

In view of the above, the budget for 1996 was set at ECU 2 444 million in commitment appropriations and ECU 1 919 million in payment appropriations.

2.2 BREAKDOWN BY MEMBER STATE

An indicative breakdown of these amounts was made pursuant to Annex I to the Regulation, which prescribes brackets of 52% to 58% for Spain, 16% to 20% each for Greece and Portugal and 7% to 10% for Ireland.

The table of indicative brackets was therefore as follows:

ECU million (1992 prices)

Member State	SPAIN			GREECE-PORTUGAL			IRELAND		
	52%	55%	58%	16%	18%	20%	7%	9%	10%
1993	780	825	870	240	270	300	105	135	150
1994	910	962.5	1 015	280	315	350	122.5	157.5	175
1995	1 040	1 100	1 160	320	360	400	140	180	200
1996	1 170	1 237.5	1 305	360	405	450	157.5	202.5	225
1997	1 300	1 375	1 450	400	450	500	175	225	250
1998	1 326	1 402.5	1 479	408	459	510	178.5	229.5	255
1999	1 352	1 430	1 508	416	468	520	282	234	260
TOTAL 93/99	6 174	8 332.5	8 787	2 424	2 727	3 030	1 060.5	1 363.5	1 515

2.3 BUDGET IMPLEMENTATION

At 31 December, commitments for 1995 totalled ECU 2 151.6 million, or 99.9% of the appropriations available. Table 1 shows the breakdown of commitments from the Cohesion Fund by Member State and by sector.

Table 1 - Appropriations for commitments - 1995: ECU 2 151.7 million

ECU million

M.S.	Environment	%	Transport	%	Total	Breakdown
<i>E</i>	574 225 824	48.48	610 206 854	51.52	1 184 432 678	55.09
<i>GR</i>	228 184 658	58.82	159 729 130	41.18	387 913 788	18.04
<i>IRL</i>	93 179 175	48.94	97 182 548	50.06	190 361 723	8.87
<i>P</i>	146 648 564	37.88	240 472 848	62.12	387 121 412	18
TOTAL	1 042 238 221	48.48	1 07 591 380	51.52	2 149 829 601	100
Tech.Ass	-	-	-	-	1 845 980	0.086
* TOTAL	1 042 238 221		1 107 591 380		2 151 675 581	100

The unused balance of commitments amounts to:
 (2 151 700 000 - 2 151 675 581) = + ECU 24 419

Table 2 - Appropriations for payments - 1995: ECU 1 749.7

ECU million

M.S.	Environment	%	Transport	%	Total	Breakdown
<i>E</i>	358 421 236	32.4	746 857 276	67.6	1 105 278 512	65
<i>GR</i>	76 977 597	85	13 523 230	15	90 500 827	5
<i>IRL</i>	51 669 204	38.6	81 988 686	61.4	133 657 890	8
<i>P</i>	97 052 060	26.3	272 152 257	73.7	369 204 317	22
TOTAL	584 120 097	34.4	1 114 521 449	65.6	1 698 641 546	1
<i>Tech.Ass.</i>	-	-	-	-	501.942	0.03
TOTAL	584 120 097		1 114 521 449		1 699 143 488	100

Balance of payment appropriations: (1 749 700 000 - 1 699 143,488) = ECU 50 556,512 (2.9%)
 In 1995 appropriations for payments were implemented at a rate of 97.1%.

Table 3 - Appropriations to combat fraud (see section 2.1 of this Report)

Appropriations available: ECU 300 000

ECU

Commitments	Payments	Balance
296 000	197 320	102 680

The unused balance of ECU 4 000 (300 000 - 296 000) lapsed at the end of the year.

2.3.1 Spain

2.3.1.1 Environment

In 1995, the Spanish authorities submitted 48 applications for assistance involving finance from the Cohesion Fund. These covered almost 800 environmental projects for which assistance amounted to ECU 919 million. The applications fell into five sectors: water supply, waste-water treatment, urban waste, afforestation and planning and restoration of the coastline and the urban environment.

The sectors for assistance in 1995 confirm Spain's priorities for the environment. The drainage and waste-water treatment is one of the most important of these priorities, accounting for 48% of assistance for the environment and intended in particular to implement Community Directive 91/271/EEC on waste water in preparation for 1998 and 2000.

This year, for the first time, following an agreement with the central government, the Autonomous Communities and local authorities participated in the presentation and implementation of projects financed by the Cohesion Fund.

In 1995, the Commission adopted 47 decisions on some 610 projects and measures concerning the environment in Spain. During that year, assistance totalling ECU 574 221 690 was provided towards eligible costs of ECU 834 806 979. This assistance represented 48.5% of total assistance from the Cohesion Fund. The decisions for this sector adopted in previous years (1993 and 1994) did not give rise to any financial commitment in 1995 because they were adopted as single commitments.

The difficulty of proposing large-scale environmental projects, which resulted in Spain submitting a large number of measures in 1995, is largely the consequence of the decentralization of implementation to a number of bodies, central government and regional and local authorities, and the number of sectors for assistance proposed.

The projects approved are broken down by category in the table below. The paragraphs which follow provide further details, highlighting the main projects in each category. The projects approved comply with the priorities of the Fifth Community Action Programme on the Environment and Sustainable Development, the objectives of Article 130r of the Treaty and the requirements stemming from implementation of the Community Directives on the environment.

Breakdown of projects by sector

Category	Total cost	Assistance	ECU		
			Commitment 1995	%	Number of decisions
WATER TREATMENT	462 674 562	377 989 429	275 944 076	48.06	22
WATER SUPPLY	74 690 587	63 486 998	63 486 998	11.06	3
WASTE	54 525 589	43 620 469	32 011 353	5.57	7
URBAN ENV.	30 773 797	24 619 035	24 619 035	4.29	3
COASTS	118 160 652	100 436 552	100 436 552	17.49	3
AFFORESTATION	87 295 355	72 012 861	72 012 861	12.54	7
STUDIES ETC	6 686 437	5 710 815	5 710 815	0.99	2
TOTAL	834 806 979	687 876 159	574 221 690	100	47

Water supply

The national water plan, which is still being approved, defines the relevant objectives and measures.

In this sector, three decisions were taken concerning some 56 measures to improve or provide good quality water in large towns (including Guadalajara, Huelva, Murcia, Málaga, Cuenca and Teruel) and areas affected by drought and water shortages in the river basins of southern Spain, the Guádalquivir, Guadiana, Segura, Tagus and Júcar. They mainly involve the construction of the infrastructure required to transport drinking water to areas where it is needed (pumping stations, aqueducts, tunnels, treatment stations, etc). The measures to combat drought are set out separately for each river basin.

Waste-water treatment

In February 1995, Spain approved the national plan for the drainage and waste-water treatment designed to coordinate assistance from the relevant public bodies and encourage compliance with the obligations imposed by Directive 91/271/EEC. It also specifies the areas regarded as

sensitive and less sensitive, infrastructure, drainage and treatment needs and gives a general estimate of the economic impact.

Of the 21 decisions adopted, 13 were prepared directly by the regional and local authorities, which will also implement them.

The main aims of constructing infrastructure for the collection and treatment of waste water are to reduce the degree of pollution of such water, improve health conditions, protect ecosystems and encourage the rational utilization of water.

Solid waste

The national strategies for the period 1995-2000 on dangerous waste and the recovery of contaminated soil were approved in February 1995. Both plans contain the priorities and criteria laid down by the European Union, principally in Directive 91/689/EEC, which fixes limits for dangerous residues.

Two decisions concerning the management of dangerous waste, in Extremadura and the Basque Country, and three decisions on urban waste, in Madrid, Barcelona and Bilbao, were financed. These projects provide for the selective collection of solid urban waste, the reduction at source of dangerous waste, the promotion of recycling and the reuse of waste and the environment-friendly treatment of the resulting residues.

Two decisions on the rehabilitation of polluted land were also financed. The aims of these projects are to prevent soil pollution and encourage the cleaning up and recovery of polluted soil.

Afforestation

The national institute for nature conservation (ICONA) drew up the reafforestation plan for 1995-99, which includes afforestation and combatting erosion and desertification and forms part of the national plan for the restoration of water and forestry resources (in each river basin). This plan also includes measures to encourage regeneration of plant cover where ecosystems have deteriorated because of fire.

The Autonomous Communities and the central administration (ICONA) submitted projects grouped by river basin.

Seven decisions covering 348 afforestation projects were adopted during 1995. These provide for the replacement of vegetation cover through replanting of trees, the treatment of forests to improve existing vegetation, maintenance work on seasonal water courses, the consolidation and strengthening of banks and their stabilization against landslips through dykes and breakwaters.

There is also provision for complementary measures such as the hydrological improvement of river basins which have deteriorated.

Coasts

The central administration submitted three decisions covering 35 projects concerned with coastal improvements, the restoration of beaches and the environmental restoration of the coastline in various places on both the Mediterranean and Atlantic seaboard. The aim is to protect the coastline, restore coastal areas of ecological importance and reduce human pressure on the coast.

Three decisions were also adopted to check the erosion of beaches, restore and protect the natural environment and re-establish natural areas on the coastline.

Urban environment

Measures concerning the urban environment were submitted by the local authorities. Three decisions were adopted for the various categories of projects. One concerned with the regeneration of the historic centre of Barcelona (Casc-Antic) was submitted by the Barcelona city council. A group of four projects to provide green areas along river banks and check environmental deterioration was submitted by the Barcelona Metropolitan Area. Madrid city council also submitted a group of two projects concerned with the construction of a centre for noise studies in Madrid and the restoration of run-down areas of the Casa de Campo park.

2.3.1.2 Transport

During 1995, the Commission adopted nine decisions on new transport infrastructure projects to be financed by the Cohesion Fund and five decisions approving additional amounts for projects financed in 1993 under the cohesion financial instrument.

The total amount committed from the 1995 budget was ECU 610 206 854, of which 66.1% was for new projects (over ECU 403 million) and the remainder (33.9%) was for amendments to earlier decisions (ECU 70 million) or annual instalments of projects adopted under the 1994 budget (ECU 136.8 million).

The breakdown of the budget by mode of transport is as follows:

- roads 79.5%
- railways 19.6%
- waterways 0.9%

Roads

The following projects under the 1995 Cohesion Fund budget may be noted:

1. Madrid-Valencia expressway (N-III) - Motilla del Palancar-Minglanilla section.

Assistance comprising a single commitment (1995) of ECU 34.7 million was approved. This project, which forms part of the Madrid-Valencia expressway, includes the construction of two 7 m-wide carriageways with external and internal shoulders of 2.5 m and 1 m respectively; the construction of five viaducts and 14 over- and under-passes, mostly using prestressed concrete bridging slabs, and four intersections, at Motilla del Palancar, Castillejo de Iniesta, Granja and Minglanilla.

2. Zaragoza-Huesca expressway

The Commission approved finance worth ECU 103.5 million, to be committed in annual instalments. The first (1995) instalment of assistance is worth ECU 5.6 million. The Zaragoza-Huesca expressway will provide a third access to France through the Somport tunnel. The work involves the construction of three sections of expressway. The 22 km long Zuera-Almudévar section includes 23 structures of various types: bridges with decks in prestressed reinforced concrete and pergola-type bridges.

The 21.6 km long Almudévar-Huesca section includes four over-passes, one over the Monegros canal, a mixed structure in steel and concrete, 16 under-passes and a number of retaining walls.

3. Somport tunnel (Phase II)

The Commission approved financing worth ECU 80.8 million with commitments in annual instalments. Commitment of the 1995 instalment amounted to ECU 26.8 million. The tunnel-driving project from the Spanish side was submitted to the Commission for financing from the Cohesion Fund in February 1994 and approved in 1995. It covers construction of a tunnel 8 553 m long, of which 5 185 m lies in Spain. The tunnel will link the N-330 Huesca-Somport road to the RN 134 in France. The width between the outer pedestrian ways will be 9 m, with two carriageways of 3.5 m each, two shoulders of 0.50 m and a central reservation of 1 m.

4. Rías Bajas expressway, Orense-Porriño section (78.7 km)

Assistance approved amounted to ECU 212.8 million. The project is subdivided into five sub-sections:

Orense-Barbantes: 13.6 km, five viaducts, three over-passes and ten under-passes

Barbantes-Melon: 21.7 km, two viaducts, seven over-passes and 21 under-passes

Melon-La Cañiza: 9.1 km

La Cañiza-Batallares: 15.5 km, two tunnels (3 km), one bridge in prestressed concrete with two decks of 186 m each suspended by cables, six over- and under-passes.

Batallares-Porriño: 18.9 km.

The Commission approved financing by commitments in annual instalments. The commitment for 1995 amounts to ECU 133.2 million.

5. Trans-Catalonia highway. Lérida-Gerona - Rajadell-Manresa-Artes and Vic-Manlleu sections.

Assistance was approved by means of a single commitment (1995) of ECU 43.1 million. The project will provide a triple link with the trans-European networks through a direct link between Lérida and Gerona through the central lowlands. It falls into five clearly differentiated sub-sections: Lérida-Cervera, Cervera-Manresa, Manresa-Vic, Vic-Olot and Olot-Figueras.

The project financed by the Cohesion Fund includes the sections: Rajadell-Manresa (7.10 km), Manresa by-pass (1.36 km), Manresa-S. Fruitos (5.04 km), S. Fruitos-Artés (8 km), the Vic arterial road (8.11 km) and Vic-Manlleu 3.65 km. The Rajadell-Manresa-Artés section will include four viaducts, eight over-passes, 15 under-passes and nine interchanges. The Vic-Manlleu section includes six interchanges, one viaduct, eight over-passes and 12 under-passes.

6. Lower Llobregat expressway
Martorell-coast road section

The Commission approved assistance amounting to ECU 129.9 million through commitments in annual instalments. In addition to these works, two tunnels will be built, one 320 m long under the N-II and one 675 m long under the railway, and an underpass under the A-2 redesigned.

Railways

Two new projects were adopted in 1995:

- the third phase of the upgrading of the conventional "Mediterranean Corridor" line.

The aim is to achieve speeds of 200/220 km/h on a network which forms part of a priority corridor, the first two phases of which were financed in 1993 and 1994. Assistance granted totals ECU 172 667 694, of which about ECU 58 251 821 will be charged to the 1995 budget;

- modernization of the conventional rail network.

This is a group of small projects located at various points of the network. Assistance granted amounts to ECU 94 256 510, of which ECU 46 091 434 will be charged to the 1995 budget.

Maritime transport (Vessel Traffic System)

The VTS projects include establishment of a network of maritime traffic control centres at sensitive points on the Spanish coast to prevent accidents, combat pollution and monitor activities and operations at sea.

One VTS project was adopted during the year following the five others financed in 1993. It concerns the construction of buildings to monitor sea traffic in the ports of Almería, Bilbao, Palma de Mallorca, Tarragona and Valencia. The assistance granted totalled ECU 11 057 054. For statistical purposes, half of this amount will be placed in the environment sector because of the positive impact it will have in this field.

The table below shows the pattern of financial assistance from the Cohesion Fund to the environment:

Environmental projects	CFI commitment April 93 -May 94 ECU	%	CF commitment June 94 - Dec 94 ECU	%	CF commitment Jan 95 - Dec. 95 ECU	%
Water supply and management	97 350 000	35.9	149 918 102	30	63 486 998	11.06
Water quality control	32 167 000	11.9	38 939 615	7.8		
Collection and treatment of waste water	9 532 000	3.5	58 355 468	11.7	275 944 076	48.06
Control of erosion, afforestation and reafforestation	90 095 000	33.2	180 934 898	36.7	72 012 861	12.54
Nature conservation	21.868.000	8.1				
Control of industrial pollution	18 845 000	7.0				
Waste management			38 906 530	7.7	32 011 353	5.57
Urban environment			30 834 059	6.2	24 619 035	4.29
Coasts					100 436 552	17.49
Studies, etc	1 134 000	0.4	2 489 917	0.4	5 710 815	0.99
TOTAL	270 991 000	100	500 378 589	100	574 221 690	100

Development of Cohesion Fund financial assistance in the field of transport

Transport projects	CFI commitment April 93 - May 94 ECU	%	CF commitment June 94 - Dec 94 ECU	%	CF commitment Jan.95 -Dec 95 ECU	%
Roads and motorways	428 831 141	71.9	3 050 470 658	61.14	484 862 435	79.46
Railways	88 755 999	14.7	193 860 252	38.86	119 815 892	19.63
Airports and traffic control	73 173 742	12.1				
Ports-traffic control	15 606 579	1.3			5 528 528	0.91
TOTAL	606 367 461	100	498 907 910	100	610 206 855	100

2.3.2 Portugal

2.3.2.1 Environment

The projects submitted by Portugal in 1995 continue the strategy for assistance followed since 1993, the main aim of which is to provide infrastructure for water supply, waste-water treatment and the management of solid urban waste in the most densely populated regions of the country: Lisbon, Oporto and the Algarve.

This geographical concentration meant that coherent groups of projects, defined at regional level and so ensuring a significant impact and more effective financing from the Cohesion Fund, could be presented for each objective.

A large number of the projects submitted in 1995 gave rise to assistance financed by the cohesion financial instrument and the Cohesion Fund. Examples include drainage in the Oporto region and the supply of drinking water in the eastern Algarve. Others involve measures which will continue over the coming years, such as two major systems for obtaining and distributing water in Oporto.

The few exceptions to this geographical criterion concern projects designed to provide solutions to particularly serious problems of an urgency which requires swift action, sometimes on a large scale. An example is the project to clean up the Ria de Aveiro.

Compared with previous years, a greater number of projects - particularly in the drinking water and urban waste sectors - are on a large scale: the supply of drinking water to Oporto and the incinerators in Lisbon and Oporto. These are large-scale projects concerning several municipalities which will be implemented and managed by companies on a concession basis. Consideration of a number of these applications will have to continue in 1996.

Projects concerned with waste-water treatment are rather smaller in scale since the nature of the assistance provided often makes it difficult to find inter-municipal solutions. Nevertheless, these projects are vital to the implementation of Directive 91/271/EEC on urban waste-water treatment and constitute coherent groups. An example is the series of projects being undertaken in the Ria Formosa area of the Algarve.

During 1995 the Cohesion Fund received 28 applications for assistance and the total amount applied for exceeded the resources available for environmental projects.

By the end of the year, 22 projects had been adopted, included five submitted in earlier years.

The breakdown by type of project adopted is as follows:

Type of project	Number	Assistance	%
Drinking water	10	73.6	50
Waste water	10	58.0	40
Solid waste	1	7.5	5
Study (water management)	1	7.5	5
TOTAL	22	146.6	100

Supply of drinking water

The assistance requested from the Cohesion Fund is intended to increase the percentage of the population of Portugal connected to a mains supply of drinking water while ensuring the high levels of quality laid down by European Directives.

During 1995, the Fund financed ten projects in this sector in Portugal. These accounted for half the resources available for environmental projects, some ECU 73.5 million. Virtually all these projects are located in the Oporto and Algarve regions, the only exception being the Enxoé dam and water supply system in the Alentejo, a region particularly hard hit by drought.

In the Oporto region, the Cohesion Fund has been asked to finance two major systems (north and south) which should supply virtually all the municipalities located around the city as well as the city itself. These systems will be constructed and managed by companies granted a concession on which the municipalities will be represented.

These are major infrastructures for the uptake and treatment of water and the supply of drinking water to the reservoirs of each municipality responsible for the supply to the final consumer. This solution will provide considerable economies of scale as regards the production and treatment of water and the rationalization of existing resources.

In 1995 approval was given to finance for the project concerning the seven municipalities comprising the Oporto-North system and to seven other small projects which are essential if existing plant is to be integrated into the system. The Fund will continue to assist these systems in the years to come and will cover all the works involved. The total contribution could amount to over ECU 200 million.

The approach followed in the Algarve is similar to that applied in Oporto: two major projects for the collection, treatment and distribution of drinking water to all the municipalities in the region through the Barlavento system for the west and the Sotavento system for the east.

In 1995, the Cohesion Fund financed a number of measures forming part of the Sotavento system: the Odeleite dam and the tunnel linking it to the Beliche dam, a large diameter supply pipe, secondary pipes and an increase in the capacity of two water treatment stations to support the network. This ambitious project will require investment totalling over ECU 100 million.

Waste-water treatment

The situation as regards the waste-water treatment in Portugal in terms of the obligations imposed by Community legislation means that substantial investment has to be undertaken within a comparatively short period. This is a justification for a high level of assistance from the Cohesion Fund, even for small-scale projects.

In 1995, the Fund financed ten projects which absorbed some ECU 58 million, 40% of the appropriations available for the environment. The criterion of geographical concentration was always respected, the aim being to bring the increase in the capacity for the waste-water treatment into line with increases in supply.

Most of the projects submitted in 1995 concerned the densely populated region of Oporto, where the measures in progress include the cleaning up of the most important tributary river basins, such as the River Leça. These projects have been designed in integrated fashion by using inter-municipal solutions wherever possible and ensuring the coherence of assistance and the effectiveness of the means used in terms of the objectives sought.

The Cohesion Fund granted finance for the first stage of a major project to clean up the Ria de Aveiro, an area of the greatest importance from an environmental point of view where very high levels of pollution occur because of the discharge of untreated waste water from towns and industry. This project extends over a number of municipalities and includes several industrial sites. It should facilitate the restoration and preservation of an area of lagoons which includes areas protected by European legislation. These are of particular importance for birds.

In the Algarve, the Fund supported the first stage of waste-water treatment for the town of Portimão and a project in the Loulé area. Fewer projects were financed in this region than in previous years but the Fund will continue to provide assistance, particularly to the Ria Formosa, a nature park classified as a wetland of international importance and a specially protected area for wild birds.

Solid waste

The solid urban waste projects submitted in 1995 were still few in number compared with other sectors assisted by the Cohesion Fund but the amount of investment they represent is considerably greater. Particularly worthy of mention are the incinerators in the two largest cities, Lisbon and Oporto, projects which will continue to be considered in 1996.

Only one project was financed in this sector: a controlled discharge to serve three municipalities on the left bank of the Tagus, near Lisbon. This project accounts for 5% of the funds available for environmental projects in 1995. The Cohesion Fund has asked for a greater number of applications in this sector.

2.3.2.2 Transport

The main concern demonstrated by the strategy being followed in Portugal was to ensure that Cohesion Fund assistance could facilitate an appropriate degree of integration into the trans-European transport networks, having particular regard to Portugal's position on the edge of the Community, which heightens the urgency of an effective transport system. This general strategy continued to be followed in 1995.

Road network

The very fast rate of growth of trade, particularly along land routes, with the rest of the Community since accession has demonstrated the need to continue work on the construction and modernization of the road network providing links with the rest of Europe. This is the only way of reducing operating costs, cutting journey times and improving road safety.

From the main routes making up the basic network in Portugal, which is fully integrated into the trans-European network, three with the highest priority have been selected, mainly to ensure a degree of concentration of Cohesion Fund assistance. These involve completion of the Valença-Vila Real de S. António road northwards to the Spanish frontier, the early opening of the Portuguese section of the Lisbon-Madrid road and speeding up work on the Lisbon-Valladolid road, which forms an integral part of the Category I infrastructure projects on the list adopted by the Corfu European Council and confirmed at the Essen summit. During 1995, the Portuguese authorities asked for an amendment to part of the route of this road. The Cohesion Fund granted assistance to the Alcanena-Atalaia and Atalaia-Abrantes sections.

The Palmela-Marateca and Marateca-Montemor sections of the Lisbon-Madrid route were also financed.

Only one project (the Cruz-Braga section) of the Valença-Vila Real de S. António road received part-financing from the Fund. However, the Portuguese authorities have undertaken to submit applications for the sections needed to complete this route.

High priority was also given to relieving congestion in urban areas by financing ring roads designed mainly to link the various transport networks outside city centres. The inner and outer Lisbon ring roads, the CRIL and the CREL, are helping eliminate serious bottlenecks in the metropolitan area's transport system by improving operation of the urban road network while also providing some environmental benefits.

In 1995 the Commission approved a slight increase in Community aid originally allocated to the CRIL and the Portuguese authorities stated that they would make further applications to the Cohesion Fund for finance for these two ring roads.

The other urban areas also assisted by the Cohesion Fund include the road bridge over the Tagus in Lisbon and one phase of the Freixo Bridge project in Oporto.

Rail network

The main strategic aim of the rail infrastructure plan is the revitalization of the main routes linking Portugal with the centre of Europe while ensuring that this mode of transport can provide a genuine alternative to road transport through its greater efficiency in the transport of people and goods.

The Fund is concerned with two lines, the North and the Beira Alta lines, both of which form an integral part of the trans-European network and have considerable strategic importance nationally. The extent of the investment planned justifies simultaneous assistance from the ERDF and the Cohesion Fund for different sections or stages of the projects.

The projects for the general modernization of these lines comprise principally electrification, increasing the number of tracks, signalling and the replacement or strengthening of bridges and tunnels to permit the higher maximum speeds which will, in both cases, substantially cut journey times.

Three projects were adopted in 1993/94, two of which were for the Beira Alta line. During 1995, the Commission approved a fourth rail project, also for the Beira Alta line.

Maritime transport

Portugal's geographical position and the comparative scarcity of land links with the rest of Europe provide full justification for the country's decision to pursue a strategy of promoting maritime transport which will enable this sector to regain its important traditional role in Portugal's foreign trade, particularly on the Atlantic seaboard.

The aim is to improve the conditions under which the country's ports operate while also ensuring their integration into the trans-European networks through appropriate multimodal integration.

Assistance from the Cohesion Fund has concentrated on investment likely to improve access and intermodal links and encourage improvements in the quality and diversity of port services. However, the present stiff competition in the maritime transport sector means that efforts have to be concentrated on the ports which are likely to be the most competitive.

To provide a context for the Cohesion Fund's work in this area and avoid the creation of over-capacity in ports, in 1995 the Commission had a study carried out on the four largest ports in Portugal in order to define the priorities for assistance within an overall strategy.

Projects approved

During 1995, two new projects were adopted for Portugal and further funding provided for the CRIL. Assistance from the Cohesion Fund amounted to some ECU 53 381 000 of which almost ECU 37 739 000 was committed from the 1995 budget.

In addition, annual instalments were committed in 1995 in respect of three projects adopted in 1994 bringing total commitments for the year to ECU 240.4 million.

The breakdown by mode of transport was as follows:

Type of project	Number of projects	CF assistance (ECU million)	%
Roads	1	211.9	88
Railways	1	28.5	12
Ports	0	0	0
Total	2	240.4	100

2.3.3 Greece

2.3.3.1 Environment

In Greece the state of the environment may be regarded as satisfactory. It is varied, rich in biotopes and offers remarkable biodiversity. There are some specific local problems such as air pollution in the large cities.

There is, however, a great lack of infrastructure for the supply and distribution of water, waste-water treatment and the management of waste. Despite sustained financial assistance for infrastructure from the Community Funds, needs still outstrip what has been achieved. Since the Cohesion Fund is intended to promote economic and social cohesion, it has contributed substantially to the improvement and construction of the infrastructure which is lacking and to the protection of nature.

The main shortfall is in infrastructure for waste. Some of the priorities for waste water are immediate (1998-2000), while others are medium-term (2005). The Cohesion Fund wishes to ensure the sound management of available resources of drinking water. In addition to efforts to remedy the infrastructure deficit, the mechanism for monitoring and checking the application of environmental policy needs to be stepped up.

In 1995 assistance to Greece from the Cohesion Fund accounted for 59% of Community assistance to that country. The breakdown of assistance by objective is as follows:

Water supply:	18 % ⁵
Waste-water treatment:	75 %
Waste management:	1 %
Nature protection:	6 %

Two major projects were approved on a multi-annual basis. The first concerns the supply of water to Thessaloniki from the River Aliakmon and the second the second phase of the biological treatment of water in the same city.

Assistance for the environment is in line with the objectives of the Fifth Programme on the Environment and Sustainable Development.

The first objective sought concerns the management of water resources. It is essential to ensure adequate quantities of water, the sound management of water resources, the quality of drinking water and a balance between supplies of and demand for drinking water. The second objective

⁵ This percentage includes a small part of the total funding for water supplies to Thessaloniki corresponding to expected implementation in 1995.

is to provide the country with infrastructure for the waste-water treatment and to help it meet the requirements of the relevant Directives. The third objective relates to the management of waste in accordance with the Community strategy for 2000.

Water supply

Cohesion Fund assistance for drinking water is primarily concerned with solving problems relating to quality and quantity. This category of projects includes one major project, the supply of water to Thessaloniki from the River Aliakmon, further work on the Evinos major project for the supply of water to Athens, improvements to the Mornos aqueduct, which is connected with the Evinos major project, the supply of water to Khania and completion of work on phases of projects already approved in Crete, the Peloponnese, western Greece and Macedonia.

In the case of the Athens water supply project, the Cohesion Fund has paid particular attention to the sound management of water resources and the improvement of the pipes carrying the water. It should be noted that bringing the Evinos/Mornos tunnel into service ensured water supplies to Athens in summer 1995.

In the case of the Thessaloniki water supply major project, the Cohesion Fund has been concerned to ensure the sound management of water resources, the monitoring of existing plant and the obligation to complete the networks required.

The Cohesion Fund is also monitoring closely the project to establish a hydrological and meteorological database to meet needs arising from the sound management of water resources in Greece.

Water supply to other towns will concentrate on tourist and industrial centres. A number of decisions remain to be taken in 1996.

Waste-water treatment

A large number of projects for the waste-water treatment and effluent (mainly urban in origin) have been part-financed in several large and medium-sized regional towns.

These include the second phase of the major project for biological waste-water treatment in Thessaloniki, which is of the utmost importance for water quality in the Bay of Thessaloniki and serves the second largest city in Greece. To improve water quality in the Bay of Thessaloniki, the Cohesion Fund has approved a project for biological waste-water treatment in the Thessaloniki tourist area, the effluent from which is also discharged into the Bay. This assistance, together with the project to clean up Kalochori, forms a series of measures which will benefit the environment of the region.

The Cohesion Fund has begun the procedure to close the first stages of 54 projects concerned with the waste-water treatment and effluent from small and medium-sized towns which it had been part-financing since 1993 in towns, mainly regional capitals, throughout Greece.

The Cohesion Fund has also part-financed some second stages of these projects. Part-financing is already being provided for those in Kavala, Kozani and Xanthi in northern Greece (Macedonia and Thrace), Corfu in the Ionian Sea, Patras in southern Greece (Peloponnese), Skiathos and Rhodes in the Aegean, Livadia in central Greece and Tyrnavos and Karditsa in Thessaly. The Cohesion Fund also enabled work to begin on several projects not yet under way, the construction of biological treatment centres at Agrinio, Yiannitsa, Pyrgos, Thiva and Naoussa.

All the financing decisions were taken on the basis of complete applications and thorough studies had been carried out on the projects, which are also subject to prior appraisals and interim evaluations.

Waste management

Waste management has not generated the interest which the Commission would have liked; the projects submitted to the Cohesion Fund by the Greek authorities are few in number and concerned mainly with the planning and construction of landfill sites at Schisto, Liossia, Zante, Thessaloniki and Patras. Approval for the continuation of work at Patras and Zante will mean the completion of these projects. The Cohesion Fund will approve the projects at Thessaloniki, Schisto and Liossia, once the authorities responsible have incorporated the results of the expert studies carried out by the Fund into their specifications. The Cohesion Fund, in cooperation with the Greek authorities, hopes to extend and diversify measures in this field in accordance with the Community strategy so that it can receive finance from the Fund. The study for a pilot project to find an integrated solution for the islands of Santorini and Thriassio has been published in the Official Journal (No C 176 of 11 July 1995).

Nature protection

During this period, the Cohesion Fund devoted its assistance to research into and information on the environment, including finance for the Goulandris Centre for environmental research and education.

A number of projects to combat forests fires were also continued.

2.3.3.2 Transport

The Cohesion Fund's strategy for transport in Greece entails:

- completing the country's two main road routes, the Via Egnatia and the Pathé;
- completing the country's two main rail routes, Athens-Thessaloniki and Athens-Patras, and constructing a rail complex at Thriassio linked with the port of Piraeus;
- modernizing air traffic and preparing the new Athens airport at Spata;
- developing combined transport through investment in the country's three largest ports, Igoumenitsa, Iraklio and Piraeus

The success of this strategy depends on securing funds from the public sector, which will benefit from the future revenues generated by these investments.

The total cost of the projects approved is ECU 485 062 600. The calculation of assistance for the port projects took account of future revenues. A major rail project on the North-South route was approved in annual instalments. Taking into account the revenues and the fact that a project was approved in annual instalments, the corresponding financial commitments for the projects total ECU 159 729 130, 41.24% of the assistance granted for projects in Greece in 1995.

The strategy followed by the Cohesion Fund has laid down the following priorities for projects in Greece:

Roads: The two main routes in the country, the Via Egnatia and the Pathé;

Rail: The North-South, Thriassio station and the Athens-Patras link;

Ports: The development of combined transport with investments in the three largest ports in the country, Igoumenitsa, Iraklio and Piraeus.

Airports: The modernization of air traffic and preparation of the large new Athens airport (Spata).

In line with this strategy, the projects approved cover all forms of transport. They include:

Roads

Five projects on the Via Egnatia route. One other project, Corinth-Tripolis, is on neither the North-South (Pathé) route nor the Via Egnatia. It was approved because it is an important

project which provides the two missing links in the Athens-Tripolis motorway route, so improving access from the Peloponnese to the Pathé route.

Rail

The project adopted is the Evagelismos-Leptokarya link on the North-South line which is one of the key sections of the track between Thessaloniki and Athens. Assistance from the Cohesion Fund had to be increased to alter the route of the permanent way in the light of recommendations from the environmental authorities.

Ports

The three port projects adopted are the Ikonion (quay II) terminal in Piraeus, Iraklio and Igoumenitsa. The calculation of assistance took account of future revenue, particularly in the case of the port of Ikonion. There is close cooperation with the EIB and the EFTA financial mechanism, which is part-financing this project.

Airports

The following were adopted in the airport sector in 1995:

- the air traffic control modernization project involving the purchase and installation of seven radars:
 - four short-range radars for Thessaloniki, Rhodes, Corfu and Iraklio, and
 - three short-range radars to provide double surveillance of activity in Greek airspace;
- the financing of further work at Corfu airport.

LIST OF APPROVED PROJECTS FOR GREECE - YEAR 1995

<i>Title</i>	<i>ECU(Current)</i>	<i>ECU(Current)</i>	<i>ECU(Current)</i>
		<i>C.F. contribution</i>	<i>1995 commitment</i>
GREECE - TRANSPORT :			
	<i>Total expend.</i>		
ROADS			
Motorway Korinthos-Tripoli-Kalamata	28.242.000	24.005.700	24.005.700
gnatia Motorway (by-pass of Kavala -Aghios Andreas to KM4 + 937)	1.317.000	1.119.450	1.119.450
gnatia Motorway (Phsylorachi-Aghios Nikolaos)	17.090.000	14.526.500	14.526.500
gnatia Motorway (Lykopodi-Makrychora)	7.279.000	6.187.150	6.187.150
gnatia Motorway (Makrychora-Krystalopigi)	11.231.000	9.546.350	9.546.350
gnatia Motorway (by-pass of Kavala km9 + 400 to km 13 + 780)	11.013.000	9.361.050	9.361.050
sub-total	76.172.000	64.746.200	64.746.200
RAIL			
railways line Pyraeus-Thriassio - 2nd phase of technical studies	1.300.000	1.300.000	1.300.000
Double track railway Evangelismos-Leptokarya	240.000.000	204.000.000	7.055.000
sub-total	241.300.000	205.300.000	8.355.000
PORTS			
Transit area - Port of Iraklion	24.138.000	15.593.148	15.593.148
Container terminal to N. Ikonio	67.115.600	15.007.032	15.007.032
Construction of Igoumenitsa port	48.428.000	34.076.840	32.305.100
sub-total	139.681.600	64.677.020	62.905.280
AIRPORTS			
Extension of Terminal of Corfu airport	3.306.000	2.810.100	2.810.100
Construction of terminal of Corfu (anti-fire station)		id.	
Modernization of air traffic control system	24.603.000	20.912.550	20.912.550
Modernization of air traffic control (Iraklion - Corfu)			
Modernization of air traffic control - Athens			
Modernization of air traffic control (P.I.S. information system)			
sub-total	27.909.000	23.722.650	23.722.650
TOTAL	485.062.600	358.445.870	159.729.130

2.3.4 Ireland

In 1995, the Cohesion Fund granted ECU 190.4 million in aid to Ireland, of which ECU 97.2 million (51% of the total) was for transport projects and ECU 93.2 million (49% of the total) was for environment projects.

The table below gives a breakdown by category of the projects assisted.

COMMITMENTS OF AID TO PROJECTS IN IRELAND (1995)

Environment	Assistance granted (ECU million)	% of total
1. Water treatment	50.0	26.3
2. Water supply	41.9	22.0
3. Solid waste	1.1	0.6
4. Technical assistance	0.2	0.1
Total 1	93.2	48.9
Transport	Assistance granted (ECU million)	% of total
1. Roads	71.0	37.3
2. Rail	21.6	11.4
3. Ports	4.5	2.4
Total 2	97.2	51.1
Total 1 + 2	190.4	100.0

General Strategy

The priorities for assistance in 1995 remained the same as in the previous years. In transport, the largest part of the budget continued to go to road projects on the trans-European network, while funding for rail was concentrated on the core of the network, the Dublin-Belfast and Dublin-Cork/Limerick lines. Assistance to ports remained in line with the policy of concentrating on the four largest ports of Dublin, Cork, Rosslare and Waterford.

Within the environment sector, the main priorities continued to be waste-water treatment with a lesser amount for water supply. Waste-water treatment projects within the largest urban areas and in environmentally sensitive areas which are required by Community Directives to be completed not later than the end of the decade were the first choice for assistance. The water supply projects were concentrated on Dublin city and areas where the water supply is of particularly poor quality.

2.3.4.1 Environment

Waste-water treatment

A total of seven new projects were approved in 1995. Together with amounts committed to modify projects already approved in earlier years, a total of ECU 50 million was committed to this sector. The projects assisted were the following :

Project Name	New project or stage or modification of existing project	Aid granted (in 1995 ECU million)
River Barrow (3 projects)	Addition to group of existing projects	4.5
Wexford (Stage II)	New stage with annual instalments	10.0
Sligo (Stage I)	New project : planning stage	1.7
Lough Swilly (Stage I)	New project : planning stage	0.9
Dublin Region (Stage I)	Modification to complete stage I	0.5
Dublin Region (Stage II)	New project with annual instalments	6.2
Lough Derg	New group of projects	11.1
Tralee	New project	9.2
River Boyne (Stage I)	New group of projects : planning stage	2.4
Ennis Main Drainage	Modification to complete project	0.1
Waterford (Stage I)	Modification of existing stage of project	1.2
Bray Sewerage	Modification to add additional works	2.1
TOTAL		50.0

Water supply projects

The following projects received ECU 41.9 million in assistance.

Project name	New project on stage or modification of existing project	Aid granted in 1995 (ECU million)
Lough Mask (Stage II)	New second stage with annual instalments	9.7
Monaghan	New project	6.1
Ballyjamesduff	Modification to complete existing project	1.5
Dublin Region	Modification to complete major stage of project	24.4
TOTAL		41.9

Solid waste

One project only, the Ballymount solid waste facility in the south-west suburbs of Dublin, received ECU 1.1 million to complete work begun in 1993.

2.4.3.2 TransportRoads

In 1995, ECU 71 million was committed to nine new road projects and to modifications largely aimed at completing projects approved in earlier years. All of the projects approved or modified received 85% of the total cost in aid.

The table below shows the projects approved in 1995. The word "project" refers to a new project where all of the aid was committed from the 1995 budget. "Annual instalment" identifies large projects where aid is committed each year in annual amounts while "modification" indicates the addition of funds from the 1995 budget to projects previously approved by the Commission.

ROADS	PROJECT NAME	PROJECT OR STAGE	AID GRANTED FROM 1995 BUDGET (ECU million)
N2 Dublin - North West	Ardee-Aclint	project	6.1
N1 Dublin-Belfast	Balbriggan By-pass	Annual instalment	4.2
	Cloghran-Lissenhall	Stage	1.6
	Dublin Port Access Road	Stage	3.2
	Dunleer-Dundalk	Modification	0.2
	Drogheda By-pass	Modification	0.2
Dublin Ring Road	Northern Cross	Modification	15.4
	Southern Cross	Annual instalment	3.8
N11 Dublin-Rosslare	Killarny Road Interchange	Modification	0.4
	Kilmacanogue-Glen of Downs	Annual instalment	0.9
	Arklow By-pass	Annual instalment	2.6
	Enniscorthy-Wexford	Modification	0.5
N7 Dublin - Cork/Limerick	Kildare By-pass	Modification	0.1
	Portlaoise By-pass	Annual instalment	6.7
	River Lee Tunnel	Modification	0.5

N4 Dublin - Sligo	Longford By-pass	Modification	0.7
	Curlews By-pass	Annual instalment	2.8
	Collooney-Sligo	Annual instalment	9.6
N6 Dublin - Galway	Galway Eastern Approach Road	Project	7.1
N18 Limerick - Galway	Newmarket By-pass	Stage	2.0
Road Network 1993	Twelve TENs projects	Modification	1.2
Road Network 1994	Seven TENs projects	Modification	1.0
TOTAL			71.0

Rail

The projects assisted in 1995 were the following:

NAME	TYPE OF PROJECT	ASSISTANCE GRANTED (ECU Million)
Dublin - Cork Dublin -Belfast Limerick Junction- Limerick Dublin - Waterford	Mainly track and signalling replacement with associated infrastructure work: e.g. bridge strengthening	21.5
Track Renewal Equipment	Modification to complete project	0.1
Dublin - Galway	Modification to complete project	0.1
TOTAL		21.6

Ports

The following projects were assisted in 1995:

PORT	TYPE OF PROJECT	PROJECT OR STAGE	ASSISTANCE GRANTED (ECU million)
Dublin	Additional works in Ro-Ro terminal	Modification to complete project	0.9
	Expansion of Lo-Lo Terminal	New project	3.5
Rosslare	Berth realignment	Modification to complete existing project	0.1
TOTAL			4.5

2.4 ASSISTANCE FOR STUDIES AND TECHNICAL SUPPORT MEASURES

2.4.1 General

In carrying out its management duties and in order to increase the effectiveness of the aid granted, the Cohesion Fund Directorate has sought the assistance of a number of experts and consultants in the various sectors with which it is concerned. Some of these consultants have helped the Commission analyse the applications for finance submitted by the Member States. To the Commission's technical expertise they have added practical and up-to-date knowledge on a variety of topics including waste-water treatment, water treatment and supply, afforestation and combined transport.

Close cooperation with the EIB continued in 1995, with particular emphasis on the evaluation of the largest projects submitted for financing. Further details are to be found in section 4.8 of this Report.

Some studies were also carried out to improve the selection of projects to be financed by the Fund. Examples include a study on ports in Portugal, one on water resources in the Iberian peninsula, a third on railways in Ireland and a study on coordinated environmental measures on the Greek islands of Santorini and Thirassia. The London School of Economics was

commissioned to carry out a major study on the macro-economic impact of the Cohesion Fund on beneficiary countries.

In any case, although the amounts allocated to technical assistance and studies were three times greater in 1995 than they had been in 1994, they are still comparatively small and finance for works remains the priority. The total budget for technical assistance and studies accounts for less than 0.1% of resources.

The awarding of contracts respects the current provisions on public contracts. The consultants chosen are from a variety of Member States and several of them come from countries other than the cohesion countries.

2.4.2 On the Commission's initiative

2.4.2.1 Expressions of interest

In the Official Journal of the European Communities of 6 July 1993 (OJ No C 183), the Cohesion Fund Directorate had published a call for expressions of interest in participation in the study and technical assistance programme to be carried out under the Cohesion Fund. The replies received permitted the establishment of a database containing over 1 200 consultants specializing in the various fields covered by the Fund. This has meant that restricted calls for tenders could be issued where the public procurement Directive does not require publication of a notice in the Official Journal. Those consultants whose abilities were considered to be appropriate for the contract in question were invited to tender. During 1995 twelve restricted calls for tenders were issued, two of which involved publication of a notice in the Official Journal.

2.4.2.2 Types of measures selected

The Commission financed measures of three types:

- general studies designed, for example, to examine the methodologies available for analysis of environmental projects or the techniques used in the Member States to analyse transport projects;
- economic or technical analyses of individual projects submitted to the Cohesion Fund;
- technical audits of projects already approved by the Cohesion Fund, to ensure that they are being carried out in accordance with the objectives laid down.

2.4.3 At the request of the Member States

2.4.3.1 Spain

The Commission approved under the Cohesion Fund a study on the environment submitted by the Spanish authorities concerning technical assistance for the evaluation and cost/benefit analysis of environmental projects submitted by the local authorities for finance from the Cohesion Fund. The amount involved was ECU 182 288.

2.4.3.2 Portugal

The Cohesion Fund financed a group of fairly important studies to define priorities and lay down objectives for investments still to be carried out in water infrastructure, the cleaning up and development of water resources, water recovery and water quality. These studies will contribute to preparation of the national water plan and fifteen plans to manage river basins, four of which are international.

2.4.3.3 Greece

The Cohesion Fund had already approved in 1994 certain studies by the Port of Piraeus authority, one of which was a feasibility study on the railway line connecting the port to the planned rail complex at the Thriassio marshalling yard. In 1995, the Fund adopted a study including the second phase of technical studies on this rail link.

2.4.3.4 Ireland

Two projects received ECU 200 000: a data collection and public information system covering the environment quality of all waterways in Ireland plus a small additional amount to complete a study of the ways in which industry can contribute to the capital cost of providing waste-water treatment.

2.5 PAYMENTS BY MEMBER STATE IN 1995

Payments in 1995 by Member State are shown below:

ECU

Member State	Advances	Interim payments	Balances	Total	%
E	328 393 203	725 027 498	51 857 811	1 105 278 512	65.4
GR	26 022 530	57 585 243	6 893 054	90 500 827	5
IRL	20 112 443	109 440 782	4 104 665	-133 657 890	8
P	144 131 211	225 055 997	17 109	369 204 317	22
Tech.Ass.	-	482 879	15 967	498 846	0.02
TOTAL	518 659 387	1 117 592 399	62 888 606	1 699 140 392	100

As the payments table shows, the distribution by type of payment reflects a comparatively high percentage (30%) of advances granted. This fact, which is in line with the letter and the spirit of the Regulation, is not surprising, since the aim was to make a proportion of the Cohesion Fund assistance available immediately so that it could provide the required financial impetus for the studies needed and for work to start.

CHAPTER 3

CONVERGENCE AND CONDITIONALITY

3.1 CONVERGENCE PROGRAMMES

3.1.1 Spain

In July 1994 the Spanish government approved a revised convergence programme for the period 1995-97 designed to achieve further progress towards both real and nominal convergence through further structural reforms and fiscal consolidation.

The Spanish economy began to recover from the 1992/93 economic recession in the second half of 1993. In 1995, GDP growth was 3.0% compared to an EU average of 2.7%. However, GDP began to decelerate in the second quarter of 1995 and is expected to grow less in 1996 than in 1995, in line with the trend at EU level. The economic recovery, coupled with wage moderation and a more flexible labour market, has allowed employment to grow more strongly than expected. The unemployment rate has thus fallen from 24.6% in the first quarter of 1994 to 22.8% in the last quarter of 1995 (Spanish EPA figures).

At present, an evaluation of the implementation of the structural reforms envisaged in the convergence programme is mixed. Besides the labour market reform, some other measures have been taken to boost market forces in areas like transport, housing and the management of some public agencies. However, more remains to be done in fields such as telecommunications and some service sectors still sheltered from competition.

With some ups and downs, progress in reducing inflation in Spain remains insufficient. After having fallen from 3.2 percentage points (p.p.) in 1993 to 2.7 p.p. in 1994, the difference from the average of the three EU countries with the lowest inflation rates was 3.1 p.p. in July 1995.

Spanish budgetary policy has continued to be guided by the objectives of the revised convergence programme. After achievement of 1994 programmed deficit in 1994 (outturn of 6.6% of GDP compared with a target of 6.6%), the available information points to a general government deficit outturn roughly in line with the programme target in 1995 (5.9% of GDP). On the other hand, the 1996 draft budget law, approved by the Government in September, aims at complying with the programme target of a general government deficit of 4.4% of GDP. These developments, however, have been insufficient for Spain not to be considered as having

an excessive deficit for the purposes of Article 104c(6) of the Treaty; accordingly, in November 1994 and July 1995 the Council made recommendations that Spain should bring the excessive deficit situation to an end.

3.1.2 Portugal

The trend of the Portuguese economy in 1994 and 1995 was generally in line with the targets set in the revised convergence programme adopted by the Portuguese authorities in November 1993. The programme aims at reducing the inflation differential vis-à-vis the best performing EU countries, while the process of moving towards the EU average income should be maintained. A stable exchange rate policy and budgetary consolidation targeted at the reduction of the general government deficit to 3% of GDP in 1997 would also help achieve the programme's goals.

The Portuguese economy began to grow again in late 1993. However, the recovery has been somewhat slower than expected; economic growth in 1994 was below the EU average but was close to it in 1995. Inflation was kept on a decelerating trend, averaging 5.2% in 1994; further progress was achieved in 1995, with inflation declining to slightly above 4%.

The financial situation of the general government improved significantly in 1994 and in 1995 the deficit declined further. This was due to a sharp improvement in fiscal efficiency as well as to the upturn of economic activity. Fiscal revenues expanded more than budgeted while current expenditure remained under control and the deficit was reduced to 5.2% of GDP in 1995 (5.7% in 1994), which is below the deficit target of the convergence programme. The public debt increased to 69.4% of GDP, at the end of 1994, and is estimated to have risen marginally to 71.4% of GDP in 1995. Such developments in the fiscal position, however, have been insufficient for Portugal not to be considered as having an excessive deficit for the purposes of Article 104c(6) of the Treaty; accordingly, in November 1994 and July 1995 the Council made recommendations that Portugal should bring the excessive deficit situation to an end.

3.1.3 Greece

The revised convergence programme for Greece, covering the period 1994-99, was endorsed by the Ecofin Council on 19 September 1994. It is designed to ensure that Greece can participate fully in the third stage of EMU from 1999, following the correction of fiscal imbalances, a restrictive monetary and exchange rate, and an economic development policy based on the improvement of economic infrastructure, largely supported by the Structural Funds and the Cohesion Fund.

Developments in 1994 and 1995 were broadly in line with the convergence programme. Growth conditions, partly influenced by the improvement in the international economic

environment, are at present better than projected in the programme, with growth in real output close to 2% in 1994 and 1995 following an average annual rate of 0.6% in the period 1990-93. Underlying this improvement is the recovery in total investment while private consumption continues to rise, partly due to positive real incomes and reduced uncertainty about taxation. Inflation continued to decelerate, declining to a single-digit rate early in 1995 (after 22 years), but is still above the projection in the convergence programme.

As a result of the improvement in budget revenue collection since mid-1994 following the implementation of the tax laws adopted in April 1994 and of savings in primary expenditure, the 1994 budget was on target. Moreover, further statistical corrections of the public sector accounts resulted in a significant reduction of the general government deficit ratio (12.1% of GDP instead of 13.2% of GDP in the convergence programme). The implementation of the 1995 budget resulted in further improvement in the deficit, which is estimated at 9.4% of GDP. Both the revenue and the expenditure side contributed to this result. After a temporary decline in 1994 due to consolidation operations, the debt ratio increased in 1995 and it is likely to stabilize in 1996; the convergence programme target is to achieve debt stabilization in 1996, and gradual reduction afterwards. In spite of the progress achieved in improving its fiscal position, Greece is still very far from fulfilling the budgetary criteria of the Treaty, thus remaining with an excessive budget deficit for the purposes of Article 104c(6) of the Treaty; accordingly, in November 1994 and July 1995 the Council made recommendations that Greece should bring the excessive deficit situation to an end.

3.1.4 Ireland

The current programme for Ireland, covering the period 1994 to 1996, was endorsed by the Ecofin Council of 19 September 1994 and aims to continue the stability-oriented policies of the earlier programme.

The programme for 1994-96 envisages a relatively modest annual growth rate for GDP of 4.0%. Inflation is expected to remain relatively subdued at about 2.5% per annum, helped by the wage moderation inherent in the agreements between the social partners. Fiscal policy is aimed at maintaining the budget deficit within 3% of GDP, which in turn should facilitate a reduction in the debt ratio of 3 to 4 percentage points each year.

The performance of the economy during 1995 was generally in keeping with the targets set in the new programme. The GDP growth of 6.7% easily surpassed the quite modest target of 4.0%. The budgetary targets have also been achieved with a comfortable margin. Continued prudent fiscal policy resulted in net borrowing amounting to 2.2% of GDP in 1995 while the debt ratio declined by some 5 percentage points to 85.9% of GDP. Inflation in 1995 was in keeping with the 2.5% target for the annual average over the period of the programme and the expectation of lower inflation in 1996 should ensure that the overall target is met.

Indications are that the programme remained on-track during 1995. Short-term indicators point to continued strong output growth, with inflationary pressures remaining subdued. The budget deficit is estimated to have amounted to 2.2% of GDP, well below the 3% limit and allowing a further substantial decline in the debt ratio, in keeping with the convergence programme.

CHAPTER 4

EVALUATION OF PROJECTS AND MEASURES ADOPTED

4.1 GENERAL

4.1.1 Evaluation of projects

When projects submitted by the Member States are considered, particular attention is paid to ensuring that the resources deployed are commensurate with the economic benefits expected. This prior appraisal is carried out on the basis of a cost/benefit analysis carried out by the Member States for each project or group of projects. In the case of certain environmental projects, the difficulty of quantifying the benefits expected has led the Member States to use other, more qualitative, methods. Using the information provided by the Member States, the Commission has made an evaluation of the socio-economic justification for the projects, using additional analyses where necessary.

In certain cases, these analyses have led the Cohesion Fund to ask the Member States to redefine the projects or even to refuse to finance certain projects, for example, in Greece, those concerning the ports of Alexandroupolis, Volos and Mykonos. A further example is the Enxoé dam in Portugal, which was redesigned before approval so that the water could not be used for irrigation.

4.1.2 Revenue-generating projects

In the case of revenue-generating projects, assistance from the Cohesion Fund has to be calculated with regard to the revenue generated. Under the approach adopted, the assistance granted will be 80/85% of the proportion of the investment not supported by revenue. This reduction in assistance has been applied wherever investments financed by the Cohesion Fund could generate substantial net revenue.

4.2 TRANS-EUROPEAN TRANSPORT NETWORKS

4.2.1 General strategy

The Cohesion Fund has a key role to play in the development of the trans-European networks (TENs) within the four beneficiary Member States by virtue of its specific remit to support TENs transport projects, its high rate of grant aid, and the substantial resources at its disposal: approximately half the ECU 16 billion budget for the period 1993-99 is to be allocated to transport.

Despite the size of the Fund, it is clear that the enormous costs involved in fully implementing the planned transport networks⁶ mean that careful targeting of resources, and close collaboration with other financial instruments, are essential if the benefits of Community support are to be maximized. The Cohesion Fund has therefore been careful to determine priorities with the Member States concerned and has worked closely with other financial instruments and the EIB to ensure that resources are deployed as effectively as possible.

Within the planned transport networks, priority has been given to key road, rail and maritime routes which provide or upgrade the main links between the cohesion Member States and the rest of the EU. Examples, to which assistance was committed in 1995, include the Lisbon-Madrid motorway, the Valencia-Zaragoza-Somport road corridor, the main North-South railway line in Greece, the Cork-Dublin-Belfast road and rail links and investments in the ports of Dublin and Igoumenitsa.

Other assisted projects are intended to improve communications and trade between peripheral regions and the more developed regions, as is the case in Spain in particular, and to improve the continuity of the networks close to urban centres. The many town and city by-passes or ring roads financed by the Cohesion Fund are expected to serve the dual function of improving network links and access, as well as reducing congestion and the adverse environmental effects of traffic in town and city centres.

Particular attention has been given by the Cohesion Fund to the implementation of the high priority projects which were endorsed by the Essen European Council in December 1994. Of the fourteen priority projects listed, five lie wholly or partly within the territories of the cohesion Member States (HST south France-Spain, Greek motorways, Lisbon-Valladolid, Cork-Dublin-Belfast rail link and the Ireland-UK-Benelux road corridor).

With the exception of the projects in Ireland, however, progress on these has been slower than anticipated for a variety of reasons including conflicting national priorities, planning or

⁶ Estimated by the White Paper on Growth, Competitiveness and Employment at over ECU 200 billion for all transport TENs, including ECU 90 billion for the highest priority projects.

financing difficulties, and problems relating to public procurement procedures. The Cohesion Fund nevertheless remains an important player in financing those parts of the priority projects which are at present under way, or which are shortly to be started. Further details on progress in each of the priority projects is given in section 4.2.4 below.

With the aim of maximising the impact of Cohesion Fund resources on both the Essen priority projects and the TENs more generally, the following are three main areas in which it is considered that assistance can be further deployed to best advantage:

- (i) financing technical, economic and financial feasibility studies which pave the way for public or mixed projects: such studies are costly and risky, given the uncertainty about whether or not the full project will go ahead, so that grant assistance serves the useful function of reducing risk;
- (ii) assisting the completion of key sections of transport corridors which may in themselves be financially unprofitable, but which ensure the completion of such corridors and thus guarantee or sustain their overall economic or financial viability: cross-border sections through sparsely populated areas are classic examples of this type of support;
- (iii) financing sections of a route which lead to "captured traffic" on which the private sector can then capitalize: access roads to bridges or tunnels on which user tolls may be charged are examples here.

To date, examples of the first type of assistance have been the most common (first phases of Madrid-Barcelona HST and Valencia-Barcelona railway, studies relating to Portuguese ports and to the modernization of Portugal's Northern Line, design stages of Dublin port access and River Lee tunnel in Ireland). Numerous examples of the second type, however, also exist (sections of the Via Egnatia and Pathé motorways in Greece, the Somport tunnel in Spain, sections of the N1 highway in Ireland).

4.2.2 Legislative background

To be eligible for assistance under the Fund Regulation, transport infrastructure projects must be identified within the framework of the guidelines referred to in Article 129c of the Treaty. Guidelines for high-speed trains, roads and combined transport, all of which were adopted before 1995, have served as a frame of reference for the Cohesion Fund. The guidelines for inland waterways do not include networks for the cohesion Member States. In addition, the Cohesion Fund has also been able to base itself on the Commission's proposal for multi-modal guidelines which was presented to the Council in March 1994 and is intended to supersede the

existing guidelines⁷. This proposal covers guidelines for conventional railways, ports, airports and traffic information and management systems, as well as the modes previously approved.

The process of approval of the multi-modal guidelines, which is subject to the co-decision procedure, has taken longer than anticipated. The Council adopted a "common position" on these guidelines in September 1995 and the European Parliament is expected to complete its second reading in 1996. Subject to the resolution of certain differences between the Council and the Parliament, in particular as regards the identification of priority projects, the guidelines are expected to be adopted by mid-1996.

It may be noted that, pending the formal adoption of the guidelines, the Regulation establishing the Cohesion Fund permits the financing of other transport infrastructure projects which contribute to the objectives of Article 129b of the Treaty.

4.2.3 Reinforcement of the transport networks in 1995

The Cohesion Fund continued to make a substantial contribution to the TENs in 1995 with a total of around ECU 1 108 million committed to transport during the year. This includes commitments for new projects, or stages of projects, as well as additional funds committed for projects approved in previous years, either via new annual instalments or modifications to earlier decisions. Together with commitments made in 1993 and 1994, this brings the total allocated so far to transport TENs projects in the cohesion countries to almost ECU 3 billion.

The following table gives a breakdown of commitments made from the 1995 budget for TENs projects broken down by Member State and transport sector:

⁷ COM(94) 106

Commitment appropriations 1995 - TENs projects

Transport Sector	<i>Member State</i>								Total	
	<i>Spain</i>		<i>Portugal</i>		<i>Greece</i>		<i>Ireland</i>			
	Mecu	%	Mecu	%	Mecu	%	Mecu	%	Mecu	%
Roads	484.9	79.5	211.9	88.1	64.7	40.5	71.0	73.1	832.5	75.2
Rail	119.8	19.6	28.6	11.9	8.4	5.3	21.6	22.3	178.4	16.1
Ports	-	-	-	-	62.9	39.4	4.5	4.7	67.4	6.1
Airports	-	-	-	-	23.7	14.8	-	-	23.7	2.1
VTS	5.5	0.9	-	-	-	-	-	-	5.5	0.5
Total	610.2	100.0	240.5	100.0	159.7	100.0	97.2	100.0	1107.6	100.0

Roads

Road projects took a major share of the total allocations to transport in 1995, as in earlier years, reflecting the continuing importance given to this sector by the Member States concerned. This priority in turn reflects the deficiencies which remain in the main road links within their territories, and between these and the rest of the EU, as well as the pressures imposed by the growth of international trade and road transport in particular. It is estimated that roads account for around 80% of land-based freight transport within the EU. It should be noted, nevertheless, that the relative importance of other modes of transport, such as rail in particular, is underestimated by the 1995 figures (see below) and that, within the road sector, a large number of projects supported concern by-passes or ring roads which, in addition to providing much needed links between corridors, also reduce congestion in town and city centres. A total of 15 decisions in 1995 accounting for ECU 91 million of commitments relate to such projects. Notable examples include the Northern Cross and Southern Cross in Dublin, the Lisbon inner ring (CRIL), the Madrid M40 ring road and the Kavala by-pass in Greece.

The share taken by roads was especially high in Portugal (88.1%), which reflects the decision at the end of 1994 to approve ECU 311 million of assistance for the second Tagus crossing at Lisbon. Commitments from the 1995 budget for this project amounted to ECU 178.09 million.

Road projects also played an important part in Spain, with Cohesion Fund finance being approved for several new sections of major motorways and highways including the Rías Bajas motorway (ECU 160.2 million committed from the 1995 budget), which provides a key link from Galicia and northern Portugal to the Irún-Valladolid axis, and the Lérida-Gerona and Madrid-Valencia motorways. Approval was also given to the Somport tunnel project (ECU 26.9 million) which is intended to provide an alternative to the existing congested crossings into France at Irún and La Junquera and will complete the Zaragoza-Huesca-France axis.

In Ireland priority continued to be given to the main corridor linking Cork, Dublin and the border with Northern Ireland, with connections to Belfast and Larne. A total of ECU 36.5 million was committed from the 1995 budget for various improvements to this route including an additional ECU 15.4 million for Dublin's Northern Cross.

The share of road projects in Greece was lower than elsewhere as a result of difficulties relating to public procurement and project management questions. However, some progress in resolving these has been made by the Greek authorities and the Cohesion Fund has been able to adopt a number of important projects including new sections of the Via Egnatia motorway (ECU 40.7 million from the 1995 budget).

Rail

Rail projects attracted ECU 178.4 million of assistance from the 1995 budget, or 16.1% of the transport total. The main projects approved were the upgrading of the Mediterranean corridor in Spain (ECU 58.3 million), general modernization of the Spanish conventional rail network (ECU 46.1 million), the modernization of the Beira-Alta line in Portugal (ECU 28.6 million), and the Cork-Dublin line upgrading in Ireland (ECU 21.5 million).

In Greece, a major project for the improvement and doubling of the Evangelisimos-Leptkarya section of the country's main north-south rail axis was adopted. Although only ECU 7 million of Cohesion Fund assistance was committed from the 1995 budget for this project, total aid over the period 1995-99 is expected to amount to around ECU 204 million.

The situation in Greece underlines the fact that 1995 commitments taken by themselves understate the volume of support for rail projects. Assistance for large and complex projects such as railway extensions or upgrading is generally committed in annual instalments so that the total amount of assistance approved may substantially exceed an individual year total. In the case of railways, Cohesion Fund support for projects approved in all beneficiary Member States in 1995 totalled ECU 553.6 million for the period 1995-99 as a whole, as against the ECU 178.4 million committed for 1995 alone.

Ports and airports

Port projects accounted for ECU 67.4 million of assistance committed in 1995 (6.1% of the total for transport), while airports accounted for ECU 23.7 million (2.1%).

The main projects approved were in Greece (Igoumenitsa, Piraeus and Iraklio ports), together with additional assistance towards the modernization of air traffic control systems, and in Ireland (Dublin Lo-Lo and Ro-Ro terminals). In Portugal no port projects were approved in 1995, but a number of applications for assistance for the development of port infrastructure remain under consideration for possible decision in 1996.

In a closely related field, in 1995 the Cohesion Fund financed additional installations in several Spanish ports for the surveillance of maritime traffic and prevention of marine pollution.

These types of projects raise particularly difficult questions of competition, coordination and revenue generation. Their relatively low share of 1995 assistance reflects in part the fact that alternative sources of financing, including EIB loans, can often be found for such projects, rendering assistance from the Cohesion Fund superfluous.

4.2.4 Group of Commissioners (TENs) and Essen priority projects

Group of Commissioners

The Cohesion Fund has closely followed the work of the group of Commissioners which was set up early in 1995, under the chairmanship of Mr Kinnock, Member with special responsibility for transport, to co-ordinate and give impetus to implementation of the trans-European networks. The group has concerned itself with the legislative framework for the TENs, monitoring progress of projects of common interest, and exploring ways in which the problem of financing the TENs might be resolved.

As regards transport TENs, the Group has monitored the process of adoption of the TENs Financial Regulation and discussions in the Council and Parliament concerning the Commission's proposal for multi-modal guidelines for the networks (see section 4.2.2 of this Report). It has also set up working groups on finance, legal and economic issues. The finance group examined in particular the possibilities for improving the use of existing financial instruments, or introducing new ones, and for introducing private finance via public/private partnerships in order to accelerate the development of transport networks.

A progress report on the trans-European networks was presented by the TENs group of Commissioners to the Madrid European Council of 15 and 16 December 1995. This noted that substantial progress had been made in the implementation of the transport networks but that problems nevertheless remained, in particular in relation to the priority given to TENs projects by the Member States and the shortfalls in finance which were becoming increasingly evident. The report suggests that Member States may not be taking full account of the additional Community benefit derived from TENs projects, and urged Member States to make greater efforts to solve financing and other problems holding up projects, including making greater use of public/private partnerships.

Essen priority projects

The Essen European Council of 9-10 December 1994 endorsed a list of fourteen high priority TENs projects which, when complete, will provide key links in the transport networks within the EU. Five of these projects are located wholly or partly in the cohesion countries, and the Cohesion Fund is thus in a good position to help with their advancement. The scale of the task is well illustrated by the development costs involved: for the five projects alone these have been estimated at a total of over ECU 23 billion, of which some ECU 12 billion is planned to be spent by the year 2000.

The Cohesion Fund's involvement with these projects and their current state of play may be summarized as follows:

1. HST South France-Spain

a) *Madrid-Barcelona-Perpignan:*

The Cohesion Fund has financed technical feasibility studies costing a total of ECU 8.02 million on two sections of this line (Zaragoza-Lérida and Calatayud-Ricla). In April 1995 the Spanish authorities submitted an application for assistance towards the construction of these sections.

b) *Madrid-Vitoria-Dax:*

No requests for Cohesion Fund assistance have been received for this line.

2. Greek motorways

a) *Patras-Athens-Thessaloniki-Bulgarian border (Pathé):*

Construction of this motorway, which provides the main North-South road corridor for Greece, has been under way since 1990. The Cohesion Fund approved several sections of the motorway for assistance in 1993 and 1994 with a total grant of ECU 58.4 million. However, difficulties concerning public procurement and project management held up progress last year with a result that no additional requests for assistance were approved in 1995.

b) *Via Egnatia (Igoumenitsa-Thessaloniki-Alexandroupolis-Turkish border):*

Work on the 200 km Igoumenitsa-Panagia section started in 1995. In total the Cohesion Fund has approved ECU 76.4 million towards various sections of this project, including ECU 40.7 million approved in 1995. Requests for an additional ECU 500 million are still being considered.

3. Lisbon-Valladolid road corridor

Two sections of the Portuguese part of this corridor (Alcanena-Atalaia and Atalaia-Abrantes) received assistance from the Cohesion Fund totalling ECU 52.6 million. However, no applications were received and no further assistance approved in 1995.

It should be noted that the Portuguese authorities have said that they wish to realign their section of the corridor, while on the Spanish side progress has been slow with major technical studies still needed before construction can start. Following a workshop on this project organised by the Cohesion Fund in October 1994, the Commission invited both the Spanish and Portuguese authorities to submit preparatory studies on the project for financing by the Cohesion Fund. No such requests were, however, presented to the Cohesion Fund.

4. Cork-Dublin-Belfast-Larne rail link

Commitments from the 1995 budget amounted to ECU 21.5 million for this project to upgrade the main North-South rail link in Ireland, bringing the total committed since 1993 to ECU 53.9 million. Following a project seminar organised by the Cohesion Fund in November 1994, the Irish authorities agreed to consider submitting additional work to the Cohesion Fund aimed at increasing the economic viability of the rail link and in particular the connection between the railway stations in Dublin. The definition of this priority project is to be extended to include two important feeder lines to Londonderry and Limerick. Speeding-up of the works on the Dublin-Cork section was agreed.

5. Ireland/UK/Benelux road corridor

Priority has been given to this project in Ireland and a further ECU 56 million was committed to it from the Cohesion Fund's 1995 budget. This includes ECU 15.4 million for Dublin's Northern Cross ring road. Since 1993 Cohesion Fund assistance for the Republic of Ireland's section of this priority project has totalled ECU 121.6 million. Additional work is programmed and around ECU 40 million remains under consideration.

The table below summarizes information on the Essen high priority projects which are of direct interest to the Cohesion Fund:

ECU million

	Estimated	Cost 1995-99	CF assistance 1993-95
1. HST South France	12 870	4 380	8.0
2. Greek motorways	6 367	5 065	134.8
3. Lisbon-Valladolid motorway	1 072	717	52.6 (Portugal only)
4. Cork-Dublin-Belfast rail link	238	145	53.9 (Rep. of Ireland only)
5. Ireland/UK/Benelux road corridor	2 680	1 540	121.6 (Rep. of Ireland only)
	23 227	11 847	370.9

In addition to the fourteen high priority projects identified in the Christophersen Group's report which were endorsed by the Essen European Council, a second list of projects of importance was also highlighted.

The Cohesion Fund has a direct interest in the following projects which appear on this list:

- combined transport (various projects);
- the new international airport for Athens at Spata;
- the Marateca-Elvas motorway (on the Lisbon-Madrid corridor).

Financial assistance for combined transport projects and for sections of the Marateca-Elvas motorway have already been approved, while discussions began with the Greek authorities at the end of 1995 with a view to an application for assistance being made to the Cohesion Fund for the new Spata airport.

The Christophersen Group report also gave prominence to Europe-wide projects relating to the implementation of new information technology and traffic management systems for transport in the EU. The Cohesion Fund has helped to finance two important examples of such projects in 1995, following earlier assistance approved in 1993 and 1994:

Vessel traffic management systems in Spain:

A total of ECU 11 million was approved from the 1995 budget for marine surveillance and pollution control installations in the ports of Almería, Bilbao, Palma de Mallorca, Tarragona and Valencia.

Air traffic management systems in Greece:

A total of ECU 20.9 million was committed for the modernization of air traffic control systems in Athens, Iraklio, Thessaloniki, Rhodes and Corfu.

4.3 CONTRIBUTION TO THE IMPLEMENTATION OF ENVIRONMENT POLICY

The establishment of the Cohesion Fund gave the Community's cohesion policy an extra environmental dimension. For the Member States concerned, this Fund is the main financial instrument for meeting their needs. This is particularly true of the protection and management of water resources and waste-water treatment but also applies to the collection, treatment and recycling of waste.

This Fund means that the least prosperous countries can comply with the requirements laid down by certain Directives, including those on the quality of drinking water (80/778/EEC), waste (75/442/EEC) and waste-water treatment (91/271/EEC), without jeopardizing their efforts to meet the conditions for economic convergence set out in Article 104c. The Cohesion Fund regrets, however, that only a very small number of projects concerning waste have been submitted.

One of the concerns of the Fund is to ensure application of a policy which complies with the Commission's environmental objectives, particularly those concerned with sustainable development, and the Community rules on the environment. Before approving a decision to grant assistance to a project submitted by a beneficiary State, the Commission checks that it complies with Directive 85/337/EEC on environmental impact assessments. In addition, Directorate-General XI, which is responsible for the environment, is always associated with examination of the application and the decision to approve projects and has given its agreement to all the projects approved since 1993.

In its communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions of 22 November 1995 on "Cohesion policy and the environment" (COM(95) 509/5), the Commission stated that it regarded a 50/50 distribution of the budget of the Fund between transport and environment as a target to be aimed at. In achieving it, the Commission, in partnership with the Member States concerned, would adopt a flexible approach, particularly as regards timing and the characteristics of individual projects. According to the different needs of the Cohesion countries, e.g. in relation to water management, water treatment and waste disposal, the Commission would ensure, in partnership with the Member States concerned, the highest environmental quality of Cohesion Fund projects. In that communication, the Commission stated that it would ensure that the projects funded by the Cohesion Fund complied with environmental legislation and standards. These concerns will continue to apply to the work of the Cohesion Fund in the future.

4.4 BALANCE BETWEEN THE ENVIRONMENT AND TRANSPORT

One of the political priorities pursued by the Cohesion Fund has been attaining a balance between transport infrastructure projects and those concerned with the protection of the environment.

The Commission's position on this question has been that, over the programming period as a whole, environmental projects should receive 50% of the assistance although this objective should not be interpreted rigidly and some flexibility should be retained to deal with special situations.

There was further progress towards this objective in 1995 with 51.8% of budgetary commitments going to transport projects and 48.2% to environmental projects.

In all the Member States, the breakdown of commitment appropriations between the environment and transport has followed the trend established in the last three years:

Period	ENVIRONMENT	TRANSPORT
1993	ECU 606 016 992 (38.7%)	ECU 958 253 511 (61.3%)
1994	ECU 923 430 183 (49.8%)	ECU 929 157 266 (50.2%)
1995	ECU 1 036 709 677 (48.2%)	ECU 1 113 119 907 (51.8%)
1993 to 1995	ECU 2 566 156 852 (46.1%)	ECU 3 000 530 684 (53.9%)

By country, the breakdown in 1995 was 58.6% for the environment and 41.4% for transport in Greece and 62.1% for transport and 37.9% for the environment in Portugal with Spain and Ireland lying between these extremes with a breakdown of about 51% for transport and 49% for the environment.

The greatest imbalances between the two sectors, in Greece and Portugal, is primarily the result of a very large environmental project in Greece (the Evinos dam) and a very large transport project in Portugal (the Tagus bridge) together with difficulties with regard to public procurement and project management in the transport sector in Greece.

4.5 EVALUATION OF COMPATIBILITY WITH OTHER POLICIES

4.5.1 Environmental protection

Article 8 of Council Regulation (EC) No 1164/94 establishing a Cohesion Fund states that projects are to be in keeping with Community policies, including those concerning environmental protection.

The objectives of Community policy on the environment are set out in Article 130r of the Treaty. They cover three major topics:

- preserving and improving the environment;
- protecting human health;
- the rational utilization of natural resources.

The Community programme of policy and action in relation to the environment and sustainable development set out in the Resolution of the Council of 1 February 1993,⁸ which is now half implemented, looks in detail at the policy objectives laid down in Article 130r of the Treaty. It concentrates on changes to current models of consumption and behaviour to achieve a more rational management of natural resources, anticipate problems relating to waste, etc. This means that the question of compatibility with environment policy goes beyond the mere monitoring of legislation.

An important aspect of achieving the objectives laid down for the environment is the need to include its protection in the design and implementation of other Community policies. This aspect extends the scope of the problem of compatibility to include the question of whether transport infrastructure projects are based on the introduction of an environment-friendly transport system.

In practice, for a decision to be taken on a project under the Cohesion Fund, the application must state:

- the environmental objectives of the project;
- how the project relates to the application of Community legislation on the environment;
- whether the project forms part of a plan or programme concerned with the application of a Community policy or Community rules.

In the case of transport projects, an environmental impact assessment is also carried out where required by Directive 85/337/EEC. Particular attention is paid to projects which could have a significant direct or indirect impact on environmentally sensitive areas within the meaning of Directives 79/409/EEC and 92/43/EEC.

In the case of those environmental projects concerned with waste-water treatment, not only is an assessment carried out pursuant to Directive 85/337/EEC, but conditions are laid down to ensure conformity with the parameters set out in Directive 91/271/EEC. Conditions to ensure compliance with the parameters in Directive 80/778/EEC may also be attached to projects concerned with drinking water.

Checks are also carried out on projects in other fields, such as the treatment of waste and the restoration of coastal areas, to ensure that they comply with the relevant Community policy.

The question of compatibility does not arise solely before the decision is taken. The Monitoring Committees also ensure compliance with policy on the environment. Where the

⁸ OJ No C 138, 17.5.1993, p.1.

requirements or conditions laid down in the decision are not respected, payments may be suspended and assistance reduced or even cancelled.

4.5.2 Common transport policy

The new vision of the common transport policy is set out in the Commission's communication "The future development of the common transport policy" (COM(92) 494), one of the key features of which, alongside the need to take account of the environment in the approach to transport, is the policy on the trans-European networks set out in Title XII of the Treaty.

The common transport policy also takes account of the growing need for operational transport infrastructure within a Community without frontiers stemming from the congestion of a large proportion of the existing networks, particularly those at the centre of the Community, and the shortcomings in infrastructure around the edges of the Community and in links between the outlying regions and the centre.

The development of trans-European transport networks provides certain solutions to these problems and is closely linked to the common transport policy. The Community's contribution in this area is expected to take the form of guidelines which will give a genuine boost to the achievement of the two basic objectives of the single market and economic and social cohesion. One of the main purposes of the networks should be to link isolated, island and outlying regions to the centre of the Community. The guidelines should define objectives, priorities and types of assistance and identify the projects of common interest. The outlying regions will require particular attention.

All this is reflected in the Council's common position (EC No 22/95) on Community guidelines for the development of the trans-European transport network which sees multimode transport as one of the responses to the constraints imposed by environmental protection. The various modes of transport and the projects relating to them are included in these guidelines as part of the implementation of a process based on complementarity and gradual integration. The "multimode" component of the projects identified is an important criterion for the establishment of priorities.

The guidelines define the various factors relating to the trans-European transport networks:

- (a) The trans-European road network, with its major routes and links, is the keystone of surface transport. It will cover 75 000 km, of which 20 000 km will be built over the next ten years (to achieve completion). Some 40% of the work will be carried out in outlying regions.
- (b) When completed the trans-European rail network will cover 73 000 km, of which 23 000 km will be devoted in large part to combined transport.

While the main aim of the central regions of the Community is to eliminate bottlenecks by increasing capacity (modernizing signalling, constructing by-pass lines, etc.), the stress in the outlying regions will be more on raising general standards (replacement of equipment, electrification, construction of new access lines, etc.).

(c) The ports have a very important role to play as links between land and sea transport. Sea transport accounts for 90% of traffic between the Community and the rest of the world and some 35% of that between the Member States. They are of vital importance in the outlying Member States.

(d) The maritime traffic information and management system is of direct concern to sea transport since it is a tool for the control, organization and direction of this traffic in Community waters, thereby helping improve safety and efficiency, while protecting the environment in ecologically sensitive areas. It is of direct concern for the future development of the outlying countries in the south of the Community (Greece, Spain and Portugal).

(e) The trans-European airport network covers some 250 airports selected on the basis of quantitative criteria and their roles in linking the Union and the rest of the world and the Union with its most remote regions. So that it can operate as intended, the guidelines suggest that priority should be given to:

- making optimal use of and increasing airport capacity;
- improving the environmental impact (compatibility with the environment);
- links with other networks.

Airports have a special role in providing access, particularly to outlying regions.

(f) Turning to air traffic control, the congestion of air corridors is principally the result of the poor use of air space and inadequate traffic management capacity. The gradual introduction of an air traffic management network (navigation plan, traffic control and management facilities) should improve the safety and efficiency of air transport in future. Failure to do this will result in a real gap in certain outlying areas.

The Treaty provides for projects which meet these criteria to receive Community assistance in the form of the part-financing of work undertaken by the Member States. The bulk of this assistance will be paid by the Cohesion Fund which, in the four countries where it operates, supports transport projects regarded as of common interest in the networks.

The Cohesion Fund accordingly makes a very substantial contribution to carrying out transport projects, irrespective of mode, so helping compensate for the lack of infrastructure which is regarded as one of the barriers to the free movement of people and goods into or out of the outlying regions. It has become one of the Community's basic tools for developing the trans-European network and achieving its objective of introducing sustainable mobility in accordance

with Community environment policy through support for projects involving different modes of transport.

4.5.3 Public procurement

As already noted in the 1993/94 report, compliance with Community law on public procurement in carrying out projects in receipt of Community finance is of great importance for the opening up of the internal market and the correct implementation of the policy on economic and social cohesion.

Verification of compliance with these rules very often shows that it is essential to bring those responsible for taking decisions on projects together geographically in order to improve the preparation of files, monitoring of this point, speed of implementation and understanding of Community texts. Information on public procurement may be found at national, regional or local level and verification, which is also intended to help those taking decisions, should therefore take place at the appropriate level. The Commission has given considerable thought to this question, which will come to fruition in 1996.

Between November 1994 and December 1995, some 200 new applications for finance (concerning individual projects or groups of projects) were examined for compliance with the rules on public procurement. In 1995 checks continued on projects submitted after 1993 since not all decisions had yet been adopted or some had been amended and the balance had not been fully paid out.

As on previous occasions, this examination gave one of the following results:

- agreement without reservations, where it was found that an application complied with the rules on public procurement;
- agreement in principle, subject to retrospective checks to be carried out in all cases where the contracts were awarded after finance had been granted;
- blocking of the decision to grant finance until the national authorities had clarified doubtful points;
- refusal of finance as a result of failure to comply with the rules on public procurement;
- suspension of payments when problems concerning public procurement arise during the implementation of projects.

In addition, assistance may be reduced or cancelled altogether for failure to comply with Community legislation on public procurement.

In 1994 and 1995, national legislation which did not comply with the directives was amended or is being amended and fewer cases of incorrect behaviour as a result of these texts were detected. However, consideration of the applications made during that period reveals incorrect interpretations or the misunderstanding of Community texts on public procurement.

4.5.4 Competition policy

As stated in Council Regulation (EC) No 1164/94 establishing a Cohesion Fund, assistance from the Fund must comply with competition policy.

For this purpose, the Commission has introduced internal monitoring rules which check that measures part-financed by the Cohesion Fund respect Community competition rules, particularly as regards State aids.

In general terms, such assistance very rarely proves incompatible with competition law, partly because it often concerns infrastructure programmes which, unless the rules on public procurement are infringed, give no particular advantage to any individual firm and partly because assistance from the Fund comes under Community objectives such as cohesion or the protection of the environment which are to a great extent taken into account in the Community texts on State aids.

Hence Community monitoring of competition covers mainly the opening of infrastructure to all operators meeting the technical and legal conditions laid down and complying with Articles 77 and 80 of the Treaty on aid to the transport sector.

4.6 SOCIO-ECONOMIC IMPACT OF THE COHESION FUND

4.6.1 Introduction

The Commission is required to assess the actual or anticipated economic impact of the Cohesion Fund both at the level of individual projects and at the level of its assistance as a whole. Cost/benefit analysis and other forms of micro-economic analysis are the main methods used at the project level, in particular in the context of the prior appraisal of projects submitted for assistance. The general procedures adopted by the Commission have been described earlier in this report (section 4.1.1). Further details of work undertaken in this area, including some preliminary results of recent studies financed by the Cohesion Fund, are given in section 4.6.2 below.

At a general level, the impact of the Cohesion Fund has to be considered within the framework of an economic model, or models, which put its assistance into the context of the regional and national economies concerned. In this way, both the full spillover effects of such assistance and any feedback effects from the economy can be allowed for. In 1995 the

Cohesion Fund commissioned a major study into these issues by the London School of Economics which is expected to produce its final report by June 1996. The aims of this study and the approach adopted by the team of economists involved are described in section 4.6.3. That section also reports on the results of a study of the macroeconomic impact of the Cohesion Fund in Spain which was undertaken for the Spanish authorities in 1995 with finance from the Cohesion Fund.

Finally, section 4.6.4 gives some preliminary indications of the potential employment impact of the Cohesion Fund.

4.6.2 Economic appraisal of projects

General

Applications for assistance from the Cohesion Fund must be supported by an economic analysis demonstrating that the project concerned is expected to generate medium-term economic and social benefits which are proportionate to the resources deployed (Articles 10(4) and 10(5) of Regulation (EC) No 1164/94). That is to say, the project must be expected to produce positive net benefits and thus add to overall economic welfare. As a general rule, cost/benefit analysis must be used for this purpose. However, in the case of environmental projects, where the results of cost/benefit analysis may be inconclusive, other forms of quantified analysis, such as cost-effectiveness or multi-variate analysis, may be accepted.

The preparation of cost/benefit and other economic studies in support of project applications is primarily the responsibility of the Member States concerned. The Commission must ensure that the methodologies used are generally acceptable, that the assumptions made are appropriate and that the results are credible. External consultants or the European Investment Bank may be called upon to help in this process while, at the Member State level, technical assistance is available from the Cohesion Fund to help in the financing of relevant studies.

The Member States have, in general, responded well to the challenge of producing cost/benefit or other studies in connection with projects submitted for assistance. Both the number of such studies and their quality have improved over the life of the Cohesion Fund. However, the Commission is conscious of the need to make additional efforts in this area and to this end it has:

- commissioned a study from a transport economist into the appraisal methods and assumptions used in support of applications for transport projects (final report received August 1995);
- financed a study which was commissioned by the Irish authorities into the economic appraisal of environmental projects supported by the Cohesion Fund (final report September 1995);

- approved technical assistance for certain Member States specifically to help them undertake preparatory studies relating to projects, including cost/benefit analyses;
- undertaken an internal review of approaches adopted in the evaluation of the benefits of environmental projects.

Transport projects

Within the transport sector cost/benefit methodologies are generally well developed and almost universally accepted, so it is not surprising that progress has been greatest here. The methods adopted by the Member States concerned have been described in a study undertaken for the Cohesion Fund by Professor Filippi of the University of Rome: "A Framework for Transport Project Appraisal and a Comparative View of Transport Projects Approved to 31 December 1994". The aim of this study was to improve the Cohesion Fund's general understanding of transport appraisal methodologies and ultimately contribute to a more systematic evaluation of transport projects submitted for financing. In addition to a review of best practice within the EU, it also examined in detail the cost/benefit appraisals undertaken in support of such projects.

In relation to the anticipated economic impact of projects, the table below gives the results obtained from examining 87 transport projects approved over the period to end-1994, both in terms of forecast internal rates of return and benefit/cost ratios:

Average expected rates of return and benefit/cost ratios of Cohesion Fund transport projects

Transport Mode	Average internal rate of return	Average benefit/cost ratio
Roads	17.7	2.92
Railways	12.2	1.92
Airports	14.4	2.02
Ports	10.8	0.82
Other	26.6	2.44
Total	16.3	2.59

The above figures present a favourable picture of the expected economic benefit of transport projects approved for assistance by the Cohesion Fund and probably reflect the fact that the transport infrastructure financed represents a significant improvement over the previous

(unsatisfactory) situation. It may be noted that these results are comparable to equivalent figures produced from a survey of ERDF projects financed in the period 1988-93⁹.

Nevertheless, these estimates need to be interpreted with care because of the differences of approach which exist between Member States and between transport modes. Such differences are highlighted by the study as arising primarily in the area of the parameters and assumptions used by Member States in their appraisals. They make it difficult to undertake comparative assessments and to rank projects in order of economic priority, particularly where inter-modal comparisons are concerned. The study recommended that guidelines on project appraisal should be issued to the appropriate authorities based on best-practice methodologies following, for example, the recommendations which are anticipated from the Directorate-General for Transport's EURET programme¹⁰.

Environment projects

The economic evaluation of environmental projects is generally accepted as a particularly difficult subject area. The Cohesion Fund finances a great variety of projects aimed at environmental improvement including water supply schemes, waste water treatment, urban waste disposal, erosion control, reforestation, nature conservation, beach restoration and others. A common feature of such projects is that their direct "outputs" do not have a market price or, where a price exists (e.g. water supply), that price may not fully reflect the true economic and social value of those outputs. These projects, moreover, often have significant indirect effects, for example on health and amenity, which are difficult to quantify and value.

The beneficiary Member States have made a considerable effort to apply appropriate methods in their economic analyses of environment projects. Cost/benefit analysis has been the most commonly used approach. In some cases an attempt has been made to quantify and value the direct benefits of environmental schemes such as improved water quality, improved amenity or greater opportunities for recreational use, while in other cases the potential indirect effects, for example on induced economic development, have been estimated. In many cases such analyses have been supplemented by a qualitative assessment of benefits.

A study for the Irish authorities financed by the Cohesion Fund points to the difficulties involved in this area by concluding that, although there is a growing international literature on the evaluation of environmental projects, "no standard or universally applicable methodology has as yet been agreed upon". The authors go on to say that there is a general lack of basic data to be used for such analyses and a lack of experience in the implementation of economic appraisal techniques. They suggest that in the short-term there is no alternative

⁹ Survey of 200 Major Projects of the "First Generation" of the Reformed Structural Funds 1988-1993
- prepared by CSIL for the Evaluation Unit, DG XVI.

¹⁰ EURET (European Research on Transport).

to using such limited data as is available and to quantifying benefits wherever possible using output valuations from existing studies. In the longer term, they recommend that the use of contingency valuation methods (involving the valuation of benefits via surveys of user groups) should be pursued as these techniques, they argue, have become increasingly accepted and "may become the standard tool for non-market benefit estimation". Although the focus of this study was on water supply and waste-water treatment projects in Ireland, its basic conclusions may be more generally applicable.

4.6.3 Overall socio-economic impact

The Regulation establishing the Cohesion Fund also requires the Commission to report regularly on the economic and social impact of the Fund in the Member States, and on its contribution to strengthening economic and social cohesion in the Union.

This implies not only assessing the economic effects of individual projects or groups of projects but also a more general focus on the impact of assisted operations on economic variables such as growth, employment and trade in the economies concerned. It also implies attempting to estimate both the short-term demand effects of assistance, which occur during the implementation phase, and the medium to longer term supply-side effects which occur during the operational phase. In the case of transport investments, for example, a distinction can be made between the increased income and employment directly and indirectly created during the period of construction, and the subsequent impact on incomes, employment, trade, etc. of the time savings, reduced operating costs and general increase in competitiveness induced by the improved transport infrastructures concerned. Corresponding effects can also be expected from environmental investments although, as already noted, these are more difficult to estimate and in many cases may not be picked up by conventional measures of national output.

London School of Economics Study

In order to comply with the general requirements of the Regulation, a study was commissioned in July 1995 from the London School of Economics (LSE) with the aim of developing and testing an economic model, or series of models, to be used to quantify the full socio-economic effects of assisted projects and aggregate assistance from the Cohesion Fund. The LSE proposed an innovative approach based on the application of the latest econometric techniques in order to model regional change and growth. It is characterised as a "dynamic analysis of regional impacts and spillovers" and involves the tracing through of the economic effects of projects across regions and over time. Three different modelling strategies are being adopted to address the complex issues involved.

The LSE is managing the project and is undertaking the construction of the database and the economic modelling, but is working closely with study teams in each of the four cohesion countries: Instituto Valenciano de Investigaciones Económicas, Universidad de Valencia;

Regional Development Institute, Panteion University, Athens; Centro de Investigação de Desenvolvimento e Economia Regional (CIDER), Universidade do Algarve; and the Centre for European Economic and Public Affairs, University College, Dublin.

Work on this study advanced well during 1995, with the database for the cohesion countries and neighbouring countries having been largely completed, and the first modelling work begun. An interim report reviewing the literature and setting out the proposed approach was submitted in September 1995, followed by the second interim report on the data in November 1995.

A steering group closely monitors the work on the study and held meetings in July, October and December 1995. It consists of representatives from the Cohesion Fund Directorate (DG XVI/E), DG XVI evaluation unit, DG II, DG XII, Eurostat and the LSE. Representatives from the other research institutes with which the LSE is collaborating also attend meetings according to the subject matter in question.

It is anticipated that a final report on the LSE study will be submitted in June 1996. Its results are expected to be applicable to Structural Fund assistance as well as to the Cohesion Fund.

Macro-economic impact of the Cohesion Fund in Spain

A final report on a study into the macro-economic impact of the Cohesion Fund in Spain, which had been commissioned by the Spanish authorities with Cohesion Fund finance, was submitted in November 1995. The approach adopted by this study was to use existing economic models to estimate the global impact of assistance from the Fund on the Spanish economy.

Although the total investments supported by Cohesion Fund money account for a relatively small share of total Spanish GDP or gross domestic fixed-capital formation, the author of the study nevertheless points to the importance of the Cohesion Fund in supporting public authorities' investment efforts. Based on figures for 1993, it is estimated that the Cohesion Fund accounted for 12% of all spending on transport infrastructure by central and regional authorities in that year, and for 11% of environment spending. The figures rise to 18.5% and 29.1% respectively if only the central authorities' expenditure is counted. The increases which have occurred in the allocations to Spain since 1993 mean that these figures understate the present contribution of the Fund.

The study used three different modelling approaches: an input-output model, the MOISEES macro-econometric model and the HERMIN model. The input-output approach estimated the anticipated overall and sectoral impact of Cohesion Fund assisted investments in the 1993-99 period. The results suggest that the maximum effects will be felt between 1996 and 1999 when the impact of the Cohesion Fund will account for around 0.4% of the Spanish economy's GDP and total employment. In this period it is estimated that it will support an average of 50 000

man-years of work. The author estimates that on average one man year of work is created by each PTA 4 million of spending. The usual reservations about input-output models are made and, in particular, it is pointed out that the approach can only measure the temporary effects of Cohesion Fund spending.

Simulations based on the HERMIN model undertaken for this study suggest that for the period 1993 to 1999 the Cohesion Fund could have an impact of just under 1% of Spanish GDP, with over 70 000 jobs dependent on its spending in 1999. The MOISEES model, on the other hand, suggests a smaller impact.

4.6.4 Employment

Although the Cohesion Fund does not have an explicit remit to create employment, it nevertheless has an important contribution to make to the generation of jobs in the cohesion countries given the substantial resources for which it is responsible.

Infrastructure investments in both the transport and environment fields create employment directly and indirectly within the economies concerned. Direct jobs arise primarily in the construction industry but also in planning, design and consultancy while indirect jobs are generated as a result of the increased demand for industries and services which supply the construction sector, and which meet the needs of those newly employed. These demand effects occur over the short to medium term while the projects are being implemented. In the longer term employment will also be generated during the operational phase of projects. Direct employment in this case will be more limited, but longer lasting jobs will be generated indirectly to the extent that the infrastructure created reduces production costs and generally improves the attractions and competitiveness of the economies of the cohesion countries.

It is possible to estimate at least some of these effects with a degree of certainty. Quantifying the number of jobs directly involved in the construction and subsequent operation of a project is relatively straightforward given the experience of those responsible for project implementation. All Cohesion Fund applications must indicate at least the number of direct jobs likely to arise from the projects. An analysis of applications in 1993 and 1994 indicates that on average around 21 jobs (man-years) are generated directly per million ecus of grant in transport projects and 26 jobs (man-years) per million ecus in environment projects. Adjustments were made in the analysis to allow for the varying implementation period of projects and to exclude extreme values. For example, in some cases the responses to the employment question gave the total number of jobs in a complete project whereas the grant application related only to a smaller part.

If the above averages are applied to the grant assistance approved by the Cohesion Fund since 1993, the following preliminary results are obtained:

Estimated employment dependent on Cohesion Fund

Year	man-years		
	Direct employment	Indirect employment*	Total employment
1993	36 000	10 800	46 800
1994	44 000	13 200	57 200
1995	50 000	15 000	65 000
TOTAL	130 000	39 000	169 000

* based on estimated multiplier of 1.3.

Caution is always required in interpreting employment estimates and it should be noted, in particular, that the above figures are not intended to show the new jobs created by the Cohesion Fund, or net employment impact. In order to derive the latter it would be necessary, to make assumptions about the extent to which the projects might have been implemented without Cohesion Fund assistance and the extent to which other activities within the economies concerned have been displaced. The figures are therefore simply an indication of the gross employment which is estimated to be dependent on the projects financed.

It should also be noted that the distribution over time of such employment effects will vary considerably according to the nature of the projects. In general, there is likely to be a time lag before the full effects of grant assistance from the Cohesion Fund are apparent given the long-term nature of many of the infrastructure projects involved.

In the above table a standard multiplier of 1.3 has been used to illustrate the possible indirect employment effects. This implies that there is a knock-on effect of 1 man-year of work for every 3 man-years of direct employment in the construction phase. This estimate is a cautious one and it may be noted that the responses in the Member States' applications for assistance imply almost a 1:1 ratio between direct and indirect employment.

This approach to employment estimation using project applications is clearly insufficient for estimating the long-term employment effects of investment projects such as those undertaken by the Cohesion Fund. For this purpose the projects have to be put into their specific economic context and considered alongside the range of other factors influencing economic development. The study at present being carried out by the London School of Economics, referred to earlier, is intended to fulfil this function and provide overall employment estimates from a sound theoretical base.

In parallel, the information derived from Cohesion Fund applications and decisions will continue to provide limited but useful indications of employment effects.

4.7 COORDINATION AND CONSISTENCY WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The recitals adopted by the Council when it established the Cohesion Fund Regulation refer to the necessity of coordinating the measures undertaken in the fields of the environment and the trans-European transport networks through the Cohesion Fund, the Structural Funds, the EIB and the other financial instruments. Therefore when it implements the objectives of the Structural Funds the Commission has to ensure coordination and consistency between the assistance from the Funds and the assistance provided from the other financial instruments, in particular the resources of the Cohesion Fund. At the same time, however, it has to pay due regard to the principle of subsidiarity, which makes the design of the appropriate national strategy and its objectives, the selection of suitable projects and their implementation primarily the responsibility of the Member States.

A number of provisions and procedures have been introduced to ensure compliance with this obligation.

4.7.1 Structural Funds

The Structural Funds, particularly the ERDF and, to a lesser extent, the EAGGF Guidance Section, may also be asked to provide assistance for projects in the field of environment and trans-European transport infrastructure. Steps are therefore taken to avoid the risk of double financing.

The need for coordination in this respect is covered by Council Regulation (EC) No 1164/94 establishing a Cohesion Fund. Article 9 (Cumulation and overlapping) of this Regulation states that no item of expenditure may benefit from both the Fund and the Structural Funds. It also stipulates that the combined assistance of the Fund and other Community aid for a project must not exceed 90% of the total expenditure relating to a particular project.

As far as the relation with the Structural Funds, in particular the ERDF, is concerned, this provision does not prohibit a combination of different instruments making separate contributions to a major undertaking as long as expenditure relating to a stage of a project can be clearly identified in time and in nature.

A number of measures have been taken with regard to the procedures to implement the required coordination.

First of all, the Commission's task has been to ensure overall coordination during preparation of the Community support frameworks (CSFs) in order to achieve the doubling in real terms of the resources available under Objective 1 and the Cohesion Fund for the four countries benefiting from the Cohesion Fund, as decided at the Edinburgh European Council. The financing plans of the CSFs therefore make explicit mention of the resources allocated by the Cohesion Fund. For Spain, which is only partly eligible under Objective 1, ECU 7 950 million of the Cohesion Fund allocation for the period 1993-99 was entered in the CSF for the Objective 1 regions. In accordance with the principles of subsidiarity and partnership, the presentation of appropriate projects is a matter for national governments.

Secondly, coordination at the level of specific projects requires still greater attention in that the Structural Funds operate primarily through operational programmes while the Cohesion Fund finances individual projects or groups of projects. Appropriate coordination procedures were introduced when the cohesion financial instrument, which preceded the Fund, came into force in order to ensure that projects or stages of projects submitted had not already been presented to the Structural Funds. These were maintained after establishment of the Cohesion Fund itself.

This requires mandatory consultation of the departments managing the Structural Funds before the Commission takes any decision to grant assistance from the Cohesion Fund. The departments involved have introduced checks to ensure that no item of expenditure can be financed simultaneously by the Structural Funds and the Cohesion Fund. These procedures so far have worked well, since there has been no disagreement between the departments managing the Structural Funds and that managing the Cohesion Fund. The Commission is examining how the four Member States concerned could be more closely involved in this coordination, since, in the framework of the multiannual operational programmes, the selection of individual projects normally takes place at the regional programming level. Rare cases of risks have been eliminated by the withdrawal of the projects in question from the Cohesion Fund.

The administrative arrangements have ensured that no case of double financing has arisen. Member States have on occasion submitted different stages of the same project to two different instruments, but this is in perfect accordance with the underlying legal provisions.

4.7.2 TENs transport budget

A new Financial Regulation laying down the ground rules for support to the TENs was formally adopted by the Council in September 1995¹¹. This regulation provides the legal basis for the disbursement of EU funds to the TENs over the period 1995-99. Unlike the Cohesion Fund, the TENs Regulation applies throughout the Community and covers all three TENs

¹¹ Council Regulation (EC) No 2236/95 of 15 September 1995.

networks: transport, energy and telecommunications. The transport networks, however, will account for the major share of the total budget - ECU 1 785 million out of ECU 2 345 million. In view of the fact that transport projects supported under this Regulation may be similar to those financed by the Cohesion Fund, the Cohesion Fund Directorate has had a direct interest in the content of the new Regulation and kept in close touch with the discussions leading up to its adoption. The Cohesion Fund has also coordinated closely with DG VII (Transport) over the allocation of the 1995 TENs transport budget.

The new Regulation allows the Community to provide financial support to the TENs through feasibility studies, interest rebates, subsidies for guarantee fees and, by way of exception, through straight grants. Only projects of common interest identified in the TENs guidelines are eligible for support, up to a total of 10% of total investment costs (50% in the case of feasibility and other types of studies). It may be noted that under Article 5(4) of the TENs Financial Regulation financial support "shall not, in principle, be assigned to projects or stages of projects which benefit from other sources of Community funding". This is rather more restrictive than the corresponding provision in Article 9(1) of the Cohesion Fund Regulation, which does not permit any particular item of expenditure to be financed both by the Cohesion Fund and the Structural Funds.

The Cohesion Fund has, since its inception, maintained close contact with DG VII in order to ensure a consistent approach to TENs projects and to ensure compliance with the requirements of the respective Regulations. In addition to regular inter-departmental discussions, all projects submitted for Cohesion Fund assistance are sent to DG VII for comment, and all draft decisions relating to the granting of financial assistance are circulated for agreement. DG VII, in turn, informs the Cohesion Fund of all applications received for assistance from its budget line and of its proposed programme for spending from this line.

The Cohesion Fund has also participated in all meetings of the Transport Infrastructure Committee, which is the forum for discussion and agreement between the Commission and the Member States on the annual programme of projects to be supported from the transport budget line. During 1995 this Committee was reconstituted in accordance with the TENs Regulation and is now known as the "TENs Committee on Financial Aid - Transport Sector". At its first meeting, in October 1995, it gave its approval to the Commission's proposal for granting assistance to 92 transport infrastructure projects and studies from the 1995 budget, including several projects located in the cohesion countries.

The different scale of the resources available to the Cohesion Fund as compared with those of the TENs Financial Regulation is well illustrated by the fact that the latter's budget for TENs transport projects *throughout the Union* was ECU 240 million in 1995, whereas the Cohesion Fund's total commitments to TENs projects in *the four cohesion countries* was ECU 1.1 billion.

4.7.3 LIFE programme

The general objective of LIFE (financial instrument for the environment) is to contribute to the development and implementation of policy and legislation on the environment by financing measures for nature conservation and the environment.

To avoid the risk of double financing certain measures, the Cohesion Fund regularly attended meetings of the LIFE Management Committee in 1995, thereby ensuring that no project financed by that Programme had been submitted to the Cohesion Fund. During the year, a proposal for a LIFE II regulation was sent to the Council.

4.7.4 European Investment Bank

Since the EIB sometimes provides substantial assistance to the cohesion countries, particularly Spain and Portugal, to finance projects in areas similar to those assisted by the cohesion financial instrument, a special system was set up to exchange information between the Commission and the Bank on applications for assistance submitted by the Member States.

As part of the process of cooperation with the EIB, it was decided to send it regular lists of all projects presented to the Cohesion Fund. Where part-financing by the EIB is planned, the whole dossier is sent to the Bank. In addition, regular meetings have been held to identify problems which could arise in the case of specific projects. For its part the EIB, following the normal procedures, consults the Commission, including the Cohesion Fund, when it receives an application for a loan.

These regular exchanges of information both ensure that the EIB's loan ceilings are not exceeded and ensure a correct mixture of grants and loans to projects which are being part-financed.

4.7.5 EEA financial mechanism

Set up under the agreement on the European Economic Area (EEA)¹², this financial mechanism closely parallels the Cohesion Fund in its scope and geographical coverage, although it is considerably smaller in terms of resources. The mechanism is financed by EFTA member countries of the EEA (Norway, Iceland and Liechtenstein) and the Community budget, which replaced the contribution by Austria, Sweden and Finland following their accession on 1 January 1995. The mechanism is managed on their behalf by the EIB. Assistance from the mechanism is available for eligible schemes which promote economic and social cohesion in Portugal, Greece, the Republic of Ireland, Northern Ireland and the Objective 1 regions of Spain.

¹² Article 116 of the EEA agreement and Protocol 38

The EEA financial mechanism runs for a period of five years (1994-99) and can provide direct grants and interest rebates on loans. Priority is given to projects which place particular emphasis on the environment, transport (including transport infrastructure) and education and training. Both public and privately financed projects are eligible, with preference among the latter given to those promoted by small and medium-sized firms. The mechanism's budget amounts to ECU 500 million in the form of grants, and interest rebates on EIB loans of up to ECU 1.5 billion.

The EEA financial mechanism clearly represents a potential source of overlap with the Cohesion Fund given its sectoral and geographical coverage. In geographical terms the main differences are that the mechanism applies in Northern Ireland, whereas it does not apply in the non-Objective 1 areas of Spain. In sectoral terms, the EEA mechanism has a wider coverage, but it can also finance transport infrastructure projects and environmental projects similar to those assisted by the Cohesion Fund.

In practice, however, the small size of the mechanism limits the risks of overlap. Moreover, the arrangements which have been put in place for its management by the EIB are intended specifically to ensure that projects supported are compatible with other Community policies and are consistent with other financial instruments. The Cohesion Fund has an agreement with the EIB for the exchange of information on projects submitted for assistance, as well as for providing advice on projects proposed to be part-financed by means of loans and grants. The Cohesion Fund is thus informed of any project submitted to the EIB in the context of the EEA mechanism which might also be proposed for Cohesion Fund finance.

In 1995 only one project - the Neo Ikonion port project in Piraeus, Greece - benefited from both Cohesion Fund finance and the EEA financial mechanism as part of a total loan and grant package.

4.8 THE ROLE OF THE EIB IN PROJECT EVALUATION

4.8.1 Continuing institutionalized cooperation

The cooperation agreement signed on 23 September 1993 under the cohesion financial instrument was carried over to the Cohesion Fund by the Commission and the EIB. A new framework agreement for this purpose was signed on 15 December 1994 and will last for the lifetime of the Cohesion Fund Regulation (until 1999).

This framework agreement continues the principles of cooperation laid down when the CFI was set up: on-going exchanges of information, regular meetings with the EIB, use of EIB expert studies to assess projects for which the promoter or the national authorities have requested part-finance from the EIB and the Cohesion Fund and the possibility of assessing

projects in respect of which no application for assistance from the Cohesion Fund has been submitted.

More than two years of operation have demonstrated the importance and quality of this cooperation which is essential to the Cohesion Fund in its evaluation of operations and its work on determining the best combination of sources of finance (grants and loans).

4.8.2 The results of cooperation in 1995

In 1995, the EIB evaluated 36 projects of which four were to receive part-finance from the EIB and the Cohesion Fund. A further 28 projects were sent to the EIB for a preliminary opinion. The EIB undertook an in-depth evaluation of four projects involving an on-the-spot inspection with the authorities responsible.

Of the 36 projects assessed, 16 concerned measures in the transport sector, mainly port, airport and rail infrastructure. In the environment sector, 20 projects were evaluated. They were concerned with water supply, waste-water treatment and urban waste. Most of the projects evaluated by the EIB are large-scale projects which therefore account for a large part of the Cohesion Fund appropriations.

CHAPTER 5

MONITORING AND INSPECTION

5.1 MONITORING COMMITTEES

The Monitoring Committees met on average two or three times during 1995 in each beneficiary Member State to review the work of the Cohesion Fund. They were able to clarify and resolve a large number of questions relating to project management. However, it should be noted that, as a rule, there was some delay in sending the Commission the monitoring records for projects discussed at these meetings and they were sometimes incomplete. Naturally, the Cohesion Fund has drawn the attention of the appropriate authorities to this situation and asked them to take remedial action.

The Monitoring Committees met as follows:

5.1.1 Spain

Two meetings of the Monitoring Committee were held in Madrid, on 16 March and 10 October 1995.

They were chaired by the Director-General for Planning and attended by the Ministry of Public Works, Transport and the Environment (MOPTMA) and bodies such as IRYDA, ICOMA, MINER and AENA. The Commission delegation, led by the Director of the Cohesion Fund, comprised the Head of Unit responsible for projects in Spain under the Cohesion Fund, representatives of DG XI (Environment, nuclear safety and civil protection), DG XVI-E (Regional Policy and Cohesion), DG XX (Financial Control) and the EIB and a Member of the Office of the Representative of the European Union in Spain.

Third meeting of the Monitoring Committee (16 March):

This meeting considered certain matters concerning the procedures for awarding public contracts, such as the adoption of appropriate measures to correct situations which did not comply with the relevant directives, and the steps which the Spanish authorities intended to take to avoid double financing by different Structural Funds.

The discussion also clarified the procedure for the recovery of any appropriations decommitted from projects whose final cost was lower than expected.

Implementation of projects at 31 December 1995 was reviewed. The Commission regarded the level of implementation of the projects and progress since the last meeting of the Committee as generally satisfactory, particularly in view of the large number of new projects which had been approved in November and December 1994.

Three transport projects were closed in terms of both works and finance: these were Nos 93/11/65/020 the axle-gauge change-over point at Majorabique; 93/11/65/031 access to El Hierro airport; and 93/11/65/032 Tenerife Norte airport.

The question of whether the Autonomous Communities and local administrations should participate in the management of their own projects or those with which they are directly concerned was discussed. It was agreed that the Spanish authorities should prepare a specific set of rules but that participation by these administrations in the Monitoring Committees would be governed by bilateral negotiations between central government and the Autonomous Communities and local administrations.

Fourth meeting of the Monitoring Committee (10 October)

The Commission's Director-General for Regional Policy and Cohesion opened the meeting by stressing the importance of better project-management, improved justification for measures and how to improve the added value of what the Commission was doing.

The draft record of the previous meeting was approved and it was agreed that amendments to drafts could be tabled at meetings of the Monitoring Committee although the date for eligibility of expenditure was the date on which the Spanish authorities sent the Cohesion Fund a written request for an amendment.

It was also decided that regional authorities, the Autonomous Communities and local administrations should participate in the management of projects under the responsibility of those administrations and of projects in which they were directly concerned. Monitoring sub-Committees for the Autonomous Communities and local authorities could be proposed to deal with the future development of these projects, their number and complexity.

Implementation of each of the projects at 30 June 1995 was reviewed. The Commission raised the problem created by the delay in carrying out projects concerned with the environment and transport. The original plans for many projects had been amended with regard to the eligible cost, the schedule or the financing plan. On a certain number of projects, mainly in the transport sector, the accounts had been closed.

The Commission made the following comments on the various matters relating to the examination, monitoring and management of projects:

- new applications for assistance: ensure that the forms are correctly completed;

- physical indicators: these should be similar for each type of project and fixed before the decision is adopted;
- grouped physical indicators: they should be presented by project when the application for payment is made;
- monitoring reports: a report for a group of projects must be broken down by individual project;
- opening ceremonies: the Commission should be associated with any significant ceremonies concerning projects financed, as laid down in Regulation (EC) No 1164/94.

The next meeting of the Monitoring Committee was scheduled for the last week in April 1996.

5.1.2 Portugal

As the Commission wished, monitoring work was stepped up in 1995. The Monitoring Committee met three times during the year, on 13 March and 17 July 1995 and on 26 January 1996. These meetings were held under the Committee's Rules of Procedure adopted at its second meeting, on 30 June 1994.

These meetings, which are the basic instrument for the effective management of the Fund, provided an opportunity for:

- all those concerned at national and Community level to exchange information about the management of the Fund;
- the clarification and adjustment of the interpretation of certain rules for the implementation of the Fund;
- the analysis of assistance in the various sectors;
- the analysis of implementation of each project and the search for solutions to any difficulties encountered, most of which concern compliance with the date of completion, the financing plan and the physical definition of the projects;
- the analysis of applications to be submitted in the future from the point of view in particular of a balanced allocation of resources between the environment and transport.

In view of the size of project 94/10/65/005 - the new crossing of the Tagus at Lisbon - the Commission decided to set up a specific Monitoring Committee with its own Rules of

Procedure.¹³ This Monitoring Committee met twice during 1995, on 18 July and 26 October 1995.

At these meetings the Rules of Procedure were adopted and the physical indicators brought into line with the Commission's requirements so that it could assess the actual progress being made with the project. This meant that the non-automatic part of the commitment instalment for 1995 could be released.

On these occasions, the Commission stated that it was paying very close attention to the environmental implications of the projet and stressed to the bodies concerned, the CAO (Comissão de Acompanhamento da Obra - Monitoring Committee) and the CEMA (Centro de Estudos e Monitorização - Centre for studies and monitoring) the importance of ensuring that the environmental clauses in the Decision granting assistance were complied with to the letter.

The various construction sites were visited during the mission of 26 October.

5.1.3 Greece

The Monitoring Committee for Cohesion Fund projects met four times in 1995, in March, July and October (transport) and November (environment). From the autumn onwards, the Monitoring Committee for Cohesion Fund projects was divided into two parts meeting separately, one for transport projects and the other for environment projects.

This Committee, chaired by the Secretary-General of the Ministry for Economic Affairs, comprises the Secretaries-General of the other seven Ministries concerned with assistance from the Cohesion Fund, representatives of the Commission (the Cohesion Fund and the other Directorates and Directorates-General involved), the EIB, the Greek Ministries, the associations of local councils and the mayors in their capacity as persons responsible for the project.

The Rules of Procedure of the Cohesion Fund Monitoring Committee were amended to enable representatives of the regional and local authorities (two places) and a representative of the social partners to attend.

The Committee considered the summary tables for each Decision and project and reports on each project. The Commission paid particular attention to compliance with Community policies. In the case of major projects, the Cohesion Fund is implementing the horizontal guidelines on public procurement agreed between the Greek authorities and the Commission, a check on major price cuts by promoters and no unjustified increases in the total initial cost.

¹³ Decision C(94) 3905 of 21 December 1994

As far as environmental policy is concerned, the Greek authorities are lenient in the issuing of environmental authorizations. The Commission has had to deal with a number of complaints. In any case, the Cohesion Fund requires compliance with Community policy in this field and makes this a condition for the granting of financial assistance. It has suspended payments in specific cases.

Physical and financial implementation of environmental projects in 1995 was satisfactory, averaging 72% in November. Average implementation of small environmental projects (stages of projects) was 95% in November and in a large number of cases the first stages have been completed.

However, in the case of transport, implementation is not yet progressing at the desired rate. The data presented to the latest Monitoring Committee meeting, in October, give a figure of 33%. Since a large number of contracts for roads were unfrozen and awarded at the end of the year, the Cohesion Fund hopes that implementation will improve in the future. However, payments for Pathé and for rail projects, where no project manager has yet been appointed, are still blocked.

The specific Monitoring Committee for the Evinos project met three times during 1995, in February, July and October.

The Cohesion Fund subjected this project to an expert study and physical, financial and technical monitoring. An advisory and coordinating Council of international experts was set up to assist in choices and ensure that work on the project continued. Implementation is proceeding normally (100% of the tunnel, over 60% of the dam). Emergency measures, i.e. the technical dam, have been constructed, which meant that water could be supplied to Athens from spring 1995.

5.1.4 Ireland

The Monitoring Committee in Ireland met twice in 1995, on 23 February and on 25 July.

The representation on the Committee remained the same as that agreed in 1994, i.e. the Cohesion Fund and other Directorates or Directorates-General concerned and representatives of the Irish Government departments responsible for the economic sectors receiving assistance from the Cohesion Fund, with the Department of Finance providing the chairman and secretariat. The EIB had been invited to attend both meetings but was unable to send a representative on either occasion.

The information available to the Committee was much improved compared to that available for the initial meetings in 1994 and the work of the Committee was much more productive and successful. Progress with the projects is generally satisfactory although the Commission did

indicate its concern about the rescheduling of expenditure on many projects into later years. Each meeting also revealed the need to make a substantial number of modifications to projects, especially to the forecast completion dates.

It had been intended to hold three Monitoring Committee meetings in 1995, in line with the Commission's wish to strengthen the monitoring function by holding three meetings each year instead of two as had been the case previously. The Irish authorities had agreed in principle to this arrangement. However, the third meeting of the year planned for 12 December was postponed until early 1996 at the request of the Department of Finance, which cited pressure of other work.

The Commission requested at the meeting on 25 July that the agencies directly responsible for the implementation of projects (the local authorities in most cases) should be represented at future meetings. At the end of 1995, the Irish authorities were considering what practical arrangements should be put in place to meet the Commission's request.

5.2 COMMISSION INSPECTION MISSIONS

Acting under Article 12 of Council Regulation (EC) No 1164/94, the Commission took a number of steps to check that the declarations by the Member States in support of their applications for assistance were fully justified and that the administrative and accounting documents relating to projects which had received financial assistance from the Cohesion Fund actually existed.

The inspection missions undertaken by the Commission in 1995 to monitor the management and sound implementation of the projects approved are summarized below:

5.2.1 Spain

Missions by Directorate XVI-E

From 3 to 7 April 1995, inspection of projects:

93/11/65/006: N-340 Adra bypass

93/11/65/016: N-234 Gilet-Soneja section

93/11/61/081: water supply, Aramo Tunnel

93/11/61/091 to /096: PITMA

091: reduction and waste-water treatment

092: removal of banks

093: management of industrial waste

094: management of used oil

095: recovery of water used to flush containers and clean holds and ballast water for ships

096: recovery of soil

93/11/65/024: Madrid-Valencia railway line, Fuente la Higuera-Játiva section
93/11/61/001: drainage and treatment of water in San Sebastian
93/11/61/021: checking erosion by the Tagus

Missions by Directorate XX-A

From 13 to 17 February 1995 and from 4 to 11 October 1995, inspection of projects:
93/11/65/002: Rías Bajas expressway
93/11/65/018: Trinidad-Montgat motorway
93/11/61/097: development and exploitation of woodlands

5.2.2 Portugal

Missions by Directorate XVI-E

14 March 1995, inspection of project:
93/10/65/025: IC17 CRIL, Algés-Buraca section
13 and 14 July 1995, inspection of projects:
93/10/65/001: modernization of the North Portugal railway line
93/10/65/010 and 93/10/65/031: modernization of the Beira-Alta railway line

Missions by Directorate XX-A

From 29 May to 2 June 1995, inspection of projects:
93/10/65/011: CREL - Lisbon outer ring road
93/10/61/001: Lisbon water supply network
93/10/61/012: supply improvements at Castelo do Bode

5.2.3 Greece

Missions by Directorate XVI-E

21 and 22 December 1994:
inspection of project 93/09/65/004: construction of port at Igoumenitsa
12 and 13 July 1995:
inspection of project 93/09/61/063: water supply and sewerage for Mytilene
16 and 17 August 1995:
inspection of project 93/09/61/008: protection and refurbishment of the spring of Livadia

Missions by Directorate XX-A

From 23 to 27 October 1995, inspection of projects :
93/09/65/009: doubling of the Evangelismos-Leptokarya railway line

- 93/09/65/006: expansion of the Paleofarsalos-Kalambaka railway line
- 93/09/65/005: bypass on the Piraeus-Pezama road
- 93/09/61/070: Goulandris natural history centre
- 94/09/15/001: technical assistance
- 95/09/65/034: rail link between Piraeus port and Thriassio
- 94/09/65/004: electrification of the Piraeus-Athens-Thessaloniki railway line

5.2.4 Ireland

Missions by Directorate XVI-E

From 5 to 8 September 1995, inspection of projects :

- 93/07/61/011: Clara and Raheenmore marsh
- 93/07/61/031: waste drainage Wexford
- 93/07/61/039: Ballymount waste network
- 93/07/65/012: Belview port through rail line

Technical verification missions carried out with the assistance of scientific consultants. Specific missions for the technical assessment of projects and/or the progress of works were entrusted to consultants selected for that purpose through technical assistance as provided for in the Regulation.

5.3 ROLE OF THE EIB

The Regulation makes specific provision for the EIB to be involved with the monitoring of Cohesion Fund projects, where it states that the European Investment Bank is to be represented on the Monitoring Committees to be set up in each beneficiary Member State. The EIB has in fact taken part in the work of these Committees.

The Bank is also invited to participate in the specific Monitoring Committees which have been or will be set up to monitor major projects. Such participation is of particular importance in the case of those major projects to which it has made loans.

In addition to the cooperation provided for in the Regulation, the EIB, which has its own procedures for monitoring the projects which it finances, provides technical support for the Commission in the case of projects where it has already financed part of the expenditure and for which the Member State has requested a Cohesion Fund grant in addition to the loan.

5.4 FRAUD AND IRREGULARITIES

Article 12 of Council Regulation (EC) No 1164/94 requires the beneficiary Member States to take the necessary measures to prevent irregularities and take action against them. In addition, they are required to recover any amounts lost as a result of irregularity or negligence. As a general rule, Member States are also liable for reimbursement of any sums unduly paid.

Member States are also bound to inform the Commission of measures taken for the purpose of control and fraud prevention and in particular about the management and control systems established and they are to make available to the Commission any appropriate national control reports. Through Regulation (EC) No 1831/94, the Commission issued detailed implementing provisions concerning the obligations of beneficiary Member States in connection with finance from the Cohesion Fund. These rules concern, in particular, the organization of an information system on irregularities. To encourage Member States to act, the Commission may make a contribution to legal costs incurred by a Member State arising directly out of judicial proceedings relating to the recovery of sums wrongly paid.

In 1995, the Commission received no reports of fraud or irregularity in connection with projects approved under Council Regulation (EC) No 1164/94. However, Commission on-the-spot inspections did detect some irregularities and administrative problems. The Commission is not yet entirely convinced that Member States have fully grasped the importance of their responsibilities under these rules. The Commission has therefore started to organize information seminars in order to increase awareness within administrations and to exchange experiences and will continue this information campaign.

5.5 LEGAL PROCEEDINGS IN PROGRESS

In the context of fraud, the Commission is not aware of any legal proceedings in progress in connection with Regulation (EC) No 1831/94 concerning irregularities and recovery of sums wrongly paid in connection with the financing of the Cohesion Fund.

CHAPTER 6**INTER-INSTITUTIONAL DIALOGUE,
INFORMATION AND PUBLICITY****6.1 INFORMATION TO THE EUROPEAN PARLIAMENT, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Under the first subparagraph of Article 14(1) of Council Regulation (EC) No 1164/94 establishing a Cohesion Fund, the Commission presents an annual report on the activities of the Fund, for examination and opinion, to the European Parliament, the Economic and Social Committee and the Committee of the Regions

6.1.1 European Parliament

The European Parliament adopted two resolutions, one on 29 June 1995 on the 1993/94 annual report on the cohesion financial instrument (COM(95) 1), the other on 5 March 1996 on the supplementary annual report (COM(95) 222) on the part of 1994 not covered by the report on the financial instrument.

On these occasions, Parliament expressed its satisfaction with regard to implementation of both the financial instrument and the Cohesion Fund since they were set up. It welcomed in particular the absence of any irregularity or fraud, the sound implementation of the budget, the participation of the European Investment Bank in the evaluation and monitoring of projects, the priorities given to water and waste in the environment sector and the more balanced breakdown between transport and the environment achieved in 1994.

It did, however, raise a number of points concerning the selection of projects, monitoring and inspection and evaluation.

Selection of projects:

Projects in the Objective 1 regions of Spain: see section 4.7.1 of this report.

Balance between transport and the environment: the Commission is seeking to reduce the imbalance which arose during the first year of operation of the CFI. It sent a letter on those lines to all the cohesion countries and a better balance between the two sectors was achieved in the second half of 1994.

The Commission also drew the attention of the Member States to the excessive share granted to road transport. In June 1995 the Cohesion Fund organized a 'Rail Day' to promote rail transport, which is under-represented among the projects. This was attended by industrialists and rail companies in the beneficiary Member States. (See section 4.4 of this report).

Soil erosion and desertification: the Commission is well aware of the serious problems posed by soil erosion and desertification and water management is accordingly one of its priorities. A number of studies have been financed, particularly with regard to water resources on the Iberian Peninsula.

Most remote regions: the Commission is willing to finance projects submitted by the cohesion countries and located in such areas provided they meet the priority criteria of the trans-European networks or fall within the Fifth Programme on the Environment. It has also financed such projects in both the transport and the environment sectors in Madeira and the Canary Islands.

Monitoring and inspection

The Monitoring Committees managed to meet more frequently, two or three times, in 1995 and specific Monitoring Committees were established for major projects. Regular inspections were carried out in all the cohesion countries. (See sections 5.1 and 5.2 of this Report).

In order to check on the use made of the resources of the Fund, the Commission and the Member States have established a system to monitor progress of each project in terms of physical and financial indicators. The data are considered at meetings of the Monitoring Committees and taken into account when payments are made to the Member State.

Each project is subjected to a prior appraisal to assess its economic rationale and its consistency with Community rules and policies. In doing this, the Commission is assisted by expert studies carried out by its own staff and that of the EIB. The utilization of funds is checked by the Monitoring Committees and during on-the-spot visits.

Evaluation of projects

As far as the evaluation of the impact of the projects on the environment (Directive 85/337/EEC) is concerned, the Commission systematically checks on compliance with these provisions and examines the information provided by the Member States. It also undertakes targeted checks (see section 4.3 of this Report).

It also checks on the viability of projects and their ability to generate revenue. The London School of Economics was asked to undertake a study on the socio-economic impact of projects and a restricted call for tenders was published to commission a study of the polluter-pays

principle. (For the socio-economic impact of Cohesion Fund projects see section 4.6 of this Report).

6.2.2 Economic and Social Committee and Committee of the Regions

On 20 December 1995, the Economic and Social Committee gave its opinion on the 1993/94 annual report on the cohesion financial instrument and on the supplementary annual report for 1994 on the Cohesion Fund. The Committee of the Regions gave its opinion on the 1993/94 report on the cohesion financial instrument on 21 September 1995.

A large number of the points raised by Members of the European Parliament such as those mentioned in the previous section were also raised by these two bodies.

In addition, the members of the Economic and Social Committee and the Committee of the Regions commented on the choice of projects, the amounts allocated to preparatory studies and technical assistance and consultation of the local and regional authorities and the social partners.

Selection of projects

One of the main criteria for the selection of projects is that they should have a significant impact. In particular, the Cohesion Fund is perfectly willing to finance smaller-scale projects which have a significant impact provided they fall within the scope of its Regulation, which stipulates that projects should normally cost a minimum of ECU 10 million.

The Cohesion Fund has not formally calculated the number of applications for non selected projects. The time required to consider applications means that statistics of this type would be of dubious utility. However, the main reasons why finance for projects has been refused are ineligible expenditure, failure to comply with Community rules on public procurement and the failure of projects to comply with the Community Directives on the environment.

Preparatory studies and technical assistance

Although amounts under this heading are still modest, they were three times greater in 1995 than in 1994. The Commission also made use of in-house expertise, which does not show up in the figures.

Consultation of the social and economic partners

Account has been taken of the comments by the members of the Economic and Social Committee and the Committee of the Regions concerning consultation of the social and economic partners. As the Commission required, the four cohesion countries have included representatives of the local authorities and regions on the Monitoring Committees. Against this background, the Cohesion Fund organized hearings for those concerned to gather their suggestions and points of view so that these could be better taken into account. The Commission considers that a decision on the association of national Economic and Social Committees with the definition of national priorities is a matter for each Member State.

6.2 INFORMATION TO THE MEMBER STATES

The third subparagraph of Article 14(1) of Regulation (CE) No 1164/94 establishing a Cohesion Fund provides for the Member States to be informed of the activities of the Fund. Following the Commission's political commitments, the Cohesion Fund has organized twice-yearly information meetings for the Member States. Meetings were held on 7 June and 8 December 1995 to provide the Member States with factual information.

6.3 INFORMATION TO THE SOCIAL PARTNERS

Two meetings were also organized for the social partners (CES, CEEP, EUROCHAMBRES and UNICE), on 17 February and 12 October 1995, to keep them informed about the work of the Cohesion Fund, the projects selected, the breakdown between transport infrastructure and the environment and to provide a broad overview of work on Cohesion Fund projects.

6.4 INFORMATION MEETINGS FOR INTERESTED PARTIES

6.4.1 Hearing for interested parties

At the initiative of the Commissioner for regional policies, Mrs Wulf-Mathies, the Commission held a hearing for interested parties designed to improve the efficiency of implementation of the Cohesion Fund and make its management more transparent.

The 1993/94 annual report on the cohesion financial instrument, which was available for that hearing, was circulated widely so that citizens and interested parties could be better informed about the work of the Cohesion Fund and to encourage discussions about the policy being followed. Fewer of those involved at regional and local attended than had been expected. The Cohesion Fund has considered the views expressed and incorporated relevant remarks into its management.

6.4.2 Rail day

In order to promote projects in the rail sector, on 26 June 1995 the Cohesion Fund organized a 'Rail day' in Brussels which was attended by representatives of the railway companies in the cohesion countries, industry and organizations representing the sector and the Commission. During that meeting, the four rail companies were able to present their short and medium-term investment plans and define their priorities for new installations, fixed equipment and rolling stock. Amongst other topics, there were wide-ranging and interesting discussions on the problems of access to the Iberian Peninsula, where the rail gauge is different from elsewhere in Europe, and high-speed trains.

6.4.3 Other information meetings

Information measures organized by the Cohesion Fund are of two types: those organized on its own initiative with the assistance of Commission delegations and offices and those organized by other bodies.

The programme is essentially the same, a two-hour presentation and explanation using a variety of audio-visual material, followed or preceded by a press conference. Documentation on the Cohesion Fund, the reasons for its establishment, its method of operation and the projects financed is also made available to those attending. A particular effort has been made to provide information within the Commission and to the other institutions of the European Union.

The following meetings were held in 1995:

Seville, 14 March 1995

A seminar on the Funds of the European Union: the Structural Funds and the Cohesion Fund for those in business and government was organized by the department of economics and finance in the regional government of Andalusia. It was attended by about 70 people.

Brussels, 23 March 1995

A conference on business opportunities in the European Union budget for 1995 was organized by the Société Générale de Développement as part of Eurobudget 95. A presentation on the Cohesion Fund was made to some 150 representatives of industry and business and to civil servants from the Member States.

Thuin, 24 March 1995

As part of a course on the European institutions, Thuin state high school organized a conference on changes in the European institutions: a concrete example of implementation of the Treaty of Maastricht using the Cohesion Fund to illustrate the point to an audience of some 40 secondary school pupils.

Brussels, 28 March 1995

At the European summit of local authorities held in Brussels from 27 to 29 March 1995 as part of the Directoria event, DG XVI (Regional Policy and Cohesion) organized a presentation of the Cohesion Fund for an audience of about 125 representatives of regional and local authorities and the countries of central and eastern Europe.

Paris, 5 April 1995

The SNBATI (Syndicat National du Béton Armé, des Techniques Industrialisées et de l'Entreprise générale - national federation for reinforced concrete, industrialized techniques and general business), in cooperation with Entreprises Equipement - France, organized a study and information day on the Cohesion Fund and the participation of firms in European public procurement for some 40 members of the Syndicat du Bâtiment (building federation). The day was held in conjunction with the Fédération Parisienne du Bâtiment (Paris building federation).

Athens, 8 May 1995

The Office of Greek Chambers of Commerce and Industry to the European Union, in cooperation with the Piraeus Chamber of Commerce and Industry, organized an information seminar on the Cohesion Fund for Greek industrialists. 150 people, members and representatives of the Ministries concerned took part.

Vienna, 6 June 1995

In the context of European integration and commercial policy, the Austrian Federal Chamber of Commerce presented the Cohesion Fund to about 100 people from the business community, ministries and Austrian firms. Particular stress was laid on the favourable economic impact on the industries of the Member States of access to public contracts in the cohesion countries.

Brussels, 23 June 1995

As part of the information activities organized by DG X (Information, Communication, Culture and Audiovisual Media) and the Commission's press and information offices in the Member States, an information session on the Cohesion Fund was held for some 25 mayors, journalists and consultants from Portugal.

London, 11 July 1995

The "Waterfront Conference Company" invited the Cohesion Fund to present its work to a seminar on European finance for the development of sea ports concerned primarily with finance for port infra- and superstructures in the context of policies on public finance. About 100 representatives of port authorities and other interested groups took part.

Milan, 15 September 1995

Confindustria, Lombardy, organized an information seminar on the Cohesion Fund for its members and industrial sectors involved. The main theme was the economic benefits which

these firms can derive from participation in public tenders in the cohesion countries. About 30 people attended.

Barcelona, 3 October 1995

The Patronat Català pro Europa organized a seminar on the Cohesion Fund for its members and all the public administrations in Catalonia likely to benefit from Cohesion Fund finance. About 25 people attended.

Brussels, 27 November 1995

As part of a conference on the European Union's Structural Funds organized by the European policy office of the World Wide Fund for nature, the Cohesion Fund presented its work to about 100 experts and others involved in regional development in national, regional and local administrations and to representatives of industry, trades union, farmers, social groups and consumers.

6.5 SEMINAR ON FINANCIAL MANAGEMENT

Barcelona, 2 and 3 October 1995 - A training measure for financial managers and controllers concerned with projects financed by the Cohesion Fund in Spain was organized in cooperation with the UCLAF (Unité de Coordination de la Lutte Anti-Fraude - anti-fraud unit) in the Secretariat-General and attended by 150 people from various Ministries including Economics and Finance, Public Works, Transport and the Environment (MOPTMA), Agriculture, the Treasury and Home Affairs. In addition 17 Autonomous Communities and Municipalities with over 500 000 inhabitants took part.

6.6 PUBLICITY AT THE INITIATIVE OF THE COMMISSION

6.6.1 Publication of decisions

The main points of all the projects adopted are published in all the language versions in the Official Journal of the European Communities, as required by the Fund Regulation. The main points of each project are in Annex I to this Report.

6.6.2 Media coverage

The Cohesion Fund, in cooperation with the Spanish Government, the regional government of Catalonia and the Barcelona city council, organized substantial press and television coverage of an inspection and monitoring visit to the Ciutat Vella of Barcelona on 4 October 1995. This project is of great interest and is a model of its kind because of the application of the principles of economic and social cohesion and the safeguarding of the urban environment.

This visit was mentioned five times on that day's television news, on channels TV2 Barcelona, TV3 Catalonia and TV4. A documentary on this large project was the subject of a 15-minute programme, "Giravolt", on TV2. An interview with the Director of the Cohesion Fund and the Catalan Minister for the Environment was also broadcast on the programme "El Medi Ambient" on the Cohesion Fund on TV3.

The newspaper "La Vanguardia" devoted half a page to the Cohesion Fund in its economics section on Sunday 8 October 1995 and some eight press cuttings from local papers reported and commented on the visit.

In addition, a press conference was organized in Madrid on 10 October 1995 to mark the fourth meeting of the Monitoring Committee, after which a communiqué was circulated to those concerned by the Commission's Press and Information Office in Spain.

A video for the general public on projects financed in Spain was also made.

In addition to these specific media measures, the following have been published:

- press communiqués when groups of projects are adopted;
- a general communiqué reviewing the year.

6.6.3 Annual report on the cohesion financial instrument and the Cohesion Fund 1993/94

This report has been widely distributed and may be obtained from the documentation centre of the Directorate-General for Regional Policy and Cohesion or from the Cohesion Fund Directorate.

6.7 MEASURES TAKEN BY THE MEMBER STATES

6.7.1 General

The Member States are required to take publicity measures relating to projects financed by the Cohesion Fund. These measures are intended to inform citizens of the use made of Union funds and to demonstrate their contribution to financing projects which have a substantial impact on the economy of the countries concerned.

6.7.2 Draft Commission decision on publicity measures

A draft decision based on the one which applies to the Structural Funds is being prepared. It will stress the effort required of both the Commission and the Member States to provide information and publicity material. As required by Article 14 of the Cohesion Fund Regulation, it has been sent to the European Parliament.

6.7.3 Forms of publicity

The forms of publicity to be used by the Member States include:

- the provision of display panels of appropriate size making reference to assistance from the Cohesion Fund;
- the dissemination of information on the projects financed using audiovisual means;
- the preparation of brochures, leaflets and other sources of information;
- audiovisual measures.

Annexes

- | | |
|-----------|---|
| Annex I | Main points of projects approved in 1995 (published in the Official Journal of the European Communities) - list of projects |
| Annex II | Graphs |
| Annex III | Road and rail network maps |