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*ANNUAL REPORT
ON THE COHESION FUND*

1996

(presented by the Commission)

PREFACE

The present annual report on the activities of the Cohesion Fund covers the calendar year 1996. It has, however, been necessary to include some remarks on activities in earlier years as well as comments on planned measures for the future in order to give the reader the full picture of the current affairs of the Fund.

The reporting format is largely unchanged from previous reports and reflects the detailed requirements of the Annex to Annex II to the Cohesion Fund Regulation. Nevertheless, comments made by the European Parliament, the Economic and Social Committee and the Committee of the Regions on earlier reports have been duly taken into account and adjustments made in the presentation. In particular attention has been given to a detailed explanation of how the conditionality principle has been implemented and to the Commission Decision on information and publicity measures. The specific requests for a section on ultra-peripheral regions and for a developed section on evaluation have also been met.

The report fulfils the legal requirements of the Cohesion Fund Regulation. It is hoped that it will also serve as a useful reference for all who are interested in the promotion and furtherance of the economic and social cohesion of the Union.

EXECUTIVE SUMMARY

Economic and Social Cohesion is one of the main objectives of the Treaty on European Union. During 1996 the Cohesion Fund continued and reinforced its contribution to the achievement of this objective.

1996 was in many ways a key year for the Cohesion Fund: the teething troubles of a new instrument for cohesion had been dealt with and the Fund was fully operational: experience gained since the first operations in 1993 formed the backbone of current management practices and the first ex post evaluations, i.e. the assessment of the effects of **completed projects**, could be undertaken.

The importance of this last point can hardly be overstated: the weight of the Cohesion Fund as an instrument to favour economic and social cohesion depends on its ability to **demonstrate the usefulness** of the completed projects, be it in terms of better transport facilities, shorter travel distances, savings in transport time, more efficient goods handling, reduced air pollution and better environment in the towns and cities concerned, improved fresh water management ranging from catchment, supply and distribution of drinking water for human consumption to proper treatment of used water and sewage and environmentally friendly handling of solid waste, to mention but a few examples. In the coming years, more and more Cohesion Fund projects will be completed, thus providing the basis for an overall evaluation of the efforts of the Union and the Member States.

1996 was also the mid-point year between 1993, the year of the first project decisions, and 1999, the last year covered by the present Fund Regulation. Appropriately, therefore, a **mid-term review of Member State eligibility** with respect to the GNP criterion was carried out in 1996. All four Member States continue to be eligible.

Furthermore, 1996 was the first year in which the Commission undertook an examination of Member States' compliance with their economic convergence programmes in the field of public deficits: the **conditionality principle** was applied by Commission decisions in June and November concerning Spain, Portugal and Greece. On each occasion, all three Member States were considered to have a budgetary performance within the targets recommended by the Council.

The financing strategy of the Fund was further consolidated in 1996 in line with the provisions of the Cohesion Fund Regulation. The **balance** between the two areas of assistance - transport infrastructure and environment - reached an almost perfect 50/50 distribution. This reflects the determination of the Commission, which is fully supported by the European Parliament, the Economic and Social Committee and the Committee of the Regions, to achieve an equal level of financing for the two areas of Cohesion Fund financing for the whole period. The result in 1996 brings this objective clearly within reach.

In line with remarks made by the European Parliament in its opinion on the 1994 Cohesion Fund Annual Report and reiterated concerning 1995 and by the Committee of the Regions and the Economic and Social Committee, the efforts to allocate a higher proportion of finance within the transport sector to rail transport facilities continued.

Furthermore the projects financed in the **most remote regions** received special attention in 1996: a separate section of this annual report gives more details (see point 2.3.5).

The Fund finances **transport infrastructure projects** only where they are either part of the trans-European Transport Network (TEN - transport) or feed the network directly. This represents the strategy for setting priorities for the Cohesion Fund in the field of transport infrastructure, a strategy which has already shown its usefulness in relation to completing missing parts of the TEN.

The directives concerning the supply of drinking water, waste-water treatment and the treatment of sewage continue to set the priorities for assistance in the field of **environment**. Other environment measures, which may be seen as improving environmental levels, may also be eligible and may receive part-financing from the Fund. Some examples concern projects relating to coastal protection, reforestation and desertification, habitat protection and nature conservation.

The **polluter-pays principle** is applied whenever a project is part-financed by the Cohesion Fund. Through a procedure of double consultation of the responsible departments in the Commission, every project is submitted to detailed examination and verification of compliance with Community legislation. This procedure also aims at assuring that the best evaluation practices available are applied.

The Commission stated in the 1995 report on the Cohesion Fund that there is room for improvement of **analytical methods** and their practical application. In line with this statement the Commission has carried out a study with external consultants on the Application of the Polluter-Pays-Principle in Cohesion Fund Countries to gain further insight into the practical and theoretical issues involved. The main results of this study are presented in Chapter 2.

The combating of unemployment and the creation of new job opportunities is a high priority for the Commission. The 1995 annual report on the Cohesion Fund presented some first estimates of the short and long term **employment effects** of funded projects. The present report develops these estimates further and also outlines some key findings from the study carried out for the Commission by the London School of Economics into the overall socio-economic effects of projects. The section on employment is also a direct response to the requests from the European Parliament, the Economic and social Committee and the Committee of the Regions for more information on the job-creation generated by the Cohesion Fund.

The **European Investment Bank** continues, under the agreement with the Commission, to be consulted for its financial and technical expertise on major projects presented by the Member States. This increases the quality of assessment of the proposals beyond what the Commission itself can provide and therefore gives added value.

Budgetary implementation for the year was, once again, close to 100% - an impressive figure considering that each individual project must be fully scrutinised before commitments and payments can be made and that continuous monitoring and checks on physical indicators are made prior to any further release of funding.

The monitoring and follow-up of projects has continued on a high level throughout the year. The Monitoring Committees have held regular meetings and have included representatives

from local and regional bodies as well as national level. It is important to underline that **no cases of fraud** have been reported on Cohesion Fund projects; the responsible authorities of the Member States and the Union have carried out numerous inspections and checks in this respect, as described in Chapter 5.4. Some cases of irregularities have been detected and the necessary corrective measures taken.

In June 1996 the Commission adopted, after having received the observations of the European Parliament, a Decision on **information and publicity measures**. The Decision includes details on the use of bill-boards, brochures, audio-visual presentations, TV and other media. Each project part-financed by the Cohesion Fund must be given appropriate information and publicity. These measures may be included in the request for Fund financing, which will make modern and efficient publicity attractive for the promoter of a project.

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CHAPTER 1**IMPLEMENTATION OF COHESION FUND PRINCIPLES****1.1 BACKGROUND**

The Cohesion Fund is subject to a number of general rules which are specific to the Fund and which are laid down in its Regulation. This chapter gives details on the three main areas: conditionality, the mid-term review of the GNP figures of the Member States and the Commission decision concerning information and publicity measures.

1.2 CONDITIONALITY

1996 was the first year in which the principle of conditionality applied. To prepare for the implementation of the principle, the Commission had already decided - on 20 December 1995 as reported in the 1995 Annual Report - on the practical application of conditionality.

Eligible Member States must have a programme leading to the fulfilment of the conditions of economic convergence as set out in Article 104c of the Treaty, which relates to government deficits. Article 6 of the Cohesion Fund Regulation¹ requires the Commission to suspend financing for new projects or - in the case of projects divided into different stages - new stages of projects, if the Member State concerned is found to have an excessive deficit.

The Commission has decided to examine conditionality twice a year: in spring and in autumn. This allows for the possibility of reacting to new economic data as soon as they are known and verified. The procedure is as follows:

in spring the deficit for the previous year is examined on the basis of the notification from the Member States and the Commission's spring economic forecasts:

in autumn, normally in November, the deficit for the current year is assessed based on the notifications from the Member States of budgetary implementation by end-September and the Commission's autumn forecasts.

Member State government deficits must be in line with the annual recommended targets set by the Council. Comparisons are made with the Council recommendations for the relevant years: if the target is met then financing of new projects or new stages of projects can continue or be resumed, as the case may be. If the target is exceeded then financing of new projects or new stages of projects is suspended, provided that the deficit is significantly off the mark for reasons other than exceptional circumstances outside the control of the Member State. Projects already approved are not affected.

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

The Commission takes all the necessary steps to verify the data to ensure that the information is correct. A high degree of certainty is necessary, not least if the decision reverses previous decisions, i.e. when suspending or resuming financing.

In 1996 the spring examination took place in May/June and concerned the deficit performance in 1995.

For that year the targets recommended by the Council for the government deficits relative to Gross Domestic Product and the deficit performance were then estimated as follows:

	recommended target for 1995	1995 deficit performance (*)
Greece	10.7%	9.2%
Portugal	5.8%	5.4%
Spain	5.9%	5.8%

(*) Commission spring 1996 Economic Forecasts

In each case the Commission therefore concluded that the government deficits were inside the recommended target and that approval of new projects and stages of projects could continue in the three Member States.

Following an internal audit of government accounts, the Spanish Government revised the deficit for 1995 by adding 0.8% to the previous figure of 5.8%. Consequently a revised deficit figure of 6.6% of GDP was reported officially to the Commission on 1 September 1996 under the excessive deficit regulation².

A deficit of 6.6% is clearly outside the recommended target of 5.9% for 1995. Had the Commission been in possession of the revised figures at the spring examination, suspension would have been introduced in June 1996. However that suspension would have been lifted in autumn 1996 because the deficit performance for 1996 was forecast at 4.4%, which coincides with the recommended target for 1996. In these circumstances the Commission decided not to suspend financing from the Cohesion Fund provided that the Spanish commitment to limit the government deficit to 4.4% could be verified. The Spanish authorities will provide all the necessary data and information necessary for the monitoring of the target.

The autumn examination in 1996 was carried out in October/November and concerned, in accordance with the procedure, the deficit performance forecast for 1996.

For Greece, Portugal and Spain the targets and forecast deficits were then estimated as follows:

	recommended target for 1996	forecast 1996 deficit (*)
Greece	7.6%	7.9%
Portugal	4.3%	4.0%
Spain	4.4%	4.4%

(*) Commission autumn 1996 Economic Forecasts

² Regulation (EC) No 3605/93.

On this basis the Commission concluded that the Portuguese deficit was inside the recommended target. A Greek deficit of 7.9% would be outside the target, but verification of the reliability of the data did not give sufficient reason to believe that the final outcome would indeed exceed the target value. In neither case, therefore, did the Commission find it necessary to suspend financing of new projects. However, the Commission did write a letter to the Greek authorities to urge them to take all necessary steps to avoid exceeding the target for 1996 and to inform them of the consequences of non-compliance with the recommended target.

1.3 MID-TERM REVIEW

The Cohesion Fund provides financial contributions to projects in Member States with a per capita gross national product (GNP), measured in purchasing power parities, of less than 90% of the Community average.

Article 2(3) of the Cohesion Fund regulation stipulates with regard to the GNP criterion that the Member States "... shall continue to be eligible for assistance from the Fund provided that, after a mid-term review in 1996, their GNP remains below 90% of the Community average. Any eligible Member State whose GNP exceeds the 90% threshold at that time shall lose its entitlement to assistance from the Fund for new projects or, in the case of important projects split into several technically and financially separate stages, for new stages of a project."

The Commission undertook the mid-term review on 12 June 1996. The most up-to-date figures available were those for 1995, which were as follows:

Per capita GNP in 1995 (in PPS), EUR 15=100

Greece	65.8
Ireland	78.9
Portugal	72.3
Spain	75.7

All four Member States therefore continue to meet the GNP eligibility criterion and therefore also continue to be eligible for Cohesion Fund financing.

It should be noted that Article 2(2) of the Cohesion Fund Regulation provides that until 1999 **only** these four Member States may be eligible, and that consequently no other Member State may be put on the list at the present time.

1.4 INFORMATION AND PUBLICITY MEASURES

Article 14(3) of the Cohesion Fund Regulation requires the Commission to adopt detailed rules on information and publicity, inform the European Parliament thereof and publish them in the

Official Journal. The Decision was adopted on 25 June 1996 and published in the Official Journal on 27 July³.

The thrust of the Decision is that each and every project carried out with the assistance of the Cohesion Fund is to be promoted by appropriate, timely and comprehensive information and publicity measures. The authorities responsible for implementing the projects, whether national, local or regional, are also responsible for publicity and information. The measures must be carried out in collaboration with the Commission. The Decision concerns the media, information material, information events and the use of all modern forms of communication, including audio-visual presentations and videos.

Every project must as a minimum include on-the-spot information and publicity measures, and information material explaining its content and the Community contribution must be made available at local and regional level. To this minimum requirement are added other elements of publicity and information: the bigger the project, the more comprehensive and widely distributed the information and publicity. These extra elements comprise regular news conferences, bill-boards and permanent commemorative plaques, brochures of general interest, professional video-clips and presentations intended for national radio and TV channels. It should be noted that the competent authorities may include the cost of information and publicity in the eligible expenditure for a project; these costs may therefore be part-financed at the same rate as Cohesion Fund projects in general, i.e. at 80% to 85%.

The Commission must also be active in this field and in particular organise regular news conferences in the Member States concerned, not least in cases where major investments (exceeding ECU 20 million) are concerned.

It is important to note that the Monitoring Committees have a key role in overseeing the measures and making sure that relevant information is made available to the public. It should be recalled that should a Member State fail to respect its obligations on information and publicity, the Commission reserves the right to suspend, reduce or even cancel assistance from the Cohesion Fund for the projects.

The European Parliament, which was consulted on the draft proposal before the Commission adopted its Decision, approved the general measures proposed but set out a number of particular concerns relating to their implementation. Parliament pointed out that the notion of information is wider and more comprehensive than publicity and criticised the proposal for focusing only on the latter. It also stressed the need to guarantee the dissemination of information, involving the national, regional and local authorities, and encompassing all structural measures supported by the Union through the Cohesion Fund and the Structural Funds, in particular in the fields of transport infrastructure and the environment.

In the final Decision, the Commission responded positively to the concerns of the Parliament by specifying that the measures are additional to those other arrangements for information and publicity undertaken for regional and cohesion policies by the Member States or by the

³ Commission Decision of 25 June 1996 concerning information and publicity measures to be carried out by the Member States and the Commission concerning the activities of the Cohesion Fund under Council Regulation (EC) No 1164/94 (96/455/EC) - OJ No L188, 27.7.1996, p 47.

Commission. A specific reference was made in this context to the decision on publicity and information on the Structural Funds and the Financial Instrument for Fisheries Guidance⁴.

1.5 FIRST COHESION REPORT

Presentation of the first Report on Economic and Social Cohesion in the European Union, adopted by the Commission on 6 November 1996, stems from the Treaty of Maastricht, which introduced the requirement for a three-yearly report on progress towards achieving cohesion in the Union by reducing disparities between living standards and the opportunities for economic development in the Member States, regions and social groups.

The main message of the report is clear: progress has been made. In scarcely ten years, the four poorest countries in the Union have raised per capita income from 66% to 74% of the Community average, largely thanks to the Union's structural policies. Nevertheless, unemployment remains a constant problem whose impact on certain regions and social groups is particularly serious.

Over the last ten years, economic growth in the Union has averaged just over 2% per year while employment has increased by 0.5% per year. This means that some 7 million net jobs per year have been created since 1983.

Over that period, differences in per capita incomes between the Member States have fallen sharply, largely thanks to progress by the beneficiaries of the Cohesion Fund (Spain, Portugal, Greece and Ireland), where per capita income rose from 66% to 74% of the Community average. The most remarkable results were recorded in Ireland, with annual growth rate of 4.5% between 1983 and 1995, followed by Spain (3.0%) and Portugal (2.6%).

In terms of employment, the results are less clear-cut. In Ireland, where economic growth was highest, employment increased by only 0.2% per year between 1983 and 1993, despite a recent upturn. The situation is similar in many other Member States, while the deep recession in Finland and Sweden has resulted in a fall in the actual number of jobs in those countries. In the Netherlands, Germany, Greece and Spain, the rate of job-creation has been above average.

In Portugal, Belgium, western Germany, the Netherlands and the United Kingdom, the rate of job-creation, although variable, has been high enough to reduce the rate of unemployment. In most other countries, by contrast, unemployment has risen, most dramatically in Finland and Sweden but also in two of the four countries eligible under the Cohesion Fund, Spain and Greece, where unemployment has increased sharply. In Spain, more than one potential worker in five is now unemployed.

Within the Union, disparities in unemployment have increased. Unemployment is a problem which affects the whole of European society but its impact on different social groups varies: unemployment among those aged under 25 is almost twice as high (21% in the first half of 1996) than the overall rate. Unemployment amongst women is also high: 12.5% in the first half as against 9.5% for men. Furthermore, those with only a basic level of training are harder hit than those with further qualifications (an unemployment rate of 13% as against 9% in 1994).

⁴ OJ No L 152, 18.6.1994, p. 39.

Long-term unemployment is very worrying: in 1995, 49% of those unemployed had been without a job for over a year and 25% for over two years. These figures confirm that unemployment is a serious structural problem in Europe which excludes certain social groups from the labour market.

The impact of unemployment on poverty cannot be denied. Statistics seem to show that poverty is increasing throughout the Union, particularly in a number of northern Member States.

CHAPTER 2

FINANCIAL ASSISTANCE COMMITTED AND PAID BY THE FUND

2.1 BUDGET AVAILABLE

At the Edinburgh European Council in December 1992, 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 the 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, after indexation, commitment appropriations for 1993, 1994, 1995, 1996 were set at ECU 1 565 million, ECU 1 853 million, ECU 2 152 million and ECU 2 444 million respectively.

Payment appropriations for those years totalled ECU 1 000 million, ECU 1 679 million, ECU 1 750 million and ECU 1 919 million.

As in 1995, the budgetary authority (the European Parliament and the Council of the European Union) decided, in 1996, to transfer ECU 300 000 to the budget line managed by UCLAF (the Anti-Fraud Coordination Unit) to provide it with both commitment and payment appropriations to combat fraud connected with the Cohesion Fund. This transfer increased the commitment appropriations available to the Cohesion Fund in 1996 to ECU 2 443.7 million and the payment appropriations to ECU 1 919 million.

In view of the above, the 1997 budget was set at ECU 2 748.7 million in commitment appropriations and ECU 2 325.7 million in payment appropriations.

2.2 BREAKDOWN BY MEMBER STATE

An indicative breakdown of these amounts was then carried out pursuant to Annex I to the Regulation, which lays down brackets of 52% to 58% for Spain, 16% to 20% 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	7 878	8 332.5	8 787	2 424	2 727	3 030	1 160.5	1 363.5	1 515

2.3 BUDGET IMPLEMENTATION

Commitments for 1996 at 31 December totalled ECU 2 443.64 million, 99.99% of the appropriations available. The table below shows the breakdown of Cohesion Fund commitments by Member State and by sector.

Commitment appropriations - 1996: ECU 2 443.7 million

ECU million

M.S.	Environment	%	Transport	%	Total	Allocation
E	663 549 515	49.44	678 383 056	50.66	1 341 932 571	54.91
GR	235 865 092	53.81	202 441 610	46.19	438 306 702	17.94
IRL	99 920 131	45.07	121 770 026	54.93	221 690 157	9.07
P	217 966 578	49.59	221 526 518	50.41	439 493 096	17.99
TOTAL	1 217 301 316	49.86	1 224 121 210	50.14	2 441 422 526	99.91
Tech. Ass.	-	-	-	-	2 212 643	0.09
TOTAL	1 217 301 316	49.89	1 224 121 210	50.11	2 443 635 169	100.0

The unused balance of commitment appropriations was: (2 443 700 000 - 2 443 635 169) = + ECU 64. 831

Payment appropriations - 1996: ECU 1 919 million

ECU million

M.S.	Environment	%	Transport	%	Total	Allocation
<i>E</i>	295 940 565	26.61	816 116 839	73.38	1 112 057 404	59.4
<i>GR</i>	127 062 978	51.91	117 689 309	48.08	244 752 287	13.07
<i>IRL</i>	80 315 065	42.46	108 805 171	57.53	189 120 236	10.10
<i>P</i>	124 133 591	38.2	200 762 086	61.79	324 895 677	17.36
<i>TOTAL</i>	627 452 199	33.54	1 243 373 405	66.46	1 870 825 604	99.94
Tech. Ass.	-	-	-	-	1 156 625	0.06
TOTAL	627 452 199	33.52	1 243 373 405	66.46	1 871 982 229	100

Balance of payment appropriations: (1 919 000 000 - 1 871 982 229) = 47 017 771 (2.25%).
Implementation of appropriations for payments for 1996 amounted to 97.75%.

Appropriations to combat fraud (see also Chapter 2.1 of this Report)

Appropriations made available: ECU 300 000 used by UCLAF from budget heading 3010.

2.3.1 SPAIN**Environment**

The projects submitted by Spain in 1996 confirmed the national priorities for the environment: principally the provision of infrastructure to supply water for domestic use and to treat waste water, the management of urban, toxic and dangerous waste, afforestation, the planning and restoration of the coastline and the urban environment.

All these measures apply throughout the country. This year, particular attention was paid to providing increased finance for measures on the Canary Islands as one of the most remote regions. These include desalination plants, coastal improvements and the widening of road GC1 at Tenerife.

The strategy for the submission of projects is based on national or sectoral plans, or on legislation adopted by the Autonomous Communities, in order to ensure a significant impact in the sector concerned.

Spain submitted the following groups of projects:

- ◇ groups of operationally related projects, dealing with the supply of drinking water, undertaken by the national administration;

- ◇ groups of projects concerning drainage and water treatment, undertaken by local authorities under the national sectoral plan;
- ◇ groups of projects concerning the treatment of urban waste adopted at regional level and carried out by a number of municipalities under the Plan on waste management being approved or legislation.

As in 1995, priority was given to drainage and water treatment projects submitted by municipalities and intended to implement Directive 91/271/EEC on waste water in order to achieve the objectives laid down for 1998 and 2000. Further finance was also provided for projects submitted by the Autonomous Communities during the previous year and adopted in annual instalments.

A greater number of large-scale projects for the supply of drinking water was submitted: these included the Casrama system in Madrid and the desalination plants at Ceuta and in the Balearic and Canary Islands.

In the other sectors of the environment, the continuing high level of applications for assistance made by the Spanish authorities in 1996 reflects the persistent difficulty in proposing large-scale projects in the various sectors eligible for assistance. This aspect is also linked to the strategy of decentralising implementation to a number of bodies, such as the central administration and the regional and local authorities.

In 1996, the Spanish authorities submitted 48 applications for Cohesion Fund finance in the sector of the environment: total assistance amounted to ECU 795.5 million.

The Commission adopted 69 new decisions concerning some 589 projects and measures in the field of the environment in Spain. During 1996, assistance totalling ECU 663.6 million was provided towards eligible costs of ECU 1 001 million. This represented 49.5% of the total assistance allocated to Spain from the Cohesion Fund. The decisions adopted in this field in 1995 resulted in a financier commitment of ECU 31.6 million in 1996.

Projects approved broken down by sector

Sectors	Total cost ECU	Assistance ECU	Commitments 1996 ECU	%	Number o decisions	Number of projects
Supply and quality control of water	270 510 625	229 579 585	151 703 799	23%	10	41
Waste	97 509 139	78 007 307	89 644 443	14%	19	49
Drainage and water treatment	482 056 374	388 866 478	300 593 456	45%	24	85
Urban environment	79 681 467	63 745 170	63 745 170	10%	12	14
Afforestation	42 758 247	33 313 468	33 313 468	5%	3	386
Coasts	28 893 322	24 559 324	24 559 324	4%	1	14
TOTAL Environment Budget 1996	1 001 409 174	818 071 332	663 559 660	100%	69	589

More details highlighting the most important projects are given below. The projects approved also comply with the priorities set out in the Fifth Community Action Programme on the Environment and Sustainable Development, the objectives of Article 130r of the Treaty and the requirements for implementing the Community Directives on the environment.

• Water supply

Before approving the national water plan, Spain decided to draw up a White Paper setting out the objectives and priorities for measures in this area.

In 1996 the Cohesion Fund's contribution to this sector represented 23% of the resources available for environmental projects, or about ECU 152 million for 41 projects grouped in 10 decisions.

The decisions adopted in this sector had three main objectives:

- ◊ to increase the population served by infrastructure to distribute drinking water, facilitate the sustainable development of the area in question and improve the quality of water to the levels laid down by Community Directives. These include the Casrama system in Madrid and other measures to continue projects already approved in the inter-municipal body linking Algodor and Almoguera-Mondejar;
- ◊ to ensure supplies of drinking water to those affected by drought by improving health conditions and quality of life of the people concerned. To this end, the Cohesion Fund financed desalination plants in Palma de Majorca, Calvia, Ceuta and Tenerife, since it considered this solution to be the best way of achieving the water quality laid down by the Community Directives and overcoming obstacles created by the lack of water;

- ◊ stepping up the introduction of water information systems by installing such a system on the Tagus and extending measures to improve water systems and the environment already financed by the Cohesion Fund in 1994.

The infrastructure financed will also help preserve aquifers, reduce the over-exploitation of ground water and check erosion and desertification in accordance with the Fifth Community Action Programme on the Environment and Sustainable Development.

• **Treatment of waste water**

On the basis of the guidelines laid down in the national plan for the drainage and treatment of waste water adopted in February 1995, Spain continued during 1996 its investments in this sector in order to meet its obligations under Directive 91/271/EEC by the deadline.

The Cohesion Fund continued to make a substantial contribution to this work: 45% of part-financing for Spain in the environment sector concerned projects for the drainage and treatment of urban waste water. Of the ECU 300 million committed, ECU 31 million was accounted for by annual instalments of decisions adopted in 1995 while the remainder was committed to cover 24 new decisions comprising a total of 85 projects.

Because of the decentralisation of responsibility in this sector in Spain, 20 of these new decisions concerned applications for aid from municipalities responsible firstly for the implementation of the projects and then for the operation and maintenance of plant.

When considering these aid applications, the Commission paid particular attention to ensuring that the infrastructure complied with the environmental requirements imposed by Community legislation, and in particular Directive 91/271/EEC. Similarly, in order to ensure that the projects financed form part of a complete drainage system, any grant for a waste-water collector is dependent on its being linked to a treatment plant.

The infrastructure financed combines measures to improve the environment by reducing the burden of pollution in the effluent discharged and by helping improve the quality of surface and bathing water and preventative measures to protect ecosystems and public health. Some projects include programmes for reusing water, so facilitating more rational utilisation of water in the areas worst affected by drought.

• **Waste management**

The amount corresponding to commitments in the 1996 budget for the waste sector was considerably higher than in 1995. However, of the 16 new aid decisions covering a total of 49 projects, 12 corresponded to aid applications submitted in 1995 but still under consideration at the beginning of 1996.

This is the sector whose management is most decentralised: ten decisions concern applications submitted by municipalities and the other six applications from Autonomous Communities. Of these applications, which were adopted in February 1995 and comply with the Community priorities and criteria laid down, particularly by Directive 91/689/EEC laying down parameters for hazardous waste, three form part of the national strategy on hazardous waste for 1995-2000 and the restoration of contaminated soil for 1995-2005.

The other decisions concern projects to improve the management and treatment of urban waste and follow the guidelines laid down in the regional plans on waste and the agreements between those responsible for the environment at national level and the local authorities. They concern plant to facilitate the selective collection of waste at the point of sorting, the most efficient form of transport and the establishment of transfer centres, exploitation through recycling and composting and the filling in and sealing of old tips of the restoration of certain existing tips. All these measures are in line with the relevant Community policy, particularly Directive 91/156/EEC.

- **Afforestation**

In 1996, the Spanish authorities submitted the applications for aid for afforestation projects under the afforestation Plan drawn up for 1995-99, which includes measures for afforestation, combating erosion and desertification which form part of the national Plan for the restoration of water and forestry resources drawn up for each water system.

As in 1995, the projects were submitted by the national administration and the Autonomous Communities grouped by water system.

In this field, three decisions concerning applications for aid submitted in 1995 were adopted: they include 366 measures to restore plant cover through afforestation, the treatment of forests to improve existing vegetation, work on the maintenance of seasonal water-courses, the consolidation and strengthening of banks and their stabilisation against land-slips by means of dykes and breakwaters. Other complementary measures were planned, including improvements to water systems which have deteriorated.

The applications for aid made in 1996 were subjected to a multicriteria analysis which will determine the projects likely to be financed by the Cohesion Fund in 1997.

- **Improvement and restoration of the coastline**

The coastline of Spain is 7 880 km long, of which 4 900 km is accounted for by continental Spain and 2 890 km by the islands. This part of the territory, which accounts for 7.2% of total surface area, is home to 35% of the country's population and receives almost all (85%) seasonal visitors. This pressure, which has resulted in the degradation of the coastline, has led the Spanish Government to undertake measures to protect and restore the coast. In 1983 an action plan for the coasts was introduced and a law on the coasts was published in 1988. This integrated planning for coastal protection underlies the measures in this area submitted for financing.

As in previous years, a large number of the projects concerning the coasts divided into three categories were submitted by the central administration.

They concern the restoration and renewal of beaches to reverse the process of erosion, the planning of the coast to restore its advantages and nature as it is present on the seashore and the restoration of the coastal environment to protect, conserve and restore the natural features of areas of considerable ecological value.

In coordination with those responsible for the projects, targeting of the assistance to be provided has been improved and 14 projects were approved through a decision covering the

three categories mentioned. Four projects are in the remote region of the Canary Islands and the remainder on the Atlantic and Cantabrian coasts.

- **Urban environment**

As in previous years, projects concerning the urban environment were submitted on the basis of the objectives of the Fifth Community Action Programme on the Environment and Sustainable Development.

The Commission adopted 14 projects through 12 decisions which accounted for 10% of the 1996 budget allocated to the environment in Spain, or ECU 63 745 170.

The projects, which were submitted by the municipalities, are in Madrid, Catalonia and Aragon.

They are intended to improve the quality of life in urban areas where environmental problems weigh most heavily on those living there. To that end, finance has been provided to restore a historic area of Madrid through integrated planning measures and the creation of green areas, monitoring of atmospheric pollution in Madrid, the reduction of noise levels on the first Barcelona ring road and the restoration of run-down parks and green areas.

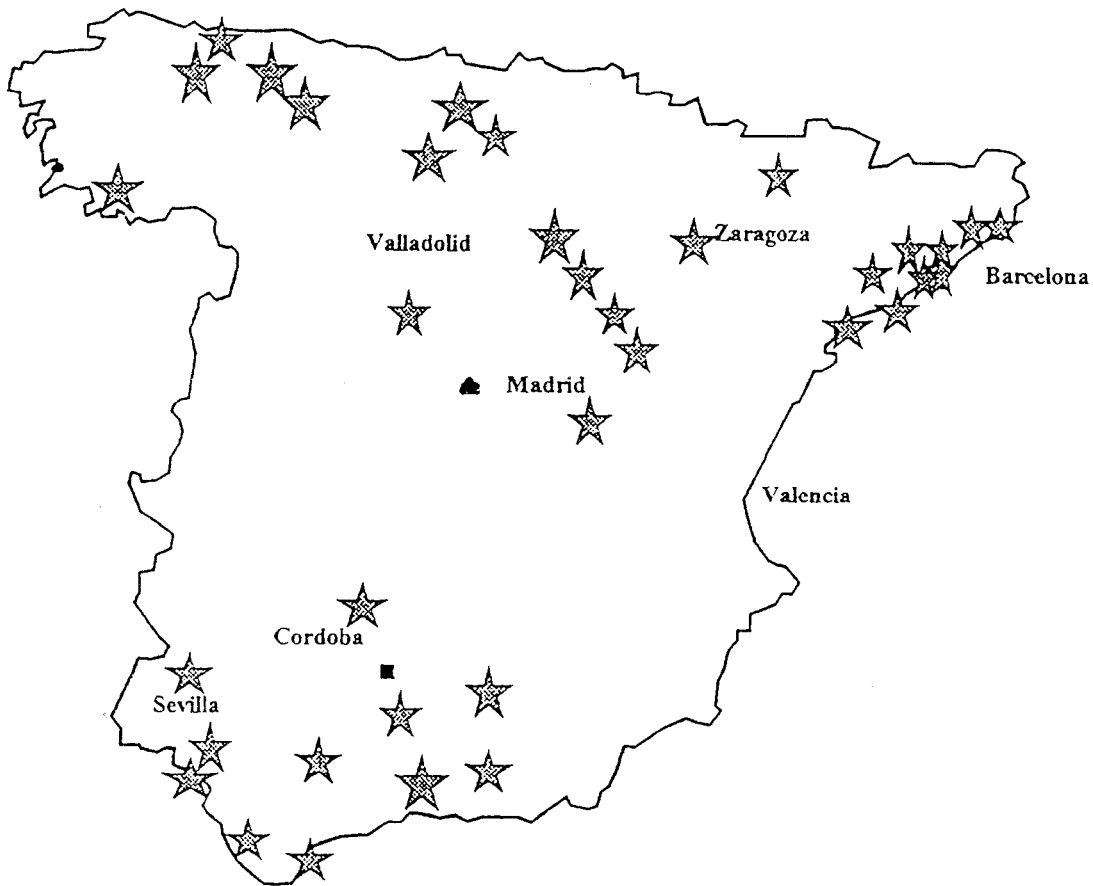
Other measures financed in this sector include the restoration of natural areas, improvements to river banks and the creation of green areas and parks in urban area to protect rivers and improve water quality.

It is interesting to note that most of the projects concerning the urban environment approved in 1996 will provide benefits in a number of ways: the creation of green areas, the removal of contaminated soil and improving water quality in rivers.

This will increase the impact of the Cohesion Fund on development in the area of the environment in Spain.

Solid Waste
Treatment funded by the
Cohesion Fund

SPAIN



Dam and reservoir
River training works
funded by the
Cohesion Fund

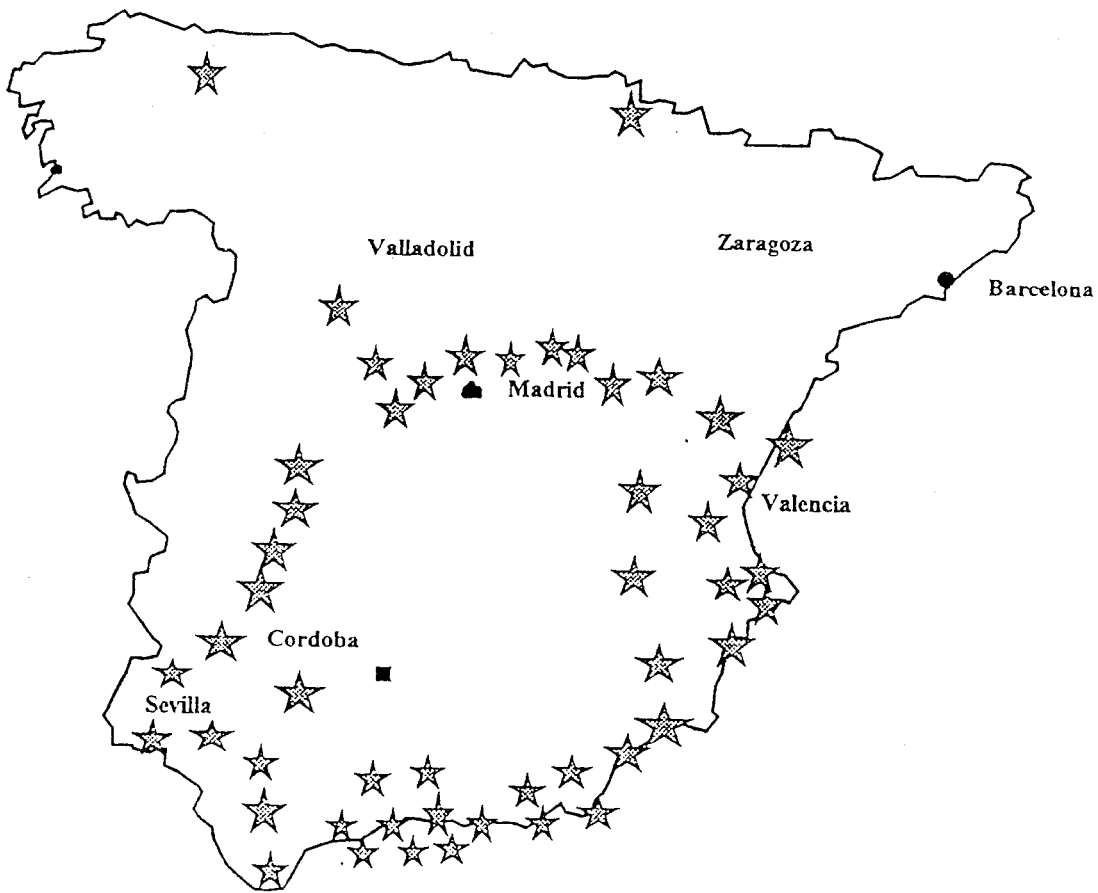
SPAIN



Water Source
Water Supply
Water
Treatment

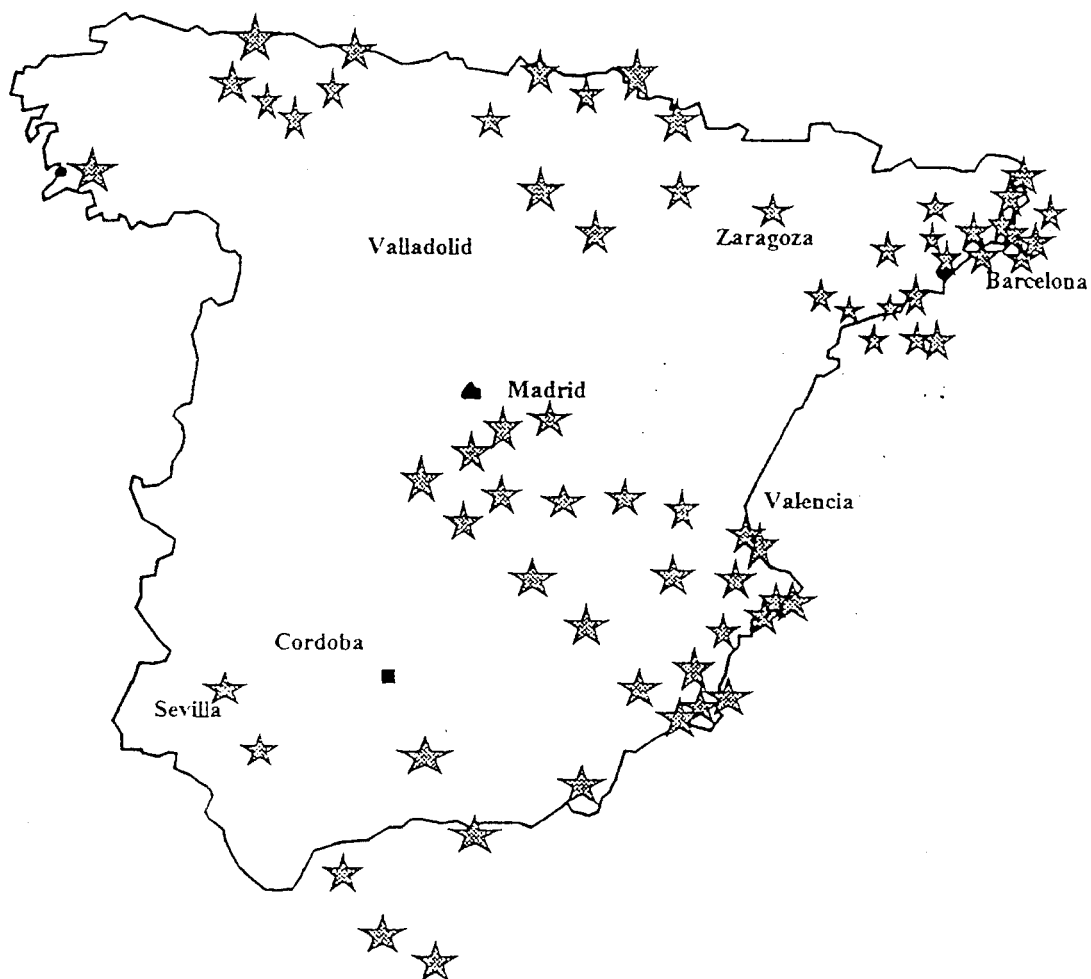
Projects funded
by the
Cohesion Fund

SPAIN



Sewerage Wastewater
Treatment funded by the
Cohesion Fund

SPAIN



Transport

In 1996 the Cohesion Fund continued to make an important contribution to the financing of Spanish transport infrastructure projects, principally road and rail, in line with the objectives of the "Plan Director de Infraestructuras 1993-2007" and the Community's guidelines for the development of the trans-European transport network. A total of ECU 678.38 million of assistance from the Fund was committed to transport projects in 1996, representing 50.5% of the total allocation for Spain. This includes commitments for new projects, or stages of projects, as well as commitments relating to the 1996 annual instalments of projects approved in previous years. One amendment to an earlier decision was also approved during the year.

As shown in the following table, commitments relating to road projects in 1996 accounted for ECU 567.37 million (83.6% of the transport total) and to rail projects ECU 111.02 million (16.4%).

Transport projects in Spain: 1996 commitments

SECTOR	TOTAL COST (ECU MILLION)	GRANT APPROVED (ECU MILLION)	COMMITMENTS 1996 (ECU MILLION)	%	NO OF DECISIONS
<i>ROADS & MOTORWAYS</i>	1 783.068	1 506.529	567.367	83.6	16
<i>RAILWAYS</i>	314.028	266.924	111.016	16.4	2
<i>TOTAL TRANSPORT</i>	2 097.096	1 773.453	678.383	100.0	18

Note: includes projects approved in previous years

• Roads

A major part of Cohesion Fund assistance was devoted to road projects in 1996, as in previous years, reflecting the need to complete and upgrade the extensive trunk road system in Spain in response to the continued growth of traffic. All assisted projects relate to the trans-European road networks and are intended to achieve the objectives of the TENs and of the general plan for roads in Spain. These include the completion of sections of the most heavily used motorway corridors; the connection of outlying regions with the major centres of economic activity; the offsetting of the excessively radial structure of the Spanish road network; the relief of urban congestion; and the integration of the Spanish road network with that of its immediate EU neighbours.

In line with these objectives, the Cohesion Fund has since 1993 concentrated assistance on the following main corridors and sections of the Spanish motorway and express road system:

Corridor /section	Length* Kms	Grant 1993 - 1996# (ECU million)
Rías Bajas motorway (Galicia-Madrid-N.Spain-France)	276	718.75
Madrid ring road M40	35	272.99
Madrid-Granada (Bailén-Granada)	116	270.10
Zaragoza-Huesca-Somport-France (incl. Somport tunnel)	70	187.58
Madrid-Valencia	57	123.50
Costa Cantábrica (Galicia-Irún)	38	102.07
Trans-Catalonia highway (Lérida-Gerona)	36	58.62

* length of section constructed or improved with Cohesion Fund assistance

total grant approved under the interim financial instrument and the Cohesion Fund to end 1996
all figures have been rounded

In 1996 nine decisions relating to new projects, or new sections of existing projects, were approved involving a total Cohesion Fund grant of ECU 590.97 million, of which ECU 329.29 million was committed from the 1996 budget. In addition, commitments amounting to ECU 213.14 million were made relating to the 1996 instalments of six projects approved in previous years, and a commitment of ECU 24.95 million was made in the form of an amendment to an earlier decision. In total, commitments in favour of road projects amounted to ECU 567.37 million in 1996, bringing the overall total committed from the Cohesion Fund to roads and motorways in Spain since 1993 to ECU 1 786.11 million.

The following are the main motorways and trunk roads for which decisions were approved in 1996:

◆ **Rías-Bajas motorway**

The main purpose of this motorway, which covers a total of 300 km, is to connect Galicia with the main Spanish road network and corridors to France. It will also provide an important alternative outlet for traffic from North Portugal to Northern Spain and the rest of Europe. The section from Porriño, at the western extremity of the corridor, to Orense was approved for assistance in 1995 (Cohesion Fund grant ECU 212.84 million).

In 1996 approval was given for two additional sections of the route as follows:

Section	Length	Project Cost <i>ECU million</i>	CF grant <i>ECU million</i>	1996 commitment <i>ECU million</i>
Camarzana de Tera-Rio Mentas	182.6 km	512.64	435.74	212.47
Rio Mentas-Fumaces	14.5 km	59.12	50.25	20.19

In addition, a commitment of ECU 51.09 million was made in respect of the 1996 instalment for the Orense-Porriño section referred to above. Total assistance approved for this project so far under the Cohesion Fund and the earlier financial instrument, which financed the initial feasibility studies, amounts to ECU 718.75 million. A request for assistance relating to the final section of the motorway, Benavente-Camarzana de Tera, was received at the end of November 1996. The projects as a whole is expected to be completed by end 1999.

◆ Trans-Catalonia highway

A new section of this road corridor - Artés to Sta. Maria de Oló - was approved for assistance from the Fund in 1996 with a total grant of ECU 15.49 million. Including another section which was approved for assistance in 1994, total assistance from the Cohesion Fund towards this project amounts to ECU 58.62 million.

This road axis, which will ultimately connect Lérida with Gerona, is intended to avoid the congested area around Barcelona and open up a direct route from central Spain to the North Eastern coastal area and routes to France. The road axis will provide a link between three major trans-European network corridors: the A7 motorway at Gerona, the E9 motorway at Manresa and the A2 at Lérida.

Related projects approved for finance by the Cohesion Fund in 1995 include the Lérida by-pass (ECU 80.34 million) and the Baix Llobregat motorway (ECU 129.91 million).

◆ Express roads in the Basque Country and Navarra

Four projects were approved in 1996:

◇ N121-Puerto de Velate

This project, for which total assistance from the Fund of ECU 24.15 million was committed, involves the construction of two tunnels and associated access roads which are aimed at reducing the height of the Velate pass, thus improving traffic speed and road safety. The overall objective of the project, which is located on the Pamplona-Behobia route, is to improve communications between the Ebro valley and south west France.

◇ Motorway connection NI with A8

This project consists of a new section of motorway connecting the NI highway at the Lasarte-Oria interchange with the A8 motorway in the vicinity of Aritzeta, with associated access sections (totalling 4.42 km). Its principal objective is to provide a better connection between

the two major road corridors while avoiding existing congestion around San Sebastián. Assistance from the Fund of ECU 16 million was approved for the project.

◊ N1 motorway Salvatierra-Navarre

A new 11 km section of motorway is involved in this project on the N1 which connects Vitoria with Pamplona (Navarre) and with San Sebastián and the French border crossing at Irún. The overall objective is to improve north-south connections and communications between the Basque country and its neighbouring communities. Assistance committed to the project from the 1996 budget totalled ECU 9.28 million.

◊ Motorway Guipúzcoa-Navarre

This project, for which ECU 8.45 million of assistance was committed in 1996, concerns work on two sections of the new A15 motorway and the associated tunnels. The motorway links Guipúzcoa (San-Sebastián/Irún) with Navarre (Pamplona) and is intended to improve national connections as well as international communications between the Ebro valley, the Autonomous Communities of eastern Spain and south west France.

◆ **Seville-Granada-Almería motorway**

This project consists of work on the by-passes of Guadix and Alcudia de Guadix involving a 13 km section of motorway for which a total grant from the Fund of ECU 16.06 million was approved, with ECU 7.71 million committed from the 1996 budget. The project will contribute towards the completion of the important motorway route between Seville, Granada and Almería.

◆ **GCI motorway, Gran Canaria**

Assistance of ECU 15.54 million was approved for this project which is aimed at improving the heavily used GCI motorway, the major route on the island.

The following table summarises the situation regarding 1996 budgetary commitments made in favour of roads and motorway projects in Spain including the new decisions approved during the year as well as annual instalments for projects approved in earlier years:

Road/Motorway	Type of commitment	1996 commitments ECU million
Rías Bajas Motorway Camarzana de Tera-Rio Mente	new section	212.465
Rio Mente-Fumaces	new section	20.188
Orense-Porriño	'96 instalment	51.085
Trans-Catalonia highway Artés-Sta. Maria de Oló	new section	15.493
Lérida by-pass	'96 instalment	13.067
Bailén-Granada motorway Bailén-Albolote	'96 instalment	24.421
Somport tunnel (stage II)	'96 instalment	21.456
Baix Llobregat motorway	'96 instalment	54.014
Zaragoza-Huesca motorway Villanueva de Gállego-Huesca	'96 instalment	49.091
NI21 Puerto de Velate	new section	24.154
Connection N1-A8 motorway (Guipúzcoa)	new section	16.002
N1 motorway Salvatierra-Navarra	new section	9.279
A15 motorway Guipúzcoa-Navarra	new section	8.452
Seville-Granada-Almeria motorway Guadix by-pass	new section	7.712
GC1 motorway Gran Canaria	new section	15.535
N234 Gilet-Soneja	modification	24.951
Total 1996 commitments		567.367

All these projects form part of and continue the established overall approach of the Cohesion Fund, i.e. to contribute to the completion of the high priority road sections of the Spanish transport corridors.

- **Railways**

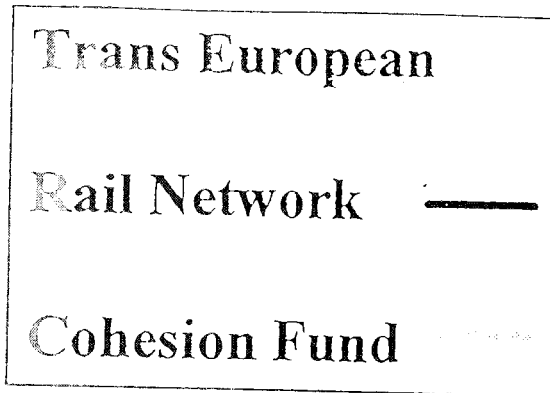
The infrastructure master plan 1993-2007 includes a number of programmes for the rail infrastructure network, including high-speed lines, structural measures, secondary lines, the rail network, safety, conservation and maintenance.

In 1996, the Cohesion Fund continued to provide assistance in accordance with the two guidelines for the railways adopted during 1995 and which form part of the various measures forming part of the programme of structural measures in that Plan and the trans-European Transport Network, including major and secondary access, the modernisation of railway track and adjustments to speeds:

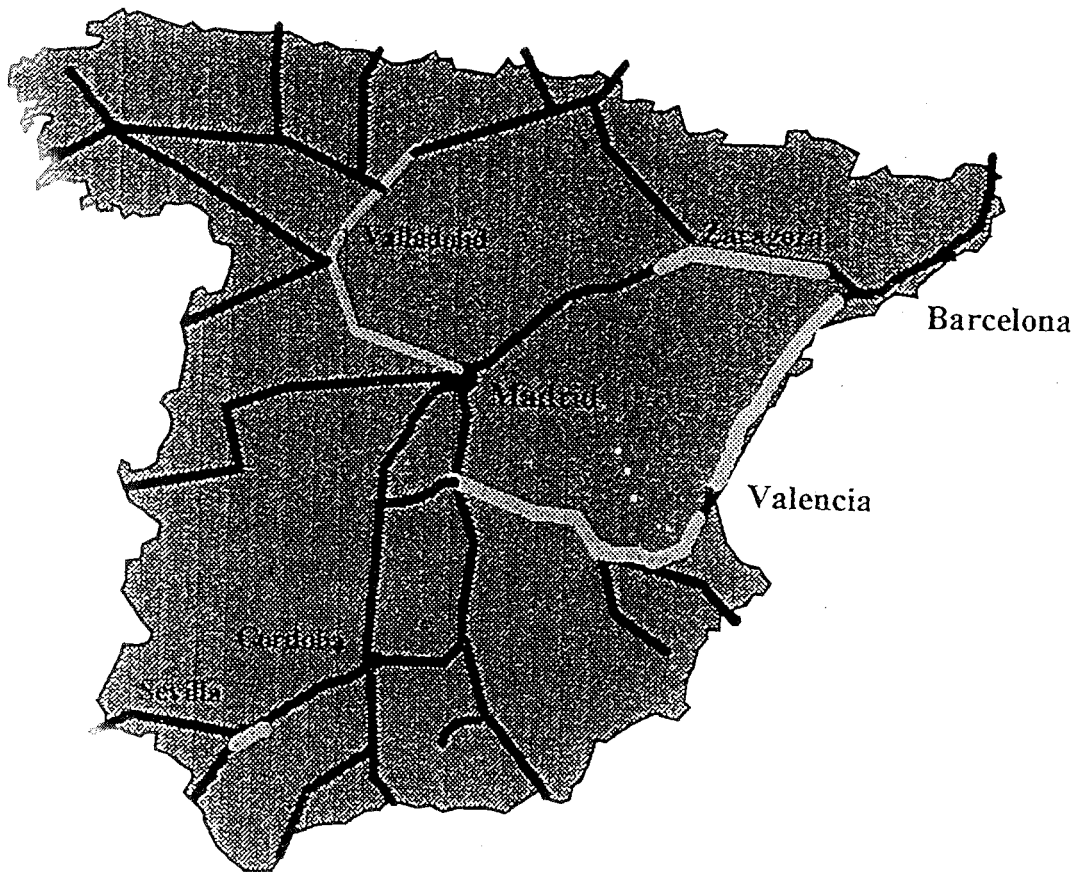
- ◇ third stage of adaptation of the "Mediterranean Corridor" conventional line: the aim of this project is to raise speeds to 200/220 km/h on a section which forms part of a priority corridor whose two earlier stages were financed in 1993 and 1994. The commitment to be met from the 1996 budget amounted to ECU 81 702 278;
- ◇ modernisation of the conventional rail network: this project includes a number of measures throughout the network. The commitment to be met from the 1996 budget amounted to ECU 29 313 774.

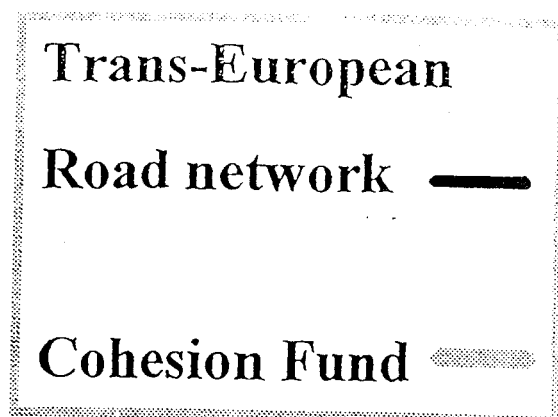
The strategic objective is a high-quality rail network. The measures are intended to introduce high running speeds on the main railway lines.

As regards the high-speed lines, the Catalayud-Riola and Zaragoza-Lleida sections of the TGV-south Madrid-Barcelona line have been submitted for finance from the Cohesion Fund. Their adoption will take account of completion of the whole of the line. The Spanish authorities have been asked to provide details of cost and of the economic and environmental impacts. However, no reply was received in 1996.

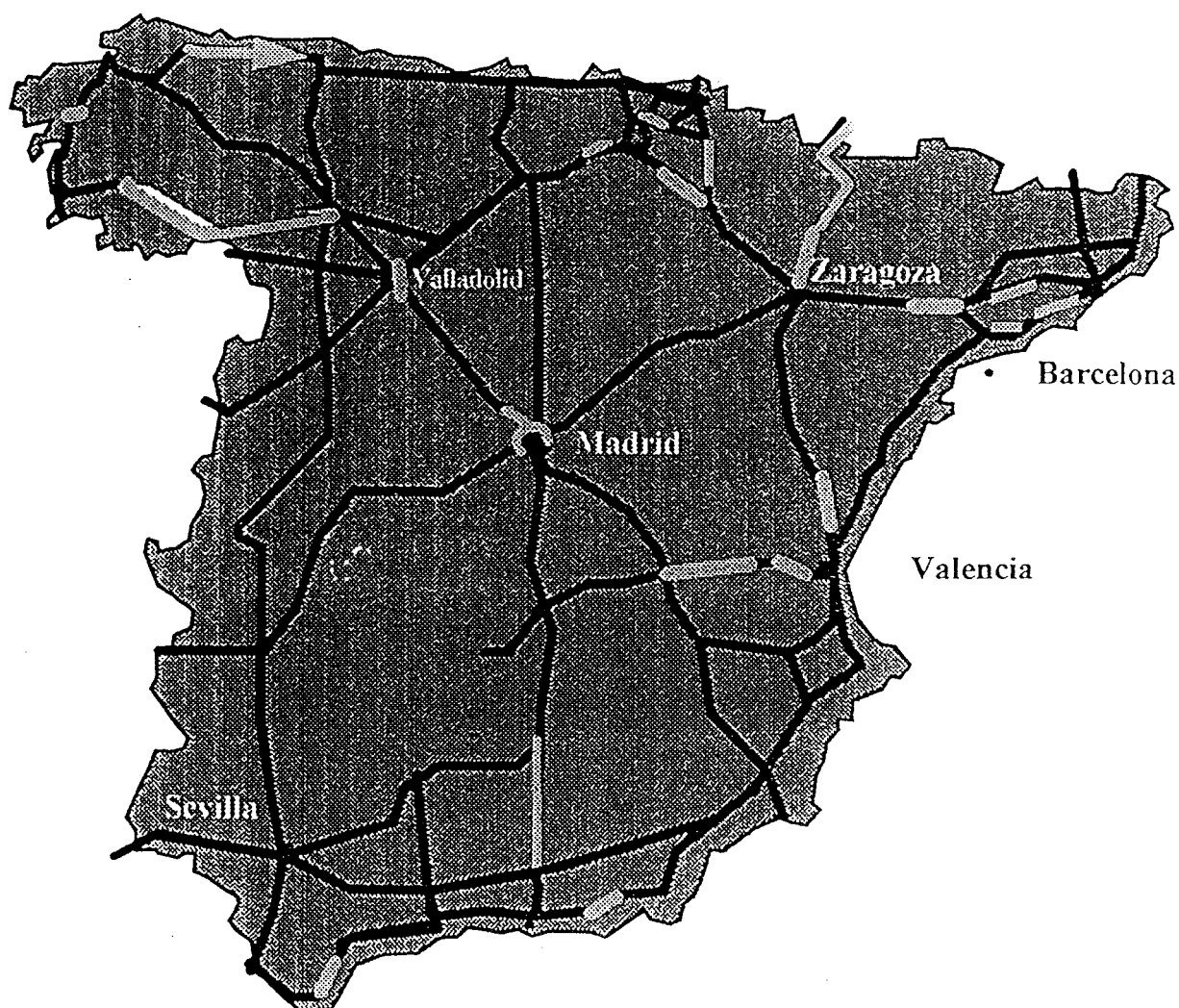


SPAIN





SPAIN



2.3.2 PORTUGAL

Environment

The projects adopted by the Cohesion Fund in 1996 continue the strategy of assistance followed since 1993 which seeks to provide infrastructure for the supply of drinking water, the treatment of waste and run-off water and the management of solid urban waste.

The projects chosen are those of the greatest significance in these fields which will provide systems for the most densely populated parts of the country.

A large number of the projects submitted or approved in 1996 continue operations financed in the past, either by the cohesion financial instrument or the Cohesion Fund. Examples include the systems to supply drinking water to the region of greater Oporto south and the continuing construction of water supply systems in the Algarve.

The following points should be noted:

- ◇ the considerable effort made by Portugal in these three areas. This effort, part-financed by Cohesion Fund assistance, is intended to bring about very substantial changes in these sectors. The Cohesion Fund assistance, which is concentrated on a limited number of systems whose implementation is regarded as a priority and whose economic and environmental impact is greatest, will make a decisive contribution to achieving these results;
- ◇ the establishment of inter-municipal bodies to manage the largest projects concerning both drinking water and waste. In most cases, a central body takes a holding in these inter-municipal bodies and has a supervisory role. This solution should both enable those concerned to participate in the management and implementation of the systems and ensure the coordination and maintenance of technical and organisational skills. There will usually be economies of scale and more efficient implementation and management of the systems may be expected.

In 1996, the Portuguese authorities submitted for Cohesion Fund finance 23 new applications for aid in the field of the environment totalling ECU 508.0 million towards a total investment of ECU 597.9 million.

The Commission adopted 21 environmental projects in Portugal (10 of which had been submitted in 1995). Total eligible investment was ECU 620.6 million and assistance amounted to ECU 527.7 million, of which ECU 166 million would come from the 1996 budget.

In 1996, after a fairly long running-in period, investment in the environment began to absorb a very large proportion (about 50%) of the resources of the Cohesion Fund. This trend should increase in the years to come.

Breakdown by sector of decisions to grant assistance adopted in 1996

Sectors	Number of projects	Assistance (ECU m)	%	Commitment 1996 budget (ECU m)	%
Waste water	11	117.6	22.3	65.5	31.5%
Supply of drinking water	4	214.8	40.7	25.3	15.1%
Waste	6	195.5	37.0	75.3	45.4%
Total	21	527.7	100	166	100%

In addition to the ECU 166 million committed as a result of decisions adopted in 1996, ECU 43.3 million was committed in 1996 to finance projects adopted in previous years and ECU 8.7 million to provide further assistance for nine projects adopted earlier.

This means that 49.6% of the Cohesion Fund budget allocated to Portugal for 1996 was used for projects in the field of the environment.

Commitments in 1996 were broken down as follows:

Breakdown of appropriations by sector in 1996

Sectors	Commitments 1996 (ECU m)	%
Waste water	72.8	33.4%
Supply of drinking water	61.2	28.1%
Waste	75.3	34.5%
Other ⁵	8.7	4.0%
Total	218	100%

- **Supply of drinking water**

⁵ Further funding for nine projects.

The Cohesion Fund assistance requested in 1996 was intended to increase the percentage of the population of Portugal supplied with mains drinking water and ensure the levels of service and quality laid down by Community directives. In 1990, the percentage of the population of Portugal supplied with mains drinking water (77%) was still below the Community average (95%). Considerable progress has been made since then, mainly thanks to infrastructure provided by means of Cohesion Fund assistance.

In 1996, the Cohesion Fund's contribution to this sector represented 28.1% of the resources available for environmental projects, about ECU0 61.2 million.

The projects adopted in 1996 concerned mainly the implementation or improvement of large regional-scale systems serving large metropolitan areas and a substantial percentage of the population.

- ◊ There are water supply systems *in the region of Oporto* (north and south) which serve virtually all the municipalities around Oporto and the city itself. These systems are managed as concessions by specialist companies, which makes for more efficient management and means that the municipalities in question, which have a capital holding in the management company, are involved.

The systems financed include those for the catchment and treatment of water and for supplying drinking water up to the reservoirs of each municipality. They increase the economies of scale at the level of the treatment and production of water.

Finance for a number of municipalities making up the greater Oporto south system (the Vale de Cambra sector, improvements in Vila Nova de Gaia and the Valongo sub-system) was approved in 1996. The second stage of the system to supply greater Oporto north was also approved. The Fund will contribute ECU 166 million (of which ECU 18.4 million was committed from the 1996 budget) to these projects.

- ◊ The Cohesion Fund approved a project for the *Lisbon metropolitan area* covering a system to supply water to Lisbon and the Tagus Valley. The project financed forms part of a larger programme of assistance to which the Cohesion Fund has already contributed about ECU 60 million and which should increase the capacity of the distribution network for Lisbon and the Tagus Valley from the Castelo de Bode dam and the Asseiceira treatment station. It will serve some 15 000 people whose water at present comes from underground sources which are inadequate as regards both quality and quantity. ECU 4 million was granted to this project.
- ◊ *In the south*, the Cohesion Fund made a substantial contribution in the Algarve for large projects to capture and distribute water in all the municipalities in the region: the water supply system for the western part (Barlavento) was approved in 1996 and will receive assistance totalling ECU 43 million (of which ECU 2.1 million was committed from the 1996 budget).

Finance from the Fund will be used to construct a system with two treatment stations, two regulating reservoirs, two supply pipes and an automatic management system to serve a population put at 150 000 permanent residents but rising to 350 000 in the high season.

- **Treatment of waste water**

During 1996 Portugal made significant progress in implementing the Community Directives on waste water, particularly Directive 91/271/EEC.

Nevertheless, the introduction of treatment systems in this sector is still lagging well behind the deadlines laid down in the Directive so the efforts made must be maintained and even stepped up.

In 1996 commitments by the Cohesion Fund for this sector accounted for 33.4% of resources allocated to environmental projects.

As far as assistance granted as a result of new decisions is concerned, the sector received 40.7% of the appropriations allocated to the environment.

- ◇ In 1996, in the densely populated area of Oporto the Cohesion Fund granted assistance worth ECU 10.6 million for a project *to clean up the basin of the river Leça* (Greater-Oporto South, Matosinhos-Leça area). The project should clean up the Leça and other smaller water courses and ensure a marked improvement in the quality of water at the coast. The project will help implement Directive 91/271/EEC and the level of treatment of the final effluent should, in particular, take account of the sensitivity of the area of reception. Taken as a whole, the assistance provided in the Leça basin will benefit some 76 000 people.

In the same area, the Cohesion Fund financed one stage of a project concerned with the *treatment of water from the municipalities of Vila do Conde and Póvoa do Varzim* (assistance totalling ECU 3.5 million).

- ◇ Another large project concerns *cleaning up the Sesimbra basin*. It includes the interceptor system, the collectors, pumping stations, discharges and a treatment station for waste water. The geographical location of the Sesimbra basin, the rugged topography of the area and the fact that part of the area is in the Arrábida natural park require complex solutions which are expensive. The project should put an end to the discharge into the sea of urban effluent by providing complete treatment and final disposal by means of submarine pipes to meet the quality standards laid down in Directive 91/271/EEC for the treatment of waste urban water (assistance granted: ECU 6.6 million).
- ◇ The Cohesion Fund granted finance for the first stage of a project for the *dredging and cleaning up of the ria de Aveiro* (assistance: ECU 4 million). This is an area of the greatest environmental importance comprising a lagoon classified as a special protection area for birdlife under Directive 79/409/EEC on the conservation of wild birds. The project is also intended to improve the hydrodynamics of the Ria de Aveiro, check coastal erosion, strengthen the barrier of dunes and reverse the process which is threatening to make the lagoon disappear. This project is linked to other projects financed in the past in the same area, such as the system to treat liquid effluent in the Ria de Aveiro.
- ◇ In the Algarve, the main work of the Fund in 1996 involved the second stage of the project concerning the *collection of waste water and the Portimão treatment station*, the first stage of which was also financed by the Fund. The project forms part of the *general project for the complete upgrading of the Barlavento Algarvio* which has been designed to provide the requisite integrated solutions and economies of scale. Total investment is planned to reach

about ECU 80 million. In 1996 the Cohesion Fund granted assistance worth ECU 7.7 million. The general objective of the Barlavento Algarvio network, in a region which includes protected areas and is of great environmental value, is to ensure the protection of an environment which is subject to growing pressure from the growth of towns and tourism. In the same region, the Cohesion Fund also financed the waste-water treatment system in Aljezur (ECU 1.3 million).

- ◊ During 1996 the Cohesion Fund provided assistance in the region of Sotavento Algarvio for the system for the treatment of waste water in Loulé.
- The Cohesion Fund financed four projects in the Lisbon metropolitan area which form part of an overall strategy to improve water quality in the estuaries of the Tagus and on the coast.

The Fund granted assistance for a new stage of the project to clean up the Estoril coast which will complete the system for that coastline, so providing full coverage for the municipalities of Oeiras and Cascais and improving a bathing area where pollution is very severe. The system will meet the needs of the population of 600 000, which could grow to 1.5 million over the life of the project.

In the Chelas area, the Cohesion Fund financed the extension to the network of collectors and the work to enable the treatment station to meet the parameters laid down in Directive 91/271/EEC. More intensive treatment should mean that the effluent can be used for irrigation and to clean urban areas. The project is to receive assistance worth ECU 21.8 million, of which ECU 3.7 million was committed in 1996.

The Fund also contributed ECU 25.8 million to finance work on regulating the flow of the river Trancão, and removing and treating polluted mud. The river is in a very urban area which has benefited from a series of measures which began at the end of the eighties, some of which (two treatment stations in particular) have already received assistance from the Cohesion Fund. The removal of polluted mud and the regularisation of the course of the river should mean that lasting benefit can be derived from this work. The project should also continue to restore biotypes (vegetation and habitat) in the Tagus estuary.

On the same river, the Cohesion Fund provided ECU 1.3 million of assistance for the system to treat waste water from Povo de Galega, which is located further upstream and is a key factor in eliminating pollution from the basin.

- **Waste**

In 1996 Portugal adopted a *Strategic plan for solid urban waste*, part-financed by the Cohesion Fund, which lays down priorities and defines the projects to be carried so that waste can be treated in Portugal in accordance with Community Directives.

The investment submitted to the Cohesion Fund forms part of this plan. To carry out the measures planned, inter-municipal bodies, with the participation of a national body, have been set up to implement and manage the main projects. This solution should facilitate participation by the administrations concerned and provide the technical capacity required for the effective implementation of the projects.

Cohesion Fund commitments in this sector in 1996 accounted for 34.5% of the resources available for environmental projects. Six decisions to grant assistance totalling ECU 195.5 million were adopted; of this amount ECU 75.3 million was committed in 1996.

- ◇ In the Lisbon region, completion of the *Inter-municipal network for the treatment of solid urban waste from the metropolitan area of Lisbon (Valorsul)* is intended to provide an integrated solution to the problem of managing and using urban waste generated in northern greater Lisbon. Valorsul covers four municipalities - Amadora, Loures, Lisbon and Vila Franca de Xira - which have a total population of about 1 330 000 and each year generate over 550 000 tonnes of waste, 19% of the national total. In the circumstances, the construction of an incinerator to generate energy from the waste was the only environmentally correct solution. The incinerator has three lines, each of which can treat 28 tonnes per hour.

Valorsul also intends to organise the selective collection of waste - paper, cardboard, glass, scrap metal and plastic - as part of the integrated management of solid urban waste and to examine whether plants can be built to recycle glass and sort waste. The total investment planned amounts to ECU 193.9 million, of which the Cohesion Fund has financed ECU 96.9 million.

- ◇ In the north, a project concerning a *factory to incinerate solid waste from greater Oporto (LIPOR)* was financed. The plant will treat solid urban waste from seven municipalities associated with LIPOR and the waste from an existing composting unit. The seven municipalities taking part in LIPOR - Espinho, Gondomar, Maia, Oporto, Valongo, Matosinhos e Vila do Conde - have a population of one million and produced 390 000 tonnes of solid waste in 1994.

Existing treatment capacity is virtually exhausted so LIPOR has to find new means of securing a permanent and integrated solution to the problem of managing waste and turning the residue to good account.

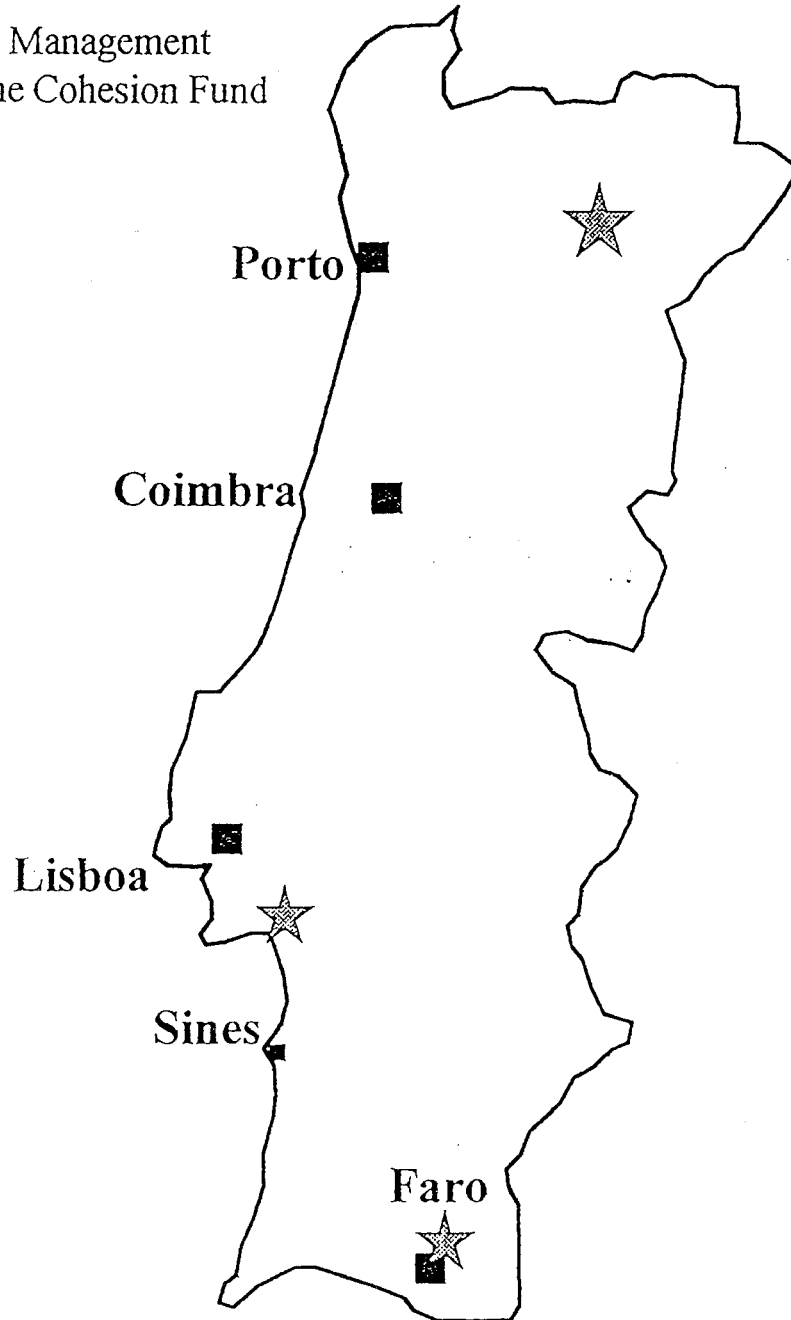
At the same time, LIPOR will launch selective collections and use recycling to reduce the volume of waste to be treated. The incinerator, to be managed and installed by the concessionaire for the lifetime of the investment, will be built under concession. The Cohesion Fund will contribute ECU 72.18 million to the investment of ECU 127.5 million.

- ◇ Also in 1996, the Cohesion Fund financed a project relating to the *treatment network for solid urban waste on the south bank of the Tagus (LIMARSUL)*. The project forms part of the network for the treatment of solid urban waste on the south bank of the Tagus in the Lisbon area and includes eight municipalities. The LIMARSUL association comprises five of them: Alcochete, Barreiro, Moita, Montijo and Palmela. The project is intended to provide a rapid solution for the treatment and appropriate disposal of solid urban waste generated by almost 300 000 people. It should also permit the two existing tips to be closed under good conditions. Assistance granted totalled ECU 9.1 million.
- ◇ In southern Portugal, a series of studies and projects on the regional network for the selective collection, sorting and treatment of solid urban waste has been launched. The purpose of the series of studies is to prepare for the establishment of a network for the *treatment of solid urban waste from the Algarve* comprising the sub-networks of Barlavento and Sotavento. It will include facilities for selective collection and sorting as well as tipping.

- ◇ The network *for treatment of solid urban waste from Cascais, Sintra and Oeiras* is another large project for the treatment of solid urban waste. The project should facilitate the selective collection and treatment of solid urban waste and forms part of an integrated plan for collection, treatment and final disposal.

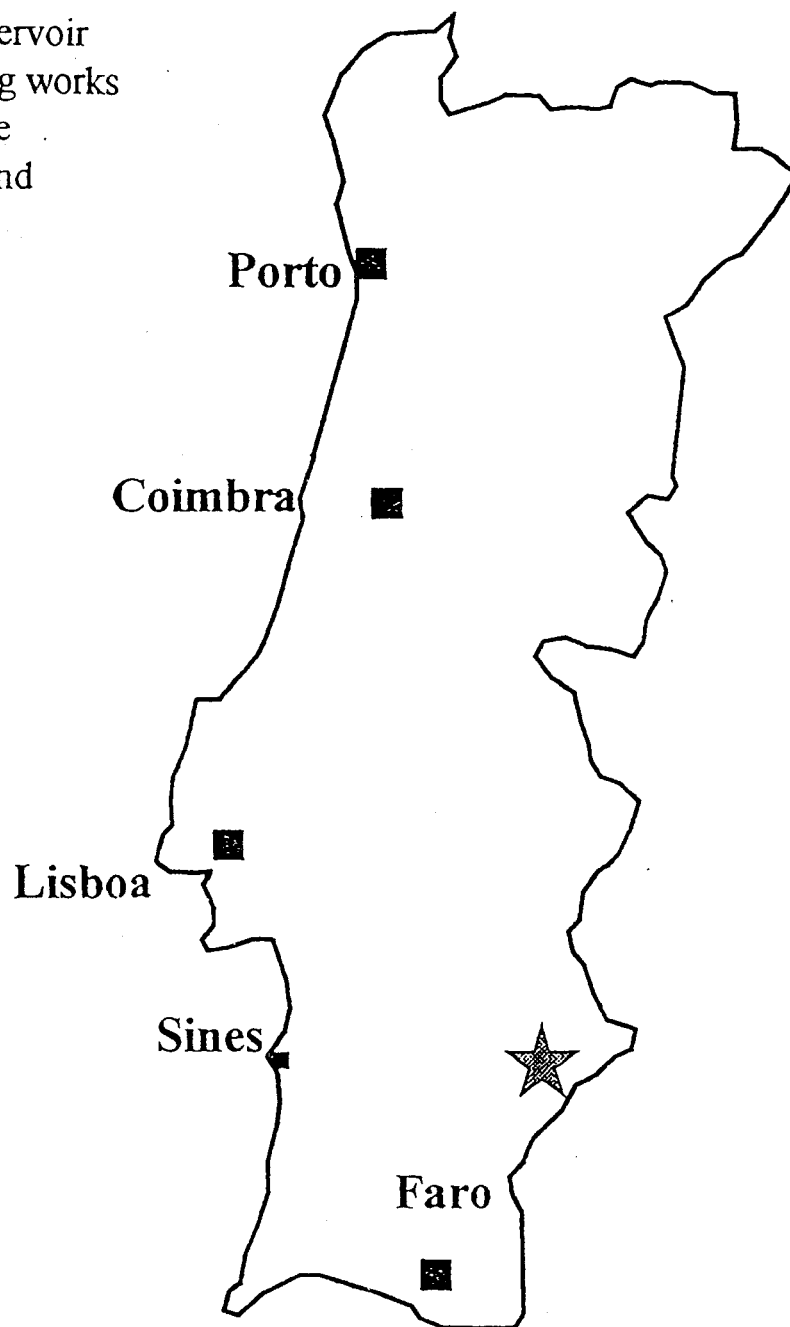
PORTUGAL

Solid Waste Management
funded by the Cohesion Fund



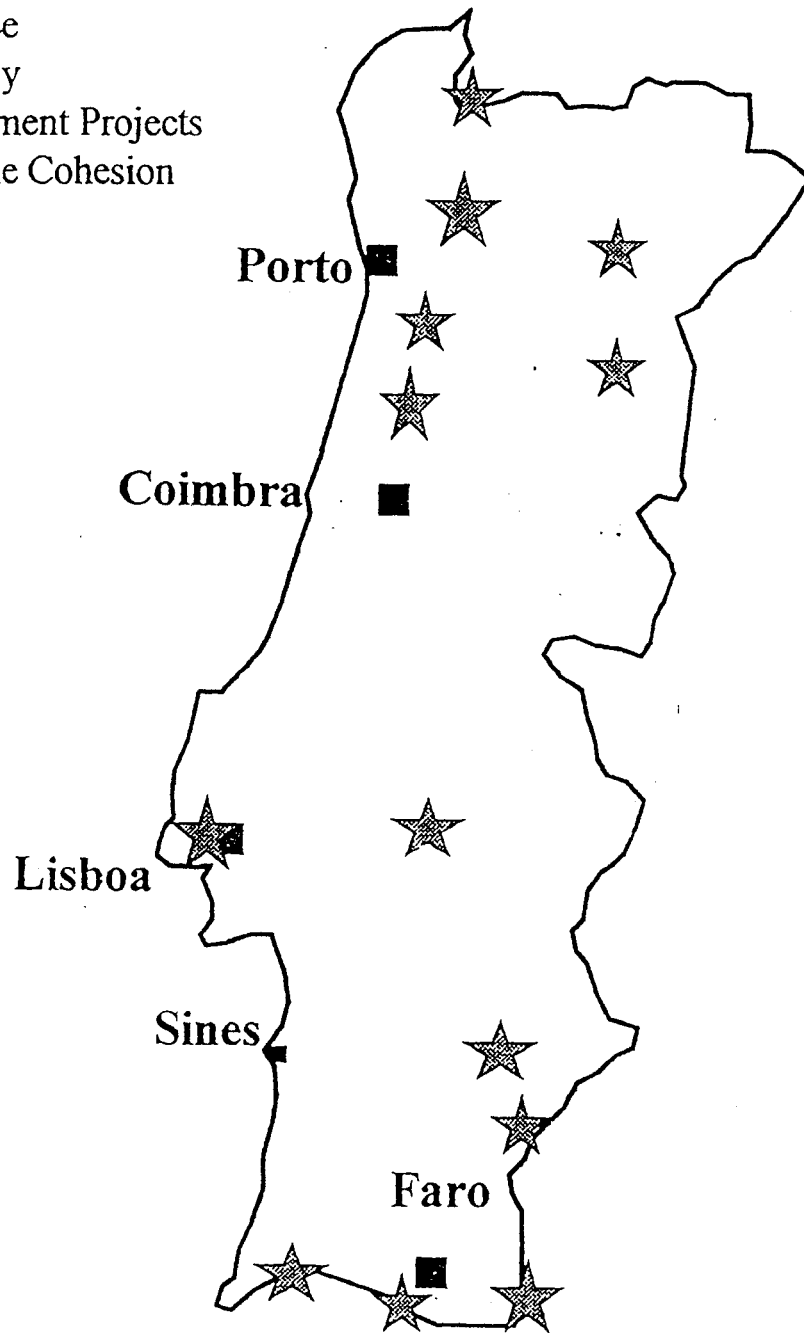
PORTUGAL

Dam and reservoir
River training works
funded by the
Cohesion Fund



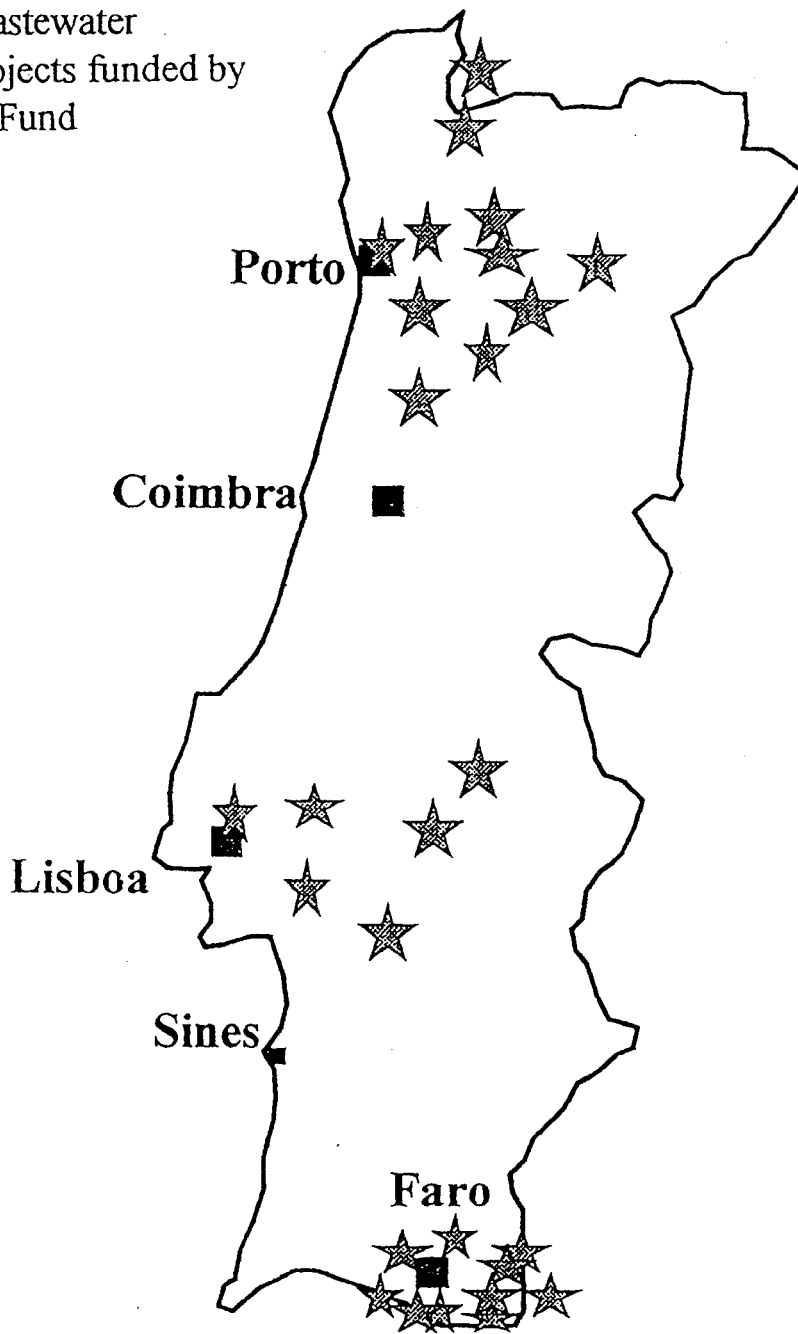
PORTUGAL

Water Source
Water Supply
Water Treatment Projects
funded by the Cohesion
Fund



PORTUGAL

Sewerage Wastewater
Treatment Projects funded by
the Cohesion Fund



Transport

During 1996, Cohesion Fund assistance for transport in Portugal continued to follow the guidelines defined earlier.

However, there was a significant development in the Portuguese strategy concerning project No 8 on list I adopted by the Essen European Council (Lisbon/Valladolid road route), the scope of which was extended.

Following an initiative taken by the Portuguese authorities and the efforts made by the Portuguese and Spanish Governments, the Dublin European Council of 13 and 14 December endorsed the proposal that this project should become a multi-modal link between Portugal and Spain and the rest of Europe.

This priority project should therefore be regarded as a multi-modal route capable of imposing a coherent and integrated structure on the various forms of transport used throughout the north-west of the Iberian Peninsula, which is the only way of achieving a significant improvement in the overall efficiency of the system.

This project includes two of the major corridors on the Peninsula - Portugal/Galicia and Portugal/Irún - and should provide rapid alternative links between Portugal two main areas of economic activity and the centre of the Union. Inside Portugal, this multi-modal link comprises a number of sub-projects concerning rail, road, sea and air transport.

The rail aspect includes the Minho and North lines and the Beira Alta and Sud lines while the road section includes the main routes from Valença to Vila Real de S. António (IP1), Torres Novas to Gardete (IP6), Gardete to Guarda (IP2) and Aveiro to Vilar Formoso (IP5).

Sea transport will also be upgraded, mainly by improving land and sea access to the ports of Leixões, Lisbon, Setúbal and Sines, which constitute gateways for the road routes referred to above.

The air component should integrate air links between the main urban centres into the system through works at the airports of Oporto and Faro and the construction of a new airport at Lisbon.

The priorities selected by the Portuguese authorities are in line with the strategy pursued hitherto by the Cohesion Fund since they broadly follow with the strategic priorities and main guidelines for action followed by the Fund in previous years.

Projects and commitments

In 1996, the Portuguese authorities submitted for finance from the Cohesion Fund seven new applications for aid in the field of transport, involving assistance totalling ECU 461.9 million towards total investment of ECU 600.1 million.

The Commission adopted six transport projects in Portugal (four of which had been submitted in previous years). Total eligible investment was ECU 346.6 million and assistance totalled ECU 248.1 million, of which ECU 10.6 million would be met from the 1996 budget.

Breakdown of new projects by sector

Type of project	Number	Assistance (ECU m)	%
Road	2	128.8	51.9%
Rail	1	104.9	42.3%
Ports	3	14.6	5.8%
Total	6	248.1	100%

To this amount should be added the 1996 annual instalments for three projects adopted in previous years, which increases total commitments to ECU 221.5 million. The Tagus Bridge project alone accounts for 46.6% of the amounts committed this year for transport.

Of the Cohesion Fund resources allocated to Portugal in 1996, 50.4% went to finance projects in the field of transport.

Breakdown by sector of appropriations for 1996

Type of project	Commitments 1996 (ECU m)	Number of projects	%
Road	167.1	5	75.4%
Rail	39.9	2	18%
Ports	14.5	3	6.6%
Total	221.5	10	100%

- **Road network**

Efforts to speed up completion of main roads in Portugal forming part of the trans-European networks continued during 1996.

In the case of the Valença/Vila Real de S. António route, the Cohesion Fund adopted in 1996 the project for the Braga Oeste/Ponte de Lima section for which the application for assistance was submitted right at the beginning of the year. Completion of this road route to the north, towards the Spanish frontier, which was planned for the end of 1998, now requires only construction of the Ponte de Lima/Valença section (the Portuguese authorities have undertaken to submit this for Cohesion Fund financing in 1997).

Similarly, work on the Montemor/Estremoz section began in 1996, although the Commission has not yet received an application for finance. However, this section extends the Palmela/Marateca project (already completed and open to traffic) and the Marateca/Montemor project, both of which form part of the Lisbon-Madrid corridor.

Apart from the two sections approved earlier between Alcanena and Abrantes with a total length of 41.7 km, no further Fund assistance is planned for the Torres Novas/Gardete (IP6) main road. The project adopted in 1993 (Alcanena/Atalaia) has now been completed and the file on it closed. The final report on the second section part-financed by the Fund (Atalaia/Abrantes), where work was completed in 1996, is awaited.

The IP6 is one of the sections of the Lisbon/Valladolid road corridor and now includes the Portugal/Spain-Europe multimodal link.

Of the sections where finance was granted to increase traffic capacity, the expansion of the sections of motorway between Alverca, Vila de Xira and Carregado and between Oporto and Aguas Santas, accounting for a total of 18.4 km of the Valença/Vila Real de S. António route, was completed and the files closed.

High priority continued to be given to relieving congestion in urban areas and so, after an increase in the assistance granted in 1995 to the CRIL, it was decided to provide more funding for the CREL, which will enable the Fund to contribute to all the works comprising the Lisbon outer ring road.

Work on the new Tagus crossing in Lisbon continued at a steady pace in 1996. Problems which arose in connection with the implementation of measures to reduce the impact on the environment, for which provision was made in the decision granting assistance, resulted in the signature of a memorandum of understanding between the Commission and the Portuguese Government which included extension of the area of the Tagus estuary receiving special protection and improved national measures for monitoring the environmental impact of the project.

• Rail

During 1996 the work of the Cohesion Fund in this area continued to be guided by the priority strategic objective of renovating the main rail links with the rest of Europe.

The strategic importance of the North and Beira Alta railway lines, which is demonstrated by the fact that the Portuguese authorities regard them as one of the key parts of the priority project to provide a multi-modal link between Portugal-Spain and the rest of Europe, fully justifies the Fund assistance approved in the past for projects forming part of the general programmes to modernise these two lines.

From 1996, assistance from the Fund should be concentrated on projects on the North line to support the major effort to invest in infrastructure (almost ECU 865 million) which Portugal will make on this route between now and 2000.

An application for assistance submitted at the beginning of 1996 was approved at the end of last year and applications for complementary finance for that line should be forthcoming.

- **Sea transport**

Ports play a fundamental role in the economy of Portugal. This role could be further increased by ensuring that they are interoperable with other modes of transport. The shifting onto the sea of some of the traffic currently travelling by land should have a beneficial effect on the environment.

Cohesion Fund assistance has gone to investments likely to promote accessibility and links between the ports and other modes of transport and improve port services and infrastructure.

While avoiding the creation of over-capacity in ports, it is important to concentrate efforts on those ports which have the best potential for this type of traffic and programme investment in a way which takes account of likely changes in demand.

In 1995 the Commission undertook a study which analysed the investment, whether proposed or being prepared, in the four main ports of Portugal. As a result of that study, technical discussions were held on the various possible scenarios for those ports and the problems of competition and coordination between them. The projects adopted in 1996 concern the ports of Leixões, Lisbon and Setúbal.

- ◊ In the *Port of Leixões*, the Cohesion Fund financed the second stage of work on restructuring and modernisation.

Leixões, which is the main port for northern Portugal and so handles a large part of the traffic generated by economic activities in the Oporto area, operates with a degree of efficiency but its container terminals need to be expanded to avoid congestion.

The decision adopted in 1996 (total cost of the project ECU 17.2 million, Cohesion Fund assistance ECU 7.0 million) relates to investment for a number of purposes: completion of two container terminals and measures to increase safety in the port and protect the environment, mainly through the purchase of equipment to combat oil pollution.

- ◊ The Cohesion Fund also provided ECU 6.5 million to finance work on the *restructuring of the Roche de Conde de Óbidos and Alcântara-Norte quays in the port de Lisbon*. This restructuring is intended to solve problems caused by erosion and provide new infrastructure. The main aim of the project is to construct a mooring to meet the present requirements of the passenger terminal and so deal better with the growth in cruise traffic. Other planning projects to make operations in the port of Lisbon more efficient are currently being considered.
- ◊ A decision on the system to control and manage sea traffic (VTS) in the port of Setúbal was approved in 1996. It involves the construction of a tower and the purchase of equipment to provide services to sea traffic in this port. The project is an integral part of investment under the *programme for the modernisation and expansion of the port of Setúbal* to which the Structural Funds have already provided some ECU 21.3 million in assistance.

The port of Setúbal has very considerable medium and long-term potential, particularly when the new Tagus Bridge comes into service in 1998. This development should be

regarded as closely connected with the developments planned in Lisbon since the two ports serve the same economic area.

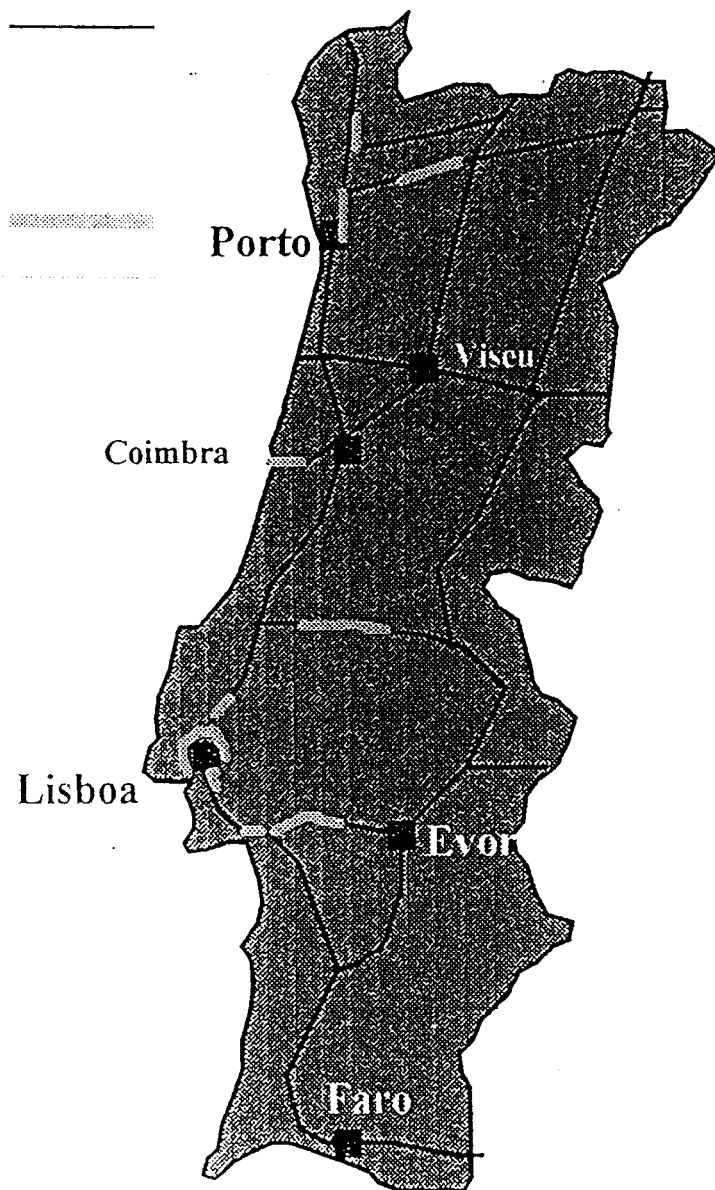
A study has shown that, if all the projects submitted by Portugal were approved, they would result in overcapacity so a choice had to be made. Supplementary projects for Lisbon/Setubal can be approved only as part of an overall solution. Discussions on this point are continuing.

PORTUGAL

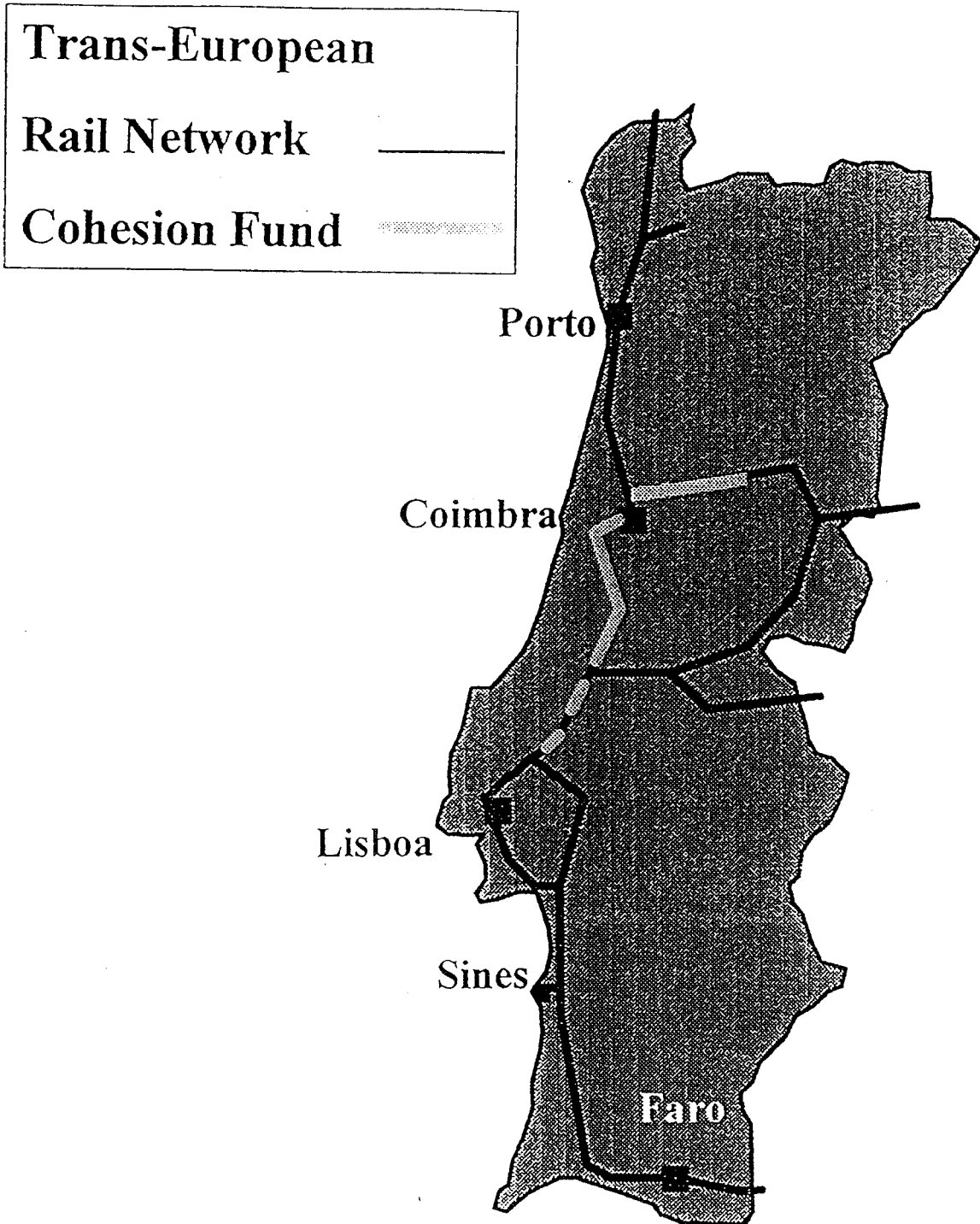
Trans-European

Road network

Cohesion Fund



PORTUGAL



2.3.3 GREECE

Total assistance granted to projects approved for Greece in 1996 amounted to ECU 438 295 646. Financial commitments for environmental projects totalled ECU 235 854 036, or 53.8% of the assistance granted to projects in Greece in 1996. Financial commitments for projects in the transport sector totalled ECU 204 441 610, or 46.2% of the total assistance granted to Greece.

The table below gives the breakdown by field and sector of assistance:

TABLE OF COMMITMENTS OF ASSISTANCE FOR PROJECTS IN GREECE (1996)

Environment	Assistance (ECU)	% of total
1. Water supply	70 839 413	30.0
2. Waste water and treatment	164 004 093	69.5
3. Protection of the environment	1 010 530	0.5
Total 1	235 854 036	53.8
Transport	Assistance (ECU)	% of total
1. Roads	124 070 006	61.3
2. Rail	62 720 007	31.0
3. Airports	15 651 597	7.7
Total 2	202 441 610	46.2
Total 1+2	438 295 646	100

Environment

Since the aim of the Cohesion Fund is to promote economic and social cohesion, it has provided assistance to improve infrastructure, provide infrastructure which is missing and protect nature.

Work on the environment has been in line with the objectives of the Fifth Programme on the Environment and Sustainable Development and forms part of a general and coherent strategy on the environment.

The first objective concerns the management of water resources. It is vital to ensure that enough water is available, that water resources are well managed, that drinking water is of adequate quality and that supplies of drinking water match demand.

The second objective is to provide the country with infrastructure for the treatment of waste water and to help it comply with its obligations under the relevant Directives.

The third aim is manage waste in accordance with the Community strategy for 2000.

The greatest lack is in the infrastructure for dealing with waste.

The Cohesion Fund has provided assistance for waste water in all regions of Greece on the basis of the following principles:

- ◇ the adoption of projects which are as complete as possible, operational and form part of a coherent overall integrated strategy adapted to the economic and social development of each region;
- ◇ the protection of the environment, since the projects adopted as a priority are principally those where the beneficiary town is near to a sensitive area or has a population equivalent to over 15 000 people. The Community calendar also imposes certain immediate priorities (1998-2000).

The Cohesion Fund is concerned that the resources of drinking water available should be well managed.

In addition to the shortage of infrastructure, the mechanism for monitoring and checking the application of environmental policy needs to be improved.

As has been noted, Cohesion Fund assistance to Greece for the environment accounted in 1996 for 53.8% of Community assistance to Greece. The breakdown of assistance by objective is as follows:

- water supply: financial commitments totalling ECU 70 839 413, or 30%;⁶
- treatment of waste water: financial commitments totalling ECU 164 004 093, or 69.5%;
- nature protection: financial commitments totalling ECU 1 010 530, or 0.5%.

Two major projects were approved in 1995 on a multi-annual basis. The first concerns water supplies to Thessaloniki from the River Aliakmon, the other the second stage of the biological treatment of water in Thessaloniki.

In 1996, a number of medium-sized and small projects were approved, also on a multi-annual basis. They included the disposal of waste water and a biological treatment station at Volos; the water and drainage system in Alexandroupolis; water supply and waste-water disposal at Larissa; the waste-water drainage system at Rhodes; completion of the drainage grid in Larissa and completion of the treatment station at Markopoulo and of the waste-water drainage systems at Kalyvia, Kouvara and Markopoulo.

The projects approved include work on the construction of networks, water supply, the disposal of waste water and the biological treatment station in each region selected.

Projects for the disposal of waste water were adopted on condition that biological treatment stations already existed, or, if they were being built, finance was guaranteed. Biological treatment stations were financed provided that systems for the disposal of waste water existed and so contributed to the proper operation of the stations financed by Community funds.

⁶ This percentage includes a small part of the funding for water supplies in Thessaloniki corresponding to forecast implementation in 1996.

The prospects for the creation of jobs, both during implementation of the project and during its operation, was a factor taken into account when they were adopted.

- **Water supply**

Cohesion Fund assistance for drinking water was mainly concerned with solving problems of quality and quantity.

This category of projects includes one major project, the one to supply water to Thessaloniki from the River Aliakmon, further work on the Evinos major project to supply water to Athens and improvements to the Mornos aqueduct which goes with the Evinos major project.

In the case of the project to supply water to Athens, the Cohesion Fund has paid attention to the sound management of water resources and improvements to the pipes supplying water to the capital. The Evinos/Mornos tunnel has been used to supply water to Athens since summer 1995. The Cohesion Fund has also approved studies and measures to stabilise earth movements.

In the case of the major project to supply water to Thessaloniki, the Fund was concerned to ensure sound management of water resources, monitoring of existing facilities and an obligation to complete the networks required.

It is also monitoring closely the project to establish a bank of hydrological and meteorological data which help meet requirements relating to the sound management of the country's water resources.

The Cohesion Fund has continued its integrated approach to water supply to other Greek cities by financing projects intended to solve the problems of water supply and disposal, particularly in Rethymno, Naoussa, Larissa, Nafplion, Chalkida, Florina, Lamia and Katerini.

- **Treatment of waste water**

A large number of projects concerned with the treatment of waste water and the treatment of effluent, mainly from urban areas, were part-financed in a number of large and medium-sized regional towns.

These projects include the second stage of the major project for the biological treatment of waste water in Thessaloniki. This project is of the utmost importance for water quality in the Gulf of Thessaloniki and will serve the second largest city in Greece. With regard to water quality in the Gulf of Thessaloniki, the Cohesion Fund approved a project for the biological treatment of waste water in the tourist area of Thessaloniki, whose treated effluent is also discharged into the Gulf. This work, together with the Kalochori drainage project, constitutes a series of measures to improve the environment in the region.

The Cohesion Fund also helped part-finance the second stages of two-stage projects. Those for which part-financing is now in place include:

- * Kalamata, Argos, Pylos, Nafplion and Sparta in the Peloponnese;
- * Rethymno and Chania in Crete;
- * Chios and Mytilini in the Aegean Sea;
- * Komotini, Orestiada and Alexandroupolis in Thrace;

- * Ioannina and Arta in Ipiros;
- * Chalkida on the island of Evia;
- * Volos, Larissa, Kalambaka-Meteora and Trikala in Thessalia;
- * Katerini, Kolyndros, Serres, Florina, Kria Vrissi in Macedonia, and
- * Villia, Lavrio, Markopoulo, Kalivia and Kouvara in Attica.

The Cohesion Fund continued to monitor projects approved in 1995, including the construction of biological treatment stations in certain large cities: Agrinio, Yiannitsa, Pyrgos, Thiva and Naoussa.

All finance was based on complete applications and a thorough study was carried out on each project. The projects were subjected to prior appraisal and on-going assessments.

- **Waste management**

Waste management has not aroused the interest the Commission hoped. The projects submitted to the Cohesion Fund by the Greek authorities are few in number and involve mainly cleaning up and the provision of tips at Schisto, Liossia, Zante, Thessaloniki and Patras. The Cohesion Fund cannot approve the projects in Thessaloniki, Schisto and Liossia until the competent authorities incorporate the results of the expert studies carried out by the Fund into their specifications, the environmental impact procedure is completed and a plan for waste in the regions concerned is officially notified to the Commission.

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 become eligible for Fund finance.

A study on a pilot project on an integrated solution for the islands of Santorini and Thirassia began in 1996.

A study on a pilot project on the disposal of solid urban waste on the islands of Egine, Mykonos and Tinos has recently been completed. It advocates the use of modern technology, thermolysis. Discussions with the Greek authorities to decide what should be done next have begun.

- **Nature protection**

During this period, the Cohesion Fund supplemented its assistance through research and information on the environment. This included approval of supplementary work on cleaning up the river and its banks and protection of the site at Krya Livadia.

A number of projects to combat forest fires and water pollution were also continued.

GREECE

Big Projects —

★ Wastewater Projects
financed by the
Cohesion Fund

■ Water Supply Projects



Transport

The transport strategy for Greece followed by the Cohesion Fund comprises:

- ◇ completion of the country's two main road routes, the Via Egnatia and the Pathe (Patras-Athens-Thessaloniki-Evzoni) motorway;
- ◇ completion of the rail network:
 - * by constructing the railway station complex at Thriassio where a group of converging sidings will be built to shunt trucks and a line built to connect the complex with existing track. There will be provision for a future link with the Port of Piraeus;
 - * by constructing a line to link Thriassio station to the city of Corinth;
- ◇ construction of a major international airport for Athens at Spata and modernisation of air traffic;
- ◇ continuing development of the combined transport strategy through investment in three major Greek ports, Igoumenitsa, Iraklion and Pireaus, together with the Thriassio rail complex.

The success of this strategy depends on the mobilisation of funds from the private sector, which will benefit from the future revenue generated by these investments.

The calculation of assistance to the major rail projects and the project to build the new Athens airport at Spata.

The projects and the corresponding amount of assistance committed in 1996 are shown in the table below. The breakdown of assistance by sector is as follows:

- ◇ roads: financial commitments for ECU 124 070 006, or 61.3%,
- ◇ airports: financial commitments for ECU 15 651 597, or 7.7%,
- ◇ rail: financial commitments for ECU 62 720 007, or 31%.

• Roads

The strategy followed by the Cohesion Fund defined the following priorities for 1996:

- ◇ the Pathe motorway:

Construction work on the Pathe motorway is progressing and ten projects costing a total of ECU 270 million were adopted by the Commission at the end of the year in a single commitment.

The Project Managers for the Pathe motorway have been appointed, Mott McDonald - Louis Berger for the northern part and Sogelerg - Lamayer for the southern part.

The problem of the large discounts has been overcome by intensive work on the reform of public contracts and the decision of the Cohesion Fund to adjust financing for the projects in line with the prices agreed.

The problem of the increase in the initial cost has also been overcome as a result of the drafting by the Greek authorities of a circular permitting rigorous management of the cost of each contract.

- ◇ The agency for Egnatia began to operate this year and has rented offices in Thessaloniki and organised the three regional departments, at Ioannina, Kozani and Komotini. It has hired a staff of almost 120, 30 for the Project Manager and 90 for the Agency itself. The Project Manager's staff form part of the Agency's organisation chart and have received delegated authority, in accordance with Annex VII to the decisions in question, following repeated requests from the Cohesion Fund. The international competition has been completed and three "Construction Managers" have been appointed. They will begin work in the new year. However, no projects were submitted in 1996.

- **Railways**

The multi-annual projects adopted in 1996 are:

- ◇ the Thriassio railway station, where a group of converging sidings will be built to shunt trucks and a line built to connect the complex with existing track, so making provision for combined transport;
- ◇ construction of the line linking Thriassio station to the city of Corinth.

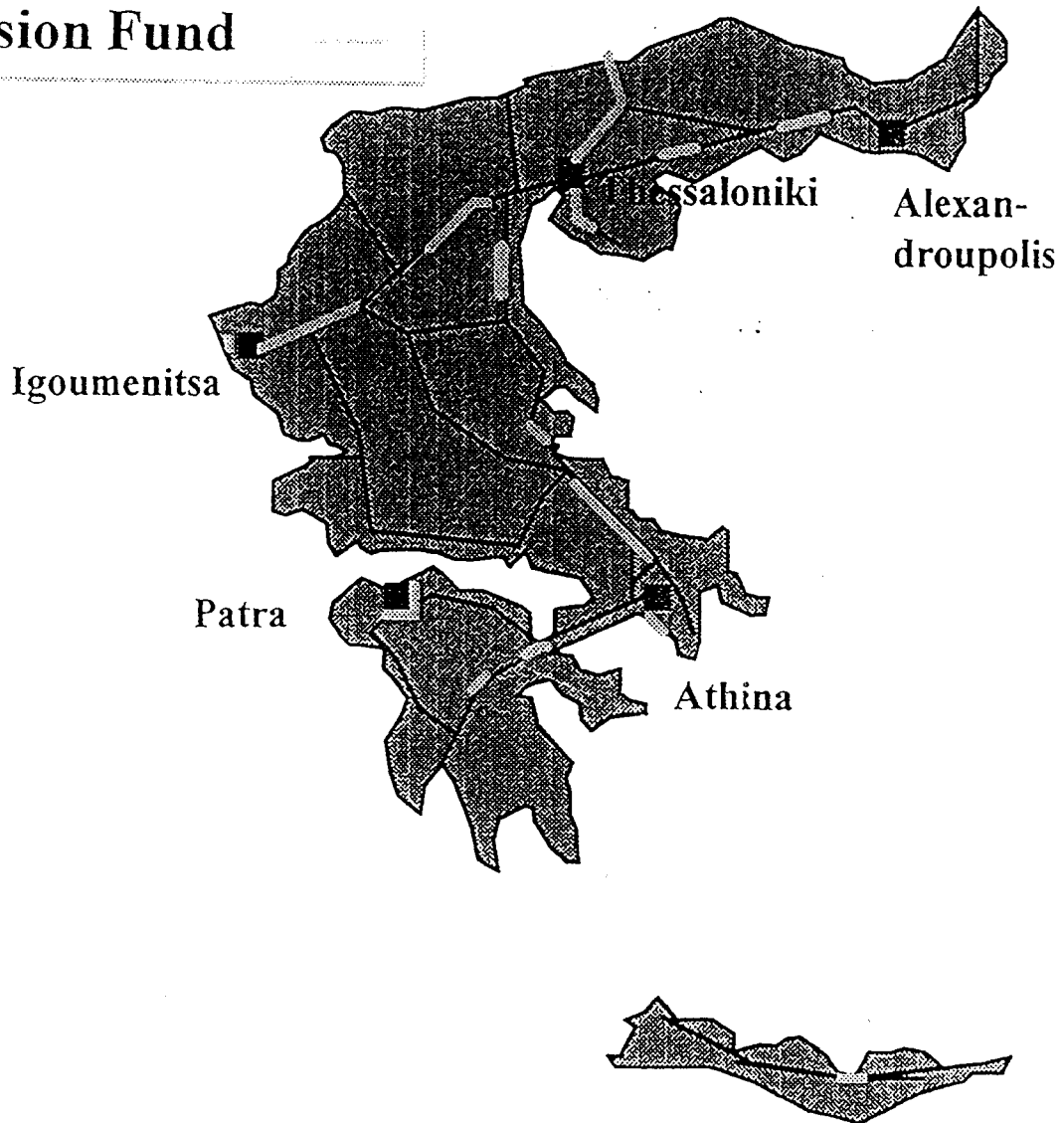
- **Airports**

In the airport sector, the largest transport infrastructure project in Greece, the New Athens International Airport at Spata, was adopted in 1996. This airport is an example of how a major project can be financed from a number of sources, both public and private. It was financed by a grant from the Cohesion Fund, an EIB loan and public and private capital. The total cost of the airport is ECU 2 150 million. The Community will contribute ECU 250 million from the Cohesion Fund and the EIB will provide over ECU 1 000 million. The commitment for 1996 is ECU 15.6 million. This project, which forms part of the trans-European networks, will have a major impact on air transport within Europe, within Greece and with non-member countries.

GREECE

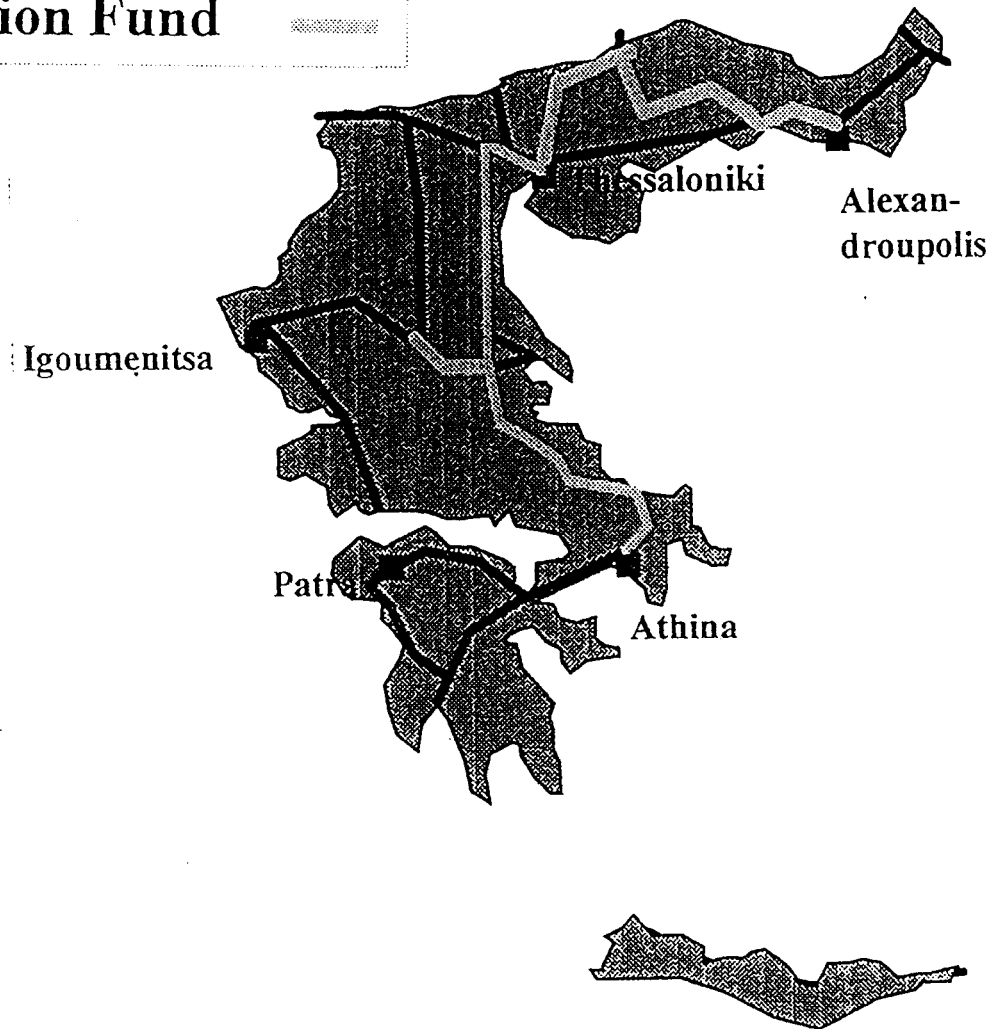
**Trans-European
Road network —**

Cohesion Fund



GREECE

**Trans-European
Rail network** —
Cohesion Fund —



2.3.4 IRELAND

In 1996, the Cohesion Fund granted ECU 221.7 million in assistance to Ireland, of which ECU 119.8 million (54% of the total budget) was for transport projects and ECU 101.9 million (46% 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 (1996)

Environment	Assistance granted (ECU million)	% of total
1. Water treatment	52.7	23.8
2. Water supply	45.9	20.7
3. Habitat	1.3	0.6
4. Vessel Traffic System (half)	2.0	0.9
Total 1	101.9	46
Transport	Assistance granted (ECU million)	% of total
1. Roads	100.9	45.5
2. Rail	8.4	3.8
3. Ports	8.5	3.8
4. Vessel Traffic System (half)	2.0	0.9
Total 2	119.8	54
Total 1 + 2	221.7	100

General Strategy

The priorities for assistance in 1996 remained the same as in the previous years. In transport, the largest part of the budget continued to go to road projects forming part of the trans-European network with two important major projects, the Kildare Bypass on the Dublin-Cork/Limerick route and the Dunleer-Dundalk section of the Dublin-Belfast route, being added to the list of major projects being assisted by means of annual instalments of aid.

In the rail sector, it was decided to assist the most economically advantageous parts of a number of railway lines on the trans-European Network. These are the Dublin-Galway, Dublin-Sligo, Dublin-Waterford and Mallow-Tralee lines. (Major investment in the Dublin-Cork and Dublin-Belfast lines had been committed in earlier years). The extension of the DART electrified outer suburban line in Dublin was also approved.

As before, assistance to ports remained in line with the policy of concentrating on the four largest ports of Dublin, Cork, Rosslare and Waterford. A maritime control system for these four ports

plus the Shannon estuary was also approved. The aid granted to these latter projects is shown in the table above, divided between the transport and environment sectors to reflect the importance of improved maritime safety for protecting vulnerable coasts and estuaries from possible pollution caused by maritime accidents.

Within the environment sector, the main priorities continued to be waste water treatment and upgrading drinking water supplies. 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 once again the priorities for assistance. The Commission continued to target for assistance groups of related water treatment projects in lake and river catchments with the aim of maximising the impact of the aid granted on the environmental protection of these areas. The projects assisted are in the Lough Derg and Lough Ree lake areas and the River Suir and River Liffey basins. Assistance to water supply projects continued to be concentrated on large urban areas and areas where drinking water quality is particularly poor. One important innovation in 1996, arising from consideration of studies by consultants, was the emphasis on water conservation which, in Irish conditions, is frequently more cost-effective than the construction of new primary infrastructure. This emphasis on making better use of existing water sources and distribution systems will be a key feature of policy in 1997 and later years.

Environment

- **Waste-water treatment**

A total of eight new projects were approved in 1996. Together with amounts committed to modify projects already approved in earlier years, a total of ECU 52.7 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 1996 ECU million)
Clonmel (Stage II)	Annual instalment to new project	5.9
Killarney	New project	7.1
Wexford	Annual instalment to continuing project	0.1
Dublin (Stage II)	Annual instalment to continuing project	6.3
Dundalk	Annual instalment to new project	0.5
Drogheda	Annual instalment to new project	6.5
Limerick	New project	7.2
Lough Ree	Annual instalment to new group of projects	1.9
River Liffey	New group of projects: planning stage	3.0
River Suir	Annual instalment to new group of projects	6.3
Lough Derg	Modification of existing group of projects	7.8
TOTAL		52.7

- **Water supply projects**

The following projects received ECU 45.9 million in assistance:

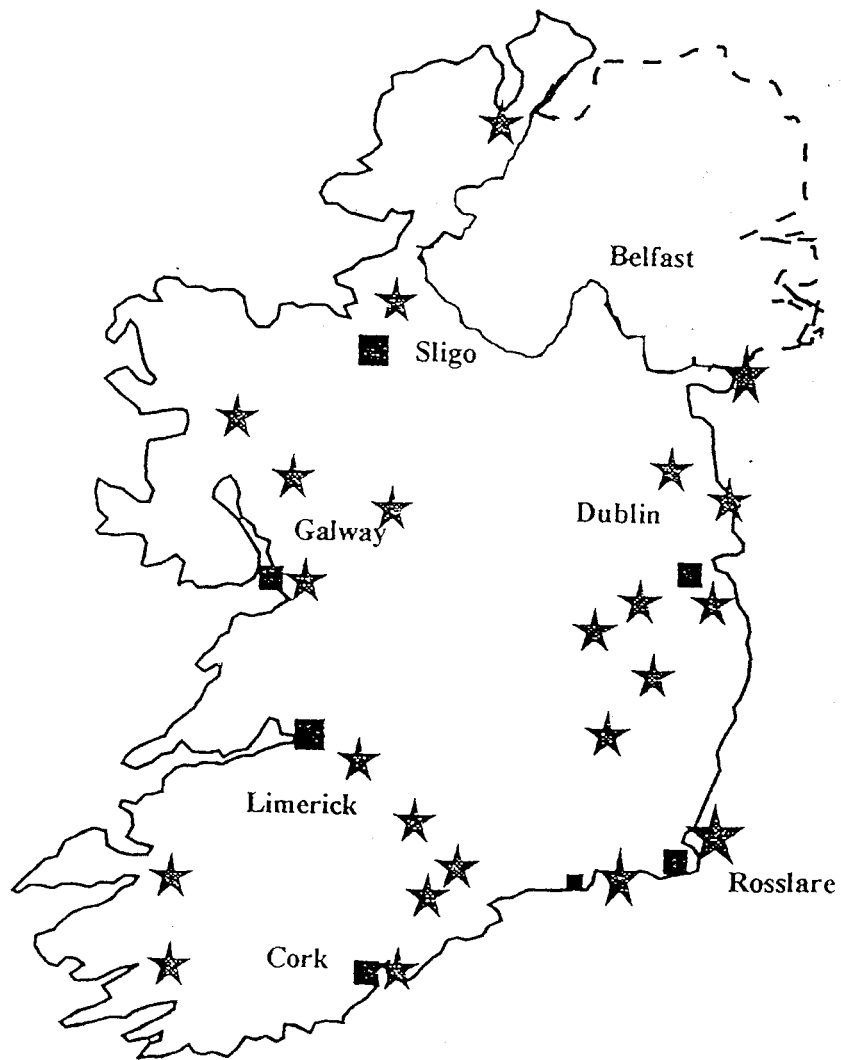
Project name	New project or stage or modification of existing project	Aid granted in 1996 (ECU million)
Lough Mask (Stage II)	Annual instalment to continuing project	4.8
Tuam (Stage II)	New second stage with annual instalments	18.7
Lough Gill (Sligo and environs)	New project	12.0
Roscrea/Nenagh	New project	7.8
Dublin Water Conservation	New project with annual instalments of aid	2.7
TOTAL		46.00

- **Habitat protection**

An additional ECU 1.3 million was granted to continue preservation and monitoring work intended to conserve the best remaining example of the Raised Bog wetland habitat in the midlands of Ireland.

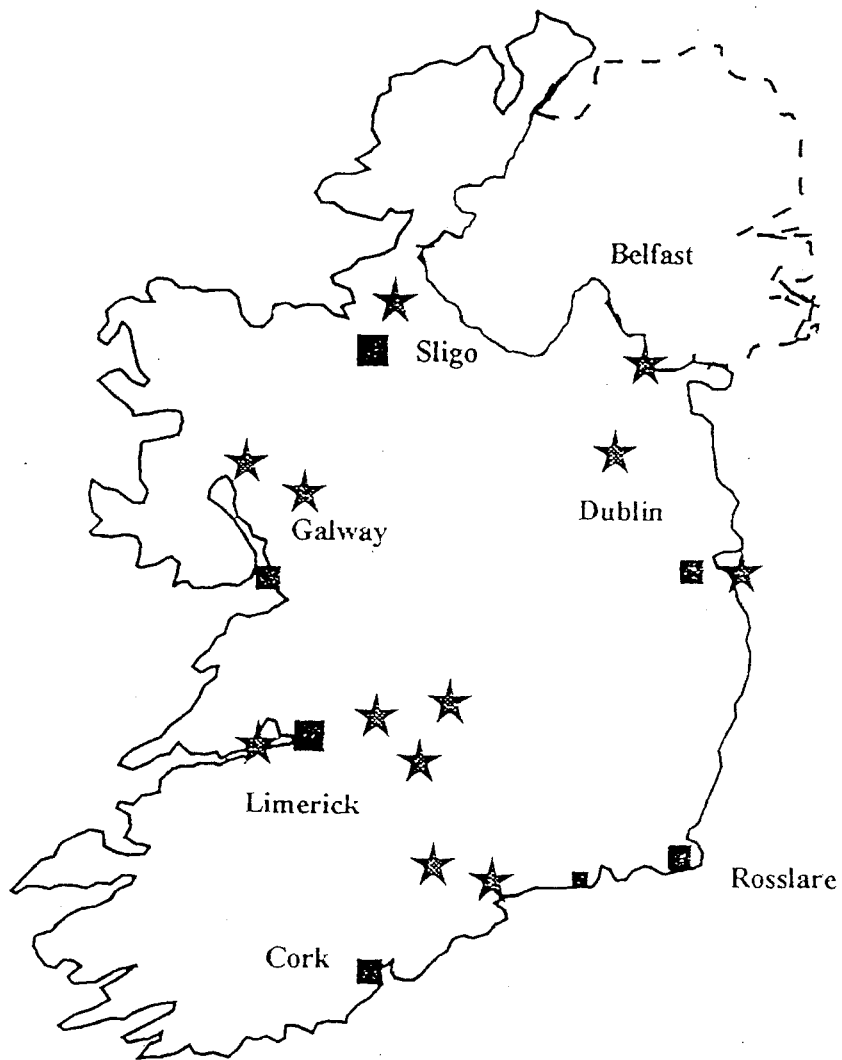
IRELAND

Water Treatment Projects



IRELAND

Water Supply Projects



Transport

• Roads

In 1996, ECU 100.9 million was committed to new road projects or to modifications of projects approved in previous years. All of the projects approved or modified received 85% of the total cost in aid.

The table below shows the projects to which aid was committed in 1996. The word "project" refers to a new project where all of the aid was committed from the 1996 budget. "Annual instalment" identifies large projects where aid is committed each year in annual amounts while "modification" indicates the addition of funds from the 1996 budget to projects previously approved by the Commission.

ROADS	PROJECT NAME	PROJECT OR STAGE	AID GRANTED FROM 1996 BUDGET (ECU million)
N1 Dublin-Belfast	Balbriggan By-pass	Annual instalment	4.5
	Cloghran-Lissenhall	Modification	1.4
	Dublin Port Access Road	Modification	2.7
	Dunleer-Dundalk	Annual instalment	4.3
Dublin Ring Road	South-East Motorway	Modification	1.8
	Southern Cross	Annual instalment	5.1
N11 Dublin-Rosslare	Kilmacanogue-Glen of Downs	Annual instalment	1.7
	Arklow By-pass	Annual instalment	3.6
N7 Dublin - Cork/Limerick	Kildare By-pass	Annual instalment	1.1
	Portlaoise By-pass	Annual instalment	9.1
	Rathcoole interchange	Project	9.8
N4 Dublin - Sligo	Curlews By-pass	Annual instalment	7.0
	Collooney-Sligo	Annual instalment	6.5
N18 Limerick - Galway	Limerick Inner Relief Road	Project	11.1
	Newmarket By-pass	Modification	0.2
N25 Rosslare-Cork	Dunkettle Bypass	Project	23.2
	Barntown-New Ross	Project	7.9
TOTAL			100.9

- Rail

The projects assisted in 1996 were the following:

NAME	TYPE OF PROJECT	ASSISTANCE GRANTED (ECU Million)
Dublin - Galway Dublin - Waterford Dublin-Sligo Mallow-Tralee Network Signalling	First annual instalment for track and signalling upgrading on parts of the TEN rail network	5.2
DART extensions	Extension of Dublin outer suburban electrified line	3.2
TOTAL		8.4

- Ports

The following projects were assisted in 1996:

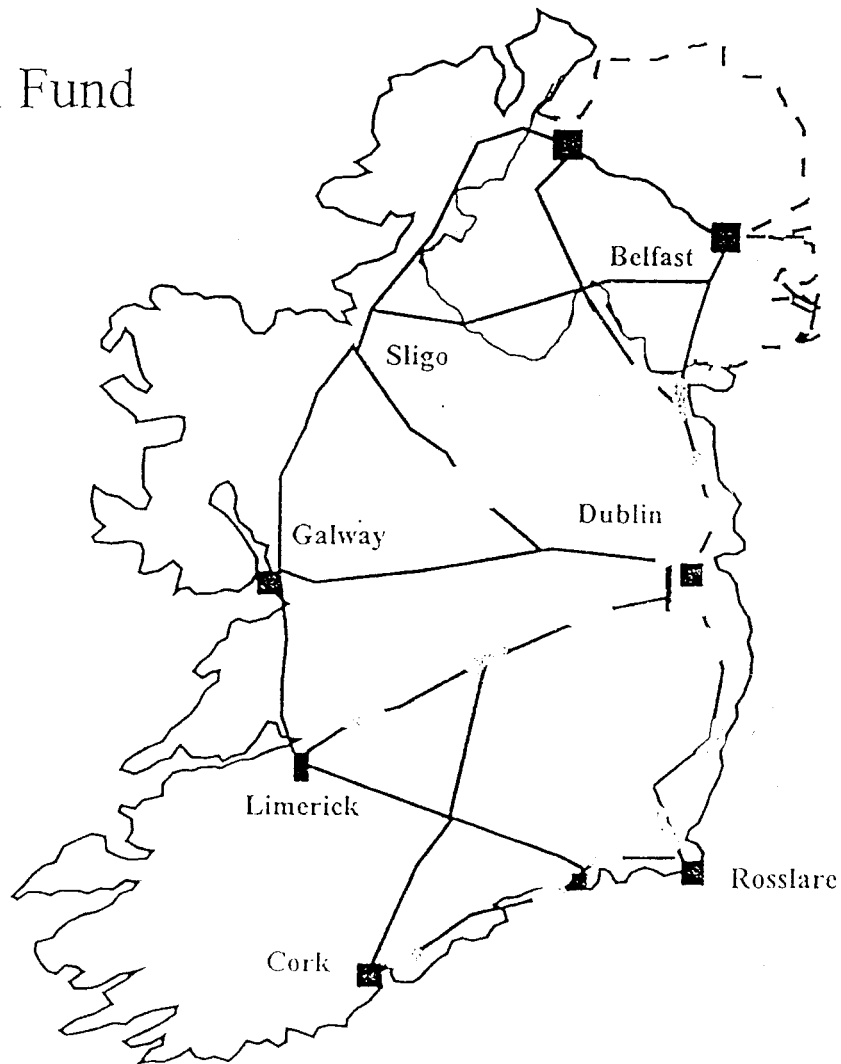
PORT	TYPE OF PROJECT	PROJECT OR STAGE	ASSISTANCE GRANTED (ECU million)
Dublin	Dredging at Lo-Lo container terminal and additional equipment	Project	1.7
Waterford	New berth at Belview	Project	3.4
	Dredging of approach channel	Modification to complete project	0.1
Cork	Improvement of Lo-Lo container terminal	Project	3.3
VTS	Vessel traffic control system at Dublin, Cork, Rosslare and Waterford ports and Shannon estuary	Group of projects	4.0
TOTAL			12.5

IRELAND

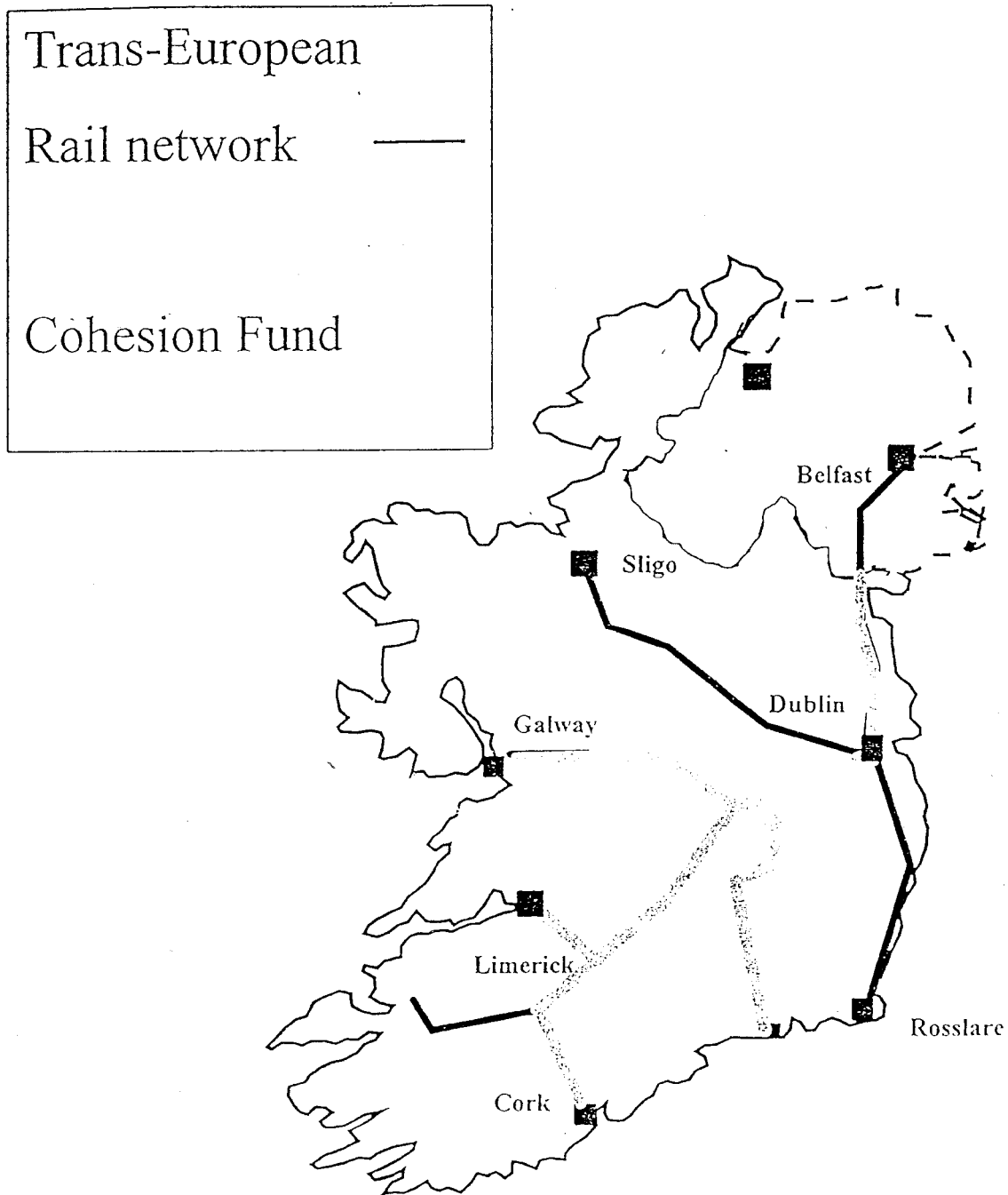
Trans-European

Road network ———

Cohesion Fund



IRELAND



2.3.5 MOST REMOTE REGIONS

The Cohesion Fund attached particular importance to financing projects in the regions of the Cohesion countries regarded as most remote. In the case of Spain, these are the Canary Islands and in that of Portugal Madeira and the Azores.

Portugal applied for Cohesion Fund finance only for projects on Madeira, where the Fund has already contributed substantially and will do so to a still greater extent in the future. In the Azores, projects are financed by other instruments.

The Cohesion Fund is very active in financing projects in these regions and pays particular attention to the environment. In the field of transport, the objective of better access to the remotest regions from the central regions was expressly mentioned in Article 2(2)(g) of the Community guidelines for the development of the trans-European networks of 23 July 1996.

Canary Islands

◆ Environment

Nature on the Canary Islands is extremely rich, including some unique and very fragile habitats and over 600 vascular plants in a limited area which is home to some 1 500 000 people. They also receive some 10 million tourists per year. The impact of socio-economic development has caused damage to some habitats and very fragile species and a number of sites.

The Canary Islands contain four National Parks: the Canal Reserve, Los Tiles on the island of Las Palmas and the island of Lanzarote (both of which have been declared Biosphere reserves) and the Garajonay National Park, which has been declared Heritage of Humanity.

Against this background, the region of the Canary Islands devised an environmental Plan for 1994-99 to define its priorities and action to be taken. The Plan includes the following programmes: territorial planning, quality of the environment, planning of natural areas, environmental education and information and a supporting legislative programme.

The projects comprising the Plan have been financed mainly by the cohesion financial instrument and the Cohesion Fund since 1993. The sectors principally involved are water supply, waste management, the restoration of the coast line and afforestation.

◇ Water supply

- 96/11/61/004: Water supply works: desalination plants in the Canary Islands. Assistance: ECU 27 266 911.

This a group of four projects, three of which are concerned with the construction and extension of plants for the desalination of sea water: at Santa Cruz de Tenerife; Arrecife ("Lanzarote III" third line) and "Lanzarote III" fourth line, while the fourth concerns construction of a head reservoir to supply Santa Cruz de Tenerife. The main aims are to secure supplies of drinking water (30 000 m³/day) to 325 000 people who are suffering from drought and its effects; to

construct a reliable water supply system comprising 5 552 m of piping, a number of pumping stations, reservoirs and auxiliary plant; to improve urban supplies; to improve water quality; to improve sanitary conditions and the quality of life of the people concerned; to increase the amount of water available through savings in use and to improve the management and use of water.

- 94/11/61/014: Stations for the production of drinking water

- * Tenerife: Adeje-Arona. Assistance ECU 5 892 000. The project includes provision of a plant for the desalination of sea water using the reverse osmosis process at Granadilla de Aborna.
- * Gran Canaria:
 - . Las Palmas. Assistance ECU 6 982 926. The project involves construction of a reservoir with a capacity of 250 000 m³ near the desalination plant.
 - . Galda-Agaete. Assistance ECU 3 824 520. The project provides for the installation of two lines, each capable of desalinating 1 500 m³ of water.

The main aims of the project are to supply high-quality drinking water to a population of 865 000; to construct infrastructure which will ensure water supplies and the durable growth of the region; to improve water quality, sanitary conditions and the quality of life of the people concerned; to preserve underground water supplies by reducing the over-exploitation of ground water; to promote the sustainable development of the regions concerned, particularly in tourism, and to increase the amount of water available through measures to save water and coordinate its use.

◇ Coastal improvements

- 96/11/61/015-017: Coastal improvements 1996.

- * Beach at Monís-Icad de Los Vinos (Tenerife). Assistance: ECU 2 316 748.
- * Beach at Los Pocillos and Matagorda-Tias, (Lanzarote). Assistance: ECU 5 854 024.
- * Improvements to the sea-shore between El Fraile and Las Arenas at Buenavista del Norte- (Tenerife). Assistance: ECU 1 256 831.

A group of 14 broken down into three categories:

- Reclamation and regeneration of beaches: three measures to counter the erosion of beaches caused by the greenhouse effect, the consequent increase in sea level and the change in the direction of currents.
- Coastal improvements: ten measures to restore the natural beauty of the area by reducing human pressure on the coastline and improving the environment.
- Environmental reclamation of the coastline: a measure to protect and conserve areas of great environmental value and natural beauty, returning them to their original natural state.

- 95/11/61/003: Coastal improvements 1995.

Beach at Las Canteras - Las Palmas de Gran Canaria. Assistance: ECU 10 472 946.

The main aims of the projects are:

- * to facilitate pedestrian use of 4.9 km of seafront;
- * rational utilisation of the beach through construction of 1 677 deterrent parking places and 8.705 m of walkways;
- * restoration of 1.9 km of beach;
- * to improve access to beaches to protect sensitive areas;
- * to improve the coastal environment by planting indigenous vegetation.

- **94/11/61/028**: Coastal recovery project. Charco de Los Clicos. Restoration of run-down areas of the Spanish coastline. Assistance: ECU 460 438.

Restoration of the Clicos-Yaiza lake (Lanzarote).

Measures planned to restore the coast and lagoon complex: tipping of sand along 30 m of beach; closure of the tombolo area by a rock break-water to avoid the beach being submerged; construction of a 55 m underwater dyke in the tombolo area; construction of a partly submerged dyke to act as a breakwater.

◇ Afforestation

- **95/11/61/010-2**: Afforestation and combating erosion. Assistance: ECU 4 213 000

The project comprises two categories of measures in woodlands:

The first is intended to halt erosion and desertification, which is directly affecting the natural environment of the water system of the Canary Islands by damaging three of its basic resources: vegetation, soil and water.

The individual measures to be taken to this end are:

- * biological action to improve plant cover in order to protect the soil:
 - ⇒ reafforestation with species suited to the environment;
 - ⇒ forestry operations to preserve and improve existing stands in order to maintain the balance between soil protection and the progression of vegetation;
- * corrective infrastructures: stabilisation of slopes and river beds in order to prevent recurrent flooding, by means of small-scale one-off hydro-technical operations.

The second category concerns the regeneration of woodlands damaged by fire. It includes biological action designed to encourage natural regeneration and establish protective plant cover:

- * intensifying reafforestation and regeneration of woodland;
- * stepping up forestry operations in existing stands to prevent forest fires.
- * creating firebreaks and safety strips in high-risk areas or where plant cover is particularly dense

- **93/11/61/012-023**: including erosion control in badly affected areas of the Canary Islands and protection of natural resources, which are essential for the environment. Assistance: ECU 827 270.

◇ Improvements to national parks

The main aims of the following group of projects are: to meet demand for public use of the National Parks and minimise the negative impact of visitors. The projects include a number of improvements to infrastructure in the service areas and access to the parks.

- 93/11/61/031-039: Caldera de Taburiente Natural Park. Assistance: ECU 1 441 800
Garajonay Natural Park. Assistance: ECU 514 500
Teide Natural Park. Assistance: ECU 1 189 900
Timanfaya Natural Park. Assistance: ECU 1 045 200

◇ Waste

- 95/11/61/042: Facilities to treat special waste, ECU 11 379 780.
El Hierro, La Palma, La Gomera, Tenerife, Gran Canaria, Fuerteventura and Lanzarote.

The construction of selective collection centres will facilitate the removal from the normal flow of solid urban waste for disposal of special, toxic and dangerous waste from urban areas and small industries. This measure will also permit the recovery and recycling of materials hitherto disposed of with other urban waste and eliminate small-scale fly-tipping.

Each collection centre will have a covered hangar to store refrigerators, batteries and other waste which has to be kept indoors, a series of large containers (30 to 34 m³) for metal, wood, paper, cardboard and building rubble and smaller containers for glass, batteries, oil and tins.

The plan under this project is to establish three types of collection centres differing in size and structure depending on the number of users.

◇ Treatment station

- 94/11/61/015: Treatment stations for waste water at Adeje-Arona (Tenerife). Assistance: ECU 13 780 563

The main aim of this project is to upgrade the drainage system to reduce the level of pollution in the waste water from the municipalities of Adeje and Arona (population concerned: 95 000) and permit reuse of the treated water, amounting to 11 680 000 m³/year. After treatment, the levels of contaminants will meet the requirements of Directive 91/271/EEC. The works to be carried out include the installation of collectors and outlet facilities, the construction of pumping stations, the provision of a channel to the underwater discharge and the installation of systems to treat the run-off water.

◇ Environmental restoration

- 94/11/61/025 : Installation of a radar on Gran Canaria

Climate monitoring, detection of variations in climate and their impact in the environment.

The project has two objectives:

- * the collection, treatment and storage of data on the climate system;
- * the use of these data in studies on the meteorological phenomena underlying natural catastrophes, variations and changes in climate, climate modelling and the consequences for human activities and natural resources.

◆ Transport

- 93/11/65/031: The Hierro airport

The project concerns construction of a new roadway parallel to the existing roadways to provide access to the apron nearest to pier 16 and a car park at the entrance to the airport, near to the power plant.

The aim of the project is to improve air communications between the Spanish islands and the centre of the Community.

- 93/11/65/032: The Tenerife Norte airport.

Resurfacing of the aprons at piers 12 and 20, the holding areas and the runway.

About 100 m² of the concrete surface of the runways is cracked and has to be removed and replaced.

The cracked parts of the waiting areas also have to be dug out and repaired. Puddles form along 1 100 m of the centre of the runway because it is too uneven. It needs to be levelled and recovered by an extra layer of hot-rolled asphalt across the whole width.

The main aims of the project are to improve the runway to increase safety during landing, take-off and taxiing.

- 96/11/65/001: Road: Gran Canaria - Olla de La Plata. Assistance: ECU 15 535 089.

The project is designed to provide a route to solve the problems on GC1 - the busiest road on the island - while taking account of the development of the beach at Laja and urban development in the south of Las Palmas. A 4 km long section of the CG1 will be widened to two three-lane carriageways each 3.5 m wide with inside shoulders of 1 m and outside shoulders of 2.5 m.

The secondary objectives of the project are to improve traffic flow; reduce dangers to vehicle and pedestrian users; improve the appearance of the entry to the town and apply the general system governing urban planning in the area.

Madeira

In addition to the water supply project for Madeira already approved, the national and regional authorities have begun in-depth discussions with the Cohesion Fund on other possible works: in the transport field, with particular reference to the extension over the sea of runway of Funchal airport, which has already received finance under Regis; and in that of the environment, where the Cohesion Fund could contribute to a general project to rationalise the waste treatment system, based on a new incinerator for urban waste.

◆ Environment

◇ Water supply

- 94/10/61/014 - Group of stages of projects to connect the main sources of drinking water on Madeira. Assistance: ECU 18 215 502.

The main features of this project are the construction of pumping and treatment stations and the laying of pipes to connect them, to make the management of water resources more efficient.

The project will have a favourable impact on the environment since it will permit the development of under-used water resources and improve water management.

2.4 ASSISTANCE FOR STUDIES AND TECHNICAL SUPPORT MEASURES

2.4.1 GENERAL

To carry out its management duties successfully and make the assistance granted more effective, the Cohesion Fund Directorate seeks the assistance of a number of experts and consultants in the various sectors to which it provides assistance.

Consultants play a very important role in assessing, analysing and monitoring the projects submitted for part-financing in the various sectors to which the Fund provides assistance. Experts supplement the Commission's technical expertise with their practical and up-to-date knowledge of a variety of subjects and so help it meet its obligations better.

As in previous years, contacts with the EIB continued during 1996, principally with regard to evaluation of the largest projects. More details on the Bank's important role may be found in Chapter 4.8 of this Report.

A number of studies were undertaken to guide the selection of the projects to be financed by the Fund: studies on the availability of water in the international River Guadiana (Spain/Portugal) and the estuaries prior to a decision on possible finance for a dam on this river; an feasibility study on a thermolysis plant to solve the problems of waste on the Greek islands (Mykonos, Aegina, Tinos); a study on the feasibility and location of a number of multi-

modal goods centres in Greece and a study on coordinated environmental measures on a Greek island (Santorini).

The study by the London School of Economics on the socio-economic impact of the Cohesion Fund on the regions was completed during 1996 with the construction of three models, which were tested with quite interesting results, on the effect of the Fund's investment on local economies. Following these positive results, the Fund enlisted the help of the London School of Economics in applying more systematically developed models to projects in progress or to be financed in the future.

2.4.2 AT THE INITIATIVE OF THE COMMISSION

Invitations to tender

During 1996, the Cohesion Fund issued a number of invitations to tender relating to studies and technical assistance. Both the invitations and the award of contracts complied with the rules on public procurement. The various consultants selected came from a number of Member States, most of them from countries other than those eligible under the Cohesion Fund.

The share of the total budget allocated to technical assistance and studies undertaken at the initiative of the Commission was greater than in 1995, but is still comparatively small. The total amount committed for this purpose was ECU 2.2 million, less than 0.1% of the resources committed by the Fund.

Since a number of contracts with outside consultants expired in 1996, the Fund Directorate decided to issue two major invitations for multiple framework contracts for technical assistance; these were published in the Official Journal. One of these general framework contracts, which will run for three years, covers the environment and the other transport infrastructure.

The consultants selected are among the best in Europe. Their qualifications and independence guarantee the quality of the analyses, verification or evaluation which they will be asked to carry out from time to time and on a case-by-case basis.

Types of measures chosen

The Commission has financed three types of measures:

- * general studies including the conclusions of the study analysing the hydrological situation of the Iberian Peninsula, which helped define a frame of reference to assess the projects for the supply of drinking water submitted by Spain and Portugal. The Cohesion Fund also financed a study on the availability of water in the Guadiana basin to define the conditions required for carrying out the major water supply projects which are being prepared there and a study on application of the polluter-pays principle, of which more details are given below;
- * economic or technical analyses of individual projects submitted to the Cohesion Fund relating to ports, waste, water supply systems and measures to check erosion;

- * technical audits of projects already approved by the Fund to ensure that the conditions of their implementation comply with the objectives laid down.

Study of the application of the polluter-pays principle

During 1996 a study was undertaken for the Cohesion Fund by ECOTEC Research and Consulting into the application of the polluter-pays principle in the environmental sectors in which the Fund primarily intervenes, namely: water supply, waste-water management and urban solid waste disposal. The study established a methodological framework for assessing the tariff setting process and application of the polluter-pays principle; examined the costs of service provision for different end users and the extent of cost recovery in the services concerned; and provided an assessment of the potential economic, social and environmental impact of moves towards greater cost recovery. The study looked primarily at the situation in the Cohesion countries but also drew parallels with experience elsewhere in the EU (specifically in Denmark, Germany, France and the UK).

The final report on the study, which was submitted in December 1996, contains profiles on each of the Cohesion countries, giving an account of the legal and institutional background to cost recovery for environmental services and provides regional case study profiles.

2.4.3 AT THE INITIATIVE OF THE MEMBER STATES

In July 1996 the Spanish authorities submitted a request for assistance from the Cohesion Fund towards the financing of technical feasibility and design studies relating to the Salamanca - Fuentes de Oñoro section of the Castilla motorway. This section, some 103.5 km in length, links Salamanca to the Spanish/Portuguese border at Fuentes de Oñoro and forms part of the Lisbon -Valladolid road corridor which is one of the high priority TENs projects agreed at the Essen European Council in December 1994. The project will provide an important link between Portugal, Spain and the rest of the EU. In view of the priority nature of this corridor, the Cohesion Fund will be financing these technical studies, exceptionally, at 100%. Total assistance for the project, which is expected to be formally adopted early in 1997, amounts to ECU 4.9 million.

2.5 PAYMENTS BY MEMBER STATE: PAYMENTS IN 1996

ECU

Member State	Advances	Interim payments	Balances	Total	%
ES	202 849 266	821 347 508	87 860 630	1 112 057 404	59.4
GR	50 332 579	157 967 181	36 452 527	244 752 287	13.07
IRL	38 388 872	134 769 559	15 961 805	189 120 236	10.1
PO	83 925 480	219 500 435	21 469 762	324 895 677	17.36
Tech.Ass.	-	-	-	1 156 625	0.02
TOTAL	375 496 197	1 333 584 683	161 744 724	1 871 982 229	100

As the table of payments shows, the distribution by type of payment shows a relatively high percentage (18.64%) of advances, in order to make available immediately part of the assistance from the Cohesion Fund and so provide the financial boost required for the studies needed and the start of work.

2.6 PROJECTS CLOSED

All the projects part-financed by the cohesion financial instrument or the Cohesion Fund undergo an *ex post* evaluation.

The projects closed at the end of 1996 are:

◆ SPAIN

◇ ENVIRONMENT

Project No 93/11/61/012-023 : Decision C(93) 3814 final of 16.12.1993

Erosion control and reconstitution of vegetation cover.

Work included: reafforestation of areas with insufficient vegetation cover, improvement of the quality and quantity of natural stands and regulation of torrential water courses in the twelve water systems.

Assistance granted: ECU 50 882 418

Project No 93/11/61/041 : Decision C(93) 2797/2 of 6.10.1993

LINDE (1st stage)

Study to identify on-the-spot, analyse and classify the sections of water courses which should be incorporated into the sphere of public water supplies.

Assistance granted: ECU 1 071 960

Project No 93/11/61/042-050 : Decision C(94) 2683/final of 13.10.1994

Work to improve the beds, banks and shores of water courses in nine catchment areas.

The works involve consolidation and strengthening of banks and shores, providing access to water courses: restoring run-down areas and overhauling water equipment in nine catchment areas.

Assistance granted: ECU 10 878 674

Project No 93/11/61/052-053,055,057-059 : Decision C(94) 3014 of 16.11.1994

Restoration of beaches in Spain.

Work to restore six seriously eroded beaches by adding sand and constructing breakwater dykes.

Assistance granted: ECU 23 643 186

Project No 93/11/61/056 : Decision C(94) 3094/final of 18.11.1994

Reconstruction of the Orillamar seaside walk around the tower of Hercules in La Coruña.

Work to improve the area around the Tower of Hercules and Saint Amaro bay by creating a 46 ha open space, so facilitating restoration of the natural environment, work to enlarge the pedestrian area and creation of an archaeological park.

Assistance granted: ECU 3 616 599

Project No 93/11/61/063 : Decision C(93) 3979/4 of 16.12.1993

Canalisation of the waters in the retaining lake from Picadas to the Valdemayor lake to supply Madrid.

The project will guarantee water supplies to the population of Madrid and ensure the supply of 100 million m³ of water per year via a pipe 32.5 km long.

Assistance granted: ECU 44 096 571

Project No 93/11/61/064-068, 076 : Decision C(93) 3979/5 of 16.12.1993

Improved management of water resources in four Autonomous Communities.

Work to increase the capacity of the water supply system in the Autonomous Communities of Madrid, Andalusia, Castille and Navarre. The work includes canalisation, connections with reservoirs, sampling and a station to treat the water to be supplied.

Assistance granted: ECU 26 233 568

Project No 93/11/61/071, 074 : Decision C(94) 3284 of 30.11.1994.

Canalisation of the Miraflores at Seville and protection of parts of the Nalón in Asturias.

(a) Canalisation of 3 295 m of the River Miraflores and improvement of 300 m of the bed by rock filling at source.

(b) Dredging the bed of the Nalón and protection of banks by means of a rock dyke and concrete walls.

(c) Alterations to 562 m of road and construction of a pedestrian overpass.

Assistance granted: ECU 2 119 550.

Project No 93/11/61/079-080 : Decision C(93) 3979/6 of 16.12.1993.

Water supply to Seville.

The aim of the project was to increase the water resources available to Seville by connecting the Viar to its supply system, the other part of which could be linked to the connector to the Pintado retaining dam via pumping stations and canals.

Assistance granted: ECU 15 433 800

Project No 95/11/61/043-7a : Decision C(96) 586 of 4.3.1996.

Construction of an advanced recycling centre in the Basque Country.

The centre comprises three units for waste used oil, solvents and drilling lubricants, and a laboratory to analyse waste used oil from the Autonomous Community of the Basque Country.

Assistance granted: ECU 3 716 048.

Studies

94/11/61/007 Decision C(94) 2127 of 27.7.1994

Preparatory study on technical assistance to prepare strategic frameworks for groups of projects relating to the coast and water courses.

Assistance granted: ECU 39 658

94/11/61/008 Decision C(94) 2686/final of 13.10.1994

Group of preparatory studies on technical assistance for the evaluation and cost-benefit analysis of assisted environmental projects.

Assistance granted: ECU 363 497

94/11/61/009

Decision C(94) 2678/final of 13.10.1994

Preparatory study on technical assistance for the macro-economic evaluation of projects assisted by the Cohesion Fund.

Assistance granted: ECU 30 000

◇ TRANSPORT

Project No 93/11/65/001

Decision (93) 2799/1 of 6.10.1993

Madrid-Valencia motorway (1st stage)

Technical feasibility and design studies relating to a high capacity motorway linking Valencia to the Levante motorway and, hence, Madrid.

Assistance granted: ECU 4 960 494

Project No 93/11/65/002

Decision C(93) 2799/2 of 6.10.1993

Rías Bajas motorway (1st stage)

Technical feasibility and design studies relating to a high capacity motorway which will link Galicia and Northern Portugal with the trans-European network

Assistance granted: ECU 19 920 769

Project No 93/11/65/003

Decision C(93) 2799/3 of 6.10.1993

Bailén-Granada motorway (1st stage)

Technical feasibility and design studies relating to the construction of a motorway between Bailén and Granada which will improve communications between Eastern Andalusia and the Madrid-Seville corridor

Assistance granted: ECU 6 731 372

Project No 93/11/65/006

Decision C(93) 3746 of 13.12.1993

N-340 Adra by-pass

Dualling of a 10.02 km section of the Adra by-pass which lies on the N-340 highway between Málaga and Almería

Assistance granted: ECU 11 086 953

Project No 93/11/65/011

Decision C(93) 2378/2 of 2.9.1993

M40 Madrid ring road - Northern distributor, section 3

New section 7.715 km in length of the M40 Madrid ring road, including the construction of 49 structures and 8 under-passes

Assistance granted: ECU 63 045 000

Project No 93/11/65/012

Decision C(93) 3258/1 of 15.11.1993

Valladolid ring road-East

Construction of new section of some 7 kms in length of the Valladolid ring road between the Northern ring and the N601 highway linking Valladolid and Toledo

Assistance granted: ECU 22 041 228

Project No 93/11/65/013

Decision C(93) 3258/2 of 15.11.1993

Access to Santiago de Compostela

New dual carriageway road of some 1.9 kms which will relieve Santiago of through traffic originating in Northern Galicia and Orense province

Assistance granted: ECU 6 165 706

Project No 93/11/65/014

Decision C(94) 1179 of 17.5.1994

Lardero by-pass

Construction of the Lardero by-pass of some 4.62 kms in length on the N119 highway from Medinaceli to Pamplona and San Sebastián

Assistance granted: ECU 6 842 028

Project No 93/11/65/018

Decision C(93) 2799/5 of 6.10.1993

Trinidad-Montgat motorway

Consisting of a 4.4 km section between Comería and Montgat, this project forms part of the second Barcelona ring road and develops the second section of the Barcelona-Montgat motorway

Assistance granted: ECU 31 605 733

Project No 93/11/65/020 Decision C(93) 2244/3 of 29.7.1993

TGV Madrid-Seville: Majarabique interchange

Railway gauge interchanger at Majarabique (Seville), including links with the lines to Huelva and Cádiz so as to allow rolling stock using an international gauge to change over to the Renfe gauge and continue to those cities

Assistance granted: ECU 3 152 353

Project No 93/11/65/022 Decision C(93) 2244/5 of 29.7.1993

Madrid-Barcelona HST (first stage)

Technical studies relating to the Zaragoza-Lérida and Calatayud-Ricla sections of the proposed high-speed line between Madrid and Barcelona

Assistance granted: ECU 7 696 017

Project No 93/11/65/023 Decision C(93) 3258/4 of 15.11.1993

N-632: duplication of section from Las Dueñas to Novellana

Construction of a section of 6.389 kms to provide an alternative to the N632 between kilometre points 124.7 and 133.6.

Assistance granted: ECU 16 531 743

Project No 93/11/65/025 Decision C(93) 3592/2

Valencia-Tarragona railway

Widening of existing bed to permit the doubling of the line and raise the design speeds to 200/220 km/hr. over a 37 km section between Alcanar and Camarles.

Assistance granted: ECU 24 387 730

Project No 93/11/65/031 Decision C(93) 3592/4 of 10.12.1993

Hierro airport

Construction of new road link providing access to the apron and car parking area at the airport of Hierro (Canary Islands).

Assistance granted: ECU 363 796

Project No 93/11/65/032

Decision C(93) 3592/5 of 10.12.1993

Tenerife North airport

Repairs to road surface at piers 12 and 20, and to the runway and holding areas at Tenerife North airport (Canary Islands).

Assistance granted: ECU 323 977

Project No 93/11/65/033-034

Decision C(93) 3592/6 of 10.12.1993

Palma de Mallorca airport

Extension of the apron and construction of a passageway under the taxi way to provide access to a planned industrial zone.

Assistance granted: ECU 4 300 489

Project No 93/11/65/009

Decision C(93)3680 of 14.12.1993

Madrid-Valencia motorway-Requena-Chiva

Upgrading to motorway of N111 between Requena and Chiva, a total length of 29.3 kms.

Assistance granted: ECU 83 783 968

Project No 93/11/65/017

Decision C(93) 2770 of 8.10.1993

M40 Madrid ring road-Northern distributor, section 2

New section of the northern loop of the M40 Madrid ring road of 7.1 kms in length between the NVI and the Via Borde de Hortaleza.

Assistance granted: ECU 79 169 761

Project No 94/11/65/011

Decision C(94) 3757/8 of 21.12.1994

Highway N632, Novellana-Cadavedo

Construction of an alternative to the N632 highway of 12.8 kms. between Novellana and Cadavedo.

Assistance granted: ECU 28 343 275

Project No 94/11/65/004 Decision C(94) 3757/3 of 21.12.1994

Lérida by-pass

Construction of the Lérida by-pass on the N11 from Madrid to France via Barcelona.

Assistance granted: ECU 80 341 241

Project No 95/11/65/009 Decision C(95) 3647 of 12.1.1996

Motorway connection Guipúzcoa-Navarra

Construction of new motorway A15 linking Guipúzcoa and Navarra including works related to sections II(a) and II(b) and equipment for tunnels on the section in Guipúzcoa (San Lorenzo and Belabieta).

Assistance granted: ECU 8 452 365.

◆ PORTUGAL

◇ ENVIRONMENT

Project No 93/10/61/001 : Decision C(93) 3287/4 of 22.11.1993
Decision C(96) 339 of 9.2.1996

Water distribution system for Lisbon

Extension of the distribution system for Lisbon by 15 km to cope with the growth of the city. Replacement and overhaul of 50 km of pipes, branches and other parts of the system.

Assistance granted : ECU 7 817 600

Assistance paid: ECU 7 817 600

Project No 93/10/61/011 : Decision C(93) 3287/5 of 22.11.1993

Overhaul of Vila Franca de Xira-airport supply pipe

The project includes a range of work: overhaul of the Trancão crossing, stabilisation of the banks at Bom Retiro, São João dos Montes and Bairro da Mata and overhaul of the supply pipe in the Tunnel d'Alhandra area. They will be carried out at various points along the Vila Franca de Xira-airport supply pipe.

Assistance granted: ECU 1 029 350

Assistance paid ECU 933 257

Project No 93/10/61/012 : Decision C(93) 3287/6 of 22.11.1993

Increasing the capacity of the Castelo de Bode supply pipe

This is the first stage of the increase in the capacity of the intermediate section of the Castelo de Bode supply pipe, which involves doubling three sections over 9.2 km. This first stage also includes the studies and technical plans required to carry out the whole project.

Assistance granted: ECU 10 471 151

Assistance paid: ECU 9 663 772

Project No 93/10/61/017 : Decision C(93) 3347/4 of 7.12.1993

System for the treatment of solid waste from the greater Oporto area: study on the assessment of submissions in response to the invitation to tender.

An international public invitation to tender was issued for the construction of the station to treat solid waste from the greater Oporto area; this study is a preliminary step in selecting the future contractor.

Assistance granted: ECU 272 000

Assistance paid: ECU 234 709

◇ TRANSPORT

Project No 93/10/65/003 : Decision C(93) 2931/1 of 21.10.1993
Decision C(95) 2918 of 24.11.1995

IP3 Figueira da Foz-Santa Eulália

Construction of a 12.3 km section of road forming part of the IP3 main road. This section includes 11 structures (1 viaduct, 5 over-passes and 5 under-passes).

Assistance granted: ECU 13 127 400

Assistance paid: ECU 12 282 965

Project No 93/10/65/004 : Decision C(93) 2931/2 of 21.10.1993
Decision C(95) 2918 of 24.11.1995

IP6 Alcanena-Atalaia

Construction of a 17.5 km section of road forming part of the IP6 main road. This section includes 31 structures (2 bridges, 1 viaduct, 25 over-passes and 3 under-passes).

Assistance granted: ECU 23 821 250
 Assistance paid: ECU 23 821 250

Project No 93/10/65/005 : Decision C(93) 3287/1 of 22.11.1993

A2 Palmela-Marateca

Construction of a 19.3 km section of motorway forming part of the A2 - Lisbon/Algarve motorway. This section includes 34 structures (1 viaduct, 14 over-passes and 14 under-passes).

Assistance granted: ECU 13 217 500
 Assistance paid: ECU 12 217 500

Project No 93/10/65/008 : Decision C(93) 2245/5 of 29.7.1993
 Decision C(94) 3726/1 of 21.12.1994
 Decision C(95) 2918 of 24.11.1995

A1 Alverca-Vila Franca de Xira

Widening of a 9.1 km section of the Nord motorway between Alverez and Vila Franca de Xira (from 2x2 lanes to 2x3 lanes).

Assistance granted: ECU 32 327 800
 Assistance paid: ECU 32 327 800

Project No 93/10/65/009 : Decision C(93) 2245/6 of 29.7.1993
 Decision C(94) 3726/1 of 21.12.1994
 Decision C(95) 2918 of 24.11.1995

A1 Vila Franca de Xira-Carregado

Widening of a 6.2 km section of the Nord motorway between Vila Franca de Xira and Corregado (from 2x2 lanes to 2x3 lanes).

Assistance granted: ECU 6 296 800
 Assistance paid: ECU 6 296 800

Project No 93/10/65/012 : Decision C(93) 3813 of 16.12.1993

Eastern road for the port of Sines and link to terminals in the western part

Construction of a road to link the terminals in the eastern part of the port to the national network and link with the terminals in the western area plus related landscaping.

Assistance granted: ECU 1 998 096

Assistance paid: ECU 1 998 096

Project No 93/10/65/024 : Decision C(93) 3287/3 of 22.11.1993
Decision C(94) 3073/2 of 18.11.1994

System to prevent accidents involving dangerous substances - Sines

Modernisation and installation of systems and equipment to monitor operations in the port of Sines involving dangerous substances, including the prevention of accidents.

Assistance granted: ECU 2 095 672

Assistance paid: ECU 2 095 672

Project No 93/10/65/026 : Decision C(94) 952/2 of 28.4.1994
Decision C(95) 2918 of 24.11.1995

Rail access to the general loading terminal in the port of Sines

Extension of the track from the multi-modal terminal to the general loading terminal, construction of the auxiliary park for that terminal, including a shunting yard and covered warehouse, and purchase of equipment for vertical and horizontal handling.

Assistance granted: ECU 3 169 227

Assistance paid: ECU 3 169 227

Project No 93/10/65/030 : Decision C(94) 952/3 of 28.4.1994
Decision C(95) 2918 of 24.11.1995

Studies and plans to extend the multipurpose terminal in the port of Sines

Economic and financial assessment and technical plans to extend the multipurpose terminal in the port of Sines by extending the quays to provide an extra berth.

Assistance granted: ECU 152 639

Assistance paid: ECU 152 639

Project No 94/10/65/003 : Decision C(94) 2128/1 of 27.7.1994

Environmental impact study concerning construction of the Lisbon inner (CRIL) and outer (CREL) ring roads

Study to identify and evaluate the positive impact of this infrastructure on the environment.

Assistance granted: ECU 53 890

Assistance paid: ECU 53 890

◆ GREECE

◇ ENVIRONMENT

Project No 93.09.61.012 Decision C(94) 3674 of 20.12.1994
93.09.61.013
93.09.61.014

- Soil protection
- Reforestation
- Forest protection-fire protection

The work carried out comprises:

- (a) technical and forestry work to protect mountain soil against erosion;
- (b) afforestation, the construction of firebreaks, reservoirs and water points;
- (c) the prevention of forest fires (roads, firebreaks, fire points, observation posts, supplies and equipment, reservoirs)

Assistance granted (85%) ECU 12 081 631

Project No 93/09/61/019 Decision C(96) 553 of 1.3.1996 amending
 Decision C(93) 3512/2

Disposal of waste water at Fili

The work comprises provision of 630 m of conduits for waste water and 19 well units

Assistance granted (85%) ECU 1 408 939

Project No 93/09/61/037 (A'stage) Decision C(96) 553 of 1.3.1996 amending
 Decision C(93) 3512/2

Disposal of waste water at Xanthi

Assistance granted (85%) ECU 2 794 459

Project No 94/09/61/037-2 (B'stage) Decision C(95)3141/10 of 14.12.1995

Disposal of waste water at Xanthi

Assistance granted (85%) ECU 1 694 352

The work contributes to completing the network for disposing of waste water from the town.

Project No 93/09/61/055-1Decision C(94) 672/3 of 12.4.1994 amended
by Decision C(95) 1719

Biological treatment station at Veria

Assistance granted (80%)

ECU 5 405 904

The work contributes to completing construction of the biological treatment station to serve a population equivalent to 70 000.

Project No 94/09/61/011

Decision (94) 3560/2 final of 16.12.1994

Study on the management of the Evinos catchment area and hydrological study of the Evinos karstic system.

Assistance granted:

ECU 93 500

◇ TRANSPORT

Project No 93/09/65/002:

Decision C(93) 3682 of 14.12.1993

Improvement of runway - A at Athens airport.

Changes to the geometry (longitudinal and latitudinal) of runway - A; improvement of the non-slip surface coating, asphaltting and improvement of electronic facilities.

Assistance granted:

ECU 1 038 370

◆ IRELAND

◇ ENVIRONMENT

Project No 93/07/61/042Amended Decision C(95) 3008 final/1 of
6.12.1995

Industrial contributions to waste water treatment

The project comprises a study commissioned by the Irish authorities in order to develop an approach to financial contributions from the industrial sector to waste water management.

Assistance granted:

ECU 24 029

◇ TRANSPORT

Project No 93/07/65/001Amended decision C(95) 1874 final/3 of
25.7.1995

N4 Longford Town by-pass

The project involves construction of 5.4 km of single carriageway to by-pass Longford, so relieving the town of considerable traffic, particularly heavy commercial vehicles, and reducing pollution, visual intrusion and noise.

Assistance granted: ECU 7 803 850

Project No 93/07/65/002Amended Decision C(95) 2978 final/5 of
4.12.1995

Killarney Road Interchange

The provision of the Killarney interchange (together with other improvements on the N11 route) will provide for economic development by improving the major Dublin - Rosslare road and remove a major accident hazard on the route.

Assistance granted: ECU 4 684 350

Project No 93/07/65/006Amended Decision C(95) 2978/5 of
4.12.1995

Road network improvement

This is a group of 12 related projects, all on TEN roads, intended to improve the standard of the carriageway by providing new pavement, improving existing drainage, widening the carriageway and improving safety measures.

Assistance granted: ECU 31 332 700

Project No 93/07/65/008Amended Decision C(95) 3008 final/6 of
6.12.1995

N1 Balbriggan by-pass

The project provides 11.5 km of dual two-lane motorway by-pass. This will reduce travel times and will improve travel between Dublin and Belfast and access to sub-regions, so enhancing their attractiveness as locations for investment and economic development.

Assistance granted: ECU 2 706 400

Project No 93/07/65/009Amended decision C(95) 3008 final/6 of
6.12.1995

N1 Dunleer/Dundalk Road

The project provides 15.6 km of dual two lane motorway from Dunleer by-pass to south of Dundalk. This will reduce travel times and will improve travel between Dublin and Belfast and access to sub-regions, so enhancing their attractiveness as locations for investment and economic development.

Assistance granted: ECU 3 081 250

Project No 93/07/65/010Amended Decision C(95) 3250 final/1 of
18.12.1995

N8 Downstream crossing of River Lee

The provision of a new downstream crossing of the river will significantly reduce the level of congestion in the city centre area, facilitate traffic flow and relieve the existing pressures on the urban communities, so improving the environment.

Assistance granted: ECU 6 094 500

Project No 93/07/65/022Amended Decision C(95) 3008 final/7 of
6.12.1995

Dublin - Galway Rail Link Upgrade

The project involves upgrading the basic infrastructure of the Dublin - Galway railway line to achieve safer and more efficient passenger and freight services and enhance the competitive position of the rail route relative to the road link.

Assistance granted: ECU 1 694 370

Project No 94/07/65/001Amended Decision C(96) 2113 final/14 of
29.7.1996

Waterford Port Dredging

The dredging of the port to achieve 6 metres minimum depth of water and to provide a turning basin will improve access to the Belview Port, reduce delays caused by tidal conditions, allow larger vessels to use the port and improve safety.

Assistance granted: ECU 1 330 250

Project No 94/07/65/011Amended decision C(95)1874 final/3 of
25.07.1995

Main Road Corridor Improvement Programme 1994

The project covers seven similar road improvement projects on major road corridors . This is intended to raise the standard of the carriageway by providing new pavement, improving existing drainage and widening the carriageway.

Assistance granted:

ECU 11 416 350

CHAPTER 3

CONVERGENCE AND CONDITIONALITY**3.1 BACKGROUND**

Cohesion Fund assistance is conditional upon the Member States meeting certain criteria related to the excessive deficit procedure of the Treaty. Article 6(3) of the Cohesion Fund Regulation provides that suspension of finance shall not take effect less than two years after the entry into force of the Maastricht Treaty, i.e. on 1 November 1995. The principle of conditionality therefore applied throughout 1996, as described in Chapter 1. The convergence programmes of the Member States are described below.

In this Chapter, the figures given as estimates are those which appeared in the Commission's autumn 1996 Economic Forecasts, although certain later developments have also been included.

3.2 CONVERGENCE PROGRAMMES**3.2.1 SPAIN**

In 1996 Spain's economic policy continued to be guided by the convergence programme approved in July 1994, as revised for 1995-97. This is intended to help Spain progress towards real and nominal convergence and, in particular, to meet the criteria for the third stage of EMU.

Economic activity increased substantially at the beginning of 1996 and the situation improved still further during the second half of the year. GDP is estimated to have grown by 2.1% in 1996, above the EU average of 1.6%. Spain has also been successful recently in creating jobs, reducing unemployment from 22.9% to 21.9% between the first and third quarter of 1996, a reduction which would have been still greater if the labour force had not also grown substantially.

During 1996, the Government adopted new structural reforms including an increased supply of urban land, the opening up of the telephone service to competition, access by third parties to the basic telecommunications network and the launch of a large-scale privatisation programme. Complete liberalisation of the telecommunications sector is planned for 1998. These measures will permit the more efficient allocation of resources on a permanent basis.

Inflation fell sharply in 1996: as an annual average, from 4.7% in 1995 to 3.6% in 1996 and from 4.3% in December 1995 to 3.2% in December 1996. Interest rates also dropped steeply in 1996. The yield on ten-year government bonds dropped from 9.9% in December 1995 to 6.9% at the end of 1996 and the gap compared with German bonds fell to an historic low (about 100 basis points) at the end of 1996, as compared with 350 basis points at the beginning of the year.

The total deficit of the public administrations was 6.6% of GDP in 1995, as compared with a target of 5.9% in the revised convergence programme. This was due to the discovery of a items of expenditure which had not been recorded before. Under the Cohesion Fund procedure, the Spanish authorities gave a firm commitment to comply strictly with the target deficit in the 1996 convergence programme. The data available suggest that this target of a deficit of 4.4% of GDP in 1996 has been achieved. The 1997 budget seeks to reduce the public deficit to 3% of GDP in 1997, as required by the convergence programme.

Spain is considered by the Council to be a country whose deficit has been excessive within the meaning of Article 104c(6) of the Treaty since 1994. Under that Article, the Council has made annual recommendations to Spain that it should put an end to that situation.

3.2.2 PORTUGAL

The revised Portuguese convergence programme, which covers the period 1994-97, was approved by the national authorities in November 1995. It aims at ensuring the full participation of Portugal in the third stage of EMU, in particular via a reduction of both fiscal imbalances and the inflation differential vis-à-vis the best performing countries in the Union. Another objective is the gradual convergence of Portuguese per capita income with the European average.

After the deep recession in 1993, the Portuguese economy resumed growth by mid-94, driven by exports. However, against the background of continued weakness of private internal demand only in 1996 did real GDP increase at a faster pace than for the EU as whole, at a still moderate rate of 2.5%. Despite the sluggish recovery, the objectives of the revised convergence programme could be met in 1996, and the targetted decline in the general government deficit was even surpassed.

Portuguese public finances have recorded a substantial and continued improvement since 1993. Benefiting in particular from noticeable gains in the efficiency of the tax collection process and the reduction of domestic interest rates, the public deficit fell from 6.9% of GDP in 1993 to 5.1% in 1995 and 4.0% in 1996. As regards public debt, the increase in the debt/GDP ratio slowed down considerably in 1994 and 1995, before returning to a downwards path in 1996, when it amounted to some 71%. This favourable development was a result not only of the declining primary deficit but also of the reduction in interest rates on public debt. Portugal remains, however, a country where the public deficit is considered to be excessive, within the meaning of Article 104c of the Treaty.

A restrictive stance on both monetary and exchange rate policies, coupled with the weakness of internal demand, allowed for a marked slowdown of inflation, from 6.8% in 1993 to 4.2% in 1995 and 3.1% in 1996. The favourable trend of inflation, combined with the progressive increase in the credibility of the policy mix, led to successive reductions in interest rates and, above all, in the interest differential vis-à-vis other EU member countries. Particularly impressive has been the decline in the long-term differential vis-à-vis the German mark, which at the end of 1996 was below 1 percentage point.

3.2.3 GREECE

Greece's revised convergence programme was examined by the Ecofin Council on 19 September 1994. The programme's key objective is to prepare Greece's full participation in stage III of EMU in 1999. The programme proposes to achieve this by addressing the fundamental challenges confronting the economy: inflation, fiscal imbalances and slow growth. The adjustment strategy consists of measures aimed at reducing the budget deficit, reducing inflation through a restrictive monetary and exchange rate policy and supporting economic growth through, *inter alia*, rational use of structural funding.

When judged against the objectives of the convergence programme, developments since 1994 have been mixed. On the one hand, Greece's inflation, while declining, has breached the programme's objective; on the other hand, progress in redressing budgetary disequilibrium has been consistent with the programme's targets.

The reductions in the deficit, inflation and interest rates have provided the conditions for a recovery of economic growth. Growth since 1995 has been stronger than predicted in the convergence programme, rising to 2% in 1995 and to an estimated 2.4% in 1996. Factors contributing to this have been a recovery in investment, followed by growth in private consumption and in exports. Strengthening household spending has been partly associated with positive real incomes growth, declines in real interest rates and diminishing tax uncertainty.

The acceleration of growth, together with rapid liquidity growth related to large net capital inflows, has prevented inflation from falling at the rate predicted in the convergence programme. In 1995 consumer price inflation averaged 9.3%, and in 1996 8.5%. While imported inflation has been reduced to insignificance, reflecting the successful exchange rate policy pursued, inflation in the sheltered sectors of the economy has been persistently high.

In the three years 1994-96 the budgetary targets of the convergence programme were fulfilled. Contributing to this have been measures to widen the tax base and modernise tax administration. In 1995, steps to improve transparency revealed unaccounted for surpluses in the social security system which resulted in a reduction of the general government deficit to 9.1% of GDP, some 1.6 points below the convergence programme target. In 1996, the general government deficit, estimated at 7.6% of GDP, was identical to the convergence programme target. Underlying this development, however, was an overshooting of the central government deficit by 1 percentage point of GDP, reflecting revenue shortfalls and expenditure overruns partly offset by reductions in capital spending. The general government debt ratio declined by 1.2 points to 110.6% of GDP in 1996; the convergence programme had projected no change between 1995 and 1996.

Greece was found to have an excessive deficit in 1994, within the meaning of Article 104c(6) of the Union Treaty. Since then, the Council has made annual recommendations to Greece that it should put an end to this situation.

3.2.4 IRELAND

The most recent programme for Ireland, covered the period 1994 to 1996, and was examined by the Ecofin Council on 19 September 1994. The programme was largely successful in continuing the stability-oriented policies of the earlier programme. A successor programme is still awaited, although the recent agreement between the social partners covering the period 1997 to 2001 could provide a basis for such a programme.

The programme for 1994 to 1996 envisaged a relatively modest annual growth rate for GDP of 4.0%. Inflation was 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 was aimed at maintaining the budget deficit within 3% of GDP, which was consistent with a planned reduction in the debt ratio by 3 to 4 percentage points each year.

The performance of the economy during 1996 was comfortably within the targets set in the programme. GDP growth is expected to have been 7.8%, easily surpassing the quite modest target of 4.0%. The budgetary targets have also been achieved with a comfortable margin. The recent period of strong growth has had a favourable impact on the public finances, resulting in net borrowing falling to an estimated 1% of GDP in 1996 while the debt ratio is estimated to have declined by 6.5 percentage points to 75.1% of GDP. Annual inflation in 1996 amounted to 2.0% ensuring that the average for the three years 1994-96 was within the 2.5% target set out in the programme.

CHAPTER 4

ASSESSMENT OF THE PROJECTS AND MEASURES ADOPTED

4.1 GENERAL

4.1.1 ASSESSMENT OF PROJECTS

When the projects submitted by the Member States are considered, particular attention is paid to demonstrating that the resources deployed are commensurate with the economic benefits expected.

This prior appraisal is based on a cost/benefit analysis by the Member States and submitted for each project or group of projects. In the case of certain environmental projects, the difficulty of quantifying the expected benefits has led the Member States to use other, more qualitative, methods.

Using the information provided by the Member States, the Commission has assessed the socio-economic justification for the projects, where necessary using additional analyses.

In some cases, on the basis of those analyses, the Cohesion Fund asked the Member States to redefine the projects concerned and even refused to finance certain projects. In Greece, for example, the projects concerning the ports of Alexandroupoli, Volos and Mykonos were refused. Another example is the Enxoe dam in Portugal, which was rescaled before approval, to prevent water being used for agricultural irrigation. The project to supply drinking water to greater Oporto south was also rescaled.

Ex post evaluation programme

In 1996 the Cohesion Fund has been operating for four years, the first projects financed by the Fund have been completed and a number of projects are close to completion, with the final reports and accounts awaited by the Commission. From now on the number of completed projects will steadily increase.

It is therefore appropriate for the Commission to set up a programme of *ex post* evaluation. The Cohesion Fund management has started a discussion on the design of a possible programme for the *ex post* evaluation of assisted projects.

The objectives of the mandate for *ex post* evaluation of projects are defined in Article 13(4) of the Cohesion Fund Regulation which stipulates that "during the implementation of projects and after their completion, the Commission and the beneficiary Member States shall evaluate the manner in which they have been carried out and the potential and actual impact of their implementation in order to assess whether the original objectives can be, or have been, achieved."

In addition, the existing Community rules require *ex post* evaluation to consider the environmental impact.

4.1.2 INCOME-GENERATING PROJECTS

Where projects generate income, the Cohesion Fund assistance must take this into account. The approach adopted is that the assistance granted will be equal to 80/85% of the part of the investment not supported by income. This reduction in assistance has been applied wherever investment financed by the Cohesion Fund was found to give rise to substantial net income.

Income-generating projects include:

- In Spain :

Environment	Reafforestation and erosion control in the Norte river basins. Decision C(96) 2788 of 10.10.1996. Grant approved: ECU 12 847 306. Reafforestation and erosion control in the Ebro river basin. Decision No C(96) 595 of 7.3.1996. Grant approved: ECU 15 352 436. Reafforestation and erosion control in the Duero river basin. Decision No C(96) 617 of 7.3.1996. Grant approved: ECU 5 113 726.
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A method for establishing the potential profitability of reforestation projects has been developed in co-operation with the Spanish authorities and was applied to projects submitted for assistance in 1996. The method takes account of the revenue-generating potential of particular species of tree and of the ground conditions on which planting is to take place.

- In Portugal :

Environment	LIPOR II incinerator for solid waste Treatment of solid urban waste in Lisbon-north Valorsul
Transport	A3 motorway Braga Oeste/Ponte de Lima

- In Greece :

Transport	New international airport for Athens at Spata Rail complex at Thriassio Pedio Athens-Corinth railway line Port of Piraeus, Ikonion Quay II
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- In Ireland :

Transport	Improvements to the container terminal in the port of Cork Quay extension in the Port of Waterford
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4.2 TRANS-EUROPEAN TRANSPORT NETWORKS

4.2.1 GENERAL STRATEGY

In the transport sector the Cohesion Fund finances only infrastructure projects of common interest identified under the guidelines referred to in Article 129c of the Treaty. During 1996 the multi-modal guidelines for the transport TENs were finally adopted by the European Parliament and the Council⁷. These guidelines thus provide the basis for the selection of projects to be assisted by the Fund. They define the objectives of the TENs, identify the networks, and set out the criteria and specifications for identifying projects of common interest.

Given its specific objectives and the significant resources at its disposal, the Cohesion Fund has a key role to play in the development of the trans-European networks within the four beneficiary Member States: approximately half the Fund's ECU 16 billion budget for the period 1993-99 is to be allocated to transport projects.

Nevertheless, it is clear that the size of the task involved in fully implementing the TENs means that careful targeting of resources and co-ordination with the Community's other financial instruments are essential if the benefits of Community support are to be maximised. The Cohesion Fund has therefore worked closely with the Member States concerned to determine priorities for action, and co-ordinates its assistance with that of the EIB, the ERDF and the TENs budget to ensure that resources are deployed as effectively as possible.

Within the planned transport networks, priority has generally 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. Other assisted projects are intended to improve communications and trade between peripheral regions and the main centres of economic activity within the countries concerned, 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 serve the dual function of improving network links and mitigating the adverse environmental effects of traffic in towns and city centres.

The Cohesion Fund has given particular emphasis to the implementation of the high priority projects which were endorsed by the Essen European Council in December 1994 (listed in Annex III of the approved TENs guidelines). Of the fourteen priority projects identified, five lie wholly or partly within the territories of the Cohesion Member States: high speed train South; the Greek motorways (Pathe and Via Egnatia); the Lisbon-Valladolid road corridor; Cork-Dublin-Belfast rail link; and the Ireland-UK-Benelux road link. Further details on progress are given in Section 4.2.3 below.

With the aim of maximising the impact of Cohesion Fund resources, the following are three main areas in which it is considered that assistance can be deployed to best advantage:

- ◇ 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;

⁷ Decision 1692/96/EC of 23 July 1996.

- ◇ assisting the completion of key sections of transport corridors which may in themselves be unprofitable, but which ensure the completion of such corridors and thus guarantee or sustain their overall economic or financial viability: cross-frontier sections through sparsely populated areas are classic examples of this type of support;
- ◇ financing sections of a route which lead to "captured traffic" on which the private sector can then capitalise: access roads to bridges or tunnels on which user tolls may be charged are examples here.

4.2.2 REINFORCEMENT OF THE TRANSPORT NETWORK IN 1996

In 1996 the Cohesion Fund committed a total of ECU 1 222.1 million to transport projects. This includes commitments to new projects, or new stages of existing projects, as well as additional commitments to projects approved in previous years (new annual instalments or amendments to earlier decisions). This means that total assistance committed since 1993 to transport TENs projects by the Cohesion Fund, and its predecessor, the financial instrument, amounts to ECU 4 219 million, representing a very significant contribution to the further development of the TENs within the four Cohesion countries.

Road and motorway projects have continued to account for the major share of assistance - ECU 959.5 million, or 78.4% in 1996 - as shown in the table below. This share varies from 61.3% in Greece to 83.6% in Spain. Railway projects were the next most important recipients, with a total of ECU 222 million of assistance committed, representing 18.1% of the total. Other modes of transport took somewhat smaller shares of assistance than in previous years, although the situation varies from country to country depending on the specific opportunities presented.

Commitments to TENs projects by transport sector

Sector	Commitments 1993-95		Commitments 1996		Total Commitments 1993-96	
	ECU million	% of total	ECU million	% of total	ECU million	% of total
Roads	2 124.7	70.9	959.5	78.4	3 084.3	73.1
Railways	619.1	20.7	222.0	18.1	841.1	19.9
Ports	114.6	3.8	23.0	1.9	137.5	3.3
Airports	115.5	3.9	15.6	1.3	131.1	3.1
VTS*	21.1	0.7	4.0	0.3	25.1	0.6
Total	2 995.0	100.0	1 224.1	100.0	4 219.1	100.0

*VTS - vessel traffic systems for maritime surveillance

**Commitments to TENs transport projects
by Member State and sector**

Member State	Transport Sector	Commitments 1993-95		Commitments 1996		Total commitments 1993-96	
		<i>ECU million</i>	%	<i>ECU million</i>	%	<i>ECU million</i>	%
Spain	roads	1 218.7	71.0	567.4	83.6	1 786.1	74.6
	railways	402.4	23.5	111.0	16.4	513.4	21.4
	ports	0.0	0.0	0.0	0.0	0.0	0.0
	airports	73.2	4.3	0.0	0.0	73.2	3.1
	VTS*	21.1	1.2	0.0	0.0	21.1	0.9
	Total	1 715.5	100.0	678.4	100.0	2 393.9	100.0
Portugal	roads	509.4	84.7	167.2	75.5	676.6	82.2
	railways	73.1	12.2	39.9	18.0	113.0	13.7
	ports	18.9	3.1	14.5	6.5	33.4	4.1
	airports	0.0	0.0	0.0	0.0	0.0	0.0
	Total	601.4	100.0	221.5	100.0	823.0	100.0
Greece	roads	207.7	52.1	124.1	61.3	331.8	55.2
	railways	81.1	20.3	62.7	31.0	143.8	23.9
	ports	71.0	17.8	0.0	0.0	71.0	11.8
	airports	39.1	9.8	15.7	7.7	54.7	9.1
	Total	398.9	100.0	202.4	100.0	601.4	100.0
Ireland	roads	188.8	67.6	100.9	82.9	289.7	72.3
	railways	62.5	22.4	8.4	6.9	70.9	17.7
	ports	24.6	8.8	8.5	7.0	33.1	8.3
	airports	3.3	1.2	0.0	0.0	3.3	0.8
	VTS*	0.0	0.0	4.0	3.3	4.0	1.0
	Total	279.2	100.0	121.8	100.0	401.0	100.0

* VTS : vessel traffic systems for maritime surveillance

Figures for the period 1993-95 include commitments under the interim cohesion financial instrument

• **Roads and motorways**

The large share of assistance granted taken by road and motorway projects is unsurprising given the disparities which remain between the road systems in the Cohesion countries and those in the rest of the EU, and the corresponding pressures imposed by the continued growth of road traffic. The completion or improvement of the key road corridors linking these countries with their EU neighbours, the linking of outlying regions with main centres of economic activity and the relief of bottlenecks and congestion around main urban centres continue to be priorities for action at both national and Community levels.

In 1996 the share of roads was especially high in Spain (83.6%), where the situation in part reflects the approval during the year of two new sections of the Rías Bajas motorway which links Galicia to the central Spanish road system and, thereby, to France and the rest of the EU, and also provides an outlet for traffic from northern Portugal. Other new roads were approved in 1996 and additional assistance was committed to major road corridors such as the trans-

Catalonia highway, the Bailén-Granada motorway, the Zaragoza-Huesca motorway, the Somport tunnel, and the Seville-Granada-Almería motorway. In total, commitments to road projects in Spain amounted to ECU 567.4 million in 1996, or almost 60% of the total for all such projects in the four countries.

The share of roads was also high in Ireland (82.9%, or ECU 100.9 million), reflecting the approval of a series of projects, including new sections of the main North-South highway and a number of town by-passes and relief roads (N7 Limerick, N25 Dunkettle/Carrigtwohill, Kildare by-pass and Newmarket-on-Fergus by-pass).

In Portugal the share of road projects was somewhat lower than in previous years (75.5%). Two of the 1996 decisions relate to a new section of the CREL ring road of Lisbon, and a new section of the A3, Braga-Ponte de Lima. Additional assistance was, moreover, committed to the Tagus bridge during the year.

In Greece, where the share of road projects was the lowest in 1996 (61.3%), the main feature was the approval towards the end of the year of ten decisions relating to new sections of the Pathe motorway (the main North-South corridor) following the resolution of long-standing difficulties relating to public procurement and project management. Assistance committed from the 1996 budget for this project was ECU 124.1 million, thus permitting progress to be made on completing priority sections.

• Railways

Rail projects attracted ECU 222 million of assistance from the 1996 budget, or 18.1% of the transport total. The main projects approved were the upgrading of the Nord line in Portugal (grant of ECU 104.9 million, of which ECU 33.1 million committed from the 1996 budget, for the introduction of a four-way track system on one of the busiest sections); the doubling of the track on the Thriassio Pedio-Elefsis-Corinth line in Greece (grant of ECU 160 million approved, of which ECU 4 million committed in 1996); and the new DART extension in Dublin (grant of ECU 16.9 million approved).

Additional commitments of assistance were also made in favour of certain major projects approved in earlier years, including the upgrading to 200/220 km/h of the Mediterranean corridor in Spain (ECU 81.7 million), general modernisation of the Spanish conventional rail network (ECU 29.3 million), and the doubling of the Evangelismos-Leptokarya section of Greece's main North-South rail axis.

• Ports and airports

Port projects accounted for ECU 23 million of assistance committed in 1996 (1.9% of transport total), while airports accounted for ECU 15.6 million (1.3%).

As regards ports, the main projects approved were in Ireland (Waterford port dredging, Dublin port access, Tivoli container terminal in Cork, Dublin Lo-Lo terminal and Belview quay extension), and in Portugal (repair and improvements in Lisbon and Leixões ports). In Portugal a number of applications for assistance for the development of port infrastructure remain under consideration.

It may also be noted that approval was given during the year for assistance towards the introduction of a vessel traffic and information system in the four main ports of Ireland plus the Shannon estuary.

As regards airports, assistance committed in 1996 reflects the annual instalment relating to the new Spata airport for Athens, for which a total of ECU 250 million of Cohesion Fund finance was approved in 1995.

4.2.3 ESSEN PRIORITY PROJECTS

The 14 high priority TENs projects which were adopted by the Essen European Council of December 1994 have been included in the newly approved guidelines for the development of the TEN network (Annex III). Of these projects, five are located wholly or partly in the Cohesion countries. The Cohesion Fund is thus in a good position to help with their advancement. The scale of the task is well illustrated by the enormous 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 following summarises the Cohesion Fund's involvement with these projects and their current state of play:

- **HST South**

- ◇ *Madrid-Barcelona-Perpignan*

The Cohesion Fund has financed technical feasibility studies for a total of ECU 8.02 million on two sections of this line (Zaragoza-Lérida and Calatayud-Ricla). An application for assistance towards the construction of the same sections (ECU 351 million) is at present under consideration.

- ◇ *Madrid-Vitoria-Dax*

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

The HST South project is being considered within the ambit of one of the sub-groups of the Kinnock high-level group on public-private partnerships (see 4.2.4).

- **Greek motorways**

- ◇ *Patras-Athens-Thessaloniki-Bulgarian border (Pathe)*

Construction of this motorway, which provides the main North-South road corridor for Greece, has been underway 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. Difficulties concerning public procurement and project management held up progress in 1995 but, following their resolution, 10 decisions relating to key sections of this corridor were approved towards the end of 1996 (total assistance of ECU 124.1 million).

- ◇ *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, of which ECU 40.7 million was approved in 1995. No additional requests for assistance from the Cohesion Fund were received in 1996.

- **Lisbon-Valladolid road corridor**

Two sections of the Portuguese part of this corridor received assistance from the Cohesion Fund totalling ECU 52.6 million in 1993/94 (Alcanena-Atalaia and Atalaia-Abrantes). However, no applications were received and no further assistance was approved in 1996.

Following a seminar on this project organised by the Cohesion Fund in October 1994, the Commission invited the Portuguese and Spanish authorities to submit preparatory studies on the cross-border sections of the route for financing by the Cohesion Fund. In July 1996 an application for assistance was received for the preparation of technical feasibility studies for the Spanish section: Salamanca-Fuentes de Oñoro (to be approved early in 1997).

The Portuguese authorities have proposed to widen the scope of this priority project to create a multi-modal link with Spain and the rest of Europe. The Commission welcomed this proposal and held a seminar in October 1996 to consider its implications. The proposed changes to the priority project were adopted at the Dublin European Council in December 1996.

- **Cork-Dublin-Belfast-Larne rail link**

No further assistance was granted to the project in 1996 since the expected completion date for the project in the Republic of Ireland is in the first quarter of 1997. The definition of this priority project has been extended to include two important feeder lines to Londonderry and Limerick.

- **Ireland/UK/Benelux road corridor**

Priority has been given to this project in Ireland and a further ECU 30.2 million was committed to it from the Cohesion Fund's 1996 budget. Since 1993 Cohesion Fund assistance for the Republic of Ireland's section of the project has totalled ECU 108.0 million. Substantial additional assistance is foreseen in future years to complete projects under construction or under consideration.

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

	Estimated total cost	Estimated cost	
		1995-99	Cohesion Fund 1993-96
<i>HST South</i>	12 870	4 380	8.0
<i>Greek motorways</i>	6 367	5 065	258.9
<i>Lisbon-Valladolid motorway</i>	1 072	717	52.6
<i>Cork-Dublin- Belfast rail link*</i>	238	145	53.9
<i>Ireland/UK/ Benelux road link*</i>	2 680	1 540	108.0
Total	23 227	11 847	481.4

* Republic of Ireland only

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 an interest in the following projects which appear in this list:

- Combined transport in Portugal and Spain
- The new international airport for Athens at Spata
- The Marateca-Elvas motorway (on the Lisbon-Madrid corridor).

Financial assistance for combined transport projects, for sections of the Marateca-Elvas motorway, and for the new Spata airport has already been approved.

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 important examples of such projects (marine VTS and air traffic control systems) in Spain, Portugal, Greece and Ireland.

4.2.4 GROUP OF COMMISSIONERS (TENs) / KINNOCK HIGH LEVEL GROUP

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

Following the informal transport Council in Rome in April 1996, a "High Level Group" was set up under the chairmanship of Mr Kinnock, comprising representatives of Ministries of Transport and Finance, the private sector and the EIB, with the aim of accelerating the implementation of public-private partnerships (PPPs) in the context of the TENs and, in particular, the priority projects. The Cohesion Fund has participated in meetings of this group and in the sub-group responsible for the HST South. A final report will be submitted by the Kinnock group to the European Council in June.

It may be noted that, following the adoption of the TENs transport guidelines in July 1996, new advisory committees have been set up for each of the TENs sectors. The Cohesion Fund also participated in the first meeting of the transport committee, which took place in November.

4.3 TRANSPORT/ENVIRONMENT BALANCE

The Cohesion Fund Regulation requires a suitable balance to be struck between projects in the field of the environment and those relating to transport infrastructure.

The Commission's position in this regard is that, over the period as a whole, 50% of assistance should go to projects in the field of the environment although that objective should not be considered rigid: some flexibility has to be retained to deal with special situations.

In 1996, further progress was made towards that target and commitments under the budget for that year were 50.1% for transport projects and 49.9% for environmental projects.

The breakdown of commitment appropriations between the two fields, environment and transport, followed the trend of the period 1993-96 in all the Member States:

Period	Environment		Transport	
	ECU	%	ECU	%
1993	606 016 992	38.7	958 253 511	61.3
1994	923 430 183	49.8	929 157 266	50.2
1995	1 036 709 677	48.2	1 113 119 907	51.8
1996	1 219 282 135	49.9	1 222 140 391	50.1
1993-96	3 785 438 987	47.3	4 222 671 075	52.7

In 1996, the breakdown, as a percentage of the appropriations by Member State was as follows:

Member State	Environment %	Transport %
Spain	49.4	50.6
Portugal	49.6	50.4
Greece	53.8	46.2
Ireland	46.0	54.0

4.4 ASSESSMENT OF COMPATIBILITY WITH THE OTHER POLICIES

4.4.1 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 include:

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

The Community programme of policy and measure in relation to environment and sustainable development (the Fifth Action Programme) - adopted by Resolution of the Council in 1993 - provided for the Cohesion Fund to assist in the achievement of the Treaty objectives and in particular, key Community environmental issues such as the reduction of water pollution and appropriate waste management. In addition to focusing on key environmental themes, the Programme also concentrated on the need to integrate the environmental dimension into other Community policies in order to change and influence the undesirable side effects of certain economic sectors.

This latter aspect is of concern to the Cohesion Fund in that transport infrastructures are the other key investment priorities to which funding is channelled.

The Commission has developed a careful prior appraisal procedure for investment in both the environment and transport sectors. For environmental projects the application information must include:

- the environmental objectives of the project;
- details on how the project relates to the application of Community environmental legislation on the environment; and,
- details on whether or not the project forms part of a plan or programme concerned with the implementation of Community environmental policy or legislation.

In addition, and where appropriate, information must also be supplied in regard to the environmental impact as required under Directive 85/337/EEC.

In the case of transport projects, where appropriate, an environmental impact assessment under Directive 85/337/EEC must also be supplied with the project application. In addition, careful attention is paid to any likely consequences for important bird areas (Directive 79/409/EEC) and habitats/species (Directive 92/43/EEC) that may be affected by such projects.

Checks are also carried out on projects in other fields, such as waste management, restoration of coastal areas, etc., to ensure that they too are in line with Community environmental policy.

Following appraisal, and before taking a final decision on a project, the Commission may add conditions relating to attainment of particular environmental objectives or to ensure compliance with certain technical requirements specified by Community legislation. Examples include the urban waste-water directive (91/271/EEC).

The question of compatibility does not arise solely before the decision is taken. The Monitoring Committees also ensure compliance with environmental policy by verifying that the requirements or conditions laid down in the decision are respected. In cases where this is not so, payments may be suspended and assistance reduced or even cancelled.

4.4.2 COMMON TRANSPORT POLICY

The 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 takes 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 goals of the networks is to link isolated, island and outlying regions to the centre of the Community. The guidelines define objectives, priorities and identify projects of common interest. The outlying regions will require particular attention.

All this is reflected in Decision 1692/96/EC adopted by the European Parliament and the Council on 23 July 1996, which sets out Community guidelines for the development of the trans-European transport network. It sees multi-modal transport as one of the responses to increase efficiency, network safety and 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 "multi-mode" objective of the guidelines is an important criterion for the establishment of priorities.

The guidelines define the various components relating to the trans-European transport network:

- ◇ The trans-European road network, with its major routes and links, as the keystone of surface transport.
- ◇ The trans-European rail network composed of high-speed and conventional rail networks and combined transport corridors.
- ◇ The ports play an important role as links between land and sea transport.
- ◇ The maritime traffic information and management system is of direct concern to sea transport since it is a tool for the control, organisation 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).
- ◇ 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.

- ◇ Turning to air traffic control, 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.

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 come from the Cohesion Fund which, in the four countries where it operates, supports transport projects regarded as being of common interest to 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.

4.4.3 PUBLIC PROCUREMENT

In its 1994/95 report, the Commission stressed that it very often felt the need to be physically closer to those taking decisions on projects, in order to prepare and monitor applications better and speed up implementation and understanding of Community texts. It found that, since information on public procurement could be found at national, regional or local level, checks ought also to be designed to assist those taking decisions, and so be carried out at an appropriate level. As it stated in its 1994/95 report, the Commission had given this considerable thought, which led to the adoption on 27 November 1996 of the Green Paper "*Public procurement in the European Union: exploring the way forward*". In 1997 the comments made on this document by those engaged in the economy will be assembled to a framework for the actual implementation of the paths proposed. Some innovations regarding checks on the Structural Funds and the Cohesion Fund were put forward and it will be useful to mention them briefly in this Report.

Of the six chapters of the Green Paper, two have direct relevance to contracts receiving Community finance: point IV-D "Attestation" of Chapter 3 "Application of public procurement law - current state of play and trends" and point IV "Procurement involving Union funds" of Chapter 5 "Public procurement and other Community policies". The ideas put forward concern the creation, at national level, of independent bodies to monitor the "public procurement" rules, greater use of the procedure attesting compliance with the Community rules on public procurement already laid down by the "special sectors" Directive and making those taking decisions on public contracts assume their responsibilities. However, the development planned does not entail the Commission giving up its prerogatives: it will continue to carry out its role as guardian of the "procurement rules" under the Treaty and the Directives.

In 1996, more attention was paid to monitoring applications for finance submitted in the last three years, which made it possible to assess better the state of implementation of projects through contracts awarded since the adoption of financing decisions (over 200 new applications). It is important to note that many applications are submitted by the Member States before any procedures to award contracts begin, in order to be certain of Community financial assistance before beginning work. Information on the contracts awarded and the records of tender procedures are very often not available until the projects are in progress or when subsequent instalments or the balance are paid.

In general, the Commission finds that national authorities and Monitoring Committees cooperate well in response to the questions raised by the Commission when it is considering projects it has financed, irrespective of stage (application, decision, amendment, payment, balance).

As before, the examination of files has resulted in the following situations:

- ◇ agreement without reservations, where it was found that an application complied with the rules on public procurement, all the information relevant to that point has been provided or that the project was for an amount lower than the thresholds set out in the "public procurement" Directives;
- ◇ agreement in principle, subject to retrospective checks to be carried out in all cases where the contracts were awarded after finance had been granted or where it appeared that other procedures could have been launched later;
- ◇ blocking of the decision to grant finance or of the amendment of a decision until the national authorities had clarified doubtful points;
- ◇ suspension of payments (the Directorates concerned within the Commission being associated) if a complaint was received from a firm which considered it had suffered damage and warning notice was sent to the national authorities;
- ◇ refusal of finance where non-compliance with the "public procurement" rules was detected in the application or where a complaint had already been made by a firm which considered it has suffered damage.

4.4.4 COMPETITION

Council Regulation (EC) No 1164/94 establishing a Cohesion Fund requires in particular that assistance from the Funds should comply with competition policy. The Commission therefore regularly checks the compatibility with the Treaty of the measures part-financed by the Cohesion Fund to verify that its work is fully in line with the Community competition rules and especially those on State aids.

In general, it appears that these measures very rarely raise problems of compatibility with competition law. This is mainly because they are usually concerned with infrastructure programmes which, unless they infringe the rules on the award of public contracts, place no particular firm at an advantage. As a result, Community checks relating to competition usually

concern aspects relating to free access to infrastructure for all operators satisfying the technical and legal requirements, and the application of the rules and provisions of Community law on aid to the transport sector.

4.5 SOCIO-ECONOMIC IMPACT OF THE COHESION FUND

4.5.1 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 assistance as a whole.

Cost-benefit analysis and other forms of microeconomic 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 for assessing project applications have been described earlier in this report. Further details of work undertaken in this area, including some preliminary results of recent studies financed by the Cohesion Fund, are given in section 4.5.2 below.

At the global level, the impact of the Cohesion Fund must be considered within the context of the regional and national economies in which its assistance is located. This normally means using economic models which seek to mirror the real world - albeit in a simplified form. In this way, both the spillover effects of such assistance, their longer term supply-side impacts and any feedback effects from the economy can be taken into account. A major study into the development of economic models for the assessment of the impact of Cohesion Fund assistance was commissioned in 1995 from the London School of Economics and Political Science. The LSE's final report was submitted in December 1996. The aims of this study and some preliminary results are described in section 4.5.3.

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 4.5.4 gives some indications of the potential employment impact of the Cohesion Fund.

4.5.2 ECONOMIC APPRAISAL OF PROJECTS

Applications for assistance from the Cohesion Fund must be supported by an economic analysis demonstrating that the project concerned is expected to generate social and economic benefits over the medium-term 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-criteria 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 acceptable, that 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:

- proposed commissioning a study from a transport economist of the appraisal methods and assumptions used in support of applications for transport projects;
- financed a study commissioned by the Irish authorities into the economic appraisal of environmental projects supported by the Cohesion Fund;
- approved technical assistance for certain Member States specifically to help them undertake preparatory studies relating to projects, including cost-benefit analyses;

Moreover, during 1997 the Commission is planning to undertake a review of economic appraisal methods used in support of project applications with a view to identifying best practice and issuing additional sectoral guidelines where required.

The economic evaluation of environmental projects is generally accepted to be 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, afforestation, nature conservation and beach restoration. 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) it may not 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 potential indirect effects have been estimated, for example, of induced economic development. In many cases such analyses have been supplemented by a qualitative assessment of benefits.

A study for the Irish authorities which was 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 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 this study focussed on water supply

and waste water treatment projects in Ireland, its basic conclusions may be more generally applicable.

The Commission is also applying other quantified techniques such as multi-criteria analysis to determine priorities for measure in the environmental field. Such techniques have been developed, for example, in the case of afforestation and erosion control projects in Spain.

As already mentioned, a review of the methods used by Member States in the economic appraisal of environmental projects will be undertaken during 1997.

4.5.3 OVERALL SOCIO-ECONOMIC-IMPACT

The Regulation establishing the Cohesion Fund 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 that the project-based approach has to be supplemented with a more global 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 investment, 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 and trade of the time savings, reduced operating costs and general increase in competitiveness induced by the improved transport infrastructure concerned.

Corresponding effects can also be expected from environmental investments although, as already noted, these are more difficult to estimate and are not in many cases picked up by conventional measures of national output.

London School of Economics Study

In order to comply with the requirements of the Regulation, a study was commissioned in July 1995 from the London School of Economics and Political Science (LSE) with the aim of developing and testing systematic methods for quantifying the socio-economic impact of the Fund. These methods were intended to be applicable to both the Fund's main sectors of assistance - transport and the environment - and to the four beneficiary Member States. They were also intended to be used to estimate the effects of individual projects, or groups of projects, as well as aggregate assistance from the Fund. The objective, therefore, was to provide a coherent framework for analysing the impact of Cohesion Fund spending in the four countries concerned.

The LSE has managed the project and has been responsible for the economic modelling work involved, but it has worked closely, particularly on data collection and analysis, with study teams in each of the four Cohesion countries: Instituto Valenciano de Investigaciones Económicas, Universidad de Valencia; Regional Development Institute, Pantheon 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.

A steering group, consisting of representatives from the Cohesion Fund Directorate (DG XVI-E), DG XVI-A and G, DG II, DG XII, and Eurostat, has closely monitored work on the study.

A draft final report on the study was submitted in September 1996 and revised in December 1996. This will be finalised and published sometime in early 1997. The report contains a literature survey, a full description of the models developed and the first results of model testing and simulation using data on Cohesion Fund projects. A separate volume will contain a description of the dataset used: this covers key economic variables, down to the NUTS 3 regional level, in the four Cohesion countries and their immediate geographical neighbours (France, Italy and UK).

The LSE adopted an innovative approach based on the application of the latest econometric techniques by three teams of economists to a very detailed regional dataset. The study recommends three complementary methods for estimating Cohesion Fund impacts. The main features of these approaches and some preliminary results can be summarised as follows:

◆ *Vector autoregression (VAR) models*

These models seek to establish the impact of Cohesion Fund spending on regional labour markets by estimating the dynamic response of economic variables such as private investment and employment to changes in public investment. The models use the latest econometric techniques to trace the relationship between these variables over a long period of time (15-20 years). Models have been developed for each of the Cohesion countries, although results are most complete for Spain because of the better availability of data for that country.

Although based on well established methodologies, the models are innovative to the extent that involve a high level of regional disaggregation, they consider the dynamic impact of infrastructure spending, and they incorporate spillovers from one region to another.

Results for all four Cohesion countries point to a strong, positive correlation between public investment spending and private business investment in the economies concerned, suggesting a very favourable impact from new infrastructure investment. Figures produced by the study permit estimates to be made of these potential effects over the long term based on historical patterns. The VAR models can also be used to provide estimates of the long term employment impact of Cohesion Fund projects and of the effect of such employment changes on the local labour market (activity rates, unemployment and migration).

Preliminary results from model simulations for certain important Cohesion Fund assisted projects are as follows:

Rías Bajas motorway	short term	+ 1.17%	long term	3900
	long term	+ 11.0%		
Madrid ring M40	short term	+ 0.56%	long term	3400
	long term	+ 3.3%		
Tagus bridge	short term	+ 5.3%	long term	16500
	long term	+3.1%		

Note: the effects in each case relate to the impact on a "representative region"

◆ *Regional computable general equilibrium models*

This approach involves building a computer representation of the real world in which equations represent the behaviour of economic agents such as consumers, producers and government. Three computable general equilibrium (CGE) models have been constructed during the course of the study: for Spain/Portugal, Greece and Ireland. Each model incorporates a set of regions in which economic activity takes place (NUTS 2 regions in Spain/Portugal and Greece, and NUTS 3 in Ireland), linked by a transport network through which goods and services are traded. Along with inter-regional trading partners, the models allow for two external trading partners: the EU and the rest of the world. The regions incorporate their own particular factor endowments and industrial sectors.

The CGE models can be used to capture the effects of transport infrastructure investments on a particular region and/or all regions of a country by tracing the likely reduction in transport costs and consequent changes in trade, industry sales and profits. The analysis can be undertaken in stages with progressively greater effects on the mobility of workers and firms.

Using these stages, total welfare and labour income changes by region resulting from specific transport infrastructure projects can be computed over the short, medium and longer term. The CGE analysis highlights the spillover effects of changes in transport networks which often ripple through numerous regions of a country. First results of simulations, shown in the table below, indicate that the total welfare benefits of some projects may exceed those calculated by traditional cost-benefit analysis, pointing to significant gains in the medium and long run from induced changes in activity and industrial location:

Real income consequences of Cohesion Fund projects

Rías Bajas*	<i>ECU</i>	121	140	162	164
	<i>million</i>				
	<i>Relative</i>	1.0	1.14	1.33	1.35
Madrid ring M40	<i>ECU</i>	185	230	282	287
	<i>million</i>				
	<i>Relative</i>	1.0	1.24	1.52	1.55
Pathe#	<i>ECU</i>	933	1098	1156	1157
	<i>million</i>				
	<i>Relative</i>	1.0	1.17	1.24	1.24
North-South corridor, Ireland	<i>ECU</i>	163	165	184	183
	<i>million</i>				
	<i>Relative</i>	1.0	1.01	1.13	1.12

* *Galicia-Madrid motorway, Spain*

Patras-Athens-Thessaloniki/Bulgarian border motorway

"relative" indicates the real income effect in short, medium and long run relative to direct effect

The CGE approach is also one that has a long tradition in economics but the models developed by the LSE for the Cohesion Fund are innovative in the degree of regional disaggregation involved, their explicit consideration of transport costs, and hence trade, between locations, and their assumptions of imperfect competition in the case of some industries. The LSE work represents the first attempt to apply regionalised CGE models to a large dataset, and to use them for policy analysis.

◆ *Models of explicit distribution dynamics*

These models consider the dynamics of growth and convergence over the whole cross-section of regions in the Cohesion countries in contrast with more traditional approaches, such as regression analysis, which only consider the behaviour of a representative region. The models represent a development of standard distribution dynamics approaches by including inputs on the specific economic structure of regions and on the linkages between regions. A number of graphical and statistical representations of the dynamics of regional income distributions are developed by the study.

The models can be used to examine such questions as:

- ◇ is the entire cross-section of regions tending over time towards income equality or inequality?
- ◇ how mobile are regions within the regional income distribution?
- ◇ how does the changing structure of a single region affect the evolution of regional income distribution?
- ◇ how does the changing relationship between regions affect the evolution of the regional income distribution?
- ◇ what are the effects of spillovers between regions?

The study presents a historical analysis of the trends in regional income distribution at the NUTS 3 level in the Cohesion countries and attempts to explain the observed patterns in terms of inter-regional linkages and of the distribution of public and private investment across regions.

It is considered that these models will be of most use in examining overall trends towards convergence in the Cohesion countries as well as the impact of the Cohesion Fund's aggregate spending on infrastructure, for example all transport or environmental investments in a particular region.

The models produced as a result of the LSE study, which have been described briefly in the foregoing, will be applied to a series of investments financed by the Cohesion Fund over the coming years. The aim is to provide important elements for the analysis of individual projects, whether on an *ex ante* or *ex post* basis, and to provide evidence of the beneficial, long term socio-economic impact of the Cohesion Fund.

Macroeconomic impact of the Cohesion Fund in Spain

A final report on a study into the macroeconomic 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 the Fund's assistance 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. These figures understate the present contribution of the Fund given the increases which have occurred in the allocations to Spain since 1993.

The study used three different modelling approaches: an input-output model, the MOISEES macroeconomic 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 Cohesion Fund impact accounts for around 0.4% of the Spanish economy's GDP and total employment. In this period it is estimated that it supports an average of 50 000 of 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 considerably smaller impact.

4.5.4 EMPLOYMENT

The Cohesion Fund does not have an explicit remit to create jobs, but it nevertheless has an important contribution to make to employment generation given its substantial resources.

Infrastructure investments create employment directly and indirectly: in the short term, direct jobs arise primarily in the construction industry, while indirect jobs are generated by the increased demand for industries and services which supply the construction sector, and which meet the needs of the newly employed. 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 new infrastructure reduces production costs and improves the attractiveness and competitiveness of the economies concerned.

It is possible to estimate at least some of these effects with a degree of certainty. All Cohesion Fund applications must indicate at least the number of direct jobs likely to arise from the projects. An analysis undertaken of applications in 1993 and 1994 indicates that on average around 21 jobs are generated directly per ECU million of grant in transport projects and 26 jobs per ECU million in environment projects.

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	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
1996	57 000	17 100	74 100
TOTAL	187 000	56 100	243 100

* based on estimated multiplier of 1.3.

These estimates should be interpreted with caution. They are not intended to show the long term, net employment impact of the Cohesion Fund, to derive which 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 financed projects over the short term, i.e. the construction period.

In the above table a standard multiplier of 1.3 has been used for illustration. 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 inadequate to estimate the long-term employment effects of investment projects. 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. Some initial estimates relating to particular projects are given in Section 4.5.3.1.

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

4.6 CO-ORDINATION AND CONSISTENCY WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The need to co-ordinate the financial support 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 is stated in the motives expressed by the Council when it established the Cohesion Fund. Therefore the Commission, in implementing the objectives of the Structural Funds has to ensure the co-ordination and consistency between the assistance from the Funds and the assistance provided from the other financial instruments, in particular the resources provided by the Cohesion Fund. At the same time, however, the Commission has to pay due regard to the principle of subsidiarity that makes the design of the 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.

4.6.1 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. Adequate steps have therefore been taken to co-ordinate the measures of the Cohesion Fund with the other Community financial instruments for coherence and in order to avoid the risk of double financing.

An obligation to co-ordinate is stipulated in Council Regulation (EC) No 1164/94 establishing a Cohesion Fund, Article 9 of which states that no item of expenditure may benefit from both the Cohesion Fund and from the Structural Funds. In addition, combined assistance from the Cohesion Fund and other Community aid - that is not Structural Fund aid - for a project must not exceed 90% of the total expenditure relating to the project.

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

A number of measures have been taken with regard to the procedures to implement the required co-ordination.

Firstly, the Commission's objective has been to ensure overall co-ordination during preparation of the Community Support Frameworks (CSFs) for the beneficiaries of the Cohesion Fund in order to reach the real doubling of the commitment appropriations under Objective 1, as decided at the Edinburgh European Council. The financing plans of the CSFs make explicit mention of the resources allocated by the Cohesion Fund. For Spain, where only part of the country is eligible under Objective 1, ECU 7 950 million of the Cohesion Fund allocation for the period 1993-99, calculated in order to match the Edinburgh target, was entered in the CSF for its Objective 1 regions. Following the principles of subsidiarity and partnership, the presentation of appropriate projects to ensure the doubling in real terms in Spain's least prosperous regions lies in the hands of the national government and the Monitoring Committee for the Objective 1 CSF. As a "non-regional" fund, the Cohesion Fund does not normally record its assistance under a regional type of classification.

Secondly, co-ordination at the level of concrete projects requires still greater attention in that the Structural Funds operate primarily through operational programmes while the Cohesion Fund contributes to individual projects or groups of projects. Appropriate co-ordination procedures have been put in place to make sure that projects or stages of projects submitted had not already been presented to the Structural Funds. These include 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 have worked well so far. Since in the framework of the multi-annual operational programmes the selection of individual projects normally takes place at the regional programming level, the ERDF and Cohesion Fund have started to participate together on a random basis in Monitoring Committees in order to increase their knowledge of each other's procedures.

The above 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.

As a Directorate of DG XVI - Directorate-General for Regional Policy and Cohesion - the Cohesion Fund is in close contact with the administrative units dealing with ERDF programmes in the four Member States concerned. The measures taken by the Cohesion Fund and those of the Structural Funds are complementary in management and implementation. The objectives pursued in achieving efficient and financially sound measures are therefore also complementary i.e. in the field of public-private-partnerships, on revenue-generating projects, project management, public procurement and competition policy.

4.6.2 TENs TRANSPORT BUDGET LINE

The financial regulation laying down the ground rules for support to the TENs was formally adopted by the Council in September 1995⁸. 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 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 Regulation allows the Community to provide financial support to the TENs through feasibility studies, interest rebates, subsidies for guarantee fees and, exceptionally, 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 studies).

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 their budget line and of their proposed programme for spending from this line.

The Cohesion Fund has also participated in meetings of the TEN financial assistance committee which has been set up to help the Commission in preparing the annual programme of projects to be supported from the transport budget line.

⁸ Council Regulation (EC) No 2236/95 of 15 September 1995.

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 EU was ECU 280 million in 1996, whereas the Cohesion Fund's total commitments to TENs projects in the four Cohesion countries was ECU 1 224 million.

4.6.3 LIFE PROGRAMME

Set up in 1992, LIFE is a Community financial instrument to support environmental measures throughout the European Union and neighbouring regions. Its general is to contribute to the development and implementation of the Community's environmental policy and legislation by financing specific measures.

A LIFE II programme was set up in 1996 by Regulation (EC) No 1404/96 (OJ No L 181 of 20.7.1996). It covers the period 1996-99 and has a total budget of ECU 450 million.

Some environmental projects or measures in the cohesion countries would be eligible under the Cohesion Fund and the LIFE Programme.

To avoid the risk of double financing of certain measures, the Cohesion Fund has regularly attended meetings of the LIFE Management Committee, so verifying that none of the 104 projects financed by this Programme in 1996 received assistance from the Cohesion Fund.

4.6.4 EUROPEAN INVESTMENT BANK

The EIB sometimes provides substantial assistance to the Cohesion countries to finance projects in areas similar to those covered by the Cohesion Fund. The ad hoc system for the exchange of information on applications for assistance submitted by the Member States between the Commission and the Bank established in 1993 is continuing to work effectively.

The EIB routinely consults the Commission and the Cohesion Fund when it receives a loan application.

These regular exchanges of information first of all establish that the ceilings for EIB loans are not exceeded and secondly ensure a sound combination of grants and loans for the projects being part-financed.

A series of major projects has now been approved by the Commission under the Cohesion Fund and, during the same year, granted a loan by decision of the Bank's Board of Directors.

The financing arrangements and the economic, technical and financial evaluation of the project are carried out with full cooperation between the Commission and the EIB.

This category of projects includes several examples of joint large-scale operations. In Greece examples include the part-financing of Spata airport, to which the Cohesion Fund granted ECU 250 million, part-financing of the Port of Pireaus, which received grants from the Cohesion Fund and the EEA financial mechanism and a loan from the EIB, and improvements to certain motorway sections of the PATHE road.

Part-financing in Spain usually takes the form of individual loans from the EIB to the Autonomous Communities accompanied by Cohesion Fund grants for environmental measures. Loans and grants for roads and rail projects are paid to the Ministry for certain main routes financed by the Cohesion Fund.

In Portugal, during 1996 three large-scale investments were financed jointly by the Cohesion Fund and the EIB, the incinerator project in Oporto (LIPOR), the incinerator project in Lisbon (VALORSUL) and the Nord railway line.

The situation in Ireland is different because few EIB loans are made there (see the Bank's Annual Report) and loans are made to finance a series of projects in the form of a global loan to the Ministry responsible.

The EIB has made individual loans for the modernisation of signalling on the Dublin-Belfast line.

4.6.5 EEA FINANCIAL MECHANISM

Set up under the agreement on the European Economic Area (EEA)⁹, 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 the former EFTA member countries of the EEA (Austria, Sweden, Finland - which have in the meantime joined the EU - and Norway, Iceland and Liechtenstein), and 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.

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 enterprises. 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 presents 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

⁹ Article 116 of the EEA agreement and Protocol 38

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 which might also be proposed for Cohesion Fund finance.

4.7 THE ROLE OF THE EIB IN EVALUATING PROJECTS

4.7.1 ON-GOING INSTITUTIONAL COOPERATION

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

This framework agreement is based on the following principles: on-going exchanges of information, regular meetings with the EIB, use of the EIB's expertise to assess projects for which EIB/Cohesion Fund part-financing is requested by the promoter or the national authorities and the possibility of assessing projects for which no application for assistance has been made to the Cohesion Fund.

After over three years' operation, the importance and quality of this cooperation are still essential to the Cohesion Fund in the process of evaluating operations and the best combination of sources de finance (grants and loans).

4.7.2 THE RESULTS OF COOPERATION IN 1996

In 1996 cooperation with the EIB concentrated on 36 projects, 22 of which were sent to the Bank for an initial reaction. Two major projects were subjected to an in-depth evaluation and 12 projects are being part-financed.

Of the projects evaluated, 27 concern measures in the field of the environment, mainly measures to do with waste water and the treatment of urban waste.

Eight projects in the field of transport infrastructure under the trans-European networks were evaluated; they concern mainly ports, airports and railways.

CHAPTER 5

MONITORING AND CHECKS

5.1 MONITORING COMMITTEES

5.1.1 SPAIN

Two meetings of the Monitoring Committee were held in Madrid in 1996: on 24 April and 30 and 31 October.

The meetings were conducted in accordance with the Committee's rules of procedure. As the Commission had requested, the Monitoring Committee was divided into separate committees depending on the body responsible for implementation of the projects concerned or the sector of assistance.

Fifth meeting of the Monitoring Committee (24 April)

This Monitoring Committee was divided into three Committees: for water projects, for Central Administration projects and for territorial administrations.

The committee was chaired by Mr Angel Torres, Director-General of Planning, and attended by the Ministry of Public Works, Transport and the Environment (MOPTMA), the Directorate for Water Quality, the Directorate-General for Economic Programming and the Budget, the Planning Committee and bodies such as ICONA, MINER and AENA.

The Commission Delegation, led by the Director of the Cohesion Fund, comprised the Head of Unit, those concerned with projects in Spain within the Cohesion Fund Directorate and representatives of DG XI and DG XVI-C.

To establish the criteria for including projects in the Committee for water projects, it was agreed that this concept should be restricted to projects concerned with the water cycle, plus those for drainage and water treatment. The projects selected are therefore those concerned with the control networks and the LINDE and PICHRA programmes.

The agenda of these committees included consideration of the state of implementation of each project at 31 December 1995. At a general level, the Commission raised the problem of the delay since inception in implementing environmental and transport projects. It also noted that a large number of projects had been amended from the original forecasts, with regard either to the eligible cost, the schedule or the financing plan.

The meeting dealt with some aspects of the rules governing participation by the local administrations and clarification of the relationship of Cohesion Fund projects to ERDF projects.

On this occasion, other aspects concerning the examination, monitoring and management of the projects were also raised:

- ◇ the physical and financial indicators on the monitoring reports and applications for payment should in future include all expenditure shown on the breakdown of the costs of projects;

- ◇ the final report on the implementation of a group of projects should be drawn up for each separate project, while the conclusions on the operational link or visible strategy might be combined;
- ◇ appropriate publicity for Cohesion Fund assistance. It was stated that the Commission would shortly approve a decision on information and publicity measures to be implemented by the Member States;
- ◇ an updated interpretation of the rules on payment: the work carried out and paid by the body responsible is still the basis for payments of expenditure by the Cohesion Fund.

The Commission also expressed its satisfaction with the *ad hoc* Monitoring Committee attended by the administrations of the Autonomous Communities and local authorities and requested establishment of an *ad hoc* Afforestation Committee and separate committees for the Autonomous Communities and local administrations in the interests of more transparent management of the projects concerned.

Sixth meeting of the Monitoring Committee (30 and 31 October)

The Monitoring Committee was divided into five sub-Committees depending on the body responsible for implementation of the projects concerned or the sector of assistance. As the Commission had requested, participation by the Autonomous Communities and local administrations was separated: Committee for water projects, Committee for afforestation projects, Committee for central administration projects, Committee for the Autonomous Communities and Committee for local administrations.

The Committees were chaired by Mr Pascual Fernández, Director-General for Analysis and Budgetary Programming; attendance varied depending on the committee but included the Ministry of Public Works, Transport and the Environment (MOPTMA), the Water Quality Directorate and the Directorate-General for Economic Programming, the Budget and the Planning Committee, bodies such as ICONA, MINER and AENA and representatives of the local administrations.

The Commission Delegation, led by the Director of the Cohesion Fund, comprised the Head of Unit, those responsible for projects in Spain within the Cohesion Fund Directorate and representatives of DG XI, DG XVI-C-A and DG XX.

The agenda of these Committees included consideration of the state of implementation of each project at 30 June 1996.

◆ Committee for projects submitted by the Central Administration

Within this Committee the sectors considered are, in transport, most of the road and rail projects, and in environment, principally drainage and water treatment, waste management and the restoration for the coast line. The Commission found that most projects were progressing well with the exception of some concerned with the restoration of the coastline.

◆ Committee for projects submitted by the administrations of the Autonomous Communities

The projects submitted by the Autonomous Communities cover roads, drainage and water treatment, waste management and the urban environment. Consideration of project

implementation gave rise to an exchange of information among those responsible for management at national, regional and Community level.

The Commission found that in general project implementation was rather slow, mainly because of delays in the tender procedure and the award of contracts.

◆ **Committee for projects submitted by the local authorities**

The projects submitted by the local authorities cover drainage and water treatment, waste management and the urban environment. Consideration of project implementation included the many projects whose deadlines had been amended.

The Commission stressed the need to speed up implementation as much as possible, despite the problems attendant on launching an invitation to tender and on management where projects in different municipalities were grouped together.

◆ **Committee for water projects**

The main comments arising from consideration of the implementation of these projects concerned changes to the date for the end of the works in some decisions.

At the Monitoring Committees, the Commission recalled the need for precise and detailed information on the projects financed in this sector, the swifter submission of applications for payment of the balance for completed projects and the inclusion of the environmental impact statement in applications for aid in this sector to speed up adoption.

◆ **Afforestation Committee**

The projects, which are submitted by the central administration when they include a series of measures, are grouped by water system.

Consideration of project implementation showed that the projects adopted in this sector will need an extra year because the measures in these decisions include works which, because of the climatic conditions, can be carried out only at certain periods of the year (October to April).

The seventh Monitoring Committee meeting will be held in the third week of May 1997 (about 21 and 22 May). It too will be organised in five meetings on the basis either of the sector or of the body responsible for implementation.

5.1.2 PORTUGAL

During 1996, the Monitoring Committee for Cohesion Fund projects met on three occasions, on 26 January, 18 June and 8 October.

At these meetings, thorough discussions concentrated on future programming in the transport and environment sectors to ensure that a balance between these sectors is maintained throughout the period of application of the Fund. This programming is also of very great importance for the management of resources over the next three years since total commitments

cannot jeopardise the retention of a reserve of appropriations required for the application, if necessary, of conditionality.

There is regular case-by-case analysis of the physical and financial implementation of projects, and some reprogramming decisions were taken.

The data provided by the Portuguese authorities (held over to 30 September) showed financial implementation in the transport sector for 1993/96 to be quite satisfactory (98%). By the end of 1996, 18 projects had been completed. In 14 cases the final reports had been submitted and the balance applied for.

During that period, the pace of financial implementation for environment projects was slower (51%). By the end of 1996, five projects had been completed of which the Commission had closed three.

The *ad hoc* Committee set up to monitor the new Tagus Bridge met in Lisbon on 26 February, 18 July and 26 November 1996.

The subjects covered included physical implementation of the project and environmental matters.

Delays in work on land caused by the particularly severe weather conditions during the winter of 1995/96 were retrieved as a result of the very high rates of implementation recorded, particularly from May 1996. The latest estimates suggest that the work could even be completed by January 1998, a little earlier than expected.

As specifically agreed in the memorandum on environmental matters signed by the Commission and the Portuguese Government on 15 July 1996, implementation of the agreement will be monitored regularly by the Monitoring Committee responsible for the project.

At the last meeting of this Committee, the Commission held a discussion on the implementation of the conditions laid down in this memorandum on the basis of documents submitted earlier by the Portuguese authorities.

This joint examination showed that the Portuguese Government had fully complied with the conditions of the memorandum, the deadline for which was 15 October 1996.

5.1.3 GREECE

The Monitoring Committee for Cohesion Fund projects met four times in 1996, that for transport and the environment on 27/28 March and 3/4 October and the *ad hoc* Committee for the Evinos project on 29 February and 21 October.

The Monitoring Committee was chaired by the Secretary-General of the Ministry of the National Economy and comprised the Secretaries-General of the other seven Ministries involved in Cohesion Fund assistance, Commission representatives from the Cohesion Fund and the other Directorates-General concerned, representatives of the EIB, the Greek Ministries, the associations of local authorities and a large number of mayors in their capacity as contracting authorities.

The rules of procedure of the Cohesion Fund Monitoring Committee were amended to provide for representation of the regional and local authorities (two places) and a representative of the social partners.

The Committee considered the summary tables by decision and by project and the reports on each project. The Commission carefully checked compliance with Community policies. In the specific case of major projects, the Cohesion Fund applied the horizontal guidelines on public procurement agreed with the Greek authorities, i.e. control on the large discounts offered by promoters and maintenance of the total initial cost without unjustified increases.

The Cohesion Fund required compliance with Community environmental policy and made this a condition for the granting of financial assistance.

The various meetings of the Monitoring Committee also provided an opportunity to:

- ◇ transmit to the authority designated by the Member State, the supervisory Ministries and the final beneficiaries the results of consideration of the new applications for assistance;
- ◇ report the amounts of commitments and payments made in 1996 for Greek projects for transport and the environment;
- ◇ hear directly the problems encountered by final beneficiaries while work was being carried out;
- ◇ state the respective positions of the Member State and the Commission on the continuation of the projects, the eligibility of expenditure and the information to be supplied to the Commission;
- ◇ report to the Greek authorities possible amendments to be made during 1996 to the projects already approved and on which the Commission was to take a decision.

Physical and financial implementation of environmental projects during 1996 was satisfactory.

Implementation of transport projects was satisfactory as far as the PATHE project was concerned but unsatisfactory from the point of view of commitments and construction for Egnatia, since this was a decisive year for the start of the agency. The figures from the latest Monitoring Committee (October) show implementation in the field of transport for PATHE and Egnatia at 67%. Now that the appointment of a Project Manager for Pathe means that payments have been unblocked, the rate of absorption will increase substantially.

◆ *Ad hoc* Monitoring Committee

The *ad hoc* Monitoring Committee for the Evinos project met twice during 1996, on 29 February and 21/22 October.

This project was monitored from a physical, financial and technical point of view. The advisory and coordinating Council, comprising internationally renowned experts, was set up to advise at regular intervals on options and ensure continuation of the work and the implementation of the project. It was also to keep the Cohesion Fund informed. Preparation of the systematic enlarged final study was entrusted to the contractor. Finance was granted for measures to stabilise land slips definitively. A key part of the project financed by the Cohesion Fund was completed. However, the Fund refused to continue financing this project until the complementary studies,

particularly those on the risk of earthquakes and land slips, had been completed and their impact on the final design of the project approved.

A preparatory meeting of the *ad hoc* Monitoring Committee for Spata, the new international airport at Athens, was held in October.

5.1.4 IRELAND

The Monitoring Committee for Ireland met three times in 1996, on 30 January, on 3 July and on 10 December.

As before, the Commission was represented by the Cohesion Fund Directorate and members of other departments concerned and the Irish authorities by the Department of Finance, who provide the chairman and secretariat for the committee, and representatives of the Irish government departments responsible for the economic sectors receiving assistance. Representatives of the public agencies responsible for the implementation of projects (e.g. Irish Rail, the state rail company, the port authorities, Air Rianta, the state airport company) also attended.

One important innovation in 1996 was the presence on the Committee of members of the local authorities who are responsible for the design, implementation and management of road, water treatment and water supply projects.

The format and content of the information available to the committee had been substantially improved in 1995 and in general the Commission found the documents supplied to be satisfactory for the purposes of assessing the financial and physical implementation of projects although it was necessary on occasion to look for additional information and clarification in the case of some of the port and solid waste projects.

The Commission is generally satisfied with the progress of the projects and it has not been necessary to suspend assistance in any case.

Nonetheless, the Commission repeatedly indicated its concern about the increase in cost in many projects reported by the authorities and stated that major modifications of projects would only be granted if detailed justification was provided for the cost increases and only in certain limits.

5.2 INSPECTION MISSIONS

Acting under Article 12 of Council Regulation (EC) No 1164/94 the Commission carried out a series of measures to check the accuracy of the statements by the Member States in support of their applications for assistance and the existence of the administrative and accounting documents relating to projects which had received financial assistance from the Cohesion Fund.

The audit missions carried out by the Commission during 1996 to monitor the management and sound implementation of the projects approved are summarised below:

5.2.1 SPAIN

◆ Transport

Missions by DG XVI

From 18 to 22 mars :

- * Bailén-Granada motorway (4 sections) Andalusia. No CF 94/11/65/003

From 24 to 28 June :

- * OR1 - Rías Bajas expressway. Orense-Porriño section. Galicia. No CF 94/11/65/002

Missions by DG XVI accompanied by DG XX

From 21 to 25 October :

- * Access to Santiago. No CF 93/11/65/013
- * OR1 - Rías Bajas expressway. Orense-Porriño section. No CF 94/11/65/002

◆ Environment

Missions by DG XVI

From 6 to 9 February :

- * Water supply to Algodor de Tarancón and southern Madrid. Castille-La Mancha and Madrid. No CF 94/11/61/013.
- * Lorca water station. Murcia. No CF 95/11/61/037.
- * Environmental restoration. Portman Bay. Murcia. No CF 94/11/61/022.

From 24 to 28 June :

- * Waste-water treatment in Rentería. Basque Country. No CF 93/11/61/024
- * Treatment of waste and contaminated soil in the Basque Country. No CF 95/11/61/043-7
- * Lourido coast, Portonovo and La Lanzada. Galicia. No CF 94/11/61/027-028

From 7 to 8 October :

- * Cleaning up of River Besós. Catalonia. No CF 96/11/61/027

From 28 to 29 October :

- * Bagès inter-municipal urban waste management. Catalonia. No CF 95/11/61/025-1 and 96/11/61/026.
- * Rubi urban waste management. Catalonia. No CF 95/11/61/025-6
- * Gavá-Viladecans recycling centre. Catalonia. No CF 95/11/61/022-D and 96/11/61/051.

Missions by DG XVI accompanied by DG XX

From 21 to 25 October :

- * Doñana National Park. No CF 93/11/61/034
- * Restoration of beaches on Isla Cristina. No CF 93/11/65/057

From 4 to 6 November :

- * Projects to check erosion in Andalusia.

5.2.2 PORTUGAL

◆ Transport

Mission by DG XVI

- 17 June and 26 November :
- * New Tagus bridge - 94/10/65/005

Mission by the EIB accompanied by DG XVI

- 22 July :
- * Modernisation of the Nord II line - B. de Prata/Alhandra - 96/10/65/002

Missions by DG XVI accompanied by DG XX

- From 30 September to 4 October :
- * Port of Sines eastern road - 93/10/65/012
 - * Road access to the Port of Sines Terminal - 93/10/65/026

◆ Environment

Missions by DG XVI accompanied by DG XX:

- From 30 September to 4 October :
- * Interceptors at the Beirolas, Frielas and S. João da Talha treatment stations - 93/10/61/013
 - * Construction of Frielas and S. João da Talha treatment stations - 94/10/61/006-007

5.2.3 GREECE

◆ Environment

Missions by DG XVI

- 5 February :
- * Waste-water pipes in Corinth. No CF 93/09/61/053-a
 - * Waste-water treatment station, collectors and drainage network in Loutraki. CF No 94/09/61/001-2

- 26 March:
- * Waste-water pipes in Nea Makri. No CF 93/09/61/027-1
 - * Drainage networks in Keratea. No CF 93/09/61/027-2

3 October :

- * Protection of groundwater Argolikon Pédion. No CF 93/09/61/009

From 21 to 23 October :

- * Waste management in Thessaloniki. No CF 93/09/61/035
- * Waste management in Schisto. No CF 93/09/61/034

Missions by DG XX accompanied by DG XVI

20 May :

- * Waste-water treatment station for the town of Rhodes. No CF 93/09/61/046

From 25 to 29 November :

- * Rain and waste-water network in Veria. No CF 93/09/61/032
- * Rain and waste-water network in Veria. No CF 94/09/61/032
- * Water supply pipes in Veria and Yannitsa. No CF 93/09/61/058
- * Waste-water treatment station in Yannitsa. No CF 93/09/61/055-3

◆ From 1 to 5 April :

Mission to audit financial flows from the Commission to the finance departments of the Member State for Cohesion Fund projects.

5.2.4 IRELAND

◆ Transport

Missions by DG XVI

From 24 to 26 July :

- * Dublin port North quay Ro/ro berth. No CF 93/07/65/017
- * Ennis, Main Drainage. No CF 93/07/65/029.

From 23 to 27 September :

- * Portlaoise by-pass No CF 94/07/65/007

Missions by DG XX accompanied by DG XVI

From 07 to 10 May :

- * Rail network improvement I. No CF 93/07/65/019-023-024-025
- * Cork Harbour Tug. No CF 93/07/65/013
- * Cork Passenger Ferry Terminal. No CF 93/07/65/015.

◆ Environment

Missions by DG XVI

From 24 to 26 July :

- * Ballinrobe sewerage. No CF 93/07/61/027
- * Tuam Regional water supply (stage I). No CF 93/07/61/028

From 23 to 27 September :

- * Dublin Regional Water Supply No CF 93/07/61/012 and 94/07/61/015

Technical verification missions with the assistance of scientific consultants.

Consultants selected for this purpose using the technical assistance provided for in the Regulation undertook specific missions for the technical evaluation of projects and the progress of work.

5.3 ROLE OF THE EIB

The Council Regulation makes specific provision for the EIB to take part in the monitoring of Cohesion Fund projects by stating that the Bank shall be represented on the Monitoring Committees set up in each beneficiary Member State.

The EIB has participated effectively on these Committees, particularly the *ad hoc* Monitoring Committees set up for the major projects part-financed by the EIB and the Cohesion Fund (e.g.: the Tagus Bridge and Spata Airport).

In addition to the cooperation provided for in the Regulation, the EIB, which has its own monitoring procedures for the projects it finances, provides the Commission with technical support for projects for which it has already financed part of the expenditure and for which the Member State requests 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 and take action against irregularities. In addition, they are responsible for recovering amounts lost as a result of irregularity or negligence. As a general rule Member States are also liable for the 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. In particular they are to notify the Commission of the management and control systems established and make available to the Commission any appropriate national control reports. By adopting in 1994, Regulation (EC) No 1831/94, the Commission issued detailed implementation provisions concerning the obligations of beneficiary Member States in connection with financing of the Cohesion Fund. This set of rules concerns, in particular, the organisation of an information system in the area of irregularities. In order to provide an incentive for Member States not to let go of the reins the Commission may make a contribution to the legal cost incurred by a Member State for legal proceedings in recouping sums wrongly paid.

In 1996, as in earlier years, the Commission has received no reports of fraud or irregularity in connection with projects approved under Council Regulation (EC) No 1164/94. The Commission, did not therefore need to open detailed investigations into projects assisted by the Cohesion Fund.

On the other hand, the Commission, from its regular monitoring and control visits, is not yet entirely convinced that Member States have fully grasped the importance of their responsibilities in the context of the above regulations. It therefore continued, during 1996, its information seminars in order to increase awareness of the administrations and to exchange experiences.

During its control and verification visits the Commission services have discovered some cases of negligence and irregularities, in Greece, Ireland and Portugal, that may arise partly from a misinterpretation, misunderstanding or unfamiliarity with rules applied by the Commission.

In the course of a verification visit to Greece the Cohesion Fund discovered that payment claims issued on a particular project were not based on payments actually made. The Cohesion Fund has informed the Greek Ministry for Economics which is in charge of implementation and follow up of Cohesion Fund assisted projects. In the meantime the authorities responsible have adhered to the Commission view, and payment requests presented to the Commission are now based on payments made.

In 1996, the Commission gave the Portuguese authorities warning notice as a result of an inspection of the CRIL (Lisbon outer ring road) project (No 93/10/65/025) carried out in 1995.

In the course of a verification visit to Ireland it became obvious that, for the project in question, point 3 of the Financial Implementation Provisions that are appended to project decisions has not been fully respected. The Ministry for the Environment has started an investigation into the case.

In a second case the Cohesion Fund had to interrupt payment to a waste-water project as a result of a request from the Commission environmental service. The Commission had grounds for believing that Community environmental legislation had not been respected during implementation of the project. Both cases are pending.

5.5 LEGAL PROCEEDINGS IN PROGRESS

The Commission is not aware of any legal proceedings in progress in connection with projects approved under Council Regulation (EEC) No 1164/94.

5.6 SOUND AND EFFICIENT MANAGEMENT (SEM)

The Commission, under the SEM 2000 action programme, has intensified its dialogue with Member States in order to improve financial management of the Community budget. The Cohesion Fund management, in parallel with a similar effort undertaken for the Structural Funds, has elaborated a set of rules governing eligibility of expenditure. The objective was to harmonise as far as possible with the principles applied in the Structural Funds, while taking account of the particular features of the Cohesion Fund. Once the agreement of the financial departments and the Commission's Legal Service has been obtained, the principles will be notified to the beneficiary Member States in early 1997. It is anticipated that codified and clear principles will further enhance transparency of operations administered by the Fund and will raise the awareness of the national authorities of the principles of eligibility and other fundamental issues relevant for efficient management.

CHAPTER 6**INTERINSTITUTIONAL DIALOGUE, INFORMATION AND PUBLICITY****6.1 ANNUAL REPORT TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Article 14 of the Cohesion Fund Regulation requires the Commission to present an annual report on the activities of the Fund for examination and opinion to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions. The annual report covering the year 1995 was duly presented on 4 September 1996 to these institutions.

It should be recalled that Annex II to the Cohesion Fund regulation lays down detailed requirements concerning the information which must be included in the annual reports. Using this framework, it has been possible to develop a constructive dialogue between the institutions and the Commission has had the opportunity to refine and adjust the presentation of the information according to the wishes and concerns expressed in the different opinions.

However, on a certain number of proposals concerning decision-making and Fund management made in particular by the Parliament and the Committee of the Regions, the Commission has had to recall that the implementation of the Cohesion Fund must necessarily be in complete conformity with the provisions of the Regulation; similarly a suggestion from the commission of the Economic and Social Committee dealing with the annual report to limit information about projects has not been pursued as the annual reports must serve a multitude of purposes and therefore be as complete as possible concerning information on projects.

On a number of occasions during the year, Commission representatives have had the possibility of informing members of the institutions and discussing specific items with them. Such discussions concerned the conditionality procedure and the results of the mid-term review in particular, as well as fund management, information and publicity measures and assessment of effects in general.

6.1.1 THE EUROPEAN PARLIAMENT

The opinion drafted on the 1995 annual report (Novo report EP 219.991) noted a series of positive comments and remarks concerning the implementation of the Cohesion Fund, and in particular budgetary implementation. The European Parliament expressed satisfaction at the near-100% implementation rates for commitment and payment appropriations during the budget year and reiterated the positive comments concerning the absence of detected fraud in Cohesion Fund projects.

Support was given to the objective of the 50-50 split of budgetary resources between the two sectors of investment for each of the Member States concerned and for the whole period covered by the Cohesion Fund Regulation.

Concerning the allocation within the two fields of assistance, Parliament noted that the number of projects concerning treatment of solid waste was too low in the environment sector. At the

same time there was regret that roads continue to account for too much of the transport sector. Parliament also called for more attention to be given to the fact that air and sea transport are of great importance to the more remote areas.

Parliament welcomed the Commission's attempts to assess the socio-economic impact of the projects funded. In this respect it should be recalled that the techniques developed for this purpose for the Commission are intended to help quantify job-creation and economic growth effects and that the models which are now operational may also serve to assess other major investments, e.g. those part-financed under Structural Fund programmes, in particular by the ERDF.

Criticism was levied at the composition of certain Monitoring Committees and at some aspects of the arrangements for cooperation with other financial bodies in assessing and monitoring projects: the Commission took note of these remarks but reiterates that the Fund Regulation must be fully respected.

6.1.2 ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

The number of points raised by the two bodies on the 1995 report was considerably smaller than in previous years. This is no doubt due to the fact that the Commission has taken account of many earlier suggestions - not least concerning the number of Monitoring Committee meetings, the selection of projects and the balance between the two sectors of assistance - as well as the better understanding of the special characteristics of the Cohesion Fund gained by the two bodies during the initial years of implementation. Clearly there is an excellent rapport between the Commission as Fund manager and the bodies representing the social partners and the Regions.

There is satisfaction at the increased involvement of the social and local partners although room still exists for improvements. The analysis of the impact on jobs of Cohesion Fund projects was an early request by both bodies and the European Parliament as well; many positive remarks and requests for further development of these tools were forthcoming.

The Economic and Social Committee expressed disappointment that the annual report had not been made available earlier due to the large amount of information on individual projects contained in it. It is hoped that future reports can be more quickly transmitted to the other institutions.

6.2 INFORMATION TO THE MEMBER STATES

The Member States are kept informed of the activities of the Cohesion Fund through a series of well-established information meetings. These normally take place twice every year, in 1996 on 31 May and on 13 December.

At the meeting in May the Member States' representatives heard a presentation by Mr Landáburu, Director-General for Regional Policy and Cohesion, on the current work of the Fund and its implementation, including the principle of conditionality and the so-called mid-term review of the GNP-criterion, i.e. the question of whether the Member States continue to be

eligible for Cohesion Fund support in view of their Gross National Product compared to the Community average (see section 1.1.2 of this Report). An updated listing of projects was available at the meeting as well as the first draft of the 1995 annual report on the activities of the Fund. Attention was given in particular to the ongoing efforts to assure an equal distribution of the financial resources of the Fund between the two sectors of assistance and the financial implementation of the budget available.

To the December meeting agenda was added - in addition to the now familiar points concerning current activities and current project financing - a special point on information and publicity measures, following the Commission decision in this area (see Section 1.1.3 of this Report). The Member States were given an audio-visual presentation of the salient points of the decision and a few examples of how the obligations of the authorities of the beneficiary Member States may respond to the obligations of publicity and information on investment projects.

6.3 INFORMATION TO THE SOCIAL PARTNERS

Two meetings were held with the social partners (UNICE, CES, CEEP and EUROCHAMBRES) during 1996: on 20 February and 11 September. On both occasions, the projects adopted to date and the perspectives for the rest of the year were at the centre of discussions; information and data on the Cohesion Fund activities during the entire three years of operation also made it possible to discuss general questions relating to Fund priorities, the balance between sectors, the socio-economic impact of financing and employment effects.

These meetings are a welcome possibility for the Fund management to hear the points of view of those who are, if not directly, then at least indirectly involved in the projects, often as sub-contractors, suppliers, consumers or representing the two sides of industry.

6.4 OTHER INFORMATION EVENTS

The Cohesion Fund organised information measures in the four Cohesion countries. These are set out in detail below.

Training measures on the Fund were organised jointly with the Commission Offices in the Member States.

These measures are intended to provide information on the Fund, such as access to grants and the provisions concerning information and publicity. They are also intended to help those responsible for projects to improve their preparation of applications for aid to the Fund, improve the financial management of the projects part-financed and so facilitate and speed up the management of files.

- * 19.3.1996: Cohesion Fund presentation to EU Heads of Office in the Member States
- * 20.3.1996: Information and Publicity presentation to Parliament's Regional Committee
- * 25-26.4.1996: Madrid; Cohesion Fund presentation to Spanish Local Authorities
- * 21-22.5.1996: Rhodes; Training Measure Programme - UCLAF/Cohesion Fund
- * 14.6.1996: Eindhoven, Conference on "Innovative Financing opportunities for European Biodiversity"
- * 28.6.1996: Information and Publicity Measures information meeting for Member States

- * 3-4.10.1996: Killarney, Ireland; Training Measure Programme - UCLAF/Cohesion Fund
- * 23-24.10.1996: Lisbon; Training Measure Programme - UCLAF/Cohesion Fund
- * 29.10.1996: Madrid; Seminar on Information and Publicity measures
- * 5-6.11.1996: Oslo; Seminar on EU Regional Politics and Cohesion - Presentation of the Cohesion Fund and Cohesion policy to the Federation of Norwegian Industry.

6.5 COMMISSION PUBLICITY AND INFORMATION MEASURES

The Commission undertook several publicity measures of intended to fulfil the objectives of the general decision (see Chapter 1). In particular a **photo-folder** was published in English, French and German with introductory descriptions of selected Cohesion Fund projects in all the four Member States concerned and in both sectors of activity (environment and transport infrastructure). This publication was given wide distribution and is being used as the "business card" of the Cohesion Fund in seminars, conferences and other external presentations. As more and more projects are inaugurated this publication will be updated with new information; the text will, however, remain short and non-technical, the main emphasis being on the photographic images of projects.

The Cohesion Fund also contributed to **other publications on Regional Policy and Cohesion** printed by DG XVI. The European Regional Development Fund edits a series of publications, some general and some on specific themes of importance to cohesion. With its particular range of eligible sectors and Member States, the Cohesion Fund is included in these publications whenever it has a natural place and contributes to the subject discussed.

The **annual report** was published in a convenient format and was also summarised in the Inforegio series of newsletters edited by DG XVI-ERDF.

Ad hoc material is produced for specific events such as presentations and conferences using graphic design by computer, audio-visual material and printed matter.