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OF THE COHESION FUND

1997

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PREFACE

This annual report on the activities of the Cohesion Fund covers the calendar year 1997. It has, however, been necessary to include some remarks on its activities since it was set up in 1993 as well as comments on planned measures for the future in order to give the reader a full picture of the current affairs of the Fund.

The reporting format reflects the detailed requirements of the Annex to Annex II to the Cohesion Fund Regulation. Although it is very similar to previous reports, 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.

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.

INTRODUCTION

Economic environment and conditionality

1997 was the fifth year of operation by the Cohesion Fund in the four beneficiary Member States. The year was marked by a strong element of continuity of strategy from previous years and was a particularly successful year for budgetary implementation. The macro-economic context within which the Fund operated in 1997 was one of a sound, albeit moderate, recovery of activity throughout the Union in an environment of stable economic fundamentals which allowed the beneficiary countries to meet the ambitious targets on budget deficits recommended by the Council.

In line with its decision of December 1995, the Commission undertook its spring examination of conditionality on 23 April. This was intended to verify whether Member States had respected in 1996 the recommendations of the Council with respect to the conduct of fiscal policy. The second examination took place on 8 December on the basis of the Commission's economic forecasts for 1997 during which the likely outcomes for general government deficits for the current year were discussed. As a consequence of these examinations, the Commission decided that financing from the Cohesion Fund could continue for Greece, Spain and Portugal.

Since Ireland was not in an excessive deficit position, no decision was required in this case.

It is worth adding here that the Council decided on 1 May 1998 that Spain and Portugal were no longer in an excessive deficit situation.

The Commission Agenda 2000 document

On 15 July 1997, the Commission published its policy thinking for the medium term and on the financial perspective from 2000 to 2006 in a document called "Agenda 2000 - For a stronger and wider Union". Draft proposals for legislation to translate these ideas followed on 18 March 1998. In relation to Union policies for social and economic cohesion, the Commission proposed that the Cohesion Fund should be maintained in its present form for the period 2000-06. This means that Member States with a per capita GNP of less than 90% of the Union average - even if they are joining the economic and monetary union - will continue to be eligible for assistance from the Fund. Macroeconomic conditionality would continue to apply. The Commission is proposing a budget of EUR 3 billion per year for the Cohesion Fund after 1999.

In order to prepare applicant countries for enlargement, the Commission is proposing the establishment from 2000 onward of a Pre-Accession Structural Instrument (ISPA). The Commission's intention is that this instrument should have a budget of EUR 1 billion per year to help applicant countries achieve Union standards in transport infrastructure and to adopt the Union acquis in the area of environment. Following logically from this focus on transport and environment projects, the Commission's proposal for the legal framework for ISPA is drafted along the lines of the Cohesion Fund Regulation.

Budgetary implementation

The budgetary implementation of the Cohesion Fund was very successful in 1997. The Fund fully implemented all its commitment and payment appropriations for the year. In the five years from the beginning of the Cohesion Fund in 1993 up to the end of 1997, the Fund has committed roughly two thirds of its overall allocation for the first phase, from 1993 to the end of 1999.

Over the first five years the assistance committed for each country has fallen right in the middle of the target percentage ranges of the total budget indicated for them in the Council Regulation establishing a Cohesion Fund. Under the Regulation, Spain should receive between 52% and 58%, Greece and Portugal between 16% and 20% each and Ireland between 7% and 10%. In addition, an amount up to 0.5% could be set aside for technical assistance measures on the initiative of the Commission.

In its fifth year of operation, the Fund also came close to the objective of an equal division of the budget between the environment and transport sectors. Transport took a larger share of the budget in the early years of the Fund but this has been offset by a growing share for environment projects in recent years. Over the five years 1993 to 1997, transport accounted for 50.8% of commitments and the environment sector for 49.2%. The Commission is confident that there will be no difficulty in achieving an equal balance between the two sectors for the whole period of the first generation Cohesion Fund from 1993 to 1999.

The Commission also intends to achieve a 50/50 balance between the two sectors in each individual country.

Transport

The European Parliament and the Economic and Social Committee have criticised the fact that the Fund has largely invested in the road sector. The Commission has never intended to concentrate excessively on road transport and has always urged the beneficiary Member States to submit other types of projects for funding. A significantly greater share of the transport budget went to railways in 1997, for instance, when almost a third of overall commitments for the sector were for rail projects. The share for rail was 38.7% of the amount committed to transport in Greece, 35% in Spain and 23.7% in Portugal. The share of rail financing in the total transport budget increased from 19.9% for the years 1993 to 1996 to 22.8% for the five years from 1993 to 1997.

Parliament has also called for more funds to be directed towards airports and seaports. The Commission has pointed out, however, that these types of activity are generally commercial in nature, often generating considerable revenues and reducing the need for grants from the Union budget.

The Fund is continuing to support the trans-European projects adopted by the Essen Council in 1994. Five of the 14 Essen priority projects are located in cohesion countries and in the five years to 1997 the Fund disbursed a total of ECU 1 502 million to help to implement these priority projects.

Environment

The actions of the Cohesion Fund are in line with the environmental objectives set out in Article 130r of the Union Treaty, namely preserving and improving the quality of the environment, protecting human health and the rational utilisation of natural resources. The strategy pursued by the Cohesion Fund for some years now has been to contribute to sustainable environmental conditions in the four cohesion countries. In 1997 the Fund continued to concentrate resources on the priorities of Community environmental policy, namely the abstraction and distribution of drinking water, waste-water treatment and the handling and treatment of solid waste.

The Cohesion Fund also initiated a major study to demonstrate the environmental dimension of transport and environmental projects it assists. This study, together with a video covering the same theme, were financed by the budget line which was specifically created by European Parliament. The results of the study and the video should be available before the end of 1998 and the Commission intends to distribute them widely.

Information and publicity

In 1997, as in previous years, the Fund participated in a large number of publicity events, seminars and workshops organised by the beneficiary Member States. On some occasions the Fund management had to remind the beneficiaries that they had not fully respected the conditions and obligations with respect to information and publicity. In June 1996, the Commission adopted a decision setting out the information and publicity obligations in relation to the financing activities of the Cohesion Fund. Following this decision, the Commission began to scrutinise more carefully the publicity obligations of the beneficiaries during its verification and control visits. Any non-respect of the obligations stemming from the Commission decision of June 1996 is treated as an infringement which could lead to a reduction of grant aid from the Union budget.

Evaluation

The year 1997 was a major landmark with respect to the evaluation of Cohesion Fund projects. As noted in previous annual reports, in 1995 the Fund commissioned the London School of Economics to develop economic methodologies, including econometric modelling, to estimate the socio-economic impact of the Fund. In early 1997, the Commission received the initial report. The main results were presented by the authors at a seminar in Brussels on 12 June 1997 to a wide audience including representatives from the European Parliament, the Economic and Social Committee, the Committee of the Regions, the Court of Auditors, the European Investment Bank, national ministries, regional and municipal authorities as well as interested academics. The study shows a strong positive relationship between public and private investment, resulting in significant long-term employment effects, and also important economic spillovers between regions and between the cohesion countries and their neighbours.

The obligation to carry out an *ex post* evaluation of the impact of the Cohesion Fund is imposed by Article 13 of the Cohesion Fund Regulation. In 1996, the Fund had decided to begin a programme of systematic evaluation of finalised projects. During 1997 the Commission agreed on the detailed terms of reference for an *ex post* evaluation programme which will run until the end of 2000 for the present generation of the Cohesion Fund. It is realistic to expect that some 120 projects will have

been evaluated by the end of 2000. In order to be representative, the projects selected for evaluation should cover the four countries and the sectors and sub-sectors which have been assisted. To ensure consistency and comparability across sectors and countries, the Commission decided to entrust the *ex post* evaluation programme to an outside assessor who could guarantee a harmonised approach and who could make available a multidisciplinary team to cover the four beneficiary countries.

In 1997 the tender process was initiated. In view of the importance of this project, the Cohesion Fund opted for a two-tier process. After publication in the Official Journal, two groups of consultants were selected from the wide range of applicants, ten for the transport sector and ten for the environment. These consultants were invited to submit their offers in accordance with a detailed document setting out the terms of reference which was provided by the Commission. The contracts were let in 1998 and the first results of *ex post* evaluation will become available in the autumn.

The Commission expects this programme to offer interesting insights and comparable results across the four beneficiary countries. Aspects that could be examined include the implementation of projects, possible causes of cost increases and delays and a review of cost/benefit analyses and environmental impact assessments. In the longer term, the results obtained should have a positive impact on project assessment and on the quality of project preparation. The Commission intends the process to result in improved prior appraisal and better monitoring of projects.

More emphasis on project monitoring

With roughly two thirds of the Fund's resources in the current programming period already committed to individual projects, the process of monitoring and following up on decisions from earlier years has gradually been gaining in importance over the appraisal and approval of new applications. As a consequence, verification and monitoring visits have become much more frequent. The Monitoring Committees in the four countries met eleven times in 1997. This total includes special committees set up to monitor particularly important and complex large projects (the Evinos dam and Spata airport projects in Greece, for example). At the Committee meetings and in the preparatory sessions all projects are carefully examined one by one and progress is monitored according to the targets and time-scale in the Commission decision. If special conditions were included in the decision, their implementation is also assessed. Where appropriate, the Commission urges corrective action and adjusts the terms of the decision.

Since the number of amending decisions has been growing rapidly, in autumn 1997 the Cohesion Fund negotiated a simplified consultation procedure for amendments which concern only minor adjustments to the initial Commission decision. Minor adjustments could include changes in the end date for the completion of works without affecting the amount of the Community grant or small adjustments of physical elements which do not significantly change the amount of Community grant or the overall objectives of a project.

Financial implementation

In 1997, as in earlier years, no case of fraud was discovered or reported by the Member States to the Commission anti-fraud unit (UCLAF). As part of the SEM 2000 exercise, intended to establish sound financial management of Union resources, the Structural Funds issued guidelines in 1997 to

clarify the eligibility of expenditure incurred by the beneficiaries in the member states. In parallel with this undertaking, the Cohesion Fund initiated a similar exercise and established principles governing the eligibility of expenditure using part-financing with Cohesion Fund assistance.

In autumn 1997, the Commission and delegates from the beneficiary Member States discussed a draft of the eligibility document that has been agreed within the Commission. The final version of the document takes account of the remarks forwarded by the Member States. It will be distributed in 1998 and then be appended to all grant decisions from the Fund as a supplement to the Financial Implementing Provisions.

Main developments in each country

The most important developments in each of the four beneficiary countries were as follows :

- **Greece**

Greece received ECU 493.5 million in assistance from the Cohesion Fund in 1997, with 43.7% of the total going to environmental projects and 57.3% to transport infrastructure.

Environment

During 1997 27 environmental projects were approved and a total of ECU 210.5 million (42.6% of the 1997 allocation) was committed to this sector. The Greek projects make a contribution to meeting the lack of environmental infrastructure in the provision and distribution of water (ECU 89 million), waste-water treatment (ECU 84 million) and environmental protection (ECU 36 million).

Waste-water treatment projects have benefited all regions of Greece. In 1997, two major new projects were approved: the second phase of the much needed waste treatment system for Athens (ECU 21.8 million for 1997) and assistance for the third phase of the water supply scheme for Athens.

Important waste disposal projects were also agreed for Thessaloniki and Katerini and the Commission is keen to see further development of this area in the future.

With regard to the protection of the natural environment, the Cohesion Fund approved a project in the Kalochori-Chalastra area. The Cohesion Fund also supported studies to identify other pilot projects.

Transport

In 1997, transport infrastructure accounted for ECU 283 million of Cohesion Fund support or 57.4% of the total allocation for 1997. Of this total, ECU 125 million was for road projects, ECU 110 million for rail improvements and ECU 48 million for airports.

In total, 21 projects were approved in 1997. The road traffic strategy seeks to complete the two principal road axes - the Via Egnatia and the Pathe (Patras-Athens-Thessaloniki-Evzoni) highway. Measures to benefit the rail network will cover the station complex and related infrastructure at Thriassio and the construction of the Thriassio-Elefsis-Corinth line.

- **Spain**

Spain received ECU 1 514.6 million in assistance from the Cohesion Fund in 1997, with 56.3% of the total going to environmental projects and 43.7% to transport infrastructure.

Environment

1997 saw an increased emphasis on environment projects. The Cohesion Fund contributed ECU 848.91 million to this sector in 1997.

Expenditure commitments for water supply projects amounted to ECU 188 million. The aims of these projects are to increase the number of people connected to a reliable water supply, to assure the supply of water to areas prone to drought and to improve water quality and quantity monitoring systems.

Waste management is another important area that accounted for 16% of the Cohesion Fund contributions for the year (ECU 136 million). A total of 14 Decisions were approved by the Commission, four of which amend earlier Decisions, covering a total of 63 projects.

Three urban environment projects were approved, two to improve the cleanliness of rivers, the Ebro at Logroño and the Arga at Pamplona in Navarre, and the third for the creation of a park along the Móstoles near Madrid. Further environmental projects in Spain relate to reafforestation and erosion control; ten new Decisions were taken and a further six previous Decisions were amended. The budgetary commitment to this sector totalled ECU 119.5 million.

Transport

The Cohesion Fund continued in 1997 to make an important contribution to the financing of Spanish infrastructure projects, principally road and rail links. A total of ECU 665.68 million of Cohesion Fund resources was committed to transport projects of which ECU 428.69 million was for road projects and ECU 232.84 million to rail. Most assistance continued to go to on-going projects approved in earlier years but some new Decisions were approved, principally concerning the completion of the Rías Bajas motorway, the completion of the Madrid-Valencia link and technical feasibility and design for the Salamanca-Fuentes de Oñoro link on the Autovía de Castilla.

The Cohesion Fund was active in 1997 in supporting high-speed rail projects that form part of the trans-European Network. The most significant development in the rail sector in 1997 was the decision to assist the construction of the first two sections of the Madrid-Barcelona High Speed link. This project, when completed, will have a major impact on travel times and capacity on the Madrid-Zaragoza-Lérida-Barcelona route. Additional assistance was also approved for the Mediterranean rail corridor project, which aims to raise speeds to 200/220 km/h on this important route and which will be completed next year.

- **Ireland**

Ireland received ECU 245.5 million in assistance from the Cohesion Fund in 1997, with ECU 134.1 million or 54.6% of the total going to environmental projects and 45.4% to transport infrastructure.

Environment

The activities in 1997 concentrated on the continued implementation of priority projects which had been defined in earlier years.

As in previous years, support continued to go to waste-water treatment projects within the main urban areas and in environmentally sensitive areas which are required by Community Directives to be completed not later than the end of the decade. Assistance also continued for groups of related water treatment projects in lake and river catchments with the aim of maximising the impact of aid already granted for the environmental protection of these areas. These projects are in the Lough Derg and Lough Ree areas and the River Boyne and the River Barrow basins.

Cohesion Fund assistance to water supply projects continued to be concentrated on large urban areas and areas where drinking water quality is particularly poor. A consultancy study carried out in 1996 showed that making better use of existing water resources and distribution systems through water conservation measures, is, in Irish conditions, often more cost-effective than the construction of new primary infrastructure. As a result, the Fund has made preventing water losses a priority for assistance and in 1997 water projects of this kind were supported in Dublin, Waterford, Cork, Limerick and Wexford.

Transport

Transport infrastructure accounted for ECU 111.5 million, or 45.4% of the 1997 allocation for Ireland. Over time, the balance of commitments to Ireland has moved from support for relatively small projects to support for large projects with multi-annual budgets and from the approval of new projects to the continuing implementation of major projects. This was particularly true in 1997 when no new transport projects were adopted. One notable feature of the year was the number of projects that were successfully completed.

The strategy in the transport sector in 1997 continued to be that defined in earlier years. The largest part of the budget (ECU 88.1 million) was used for the continuing implementation of major projects on the trans-European road network with most assistance going to projects on the Dublin-Belfast route, the Dublin ring road and the main radial routes from Dublin, particularly the Dublin-Cork/Limerick route.

In 1997, ECU 20.1 million was committed to rail projects. A group of projects, largely on the Dublin-Belfast and Dublin-Cork lines, was successfully completed and the bulk of assistance to the rail sector continued to be given to sections of the Dublin-Galway, Dublin-Sligo, Dublin-Waterford and Mallow-Tralee lines, which is a group of rail projects first approved in 1996.

As before, assistance to the port sector remained in line with the policy of concentrating on the four largest ports of Dublin, Rosslare, Waterford and Cork. Three port projects, two in Cork and one in Rosslare, were successfully completed in 1997.

- **Portugal**

Portugal received ECU 493.2 million in assistance from the Cohesion Fund in 1997, with 61.2% of the total going to environmental projects and 38.2% to transport infrastructure.

Environment

In 1997, 15 new environmental projects were approved for the protection of coastal zones, solid waste disposal, drainage and sewage treatment. ECU 302.36 million was committed for environmental projects in Portugal, 61.3% of the total 1997 Cohesion Fund budget for the year.

The treatment of waste water in Portugal is a main environmental priority and in 1997 it accounted for 29.2% of Cohesion Fund environmental assistance. Projects include: a major clean-up project for the Douro estuary, decontamination of the Vale do Ave, a group of actions for the treatment of waste water in Albufeira in the Algarve, improvement of the water treatment system of Beirolas in Lisbon and clean-up measures for the Trancão river in the Lisbon region.

A 1997 study on the preservation of coastal zones highlighted certain priorities and as a result the Fund has financed a project for the restoration and improvements of the lagoon system of the Ria Formosa and a similar project is being explored for the Óbidos lagoon system in the bay of S. Martinho do Porto.

A total of eight new projects were approved in 1997 for the treatment of solid waste amounting to a total investment of ECU 177 million with a Cohesion Fund contribution of ECU 150 million. These include: treatment and disposal of waste across 18 municipalities in the Minho region, in Feira/Gaia on the left bank of the Douro near Oporto, the left bank of the Tagus, Barlavento and Sotavento Algarvio, the Vale do Sousa, the Coimbra and Leiria regions and in the Vale do Ave.

Within the objectives set for the reduction of CO₂ levels, the Cohesion Fund will support the construction of a hydroelectric power station at Alqueva.

Transport

In 1997, the Commission approved seven transport projects representing a total investment of ECU 503.10 million, of which ECU 322.57 million are being provided by the Cohesion Fund.

Of these, four projects relate to port infrastructure at Sines, Lisbon, Setúbal and Leixões. A further section of the Lisbon-Madrid motorway between Montemor and Évora was also approved. The up-grading of rail transport on the northern line continued with the approval of assistance for a new link between Pampilhosa and Quintans, thereby further increasing the Fund's support for the railway sector.

For the first time in Portugal, the Cohesion Fund contributed to air transport measures by supporting improvements at the International Airport at Funchal on Madeira.

CHAPTER I**GENERAL BACKGROUND****1.1 CONVERGENCE AND THE ECONOMY IN THE COHESION COUNTRIES****1.1.1 GREECE**

Greece's revised convergence programme for 1994-99 is intended to provide an economic strategy and broad economic guidelines to ensure that by 1998 Greece would satisfy all the nominal convergence criteria set by the Union Treaty and achieve full participation in the third stage of EMU from 1999.

In the period 1994-96, the targets set by the revised convergence programme for the general government deficit were broadly met. Measures to widen the tax base, to combat tax evasion and to modernise tax administration may have contributed to this, albeit in a longer time horizon than initially projected. Efforts to rationalise and reduce primary public spending have been undertaken since 1997. In 1997, the State budget was on target as regards the deficit, in spite of a shortfall in budget revenue which was, nonetheless, fully offset by savings in expenditure. The general government deficit fell to 7.5% of GDP in 1996 and to 4.0% of GDP in 1997, in both years slightly below the targets set by the revised convergence programme. The general government debt ratio rose by 1.5 points in 1996 but declined by 2.9 points in 1997 to 108.7% of GDP.

Greece is considered by the Council to be a Member State whose deficit has been excessive within the meaning of Article 104c(6) of the Treaty since 1994. Under paragraph 7 of that Article, the Council has made annual recommendations to Greece that it should put an end to that situation.

1.1.2 SPAIN

In 1997 Spain's economic policy continued to be guided by the objectives of the convergence programmes of July 1994 for 1995-97 and by the new April 1997 convergence programme for the period 1997-2000. The main economic policy objectives remained unchanged in the new convergence programme; namely to meet the requirements for the third stage of EMU, achieve progress in real convergence and boost job creation.

The general government deficit was reduced from 4.6% in 1996 to an estimated 2.6% of GDP, below the convergence programme target of 3% of GDP. This deficit reduction owes much to discretionary cuts in public expenditure. It was also supported by the favourable impact of cyclical developments on tax income and transfers and by the effects on debt service of lower interest rates. For 1998, the budgetary target is 2.2% of GDP, 0.3 percentage points lower than in the convergence programme.

On 1 May 1998 the Council decided that Spain no longer had an excessive deficit.

1.1.3 IRELAND

In May 1997 Ireland presented to the Commission its third convergence programme, covering the period 1997 to 1999.

The stronger outlook for growth in the programme, since updated, is reflected in the revised perspective for public finances, which envisages a surplus of 0.4% in 1997, rising to 0.7% in 1999. The combination of strong growth and budget surpluses is expected to result in a decline in the debt ratio by an average of about 5½% per annum of GDP over the period of the programme. By 1999 the debt ratio should be comfortably below 60% of GDP.

At the same time, the authorities now estimate that the general government balance will show a larger surplus than expected at 1.0% of GDP compared with 0.4% of GDP in the updated convergence programme. The debt ratio, meanwhile, is estimated by the Commission to have declined by almost 7 percentage points in 1997 to 65.8% of GDP.

1.1.4 PORTUGAL

The new Portuguese convergence programme for 1998-2000 was formally adopted by the Portuguese government in March 1997. The government's intentions are to pursue budget consolidation while at the same time ensuring price and exchange-rate stability and providing stable macroeconomic conditions to enhance growth and employment.

Portuguese public finances have recorded a continued improvement since 1993. Benefiting in particular from noticeable gains in the efficiency of the tax collection process and the reduction of interest rates, the general government deficit fell from 6.1% of GDP in 1993 to 3.2% in 1996 and 2.5% in 1997. As regards public debt, the increase in the debt/GDP ratio followed a downward path in 1995. In 1997 it amounted to 62%, down from 65% in 1996. This favourable development was a result not only of the declining primary deficit but also of the reduction in interest rates on public debt and privatisation procedures.

On 1 May 1998 the Council decided that Portugal no longer had an excessive deficit.

1.2 EXAMINATION OF CONDITIONALITY

According to Article 6 of Council Regulation (EC) No 1164/94, assistance from the Cohesion Fund is conditional on the sound management of the general government balance. Assistance for new projects in a beneficiary Member State can be suspended if the Council decides that an excessive deficit exists in that Member State and if that decision is not abrogated in accordance with Article 104c of the Treaty.

1.2.1 INTRODUCTION

The budget position of the beneficiary Member States is monitored in accordance with the Commission Decision of 20 December 1995.

Every spring the general government deficits for the previous year are assessed using the Commission spring economic forecasts based on budget data for the past year reported by the Member States before 1 March. Every autumn the general government deficits for the current year are assessed using the Commission autumn economic forecasts, after verification of their reliability.

The conditionality clause has been a successful policy instrument to foster sustainable budget discipline. In 1993, when the Cohesion Fund was introduced, general government deficits in the four beneficiaries stood at 13.8% for Greece, 6.9% for Spain, 2.7% for Ireland and 6.1% for Portugal. In its 1997 autumn forecast the Commission anticipated deficits below the 3% threshold for Spain and Portugal, whereas for Greece the 3% target is forecast to be reached in 1998. Greece will then have shown the most remarkable consolidation process of all Union members.

1.2.2 COMMISSION DECISIONS IN SPRING AND AUTUMN 1997

On 23 April 1997 the Commission undertook the spring examination of conditionality, which had to check whether beneficiary Member States with an excessive deficit had complied with the Council recommendations on the conduct of fiscal policy in 1996. The examination was based on figures transmitted by the Member States to the Commission by the March 1997 deadline. After verification of the data and their confirmation in the Commission's 1997 spring Economic Forecast, the Commission concluded that it could continue to approve part-financing from the Cohesion Fund for new projects in Greece, Portugal and Spain until a new assessment of the deficit performance was carried out in autumn 1997.

The Commission undertook the second examination on 8 December 1997. This covered its estimates of prospective outcome in its 1997 autumn economic forecasts. In making its assessment, the Commission was confronted by the following situation.

The Council had set the annual general government deficit target for Greece for 1997 at 4.2% of GDP. In its autumn 1997 economic forecasts, the Commission had estimated the Greek general government deficit for 1997 at 4.2% of GDP, subject, however, to the opinion of Eurostat on the conformity of certain operations with the European System of National Accounts (ESA). Meanwhile, the Greek

Government submitted further evidence and gave political assurances that the general government deficit target of 4.2% of GDP would be reached in 1997.

In view of the assurances from the government and the inherent uncertainty of forecast figures, the Commission decided not to suspend Cohesion Fund financing for Greece. It warned the Greek authorities that suspension was possible from spring 1998 if the target recommended for 1997 was not met.

The Council had set the annual general government deficit target for Portugal at 2.9% of GDP. In its autumn 1997 economic forecasts, the Commission anticipated a deficit for 1997 of the order of 2.7% of GDP. The Spanish deficit target had been fixed by the Council at 3.0% of GDP. In the autumn 1997 economic forecasts, the Commission estimated the Spanish general government deficit at 2.9% of GDP.

Accordingly, Cohesion Fund finance for new projects and stages of projects in Greece, Spain and Portugal could continue.

Ireland has not been in an excessive deficit position and has therefore never faced a possible suspension of financial support from the Cohesion Fund.

1.3 POLICY ANNOUNCEMENTS

1.3.1 THE COMMISSION'S AGENDA 2000 DOCUMENT AND PROPOSALS

On 15 July 1997 the Commission presented its Agenda 2000 document, the objective of which was to give a comprehensive overview of the possible development of EU policies and of the accession applications, together with an assessment of the medium-term financial requirements. In the document the Commission made some important proposals affecting the Cohesion Fund:

- (1) A framework for the continuation of the Cohesion Fund
- (2) The financial perspective for the period 2000-06
- (3) The creation of a Pre-Accession Structural Instrument.

1.3.1.1 The future of the Cohesion Fund

There can be no doubt that even the most successful of the poorer Member States still have considerable gaps in infrastructure and other types of public goods when compared to average capital endowment in the Union. The Commission therefore considers that the Cohesion Fund, which was created under the Treaty of Maastricht, should continue as part of the European solidarity effort.

The Commission proposes retaining the Cohesion Fund in its present form from 2000 to 2006. Member States with a per capita GNP less than 90% of the Union average should remain eligible for assistance from the Fund, even if they were taking part in the third phase of EMU.

Macroeconomic conditionality should continue to apply. For countries taking part in the third phase of EMU, this will require compliance with the pact for stability and growth and in particular the stability programmes.

Eligibility under the criterion of a per capita GNP less than 90% of the Union average will be reviewed half-way through the period. The Commission proposes that the Cohesion Fund should have available, for all its beneficiaries, a total endowment of ECU 3 billion per year.

1.3.1.2 The Cohesion Fund as a model for the Pre-Accession Structural Instrument

In order to prepare the applicant countries for accession, the Commission proposes in Agenda 2000, in line with the conclusions of the Dublin European Council, that pre-accession aid should be granted from 2000 to all the applicant countries in central and eastern Europe. Under these proposals, this aid would complement the Phare programme, which has already been readjusted to take account of the priorities of accession and provide structural assistance totalling ECU 1 billion over 7 years (2000-06).

The aim is to help the applicant countries meet Community standards, particularly - as is currently done by assistance from the Cohesion Fund - in the fields of transport infrastructure and the environment. ISPA also contributes to acquaint these countries with how measures under the Community's policy on economic and social cohesion are implemented, since all the applicant countries should be receiving support from the Cohesion Fund and under Objective 1 of the Structural Funds as soon as they join.

The approach to this new structural instrument selected by the Commission, which is similar to that of the Cohesion Fund, was subsequently confirmed by the Luxembourg European Council on 12 and 13 December 1997. This instrument, like all other pre-accession aid, will form part of a single overall approach known as "partnerships for accession", which is the main component of the more vigorous pre-accession strategy.

Assistance from ISPA will be subject to a different type of conditionality from that required by the Cohesion Fund and will concentrate on transport infrastructure and the environment; rates of assistance could amount to up to 85% of public or similar expenditure. There will also be a minimum threshold for the total cost of projects to ensure that the measures part-financed have a significant impact on the sectors concerned.

Under the Commission's proposals, the beneficiary countries will be: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. These countries will remain eligible for assistance from the ISPA until they join the Union.

CHAPTER 2

MANAGING THE FINANCIAL ASSISTANCE PROVIDED BY THE COHESION FUND IN 1997

2.1 COORDINATION WITH OTHER COMMUNITY POLICIES

2.1.1 COMPETITION POLICY

Council Regulation (EC) No 1164/94 establishing a Cohesion Fund requires assistance from the Fund to be in keeping with competition policy. Accordingly, during 1997, consideration of applications for finance included an assessment of whether the measures part-financed by the Fund were compatible with the Treaty to ensure that this assistance fully respected Community competition rules, particularly those governing State aids.

As it has stated in previous reports, the Commission finds that this assistance does not normally raise problems of incompatibility with competition law, since it usually concerns projects for transport infrastructure or the protection of the environment which do not offer any particular advantage to specific firms, unless the rules on public procurement are infringed. This means that, as far as competition is concerned, Community checks continue to concentrate on the aspects concerned with free access to infrastructure for all those who meet the necessary technical and legal conditions.

2.1.2 PUBLIC PROCUREMENT

Since the Cohesion Fund was established, the Commission has paid particular attention to ensuring that Community legislation on public procurement is correctly transposed into national law and that the Community rules are scrupulously adhered to in the context of Community financial assistance. This is of particular importance in the case of assistance from the Cohesion Fund in view of its high rates of financial participation, which call for particular scrutiny by the Commission to verify open and fair access to markets.

In its verification missions, the Commission normally undertakes routine checks on compliance with the relevant Community directives on public procurement and the correctness of the selection procedures. Close monitoring by the Commission of projects approved by the Fund has over the years made its impact on the way national administrations understand and apply Community procedures for the award of public contracts and works. The Commission finds that national authorities and Monitoring Committees cooperate increasingly well and respond exhaustively to the questions it raises in the course of its consideration of applications for project finance and its monitoring of project implementation.

The examination of files at the approval or checking stage, which accompanies project implementation, may result in one of 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.

2.1.3 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 action in relation to the 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.

Furthermore, in July 1997, the Commission gave its agreement to a range of internal measures concerning integration. These improve and strengthen the internal procedures which it had adopted in 1993 and are intended to ensure that greater account is taken of environmental considerations when policy and administrative decisions are taken. Hence the European Parliament planned and adopted increased appropriations for the environment. As part of its policy on the dissemination of information, Parliament established the new budget heading B2-1600 ('Greening of the Budget') and the cohesion countries are invited to submit new projects to spread good environmental practices resulting from investment by the Cohesion Fund in that country.

2.1.4 TRANS-EUROPEAN TRANSPORT NETWORKS (TENS-T)

Developments on transport TENS policy are relevant for the Cohesion Fund because the TENS Guidelines provide the definition of the scope of intervention of the Fund, and because it is essential to ensure effective co-ordination between funding through the Cohesion Fund, and through other financial instruments, including the TENS Budget.

Concerning legislation, on 10 December 1997 the Commission adopted a proposal (COM(97) 681) amending the TENS guidelines Decision (1692/96/EC) to include seaports, inland ports and intermodal terminals in the TENS and to replace project No 8 in Annex III, "Motorway Lisbon-Valladolid" (one of the 14 "Essen projects") by "Multimodal link Portugal/Spain with the rest of Europe". The proposal identifies some 300 seaports, 36 inland ports and 210 intermodal terminals. The aim is to strengthen the position of intermodal transport in the TENS and facilitate a more efficient allocation of resources by avoiding duplication of projects. Since ports and inland transshipment centres are often focal points of economic activity (especially in peripheral regions), the proposed amendment should also help to coordinate regional development and cohesion efforts.

As far as specific TENS-T projects are concerned, concrete and encouraging progress was achieved this year in a large number of TENS projects implemented throughout the Union. The situation concerning progress of the 14 specific "Essen projects" is one of significant progress: three projects are near completion, and the rest are under construction or in an advanced state of preparation. Most will be completed by 2005. The Cork-Dublin-Larne-Stranraer rail link is worth mentioning: the upgraded Dublin-Belfast section of the project was completed in September 1997 thanks to Cohesion Fund support.

With regard to Community finance, the Cohesion Fund and the European Regional Development Fund continued contributing a substantial share to the financing of TENS-T in 1997.¹ Apart from the Cohesion Fund and the ERDF, a secondary source of Community part-finance for transport TENS is the TENS-T budget.

¹ ECU 1 901 million from the Cohesion Fund and ECU 527.4 million from the ERDF. During 1997, the EIB granted loans for a total of ECU 4 943 million (ECU 1 601 million for the 14 "Essen projects") and the European Investment Fund signed loan guarantees worth ECU 55 million.

To achieve coordination, during 1997 the Cohesion Fund and DG VII continued to maintain close contact in order to ensure a consistent approach to the implementation of TENs-T projects. Inter-departmental meetings took place regularly and intensive consultations took place on TENs-T projects financed by the Cohesion Fund and the TENs budget. DG VII participated in the Cohesion Fund Monitoring Committees in the cohesion countries. The Cohesion Fund participated in the two meetings of the TENs financial assistance committee - transport sector.

In Agenda 2000 the Commission stressed the importance of creating new links with the central and eastern European applicant countries.

Following the adoption by the Commission of a Communication "Connecting the Unions' transport infrastructure network to its neighbours",² the Third Pan-European Transport Conference in Helsinki in June 1997 adjusted the corridor concept by including one new corridor, as well as defining four transport areas. Some of these corridors and areas link directly to the TENs in Cohesion Fund countries, and are therefore relevant for planning purposes. The Transport Infrastructure Needs Assessment (TINA) process is now working at full speed with the establishment of the technical secretariat in Vienna.

2.1.5 THE STRUCTURAL FUNDS

The Structural Funds, in particular the ERDF and occasionally the EAGGF Guidance Section, are normally consulted on applications and decisions, including amendments if they are substantial. The departments provide advice on specific issues for which they are responsible. These two Funds may also respond independently to requests for financial assistance in the above areas from the beneficiary countries.

Well established and permanent coordination arrangements are also necessary since Article 9 of Regulation (EC) No 1164/94 establishing a Cohesion Fund stipulates that no item of expenditure may benefit from both the Cohesion Fund and the Structural Funds. In addition, combined assistance for a particular project from the Cohesion Fund and any other Community source, such as for example the TENs-T budget, must not exceed 90% of total expenditure

As explained in earlier reports, the Cohesion Fund has put an appropriate consultation and coordination structure in place, with a twofold objective:

Firstly, according to the decisions of the Edinburgh Summit, the combined commitment appropriations under Objective 1 of Structural Funds and the Cohesion Fund should allow a real doubling of Community financial assistance for the Objective 1 regions in the four cohesion countries. In Spain, where only part of the country is eligible for assistance under Objective 1, a commitment allocation of ECU 7 950 million from the Cohesion Fund was included in the Objective 1 Community support framework for the period 1993 to 1999. In this way the Cohesion Fund contributes to the real doubling of Community assistance for Spain's least prosperous regions. As a 'non-regional' Fund, the Cohesion Fund does not record assistance granted under a

² COM(97) 172 final.

regional type of classification. Attainment of the aim of doubling in real terms the Union's solidarity effort for Spain's poorest regions lies entirely in the hands of the central and autonomous regional governments. In accordance with the principle of subsidiarity, the channelling of finance into these regions has to be assured by the national government, which has the authority to present to the Cohesion Fund appropriate applications for funding of projects in the regions concerned, and the Objective 1 Monitoring Committee should assess progress towards this target.

Secondly, under the Structural Funds programmes the Commission normally does not have prior knowledge of the assisted projects, while the Cohesion Fund finances exclusively individual projects. Through intense regular consultation and verification meetings, the departments responsible ensure that the same item of expenditure is not assisted from both the Structural Funds, especially the ERDF, and the Cohesion Fund. The ERDF and the Cohesion Fund have also participated in Monitoring Committees of the other Fund on a random basis.

These procedures have so far ensured that during the various control visits no case of double financing could be detected. As mentioned in previous reports, the Fund agrees, however, to support clearly identified stages of projects to which the ERDF may provided assistance for other stages, in particular for very large transport infrastructure projects.

2.2 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 explained its position in this regard in its communication in 1995 to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions³ in which it stated that, over the period as a whole, equal amounts of assistance should go to transport projects and to those 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.

The breakdown of commitment appropriations between the two fields, environment and transport, followed the trend of the period 1993-97 in all the cohesion countries:

Appropriations committed by the Cohesion Fund
(by year) (ECU million)

YEAR	TOTAL	ENVIRONMENT		TRANSPORT		TECHNICAL ASS	
		amount	%	amount	%	amount	%
1993	1 564.8	606.0	38.7	958.3	61.2	0.4	
1994	1 853.1	923.4	49.8	929.2	50.1	0.5	
1995	2 151.7	1 042.2	48.4	1 107.6	51.5	1.8	
1996	2 443.6	1 217.3	49.8	1 224.1	50.1	2.2	
1997	2 748.7	1 499.9	54.6	1 246.9	45.4	1.8	
TOTAL	10 761.9	5 288.8	49.1	5 466.1	50.8	6.7	0.06

³ COM(95) 509 final.

2.2.1 COHESION FUND AND ENVIRONMENTAL PROTECTION

The Commission has developed a careful prior appraisal procedure for investment in both the transport and environment 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; 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 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 such as, for example, the urban waste-water directive (91/271/EEC).

The Cohesion Fund commissioned a study on the application of this Directive in the four beneficiary countries. The reports are a very useful source of information on the sewerage network and provide a basis for agreements with the Member States concerned on investment priorities for projects in this field.

Under Directive 91/271/CEE, urban areas with a population of over 10 000 which discharge urban waste water into a sensitive area must provide tertiary-level treatment by the end of 1998.

In addition, areas with an equivalent population of over 15 000 people must have a secondary-level collection and treatment system for urban waste water by 31 December 2000.

There are other deadlines expiring in 2005 for other types of waste.

To facilitate compliance with the Directive by the cohesion countries, the Cohesion Fund gives priority in the waste water sector to projects which should be completed by 31 December 1998 and 31 December 2000.

The question of compatibility is not restricted to the period 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. Where this is not so, payments may be suspended and assistance reduced or even cancelled.

2.2.2 REINFORCEMENT OF THE TRANS-EUROPEAN TRANSPORT NETWORKS IN 1997

In 1997 the Cohesion Fund committed a total of ECU 1 251 million to transport projects. This includes commitments to new projects or stages of existing projects, as well as commitments to projects approved in previous years (new annual instalments or amendments to earlier decisions). Total assistance committed since 1993 to TENs-T projects amounts to ECU 5 468 million, representing a very significant contribution to the further development of the Network in the four cohesion countries.

Road projects continued to account for the major share of the Cohesion Fund budget in 1997, ECU 708 million or 57% of the total committed. However, the share of roads was sharply down compared with earlier years in all four countries, especially Spain and Portugal.

Rail projects were the next most important section in 1997, receiving ECU 408 million or 32% of the total amount allocated. Airport projects accounted for 9% of commitments and port projects for 2% with Vessel Traffic Systems accounting for the remaining 0.2%.

Commitments of aid to the main sectors of transport infrastructure in 1997, and globally from the establishment of the Cohesion Fund in 1993 to the end of 1997, were as follows:

Commitments to TENs projects by transport sector

Sector	Commitments 1993-96		Commitments in 1997		Total commitments 1993-97	
	ECU million	% of total	ECU million	% of total	ECU million	% of total
Roads	3 084.3	73.1	707.6	56.6	3 791.7	69.3
Railways	841.1	19.9	407.7	32.6	1 248.8	22.8
Ports	137.5	3.3	21.3	1.7	158.9	2.9
Airports/ATC	131.1	3.1	110.3	8.8	241.5	4.4
VTS *	23.1	0.6	4.2	0.3	27.3	0.5
TOTAL	4 217.1	100.0	1 251.1	100.0	5 468.2	100.0

* Vessel Traffic Systems for maritime surveillance.

Commitments to TENs transport projects by Member State and sector:

Member State	Transport Sector	Commitments 1993-96		Commitments in 1997		Total commitments 1993-97	
		ECU million	%	ECU million	%	ECU million	%
Spain	Roads	1 786.1	74.6	428.7	64.4	2 214.8	72.4
	Railway	513.4	21.4	232.8	35.0	746.2	24.4
	Airports/ATC	73.2	3.1	0.0	0.0	73.2	2.4
	VTS	21.1	0.9	4.2	0.6	25.3	0.8
	TOTAL	2 393.9	100.0	665.7	100.0	3 059.5	100.0
Portugal	Roads	676.6	82.2	65.7	34.4	742.2	73.2
	Railway	113.0	13.7	45.2	23.7	158.2	15.6
	Ports	33.4	4.1	18.0	9.4	51.4	5.1
	Airports/ATC	0.0	0.0	62.0	32.5	62.0	6.1
	TOTAL	823.0	100.0	190.9	100.0	1 013.8	100.0
Greece	Roads	331.8	55.2	125.1	44.2	456.9	51.7
	Railway	143.8	23.9	109.6	38.7	253.4	28.7
	Ports	71.0	11.8	0.0	0.0	71.0	8.0
	Airports/ATC	54.7	9.1	48.3	17.1	103.0	11.6
	TOTAL	601.4	100.0	283.0	100.0	884.4	100.0
Ireland	Roads	289.7	72.3	88.1	79.0	377.8	74.0
	Railway	70.9	17.7	20.1	18.0	91.0	17.8
	Ports	33.1	8.3	3.3	3.0	36.5	7.1
	Airports/ATC	3.3	0.8	0.0	0.0	3.3	0.6
	VTS	2.0	1.0	0.0	0.0	2.0	0.4
	TOTAL	399.0	100.0	111.5	100.0	510.5	100.0
Total		4 217.1		1 251.1		5 468.2	

2.2.2.1 Roads and Motorways

Roads and motorways continued in 1997 to account for the largest share of the assistance granted by the Cohesion Fund although the share of the road sector was lower than in previous years. Assistance for roads and motorways came to ECU 707.6 million in 1997, or 56.6% of total assistance approved, compared with 78.4% in 1996.

In Spain, ECU 428.7 million was committed to road projects in 1997. The most notable developments in the year were the approval of five new road projects, including the final section of the Rías Bajas route between central Spain and Galicia, to which ECU 47.1 million was granted, and the final two sections of the Madrid-Valencia route, to which ECU 204.6 million was committed. The other two new projects in 1997 were a technical feasibility and design study on the Salamanca-Fuentes de Oñoro section of the Lisbon-Valladolid route (ECU 4.9 million in aid) and a

section of the ring road around Las Palmas, Gran Canaria, to which ECU 43.6 million was granted. Elsewhere, in Spain good progress was reported in the construction of other sections of the motorway network and twelve projects were completed in 1997, including the Madrid ring road and the Bailén-Granada route.

In Portugal, ECU 65.7 million (34.4%) was committed in 1997 to road projects. Two new projects were approved: a section of motorway between Montemor and Évora on the Lisbon-Madrid corridor and the Ponte de Lima-Valença section of the route between the north of Portugal and Galicia in Spain, which completes this corridor.

In Greece, a total of ECU 125.1 million was committed to road projects, of which ECU 59.7 million was committed to the north-south Pathe route and ECU 65.4 million to the east-west Via Egnatia corridor. On the Pathe corridor, ECU 23.8 million was granted for the Patras bypass. Nine separate stages were approved in the western and central parts of the Via Egnatia route, including the Kavala bypass.

In Ireland, ECU 88.1 million was committed to road projects, virtually all in annual commitments to large projects under construction. There were no entirely new projects.

2.2.2.2 Railways

In 1997, ECU 407.7 million was granted to rail projects and the share of the rail section increased sharply, from 18.1% of the total assistance granted in 1996 to 33.6% in 1997.

The main reason for the increase in aid to the rail sector was the approval of ECU 157.6 million in assistance for the construction of two initial sections of the Madrid-Barcelona high-speed line as well as continuing commitments to the rail sector in the other three countries. The HST project in Spain is one of the 14 priority transport projects adopted at the Essen summit in 1994 (see following section on the priority projects). Elsewhere in Spain, a further ECU 35.8 million was committed to improvement works in the Mediterranean corridor.

In Portugal, ECU 32.6 million in Cohesion Fund assistance was granted to continue the modernisation of the North and Beira Alta lines, including a new 34 km section of the North line between Pampilhosa and Quintans. Because of their strategic importance, both of these lines are now included in the Portugal-Spain-rest of Europe multimodal project (see section below).

In Greece, a new agency, Ergose S.A., was created specially to construct the Greek rail projects part-financed by the European Union. In 1997 ECU 109.6 million was committed to the rail sector, most of which went to projects approved in earlier years. One important new development in 1997 was a new agreement with the Greek authorities concerning the connection of the new container section, Ikonio II, in Piraeus, the largest port in Greece, with the rail network.

In Ireland, continuing work on track and signalling projects on the main lines radiating from Dublin (other than the Dublin-Belfast and Dublin-Cork lines, which have already been completed) received ECU 20.1 million in assistance in 1997.

2.2.2.3 Ports, airports, ATC and VTS

The port sector accounted for ECU 21.3 million in Cohesion Fund assistance in 1997 (1.7% of the total amount committed) while airports accounted for a further ECU 110.3 million or 8.8% of the total budget.

In the port sector, ECU 18 million was committed to four projects in the main Portuguese ports of Leixões (improved access and up-grading), Sines (multi-use terminal), Lisbon (expansion and improvement of the Sta Apolónia/Poço do Bispo sections) and Setúbal (integrated information system). In Ireland, ECU 3.3 million was committed to four projects in the ports of Dublin (extension of container terminal), Cork (completion of the passenger ferry terminal and purchase of a new tug) and Rosslare (completion of harbour improvement works).

In the airport sector, ECU 110.3 million was granted in 1997. Of this total, ECU 62 million was committed to the extension of the runway at Funchal airport on Madeira along with other improvement works at the airport. The only other airport project to receive assistance in 1997 was the continuing construction of the new Athens airport at Spata, for which ECU 48.3 million was committed. No new amounts were committed for the air traffic control (ATC) sector.

An additional ECU 4.2 million was granted to the Vessel Traffic System group of maritime surveillance projects around the coast of Spain.

2.2.2.4 Essen priority projects

Of the fourteen projects adopted by the Essen European Council in December 1994, five are located wholly or partly in the cohesion countries. The Cohesion Fund has granted substantial assistance to help to accelerate implementation of these projects.

The Fund's involvement with these projects to the end of 1997 may be summarised as follows:

- **High-speed train South**

- **Madrid-Barcelona-Perpignan**

As mentioned previously, ECU 291.8 million was committed to the construction of the first two sections of this project, of which ECU 157.6 million was from the 1997 budget. The two sections are those between Calatayud and Riela and between Zaragoza and Lérida. Technical and design studies of these sections were the subject of a grant decision by the Cohesion Fund in 1993. The sections of the project being part-financed by the Cohesion Fund are expected to be completed by the end of 1999. When the entire project is completed, the journey time between Madrid and Barcelona will be more than halved, from six and a half hours at present to under three hours, and capacity on the line will be more than doubled.

- **Madrid-Vitoria-Dax**

Up to the end of 1997, no request for Cohesion Fund assistance had been received.

- **Motorways in Greece**

- **Patras-Athens-Thessaloniki-Bulgarian Border (Pathe)**

As mentioned earlier, ECU 59.7 million was committed to the Pathe corridor, of which ECU 23.8 million was for a new contract for the Patras ring road. A number of archaeological problems on the route have now been resolved and the Cohesion Fund committed more than ECU 36 million for archaeological works and land purchase. The administration of the projects also improved during 1997.

- **Igoumenitsa-Thessaloniki-Alexandropoulis-Turkish Border (Via Egnatia)**

Progress on the implementation of the major east-west route in Greece continued in 1997 and a further ECU 65.4 million in Cohesion Fund assistance was approved for nine separate phases, chiefly for the construction of different parts of the Igoumenitsa-Pedini section and the Kavala bypass and for continuing studies. In terms of future work, in 1997 fourteen new sections totalling 135 km in length were tendered for and ECU 65 million in additional Cohesion Fund assistance was requested. Improvements in the management and financial organisation of the projects on the corridor was also reported during the year.

- **Portugal-Spain-rest of Europe multimodal link**

The European Council in Dublin on 10 December 1997 approved a modification of the Lisbon-Valladolid road corridor which was replaced by the Portugal-Spain-rest of Europe multimodal link. This includes three major corridors on the Iberian Peninsula: Portugal-Galicia, Portugal-Irún and the south-western Lisbon-Seville corridor. Within Portugal, the project includes the main road and rail links along these axes. The port of Aveiro is also included in the maritime section, together with the ports of Leixões, Lisbon, Setúbal and Sines. The airports of Oporto and Faro and the new Lisbon airport are also covered. The previous section details the assistance to transport projects forming part of the multimodal project which was approved in 1997.

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

The track and signalling work assisted by the Cohesion Fund in the Republic of Ireland was completed by early 1997 and a new improved service between Dublin and Belfast began in October 1997.

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

Priority in Ireland continues to be given to the Cork-Dublin-Belfast corridor and a further ECU 44 million was committed in 1997 to projects along the route. Since 1993, Cohesion Fund assistance for the section in Ireland has totalled ECU 153 million. Substantial assistance will continue to be granted in future years. One important project on the corridor, the Portlaoise bypass, opened in May 1997 and substantial progress was reported in a number of other projects.

2.3 IMPLEMENTATION OF THE BUDGET: COMMITMENTS AND PAYMENTS

2.3.1 BUDGET AVAILABLE

At the Edinburgh European Council in December 1992, the Heads of States and Government agreed on the financial endowment for the Cohesion Fund over the period 1993-99, which provided ECU 15 150 million in constant 1992 prices for those Union members whose per capita GNP is less than 90% of the Union's average. The annual budgetary provisions are adjusted to allow for the Union's average annual increase in prices.

**Cohesion Fund Budgetary Allocations
Commitment appropriations**

Year	ECU million							Total
	1993	1994	1995	1996	1997	1998	1999	
Amount 1992 prices	1 500.0	1 750.0	2 000.0	2 250.0	2 500.0	2 550.0	2 600.0	15 150.0
Cumulated 1992 prices	1 500.0	3 250.0	5 250.0	7 500.0	10 000.0	12 550.0	15 150.0	
Amount Current prices	1 565.0	1 853.0	2 151.7	2 443.7	2 737.7	2 870.1	3 056.6	16 677.8
Cumulated current prices	1 565.0	3 418.0	5 569.7	8 013.4	10 751.1	13 621.2	16 677.8	

Commitment appropriations in current prices for 1999 are an estimate

This table shows the annual breakdown of allocations at 1992 prices and in inflation-adjusted values. By the end of 1997 the Cohesion Fund had used two thirds of the financial appropriations (at 1992 prices) initially provided by the European Council.

As in previous years, the budgetary authority (European Parliament and the Council) again decided in 1997 to transfer ECU 300 000 to a budget line managed by the Commission's Anti-fraud Coordination Unit (UCLAF). This transfer provided financial resources for combating fraud that might arise in connection with the management of financial flows from the Cohesion Fund. Section 5 of this report explains how the UCLAF unit used these funds.

Annex I to Council Regulation (EC) No 1164/94 establishing a Cohesion Fund sets out the indicative breakdown among the eligible Member States for 1993-99. The following table shows the indicative allocations as a percentage of total appropriations and how funds were shared out among beneficiary Member States over the whole period since 1993.

**Distribution of Cohesion Fund Resources
1993-97**

% of total appropriations

	Greece	Spain	Ireland	Portugal
Indicative allocation range	16 to 20	52 to 58	7 to 10	16 to 20
Actual allocation	18	55	9	18

2.3.2 BUDGET IMPLEMENTATION

Taking into account budgetary resources which could be carried over from previous years, in 1997 the Cohesion Fund had a total budget for commitments of ECU 2 748.70 million. Since it began operations in 1993, the Fund's record of budget implementation has always been remarkable. The result for 1997 is, however, outstanding, as the Fund could for the first time commit a full 100% of its annual appropriations.

Commitments and payments by beneficiary Member State in 1997 and in 1993-97

ECU '000

Member State	Commitments				Payments			
	1997	% of total	1993-97	% of total	1997	% of total	1993-97	% of total
Greece	493 484	18.0	1 932 193	18.0	573 229	24.7	1 214 281	16.1
Spain	1 514 595	55.1	5 917 634	55.0	1 018 219	43.8	4 079 112	54.1
Ireland	245 543	8.9	967 339	9.0	212 016	9.1	689 495	9.1
Portugal	493 233	17.9	1 937 797	18.0	518 031	22.3	1 554 449	20.6
Technical assistance	1 845	0.1	6 790	0.1	1 359	0.1	3 224	0.0
Total	2 748 700	100.0	10 761 753	100.0	2 322 854	100.0	7 540 561	100.0

The above table gives a complete overview for 1997 and for the whole period since 1993 of the distribution of commitment and payment appropriations by beneficiary Member State and of the amounts used under the technical assistance facility. Article 7(4) of Council Regulation (EC) No 1164/94 establishing a Cohesion Fund empowers the Commission to use up to 0.5% of the Fund's resources for technical assistance measures on its own initiative. As can be seen, the Commission has so far been prudent in using this possibility.

In 1997, payment appropriations, like commitment appropriations, were fully used. The table also shows that the allocation of payment appropriations largely follows the pattern of earlier commitments. It can also be seen that in 1997 Greece, which in previous years had been a low absorber of payments, made good some ground lost, increasing its total share in payments to 24.7%. In the course of its monitoring missions, the Cohesion Fund has occasionally discovered that national administrations are extremely slow in presenting to the Commission applications for payments to which they are entitled by progress made in implementing the projects. Such situations are regrettable since too slow an absorption of funds may result in the implementing authorities lacking funds, which may in turn slow down the physical implementation of the projects.

2.3.3 TRANSPORT/ENVIRONMENT BALANCE

In 1995 the Commission decided that, over the period 1993-99 as a whole and for each individual country, there should be an equal distribution of appropriations between projects in the area of trans-European transport infrastructure and environmental projects.

**COMMITMENTS AND PAYMENTS BY BENEFICIARY MEMBER STATE
AND SECTOR OF ASSISTANCE IN 1997**

<i>Member State</i>	<i>Total ECU million</i>	<i>Environment ECU million</i>	<i>% of total</i>	<i>Transport ECU million</i>	<i>% of total</i>
<i>Commitments</i>					
<i>Greece</i>	493.5	210.5	42.7	283.0	57.3
<i>Spain</i>	1 514.6	853.1	56.3	661.5	43.7
<i>Ireland</i>	245.5	134.1	54.6	111.4	45.4
<i>Portugal</i>	493.2	302.0	61.2	191.2	38.8
<i>Technical assistance</i>	1.9				
<i>Total</i>	2 748.7	1 499.7	54.6	1 247.1	45.4
<i>Payments</i>					
<i>Greece</i>	573.2	193.3	33.7	379.9	66.3
<i>Spain</i>	1 018.2	333.2	32.7	685.0	67.3
<i>Ireland</i>	212.0	64.4	30.4	147.6	69.6
<i>Portugal</i>	518.0	296.4	57.2	221.6	42.8
<i>Technical assistance</i>	1.4				
<i>Total</i>	2 322.8	887.3	38.2	1 434.1	61.7

The slight difference between the totals and those in the country tables is due to a different classification of the VTS.

This table shows budget implementation in 1997 for the environment and transport sectors, broken down by commitments and payments. The figures clearly indicate the effort undertaken to shift the balance towards the sectors, where there were some under-commitments in earlier years. In Greece the balance of commitments in 1997 had to be shifted towards transport projects, while the other countries had to increase the share going to the environment. The necessary shift to environment projects was most marked in Portugal. The table below demonstrates that in the beginning financial support was biased towards trans-European transport projects. However, as early as 1994, the balance between the two sectors for the beneficiaries as a whole was close to equilibrium.

**How the Fund has shifted the balance
towards environment projects**

	1993	1994	1995	1996	1997	1993-97
Environment	38.7	49.8	48.4	49.8	54.4	49.1
Transport	61.2	50.1	51.5	50.1	45.5	50.8

However, the results for the four beneficiary Member States taken together mask considerable differences between countries. The following table sets out by country and by sector commitments and payments made by the Cohesion Fund for the whole period since 1993. As can be seen, a further considerable shift towards transport infrastructure will be necessary in Greece whereas the three other beneficiaries will have to increase the share going to the environment, the biggest correction being necessary in Ireland.

**COMMITMENTS AND PAYMENTS BY BENEFICIARY MEMBER STATE
1993-97**

<i>Member State</i>	<i>Total ECU million</i>	<i>Environment ECU million</i>	<i>% of total</i>	<i>Transport ECU million</i>	<i>% of total</i>
<i>Commitments</i>					
<i>Greece</i>	1 932	1 048	54.2	884	45.8
<i>Spain</i>	5 918	2 858	48.3	3 060	51.7
<i>Ireland</i>	967	455	47.0	512	53.0
<i>Portugal</i>	1 938	924	47.7	1 014	52.3
<i>Technical assistance</i>	7	:	:	:	:
<i>Total</i>	10 762	5 285	49.1	5 470	50.8
<i>Payments</i>					
<i>Greece</i>	1 214	638	52.6	576	47.4
<i>Spain</i>	4 079	1 243	30.5	2 836	69.5
<i>Ireland</i>	689	248	36.0	441	64.0
<i>Portugal</i>	1 554	604	38.8	951	61.2
<i>Technical assistance</i>	3	:	:	:	:
<i>Total</i>	7 541	2 734	36.3	4 804	63.7

The table also demonstrates that it is easier for the beneficiary countries to make payments for transport rather than for environment projects, only Greece being an exception. Combining the information given in the above tables shows that by the end of 1997 the Cohesion Fund had implemented a maximum of about 65% of total possible commitments (at current prices) from its allocation for the whole period from 1993 to 1999 and could pay about 45% of its funds to the beneficiaries.

2.4 THE FUND IN EACH MEMBER STATE

2.4.1 GREECE

Total assistance granted to projects approved for Greece in 1997 amounted to ECU 493.5 million. Financial commitments for environmental projects totalled ECU 210.5 million, or 42.7% of the

assistance granted to projects in Greece in 1997. Financial commitments for projects in the transport sector totalled ECU 283 million, or 57.3% of the total assistance granted to Greece.

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

COMMITMENTS OF ASSISTANCE FOR PROJECTS IN GREECE (1997)

Environment	Assistance (ECU)	% of total
1 Water supply	89 348 352	18.11
2 Waste-water and treatment	84 483 507	17.12
3 Protection of the environment	36 620 774	7.42
Total 1	210 452 633	42.65
Transport	Assistance (ECU)	% of total
1 Roads	125 079 057	25.35
2 Rail	109 614 785	22.21
3 Airports	48 317 931	9.79
Total 2	283 031 446	57.35
Total 1+2	493 484 079	100

2.4.1.1 Environment

2.4.1.1.1 *General*

During 1997 the Cohesion Fund continued to finance a number of environmental projects which are helping to overcome the considerable shortage of infrastructure for the supply and distribution of water, the treatment of waste water and waste management. Despite on-going financial support for environmental infrastructure from Community Funds, needs far outstrip the investment so far made.

The activities in this field have been undertaken in synergy with the action of the ERDF which co-finances environmental projects mainly in the framework of the "Environment" Operational Programme and the 13 Regional Multifund Operational Programmes of the CSF 1994- 1999 for Greece.

Like those of the Cohesion Fund, the above mentioned programmes are co - financed projects related to water provision, wastewater treatment, biotope protection and waste management. The size of these projects, (in terms of scope and budget), is as a rule less important than the size of the CF projects. Nevertheless, the number of ERDF projects is important and the total amount of funding remains very significant in budgetary terms. Systematic inter - service consultation ensures proper co-ordination and the avoidance of double funding.

Cohesion Fund assistance in this field follows the objectives of the Fifth Programme on the Environment and Sustainable Development as part of an overall and coherent strategy. Priority continues to be given to projects for the supply and treatment of water, the treatment of waste water and waste management. As the Table below shows, assistance from the Cohesion Fund for environmental protection in Greece in 1997 accounted for 42.7% of Community assistance to that country. The breakdown of assistance by Objective is as follows:

- water supply: financial commitments totalling ECU 89 million, or 18%;
- treatment of waste water: financial commitments totalling ECU 84 million, or 17%;
- nature protection: financial commitments totalling ECU 36 million, or 7.5%.

It should be noted that during 1997 there was a substantial improvement in the treatment of waste as a result of the concern of the Greek authorities to develop this sector.

The Cohesion Fund provided assistance for waste water in all the Greek regions based on the following principles:

- (a) the adoption of projects which are as complete as possible, operational and consistent with a global and integrated strategy in line with the economic and social development of each region;
- (b) -the protection of the environment, since the projects adopted as priorities are mainly those benefiting towns close to a sensitive area or with a population of over 15 000 people and for which the Community schedule imposes certain immediate priorities (1998-2000).

Some major projects were also approved in 1997 .

- The biological treatment major project – second phase for Athens located at Psyttalia. The total cost of this project, which clearly meets a priority need, is ECU 152 million. Appropriations are being committed in annual instalments, the first, of Community assistance worth ECU 21.8 million, was made in 1997.
- The third part of the project to supply water from the Evinos to Athens at a total cost of ECU 48.6 million. Appropriations are being committed in annual instalments. The 1997 instalment provided Community assistance worth ECU 33 million.

Community assistance for the water supply project in Thessaloniki is also being committed in annual instalments.

Projects approved in 1997

TITLE	commitment ECU million	type of commitment
Environment		
Completion of sewerage treatment in tourist area of Thessaloniki	0.40	S.C.
Water supply at Ioannina	5.02	S.C.
Iraklio: Treatment station	5.76	C.A.I.
Psytalia-II Biological Treatment	21.88	C.A.I.
Didimotikho	1.37	S.C.
Chania-Kolybari	6.48	S.C.
Argos (No 94/09/61/059)	1.77	S.C.
Tripolis (No 94/09/61/059-1)	1.51	S.C.
Corinth (No 95/09/61/001)	7.69	S.C.
Patras waste-water treatment	8.08	C.A.I.
Water supply-Thessaloniki/Aliakmon	1.75	C.A.I.
Supply, drainage and treatment station. Ptolemais	5.95	S.C.
Yannitsa supply network / outside aqueduct	2.16	S.C.
Restoration of the Ano Liossia discharge	5.68	C.A.I.
Veria supply	1.49	S.C.
Flood control Thessaloniki. Khalastra. Kalochori	2.62	S.C.
Increasing the capacity of the Mornos aqueduct	8.78	C.A.I.
Waste water and treatment station at Krya-Vrissi	0.45	S.C.
Waste management. Katerini	2.33	S.C.
Waste-water disposal N.Kallikratia	11.19	S.C.
Restoration of former tip at Schisto	9.15	S.C.
Transfer station for waste at Thessaloniki	15.29	S.C.
Evinos dam phase III	33.09	C.A.I.
Water supply studies at Gadoura	1.84	S.C.
Didimotikho	2.41	S.C.
Messini sewerage network	2.34	S.C.
Centre for Research and Training on the environment	1.55	S.C.

S.C. = Single commitment

C.A.I = Commitment by annual instalments

In 1997 large projects were also approved on a multiannual basis; these included the biological treatment stations at Heraklion and Patras (two of the largest towns in Greece), the restoration of waste tips at Schisto and Ana Liossia (serving Athens) and at Thermi, Tagarades and Derveni, and a transfer station at Thessaloniki.

Other small and medium-sized integrated projects approved in 1997 include:

- Disposal of waste water at Didimotikho
- Disposal of waste water at Korinthos
- Disposal of waste water at Kolymvari/Chania
- Water supply and disposal of waste water at Argos
- Water supply and disposal of waste water at Tripolis
- Water supply, disposal of waste water and biological treatment station at Ptolemais
- Water supply to the towns of Veria, Yiannitsa and Ioannina
- Disposal of waste water and biological treatment station at Krya Vrissi
- Treatment of waste at Katerini
- Disposal of waste water at Messini

The projects approved include work such as the construction of sewerage networks, water supply, waste water disposal and biological treatment stations 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.

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.

2.4.1.1.2 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, 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. The Evinos project is continuing following approval of its third, penultimate, phase. Extension of the Mornos aqueduct was approved as regards the points where it enters the Athens urban area.

In the case of the project to supply water to Athens, the Cohesion Fund 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 also facilitated appointment of a project manager for the Athens water supply company (EYDAP) and approved finance for the management and transport of water (remote management and operation).

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, the engagement of a project manager and an obligation to complete the networks required. It has made considerable efforts to ensure that operations are coordinated and the project is implemented in the best possible conditions.

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 undertaken a thorough evaluation of the project to supply water to Rhodes and neighbouring islands as part of the environmental master plan for the Dodeccanese. Initial finance, mainly for studies, has been provided.

The Fund 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 Ioannina, Yannitsa, Veria, Ptolemais, Corinth and Argos.

2.4.1.1.3 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.

The second stage of the major project providing a biological treatment station for Athens located on the island of Psyttalia was approved. This is of the utmost priority and essential and was the subject of a thorough prior appraisal. When it comes into operation, it will help improve the water quality in the Gulf of Saronikos and so improve the environment of the urban areas nearby.

The second stage of the biological waste-water treatment station in Thessaloniki 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.

During 1997, as suggested by the Greek authorities, the Cohesion Fund gave greater attention to the on-going evaluation of this project. The two parties agreed on operational improvements to conclude the project.

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

- Didymothicho in Thrace;
- Heraklion and Kolymvari in Crete;
- Korinthos, Patras, Argos, Tripolis and Messini in the Peloponnese;
- Veria, Yiannitsa, Ptolemais, Kria Vrissi and Kallikratia-Ag. Pavlos in Macedonia;
- Ioannina in Ipiros.

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.

2.4.1.1.4 Waste management

During 1997 waste management generated greater interest although the Commission would like to see more projects submitted in this field.

The large projects approved this year include:

- a) restoration of tips at Ano Liossia and Schisto which receive waste from the Athens region.
These projects are intended to prevent and reduce pollution and its harmful impact on the environment and to improve the natural environment around the tips;
- b) restoration of tips and a study for the construction of a full transit station for waste from Thessaloniki.

The more specific aims of this important project are:

- 1) The improvement and protection of the environment – restoration of disused septic tanks and work to develop the sites at Thermi-Derveni-Tagarades
- 2) Construction of a transit station for waste to serve 600 000 to 800 000 people in Thessaloniki. This station should be built in the Derveni region.

The project for the treatment of waste from Katerini was also approved.

The Cohesion Fund, in cooperation with the Greek authorities, hopes to continue and diversify work in this field in accordance with Community priorities.

2.4.1.1.5 Pilot projects

Pilot projects on the use of new technologies for waste management (on the island of Egina) and as part of an integrated project (on the island of Santorini) were carried out. After the studies had been completed, discussions between the Cohesion Fund and the Greek authorities resulted in concrete progress such as the preparation of applications for finance in 1998.

2.4.1.1.6 Nature protection

During 1997 the Cohesion Fund financed studies on the protection of Lake Koronia. These should result in 1998 in the drawing up of a Master Plan and submission by the Greek authorities of an application for finance from the Cohesion Fund. Under the Ramsar Convention, the Greek authorities are providing full support for measures by the Cohesion Fund to protect this area which is a habitat threatened by extinction.

The Cohesion Fund also continued to consider a Greek project to combat forest fires.

During 1997, the Cohesion Fund approved a project to combat flooding and salination at Kalochori-Chalastra, an environmentally run-down area west of Thessaloniki.

2.4.1.2 Transport

2.4.1.2.1 *General*

The activities in this field are being undertaken in full coordination with the ERDF Transport Programme.

By part-financing the extension and modernisation of the Greek railway system and the Greek motorways, in particular Pathe and Egnatia, the two funding instruments are working hand in hand. This concerns the underlying improvement of the Greek system of public works as well as the setting up of efficient implementation agencies and the part-financing of specific projects to complete existing networks.

The main aim for the remaining period will be to complete these projects within the given legal, financial and time frame.

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) motorway;
- completion of the rail network:
 - (a) 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;
 - (b) by constructing a line to link Elefis, Thriassio station and the city of Corinth;
- construction of the new 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 Piraeus, 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 has taken account of future income.

The projects and the corresponding amount of assistance committed in 1997 are shown in the table below. The breakdown of assistance by sector is as follows:

- roads: financial commitments for ECU 125 million, or 25.4%,
- rail: financial commitments for ECU 110 million, or 22%,
- airports: financial commitments for ECU 48 million, or 10%.

The Cohesion Fund also part-financed studies on multimodal platforms ("freight villages") in Greece.

Projects approved en 1997

TITLE	commitment	type of commitment
Transport		
Electrified haulage on Pathe track	5.75	C.A.I
Technical studies for stage B of the Thriassio-Ikonio link	0.32	S.C.
Pathe, Patras bypass (K ₅ -K ₆ -K ₇ -A)	9.13	S.C.
Via Egnatia, Ladohori-Lykopodi	10.22	S.C.
Via Egnatia, Ag. Nikolaos-Koumaria	16.89	S.C.
Via Egnatia, Koumaria-Ag. Anastassia	11.91	S.C.
Via Egnatia, Polymylos-Veria; Peristeri-Panaghia	0.61	S.C.
Via Egnatia, Kavala bypass MR 4+937 to MR 9+400 (studies)	10.82	S.C.
Via Egnatia, Kavala bypass Ag. Sillas interchange	3.82	S.C.
Via Egnatia, Kavala bypass: six viaducts	7.12	S.C.
Via Egnatia, Kristalopigi-Psilorahi	4.02	C.A.I
Pathe Patras bypass of k1-k4 (MR 0+000-MR 2+890)	23.88	S.C.
Via Egnatia, Igoumenitsa-Grika	0.01	S.C.
Pathe, Iliki-Kastro, Kastro-Martino	4.33	S.C.
Pathe, Martino-Atalanti	0.97	S.C.
Pathe, Atalanti-Arkitsa	1.62	S.C.
Pathe, Arkitsa-Ag. Konstantinos	2.63	S.C.
Pathe, Skotina-Lithohoro	4.08	S.C.
Pathe, Lithohoro-Dion	4.46	S.C.
Pathe, Dion-Katerini	8.59	S.C.
3 studies for the port of Piraeus	0.02	S.C.

S.C. = Single commitment

C.A.I = Commitment by annual instalments

2.4.1.2.2 Roads

Egnatia motorway

During 1997 fourteen new projects were put out to tender with a total length of 135 km and so new financing requests for commitments of a further ECU 65 million were submitted to the Cohesion Fund. The projects approved by the Cohesion Fund were for different parts of the construction of the Igoumenitsa-Pedini section, the construction of the Kavala bypass and some studies (see table).

1997 was an important year for the organisation of the Egnatia Odos S.A. agency and also for the construction of the Egnatia motorway. In January 1997, after an international call for tenders, three firms of construction consultants were appointed, one for each sector of the road: Western sector: Sogelerg Ing SNC, Lahmeyer Int GmbH, OMEC Consulting engineers SA; Central sector: De

Leuw Cather Overseas Ltd.; Eastern sector: EGNACONSULT (Dorsch Consult, Sctauroute Int., ADO).

During the last months of 1997 the Cohesion Fund participated in the Monitoring Committee and the hand over of the project manager's work. The Cohesion Fund is following the progress of the renewal of the project manager's contract quite closely and has monitored the company's organisation and administration scheme since its creation.

A visit to the site of the Igoumenitsa-Pedini section resulted in a change to the route for environmental and cultural reasons. The ancient theatre of Dodoni has been completely bypassed by means of a tunnel. The other works at the section were progressing well and the first part of this section of the western sector has already been completed.

An initial study on finance for construction of the whole of the Egnatia motorway by concessions has been prepared. This study reviews the existing information, creates and develops economic models and investigates different financing schemes. It has been submitted to the Ministry of National Economy, which manages concession matters.

As a result of constant pressure from the Cohesion Fund and the ERDF with regard to concessions for the completion of the Pathe and Egnatia motorways, the Greek authorities announced at the end of the year that in January 1998 they would appoint a financial consultant of international standing to assist them in all work relating to the preparation of tender documents and concession contracts.

Pathe motorway

The Pathe motorway progressed this year and many of the archaeological problems have been resolved. The Cohesion Fund provided a further ECU 36 million for archaeological works, expropriations and improvements and about ECU 24 million for a new project on the Patras ring road. (See Table).

The project managers in the EYDE/Pathe service have improved their performance following persistent pressure from the Cohesion Fund and reports prepared by its consultants on compliance with the project managers' responsibilities under Annex VII to the Cohesion Fund financing decisions.

The Cohesion Fund stressed throughout the year the need for a computerised information system to provide information on the progress of the projects using physical indicators and to check the eligibility of all expenditure on both the Pathe and Egnatia projects. This was achieved after a series of inspection visits.

A decision was taken by the Cohesion Fund and the ERDF on the ceiling on expenditure for technical assistance, project managers and construction managers, which was not to exceed 4% of the total budget for each motorway project during its construction period.

2.4.1.2.3 Air Traffic Control project

The Cohesion Fund commissioned a study from an external consultant to clarify certain specific aspects and ensure that this ambitious project to modernise the air traffic control system in Greece was fully completed and made operational. Unfortunately, the project has been delayed as regards procurement of 3MSS Radar. Further delays are anticipated.

2.4.1.2.4 Road and rail network for the port of Piraeus

At the request of the Commission, the Greek railway authority (OSE) established a special company, Ergose S.A., to speed up the construction of projects part-financed by Community funds. It appointed Hellas Rail Consult S.A. as Project Manager. This is a technical consortium of four companies specialising in railway management, the Greek company Metrotech and three other European companies, Halcrow, Obermayer and ILF. As planned, transfer of the project files from OSE to Ergose S.A. was completed by 31 December 1997.

During this year, the projects approved continued to make progress, particularly as regards studies and preparations for track-laying through the opening of sections or tunnels and the construction of the bridges required for that purpose. The progress of all the projects was checked by representatives of the Cohesion Fund during specific visits during the year (see section 4.2. of this Report). The delays experienced in 1997 should be retrieved in 1998.

In addition to meetings of the Monitoring Committee for transport projects, several technical meetings were also held in May, September, November and December 1997 to speed up the transfer of files from OSE to Ergose and the procedures for obtaining the track-laying material (sleepers) required.

Particular mention should be made here of the information meetings held in Brussels in November 1997 when the Cohesion Fund Directorate met representatives of the Greek railway authority, its subsidiary Ergose S.A., acting as Project Manager, the Ministry of Public Works and the Environment, the Ministry of the National Economy and representatives of the Port of Piraeus authority to:

- a) reach agreement on amendments to the study linking the port of Piraeus – the new part of the port, the Ikonio II quay, for unloading container ships – to the Greek rail network through the marshalling yard to be constructed in the Thriassio complex. This link from Greece's largest Mediterranean port will enable some goods traffic to travel by rail, so providing the railway authority with some of the revenue required to maintain the network and even some of the funds required for the subsequent construction of new lines. This study is expected to be completed by June 1998;
- b) redefine the Piraeus ring road project to link this route which connects the passenger and goods parts of the port to the Athens ring road and the Pathe motorway.

These two projects will improve the final sections of road and rail TENs near to the port of Piraeus, on the outskirts of Athens.

2.4.1.2.5 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. Its total cost of ECU 2 150 million was financed by a grant from the Cohesion Fund, an EIB loan and public and private capital. The Community will contribute ECU 250 million from the Cohesion Fund and the EIB will provide ECU 1 billion. The commitment for 1996 was ECU 15.6 million and that for 1997 ECU 48.3 million. All the ECU 249 million provided by the Cohesion Fund for 1996 and 1997 has been used. 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.

2.4.2 SPAIN

2.4.2.1 General

To reach a balance in the budget allocation between transport and the environment in Spain over the period 1993-99, the Cohesion Fund sought to provide greater financial assistance to environmental projects so that over the period 1997-99 the breakdown would be 55% to environmental projects and 45% to transport projects.

In this respect, the results of the grants made to Spain for 1997 are very satisfactory, since 56% of the Cohesion Fund's contribution went to the environment and 44% to transport.

Grants to Spain for 1997

ENVIRONMENT			
1. Sewerage and water treatment	393 997 455	46.4%	
2. Water supply and quality control	187 815 833	22.1%	
3. Waste management	136 010 334	16.0%	
4. Urban environment	7 450 783	0.9%	
5. Reforestation/combating erosion	119 478 279	14.1%	
6. Maritime traffic system (VTS)	4 159 712	0.5%	
TOTAL ENVIRONMENT	848 912 396	100%	56%
TRANSPORT			
1. Roads	428 685 243	64.4%	
2. Rail	232 837 706	35.0%	
3. Maritime traffic system (VTS)	4 159 711	0.6%	
TOTAL TRANSPORT	665 682 660	100%	44%
TOTAL SPAIN 1997	1 514 595 056		100%

Section 2.4.5 describes Cohesion Fund assistance to the Canary Islands as one of the most remote regions, where it sought to promote the creation of the basic conditions for better integration and development.

2.4.2.2 Environment

The grants made to Spain in 1997 confirmed the environmental needs defined at national level, principally the provision of infrastructure for domestic water supply, the treatment of waste water, the management of urban, toxic and dangerous waste, reforestation, the improvement and recovery of the coast line and the urban environment.

The Commission adopted 65 new decisions on the environment which accounted for 56.05% of the total assistance granted to Spain by the Cohesion Fund. During 1997 this amounted to ECU 848 910 000 for eligible costs of ECU 1 585 000. In addition, decisions adopted in this field in 1995 and 1996 resulted in a financial commitment of ECU 126.6 million in 1997.

As in previous years, priority was given to water management projects, which absorbed 68.5% of the appropriations allocated to the environment in 1997 as compared with 50% in 1994.

The most significant sector was drainage and water treatment, where both the Autonomous Communities and the municipalities submitted projects, principally to comply with Community Directive 91/271/EEC on waste water and achieve the goals set for 1998 and 2000. Groups of projects were approved in Madrid, Barcelona and Valencia.

A larger number of large-scale projects concerning the provision of drinking water were submitted by the Autonomous Communities and the national government. They included desalination plants in Almeria, Alicante and Cartagena to ensure supplies of drinking water to cities in south-east Spain severely affected by the drought.

Waste management, and particularly the management of solid urban waste in accordance with the waste management plans drawn up by the various Autonomous Communities concerned, took off in 1996 and 1997. Outstanding examples are the plant for the treatment of special incinerable waste in Tarragona, the installation of integrated treatment of waste in Rubi and the integrated management of solid urban waste in the Autonomous Community of Madrid.

Projects were submitted under national or sectoral plans or in accordance with legislation adopted by the Autonomous Communities to ensure a significant impact on the sector concerned. It should be noted that the submission of aid applications by the regional and local authorities was much better as regards both the quality of the information supplied and the choice of projects than in previous years, particularly 1995, the first year when those bodies had direct access to finance.

Spain submitted groups of projects which were linked operationally, particularly in drainage and water treatment under the national plan for the sector, and groups of projects for the treatment of urban waste under the plan for waste being approved or legislation adopted at regional level and carried out by a number of Autonomous Communities and municipalities. Most of these were for complete drainage systems (collectors and treatment stations) or for the integrated management of waste (selective collection, treatment, exploitation, controlled discharges) under the regional plans

and the national plan. The experience of previous years and cooperation among all the administrations at Community, national and regional level undoubtedly contributed to these results.

The difficulty in proposing large-scale projects in other areas related to the environment was again reflected in 1997 by the submission by Spain of a number of applications in various sectors of assistance involving small amounts of money. This aspect is also linked to the strategy of decentralising implementation to a number of regional and local bodies.

SPAIN	Total cost	Assistance	Commitments 1997	%	No of Dec.	No of measures
Water supply and quality	289 471 812	243 108 884	187 815 833	22.1%	5	10
Waste	240 654 559	192 539 646	136 010 334	16.0%	14	63
Sewerage and water treatment	837 485 728	673 120 579	393 997 455	46.4%	30	225
Urban environment	14 305 993	11 444 794	7 450 783	0.9%	2	9
Reafforestation/combating erosion	198 500 902	167 348 459	119 478 279	14.1%	13	909
Maritime traffic system (VTS) 1997	4 893 779	4 159 712	4 159 712	0.5%	1	1
Total environment 97	1 585 312 773	1 291 722 074	848 912 396	100%	65	1 217

2.4.2.3 Transport

In 1997 the Cohesion Fund continued to make a substantial financial contribution to 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 665.68 million of assistance from the Fund was committed from the 1997 budget, representing 43.95% of the total allocation for Spain.

The Cohesion Fund decided to finance two sections of the TGV-South line linking Madrid, Barcelona and the French border, those between Calatayud and Ricla and between Zaragoza and Lérida. These form part of the fourteen priority transport projects approved by the European Union at the Essen Summit.

The high-speed road route between Madrid and Valencia was completed by finance for the last two sections, Atalaya-Motilla and Minglanilla-Caudete. This will provide a high-capacity link between these two major cities and make this part of Spain more accessible.

The Cohesion Fund financed in full a major study on the route and construction of the Salamanca-Fuentes de Oñoro section of the Castile motorway, which will be an international route extending the European system. The project also forms part of the plan for the trans-European network forming part of the priority projects approved by the Essen Council.

TENs Transport sector – SPAIN
Commission decisions 1997

Spain	Total cost	Cohesion Fund	% of total	Commitments from 1997 budget	Number of decisions	Total of individual projects included
Newly approved						
TENs roads	352 592 083	300 443 404	85%	85 080 356	5	5
TENs rail	343 253 971	291 765 875	85%	157 614 843	1	1
TENs ports including VTS	4 893 778	4 159 711	85%	4 159 712	1	7
Amending decisions						
TENs roads	50 292 961	42 749 018	85%	42 749 018	4	2
TENs rail	42 086 270	35 773 330	85%	35 773 330	1	1
Total transport	793 119 063	674 891 339	85%	325 377 259	12	16

2.4.2.4 Implementation of decisions

2.4.2.4.1 *Environment*

The following paragraphs highlight the most important projects in the field of the environment adopted by the Cohesion Fund up to 1997 and the way they have developed:

- Treatment of waste water:

Spanish policy on drainage and water treatment

This sector became a major priority in Spain's environmental policy following the adoption, in February 1995, of the national plan for drainage and water treatment. This plan, whose main aim is to facilitate implementation of Directive 91/271/EEC, is an essential tool which lays down the main measures to be carried out in each region and seeks to coordinate assistance among the main public administrations involved.

The situation in this area when the plan was drawn up, with 46% of the population covered not having sewerage systems which met the requirements of the Directive and the imminent deadlines (1998 for sensitive areas and 2000 for urban areas with more than 15 000 inhabitants), gives an idea of the enormous amount of investment with which the administrations concerned had to cope. This is why Community part-financing, and particularly the Cohesion Fund in view of the high rates of assistance it could grant, are of key importance for implementation of the plan.

Of the 12% of the appropriations available from the Cohesion Fund for the environment for 1993-94 and the 22% for 1995, sewerage and water treatment absorbed 45% in 1996 and 46% in 1997. These figures reflect assistance totalling ECU 1 260 million towards projects worth ECU 1 552 million. Forecasts based on projects announced up to the end of 1999 and expected investment by

the Spanish authorities in 1995-2000 suggest that the Cohesion Fund will assist almost 30% of the measures in the 1995 Spanish drainage plan.

The projects financed by the Cohesion Fund in 1993-97 are located in the 17 Autonomous Communities and were submitted by the three types of administration involved: national, regional and local. The main measures reflect the main priorities in the national plan, which include the construction of infrastructure in the sensitive areas, the completion of infrastructure in the largest urban areas and concentration on the Mediterranean coastline, which has a very high population density, five times the Spanish average, and a very large seasonal component because of the large number of tourists, sometimes three times the resident population. Sewerage in the coastal cities of Cantabria is also very important.

Projects approved in 1997

A more detailed analysis of the new measures financed in 1997, which accounted for 46% of the appropriations available for the environment, shows that 30 decisions were adopted: eight amended existing projects (expected cost increases or the inclusion of further measures) and 22 covered a total of 173 new measures. Apart from two decisions which are the responsibility of the central government (two systems in the region of Valencia and one at Lluçmajor, to complete the sewerage system in Palma Bay on the Balearic Islands, which has been declared a sensitive area) and four for which a municipality is responsible (one of which concerns part of the sewerage system for Madrid which was submitted in 1996), the other new projects were submitted by regional authorities. Most are groups of projects part-financed by the regions and the Cohesion Fund for 1997-99. These regional projects are part-financed at a rate of 80%.

Three large groups of measures were adopted for the regions of Valencia (12 measures costing a total of ECU 93.8 million), Catalonia (30 measures costing a total of ECU 83.6 million) and Andalusia (8 measures costing a total of ECU 66.6 million). In view of the size of these applications, the decisions were adopted in annual instalments, giving rise to a commitment for 1997 of ECU 80.7 million. In each case, the measures include a number of complete sewerage systems or the modification of certain existing treatment stations, some of which serve very large cities in these regions (Seville, Málaga, Cadiz, Valencia, Sabadell and Terrasa). Aragon is another region which has benefited from adoption of two new decisions covering nine sewerage systems, costing a total of ECU 29 million, which will permit construction of the main infrastructure required to comply with Directive 91/271/EEC. The Autonomous Community of Madrid also received part-finance to carry out eight measures in its regional sewerage plan at a total cost of ECU 22.8 million. Another major system is being financed in Asturias, for cleaning up the downstream section of the River Nalón (total cost ECU 34.8 million). This supplements the upstream measures carried out by the national government, a large part of which was part-financed, initially by the ERDF and then by the Cohesion Fund, from appropriations for 1993 and 1994. Following assistance for the first phase from the ERDF, the Cohesion Fund contributed to the overall system to clean up Santander Bay, granting part-finance for the second stage towards the total cost of ECU 22.8 million.

Several decisions concerned drainage measures in the National Parks or protected areas: one covered 54 measures in Andalusia costing a total of ECU 20.7 million, one covered 17 measures in Extremadura costing a total of ECU 9 million and a number of measures in mountainous areas of Castile-Leon were the subject of a decision which also includes other measures (for example, a

treatment station for the town of Zamora near the Portuguese border which will reduce the effluent discharged into the river Duero) costing a total of ECU 27.2 million.

In considering the projects, particular attention is paid to whether the infrastructure complies with the environmental requirements of Community legislation. Treatment levels planned must meet the standards set by Directive 91/271/EEC. In this regard, the Cohesion Fund refuses to finance collectors which will not be connected to an appropriate treatment system before they come into operation. Assistance decisions contain a clause which makes payments dependent on this connection. In some cases, applications have been made for assistance to complete part of a system already part-financed. This was the case for the Aljarafe III treatment systems, near the Doñana National Park in Andalusia: a further ECU 11 million was granted in 1997 to finance collectors which will be linked to the treatment stations part-financed in 1994. It also applies to the project concerning collectors adopted for the city of Murcia (costing a total of ECU 24 million), one of the treatment stations for which was financed in 1994. The Spanish authorities have already stated that in 1998 they will submit other projects to complement measures financed in the past

A further important point concerns disposal of sewage sludge, which hitherto has usually been discharged. Now the responsible authorities are increasingly seeking to exploit it for agricultural purposes. In such cases the decisions contain a clause to ensure compliance with Directive 86/278/EEC. A good example of increasing extent to which this waste is used is the project financed in 1997 in Extremadura, at a total cost of ECU 11.6 million, which concerns two factories to compost sewage sludge from the main treatment stations in the region to use it for agricultural purposes. Provision for the reuse of treated water is also important in areas where water resources are limited. As long ago as 1993, the Cohesion Fund financed a project to reuse treated water to water public parks in Madrid at a total cost of ECU 8 million; further assistance of ECU 3.8 million was granted in 1997. A further example of reuse is the project financed on the Canary Islands to enlarge the Adeje-Arona treatment station on Tenerife by the introduction of tertiary treatment so the water can be used for watering of agriculture. Further assistance of over ECU 3 million will be adopted early in 1998.

Monitoring the implementation of projects

All the points listed above are carefully considered, not only when applications are examined but also during the monitoring of projects. When applications for payment are made, a check is carried out to ensure that the specific clauses relating to financial implementation have been complied with. Similarly, many points are covered during on-the-spot monitoring checks. During 1997 visits were made to all the projects financed in this sector in the same region to see how they complied with drainage policy in that region and with the targets in this respect set by the national Plan (and so with those set by Directive 91/271/EEC which it implements). The first visit was to projects financed in Asturias, which demonstrated that the measures financed in 1993 and 1994 were consistent with completion of the drainage systems financed by the ERDF. A second visit with the same object was made to the Balearic Islands and provided a full picture of drainage policy in that region. This method of monitoring the sector, which always has the technical support of an outside consultant, will be followed in the future.

Other points covered in 1997 concerning the management and monitoring of projects adopted in previous years included revision of the original financing plans and changes in the dates for the completion of works resulting from delays in implementation. Particular attention was paid to certain projects for which the national government is responsible and where the start of work was

unfortunately well behind schedule. A number of requests for information under Annex VI to the assistance decisions have been sent although no suspension procedure has yet proved necessary in the light of the answers given by the authorities responsible for these projects.

- **Water supply**

Spanish policy on water supply.

In preparation for approval of a National Water Plan, Spain has decided to produce a White Paper setting out goals and priorities in this area. The plan is now in progress.

At the same time, under the responsibility of the Water Confederations, plans have been drawn up for each catchment area which identify needs for water infrastructure at two levels. There are plans covering several Autonomous Communities and plans for individual Communities. The water confederations are responsible for laying down the relations between them with regard to water. The various "Consejo de Agua de Cuenca" have now approved the plans at inter-Community level and they should shortly be approved at national level by the National Water Council.

Projects approved in 1997

In 1997 the contribution from the Cohesion Fund to this sector accounted for 22% of the resources available for environmental projects, some ECU 188 million for 10 projects covered by five decisions.

The decisions adopted in this sector relate principally to three goals:

- increasing the number of people served by constructing infrastructure to ensure the distribution of drinking water, facilitating the sustainable development of the area in question and improving water quality to the levels laid down by Community Directives, including, for example, the supply of drinking water to a number of municipalities such as those in Castile-León and supplies to the Mediterranean coastline of Andalusia and major urban areas such as Seville and Madrid, which had already received finance in previous years;
- providing drinking water to those suffering from drought, so improving health conditions and the quality of life of those concerned. To achieve this, the Cohesion Fund financed desalination plants in Almería, Alicante and Cartagena, in addition to those already financed in Palma de Majorca, Calvia, Ceuta and Tenerife. It regards these as the best way of securing high-quality water supplies which comply with the Community Directives and of overcoming the restrictions imposed by the water shortage;
- improving installation of systems providing information on water through establishment of such a system on the Tagus and the extension of measures for hydrological and environmental improvements (PICHRA) which the Cohesion Fund has financed since 1994.

The infrastructure financed also contributes to the conservation of aquifers, limits over-exploitation of ground water and checks erosion and desertification as required by the Fifth Community Programme on the Environment and Sustainable Development.

No works to offset the impact of unaccustomed drought have been financed as a matter of urgency since 1995, when three Decisions were adopted to supply water to towns where the situation was critical.

Monitoring the implementation of projects

The Cohesion Fund stepped up the monitoring of projects in this sector through sectoral visits to secure greater knowledge of the general background to the project, to meet the bodies responsible for decisions on and implementation of the project, such as the Water Confederations, and to learn of the specific difficulties encountered in carrying out the works. This approach has favoured directing finance towards integrated systems (channels, conduits, pumping stations, dams, etc.), rather than individual measures to make clearer the consistency and strategy in the works financed.

To this end the Cohesion Fund visited water supply projects in Madrid, Ceuta and Melilla.

The projects considered and visited in Madrid gave a general overview of the whole of the system for supplying water to Madrid and of the methods used to manage water resources for projects financed by the Cohesion Fund, which forms part of a vast system and guarantees regular supplies to urban areas.

On-the-spot monitoring of projects in Ceuta and Melilla, in liaison with the authorities of the Autonomous Cities, established the priorities for the submission of projects, whether complementary or new, concerning the integrated management of water resources in each city, in order to guarantee regular supplies to these areas suffering from drought.

- **Waste management**

Spanish policy on waste management

In 1995 Spain approved a national plan for dangerous waste for 1995-2000 and a national plan for the restoration of polluted soil to be elaborated between 1995 and 2005. These plans are based on agreement between the national government and the Autonomous Communities, which are responsible for waste management. The two plans lay down parameters for the danger from waste using the criteria set out in the Community Directives. They are in three parts, a description of the present situation, the goals for prevention and management and the financial resources required to implement the plan.

In 1997 Directive 94/62/EC on packaging and packaging waste was transposed into Spanish law.

A national waste management plan is being drawn up although most Autonomous Communities have such a plan, approved by their regional authorities. In some cases, this requires updating to include the new Directive on packaging.

Projects approved in 1997

The figure of ECU 136 010 334 for commitments under the 1997 budget for the waste sector corresponds to 16% of total commitments and represents an increase over previous years. Of the 14 new aid decisions covering a total of 63 projects, four concern amendments to add further points to decisions taken in earlier years.

Applications were submitted by the Autonomous Communities, which are responsible for waste management, and by the municipalities, which are responsible for collection and sometimes treatment.

The decisions adopted are in line with the Community priorities to develop the selective collection of waste at source, such as establishment of a pneumatic network to transport urban waste at Amézola (Bilbao), recycling, composting, use for heating and controlled discharges.

Outstanding was the construction of a unit to treat special wastes at Constantí (Tarragona) with an incinerator able to provide effective treatment for 30 000 tonnes per year in a multi-purpose rotary oven with a system to use the heat from the incinerator to produce electricity. This is a very advanced technology to reduce discharges of gas into the atmosphere. This project is important as a demonstration of what can be done and the incinerator should provide an example of the use of this type of clean technology which can be applied to the construction of other similar incinerators elsewhere in Spain.

The installation of integrated treatment of waste at Rubí, Barcelona, including the construction of an anaerobic digester with a capacity of 23 000 tonnes per year and a thermolysis plant with a capacity of 20 000 tonnes per year to provide advanced treatment of waste completes the management objective set when the first stage was approved in 1995:

- the recovery of contaminated soil in Andalusia follows the strategy set out in the national plan;
- construction of a safe unit at Baracaldo (Bilbao) is complementary to another project approved in 1995 which was designed to provide an overall solution to the serious problem posed by thousands of tonnes of pure hydrochloric acid and by soil contamination;
- the waste treatment centres in the Autonomous Community of Castile-Leon and closure of uncontrolled discharges which will be replaced by controlled discharges;
- the integrated management of solid urban waste in the Community of Madrid is intended to recover the raw materials in the waste in order to reduce the final quantity to be disposed of;
- some facilities for the storage of waste resulting from selective collection, transit facilities and improvements to tips on the Canary Islands.

Monitoring the implementation of projects

With regard to the management of projects adopted in previous years, there were some amendments to decisions to bring the financing plan and the schedule into line with the progress of the works and the preparation of interim and final payments in the light of the clauses in the decisions.

To improve project monitoring and secure better knowledge of problems which are delaying the start of work and the difficulties discovered during implementation, on-the-spot visits were organised. During the June meeting of the Monitoring Committee, a group of projects relating to waste from the municipality and Autonomous Community of Madrid which were approved in 1995 were visited.

Following submission of the integrated waste plan for Madrid with its overall view of waste management in the capital, visits were made to a selective waste collection centre “punto limpio”

and the area of Valdemingómez where the municipality of Madrid has a plant with a capacity of 1 200 tonnes per day providing full treatment of solid urban waste with recycling and composting units and an energy recovery unit which burns waste from the first unit. On this site, the Cohesion Fund financed treatment with activated carbon of the combustion gas from the energy recovery unit, automatic control of the loading and unloading of lorries and odour control to improve the environment of the fermentation area. The visit provided information on the progress of the work.

- **Improvement and restoration of the coastline**

The national government submitted a large number of projects concerning the coastline. As in previous years, they can be divided into three categories: 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 view of the difficulties presented by the projects adopted in previous years and the lack of budgetary resources, the Commission took no new decisions in this sector this year. However, decisions from previous years were amended to withdraw projects posing specific problems and those which could prevent the deadline for the completion of works being met.

- **Reafforestation and erosion control projects**

In 1997, ten new decisions and six amending decisions were adopted relating to reafforestation and erosion control projects in Spain. In total these involved ECU 167.3 million of assistance from the Cohesion Fund, of which ECU 119.5 million was committed from the 1997 budget.

These projects are derived from the Spanish Reafforestation Plan drawn up for the period 1995-99 and include a series of operations carried out under the responsibility of the Directorate for Nature Conservation of the Spanish Ministry of the Environment, and of the Autonomous Regions. The projects cover the following principal activities:

- ◊ replanting of vulnerable areas using appropriate tree and shrub species;
- ◊ treatment of existing forested areas to improve the vegetation and maintain an equilibrium between soil protection and forest cover;
- ◊ small infrastructure works to stabilise the banks of rivers and streams;
- ◊ reafforestation and treatment of areas damaged by fire or at risk of being damaged.

The projects are all aimed at fighting soil erosion and desertification in vulnerable regions and at protecting and regenerating forests damaged by fire. They extend over all the major river basins of Spain and represent a concerted response to the fact that an estimated 40% of the country's land area is faced with serious erosion problems.

The environmental content of the most recent set of projects to be approved has been assessed using a specially developed multi-criteria analysis. This has been used to rank each reafforestation project according to the type and diversity of species planted the incidence of fires in the areas concerned, and the erosion risks of the terrain. The results of the analysis are summarised in an overall index of environmental interest, with projects scoring under a certain figure excluded from Cohesion Fund financing. An assessment of the potential profitability of the projects has also been

undertaken based on the type of species planted. All of the projects are undertaken on public, non-agricultural land.

In late 1996 and early 1997 the Spanish authorities undertook a major review of the reafforestation and erosion control projects submitted for Cohesion Fund financing following a report by the Commission's Financial Control. The purpose was to ensure compatibility with the requirements of the Regulation, to coordinate the work of the various organisations involved, and to set up improved information systems. As a result of this review, the projects approved for assistance in 1995 were amended, while those submitted for assistance in 1996 were held back until 1997 to take account of the recommendations made.

A more effective monitoring system is now fully in place which allows the financial and physical progress of each project, or series of projects, to be followed closely.

- **Urban environment**

On the basis of the objectives of the Fifth Community Programme on the Environment and Sustainable Development and related Community Directives, three projects concerned with the urban environment in Spain were approved in 1997. Assistance totalled ECU 13 278 581.

In general these projects are intended to improve the quality of life in urban areas where environmental problems weigh most heavily on those living there. They also offer a variety of other benefits such as the establishment of green areas, the removal of contaminated soil and improved river water quality.

There are two projects to restore the environment of rivers which flow through towns. They include the restoration of natural areas, the improvement of river banks, the creation of green areas and parks in towns and the establishment of environmental cultural centres to protect rivers. In some cases, they also include the construction of collectors to avoid direct discharges into rivers, thereby improving water quality. The projects are: the "Plan for the environmental recovery of the Ebro at Logroño" and the "Integrated plan for the river Arga" at Pamplona (Navarre). The third project in this category is the creation of a nature park around a river, at Móstoles near Madrid, which was restored earlier using finance from the Cohesion Fund. Two of these projects were the subject of new Commission decisions and the third amends a decision approved in 1995.

Since the establishment of the Cohesion Fund, a number of projects have been developed for the urban environment. They include: the restoration of urban parks; the creation of green areas and the restoration of run-down sites; the restoration of rivers and the checking of atmospheric and noise pollution.

2.4.2.4.2 Transport

In 1997 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 networks.

A total of ECU 665.7 million of assistance from the Fund was committed to transport projects in 1996, representing 44% of the total allocation for Spain. This includes commitments for new projects, as well as commitments relating to the 1997 annual instalments of projects approved in previous years. Some amending decisions were also approved during the year. As shown in the following table, commitments for road projects in 1997 accounted for ECU 428.69 million (64.4% of the transport total) and those for rail projects ECU 232.84 million (35.0%).

Transport projects in Spain: 1997 commitments

	TOTAL COST ECU M	GRANT APPROVED ECU M	COMMITMENTS 1997 ECU M	%
ROADS & MOTORWAYS	2 302.140	1 956.555	428.685	64.4
RAILWAYS	841.338	715.137	232.838	35.0
OTHER (VTS)	4.894	4.160	4.160	0.6
TOTAL TRANSPORT	3 148.371	2 675.852	665.683	100.0

Note: includes projects approved in previous years

- Roads and motorways

a) *General strategy*

Road projects accounted for the major part of Cohesion Fund assistance in Spain in 1997, although the emphasis was somewhat less marked than in previous years. The importance of such investments reflects the need to complete and upgrade the extensive Spanish main road system in response to the rapid growth of road traffic. All of the projects supported by the Cohesion Fund aim to meet the objectives of the trans-European road networks and of the general plan for roads in Spain. These include the completion of the most heavily used motorway corridors; the connection of outlying regions with the major centres of economic activity; a reduction in 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 EU neighbours.

In line with these objectives, Cohesion Fund assistance was concentrated on the following main corridors:

Main road corridors in Spain

Corridor/section	Length* Kms	Cohesion Fund grant approved 1993-97	Situation at end 1997
Rías Bajas motorway (Galicia-Madrid-N. Spain)	306	766.6	Under construction (some sections complete)
Madrid ring road M40	35	282.8	Complete
Madrid-Granada (Bailén-Granada)	116	270.1	Complete
Zaragoza-Huesca-Somport- France (incl. Somport tunnel)	70	187.6	Under construction (one section complete)
Madrid-Valencia	123	328.3	Under construction (some sections complete)
Costa Cantábrica (Galicia-Irún)	38	102.1	Under construction (some sections complete)
Trans-Catalonia highway (Lérida-Gerona)	36	58.6	Under construction (some sections complete)

* section constructed or improved with Cohesion Fund assistance

grant approved under cohesion financial instrument and the Cohesion Fund to end 1997

b) Decisions in 1997

Five new road infrastructure projects were approved in 1997 involving total Cohesion Fund grants of ECU 300.4 million, of which ECU 85.1 million was committed from the 1997 budget. In addition, decisions relating to two existing projects (M40 Madrid ring road and the Gijón ring road) were amended with an increase in grant of ECU 42.7 million.

The new decisions relate to the following projects:

◆ **Rías Bajas motorway**

The final section (Benavente-Camarzana de Tera) of this major road corridor was approved for Cohesion Fund assistance in June 1997 with a total grant of ECU 47.1 million. Along with three other sections approved in 1995 and 1996, as well as earlier assistance for technical studies and design, this new decision increases total Cohesion Fund assistance for the whole project to ECU 766.6 million.

The Rias Bajas motorway, over 300 kms long, will significantly improve communications between Galicia and Central and Northern Spain and south-west France. It will also provide an important alternative outlet for traffic from north Portugal to northern Spain and the rest of Europe. A number of sections on the corridor have been completed and are open to traffic. The project as a whole is expected to be completed by the end of 1999.

- **Madrid-Valencia motorway**

The following two new projects, which will complete the Madrid-Valencia motorway, were approved for assistance in 1997:

Atalaya del Cañavate-Motilla del Palancar	35 Kms	grant ECU 101.9 million
Minglanilla-Caudete de las Fuentes	31 Kms	grant ECU 102.9 million

The Cohesion Fund has already financed two other sections of this corridor (Requena-Chiva and Motilla del Palancar-Minglanilla) as well as technical and design studies. Total assistance from the Fund since 1993 now amounts to ECU 328.3 million.

Although Valencia is one of Spain's major cities, with important industrial and commercial interests, it has remained without a complete motorway link to the capital, Madrid. The construction of the final sections of this road corridor with the financial support of the Cohesion Fund will significantly improve communications between the two cities and will contribute to the development of trade and economic growth.

- ♦ **Salamanca-Fuentes de Oñoro**

In 1997 approval was given to a project for the completion of technical feasibility and design studies on the Salamanca-Fuentes de Oñoro section of the Castile motorway. This section of road from Salamanca to the Portuguese border forms part of the Lisbon-Valladolid road corridor that was identified at the Essen Council as one of the 14 high priority TENs projects. These projects are now included in the guidelines for the development of the trans-European transport network. When complete the overall project will provide a major new route between Portugal, Spain and the rest of the EU.

The project in question was approved for total assistance of ECU 4.9 million and financed, exceptionally, at a rate of 100%, in view of its priority nature and the fact that it relates to preliminary technical studies.

- ♦ **Las Palmas ring road, Gran Canaria**

This project was approved for total assistance of ECU 43.6 million and relates to a section of the proposed ring road around Las Palmas between Plaza de América-Nueva Paterna and Nueva Paterna-Tamaraceite. The project is intended to relieve congestion in the city of Las Palmas and to reduce journey times for the estimated 34 000 vehicles per day which will use the road.

c) Progress of projects approved 1993-96

As 1997 was the fifth year of implementation of the Cohesion Fund, increased emphasis was given to monitoring projects approved in earlier years. This was done primarily via the information (physical and financial indicators) submitted by the Spanish authorities for the bi-annual Monitoring Committee meetings held in Madrid, and the information submitted when applying for intermediate or final payments of grant.

On the basis of this information it can be concluded that good progress has been made in the construction of the projects financed by the Cohesion Fund in Spain. During 1997 a large number

of projects were completed or were nearing completion, while the pace of work on the majority of the rest was generally consistent with that planned in the decisions granting assistance. In a few cases end dates have had to be modified to allow for unforeseen circumstances and/or changes to the projects. Projects completed and on which final payments of grant were made in 1997 were as follows:

93/11/65/017 Madrid ring road M40 Section 2
 93/11/65/010 Madrid ring road M40 Western and northern sections
 94/11/65/011 Novellana-Cadavedo bypass
 93/11/65/009 Requena-Chiva
 93/11/65/004 Lérida bypass
 95/11/65/010 N-1 Salvatierra Álava-Navarre
 95/11/65/009 Connection Guipúzcoa to Navarre
 95/11/65/011 Velate bypass N-121
 94/11/65/010 Gijón ring road

In addition to these projects, several others were completed and opened to traffic in during the year but did not receive a final payment pending submission of final reports. The most important were :

94/11/65/003 Bailén-Granada
 95/11/65/003 Motilla del Palancar-Minglanilla
 94/11/65/008 San Roque-Guadiaro

- **Railways**

a) *General strategy*

The Spanish authorities' "Plan director de Infraestructuras 1993-2007" includes a number of programmes for the upgrading of the rail infrastructure, including the development of high-speed lines, improvement of track, signalling and other structures on existing lines, and general safety and conservation measures. The Cohesion Fund has contributed to the financing of these actions wherever they relate to the development of the trans-European transport network.

Since 1993, Cohesion Fund assistance has been concentrated on the following main projects:

Main rail corridors in Spain

Corridor/section	Type of project	No of decisions	Cohesion Fund grant 1993-97 ECU million
Mediterranean corridor (Valencia-Tarragona-Barcelona)	Upgrading to 200/220 kph	4	357.9
Madrid-Valencia	Upgrading to 200/220 kph	3	141.8
Modernisation of conventional rail system	Upgrading, new infrastructure, signalling, etc.	1	94.3
Madrid-Barcelona-French border HST	New high-speed line	2	299.8

b) Decisions in 1997

Two decisions relating to railways were approved in 1997. The most significant was support for infrastructure work on two key sections of the Madrid-Barcelona high-speed line. This was adopted in December for total assistance of ECU 291.8 million, of which ECU 157.6 million was committed from the 1997 budget. The sections in question are between Calatayud and Ricla in the province of Aragon, and between Zaragoza and Lérida. Technical and design studies on these two sections were the subject of a 1993 grant decision under the cohesion financial instrument.

This new high-speed railway line was identified as one of the 14 high priority TENs projects by the Essen Council, and has subsequently been incorporated within the decision on the trans-European network guidelines. Completion of the project financed by the Cohesion Fund is expected by the end of 1999. The doubling of the line and modernisation of signalling and communications systems will permit an increase in capacity from the present 80 trains per day to around 200 per day, as well as improving the reliability and safety of the service. Once the whole line is finished and operational, it will have a major impact on communications between the Spanish capital and the cities of Zaragoza, Lérida and Barcelona. Journey times are expected to be cut as follows:

Journey times

	<i>Present</i>	<i>Projected</i>
• Madrid-Zaragoza	2h 59	1h 25
• Madrid-Lérida	4h 35	2h 00
• Madrid-Barcelona	6h 35	2h 40

The Spanish authorities have confirmed their intention of submitting additional sections of the Madrid-Barcelona HST line to the Cohesion Fund in 1998.

The only other decision relating to railways in 1997 was an amendment to allow for additional works, price increases and changes on the Mediterranean corridor project, involving an additional ECU 35.8 million of Cohesion Fund assistance.

c) Progress on projects approved 1993-96

Most railway projects financed by the Fund progressed during 1997 although delays have been experienced in some cases due to their size and complexity. Following confirmation from the Spanish authorities that the financing plans could be respected, the 1997 instalments on two major projects adopted in previous years were committed for a total of ECU 39.5 million (Mediterranean corridor and modernisation of rail system).

Projects completed in 1997 include the technical, feasibility and design studies on the Mediterranean corridor, and the project to upgrade the Madrid-Valencia railway line.

• VTS

A decision was adopted in 1997 granting ECU 8.3 million of Cohesion Fund assistance to several projects relating to the control of maritime traffic and the fight against marine pollution (Vessel Traffic Systems – VTS). This follows decisions covering several other similar projects adopted in

1993 and 1995. As in previous years, half the grant has been counted under the transport heading in the Cohesion Fund budget, and half under the environment heading, in view of the significant environmental importance of the projects.

The projects are located at various strategic points along the Spanish coastline in areas of heavy maritime traffic, including Bilbao, Santander, La Coruña, Vigo, Huelva, Cádiz, Algeciras, Ceuta, Tenerife and Cartagena. They form part of the Spanish system of centres for maritime traffic and have been implemented within the framework of the National Plan for sea rescue and the fight against marine pollution. Their objectives include:

- Surveillance of traffic and prevention of accidents
- Control of maritime traffic
- Prevention of marine pollution
- Reaction to port emergencies
- Advice on safety at sea

2.4.3 IRELAND

2.4.3.1 General

In 1997, the Cohesion Fund granted ECU 245.5 million in assistance to Ireland, of which ECU 111.5 million (45.4% of the total budget) was for transport projects and ECU 134.1 million (54.6% 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
1997**

Environment	Assistance granted (ECU million)	% of total assistance
1. Water treatment	70.6	28.8
2. Water supply	62.4	25.4
3. Solid waste	0.6	0.2
4. Technical assistance	0.4	0.2
Total 1	134.1	54.6
Transport	Assistance granted (ECU million)	% of total assistance
1. Roads	88.1	35.9
2. Rail	20.1	8.2
3. Ports	3.3	1.4
Total 2	111.5	45.4
Total 1 + 2	245.5	100

General Strategy

Over time, the balance of commitments of Cohesion Fund assistance to Ireland has moved from support for relatively small projects to support for large projects with multi-annual budgets and away from the approval of new projects towards the continuing implementation of major projects. This was particularly true for the transport sector in 1997 when not one new project was adopted. One notable feature of the year was the number of projects that were successfully completed. This trend is expected to continue in 1998.

The strategy followed in 1997 continued to be that defined in earlier years. In transport, the largest part of the budget was used for the continuing implementation of major projects on the trans-European road network, with most assistance going to projects on the Dublin-Belfast route, the Dublin Ring Road and the main radial routes from Dublin, particularly the Dublin-Cork/Limerick route.

In the rail sector, a group of rail network projects, largely on the Dublin-Belfast and Dublin-Cork lines, were successfully completed in 1997. Assistance continued to be given to sections of the Dublin-Galway, Dublin-Sligo, Dublin-Waterford and Mallow-Tralee lines, which is a new group of rail projects first approved in 1996.

As before, assistance to the port sector remained in line with the policy of concentrating on the four largest ports of Dublin, Rosslare, Waterford and Cork. Three port projects, two in Cork and one in Rosslare, were successfully completed in 1997.

In the environment sector, the activities in 1997 concentrated largely on implementing priority projects defined in earlier years. Only three genuinely new projects were assisted in 1997, all of which were water supply projects. The major part of the assistance went to further stages of projects which the Cohesion Fund had assisted in earlier years and to annual instalments of aid to larger projects approved earlier.

As in previous years, waste-water treatment projects within the largest urban areas and in environmentally sensitive areas which are required by Community Directives to be completed not later than the end of the decade were the priorities for assistance. The Commission continued to support groups of related water treatment projects in lake and river catchments with the aim of maximising the impact of aid already committed for the environmental protection of these areas. The projects assisted are in the Lough Derg and Lough Ree lake areas and the River Boyne and River Barrow basins.

The assistance to water supply projects continued to be concentrated on large urban areas and areas where drinking water quality is particularly poor. A consultancy study completed in 1996 showed that making better use of existing water resources and distribution systems through water conservation measures is, in Irish conditions, frequently more cost-effective than the construction of new primary infrastructure. As a result, the Fund has made water conservation a main priority for assistance. In 1997 a national water conservation project covering the towns of Cork, Limerick and Wexford was assisted and the new water supply projects assisted in 1997 contain both water conservation and traditional construction of new infrastructure.

A number of Commission decisions were taken to adjust the timetables for the physical and financial implementation of projects and to merge projects which had earlier been approved in stages in order to facilitate the efficient management and monitoring of these projects.

2.4.3.2 Environment

2.4.3.2.1 *Waste-water treatment*

No genuinely new waste water projects were approved in 1997. The main part of the assistance was committed to new stages of projects, which the Commission had approved in previous years and to annual instalments of aid for large projects under construction. Together with amounts committed to amend projects already approved in earlier years, a total of ECU 70.5 million was committed to this sector. Commitments of aid were made to the following projects:

Waste-water treatment

Project Name		Aid granted in 1997 (ECU million)
River Boyne (Stage II)	New stage of project	15.2
Cork (Stage II)	New stage with annual instalments of aid	2.0
Clonmel (Stage I and II)	Annual instalment to continuing project	7.5
Wexford (Stage I and II)	Annual instalment to continuing project	8.3
Dublin (Stage I and II)	Annual instalment to continuing project	5.7
Dundalk (Stage I and II)	Annual instalment to continuing project	1.5
Drogheda (Stage I and II)	Annual instalment to continuing project	8.2
Lough Ree	Annual instalment to existing group of projects	3.9
River Suir	Annual instalment to existing group of projects	6.1
Killarney	Modification of existing project	3.9
Waterford	Modification of existing project	2.0
Lough Derg	Modification of existing group of projects	6.0
River Barrow	Modification of existing group of projects	0.2
TOTAL		70.6

2.4.3.2.2 *Water supply projects*

Although three new water supply projects were approved in 1997, well over half of the total assistance of ECU 62.3 million went to new stages of projects approved in earlier years and to annual instalments of aid for projects approved earlier. The following projects were aided in 1997:

Water supply

Project name		Aid granted in 1997 (ECU million)
National Water Conservation	New project	5.5
Burren/Lisdoonvarna	New project	9.6
Waterford	New project	12.6
Limerick (Stage II)	New stage of project	5.8
Dublin Water Supply (Stage III)	New stage with annual instalments of aid	7.8
Tuam (Stage III)	New stage: extension to Galway	14.9
Tuam (Stage I and II)	Annual instalment to continuing project	5.0
Lough Mask (Stage I and II)	Annual instalment to continuing project	0.5
Dublin Water Conservation	Annual instalment to continuing project	0.3
Ballyjamesduff	Modification of existing project	0.3
TOTAL		62.4

2.4.3.2.3 Solid waste

An additional ECU 600 000 was granted for completion of the Tralee landfill site.

2.4.3.2.4 Technical assistance

An amount of ECU 300 000 was committed to a publicity and information project to prepare general guidelines for publicity and information about Cohesion Fund projects in Ireland and assist the implementing authorities in carrying out these measures.

An additional ECU 100 000 was granted to a leakage control study for the towns of Galway and Waterford.

2.4.3.3 Transport

2.4.3.3.1 Roads

In 1997, ECU 88.1 million was committed to road projects. The bulk of the assistance went to annual instalments of aid to large projects under construction. There were no entirely new transport projects approved in 1997. All of the road projects listed below received 85% of the total cost in aid.

In the tables below "annual instalment" identifies multi-annual projects where aid is committed each year until completion. The expression "modification of existing project" indicates the addition of funds from the 1997 budget to a project approved by the Commission in years before 1997. The expression "new stage" or "new project" indicates a completely new project or stage of a project where all of the assistance was committed from the 1997 budget.

Annual instalment

ROAD CORRIDOR	PROJECT NAME	TYPE OF COMMITMENT	AID GRANTED FROM 1997 BUDGET (ECU million)
N1 Dublin-Belfast	Balbriggan bypass	Annual instalment	14.5
	Dunleer-Dundalk	Annual instalment	8.6
	Cloughran-Lissenhall	Modification of existing project	0.3
Dublin Ring Road	Southern Cross	Annual instalment	11.4
N11 Dublin-Rosslare	Kilmacanogue-Glen of Downs	Annual instalment	2.7
	Arklow bypass	Annual instalment	15.9
N7 Dublin-Cork/Limerick	N7 improvement	Modification of existing project	9.0
	Kildare bypass	Annual instalment	3.9
	Portlaoise bypass	Annual instalment	8.0
N4 Dublin-Sligo	Curlews bypass	Annual instalment	5.3
	Collooney-Sligo	Annual instalment	8.5
TOTAL			88.1

2.4.3.3.2 Rail

Rail projects assisted in 1997

RAILWAY LINE	TYPE OF PROJECT AND COMMITMENT	ASSISTANCE GRANTED FROM 1997 BUDGET (ECU million)
Dublin-Galway Dublin-Waterford Dublin-Sligo Mallow-Tralee Network Signalling	Annual instalment for track and signalling for continuing project to upgrade parts of TEN rail network	19.0
Dublin-Cork Dublin-Belfast Limerick Junction-Limerick Dublin-Waterford	Last modification to complete track and signalling upgrading on parts of TEN rail network.	1.1
TOTAL		20.1

2.4.3.3.3 Ports

Port projects assisted in 1997

PORT	TYPE OF PROJECT	TYPE OF COMMITMENT	ASSISTANCE GRANTED FROM 1997 BUDGET (ECU million)
Dublin	South Quays container terminal	Modification to add grant aid to existing project.	1.7
Cork	Tug	Last modification to complete project.	0.3
	Ferry Terminal	Last modification to complete project.	1.0
Rosslare	Ferry terminal	Last modification to complete project.	0.3
TOTAL			3.3

2.4.4 PORTUGAL

2.4.4.1 Environment

The projects adopted by the Cohesion Fund in 1997 continue the strategy of assistance followed since 1993 which seeks to provide infrastructure in priority areas (mainly waste-water treatment and the management of solid urban waste) and concentrate effort on installing systems to serve the most densely populated areas of the country.

The activities in this field have been undertaken in cooperation with the ERDF, which part-finances environmental projects, mainly under the "Environment" Operational Programme and the nine regional multifund Operational Programmes in the 1994-99 CSF for Portugal.

Like those of the Cohesion Fund, these programmes are part-financed projects related mainly to water provision, waste-water treatment, habitat protection and waste management. Systematic inter-departmental consultation ensures proper coordination and avoids duplication of funding.

The following points should be noted:

- ◊ A large number of the projects submitted or approved in 1997 follow on from assistance financed in the past, either by the cohesion financial instrument or by the Cohesion Fund. These include the treatment of waste water in the Douro basin, the sub-system for eastern Oporto, cleaning the Ria Formosa lagoon system, protection of the coastline in that area and the collection and treatment of solid waste.
- ◊ Continuing investment in the management and treatment of solid urban waste in accordance with the strategic plan for waste, financed by the Cohesion Fund and adopted by Portugal in 1996, which lays down investment policy in this area.
- ◊ After securing a whole series of guarantees which it considered essential (quantity and quality of water, the environment, the economic viability of the operation, overall monitoring), the Commission approved an integrated development programme for the Alqueva area. This approval enabled the Cohesion Fund to adopt assistance worth ECU 65 million to finance the hydroelectric plant.
- ◊ In 1997, the Cohesion Fund stepped up monitoring of projects already adopted by making a number of visits for this purpose. Some environmental projects, particularly those for which local administrations are responsible, are suffering from delays.

In 1997, the Portuguese authorities submitted for Cohesion Fund finance 21 new applications for aid in the field of the environment totalling ECU 227.8 million towards a total investment of ECU 267.9 million. At the end of 1997, assistance requested for projects under consideration far outstripped the appropriations available up to the end of the period (1999).

Altogether, the projects under consideration will result in a balanced allocation (50/50) between transport and the environment over the period as a whole.

In 1997 the Commission adopted 15 new environmental projects in Portugal (three of which had been submitted in 1997). Total eligible investment was ECU 413.4 million and assistance amounted to ECU 316.6 million, of which ECU 166.8 million would come from the 1997 budget including commitment of part of the increased assistance granted to a waste-water project.

Breakdown by sector of decisions to grant assistance adopted in 1997

Environment sector Commission decisions in 1997

Country	Total cost	Cohesion Fund	Commitments from 1997 budget	% of commitments 1997	Total number of decisions	Total number of projects included
Newly approved projects						
Coastal areas	10.21	8.68	8.68	5.20	1	1
Solid waste	176.71	150.24	91.00	54.53	8	12
Drainage and sewerage treatment systems (1)	109.64	93.13	58.26	34.93	6	6
Other (Alqueva power station)	116.84	64.55	8.86	5.31	1	1
Total	413.40	316.60	166.80	100.00	16	20

(1) – Including a decision to provide further assistance for a project adopted earlier

In addition to the ECU 166.8 million committed as a result of decisions adopted in 1997, ECU 135.5 million was committed to finance projects adopted in previous years.

This means that 61.3% of the Cohesion Fund budget allocated to Portugal for 1997 was used for projects in the field of the environment. This trend should continue in 1998 and 1999 to reach the 50/50 breakdown between transport and the environment.

2.4.4.1.1 Supply of drinking water

Assistance from the Cohesion Fund during 1997 continued the strategy of seeking to increase the percentage of the population with access to mains drinking water and to ensure the standards of service and quality laid down by the Community directives. In 1990, the percentage of the population of Portugal with access to mains drinking water (77%) was still below the Community average of 95%. Considerable progress has been made since then, mainly thanks to the infrastructure provided by Cohesion Fund assistance.

The main inter-municipal systems covering the three priority regions (Greater Oporto, the Lisbon metropolitan area and the Algarve) were approved in 1996, but work on some of these projects was delayed, mainly because of the public procurement procedures. This meant that work could not start until 1997 so that the projects will not be completed until 31 December 1999 or even later.

These large projects adopted in 1996 are being financed in annual instalments, which means, in the case of drinking water supplies, that only 15% of the total financial contribution was actually committed in 1996 and that the remaining 85% relates to annual instalments in and after 1997.

This concentration of commitments in the last three years of the current programme, together with the applications for assistance already submitted for consideration, means that applications for finance exceed the funds available so applications have to be prioritised in the light of national and Community targets. There has to be selection among projects and areas of assistance, in particular between the supply of drinking water and the other sub-sectors of the environment (treatment of waste water, waste and the environmental consideration of coastal areas).

These choices have to be made in the light of the extent to which the environmental targets for Portugal have been achieved:

Environmental targets in Portugal

Sector	Situation 1994 (%)	Situation 1999 (%)
% population with access to drinking water	77%	95%
% population with access to waste-water treatment facilities	21%	90%
% population with access to treatment of urban waste	42%	98%
% of territory classed as a protected area	6.1%	8%
% of burden of industrial pollution receiving treatment	27%	80%

As a result, in 1997, the Cohesion Fund adopted no new decisions on the supply of drinking water because the projects submitted were considered to have a lower priority than those in other sectors and because of the effort still required to reach the targets set for each sector.

Monitoring of the implementation of projects and the checking and evaluation of work carried out and results secured represent a growing part of the work of the Fund at the expense of the consideration of applications for assistance and the approval of new projects.

During 1997, there was thorough monitoring of the two water supply systems in the Algarve (Sotavento and Barlavento). This involved a technical visit on the spot and, at the request of the Cohesion Fund, submission by the project promoter of reports and memoranda to demonstrate that the work being carried out and planned was in fact in line with the goals set out in the decision adopted and that Community requirements on the quality of drinking water and the use of ground water were being respected. In particular, it was ascertained that introduction of the new system would reduce exploitation of the most fragile aquifers and so check their salination.

The Cohesion Fund also monitored two projects in an area of the Alentejo where the prolonged drought had created serious problems with regard to the quality of the water supplied from the river

Guadiana and the over-exploitation of aquifers. Completion in the near future of these two projects, construction of the Enxoé dam and greater supply capacity from the Alvito dam, will overcome the inadequacies in quantity and quality which affect local inhabitants and preserve underground water resources in the area.

2.4.4.1.2 Conservation of coastal areas

During the year, a study was carried out to define and identify the sensitive and vulnerable areas of the Portuguese coast and assess their capacity to absorb the burden of pollution. This study is a vital tool for the management of natural resources and the correct use of the area on the coastal strip. It also provides a basis for valuable work on drawing up plans for the improvement of coastal areas (POOC).

There are priorities in the conservation of coastal areas. The Cohesion Fund has financed a project for the environmental restoration of the Ria Formosa lagoon system on the Algarve coast to increase the circulation of water in the lagoon. The main channels were drained, existing dunes stabilised and new dunes created. These works will preserve the ecological balance of this area, which is essential not only for the countless species of animals and plants which inhabit it but also for the development of the economic activities which are of great importance to the area.

A further application for assistance concerned a project to restore and develop the Óbidos lagoon and the bay of S. Martinho do Porto. Here, there is concern both about adequate water circulation and the need for effective cleaning up of the pollution burden conveyed by feeders. Following a technical visit on the spot with the assistance of an outside consultant, consideration of this project should continue, since other assistance on a larger scale is also needed.

2.4.4.1.3 Treatment of waste water

The Cohesion Fund financed a study on the work required to implement Directive 91/271/EEC concerning urban waste-water treatment in Portugal, Spain and Ireland. In the case of Portugal, the study, carried out by the Cohesion Fund, follows the aims of a Portuguese policy document on the programme for the treatment of waste water in Portugal, drawn up by the Water Institute (INAG) at the end of 1996. The study includes an inventory of urban waste water of domestic origin, all the existing treatment stations and those required to comply with Community standards.

During 1997, Portugal completed the study financed by the Cohesion Fund to provide support for a policy of sustainable development in the basic drainage sector. This study is very important for the identification and development of the instruments essential to the basic drainage sector in Portugal, including tariff systems, the organisation of services, training and management.

Implementation of the projects financed by the Cohesion Fund and the Structural Funds meant that Portugal made significant progress during 1997 towards implementing the Community directives on waste water, particularly Directive 91/271/EEC.

Despite this effort, the situation in the waste-water treatment sector is suffering from serious delays as regards the dates laid down by the directive for introduction of treatment systems. This means that the effort must be maintained and even stepped up.

In 1997 commitments by the Cohesion Fund for this sector accounted for 29.2% of resources allocated to environmental projects.

As regards assistance granted by new decisions, the sector received 29.4% of the appropriations allocated to the environment.

- ◊ In 1997 in the densely populated area of Oporto the Cohesion Fund granted assistance worth ECU 30.6 million for a project for the drainage and treatment of waste water from the southern part of greater Oporto (Cleaning up the upper reaches of the Douro basin, eastern Oporto sub-system). This project forms part of the integrated system to clean up the Douro estuary with the overall aim of improving the environment for the metropolitan areas of Oporto and Vila Nova de Gaia on the banks of the river and improving public health. The removal of waste from the Douro and the establishment of a system to divert the effluent pipes to an appropriate discharge will mean that level meeting the goals set by Community legislation can be met. The project, which was adopted in 1997, involves construction of a waste-water treatment station for 218 000 people to serve the eastern area of Oporto and the basin of the river Torto. The project will help implement Directive 91/271/EEC.

In the same area, the Cohesion Fund financed the second stage of the integrated system to decontaminate the Vale do Ave (ECU 13.6 million). This project, which includes part of the drainage system and the connection of municipal treatment networks to collectors in the integrated system to decontaminate the Vale do Ave, will help implement Directive 91/271/EEC on waste water and also forms part of a larger network of projects financed by the Cohesion Fund. This water basin to the north of Oporto is densely populated – over 360 people per sq. km. as compared with the average in Portugal of 106 per sq. km. – and has a total population of almost 500 000 and a considerable textiles industry. The project to clean up the waters of the River Ave is intended to provide a full and integrated solution to this problem through an approach including the treatment of water (a system which will concern 75% of the population) of both domestic and industrial origin.

During the year the Cohesion Fund visited a group of drainage projects in the Oporto area to check on progress in this sector and geographical area where the Cohesion Fund has approved several projects, most of which are concerned with cleaning up the river basins of the Ave, Leça and Douro. Meetings with the national and regional authorities and those responsible in the municipal and inter-municipal administrations were also organised to look at all the investments carried out and planned. The Cohesion Fund was accompanied by consultants so that it could better consider the technical aspects of all the works, particularly the operational logic of systems and the operational independence of the projects submitted.

- ◊ In the Algarve, in 1997 the Fund supported a group of projects for the collection and treatment of waste water from Albufeira which forms part of the general project for drainage and the treatment of sewers in the Barlavento Algarvio. The whole project will require investment totalling some ECU 80 million. The Cohesion Fund granted ECU 12.4 million in 1997. The general aim of the Barlavento Algarvio network, in a region which includes protected areas of

great ecological value, is to ensure the protection of an environment subject to growing pressure from the development of towns and tourism. In the same region, the Cohesion Fund also financed the network for the collection and treatment of waste water from Vila Real de Santo António (ECU 6 million). This project involves construction of three networks of collectors (Vila Real de Santo António/Monte Gordo, Aldeia/Matadouro and Manta Rota/Altura) and a waste-water treatment station.

- ◊ In the Lisbon metropolitan area, the Cohesion Fund financed another project which forms part of an overall strategy to improve water quality in the Tagus estuary and on the coast.

In Lisbon and the Expo 98 area, the Cohesion Fund financed the extension of the collector network and improvements to the station treating waste water from Beirolas. The project is intended primarily to complete the network of collectors and the treatment of waste water from the basin around the Beirolas station while improving current treatment through installation of biological secondary treatment. The resulting solids will comply with the relevant Community directives. The final products will be recovered in the best possible way and used for other purposes (watering, irrigation, washing), so saving water. The digested and stabilised sludge will require smaller quantities of other chemical agents (lime). The extension of the Beirolas ETAR will help restore the beauty and ecology of the eastern sector and the river banks of Lisbon. The project received aid worth ECU 19.1 million, of which ECU 14.4 million was committed in 1997.

In the Lisbon area, in connection with the cleaning up of the river Trancão, the Cohesion Fund provided increased financing (ECU 11.4 million in Community assistance) for the Trancão drainage network project (construction of waste-water treatment stations at São João da Talha and Frielas) because of an increase in total costs.

On the occasion of the meetings of the Monitoring Committees in Lisbon in June, the Cohesion Fund visited a number of drainage projects in the area to check on their progress. During these meetings, the Fund identified other needs in the Lisbon area, particularly on the left bank of the Tagus. At the end of 1997, the Portuguese authorities submitted three new applications for assistance in the area: at Almada, Setúbal and Vila Franca de Xira.

After noting that work on the project to clean up the Ria de Aveiro (first stage) had started very late, the Cohesion Fund undertook a mission to look at the situation and secure better knowledge of the technical aspects of the project as a whole, particularly the operational logic and independence of the stages submitted.

2.4.4.1.4 Waste

In accordance with the strategy followed since 1993, which includes the provision of infrastructure for the management and treatment of urban waste, the Cohesion Fund has continued to provide assistance for this purpose in Portugal. Preparation of the Strategic plan for solid urban waste, part-financed by the Cohesion Fund, identified the problems and set out a strategy for assistance to improve the poor environmental indicators.

The Commission accordingly adopted eight decisions on twelve projects for the construction of infrastructure to manage and treat solids urban waste. These entailed an investment of ECU 177 million, of which the Fund will provide ECU 150 million.

Of these twelve projects, ten are the responsibility of inter-municipal bodies, and cover a large part of the Portuguese coastline, where population density is highest. They will serve about 3 million people (about 30% of the total population) and cover an area of about 19 000 sq. km (about 21% of mainland Portugal).

The inter-municipal bodies referred to above are firms whose capital is held by the municipalities for which the systems are built and the EGF – Empresa Geral de Fomento (a firm with public capital), which acts as coordinator and provides technical support. These firms both implement the project and then manage it and operate the systems under a concession.

In 1997 the Commission adopted eight decisions concerning:

- ◊ the inter-municipal system for the treatment of solid waste on the “Litoral Noroeste” – project 96/10/61/011 – which involves investment of ECU 26 million and concerns the sorting, reuse, treatment and final disposal of waste generated by 18 municipalities in the Minho area. These municipalities have formed a group of four public-capital firms which have a concession to manage and operate each of the four sub-systems;
- ◊ the inter-municipal system for the treatment of solid waste at Feira/Gaia – project 96/10/61/010 – which involves investment of ECU 16 million and concerns the sorting, reuse, treatment and final disposal of waste generated by two municipalities on the left bank of the Douro takes the form of a public-capital firm which has a concession to manage and operate the system;
- ◊ the inter-municipal system for the treatment of solid waste on the “Litoral Centro” – project 96/10/61/009 – which involves investment of ECU 36 million and concerns the sorting, reuse, treatment and final disposal of waste generated by 37 municipalities. These municipalities have formed two groups, each with a public-capital firm which has a concession to manage and operate one of the two sub-systems. In 1994 the Cohesion Fund financed studies and construction of the Coimbra discharge which will form part of one these sub-systems;
- ◊ the Margem Sul (left bank of the Tagus) inter-municipal system for the treatment of solid waste – project 96/10/61/012 – which involves investment of ECU 24 million and concerns the sorting, reuse, treatment and final disposal of waste generated by nine municipalities on the left bank of the Tagus south of Lisbon takes the form of a public-capital firm which has a concession to manage and operate the system. In 1995 and 1996 the Cohesion Fund financed two projects which form part of this system, the Seixal discharge (Stage A) and the Moita discharge (4 to 7 units);
- ◊ the inter-municipal system for the treatment of solid waste in the Algarve – projects 96/10/61/013 (Barlavento sub-system) and 96/10/61/013-A (Sotavento sub-system) – which involves investment of ECU 45 million and concerns the sorting, reuse, treatment and final disposal of waste generated by 16 municipalities in the Algarve which have established a public-capital firm with a concession to manage and operate the two sub-systems. The

Cohesion Fund earlier financed the studies and technical projects required to implement the system.

The other two projects adopted, which have the same features and aims as those listed above, follow a different institutional pattern. Responsibility for implementing the project lies with associations of municipalities set up for that purpose (or already established to meet other shared needs), while management and operation of the infrastructure will be entrusted to a body selected following an international call for tenders.

These two projects were also adopted in 1997:

- ◊ the inter-municipal system for the treatment of solid waste in the Vale do Sousa – project 96/10/61/022 – which involves investment of ECU 17.8 million and concerns the sorting, reuse, treatment and final disposal of waste generated by the six municipalities forming the association and located in the areas of Oporto and Aveiro in the Norte region. They will serve some 296 000 people;
- ◊ the inter-municipal system for the treatment of solid waste in the Vale do Ave – project 96/10/61/023 – which involves investment of ECU 12 million and concerns the sorting, reuse, treatment and final disposal of waste generated by the four municipalities forming the association and located in the areas of Oporto and Guimarães in the Norte region. They will serve some 450 000 people.

Total investment in waste financed by the Cohesion Fund since it was set up (including the cohesion financial instrument) amounts to some ECU 1 638.66 million, to which the Fund has contributed ECU 1 272.86 million. These figures clearly show the commitment of both Portugal and the Commission to making up shortcomings in the management of solid urban waste.

2.4.4.1.5 Reducing CO₂ emissions

After lengthy negotiations between the Commission and the Portuguese government, which culminated in approval of the Specific Programme for the Integrated Development of the Alqueva Area (PEDIZA), Decision C(97) 2350 of 28 July 1997, the Cohesion Fund financed the construction of the Alqueva hydroelectric power station project. This project, which forms part of the PEDIZA, will help reduce CO₂ emissions as required by a national plan and will generate the energy required for operation of the whole of the integrated development programme. The work includes construction of a 'foot-of-dam' hydroelectric power station with two reversible generating sets with a rated power (on the turbine shaft) of 120 MW. Maximum flow rate will be 2 x 200 m³/s in turbine operation and 2 x 170 m³/s in pumping. This power station will have two separate water circuits comprising intakes connected to the upstream face of the dam, metal pipes on average 103 m long and 7 m in diameter and storage reservoirs flowing into a basin immediately downstream of the power station and operating as intakes during pumping. Total investment in the project will amount to ECU 116.8 million, of which the Cohesion Fund will contribute ECU 64.55 million. It will help improve air quality by reducing emissions which acidify the atmosphere or contribute to the greenhouse effect.

At the joint initiative of the Commission and the national authorities, an integrated study of the impact on the environment of the PEDIZA project was carried out in 1994-95. This large-scale study covered all aspects of the project and incorporated the results obtained in the various sectors: plant life, animals, water, soil, climate, heritage, socio-economic aspects, etc. It listed exhaustively the positive and negative impact of the project and the measures taken to reduce and offset harmful effects. The environmental impact study was made available for public consultation in Portugal and Spain.

2.4.4.2 Transport

2.4.4.2.1 *General*

During 1997, Cohesion Fund assistance for transport in Portugal continued to follow the strategic guidelines jointly agreed by the Portuguese authorities and the Commission.

Efforts have been made to strengthen the coordination of the activities in this field between the Cohesion Fund and the ERDF subprogramme "Transports". In some domains such as railways and ports, an agreement has been reached on financial responsibility for different projects. Efforts must be made to finalise by 1999 the principal sections of roads and motorways included on the major routes itineraries and the TEN network.

As regards the trans-European networks, following the conclusions of the Dublin European Council, on 10 December 1997 the Commission approved a proposal to amend Decision 1692/96/EC,⁴ replacing project No 8 on the Essen list (Lisbon-Valladolid motorway) by a multi-modal link between Portugal and Spain and the rest of Europe.

This link comprises three corridors through the Iberian peninsula: Portugal/Galicia and Portugal/Irún to which was added subsequently the south-east corridor (Lisbon-Seville). In the case of Portugal, this link includes the main routes and railway lines already mentioned in the previous report. The maritime mode also includes the port of Aveiro, which is one of the ports concerned. The airports of Oporto and Faro and the new Lisbon airport are also covered.

A number of sub-projects for the various modes of transport are now being built and some of them have been part-financed by the Cohesion Fund.

Projects and commitments

In 1997, the Portuguese authorities submitted for finance from the Cohesion Fund seven new applications for aid in the field of transport, involving assistance totalling ECU 312.2 million towards total investment of ECU 433.9 million. The Commission adopted seven projects providing assistance totalling ECU 322.5 million, of which ECU 119.7 million would be met from the 1997 budget.

⁴ Decision No 1692/96/EC of the European Parliament and of the Council on Community guidelines for the development of the trans-European transport network.

In 1997, a special effort was made to reduce still further the share of the transport sector (44%) in the total appropriations allocated to Portugal so as to come close to an appropriate balance between the two areas of Fund assistance over the period as a whole.

Breakdown of new projects by sector

TENs transport sector
Commission decisions in 1997

Country	Total cost	Cohesion Fund	Commitments from 1997 budget	% of commitments 1997	Total number of decisions	Total number of projects included
Newly approved projects						
TENs - Roads	52.88	34.07	20.27	16.92	1	1
TENs - Rail	82.60	66.08	19.50	16.28	1	1
TENs - Ports Including VTS	97.78	62.44	17.97	15.00	4	4
TENs - Airports Including air control	269.84	159.98	62.03	51.79	1	1
Total	503.10	322.57	119.77	100.00	7	7

2.4.4.2.2 Road network

The priorities for granting assistance in 1997 were the same as in previous years.

The Fund granted assistance worth almost ECU 34 million for a project concerning the Lisbon-Madrid corridor submitted in April 1997. It concerns two sections of motorway between Montemor and Évora and is intended to speed up completion of the Portuguese part of this corridor. The Portuguese authorities also submitted during 1997 an application for assistance concerning the Valença-Vila Real de Santo António route relating to the section between Ponte de Lima and Valença. This will result in completion of this route to the north.

2.4.4.2.3 Rail

During 1997 the Cohesion Fund continued work on completion of the sections already approved in previous years of the large projects to modernise the North and Beira Alta lines. It approved finance for a new 34 km section of the North line between Pampilhosa and Quintans to which it will contribute ECU 66.1 million.

A second application, for a contribution of ECU 74.3 million for the Albergaria-Alfarelos section of the North line was submitted to further scrutiny from the point of view of public procurement procedures and is therefore still being considered.

The promoter of project 94/10/65/007 (Beira Alta III) proposed changes to the Beira Alta line to provide it with a ground/train radio communication system which should considerably improve safety.

The strategic importance of the North and Beira Alta lines, which is attested by the fact that the Portuguese authorities regard them as vital components of the priority project to provide a multi-modal link between Portugal and Spain and the rest of Europe, fully justifies the assistance the Fund is granting to projects forming part of the overall programmes to modernise these two lines.

The projects concerning the modernisation of the North line should also benefit from an EIB loan contract and finance for studies and technical projects from DG VII.

2.4.4.2.4 Sea transport

In 1997, as in the past, priority continued to be given to the four main ports in Portugal. Discussions were held with the Portuguese authorities to define the priority projects under the medium- and long-term guidelines adopted by the Portuguese Government in the light of the priorities set by the Commission.

In all, four projects were adopted, one for each port.

To improve operating conditions and intermodal links in Portuguese ports, part-finance was provided for investments in Leixões to improve road links and help rationalise the working areas of the port.

Assistance was granted for a project to extend the multipurpose terminal in the port of Sines, principally to increase capacity for unloading coal. It will also permit general port operations for goods from and to the industrial areas of Sines and the hinterland of the port.

In the port of Lisbon, a project covering a series of works to redesign and enlarge the water front of the port at Sta Apolónia/Poço do Bispo was approved. A number of estimates of traffic and costs were considered and this extension appeared the best short and medium-term alternative to ensure the retention of adequate capacity for short-distance traffic while also improving the operating conditions of the port and reducing the harmful impact of port activities on the urban environment of Lisbon.

This solution also has the advantage of not excluding longer-term choices, which should be based on likely trends in the various kinds of traffic and be in line with an integrated plan for all ports in order to avoid over-capacity for the same types of traffic as far as possible and so ensure an appropriate allocation of resources.

In Setúbal, the Fund provided assistance for an integrated information system in the port capable of providing better integration with the trans-European network (via the EDI) and ensuring a high level of safety and efficiency of sea traffic and environmental protection in the port area.

This computer system forms part of a larger project to modernise the port of Setúbal. During the year the Portuguese authorities also submitted an application for assistance for the first stage.

2.4.4.2.5 Air transport

The Cohesion Fund contributed to the field of air transport for the first time in Portugal.

- ◊ In 1997 the Cohesion Fund financed a project which forms part of the “Funchal intercontinental airport” major project. This comprises extension of the length of the runway from 1 800 to 2 781 metres, redesign of the terminal and the installation of computer equipment financed by the ERDF under the Regis Community Initiative until December 1996. Finance from the Cohesion Fund, which will contribute ECU 159.98 million towards a total cost of ECU 269.8 million, relates to work after that date.

The application for assistance submitted by Portugal, particularly the economic evaluation, was considered in cooperation with the EIB. The body responsible for the project considered obtaining a loan to provide the financial conditions which would enable construction of the third stage of this major project (terminal and equipment) to begin as rapidly as possible.

2.4.5 MOST REMOTE REGIONS

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

Since it was established, the Cohesion Fund has helped finance projects in these regions, particularly in the field of the environment. In the field of transport, the aim of improving access from the most remote regions to the centre was expressly referred to in Article 2(2)(g) of the Community guidelines for the development of the trans-European network of 23 July 1996.

2.4.5.1 Spain

- **Canary Islands**

The Canary Islands are seven in number (Gran Canaria, Tenerife, Lanzarote, Fuerteventura, La Gomera, La Palma and El Hierro). Their resident population is about 1 500 000, of whom 45% live on Gran Canaria and 42% on Tenerife. The main economic activity is tourism, with an influx of about 10 million tourists per year. The most serious problem concerns water resources, where there are substantial differences between the natural resources on the islands. On the two largest islands these are exacerbated by the high population density and geological problems which mean that water is rare and expensive, which has affected the economic development of the islands.

- ◆ **Environment**

Nature on the Canary Islands is extremely rich, including some unique and very fragile habitats in a limited area. The impact of socio-economic development has caused damage to some habitats and very fragile species and a number of sites.

During 1997 finance was provided for the following sectors: waste-water treatment, waste management and reafforestation.

Waste-water treatment

Treatment of waste water on the Canary Islands. No 97/11/61/039. Assistance: ECU 10 669 871.

A group of three projects for the treatment and reuse of waste water designed to reduce the harmful impact of the discharge of this water on the environment and reduce the over-exploitation of water resources.

The general waste-water collectors for the La Orotava valley are intended to bring to the treatment station waste water from a number of scattered settlements in the valley and form part of the network which will enable treated water to be reused in nearby towns.

The works include the construction of sewers and infrastructure to permit reuse of waste water from the La Orotava valley and the laying of general collectors, whose route follows to a large extent that of the conduits for reuse.

Extension and modernisation of the Guía-Gáldar treatment station are intended to bring the station's capacity into line with the needs of the area it serves through installation of a new water line carrying 3 000 cu.m. per day together with a tertiary treatment plant with a capacity of 1 000 cu.m. per day, two reservoirs to regulate untreated and treated water, and extension of the under-sea discharge pipe.

Extension and modernisation of the treatment station in south-east Gran Canaria are intended to bring the station's capacity into line with the population of the area it serves through installation of a new water line carrying 6 000 cu.m. per day. Construction of a tertiary treatment plant will permit virtually all the waste water to be reused.

Waste management.

Waste management on the Canary Islands, 1st stage. No 97/11/61/038 Assistance: ECU 13 420 794.

This group of projects concerns environmental complexes to be built in accordance with current Community rules with independent sites where the different types de waste (urban, industrial, inactivated and industrial waste which is neither toxic nor dangerous but whose physical characteristics meant that it requires separate treatment) can be deposited. It includes the environmental complex for the treatment of solid urban waste at Arico (Tenerife), the environmental complex at Salto del Negro and the transfer centre at Guía-Gáldar (Gran Canaria).

Each project is intended to provide each island with a controlled discharge system, by expanding the existing tips on Tenerife and Gran Canaria and creating storage areas for recyclable raw materials collected at recycling points.

The environmental complexes on Tenerife and Gran Canaria will have a special area for non-toxic and deactivated industrial waste.

The transfer centre will help reduce and rationalise to a considerable extent the costs of transporting solid urban waste from the north-east part of Gran Canaria, where most people live.

Reafforestation

Planting and related work to combat erosion and desertification and to promote the regeneration of ecosystems damaged by fires in the Canary Islands water basin. No 96/11/61/041. Assistance: ECU 8 286 850

The decision adopted merges projects submitted in 1995 and 1996 to integrate measures in the islands' water basin. The aim is to establish a strategy to protect nature by checking a process of, aggravated by soil erosion, fires and the persistent drought affecting forests in Spain.

The project consists of a series of forestry measures which fall into two main categories: the first seeks to check the process of erosion and desertification which directly affects the natural environment of the water basin of the Canary Islands and damages three of its main assets, vegetation, soil and water, while the second is intended to regenerate forest areas damaged by fire. It includes biological measures to promote natural regeneration and provide protective plant cover.

◆ Transport

Las Palmas ring road. Section: Plaza de América-Nueva Paterna-Tamaraceite. No 97/11/65/001. Assistance: ECU 43 605 646

The main aims of the project are to channel traffic into Las Palmas, the excessive density of which causes major hold ups, and increase capacity and so traffic speed, which will result in shorter journey times.

The project as a whole includes construction of a ring road expressway around Las Palmas. This application for part-finance from the Cohesion Fund concerns work on the Plaza de América-Nueva Paterna (4 128 m with four junctions) and Nueva Paterna-Tamaraceite (4 862 m long with three junctions) sections. The Nueva Paterna-Jinamar section does not form part of this stage.

The largest structure is a viaduct 320 m long.

Monitoring the implementation of projects

A mission from 28 January to 1 February 1997 was organised to deal with unresolved questions concerning projects on the Canary Islands.

The Cohesion Fund paid particular attention to increasing finance for measures on the Canary Islands, as one of the most remote regions, concerning desalination plants, treatment stations, coastal protection, waste management and the widening of the GC-1 road on Tenerife.

Representative projects were selected on three islands of the archipelago in the water management, coastal protection, waste management and road sectors in order to have an overview of finance from the Fund in the Canary Islands.

On Tenerife, it was found that the waste-water treatment station at Adeje-Arona and the desalination plant at Granadilla de Aboma were on the same site, had been carried out by the same body, the central Administration, and had been the subject of two separate projects, constituting an integrated water management system in the area concerned.

It was found that part of the project for desalination facilities on Lanzarote had come into service before the date planned in the decision, which had an effect on payments in that the expenditure eligible for finance from the Fund, that incurred after the date the application was received, had to be determined.

An interview with those responsible for the construction of basic infrastructure for the collection of urban waste on the Canary Islands, which consists of 28 centres for the selective collection of special, toxic and dangerous waste on the seven islands, and a visit to the sites on Gran Canaria provided information about the location of the project and its impact on the area. The waste management plan of the Canary Islands presented during the mission demonstrated that it was in line with the new Community strategy in this field.

A visit to the coastal protection project to restore the Los Clicos lake at Yaiza on Lanzarote established that the project clearly had the environmental aim of protecting the natural environment and preserving a particular habitat.

The works on the de la Laja - Hoya de la Plata road tunnel were visited to inspect the progress of the project and to understand the existing communication problem and the layout of the area. The site is in a difficult position, between the mountains and the coast, and there are environmental imperatives to respect.

2.4.5.2 Portugal

The Cohesion Fund made a substantial financial contribution to projects in these regions, particularly in the field of the environment. In the field of transport, express reference was made in Article 2(2)(g) of the Community guidelines for the development of the trans-European network of 23 July 1996 to the aim of improving access from the most remote to the central regions.

- **Madeira**

In addition to the water-supply project in Madeira approved in 1994, in 1997 the Cohesion Fund financed a transport project, to extend the Funchal airport runway over the sea, which had already received finance from Regis. In the field of the environment, negotiations on a Cohesion Fund contribution to a general project concerning a waste treatment system based a new incineration plant for urban waste are in progress.

- ◆ **Transport**

In the field of transport, the Cohesion Fund is pursuing the goal of better access by the most remote regions to the central regions set out in Article 2(2)(g) of the Community guidelines for the development of the trans-European network of 23 July 1996.

- 96/10/65/003 – Extension of Funchal airport. Assistance: ECU 159 981 983.

The project to improve the Funchal airport runway which was financed by the ERDF under Regis II and is now financed by the Cohesion Fund will be of great importance to Madeira. This major investment will reduce isolation and promote certain activities. Besides improving safety in the present airport and increasing its capacity so that it can receive intercontinental flights, this project forms part of a strategy for the social and economic development of this region. In order to control flows of tourism to the island and improve the economic circumstances of the project, the contribution from the Cohesion Fund is subject to preparation of a plan to promote quality tourism.

◆ **Environment**

Water supply

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

This project concerns mainly the construction of pumping stations and treatment stations and the laying of pipes between them in order to make management of water resources more efficient.

The project will be beneficial to the environment since it will permit use of under-developed aquifers and improve water management.

Waste

A project on the management and treatment of solid waste from the islands of Madeira and Porto Santo, including the construction of a waste incinerator, is being considered by the Commission with a view to adoption.

2.5 TECHNICAL ASSISTANCE AND STUDIES

2.5.1 GENERAL POLICY OF THE FUND

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.

A number of studies were undertaken to guide the selection of the projects to be financed by the Fund. Among those it commissioned in 1997 may be mentioned:

- an outline study by the London School of Economics to apply the model developed for the Cohesion Fund to measure the socio-economic impact of the Fund on the projects it finances;

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- a study on a thermolysis plant for solid waste on the Greek island of Egina. This is a pilot project whose outcome could help solve similar problems on other islands where the population undergoes wide seasonal fluctuations;
 - feasibility studies and master plans on two multimodal goods centres in Kilkis and on Chios. These continue the study financed previously on a network of “freight villages” in Greece. The first would act as a centre for the continental part and the second for a centre located on an island where trans-shipment aspects are very important;
 - study on the environmental restoration of Lake Koronia in northern Greece which is suffering from severe eutrophication. Unless a solution is found soon, ecological imbalances and serious environmental consequences will result;
 - preparation of specifications and engineering studies in preparation for a possible call for tenders to carry out integrated environmental projects (drinking water, urban waste water and solid waste) on the Greek island of Santorini and Thirissia.

During 1997, as in previous years, cooperation with the EIB continued to be focused on the evaluation of major projects. Since the number of new projects to be evaluated had fallen, cooperation with the EIB covered a smaller number of applications than in 1996. At the request of the Commission, the EIB carried out 18 project evaluations. This figure relates only to projects for which no EIB part-financing had been requested. Of the projects evaluated, twelve concerned the environment, particularly water supply. In the field of transport, most were major port projects in Portugal.

2.5.2 AT THE INITIATIVE OF THE COMMISSION

Technical assistance measures using outside consultants are very important in helping the Cohesion Fund carry out its duties.

This work extends the range of skills available to the Commission.

The consultants chosen through calls for tenders in accordance with the procedures laid down by Directive 92/50/EEC on tenders for public services are among the best in Europe. Most of the consultants working for the Cohesion Fund are companies from countries other than the cohesion countries. They often work alongside consultants from the beneficiary countries.

This heading also includes preparatory studies and measures to guide the choice of options with regard to the projects to be financed to be selected by national authorities and the Cohesion Fund.

During 1997, the Cohesion Fund issued eight invitations to tender, two by open procedure and six by restricted procedure. In both instances, which are above the threshold laid down in the Regulation, the first stage was the publication of an opinion in the Official Journal. In the case of open invitations, all those who wished could tender while, where the invitation was restricted, there was a preselection procedure and only those candidates selected were invited to tender.

Five of the invitations issued concerned studies and three technical assistance measures, mainly for *ex post* evaluations. Four invitations related to the environment, three to transport and one to both fields.

In the 1997 budget, Parliament approved a new budget heading (B2.1600) for the monitoring and evaluation of Cohesion Fund projects, partly by ensuring that the policies covered helped achieve the goals laid down in the Community programme of policy and action on the environment and sustainable development in both quantitative and qualitative terms.

In response to Parliament's wish and to use this budget heading, the Cohesion Fund issued two more invitations to tender concerning a study and preparation of a video on the environmental aspects of Cohesion Fund projects in the four beneficiary countries. These will be completed during 1998 and distributed to those interested by appropriate means.

From the 1997 budget of the Cohesion Fund ECU 1 845 million was committed for technical assistance measures and studies. The part of the budget allocated to technical assistance and studies at the initiative of the Commission was less than in 1996 because a number of multi-annual framework contracts awarded in previous years were still in force and *ex post* evaluations, for which invitations to tender had been issued, did not result in contracts during 1997.

The proportion of the total budget for 1993-97 allocated to technical assistance and studies at the end of 1997, ECU 6.7 million, was less than 0.1% of the resources committed by the Fund.

The most typical contracts for technical assistance and studies financed by the Cohesion Fund in 1997 are:

- a supplement to the technical assistance contract with the EIB;
- a contract for drawing up a master plan for the environmental restoration of Lake Koronia in Greece and to coordinate the implementation of measures under that plan;
- a pilot study including the preparation of plans and documents for invitations to tender concerning the implementation of coordinated environmental measures (drinking water, waste water and solid waste) on Santorini in Greece;
- two viability and feasibility studies for the construction of freight warehousing centres at Kilkis and Chios as part of the network of "freight villages" throughout Greece studied earlier. The first of the centres is located in continental Greece where the Pathe and Egnatia main roads cross. The second is located on an island in the Aegean Sea on a major shipping route towards the Black Sea and may concern mainly transshipment operations.

2.5.3 AT THE INITIATIVE OF THE MEMBER STATES

None

2.5.4 INFORMATION AND PUBLICITY OPERATIONS

2.5.4.1 General

In June 1996 the Commission adopted a decision⁵ concerning information and publicity measures to be applied by the Member States and the Commission concerning the activities of the Cohesion Fund.

The Commission has notified the beneficiary countries, and in particular promoters and those responsible for the implementation of projects, of these obligations at information meetings and meetings of Monitoring Committees.

On the occasion of major events such as the inauguration of part-financed projects, press announcements refer to Community finance.

The Cohesion Fund publishes in the Official Journal the main points of the projects it has adopted; it also contributes to other Commission publications on regional policy and cohesion, chiefly by establishing an Internet page providing information on the Cohesion Fund.

The Fund has also organised a number of information meetings for the Member States and the social partners and participated in a variety of meetings organised in the Member States.

2.5.4.2 Greece

- Evinos:
Thessaloniki International Fair
Press/TV/Video
Seminars and international presentations

The various bodies responsible for small and medium-sized environmental projects (ministries, municipalities, DEYA, etc.) carried out a number of information measures: brochures, distribution of videos, press reports, displays, etc.

The Greek authorities have developed a whole strategy of information measures at national and international level concerning the main trans-European networks Pathe and Egnatia. A number of leading magazines including "USA Today", "The Independent", "Die Welt" and "Paris Match" have reported on these two major corridors.

- Spata Airport
Press/TV (Video reports, conferences, articles in national and international newspapers, brochures
Thessaloniki International Fair
Interactive multimedia kiosks at Hellinikon airport Video on archaeological remains on the sites

⁵ Commission Decisions of 25 June 1996 published in OJ L 188 of 27 July 1996.

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- Port projects
 - Piraeus ring road and container quay – N. Ikonio II in the port of Piraeus:
 - ◊ Videocassette made by the Financial Times for the Cohesion Fund
 - ◊ CD-ROM on the work completed.

 - Rail projects
 - ◊ For all projects, a public presentation of information on the projects part-financed by the Cohesion Fund using a train of specially equipped coaches to display posters and house theatre presentations. This train has stopped at a number of stations on the existing Greek rail network to target information at a broader public than simply rail users.
 - ◊ Brochures, posters and television advertising spots.
 - ◊ Inauguration of work on the longest rail tunnel in Greece, the Tempis Tunnel, 4.3 km long to accommodate a double electrified line permitting speeds of 250 km/h on the Evangelismos-Leptokaria line.

2.5.4.3 Spain

The Cohesion Fund participated in a series of conferences and seminars organised by the Spanish authorities. The Fund held three press conferences (Melilla, Madrid, Saragossa) and took part in the opening ceremony of a new road section at the invitation of the authorities.

The department of the environment in the city of Madrid also published a brochure called “Madrid apuesta por el Medio Ambiente” (“Madrid backs the environment”) on the 40 environmental projects part-financed by the Cohesion Fund for Madrid and managed at municipal level. They include the second integrated drainage plan for Madrid, the treatment of solid urban waste, the pollution control system, the municipal noise centre and environmental improvements in the Lavapiés area.

The environment department of Castile-Leon produced a video on the project “Restoration of contaminated soil at Boecillo, Valladolid” which referred to the contribution made by the Cohesion Fund.

The Cohesion Fund commissioned a video series from Financial Times TV on the largest projects already completed or being out such as the environmental improvement project in Ciutat Vella.

2.5.4.4 Ireland

ECU 300 000 was committed to the Cohesion Fund publicity and information project in Ireland which aims to enable Ireland to comply with the Commission requirements for publicity and information measures to be carried out in the Member States in relation to Cohesion Fund projects.

The project covers environment projects and will provide for the preparation of general guidelines for publicity and information measures and for assistance to the implementing authorities in carrying these out.

The Department of the Environment issued a new annual report in 1997 which will present information about its investment programme each year for the water supply and waste-water treatment sectors. The role of the Cohesion Fund in providing the majority of the funding for this investment is clearly acknowledged.

Official openings of two major road projects (the Portlaoise and Dunkettle bypass projects) took place in 1997 as well as the inauguration of the improved service on the Dublin-Belfast rail line. There was representation from the European Commission at each of the opening ceremonies and the role of Community assistance was acknowledged.

A short information film concerning two transport projects was completed by Financial Times Television in 1997. The projects covered included port infrastructure in Dublin port and improvement works in the cargo section of Dublin airport. The film has already been shown to various audiences (for example, at the bi-annual information meetings for the Member States).

2.5.4.5 Portugal

Information seminar for those concerned by the Cohesion Fund at the University of the Algarve in Faro on 27 June attended by the Secretary of State for Regional Development, many of those involved in local and regional administration throughout Portugal and a large number of students. The seminar was followed by a press conference and information meeting on the state of the projects being carried out in the Algarve.

Preparation of a series of videos by Financial Times TV on the largest projects completed or being carried out such as construction of the new bridge over the Tagus.

Portugal complied with the information and publicity measures laid down by the Decision of 25 June 1996 to raise public awareness of the role of the Community in financing transport and environmental infrastructure projects by making Community assistance more visible.

The contribution of the Portuguese authorities took the form chiefly of the preparation of press releases after the three Monitoring Committee meetings held in Portugal, a specific information measure for each project and checks on the measures to be complied with by promoters in terms of boards on sites and the fixing of commemorative plaques mentioning Community part-finance and referring to the Cohesion Fund.

Brochures were published about the cleaning up of the Estoril coast and the modernisation of the railway stations at Alverca and Azambuja as part of the projects to modernise the North line and videos were produced on the water supply system in Sotavento Algarvio.

Project No: 93/09/61/012, 93/09/61/013, 93/09/61/014 Decision C(94)3674 of 20/12/94

- Soil protection
- Reafforestation
- Forest protection
fire prevention

Total cost	ECU 14 213 684
Assistance granted	ECU 12 081 631

Project No: 93/09/61/071

Decision C(94) 672/1 of 12/04/94

Fire protection vehicles

Total cost	ECU 8 324 580
Assistance granted	ECU 1 125 893

Project No: 93/09/61/055-1

Decision C(94) 672/1-C(95) 1719

Biological treatment station at Veria

Total cost	ECU 5 560 529
Assistance granted	ECU 4 726 450

Project No 93/09/61/001

Decisions C(93) 3063/1 of 27/10/93 and C(96)

2088f of 26/7/96

Checks on archaeological sites

Total cost	ECU 1 640 000
Assistance granted	ECU 1 390 000

2.6.1.2 Transport**Project No:** 94/09/65/034/35/36

Decisions C(94) 3095 and C(97) 4072

Studies for the Port of Piraeus

Assistance granted	ECU 360 000
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2.6.2 SPAIN**2.6.2.1 Environment****Project No** 93/11/61/031-039:

Decision C(93) 2797/3 of 6.10.1993

Preparation of areas for public use in the National Parks: Cabrera, Taburiente, Covadonga, Doñana, Garajonay, Ordesa and Monte Perdido, Daimiel, Teide and Timanfaya.

The work included various infrastructure measures on services areas and access to the areas for public use in the National Parks.

Assistance granted:	ECU 16 454 587
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- Project No 93/11/61/040:** Decision C(93) 2797/1 of 6.10.1993
Programme to restore natural resources in the National Parks
The project included a variety of measures to restore damage to the ecosystem by human activity.
Other measures were taken to remove species foreign to the ecosystem.
Assistance granted: ECU 5 413 398
- Project No 93/11/61/097:** Decision C(93) 3979/9 of 16.12.1993
Measures to develop and exploit forests in rural areas (ARBOREA)
The project included planning and development work (replanting and the planting of new species)
in forests damaged or destroyed by disasters.
Assistance granted: ECU 3 780 539
- Project No 93/11/61/024:** Decision C(93) 3979/2 of 16.12.1993
Sewerage in the Augustinas area and the boulevard Pablo Iglesias in Rentería (San Sebastián).
The work comprised a single collector to replace septic tanks, a sewage collector, a rain water
collector, plant restoration and the provision of other equipment required.
Assistance granted: ECU 2 089 075
- Project No 93/11/61/024-9:** Decision C(95) 760 of 18.3.1995
Western rain water collector and discharge pipe San Lázaro (Logroño).
The project entailed construction of collector for rainwater from a 500 ha area for discharge into
the Ebro and ancillary work.
Assistance granted: ECU 1 437 522
- Project No 93/11/61/025-2:** Decision C(95) 3273/5 of 18.12.1995
Management of solid urban waste in 1995 – recycling of waste in Bilbao.
A further plant for the recovery of recyclable materials was added to the existing one. It is a bypass
to the belt used for discharge and the recovery of ferromagnetic materials by means of an
electromagnet.
Assistance granted: ECU 935 910
- Project No 93/11/61/043.1:** Decision C(95) 3278 of 11.4.1995.
Waste management and decontamination of polluted soil in Asturias.
A plan to collect waste from ships moored in Asturian ports was implemented. The following
measures were financed:
- preliminary study to determine the quantities of oil-based wastes to be collected in the different
ports;
- construction of infrastructure for collection in commercial, fishing and pleasure ports;
- construction of plant for the pretreatment of such waste.
Assistance granted: ECU 783 623
- Project No 93/11/61/043-1a:** Decision C(96) 599 of 4.3.1996.
A plant to solidify and deactivate industrial waste was built in Asturias.
Assistance granted: ECU 374 562

2.6.2.2 Transport

- Project No 93/11/65/009:** Decision C(93) 3680 of 14.12.1993
Road III: Requena-Chiva
The project concerned the conversion into expressway of 29.3 km of the N-III between Chiva and Requena.
Assistance granted: ECU 83 783 968
- Project No 93/11/65/010:** Decision C(93) 2378F/1 of 2.9.93.
M40 Madrid ring road (North junction, section I and west).
This 3.7 km section of dual carriageway completed the M40 Madrid ring road.
Assistance granted: ECU 140 445 504
- Project No 93/11/65/017:** Decision C(93) 2770 of 1.8.1993
M40 Madrid ring road North junction, section 2, link between the Zarzuela and the C-607.
The project involved construction of the missing section of the northern part of the M40 between the N-VI and Via borde de Hortaleza, which links it to eastern Madrid. The whole section lies within the northern part of the Madrid metropolitan area. The total length of the section is 7.1 km.
Assistance granted: ECU 79 324 190
- Project No 94/11/65/004:** Decision C(94) 3757F3 of 21.12.1994
Lérida bypass
Construction of a dual-carriageway bypass around Lérida on the N-II between Madrid and the French border via Barcelona. The work included seven major junctions and the construction of 22 over-passes, 32 under-passes and an aqueduct.
Assistance granted: ECU 83 140 950
- Project No 94/11/65/010:** Decision C(94) 3753F of 21.12.1994
Gijón bypass
The project involved the construction of a 7.4 km section of dual-carriageway bypass to expressway standards between Lloreda and Piles.
Three junctions were built: at Lloreda, Llano and Piles.
Assistance granted: ECU 50 761 408
- Project No 94/11/65/011:** Decision C(94) 3757F/8 of 21.12.1994
Novellana-Cadavedo section of the N-632.
Construction of an alternative section of the N-632 between Novellana and Cadavedo over a distance of 12.8 km and including junctions at Cadavedo, Tablizo, Ballota and Novellana, 15 major viaducts and a tunnel 212.32 m long.
Assistance granted: ECU 28 343 275

Project No 95/11/65/009: Decision C(95) 3647F of 12.1.1996
Expressway in the province of Guipúzcoa to Navarre (sections II(a) and II(b) and equipment in tunnels).
The project included construction of sections II(a) and II(b) and equipment in the San Lorenzo (780 m) and Belavieta (1 840m) tunnels of the new A-15 express route linking the province of Guipúzcoa to Navarre.
Assistance granted: ECU 8 452 365

Project No 95/11/65/010: Decision C(95) 3687 of 12.1.1996.
Conversion into expressway of a section of the N-I (Salvatierra-border of the province of Álava with Navarre).
Section of expressway following a new route which includes 11 km of dual carriageway permitting a speed of 120 k.p.h. The minimum curve is 2 500 m and the maximum slope 1.70%.
Assistance granted: ECU 9 278 747.

Project No 95/11/65/011: Decision C(95) 3581F of 12.1.1996.
Route N-121A - Col de Velate (from km 3.78 to km 10.62).
The Col de Velate project comprises two sub-sections of new route with a single high-speed carriageway which form part of the Ventas de Arraiz-Zaragoza section of the Pamplona-Behovia route.
Assistance granted: ECU 24 154 308

2.6.3 IRELAND

The projects completed in 1997 were the following:

2.6.3.1 Environment

Project No: 93/07/61/027 Decision C(93) 4039/1 of 20/12/93
amended by Decisions C(94) 2684 final/14 of 14/10/94 and C(97) 2609 final/7 of 29/07/97
Ballinrobe sewerage scheme.
Planning and construction of an extension and renewal of the existing sewer network and a new tertiary waste water treatment plant, including phosphate removal, for the town of Ballinrobe with a capacity of 8 000 p.e.
Total eligible cost: ECU 10 760 000
Assistance granted: ECU 9 146 000

Project No: 93/07/61/036 Decision C(93) 3257/12 of 15/11/93
amended by Decisions C(94) 3015 of 16/11/94 and C(97) 2609 final/7 of 29/07/97
Limerick Water Supply Scheme – Stage I
Planning and construction of a 50 000 cu m covered water reservoir, a 900 cu m water tower and ancillary work.
Total eligible cost: ECU 5 897 000
Assistance granted: ECU 5 012 450

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- Project No: 93/07/61/024** Decision C(93) 3257/4 of 15/11/93
 amended by Decisions C(94) 2684 final/14 of 14/10/94 and C(97) 2609 final/7 of 29/07/97
 Mitchelstown sewerage scheme
 Planning and construction of a secondary treatment plant for Mitchelstown with a capacity of 6 000 p.e. and upgrading of existing sewer network.
 Total eligible cost: ECU 4 661 000
 Assistance granted: ECU 3 961 850
- Project No: 94/07/61/006** Decision C(94) 3513/final of 09/12/94
 amended by Decision C(96)2954 final
 Greystones sewerage scheme – Stage II
 Planning and construction of a secondary waste water treatment plant for Greystones and two adjoining villages with a capacity of 40 000 p.e. and associated collection system.
 Total eligible cost: ECU 16 408 000
 Assistance granted: ECU 13 946 800
- Project No: 93/07/61/028** Decision C(93) 3257/6 of 15.11.93
 amended by Decision C(95)3008 final of 06/12/95
 Ennis main drainage
 Planning and construction of sewerage in the northern part of Ennis and connection to existing treatment works. The work involved the construction of two pumping stations and the laying of 3.4 km of mains and sewers.
 Total eligible cost: ECU 1 500 000
 Assistance granted: ECU 1 275 000
- Project No: 93/07/61/032** Decision C(93) 3257/4 of 15/11/93
 amended by Decisions C(94)2684 final/14 of 14/10/94 and C(97)2609 final/7 of 29/07/97
 Enniscorthy main drainage
 Planning and construction to replace defective sewers, the provision of five pumping stations and connection to existing wastewater treatment plant. The project also involved construction of separate foul and surface water sewer to eliminate all foul sewerage discharges to the River Slaney.
 Total eligible cost: ECU 5 750 000
 Assistance granted: ECU 4 887 500
- Project No: 93/07/61/003** Decision C(93) 2243/1 of 29/07/93
 amended by Decisions C(94)2684 final/13 of 14/10/94 and C(97)2609 final/6 of 29/07/97
 Robertstown sewerage scheme
 Planning and construction of a sewerage system and a secondary wastewater treatment plant for Robertstown.
 Total eligible cost: ECU 1 879 000
 Assistance granted: ECU 1 597 150

2.6.3.2 Transport

- Project No: 93/07/65/007** Decision C(93) 2243/8 of 2/07/1993
amended by Decisions C(94) 2684/2 of 14/10/1994 and C(95) 3008/6 of 8/12/1995.
N1 Drogheda Bypass (Stage I)
This concerns part of the planning and design phase for a 22.5 km motorway by-pass of the town of Drogheda on the Dublin-Belfast route.
Assistance granted: ECU 2 312 850
- Project No: 93/07/65/012** Decision C(93)3307/2 of 24/11/1993
amended by Decisions C(94) 2684/3 of 14/10/1994 and C(97) 2606/2 of 28/7/97.
Rail crossing at Belview port.
This is a small project intended to improve the access to the port at Belview near Waterford by providing an automated level crossing and a road bridge crossing the railway close to the port.
Assistance granted: ECU 797 300
- Project No: 93/07/65/013** Decision C(94) 2709 of 18/10/1994
amended by Decision C(97) 2606/3 of 28/07/1997.
Cork Harbour Tug.
This project provided a new tug in the port of Cork to replace an obsolete vessel with the objective of improving operational efficiency and safety in the port.
Assistance granted: ECU 3 566 171
- Project No: 93/07/65/015** Decision C(94) 673/1 of 13/04/1994
amended by Decision C(94) 2684/4 of 28/07/1994 and C(97) 2606/3 of 28/07/1997.
Cork Passenger Ferry Terminal.
The project involves upgrading the ferry terminal in Cork Harbour by providing an improved passenger terminal, additional facilities for passengers and cars and an additional link span bridge.
Assistance granted: ECU 6 385 000
- Project No: 93/07/65/017** Decision C(94) 673/2 of 13/04/1994
amended by Decision C(95) 1641/5 and C(96) 2113/14.
Dublin Port: North Quay Ro-Ro Berth.
Provision of a new roll-on/roll-off container terminal on unused land in Dublin port including a link-span ramp, paving a large marshalling area and an administration and maintenance building
Assistance granted: ECU 4 108 800
- Project No: 93/07/65/018** Decision C(93) 4039/5
amended by Decision C(94) 2684/6, C(95) 1954 and C(95) 3008/7.
Track Renewal Equipment.
The Cohesion Fund assistance was used for the purchase of equipment used in Irish Rail's track renewal programme, which involves the replacement of obsolete tracks with continuous welded rail on concrete sleepers.
Assistance granted: ECU 2 518 839

Project No: 93/07/65/019/023/024/025 Decision C(93) 4039/5

amended by Decision C(94) 2684/6, C(95)1954 and C(97) 2606/4

Rail Network Improvement I

The assistance was used for a programme of track and signalling upgrading mostly involving the replacement of obsolete rails with continuous welded rail on concrete sleepers. Most of the aid was concentrated on the Dublin-Belfast and Dublin-Cork lines with lesser amounts for the Dublin-Waterford and Limerick Junction - Limerick City lines.

Assistance granted: ECU 58 584 441

Project No: 93/07/65/027 Decision C(93) 3816/3

amended by Decision C(94) 2684/5, C(95) 3250/2 and C(97) 2606/5

Rosslare Harbour Development.

The building and improvement of one of the berths at the roll-on/roll-off cargo and ferry terminal at Rosslare in the south east of Ireland.

Assistance granted: ECU 5 446 366

Project No: 93/07/65/032 Decision C (94) 273

as amended by Decision C(95) 1641/2

Dublin Ring Road: Northern Cross.

Construction of the northern section of the Dublin Ring Road from south of Dublin airport to the existing western section.

Assistance granted: ECU 31 398 600

Project No: 93/07/65/043 Decision C(96) 2113/3**N25 Bantown-New Ross Road.**

This project concerns the construction, re-alignment and improvement of 8.2 km of road between the towns of Wexford and New Ross on the Rosslare-Cork route.

Assistance granted: ECU 7 937 300

Project No: 94/07/65/009 – Decision C(95) 3250/4

amended by Decision C(96) 3690/2

N18 Newmarket-on-Fergus bypass (Stage I).

This project concerns part of the planning and design phase of a major new road project on the Limerick-Galway road near Shannon airport.

Assistance granted: ECU 2 156 450

2.6.4 PORTUGAL

2.6.4.1 Environment

Project No 93/10/61/003 :

Decision C(93) 2931/4 of 20.10.93
 Decision C(95) 2677 Final/2 of 03/11/95
 Decision C(96) 1699/Final of 25/06/96

Water supply to Barquinha and Constância.

Construction of a supply system to improve water supplies to Barquinha and Constância and the military garrisons at Tancos and Santa Margarida in the Tagus Valley, so eliminating problems concerning the quality and quantity of the water supplied to some 15 000 people.

Assistance granted: ECU 11 381 000
 Assistance paid: ECU 11 353 047

Project No. 93/10/61/008

Decision C(93) 2245/4 of 29/7/93
 Decision C(95) 2667/1 of 3/11/95

Study on a policy to improve basic drainage.

The study seeks to identify a set of institutional, financial and regulatory instruments to facilitate a sustainable policy for the development of basic drainage in Portugal.

Assistance granted: ECU 1 123 300
 Assistance paid: ECU 1 017 899

Project No 93/10/61/09 :

Decision C(93) 2245/2 of 29/07/93
 Decision C(94) 3073/3 Final of 18/11/94
 Decision C(96) 339/Final of 09/02/96

Study to evaluate capacity to collect water and the vulnerability of coastal areas.

Study to define sensitive and vulnerable areas of the Portuguese coast and evaluate the capacity to accept sea water. The technical documents in the study provide assistance in the management of natural resources and the use of land on the coastal strip through definition of the sensitive and less sensitive areas to be determined for the purposes of applying Directive 91/271/EEC and by contributing to preparation of the plans for the coastal areas of Portugal.

Assistance granted: ECU 674 000
 Assistance paid: ECU 612 112

Project No 93/10/61/021

Decision C(93) 3347/7 of 7/12/93
 Decision C(96) 339 of 9/2/96

Waste-water treatment in Tavira.

Replacement of an obsolete waste-water treatment plant by a new one able to provide secondary treatment for a population equivalent to 30 000 people in the Ria Formosa area.

Assistance granted: ECU 1 111 800
 Assistance paid: ECU 921 533

Project No 94/10/61/016 :

Decision C(94) 3650 Final/3

Improvement of supplies to Castelo de Bode.

This project is the second stage of works to enlarge the supply system to Castelo de Bode which have been undertaken in conjunction with project 93/10/61/002 on increasing the production capacity of the Asseiceira ETA in order to deal with the growing problems of water consumption in the Greater Lisbon area and to ensure that water quality complies with Directive 80/778/CEE

Assistance granted: ECU 24 877 800

Assistance paid: ECU 23 041 886

Project No 94/10/61/023

Decision C(94) 3603/6 of 7/12/93

Decision C(96) 339 of 9/2/96

Study on waste – Algarve.

Study on the most appropriate solutions for the treatment and urban waste produced in the Algarve.

Assistance granted: ECU 39 525

Assistance paid: ECU 39 525

Project No 94/10/61/027

Decision C(94) 3603/7 of 19/12/94

Green spot system.

Study on introduction of the green spot system for packaging.

Assistance granted: ECU 146 700

Assistance paid: ECU 145 006

Project No 96/10/61/014

Decision C(96) 3190 of 5/11/96

PERSU – Plano Estratégico dos Resíduos Sólidos Urbanos (Strategic plan for solid urban waste).

Preparation of a plan including a series of proposals which will enable the most suitable decisions on solid waste to be adopted.

Assistance granted: ECU 167 632

Assistance paid: ECU 167 582

2.6.4.2 Transport

Project No 93/10/65/001 :

Decision C(93) 2245/1 of 29.07.93
 Decision C(94) 3073/2 final of 18/11/94
 Decision C(96) 2084 final of 26/07/96

Rail: modernisation of the North line – I

This project is the first assistance from the financial instrument and the Cohesion Fund to modernisation of the Portuguese railway system as part of the trans-European transport infrastructure network. The works carried out concern the modernisation of a number of structures, completion railway terminals at Alverca and Azambuja and improvement of current signalling between but excluding the stations of Sacavém and Setil and Entrocamento and Pampilhosa. This work contributed to the project's main aim of modernisation through reductions in journey times, increased traffic capacity and better safety and passenger comfort.

Assistance granted: ECU 32 158 400
 Assistance paid: ECU 32 158 400

Project No 93/10/65/006

Decision C(93) 3287/2 of 22/11/93

A3 – Cruz/Braga

Construction of an 11.8 km section of motorway forming part of the A3 – Oporto to Valença motorway.

Assistance granted: ECU 26 760 898
 Assistance paid: ECU 24 906 833

Project No 93/10/65/011

Decision C(94) 1053 of 5/5/94
 Decision C(96) 2103 of 26/7/96

CREL – Circular Rodoviária Exterior de Lisboa (Lisbon outer ring road).

Construction of a 34.5 km motorway providing a ring road to the north and west of Lisbon

Assistance granted: ECU 103 284 320
 Assistance paid: ECU 103 284 320

Project No 93/10/65/013-014-029

Decision C(95) 2675 of 3/11/95

Setúbal port.

Group of projects to improve operating conditions in the port of Setúbal

Assistance granted: ECU 3 749 696
 Assistance paid: ECU 3 227 760

Project No 93/10/65/031

Decision C(94) 952/4 of 28/4/94
 Decision C(96) 2084 of 26/7/96

Rail: modernisation of the Beira Alta line.

The project consists of a variety of work forming part of a broad programme to modernise the Beira Alta line to improve safety and raise speed.

Assistance granted: ECU 5 073 600
 Assistance paid: ECU 5 073 600

Project No 94/10/65/004

Decision C(94) 3964 of 10/1/95

Oporto/Aguas Santas.

Widening of 3.5 km of motorway from three to four 3.5 m lanes.

Assistance granted: ECU 2 756 000

Assistance paid: ECU 2 670 107

Project No 95/10/65/001

Decision C(96) 915 of 3/4/96

Port of Lisbon –Alcântara and Conde d’Obidos quays.

The project concerns the integrated redesign of the Alcântara and Conde d’Obidos quays to solve the problem of erosion and improve the stability of the quay wall so that port operations can be carried out in the best possible conditions.

Assistance granted: ECU 6 581 304

Assistance paid: ECU 6 581 304

CHAPTER 3

EVALUATION AND ASSESSMENT

3.1 GENERAL

Applicant Member States are required to submit to the Commission all the information it needs to make a detailed assessment of projects to be assisted. The procedures and requirements for project assessment have been described in detail in earlier reports; it is therefore sufficient to present only the general lines here.

For a thorough project appraisal, adequate documentation and economic analysis demonstrating that a project will generate medium-term economic and social benefits commensurate with the resources deployed must accompany applications. In general, cost-benefit analysis is used for this purpose. In the environment sector, however, there are often limits to a straightforward application of the cost-benefit model, so in this sector the Regulation also allows the use of other forms of analysis and demonstration of benefits. The preparation of cost-benefit and other types of analysis is primarily the responsibility of the beneficiary Member States. The Commission may, however, support appraisals and evaluation of projects through technical assistance measures or within a first phase of project financing.

The Commission has been using technical expertise from outside consultants where this is deemed appropriate and has a standing agreement with the European Investment Bank for assistance with project appraisals.

The Commission is conscious of the fact that there is no generally accepted standardised methodology for environment projects are concerned. It has started to review economic appraisal methods in the two sectors of assistance in order to identify best practice and issue guidelines for applications based on a higher degree of harmonisation of methods and of underlying assumptions amongst beneficiaries.

3.2 SOCIO-ECONOMIC IMPACT OF THE COHESION FUND

3.2.1 INTRODUCTION

The Regulation establishing a Cohesion Fund requires the Commission to assess the economic impact of the Fund both at the level of individual projects and at the level of Community assistance as a whole. Thus, Article 10(5) specifies that the medium-term economic and social benefits should be "commensurate with the resources deployed." Article 13(2) states that: "In order to ensure the effectiveness of Community assistance, the Commission and the beneficiary Member States shall, in cooperation with the EIB where appropriate, carry out a systematic appraisal and evaluation of

projects." Finally, the Annex to Annex II specifies that the Commission should report annually on "the economic and social impact of the Fund in the Member States and on economic and social cohesion in the Union."

The Commission has taken a number of steps to meet these requirements. In the case of the prior appraisal of projects, it has encouraged Member States, with financial support where necessary, to develop and refine the economic appraisal methods used in support of project applications. It has also financed studies to the same end. A full review of cost-benefit and other quantified economic analyses is also planned with the aim of drawing on the experience of the Fund over its first five years.

In the case of the *ex post* evaluation, an examination of all projects approved for Cohesion Fund assistance is currently under way (see Section 3.4). As well as evaluating all aspects of project implementation, this will include an assessment of the extent to which initial expectations of economic effects have been realised.

As noted in previous reports, the Cohesion Fund has commissioned a major study of the impact of assistance from the London School of Economics and Political Science. The Commission accepted the final report of this study in early 1997 and additional work has been undertaken since then to develop the economic models proposed and to apply them to selected Cohesion Fund projects. Some initial results are reported in Section 3.2.3.

The study by the London School of Economics seeks to complement more traditional micro-economic analyses of impact and, in particular, to capture the longer-term contribution of investment in infrastructure to the development of the regional and national economies in which it is situated. With over ECU 3 billion of annual investment expenditure from Cohesion Fund resources, the potential impact on economic activity and job creation in the four cohesion countries is very considerable. The Commission seeks to ensure, on the one hand, that projects selected for assistance contribute positively to economic welfare and, on the other hand, that systematic evidence is obtained of their lasting effects on economic activity and employment.

3.2.2 PRIOR APPRAISAL OF PROJECTS

Cost-benefit analyses or other forms of quantified analysis are obligatory for the prior appraisal of projects. The Member States have made substantial efforts to comply with this requirement and, as noted in previous reports, the quality of the economic analyses submitted with project applications has improved over the lifetime of the Fund. However, further progress remains to be made, in particular in the case of environment projects where the application of cost-benefit techniques is least developed. Greater consistency between different sectors of assistance and between the approaches adopted by different countries is also desirable.

The Commission envisages launching two studies aimed at drawing on the considerable experience gained during the first five years of the implementation of the Fund in the field of cost-benefit analysis in the transport and environment sectors. These studies will review the methods used by Member States with the aim of identifying best practice, developing the approaches used, in particular for environment projects, and drawing up guidelines aimed at the specific needs of the

Cohesion Fund. The planned studies will concentrate on issues of methodology and are additional to the proposed *ex post* evaluation of completed projects to be undertaken during the coming year.

Other work undertaken or financed by the Cohesion Fund in the field of economic appraisal and cost-benefit analysis of projects - including information on studies of the transport and environment sectors, as well as some results relating to anticipated economic rates of return - is fully described in the Fund's reports for 1995 and 1996.

3.2.3 LONDON SCHOOL OF ECONOMICS (LSE) STUDY

This study was commissioned from the London School of Economics and Political Science in 1995 with the aim of developing new economic modelling techniques for estimating the socio-economic effects of Cohesion Fund assistance. A final report - consisting of a literature survey, data report and modelling report, including some first simulation results - was accepted by the Commission in early 1997. It was presented on 12 June 1997 to a wide audience consisting of representatives of national ministries and regional and municipal authorities, the European Parliament, the Economic and Social Committee, the Committee of the Regions, the Court of Auditors, the EIB, academics and Commission officials. The report is publicly available but will be published formally in 1998.

Among the most interesting results of the study are:

- the demonstration of a strong, positive relationship between public infrastructure investment and private investment, output and employment over the long term in the cohesion countries;
- the estimation of significant employment effects of Cohesion Fund assisted investment, again over the long term;
- the quantification of regional income effects which, in some cases, exceed those resulting from more traditional approaches to project appraisal such as cost-benefit analysis;
- the identification of important spillover effects between regions and between the cohesion countries and their neighbours.

The background to the study and the methods developed by the LSE were described fully in last year's annual report. Briefly, these methods are as follows:

Vector autoregression (VAR) models - These are econometric models, produced for each of the four beneficiary countries, which trace the dynamic response of private investment, output and employment to changes in public sector investment. The approach involves establishing a statistical relationship between the main variables based on a detailed historical database. Although using established methods, the VAR models are innovative to the extent that they involve a high degree of regional disaggregation, they consider dynamic impacts, and they are able to identify inter-regional spillover effects.

Regional computable general equilibrium (CGE) models - These models represent the first attempt to develop operational CGE methods at a regional level and have been constructed for Spain/Portugal, Greece and Ireland. They focus specifically on transport infrastructure investments

and capture their short, medium and longer-term impact on regional and national income via their effects on transport costs. The models differ from the others in that they do not depend on lengthy time series data but rather incorporate a fully articulated micro-economic structure.

Models of explicit distribution dynamics - These models consider the dynamics and growth over the whole cross-section of regions in the cohesion countries and can be used to examine such questions as the tendency of regional incomes to become more or less equal over time, the mobility of regions within a regional income distribution, and the effects of changes in an individual region on the overall regional income distribution.

Following the submission of the LSE's report, further work has been undertaken to refine the models and to apply them to actual Cohesion Fund projects. Preliminary results are available for a series of transport infrastructure investments in Spain using the VAR and CGE methods. These are summarised in Tables 3.2.3.1 and 3.2.3.2.

Table 3.2.3.1: Simulation results for Spanish transport projects using the VAR model

Transport project/corridor	Cost ECU m (1990 prices)	Response of Output		Response of Employment			
		Regional*	National	Regional*		National	
				Short-term	Long-term	Short-term	Long-term
Madrid ring road	281	+0.7%	+0.13%	13 000	2 220	13 400	2 780
Madrid-Valencia motorway	306	+0.3-0.4%	+0.05%	6 500	1 130	7 300	1 250
Rias Bajas motorway	717	+0.5-1.3%	+0.1%	22 300	3 100	22 400	3 300
Cantabrian highway	100	+0.5%	+0.01%	2 400	350	2 400	400
Bailén-Granada	259	+0.3%	+0.04%	5 400	900	5 500	1 000
Zaragoza-Huesca & Somport	175	+0.6%	+0.02%	3 100	400	3 100	500
Trans-Catalonia highway	136	+0.2%	+0.05%	6 000	900	6 000	1 000
Madrid-Valencia railway	140	+0.2%	+0.03%	3 300	540	4 000	800
Mediterranean rail corridor	341	+0.3%	+0.1%	13 000	1 980	13 100	2 200
Combined effect#	2 455	-	+0.55%	-	-	75 000	13 000

* impact on region(s) in which project is located - other regional impacts available from full results

as the model is non-linear, the combined effect is not just the sum of the individual project effects

Table 3.2.3.2: Simulation results for Spanish road projects using the CGE model

Road corridor		Direct effect	Short run	Medium run	Long run
Madrid ring road M40	<i>ECU m</i>	260	312	382	384
	<i>Relative</i>		1.20	1.47	1.48
Rias Bajas motorway	<i>ECU m</i>	124	148	177	178
	<i>Relative</i>		1.19	1.43	1.43
Bailén-Granada motorway	<i>ECU m</i>	29	37	48	48
	<i>Relative</i>		1.27	1.65	1.67
Cantabrian highway	<i>ECU m</i>	46	53	73	72
	<i>Relative</i>		1.16	1.59	1.57
Madrid-Valencia motorway	<i>ECU m</i>	173	209	256	261
	<i>Relative</i>		1.20	1.47	1.48
Trans-Catalonia highway	<i>ECU m</i>	105	123	145	146
	<i>Relative</i>		1.17	1.39	1.39

Figures in million ecus represent the estimated net welfare effect of the investments at the national economy level.

'Relative' expresses the short, medium and long run effects relative to the direct effect.

FIGURE 3.2.3.1 : VAR MODEL RESULTS : MADRID RING ROAD

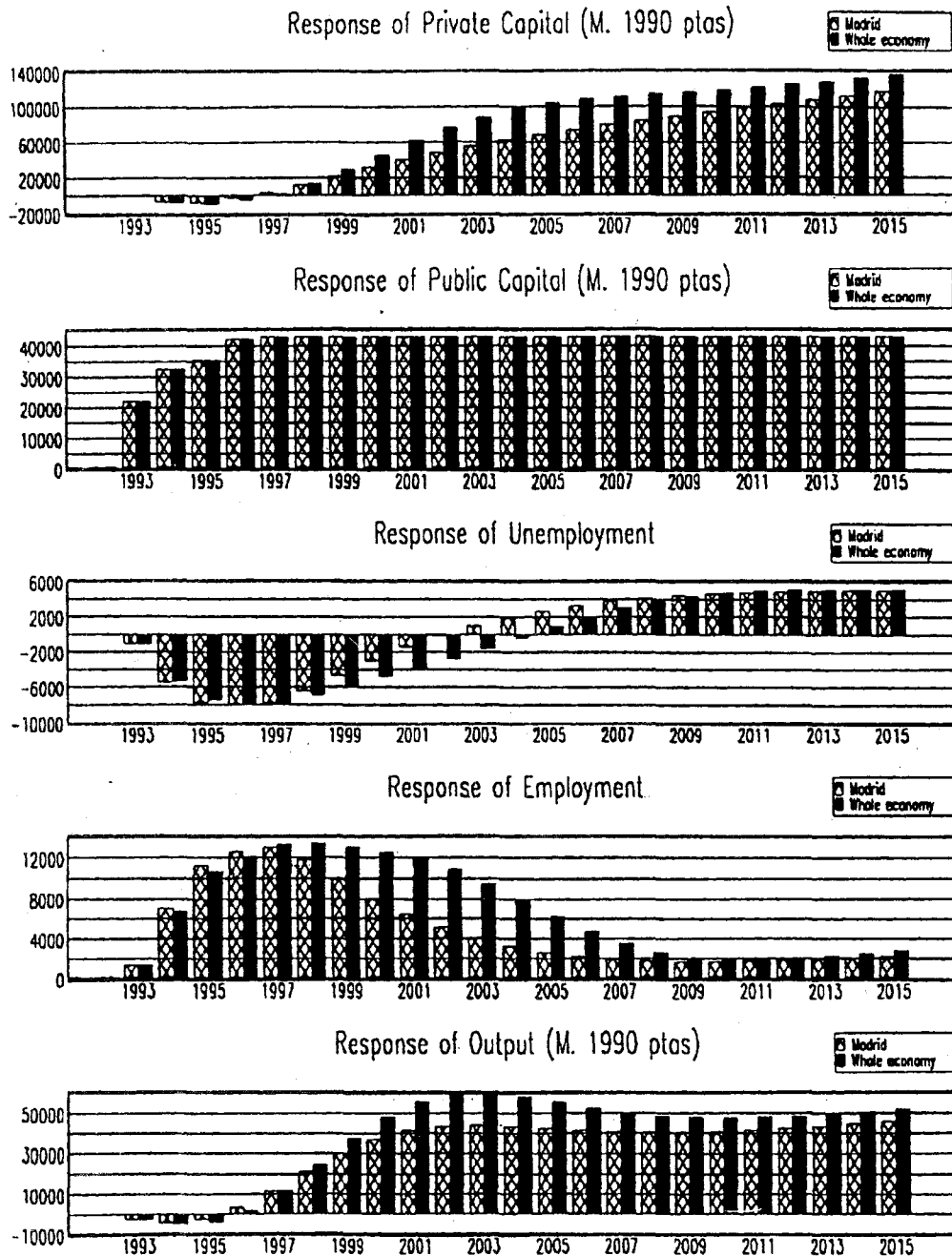
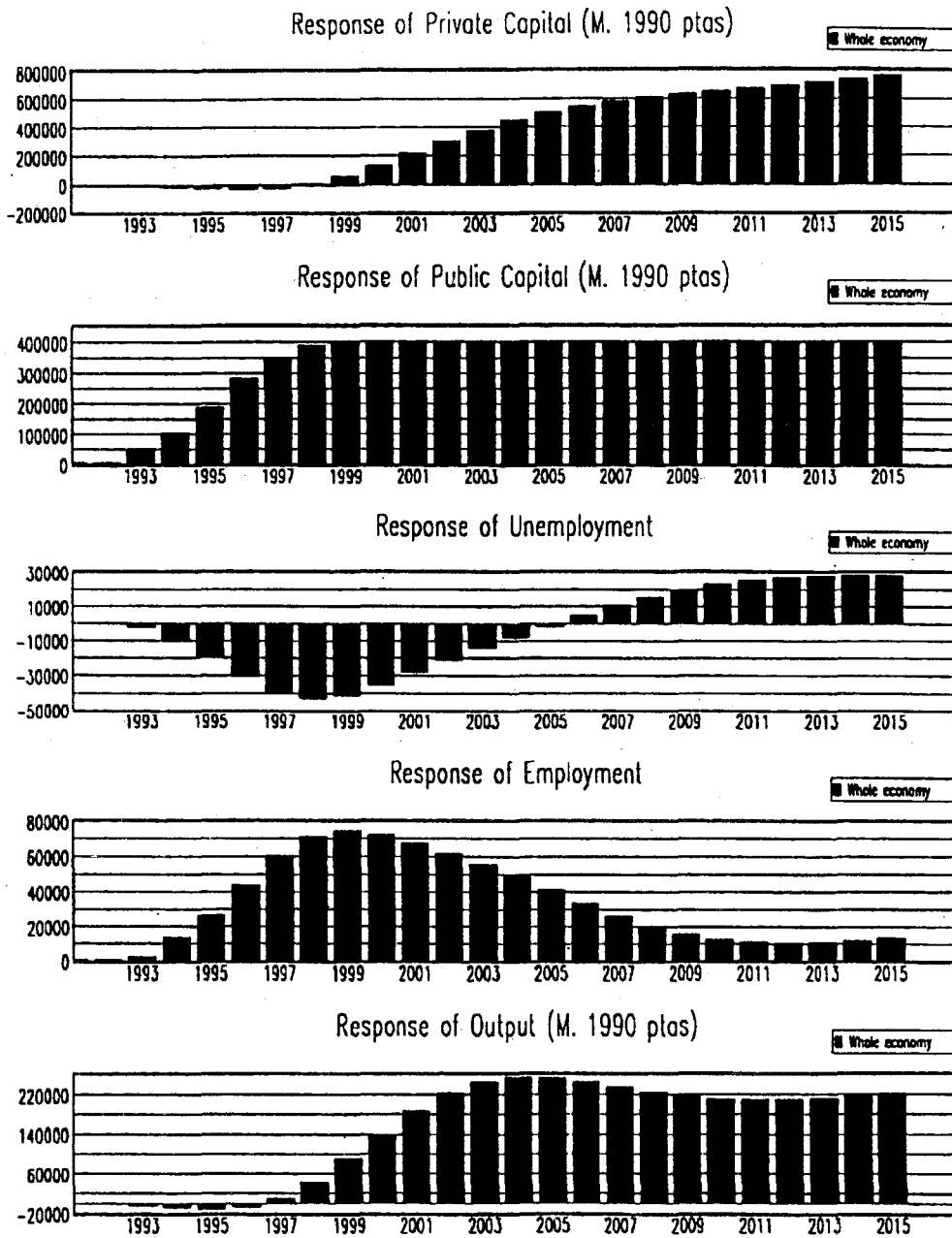


FIGURE 3.2.3.2 VAR MODEL RESULTS : TOTAL TRANSPORT PROJECTS



The VAR model results in Table 3.2.3.1 represent only a selection of the outputs available from the simulations. Full results will be published from time to time in special reports. The models can produce estimates of the impact of projects, groups of projects (for example, along a main transport corridor), and of total transport investment in a particular region or a country as a whole. The impact of assisted investments on private investment, employment, unemployment and output is measured, with results available by region and for the national economy.

Figures 3.2.3.1 and 3.2.3.2 illustrate respectively the simulations in the case of one particular project (Madrid ring road) and of all nine projects included in this first analysis.

The results for the Madrid ring road (Figure 3.2.3.1) show the following main features:

- roughly two-thirds of the impact on private capital occurs within the Madrid region and one-third outside;
- the impact on private capital is gradual although the bulk of it has come through after about a ten-year lag;
- almost all the immediate employment impact occurs within the region, and peaks at around 13 000 jobs, falling back to just over 2 000 in the long term (almost 3 000 in Spain as a whole);
- there is, however, a significant employment spillover into other regions in the medium term that at its peak is almost equal in size to the within-region effect;
- the effect on output also comes through gradually with three quarters or more of the effect concentrated within the Madrid region;
- the implied output elasticity with respect to the increment in public capital is about 0.2 for Madrid, and about 0.5 for the Spanish economy as a whole.

The overall results for the nine projects examined in the present exercise (Figure 3.2.3.2) show that the estimated overall employment impact on the Spanish economy as a whole is about 75 000 jobs (0.6% of the workforce) by 1999, declining to around 13 000 (0.1% of the workforce) by 2015. This reflects the normal cycle in which initial demand effects felt during the construction of the infrastructure give way over time to longer lasting supply-side effects during the operational period.

Output in the Spanish economy is also expected to increase by about 0.6% as a result of the combined impact of the nine major transport investments identified. In this case there is little difference between medium and long-term effects as a declining employment input is offset by rising private capital. The associated implied long-run output elasticity is about 0.21, which compares reasonably with that produced by alternative approaches.

Simulation results of the CGE model for a range of Spanish road projects are given in Table 3.2.3.2. This model 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 impact of 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.

Total welfare and labour income changes by region resulting from specific transport infrastructure projects can be computed over the short, medium and longer term. In Table 3.2.3.2 the following effects are identified:

1. Direct effect - real income increase in economy as a whole due to investment, with all quantities held constant;
2. Short run - additional effect from traffic generation but no relocation of activity assumed.
3. Medium run - additional effect assuming some relocation of economic activity due to the new transport link.
4. Long run - full effect on national income assuming relocation and labour migration.

In each case the real income gains are also expressed relative to the direct impact effect (multipliers). A significant feature of the results is that these multipliers are all greater than unity, indicating substantial induced benefits from increased investment and the relocation of industry and labour migration in response to the projects. These additional welfare benefits are not normally picked up in more traditional microeconomic approaches such as cost-benefit analysis.

3.2.4. EMPLOYMENT EFFECTS

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 attractions and competitiveness of the economies concerned.

It is possible to estimate at least some of these effects from information submitted by the Member States. All Cohesion Fund applications must indicate at least the number of direct jobs likely to arise from the projects. An analysis of project applications indicates that on average around 20 jobs are generated directly per million ecus of grant in transport projects and 25 jobs per million ecus in environment projects.

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

Table 3.2.4.1: Estimated short-term employment dependent on Cohesion Fund

Year	Direct employment	Indirect employment*	Total employment
1993	34 300	10 300	44 600
1994	41 700	12 500	54 200
1995	48 200	14 500	62 700
1996	54 900	16 500	71 400
1997	62 400	18 700	81 100
TOTAL	241 500	72 500	314 000

* based on assumed multiplier of 1.3.

These estimates should be interpreted with caution. They are not intended to show the permanent 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 as dependent on the financed projects over the short term, i.e. the construction period.

This approach to employment estimation using project applications is clearly inadequate to estimate the permanent employment gains 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 carried out by the London School of Economics is intended to fulfil this function and to provide employment estimates using a sound theoretical base.

Some employment estimates from the LSE study relating to particular projects are given in Section 3.2.3. Overall figures derived from this study will be produced in due course when the analyses for countries other than Spain are concluded. However, preliminary indications from the analyses so far undertaken using the VAR models suggest that the total impact of Cohesion Fund assisted investments approved over the period 1993-97 could be a maximum of over 300 000 jobs in the short-term and over 55 000 jobs in the long-term.

3.3 THE "GREENING" OF THE COHESION FUND

Under the new budget heading B2-1600,⁶ a call for tenders was issued in August 1997 for a study on assessment of the environmental dimension of projects part-financed by the Cohesion Fund in the four beneficiary Member States.

On the basis of the analysis of a certain number of projects by country in the two fields receiving assistance from the Cohesion Fund, the study should demonstrate the contribution of these projects to implementation of Article 130r of the Treaty and achievement of the aims of the Fifth Action Programme for the environment and sustainable development.⁷

To this end, interim thematic targets will be set in both sectors to cover water supply, the collection and treatment of waste water, solid waste, sustainable mobility and transfers between modes of transport. Individual projects will then be evaluated in terms of these interim targets, with stress being placed on the situation without the project, the technical solution provided, the results expected and those actually secured.

Other factors will also be taken into account, particularly in the consideration of projects in terms of national policies and strategies, the contribution of the projects to improving living conditions and application of the polluter-pays principle.

⁶ Budget heading for the implementation, monitoring and assessment of programmes and projects created by the European Parliament.

⁷ COM(92) 23 final of 20 May 1992.

This will make it possible to determine the contribution of the Cohesion Fund to achieving these targets and the impact of its assistance in terms of implementation of the various Community Directives and guidelines.

The conclusions of this study, in the form of a report on each country, should be available during 1998.

3.4 EX POST EVALUATION PROGRAMME

At the end of 1996, after four years of operation, the Commission decided to embark on a systematic *ex post* evaluation of completed projects. The obligation and objectives of an *ex post* evaluation of assisted projects are defined in Article 13 of the Cohesion Fund Regulation, which stipulates that, during 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, Community rules require *ex post* evaluation to consider the environmental impact of projects.

In 1997 the Cohesion Fund and associated departments agreed on terms of reference for a comprehensive *ex post* evaluation of completed projects in both the environment and the trans-European transport infrastructure. Through its assistance in the field of environment, the Cohesion Fund has become active in the following sectors:

- ◊ water abstraction and supply of drinking water: boring, reservoirs, aqueducts, pipe-works, pumping stations, retention dams, leakage control systems, hydraulic studies;
- ◊ waste-water services: drainage systems, pumping stations, sewage treatment plants, sludge processing centres;
- ◊ solid waste: deposits, composting facilities, sorting centres, incinerators, pyrolysis stations;
- ◊ reafforestation projects;
- ◊ environmental restoration (coastal and river-bed clearance);
- ◊ others.

In the field of trans-European transport infrastructure the Cohesion Fund has become active in:

- ◊ roads, motorways and junctions, including bridges and tunnelling;
- ◊ railways (excluding rolling stock): track laying, electrification;
- ◊ seaports: piers, hangars, freight handling systems;
- ◊ airports;
- ◊ traffic management systems: railway signalling, sea vessel traffic management, air traffic control.

Under Regulation (EC) No 1164/94, a project can also mean a group of related projects or a stage of a project. The Commission principally aims at a systematic *ex post* evaluation of all assisted projects or coherent groups of projects. The evaluation programme is planned as an ongoing exercise until the end of 2000, i.e. 12 months after the end of the present financial perspective. The Fund regards evaluation of some 120 projects (or coherent groups), split evenly between the environment and the transport sectors, as a realistic target for this period.

In organising an *ex post* evaluation, the Commission sets and defines harmonised framework conditions, since it will prove useful only in a harmonised setting, ensuring a common approach across Member States and sectors of assistance. Only a coherent approach based on a common methodology can guarantee impartial results that can be applied generally and taken into account in future policy and project design. For this reason, the Commission decided that *ex post* evaluation should be performed by outside assessors, which should guarantee that results are not biased because of divergent views and allow for the necessary generalisation of conclusions. Given the importance of an impartial and horizontal *ex post* evaluation, the funding of *ex post* evaluation activities should, exceptionally, receive 100% assistance from the Cohesion Fund. Evaluations of completed projects are to be carried out in cooperation with the beneficiary Member States, which are to have the opportunity to comment on the results.

In order to ensure smooth implementation and continuity of action under the multi-annual evaluation programme, an appropriate intermediate support structure will be established, with the objective of ensuring the management and organisation of the logistics of the evaluation. To this end, the following tasks are to be undertaken by a coordinator:

- * Search for and identification of highly qualified assessors to carry out the individual project evaluations.
- * Negotiation and financial management of the individual evaluation contracts on a project basis or on the basis of coherent groups of projects. Financial management must comply with the principles of sound financial management and the rules laid down by the Commission.
- * Organisation, conduct and secretarial services, if necessary, for workshops and committees in Brussels or elsewhere in the European Union.
- * Appraisal of individual evaluation reports to ensure their conformity with general guidelines and their overall quality and homogeneity over the sectors concerned and over beneficiary Member States.

In accordance with Article 13(4) of Regulation (EC) No 1164/94, the mandate for *ex post* evaluation given by the Commission and the coordinator to the assessor of an individual project, or coherent group of projects, includes:

- 1- Analysis of project planning, including:
 - ◇ a review of the integration of the project in an overall sectoral strategy,
 - ◇ the selection from alternatives as far as environmental technology and location is concerned,
 - ◇ the selection of the location,
 - ◇ the adequacy of underlying supply and demand indicators (capacity, demand parameters used to dimension the project).
- 2- Analysis of project implementation,
 - ◇ has project been modified from the original application? Assessment and causes of modification with respect to cost-benefit analysis and environmental impacts;
 - ◇ review of the planning and implementation network (analysis of delays),
 - ◇ review of financial planning (causes of cost overruns, flow of funds, causes of delays).

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- 3- Economic and financial viability,
 - ◇ has provision been made to secure operating cost, including capital maintenance expenditure (repairs) over the anticipated lifetime of the project, (increased tax base, user fees etc.)?
 - ◇ application of the polluter-pays principle, analysis of the institutional operating framework of the project, charging system, adequacy of prices and cost contributions practised, analysis of operating licenses and concessions, participation of private sector,
 - ◇ revenue estimation and consideration thereof in grant rates,
 - ◇ actual degree of capacity use after completion and assessment of realistic prospects.

 - 4- Environmental impact of the projects,
 - ◇ comparison of environmental indicators and benchmark values before and after completion of project,
 - ◇ implementation and location of the project with a view to mitigating negative environmental aspects,
 - ◇ long and short term environmental impact.

 - 5- Economic impact of projects, economic effects arising directly on completion of the project, such as:
 - ◇ improvement of the general economic environment of economic agents and of investment conditions in a particular area, (elimination of environmental bottlenecks hindering economic activities (in particular tourism), assessment of new turn-over generated), assessment of whether the project is complementary to private investment and business activities:
 - ◇ wealth and distribution incidence, (positive/negative externalities, which groups/sectors benefit/lose from the project) - in particular it would be essential in this context to establish whether direct monetary benefits that are individually imputable stem from a project, (e.g. re-zoning and price changes of land due to provision of new sewers etc.);
 - ◇ identification of the main economic/social beneficiaries (households, agriculture, industry, services - including tourism).

 - 6- Social impacts,
 - ◇ improving of living conditions, improvement of sanitary and health conditions (quantification of social factors).

 - 7- Employment impact,
 - ◇ employment during completion of the project,
 - direct impact (on-site jobs),
 - indirect impact (by provision of inputs through intermediaries),
 - ◇ permanent employment impact,
 - permanent jobs for operating the project,
 - jobs created by multiplier effects and induced growth

 - 8- The evaluator presents a critical analysis of all the references made in the application, analysing in particular the robustness of the project from the viewpoint of changes in parameters underlying the initial cost-benefit calculations. (Risk and sensitivity analysis).
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- 9- He should assess whether the project is of sufficient scale to have a significant impact on the improvement of the environment in the affected area.
 - 10- The assessor also points out missing complementary projects that may prevent the assisted project developing its full environmental, social and economic benefits.

Ex post evaluation of projects assisted by the Cohesion Fund demands a multi-disciplinary team of technicians, economists and environmentalists with proven experience in the various fields of activity supported by the Fund. A harmonised approach across the four beneficiary Member States will be required to guarantee comparability of results. The coordinator will have the following main tasks:

- (a) The coordinator proposes and sets up a harmonised method that best guarantees impartial results over a cross-section of projects from different beneficiaries and different environment projects.
- (b) The coordinator also proposes and sets up a system of horizontal indicators such as unit cost by cost categories etc. over comparable projects and over beneficiaries for the same type of categories of investment (infrastructure). He sets up an appropriate database for the projects evaluated.
- (c) In addition, on the basis of experience, the coordinator submits to the Commission his conclusion and recommendations for an improved system of prior appraisal of projects and any other consequences he deems appropriate for improving consideration of projects by the Commission and implementation by the responsible national authorities.
- (d) Each project is evaluated independently, the evaluation report following in broad terms the breakdown of the standard application form provided by the Cohesion Fund. The coordinator sets up and proposes the standard scheme and format to be followed.

During 1997 the Cohesion Fund issued calls for tenders using a two-tier approach. First, a group of 20 service providers was selected from a wider range of offers, ten for the environment and ten for the transport sector. They were then invited to submit detailed tenders for the coordination of this *ex post* evaluation programme. The offers had to respect the comprehensive terms of references document provided by the Commission and in particular guarantee a fixed price applicable for the period from 1997 to 2000. At the end of 1997 the Commission was still analysing and evaluating the tenders

CHAPTER 4

MONITORING AND CONTROL

4.1 MONITORING COMMITTEES

4.1.1 GREECE

The Monitoring Committee for Cohesion Fund projects met three times in 1997, the transport, environment and *ad hoc* Committees for Evinos and Spata in March and October and the *ad hoc* Committee for the Evinos project in December.

The Monitoring Committees were chaired by the Secretary-General of the Ministry for Economic Affairs. They comprise the Secretaries-General of the seven other Ministries concerned with Cohesion Fund assistance, representatives of the Commission, i.e. the Cohesion Fund and the other Directorates and Directorates-General concerned, representatives of the EIB, representatives of the Greek Ministries and representatives of the associations of councils and mayors as promoters.

The Committee considered tables summarising each decision and project and reports on each project. The Commission paid particular attention to compliance with Community policies.

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

- a) notify the authority designated by the Member State, the supervisory Ministries and final beneficiaries of the results of consideration of the new applications for assistance;
- b) notify the amounts of commitments and payments in 1996 for projects in Greece in the fields of transport and the environment;
- c) secure direct knowledge of the problems encountered by the final beneficiaries in carrying out the works;
- d) explain the position of each side (Member State and Commission) on the continuation of projects, the eligibility of expenditure and the information to be provided to the Commission;
- e) hear from the Greek authorities about possible amendments to be made in 1997 to projects already approved and on which the Commission has yet to state its view.

The physical and financial implementation of environmental projects during 1997 was generally satisfactory although there are delays in some projects.

Implementation of the Pathe and Egnatia transport projects in 1997 progressed satisfactorily in terms of commitments and construction.

The transfer of projects from OSE to Ergose, which was completed at the end of 1997, caused considerable delays to rail projects.

Three *ad hoc* Monitoring Committees were set up in Greece, for the Evinos project (supply of water to Athens), the new Athens airport at Spata and for Psyttalia (second stage of biological treatment for Athens).

The *ad hoc* Committee for the Evinos project met three times in 1997. It is concerned with the supply of water to Athens from the river Evinos and the projects of the Athens water company (EYDAP) concerned with the transport of water and the management of water resources in the Athens urban area.

The Evinos project is being monitored in physical, financial and technical terms. The advisory and coordinating committee, which comprises figures of international standing, was set up to guide and examine the work regularly. The parties concerned, including the Cohesion Fund, are informed of the results of its work. A large part of the project part-financed by the Cohesion Fund has been completed and preparation of the extended final study has advanced as desired. The third, penultimate, part of the project has therefore been approved.

The *ad hoc* Committee for the new Athens airport at Spata also met three times in 1997. It looked at the physical and financial progress of the project and at compliance with Community policies, particularly those on the environment, and with the special provisions of the Commission decision, which relate chiefly to the completion of access roads to the airport and the timely installation of aeronautical equipment. Thanks to the efforts of the parties concerned, these provisions have been implemented. Construction of the airport is also proceeding as planned.

The Monitoring Committee for the second stage of biological treatment for Athens at Psyttalia was established as provided for in the Commission decision. It did not, however, meet in 1997.

4.1.2 SPAIN

Two meetings of the Monitoring Committee were held in Madrid. Each Committee comprises a number of sub-Committees depending on the body responsible for implementation of the projects concerned or the sector of assistance. In accordance with the wishes of the Commission and Spain, the number of sub-Committees grew from four to six. They cover water projects, reforestation projects, the Autonomous Communities, local authorities, Central Administration - transport and Central Administration - environment.

The Committees were chaired by Mr Pascual Fernández, Director-General for budget analysis and programming and attended by various people depending on the subject matter. Departments represented include the Ministry of Development, the Ministry of the Environment, the Directorate for water quality and the Directorate-General for economic and budgetary programming and bodies responsible for projects such as AENA and representatives of the territorial administrations.

The Commission delegation, chaired by the Director of the Cohesion Fund, comprised the Head of Unit, staff responsible for projects in Spain within the Cohesion Fund Directorate and representatives of the environment policy, Financial Control and the Structural Funds.

Seventh meeting of the Monitoring Committees (3 and 4 June)

The agendas of these Committees included consideration of the progress of each of the projects at 31 December 1996.

Reference was made to the Commission Decision of 25 June 1996 concerning information measures applicable to projects financed by the Cohesion Fund. Costs relating to this aspect continue to be eligible even after the project has been completed. However, failure to comply with this Decision could result in suspension of payment of the balance.

- **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, soil erosion and the restoration of the coast line. The Commission found that most projects were progressing well. Of the 60 decisions considered, 36 were in the field of the environment and 20 in the field of transport.

In the case of the environment, delays were again found in projects to restore the coast line. In many cases, delays in implementation were due to the non-availability of land, which often required agreement between the municipalities concerned and the Central Administration.

The decisions concerning many projects will be amended from the original plans as regards either the eligible cost, the schedule or the financing plan. The Commission will pay particular attention to applications to increase the total cost.

Since work on the treatment stations identified as being of general interest and managed by the Central Administration, such as those at Albufera, Logroño, Jaca y Sabiñanigo and Altea, has not yet begun, the Commission wondered whether the national matching funds were available. The Spanish authorities stated that there were merely delays in implementation.

- **Committee for projects submitted by the Autonomous Communities**

The projects submitted by the Autonomous Communities cover roads, drainage and water treatment, waste management and the urban environment. Two projects in the transport sector were closed. Consideration of project implementation at 30 December 1996 (21 decisions on the environment and six on transport) resulted in amendments to the work, the financing plan and the schedule.

- **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. One project had been closed since the last meeting of the Committee.

Following consideration of the progress of the projects (51 decisions on the environment), attention was drawn to the need to speed up implementation, despite the difficulties of issuing calls for tenders, which could not begin until the Commission had adopted its decision, and the need for an extra year for completion of the work in order to avoid a large number of changes to the schedule.

- **Committee for water projects**

This Committee restricts the concept of “water” to projects concerning the water cycle, excluding drainage and water treatment. It also considered projects concerning control networks and the programme of integrated plans to restore water basins (PICHRA). Consideration of the implementation of projects (23 decisions on the environment) resulted in some amendments.

- **Reafforestation Committee**

The Commission had asked for a specific Reafforestation Committee to be set up to provide more transparent management of the projects. The projects, submitted by the Central Administration and the Autonomous Communities, are grouped by water basin. One project had been closed since the last meeting of the Committee.

Consideration of the implementation of projects (13 decisions) resulted in some amendments.

The Community environment representative asked for it to be noted that terracing should be carried out without the use of heavy equipment in order to avoid damage through erosion.

Eighth meeting of the Monitoring Committees (21 and 22 October 1997)

At this meeting in Madrid, 217 monitoring reports on the implementation of projects or groups of projects at 30 June 1997 were considered.

- **Committee for transport projects submitted by the Central Administration**

This meeting considered 48 decisions.

In response to the Commission’s enquiry about adequate publicity measures for the airport project at Palma de Mallorca, the body responsible proposed setting up two fixed hoardings at one of two sites.

A number of amendments were requested, mainly to extend the date for the completion of works and to increase the total cost. It was also noted that applications for amendments would be submitted in respect of completed projects for which the balance had not been paid to include price revisions and increases for expropriation which involved an increase, sometimes substantial, in the total cost.

It should be noted that projects in this field are those which have progressed most satisfactorily in terms of both work and payments.

A mission to inspect the Mediterranean Corridor project was announced.

- **Committee for environmental projects submitted by the Central Administration.**

This Committee considered 39 decisions. The projects for which it is responsible are subject to substantial delays which severely threaten implementation of the national plan for water treatment to which the Cohesion Fund has contributed since 1995 by financing treatment stations declared to be of general interest.

Implementation of projects to restore the coast line is slow and withdrawal of non-viable projects was requested. This situation also makes the Commission reluctant to adopt new projects for the coast in 1997. The Commission stated that it would produce a list of projects to be checked during a mission. The Community representative for the environment requested information on projects whose impact was being evaluated.

- **Committee for water projects**

This Committee looked at 30 decisions. The Commission recalled the importance of submitting to the Cohesion Fund integrated operating systems. This is particularly important for the autonomous cities of Ceuta and Melilla, where complete solutions are required.

In response to the Commission's comment about the systematic delays in certain measures within a group of projects, those responsible stated that they would look at projects where work had not begun so that decisions could be closed and either decommitments or the balance requested.

However, to deal with incomplete monitoring reports and provide more direct information, the request about the participation of project managers at the Monitoring Committee made at the sixth meeting in 1996 was repeated.

- **Reafforestation Committee**

This Committee looked at 14 decisions. The Commission asked the Spanish authorities to demonstrate consistency between the projects submitted to the Structural Funds and those submitted to the Cohesion Fund so that it could adopt the Tagus river basin project. This application presented no other problems.

- **Committee for projects submitted by the Autonomous Communities**

This Committee considered 31 decisions and the eligibility of the payment of 4% for technical assistance carried out by the Central, Regional or Local administration. This expenditure was eligible only if it was the subject of a separate contract.

- **Committee for projects submitted by the locale Administration**

This Committee considered 55 decisions. The Commission stressed the obligation to undertake information and publicity measures and pointed out that these could always be carried out within projects since the expenditure was always eligible. It reminded the Committee of the need to improve the quality of monitoring reports.

4.1.3 IRELAND

The Monitoring Committee for Ireland met on two occasions in 1997, on 17 April and on 2 October.

As in previous years, the Cohesion Fund Directorate and members of other departments with an interest in the Fund's operations in Ireland represented the Commission. The Irish authorities were represented by the Department of Finance, which provides the chairman and the secretariat for the Committee, and by representatives of the Irish Government Departments responsible for the sectors which receive assistance from the Fund. Representatives of the public agencies responsible for the implementation of projects (e.g. Irish Rail, the state Rail Company, and the port authorities, Aer Rianta, the State Airport Company) also attended.

The presence of members of the local authorities which are responsible for the design, implementation and management of road, water treatment and water supply projects had become a general feature of meetings of the Committee in 1996 and this practice continued in 1997.

The format and documentation for the Committee meetings had become well established before 1997 and in general the Commission continued to be satisfied with the quality of the information supplied for the purposes of managing the projects. Nonetheless, it was still necessary to request clarification and additional information in some cases.

The Commission is generally satisfied with the progress achieved and particularly with the successful completion of a number of projects in 1997. The Commission did, however, continue to express its concern about the scale of cost increases reported for some projects and continued to maintain the position taken at Monitoring Committee meetings in 1996, which was that increases in grant aid would only be permitted if detailed justification were provided to explain the cost increases. Any increases were subject to the availability of resources. As the commitments of aid to new and ongoing projects continue over time, there is much less scope for absorbing cost increases.

4.1.4 PORTUGAL

During 1997, the Monitoring Committee for Cohesion Fund projects met on three occasions, on 19 March, 24 June and 20 November. These meetings continued to be of the utmost importance for the correct monitoring of the management of the Fund. A number of missions were undertaken following the findings of these meetings. Because of the large number of projects financed and the many projects at an advanced stage of implementation, the Committee began to adopt an approach using a systems analysis to demonstrate the links between the various projects.

The *ad hoc* Monitoring Committee for the new Tagus bridge met in Lisbon on 12 May and 18 November. At these meetings, special attention was paid to monitoring progress to ensure that the project could be finished within the time planned. Its opening is scheduled for 29 March 1998.

Another major concern expressed by the Cohesion Fund to this Committee was ensuring regular monitoring of the implementation of environmental measures arising from the EIA approved and

the subsequent agreements as specified in the Memorandum signed on 15 July 1996. It was also agreed with the Portuguese authorities that the final report on the project would have a separate section on the environment to reflect the importance attached to environmental questions in carrying out this project.

A specific Monitoring Committee for projects concerned with the treatment of solid waste was set up because of the amount of investment already adopted in that field. This Committee met twice, on 24 June and 20 November. Because of the size of the projects for incinerators in the areas of Lisbon and Oporto (Valorsul and Lipor), a more thorough analysis of these projects was carried out with their project managers.

Because of the amount of the investment required to enlarge Funchal airport, the Commission decided to set up a special Committee to monitor this project. It met for the first time in Lisbon on 20 November and agreed that the firm which manages and supervises the project should take part in future meetings and prepare for them reports on physical and economic progress.

The project to construct the Alqueva hydroelectric power station is being monitored by the general Monitoring Committee for the Cohesion Fund and, more broadly, by the Structural Funds' Monitoring Committee for the Specific Programme for the Integrated Development of the Alqueva area (PEDIZA).

This Monitoring Committee met for the first time in Beja (Alentejo) on 16 October 1997.

4.2 INSPECTION MISSIONS

4.2.1 GREECE

◆ Environment

On 3 July 1997 an inspection mission visited the major project to supply water to Athens from the river Evinos which is in its final stages.

Particular attention has also been paid to projects near to Thessaloniki to clean up the Thermaic Gulf. On 18 and 19 June, an inspection mission went to inspect the major projects at Thessaloniki: the supply of water to Thessaloniki from the river Aliakmon (No 94/09/61/005) and the second stage of biological treatment (No 94/09/61/010).

On 18 October, an inspection was also undertaken of biological treatment in the tourist area of Thessaloniki, linked by central collectors, (Nos 94/09/61/043 and 95/09/61/043).

To launch pilot projects, during 1997 the Cohesion Fund carried out three missions to Thessaloniki, to Lake Koronia, so that the project to protect that lake could begin. There was considerable discussion with the Greek local, regional and national authorities on the spot and these authorities also met experts chosen by the Cohesion Fund to draw up the Master Plan for this

project with the participation of representatives of the villages around the lake to keep them informed and make them aware of the environmental, economic and social importance of the project.

Other missions were also undertaken throughout 1997 to launch the Egina (treatment of waste) and Santorini (water supply, treatment of waste water and waste) pilot projects. These always entailed discussions with the local, regional and national authorities and information to the population of the two islands on the importance of the projects.

Another quite important mission was organised by the Cohesion Fund in March 1997 to inform the responsible ministers in Greece and their colleagues of the new technologies for treating solid waste being used by specialist plants in Belgium and France.

In addition, there were regular meetings with the national authorities (Ministers and Secretaries-General) and the Ministries of Economic Affairs, the Environment and the Interior as part of the discussions in preparation for the Monitoring Committees. These meetings concentrated on the progress of projects and how to speed them up.

Another important mission went to Crete on 26-30 May 1997. Despite certain problems, some projects concerning water supply and the treatment of waste water financed by the Cohesion Fund in Chania, Heraklio and Rethymno are progressing.

We also took part in a meeting with all the local and regional authorities in Crete organised by the Regional Director for Crete (the highest authority on the island). At that meeting, the Director of the Cohesion Fund, Mr Verstrynge, in response to their request, provided information about the Community's policy on the treatment of waste and answered questions.

◆ Transport

Mission to monitor the major project for the new Athens international airport at Spata in July 1997 - work is proceeding steadily.

Improved monitoring of rail projects. Following the establishment of a limited company (Ergose S.A.), a subsidiary of the Greek railway authority (OSE) and the appointment of this company as project manager specially engaged for the duration of the works, the transfer of files from the OSE to Ergose was completed on 31 December 1997. The monitoring of rail projects was improved during 1997 by the Cohesion Fund whose representatives held meetings with the OSE and Ergose SEA. and checked the progress of all the projects under way.

Monitoring of the rail project at the "Kakia Skala" at Elefsis, Corinth. This part of the project is closely linked to the section of the Athens-Corinth motorway, which is being part-financed by the ERDF. Special meetings were held to prepare the issue of a joint call for tender for the rail and road works after fixing the technical and financial parameters for monitoring the separate parts of the projects.

A mission to monitor the project to provide a rail link between Evalgelismos and Leptokaria was organised to mark the opening of the Themvi tunnel.

Pathe and Egnatia missions

In January the Cohesion Fund had a mission to Athens to introduce the technical advisors for the Pathe motorway and Modernisation of the Air Traffic Control System projects, Hallcrow Fox and Tractebel, to the Greek authorities. There were also other meetings concerning the Pathe and Egnatia motorways. In February the Cohesion Fund attended the ERDF Monitoring Committee for transport. In May there was a mission concerning the presentation of Tractebel's report on the Pathe motorway.

In June inspection visits to the Pathe and Egnatia projects were organised and the Fund insisted on a computerised information system for expenditure and progress by physical indicators. Such a system for Pathe and Egnatia projects was installed after a series of inspection visits. The Cohesion Fund consultant also met the HCAA to clarify various points of the Air Traffic Control project and to speed up procurement of the 3MSS radars.

There was also a mission for the presentation by Hallcrow Fox-Tractebel of the Kakia Skala railway report. A meeting was organised with the Greek Civil Aviation authorities to follow up this project.

In November the Cohesion Fund participated in a committee for the evaluation and handover of the Egnatia Project Manager's work.

In December the Cohesion Fund visited the Egnatia agency at Thessaloniki. We also had a meeting with the HCAA people for the progress of the "Air Traffic Project".

Missions to ports

Port of Iraklio - this mission ascertained that the work was progressing satisfactorily and resulted in a revision of the decision to alter the work with no increase in cost.

Port of Igoumenitsa - this mission ascertained that the work was progressing satisfactorily and resulted in a revision of the decision to alter the work with no increase in cost.

Port of Piraeus:

- a) The equipment provided to extend quay No 2 has enabled the port authorities to negotiate some new contracts and increase container goods traffic by 80% over the capacity in the previous period. An amendment to the Commission decision was also proposed to alter the work with no increase in cost.
- b) Work on a 400 m section of the ring road around the port of Piraeus was interrupted where it crossed the municipality of Drapetsona. Following missions and meetings of the Monitoring and *ad hoc* Committees, an amendment to the Commission decision was requested as regards the route originally laid down connecting it to the Athens ring road - a complementary project which is being constructed at the same time.
- c) The three decisions on studies being carried out by the port of Piraeus on the environmental impact of investment in the port, the Master Plan for investment and links between the container port and the rail network were merged into a single decision to grant assistance. The

mission concerning monitoring of the port projects showed that the efforts made by the authorities and approved by the Commission to make investments in the Port of Piraeus as environmentally friendly as possible were continuing. This view was confirmed by inspections carried out by Greece (Ministry of Economic Affairs, Ministry of Finance and Ministry of Public Works and Protection of the Environment) in November 1997.

Missions to airport projects

The mission to monitor the extension of Corfu Airport found that the work had been completed, that part of the declaration of expenditure should be disregarded as ineligible – since it did not form part of the decision – and that the final acceptable cost of the project was below estimates.

4.2.2. SPAIN

Missions in 1997 were designed to make contact with the Spanish authorities, the central or regional bodies responsible for the presentation and implementation of projects, and to secure an overview of unresolved questions concerning those projects.

Those undertaking the missions used a method which gave pride of place to a sectoral approach, enabling the consistency and complementary nature of the measures financed in the various sectors with the policy of the regions to be checked, and a visit on the spot to check on progress and the difficulties arising in project implementation. Meetings were held with the bodies responsible for presentation of the projects to the Cohesion Fund and those responsible for the implementation of projects to obtain greater detailed knowledge of the various sectoral plans of the regions.

The missions were carried out by those responsible in the Cohesion Fund, representatives of the Spanish authorities in the Directorate for Analysis and Budget Programming in the Ministry of the Economy, the Ministry of the Environment and those responsible for the implementation of projects and, in certain cases, jointly with the Directorate-General for Financial Control or accompanied by staff of the Directorate-General for the Environment and outside consultants.

Missions by the Cohesion Fund

14-16 May

Balearic Islands - projects

96/11/61/012: Sewerage infrastructure at Calvià

96/11/61/039-1: Sewerage infrastructure on the Balearics

96/11/61/007: Desalination plant at Calvià

96/11/61/029: Water supply on Majorca

5-6 June

Madrid - projects

96/11/61/024: Management of urban waste at Fuenlabrada and Alcorcón

95/11/61/021: Treatment of urban waste in Madrid

96/11/61/035: Improvement of the urban environment. Lavapiés sector I Madrid

95/11/61/043-5: Clean area in Madrid

93/11/65/010: M-40 East and north distributor section I

23-24 October

Madrid - projects

93/11/61/063: Water supply to Madrid

93/11/61/064: Inter-municipal water supply at Sorbe

96/11/61/006: Water supply to Madrid Casrama system

94/11/61/006: SAIH Guadalquivir

96/11/61/005: SAIH Tagus

93/11/61/003-11: SAICA

94/11/61/016: SAICA II

Missions by the Cohesion Fund accompanied by DG XX

21-25 April

Asturias - projects

95/11/61/032: Sewerage system at Sella-Piloña

93/11/61/002 and 029: Sewerage system at Caudal Lena and Nalón

94/11/61/004: Water management and health measures on the river Pilon and collector on the river Nalón

95/11/61/018: Collectors in central Asturias

95/11/61/019: Sewerage system on the Avilés ria

93/11/61/031 and 039: Adaptation of national parks for public use

3-4 July

Basque Country - projects

95/11/61/024-3: Gobelas interceptor - Lamiako-Las Arenas and Las Arenas-Romo sections

93/11/61/022: Sewerage system in Vizcaya

30 June to 2 July

Basque Country - projects

95/11/65/009: Motorway linking Guipúzcoa and Navarre

95/11/65/010: N-1 motorway Salvatierra-border of the province of Álava and Navarre

Missions by the Cohesion Fund accompanied by DG XI

6-9 October

Ceuta and Melilla - projects

93/11/61/025 and 028: Water supply to Ceuta and Melilla

94/11/61/011: Water supply - 2

94/11/61/012: Water supply to Melilla

96/11/61/006: Desalination plant at Ceuta

4.2.3. IRELAND

◆ Environment

Missions by the Cohesion Fund

Clonmel Main Drainage 93/07/61/023 and 95/07/61/009 on 22 July.
The project was found to be progressing satisfactorily and is very near completion.

Limerick Water Supply 93/07/61/036 Stage I on 23 July
The project was physically completed in 1996. Following the visit some items of expenditure were excluded by the Irish authorities as ineligible for funding and the project has subsequently been formally closed.

Nenagh Water Supply 95/07/61/003 on 24 July.
The project was found to be progressing satisfactorily and the documentation for expenditure reviewed during the visit was satisfactory.

Missions by DG XX accompanied by the Cohesion Fund

Dublin Region Water Conservation Project 96/07/61/001 on 14 March.
This is a major project of high priority. Start up has been slower than expected. The Commission stressed that it would like the Department of the Environment to play a more active role in the financial coordination of the project since this involves several local authorities in the Greater Dublin area.

◆ Transport

Missions by the Cohesion Fund

Arklow Bypass 93/07/65/042 and Kilmacanogue/Glen of Downs road 4/07/65/008 on 3 October

Balbriggan Bypass 93/07/65/029 and Dunleer-Dundalk road 95/07/65/007 on 1 October

Missions by DG XX accompanied by the Cohesion Fund

Rail Network Improvement projects 93/07/65/019/023/024/025 and 96/07/65/002/003/004/006 on 10-11 March

Collooney-Sligo road 94/07/65/004 on 12-13 March

4.2.4. PORTUGAL

◆ Environment

Missions by the Cohesion Fund

15-17 January

Madeira incinerator project: 96/10/61/017

Project to link various water sources on Funchal: 94/10/61/014

14-15 May

Water supply in Barlavento and Sotavento Algarvio: 93/10/61/06-015 94/10/61/015, 95/10/61/010 and 96/10/61/016

3 June

Projects to clean up the Ria de Aveiro: 95/10/61/004 and 95/10/61/013

25 and 26 June

Projects to clean up the Lisbon area: 96/10/61/007, 93/10/61/013, 94/10/61/006-007, 96/10/61/004, 96/10/61/020, 93/10/61/014-96/10/61/018

27 June

Opening of the waste-water treatment station in Olhão: 93/10/61/020

3-5 November

Examination of the project to preserve the coastal areas of the Óbidos and S. Martinho do Porto lagoons with the technical support of an outside consultant (95/10/61/005)

Visit to water supply projects at Alvito (94/10/61/022) and Enxoé (93/10/61/007)

21 November

Projects to treat solid waste: 96/10/61/09; 96/10/61/011; 95/10/61/026

21 November

Opening of the Vale do Ave waste-water treatment station: 93/10/61/04 and 94/10/61/012

Mission by the Cohesion Fund accompanied by DG XI-B

29 September to 3 October

Projects to clean up the Oporto area: 94/10/61/024, 95/10/61/003, 95/10/61/015, 93/10/61/003, 94/10/61/012, 97/10/61/005, 94/10/61/010-011, 95/10/61/017, 97/10/61/002, 97/10/61/004, 93/10/61/022-023, 94/10/61/008, 95/10/61/006, 95/10/61/012, 95/10/61/022, 96/10/61/019

Mission by DG XX-B accompanied by the Cohesion Fund

13 to 17 October

Projects to clean up the area of the association of municipalities in the Vale do Ave: 93/10/61/04 and 94/10/61/012

Projects to clean up the area of the municipality of Matosinhos: 93/10/61/022-23, 94/10/61/08 and 95/10/61/022

◆ Transport

Mission by the Cohesion Fund

15 to 17 January

Madeira airport project: 96/10/65/003

Mission by the EIB accompanied by the Cohesion Fund

26 to 28 May

Port projects in Leixões, Sines and Lisbon: 96/10/65/005, 96/10/65/006 and 96/10/65/007

Mission by the EIB

7 to 14 March

Madeira airport project: 96/10/65/003

Mission by DG XX accompanied by the Cohesion Fund

13 to 17 October

Rail projects: 93/10/65/001 and 96/10/65/001

4.2.5. FINANCIAL CONTROL

In the course of 1997, the following four inspections were carried out at the initiative of DG XX, in each case accompanied by DG XVI.

Spain

February 10-14

95/11/61/21E Environmental infrastructure (Madrid City)

95/11/61/033 Installation of waste-water treatment stations (Autonomous Community of Castile-La Mancha)

95/11/61/036 Construction of Collectors and installation of waste-water treatment stations (Autonomous Community of Valencia)

June 30 - July 4

95/11/65/009 Guipúzcoa-Navarre expressway (Guipúzcoa area council)

95/11/65/010 N-1 expressway Salvatierra-border of the provinces of Álava and Navarre (Álava area council)

95/11/61/024-3 and 95/11/61/022 Environmental infrastructure: Gobelas interceptor and Drainage and water treatment in Vizcaya 1996 (Greater Bilbao water consortium)

Ireland

March 10 - 14

93/07/65/019-023-024 and 96/07/65/002-6 Rail Network Improvement I and Rail Network: Track and Signalling (Iarnrod Eireann)

94/07/65/004 N4 Collooney-Sligo Road (Sligo County Council)

96/07/61/001 Dublin Regional Water Conservation Scheme (Dublin Corporation)

Portugal

October 13 - 17

93/10/61/012 Sewerage in the greater Oporto area (Association of municipalities in the Vale do Ave)

93/10/61/022-023)

94/10/61/008) Sewerage in the greater Oporto area

95/10/61/022) Matasinhos town council

93/10/65/001 and 96/10/65/001 North line (Portuguese railways)

In addition, DG XX participated in an inspection from 27 to 31 January 1997 by the Spanish national audit service ("Intervención General del Estado") of project 93/11/65/010 (Madrid M-40 ring road). This participation took place within the existing protocol signed between the Financial Controller of the Commission and her national counterpart for the Cohesion Fund.

With regard to the main findings, in the case of the Autonomous Communities of Castile-la Mancha and Valencia it was found that levies deducted by these authorities charged to invoices from contractors had been incorrectly charged to the projects.

In the case of Sligo County Council, several items of ineligible expenditure were detected. A complementary audit was requested from the National Roads Authority.

With regards to protocols, following the signature of agreements with Spain and Portugal in 1996, a similar arrangement was signed by the Commission's Financial Controller and her Greek counterpart in November 1997, specifically for the Cohesion Fund. Audits in Greece will be organised within this framework in 1998.

CHAPTER 5**FRAUD, IRREGULARITIES AND SUSPENSION OF ASSISTANCE**

Pursuant to Article 12 of Council Regulation (EC) No 1164/94, the Commission adopted Regulation (EC) No 1831/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field.

Article 3 of that Regulation requires the beneficiaries Member States to notify the Commission of any irregularities which have been the subject of initial administrative or judicial investigations.

Following the entry into force of Regulations (EC) Nos 1831/94 and 1681/94 (which applied to the cohesion financial instrument), only one case has been notified, by the Irish authorities concerning projects approved under Council Regulations (EC) Nos 792/93 and 1164/94.

Since 1995, the budgetary authority has provided budget heading B2-301 with appropriations to combat fraud within the Cohesion Fund.

The budgetary authority considered that the lack of systematic checks by the national authorities of the beneficiaries countries on the use made of money intended, *inter alia*, to finance Cohesion Fund projects was a factor which increased the risk of fraud.

The appropriations available could finance operational expenditure in that they actually contributed to the implementation of the projects financed for which the national administrations in the Member States might not have adequate administrative or technical capacity to combat fraud and irregularities. It could take the form of aid in the form of a grant for operational activity such as the purchase of specific equipment to combat fraud or train the staff of national administrations in the management and audit of expenditure and the detection and monitoring of any cases of fraud.

The budget heading concerned was provided with ECU 300 000 for 1997.

Three applications for grants were submitted to the Commission by three of the four beneficiaries Member States and a total of ECU 225 000 was awarded.

The first application, for ECU 58 000, was made by the Portuguese Inspeção-Geral de Finanças for the purchase of computer equipment and the training of staff auditing Cohesion Fund projects.

The second, for ECU 77 000, was made by the Spanish Fiscalía General del Estado and also concerned the purchase of computer equipment to support the work of staff engaged in audits.

The third application, for ECU 90 000, was made by the recently established SDOE (Anti-evasion unit) of the Greek Ministry of Finance. This application concerns the training of staff with particular attention to audits and the risk of fraud in projects part-financed by the Cohesion Fund. This will take place during 1998.

The rate of use of the appropriations available is 75%.

This is because there have been no other applications by the beneficiary Member States.

With regard to the benefits provided by use of these appropriations in terms of the effectiveness of national audits, the Commission has noted improvements each year thanks to the experience of audits acquired by administrations. However, the lack of notifications under Regulation (EC) No 1831/94 means that no further conclusions can be drawn from the results obtained.

CHAPTER 6

ELIGIBILITY OF EXPENDITURE

As part of the SEM 2000 exercise to promote sound and efficient management of the Union's financial resources, in 1997 the Structural Funds issued guidelines on the eligibility of expenditure incurred by the beneficiaries in the Member States. In parallel to this undertaking by the Structural Funds, the Commission had begun a similar exercise in 1996 and established a series of principles governing the eligibility of expenditure under Cohesion Fund project assistance. It goes without saying that the Commission took full account of the results and standards set out in the Structural Funds datasheets, while, however, paying attention to the special features of project financing under the Cohesion Fund.

The attempt made by the Commission to codify standard practices in vetting expenditure and examining accounting documents during audit visits and when examining the final project reports constitutes the Commission's response to the criticisms of the Court of Auditors. The Court called for more transparency with respect to the eligibility of types of expenditure incurred by the final beneficiaries. During 1997 several drafts of the document were circulated within the Commission departments concerned with implementation of the Cohesion Fund, the most prominent of which are Financial Control and the Legal Service.

At a meeting in Brussels called for this purpose in autumn 1997, the Commission and delegates of the beneficiary Member States discussed an agreed draft of the eligibility document. The beneficiary Member States were also given a considerable period of time in which to send the Commission additional comments in writing. All beneficiary Member States made use of this facility. In a further revision the Commission took account of the remarks received from the Member States concerned so far as these did not jeopardise consistency.

The Commission felt, however, that before issuing such a far-reaching and important document, it should try to benefit from the long-standing experience in the audit of the Union budget acquired by the Court of Auditors. The amended document was therefore forwarded late in 1997 to the Court of Auditors with a request for informal comments on the principles governing the eligibility of expenditure under the Cohesion Fund.

The definitive version of the principles will be distributed in 1998 and then be appended to all grant decisions from the Fund as a supplement to the Financial Implementing Provisions, which already form an integral part of Commission grant decisions. The Commission believes that this approach will considerably enhance transparency, not only in the financial relations between the beneficiary Member States and the Commission but also between the central administrations of these countries and the bodies responsible for project implementation and between the Commission's authorising officer, the Cohesion Fund, and the departments responsible for audits.

The Commission has indicated its intention and willingness to organise information workshops if the Member States deem this necessary in order to explain the principles and to make final beneficiaries familiar with the contents of the principles. Several such workshops are being prepared for 1998.

CHAPTER 7

INTER-INSTITUTIONAL DIALOGUE, INFORMATION AND PUBLICITY

7.1 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 Commission approved the annual report covering the year 1996 on 19 June 1997 and then duly transmitted it to these institutions.

It should be recalled that Annex II to the Cohesion Fund regulation lays down the 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.

On a certain number of proposals concerning decision-making and Fund management made in particular by Parliament and the Committee of the Regions, the Commission has, however, had to recall that the Cohesion Fund must be implemented in conformity with the Regulation.

On a number of occasions during the year, Commission representatives had the opportunity to inform members of the institutions and discuss specific items with them. Such discussions concerned the conditionality procedure, the Commission's proposals under the Agenda 2000 document, in particular the future of the Cohesion Fund, as well as Fund management, information and publicity measures and assessment of effects in general.

7.1.1 THE EUROPEAN PARLIAMENT

Parliament regarded the budgetary implementation of the Cohesion Fund in 1996 as satisfactory, with commitments at up to 100% of appropriations and for payments at about 97.5% of appropriations. The Commission welcomes this acknowledgement of a successful budgetary outcome for the Fund in 1996.

Progress towards an even balance between the Fund's two sectors of assistance is also acknowledged although Parliament considers that some countries need to step up efforts to achieve the equal balance sought by the Commission for each individual beneficiary country. The Commission has made clear that it intends to achieve this by the end of 1999 but it should be recognised that this is not possible in a single year. Further progress towards the objective will be evident in later years.

Concerning the allocation to the two fields of assistance, Parliament again noted that only a small number of projects in the environment sector concerned the treatment of solid waste and noted the desirability of granting aid to smaller environment projects concerned with habitat protection. Parliament also reiterated its regret that roads continue to account for what it regarded as too high a share of the transport sector. It also called for more attention to be given to air and sea transport.

Parliament supported and welcomed the Commission's proposal in Agenda 2000 to maintain the Cohesion Fund in its present form.

Parliament considered that the Cohesion Fund should assist more small projects in the environment sector. The Commission has difficulty with this proposal for two reasons. Firstly, it contradicts Article 10(3) of the Cohesion Fund Regulation, which states that projects costing less than ECU 10 million can be approved only in duly justified cases. Secondly, there is no shortage of large projects, which would present Member States with a major financing burden in the absence of Community assistance. In addition, projects are approved on an individual basis and the limited staff resources available would not allow the Commission to deal with the substantially larger number of small projects which would follow from Parliament's suggestion.

The European Parliament suggested that the Commission should develop environmental indicators, not only to demonstrate environmental improvements in quantitative terms and the contribution to sustainable development but also to introduce some comparability. The Commission in this context would like to point to the ambitious programme in the environmental domain initiated by Eurostat, the only institution which can guarantee that the Union achieves a set of comparable indicators by setting the necessary standards for harmonisation. The Fifth Action Programme "Towards Sustainability" indicates priority areas for environment statistics. Eurostat in its 5-year rolling work programme stresses in particular the need for an integration of the statistical dimension into other policy areas such as regional policy, transport etc. In addition the Commission communication on "Environmental Indicators and Green Accounting" underlined the need for solid data linking the environmental aspect with economic and social measures.

The Cohesion Fund also points to the scrutiny of projects under the *ex post* evaluation programme which will start in 1998 after the completion of the administrative and tender procedures. The results of *ex post* evaluation should allow the Commission to assess environmental improvements and to make useful comparisons.

Parliament acknowledged the improvement in road infrastructure that could be attributed to Cohesion Fund assistance. It deplored the concentration of aid on road transport while alleging that aid for rail had not increased and that assistance for ports and airports had been reduced. The Commission agrees that the balance of funding should be redressed in favour of a larger share for rail but the background to past decisions should be borne in mind.

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- The trans-European network is much more extensive in the case of roads and requirements for investment are accordingly greater.
 - The Cohesion Fund is limited in the kinds of rail investment which can be financed. For example, rolling stock and public transport which does not provide access to the trans-European network are not eligible for assistance.
 - Ambitious rail projects have a considerable lead-time before substantial amounts can be committed towards this type of projects. This is particularly true for entirely new rail tracks (for example, high-speed lines).
 - Spain, Portugal and Greece have considerable lengths of rail with gauges which are not of a common European standard and this is an obvious source of difficulty for Community Funds whose aim is to improve the integration of the economies of the Member States.

Nonetheless, despite all these difficulties, the Commission has demonstrated in this report for 1997 that the share of rail projects has now increased.

In response to Parliament's critical remarks about port and airport projects, in particular as far as the interests of the local region are concerned, the Commission considers that the background should be borne in mind. Operating air- and sea-ports has always been a commercially based activity with a high revenue-generating potential, reducing the need for grants from the Union budget. Additionally, many sea-port projects involve improving existing facilities rather than building new ones from scratch. In such cases, efficient investment can be generated for a reasonably modest outlay in aid.

The Commission must reiterate that the Cohesion Fund is not a regional fund and, as such, is not designed to alleviate regional disparities. To insist that it should operate in a manner equivalent to the Regional Funds is to misunderstand its legal basis. The Cohesion Fund will, however, assist projects in the two Member States with very remote regions provided appropriate fundable projects justified on economic or environmental grounds are submitted. (The expansion of Funchal airport on Madeira approved in 1997 is a good example.)

Parliament suggested that local and regional structures should be created to coordinate Cohesion Fund projects with assistance from other EU Funds and should "invest on the basis of regional development concepts in future". It is not entirely clear to the Commission what this expression means. The Commission can only reiterate that it has to implement the Cohesion Fund in accordance with the letter and the spirit of the Treaty and of Council Regulation (EC) No 1164/94 governing the Fund. The Fund is a financial instrument under the chapter of Social and Economic Cohesion in the Union Treaty and, according to the Treaty, the Fund is not part of the Union's Structural Funds. The Cohesion Fund cannot therefore intervene under the objectives defined in the Structural Funds Regulations. The Fund provides assistance in two carefully defined sectors and in the entire territory of the Member States concerned. The Structural Funds operate under six distinct objectives which do not apply to the Cohesion Fund.

The Commission is surprised by the comments in relation to the London School of Economics study. There is nothing secret about the study. It has already been widely distributed and was the subject of a major seminar presented by the authors to several hundred participants from the

Member States in July 1997, including members of the European Parliament and other Community bodies. Formal publication of the first part of the study is under way. The published version will of course be made available to Parliament, the Economic and Social Committee, the Committee of the Regions and any other Community bodies that so wish.

Parliament criticised the Commission for not having issued the standards for financial control that are referred to in Article 12(5) of Council Regulation (EC) No 1164/94 establishing a Cohesion Fund. The Commission finds this criticism surprising. In the start up phase of the Fund, the Commission issued detailed Financial Implementation Provisions which implement the financial provisions referred to in Article 11 of Regulation (EC) No 1164/94 and Articles C, D and E of Annex II thereto. This document is appended to all Commission Decisions and as such forms part of the conditions under which financial assistance is granted. An additional instrument was not deemed necessary.

Commission Regulation (EC) No 1831/94 of 26 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field clearly defined the obligations of beneficiary Member States under Article 12 of Council Regulation (EC) No 1164/94. Since the adoption of this Regulation, the Commission has held regular information seminars to make national administration more aware of the importance of the sound management of Union financial resources. In addition, this Commission Regulation provides for reimbursement from the Union budget to the Member States of all or part of the costs of legal proceedings taken at the request of the Commission.

7.1.2 ECONOMIC AND SOCIAL COMMITTEE

The annual report for 1996 was well received by the Economic and Social Committee. It welcomed the improvement attained by the Commission with respect to the environment/transport balance and the excellent financial performance of the Fund in 1996.

In the comments received, it was suggested that in the area of the environment the Commission should focus more on investment in protection and conservation of natural resources and landscapes of particular ecological value and quality of life. The ESC stated that in its opinion the polluter-pays principle merits support.

The Commission was also invited to make the beneficiary Member States aware of the need for a better regional distribution of resources.

In reply to the above two points the Commission can only reiterate the arguments used in response to similar requests in the European Parliament's opinion on the Annual Report for 1996. The Fund cannot enter into competition with regional development funds and has to act in strict accordance with Council Regulation (EC) No 1164/94 establishing a Cohesion Fund.

There was satisfaction at the involvement of the social and local partners and at the frequency of Monitoring Committee meetings.

Like the European Parliament, the Economic and Social Committee expressed its belief that the Cohesion Fund should continue in its present form after 1999.

7.1.3 THE COMMITTEE OF THE REGIONS

The Commission had several opportunities to present the 1996 Annual Report of the Cohesion Fund to the Committee of the Regions and to answer questions in connection with the management of the Fund. The 1996 Report was well received and the Committee expressed its satisfaction with the results achieved. Like the other bodies, the Committee welcomed the improvement attained by the Commission with respect to the environment/transport balance and the good financial performance of the Fund in 1996.

It was also suggested that in the area of the environment the Commission should focus on nature and habitat conservation. The Commission was also asked to improve monitoring of the regional distribution of financial support from the Cohesion Fund.

The estimates of the impact of Cohesion Fund on jobs also remain a major concern of the Committee of the Regions. There was great interest in the results of the economic impact study undertaken by the London School of Economics for the Cohesion Fund and the Commission's decision to publish the findings of this study was welcomed.

The Committee welcomed the proposals made by the Commission in its Agenda 2000 document and in particular expressed the hope that the Cohesion Fund would be maintained for the present beneficiaries.

7.2 INFORMATION TO THE MEMBER STATES

The Member States are kept informed of the activities of the Cohesion Fund through well-established information meetings, which normally take place twice a year. In 1997 the first meeting took place in June while the second had to be postponed to early 1998.

The meeting in June focused on the current work of the Fund and its implementation, including the principle of conditionality. An updated listing of projects was available at the meeting as well as the first draft of the 1996 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.

At the second meeting concerning 1997, which was, exceptionally, held in early 1998, the Member States' representatives heard a presentation by Mr Landáburu, Director-General for Regional Policy and Cohesion. Thanks to the timing of the event, the final results for the year as a whole

could be reported to the meeting. In addition the representatives received detailed explanations on the activities and developments which had emerged in 1997. Other major topics were the application of the conditionality principle, and in particular the contents of the Commission's proposal concerning the future of Cohesion Policy as contained in the Agenda 2000 document.

7.3 INFORMATION TO THE SOCIAL PARTNERS

Two meetings were held with the social partners (UNICE, CES, CEEP and EUROCHAMBRES) during 1997, the first in February and the second in September. On both occasions, the projects adopted to date and future prospects were at the centre of the discussion. Information on Cohesion Fund activities during the five years of operation made it possible to discuss general questions relating to Fund priorities, the balance between sectors, the socio-economic impact of financing and employment effects.

7.4 OTHER INFORMATION EVENTS

Cohesion Fund staff also regularly attend meetings, workshops and information seminars in order to inform interested sections of the public of the activities and ways of operation of the Fund. Measures of this type 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.

One example was the presentation of funding possibilities and conditions to a Union-wide working party on environment policy and policy enforcement held in September 1997 in Helsinki.

Other types of meetings may concern specific activities of the Fund; two types of measures organised in 1997 could be mentioned as examples.

- At a seminar in June, the London School of Economics was invited to present to an audience from a variety of backgrounds the main results of the study commissioned by the Fund on the regional and macro-economic impact of financial assistance to particular projects.
- On a second information meeting, also held in June, the Fund, in collaboration with the Greek Chamber of Commerce, presented the results of a study it had sponsored on the planning of a network of "freight-villages" in Greece. The issues related to the planning and location of such "villages", the promotion of private investment in such facilities and how to promote a modal split in transport structures and organisation.

7.5 COMMISSION PUBLICITY AND INFORMATION MEASURES

The Cohesion Fund contributes to publications on Regional Policy and Cohesion edited by DG XVI. The European Regional Development Fund issues 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.