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ANNUAL REPORT
COHESION FINANCIAL INSTRUMENT
1993/1994

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Technical annexes are available by the European Commission, Secretariat General, Direction H-Cohesion Fund
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PRELIMINARY NOTE

This Report concerns decisions taken by the Commission on the basis of the cohesion financial instrument, which was replaced on 26 May 1994 by the Regulation establishing the Cohesion Fund.

This means that the Report covers only decisions taken before that date.

However, it does also deal with the monitoring, inspection and financial management of those decisions up to 1 November 1994.

INTRODUCTION

The establishment and operation of the Cohesion Fund encountered a number of difficulties.

The greatest of these arose from the delays in ratifying the Maastricht Treaty, which meant that the Cohesion Fund could not be set up by 31 December 1993, as the second paragraph of Article 130d EC required.

However, the decisions taken by the Heads of State and Government at the Edinburgh Summit in December 1992, and specifically their decision to anticipate the effects of the Maastricht Treaty by establishing a cohesion financial instrument, enabled the impact of the delay to be minimized. Active and intense cooperation among the institutions, the Commission, the Economic and Social Committee, Parliament and the Council of Ministers itself, enabled this instrument to come into force on 1 April 1993.

The subsequent implementation of the financial instrument then suffered a further delay because the projects submitted by the four cohesion countries, Spain, Greece, Portugal and Ireland, were sent late and, in very many cases, in an incomplete form.

Despite these problems, the Commission, which was responsible for management of the financial instrument, succeeded - in cooperation with those countries - in utilizing virtually all the commitment appropriations of ECU 1 565 million contained in the 1993 budget. Substantial financial transfers amounting to about ECU 730 million were also made as advances in 1993. In order to do this, the Commission had to adopt over 100 financing decisions in 1993.

This effort was sustained in 1994 to the extent that projects had already been sent to the Commission for commitment from the 1994 budget. However, not all these difficulties could be overcome totally because the cohesion countries decided not to forward the bulk of applications until after the cohesion financial instrument had expired on 26 May 1994. This meant that most projects for 1994 could not be adopted under the instrument, which is the subject of this Report, but had to be dealt with under the Regulation establishing the Cohesion Fund, which replaced the instrument when it expired.

As far as transport infrastructure projects are concerned, the Commission has ensured that all projects without exception concern trans-European transport networks or access to such networks, which in some cases meant anticipatory Commission proposals for those networks, as permitted by the financial instrument. This meant that all the finance could be concentrated on making the networks operational.

In the case of the environment, the Commission introduced from the beginning a number of priorities in order to reinforce the implementation of key directives in this sector. Here it was guided by the Fifth Directive on the Environment and Sustainable Development adopted in 1992.

The priority sectors are the supply of drinking water and the treatment of waste water and solid waste, including urban waste. Further environmental projects were also adopted to achieve the other objectives of the Fifth Programme, but the bulk of finance was concentrated on the implementation of the directives in the sectors mentioned.

In this way, an appropriate balance could be achieved between the environment and the transport sector, even though in 1993 an excessive emphasis on the transport sector was noted in Spain. This will have to be corrected in 1994 if possible. This situation, which is understandable in the year in which a new instrument is launched, can be explained by the considerable increase in the financial resources available at Union level for the environment although the preparation of projects in this sector requires preparatory studies which, in most cases, cannot be completed so quickly.

The Commission concluded a cooperation agreement with the European Investment Bank which provided extra project assessment capacity in the majority of cases.

The close cooperation built up between various Commission departments also meant that the projects submitted could be examined more effectively and their compatibility with Community law, particularly in the areas of the environment and public procurement, checked. This led to over 5 000 inter-departmental discussions and all the decisions adopted by the Commission were based on inter-departmental agreement.

A number of projects submitted were not adopted following appraisal by the Commission. The cohesion countries were informed of the reasons for these refusals and, in the vast majority of cases, withdrew the projects from the Cohesion Fund.

Monitoring Committees were set up for monitoring and inspection purposes and have now looked at the implementation of all the projects selected. Overall, project implementation may be regarded as satisfactory, despite certain delays affecting environment projects in Spain, Portugal and Ireland. Only transport infrastructure projects in Greece give real cause for concern, as a result of problems in applying the rules on public procurement. The Commission has contacted the Greek authorities to seek a solution to this problem.

A number of inspections have already been undertaken in each of the four countries and so far no cases of irregularity or fraud have been detected.

The Commission has also supervised implementation of a number of information and publicity measures designed to raise awareness among the citizens of the Union and those closely involved in the work of the Cohesion Fund.

The experience acquired during 1993 and the early months of 1994 has already been turned to good account in the form of a number of amendments to Community legislation. Comments by the Economic and Social Committee and the Committee of the Regions have also contributed to improving the legislative framework. Following Parliament's assent, a number of amendments by Parliament and the Council of Ministers were included in the Regulation establishing the Cohesion Fund, which came into force on 26 May 1994.

The Commission has been pleased with the cooperation it has received not only from the other institutions of the Union but also the governments of the four cohesion countries and the European Investment Bank. The many contacts with the social partners, the circles concerned by projects and the bodies responsible for the implementation of projects have been of the utmost value. This support has enabled the Commission to inaugurate the Cohesion Fund in record time so that it can help give concrete reality to the goal of European solidarity which it symbolises.

Through a number of already completed projects and a larger number of active construction sites, the European public is already seeing tangible evidence of the work of economic and social cohesion being undertaken by the Union's Cohesion Fund.



CHAPTER 1 The legislative and administrative background

1.1. The Treaty of Maastricht and the protocol on economic and social cohesion

The establishment of the Cohesion Fund by Article 130d of the EC Treaty, as amended by the Treaty of Maastricht, constitutes the most important of the changes made by the latter in the field of economic and social cohesion.

While the Cohesion Fund represents a further stage in the policy of solidarity initiated mainly through the Structural Funds, this innovation makes its own specific and complementary contribution since it is grounded principally in the new requirements stemming from the prospect of economic and monetary union, which is already starting to become a reality.

From the beginning, the Cohesion Fund has created its own identity on the basis of three major principles.

The first is its limited field of implementation: the protocol on economic and social cohesion states that the Cohesion Fund "will provide Community financial contributions to ... Member States with a per capita GNP of less than 90% of the Community average."

This means that aid is directed at the least prosperous Member States, rather than, as in the case of the Structural Funds, designated regions located throughout the Union.

Secondly, assistance is restricted to the part-financing of projects in the fields of the environment and trans-European transport networks.

Thirdly, as a result of its links with the implementation of economic and monetary union, the Cohesion Fund assists Member States which have drawn up a programme complying with the conditions on excessive public deficits laid down in Article 104c.

1.2. The Edinburgh European Council

After the principle of the Cohesion Fund had been incorporated into the Treaty and criteria for eligibility set out in the Protocol, the European Council, meeting in Edinburgh on 11 and 12 December 1992, adopted the general principles governing its operation on the basis of the proposal for a Regulation presented by the Commission in July 1992.

That European Council also adopted the financial allocation to the Cohesion Fund, which, for the period 1993-99, will amount to ECU 15 150 million at 1992 prices.

It also decided to establish a provisional instrument to provide Community financial support to the beneficiary Member States from 1993 while awaiting the entry into force of



the Maastricht Treaty, which would in turn permit establishment of the Cohesion Fund itself. The European Council asked the Commission to propose a Regulation to this effect.

1.3. The cohesion financial instrument

The Commission adopted the proposal for a Regulation establishing the cohesion financial instrument based on Article 235 of the Treaty on 23 December 1992 and decided to send it to the Council and, for consultation, to the European Parliament and the Economic and Social Committee.

Parliament considered the draft Regulation and proposed a series of amendments. It gave its opinion on 11 March 1993. This opinion was considered by the Council and the Commission stated its views on Parliament's amendments as permitted by Article 149(3) of the Treaty. Parliament's main wishes, an assurance to the beneficiary Member States that they would be specifically named in the legislation, the need to ensure that a substantial proportion of the appropriations would be allocated to the environment by insisting on an appropriate balance between the environment and transport, the need for an adequate monitoring system to be established and an obligation to provide a wide range of information about Community financing, were incorporated into the final Regulation.

The Council adopted the Regulation on 30 March 1993 and it came into force for a limited period of one year on 1 April 1993. It was subsequently extended until the end of 1994.

This meant that the Member States were able to submit their projects for 1993 and the Commission could commit all the budget appropriations for that year as soon as it had considered those proposals.

1.4. The standard decision

So that it could implement the provisions of the Regulation concerning the grant of assistance from the cohesion financial instrument and the Cohesion Fund in a uniform fashion, the Commission drew up a standard decision (see Annex ...) including an annex to the enacting terms which contains a description of the project adopted and standard annexes for all the projects which set out the provisions governing financing and monitoring, compliance with Community policies and conditions concerning information and publicity.

This decision document was subsequently modified to take into account the changes introduced by the Regulation establishing the Cohesion Fund.

This standardization offered legal certainty for decision making without preventing account being taken of the individual features of the projects since, depending on the nature of the operations financed, the decision adopted could include specific clauses and conditions.



1.5. Application form

Before the entry into force of the cohesion financial instrument, the Commission drew up an application form for assistance which it sent to the Member States.

This covers key information on the projects submitted (responsible authority, description, location, costs, grant requested, compatibility with Community policies, etc.) as required by the cohesion instrument Regulation. The form presents this information in a concise manner so as to facilitate the process of consultation within the Commission and generally provide a systematic basis for the handling of applications and the assessment of projects.

Once the Regulation establishing the Cohesion Fund was approved, the application form was modified to take account of the strengthened provisions of the new Regulation as well as of experience acquired during application of the cohesion financial instrument.

1.6. Monitoring arrangements


Once the Commission had taken the first decisions approving projects they had submitted, the beneficiary Member States, acting in accordance with Article 9(9) of the Regulation establishing the cohesion financial instrument, set up Monitoring Committees. The early meetings of these Committees demonstrated that the most pressing need was better identification of the type of work carried out on each project.

For that purpose, a form (see Annex VI) providing details of the implementation of projects was devised to collect the information required. This means that meetings of the Monitoring Committees can be better prepared with a clearer picture of the progress made and any problems encountered, particularly in terms of physical and financial indicators. The new monitoring form was sent to the cohesion countries once the Regulation establishing the Cohesion Fund had come into force.

1.7. The Regulation establishing the Cohesion Fund

Following the entry into force on 1 November 1993 of the Treaty of Maastricht, on 21 December the Commission approved two proposals for Regulations, one establishing the Cohesion Fund and the other laying down implementing provisions.

Pursuant to Article 130d of the Treaty, the Cohesion Fund was established by unanimous decision of the Council. A procedural innovation was that this was not done until the assent of Parliament and the advisory opinions of the Economic and Social Committee and the Committee of the Regions (newly established by Article 198a of the Treaty) had been received.



Article 130d as amended increases Parliament's powers over structural measures since its assent is now required before the Council adopts the Regulation.

Establishment of the Cohesion Fund was Parliament's first opportunity to exercise its new powers over internal policy. Parliament adopted a large number of amendments, some of which did no more than reiterate the concerns it had expressed in its opinion on the cohesion financial instrument, from which the Cohesion Fund differed in a number of important respects. The first of these changes concerned the role of the regional and local authorities in monitoring projects part-financed by the Cohesion Fund. They could now be represented on the Monitoring Committees if they were responsible for the implementation of a project or, where appropriate, if they were directly concerned by a project. The second major change was that Parliament requested and secured the right to give its assent to the provisions for implementing the Cohesion Fund, which are annexed to the Regulation. Parliament has demonstrated flexibility, since it has accepted that these management provisions may be altered by the Council, acting by a qualified majority on a proposal from the Commission after receiving Parliament's opinion.

The Council approved the Regulation establishing the Cohesion Fund on 16 May 1994 and it came into force on 26 May, replacing the cohesion financial instrument and providing the legal basis for assistance from the Fund.

In response to Parliament's request, Annex II to the Regulation contains the implementing provisions which, in the Commission's original proposal, formed a separate Regulation.

1.8. The Commission Regulation on irregularities

To complement the Council Regulation, and as provided for in Article 12 thereof, the Commission adopted Regulation (EC) No 1831/94 of 26 July 1994, which completes the legislative provisions governing the work of the Cohesion Fund.

This Regulation concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund provides the Commission with a solid legal basis to combat fraud and the resources to establish an information system on irregularities. This is being established and will receive quarterly reports from the Member States.

FINANCIAL ASSISTANCE COMMITTED AND PAID BY THE FUND

2.1 The budget available

At the Edinburgh European Council in December 1992, the heads of state and government decided to grant the four beneficiary Member States ECU 15 150 million at 1992 prices for the period 1993-99. The annual breakdown of appropriations is as follows:

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

Commitment appropriations for 1993 therefore totalled ECU 1 565 million and those for 1994 ECU 1 853 million. Payment appropriations amounted to ECU 1 000 million and ECU 1 679 million respectively.

The budget forecast for 1995 was accordingly set at ECU 2 152 million in commitment appropriations and ECU 1 750 million in payment appropriations.

2.2 Breakdown by Member State

An indicative allocation of these amounts was made as provided for in Annex I to the regulation establishing the cohesion financial instrument. This states that Spain will receive 52% to 58% of the total, Greece and Portugal 16% to 20% each and Ireland 7% to 10%.

These indicative brackets give the following figures:

(ECU million)

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

2.3. Implementation of the budget under the cohesion financial instrument

Commitments undertaken by 31 December 1993 amounted to ECU 1 564.6 million, or 99.9% of the appropriations available for that year.

Table 1 shows the breakdown of commitments under the instrument by Member State and by field.

Table 1 - APPROPRIATIONS FOR COMMITMENTS FOR 1993: ECU 1 565 million

M.S.	ENVIRONMENT	%	TRANSPORT	%	TOTAL	BREAKDOWN %
<i>GR</i>	175 222 400	62	105 141 600	38	280 364 000	17.9
<i>ES</i>	252 083 242	29	606 367 461	71	858 450 703	54.9
<i>IRL</i>	55 917 250	39	85 969 850	61	141 887 100	9.1
<i>PO</i>	122 794 100	43	160 774 600	57	283 568 700	18.1
TOTAL	606 016 992	38.7	958 253 511	61.3	1 564 270 503	100
<i>Technical Assistance</i>					374 125	0.02
TOTAL	606 016 992	38.7	958 253 511	61.3	1 564 644 628	100

The payment appropriations of ECU 1 000 million contained in the 1993 budget were reduced to ECU 800 million following a transfer of ECU 200 million. Of these appropriations, ECU 730.6 million (91.7%) was utilized, leaving a balance of ECU 64.4 million (8.7%).

Table 2 shows the transfers made to the recipient Member States.

Table 2 - APPROPRIATIONS FOR PAYMENTS FOR 1993: ECU 800 million¹

M.S.	ENVIRONMENT	%	TRANSPORT	%	TOTAL	BREAK DOWN %
GR	99 067 294	66.9	49 048 861	33.1	148 116 155	20.3
ES	119 120 124	28.3	301 660 389	71.7	420 780 513	57.6
IRL	28 845 009	42.6	38 828 602	57.4	67 673 611	9.3
PO	31 513 629	33.5	62 496 918	66.5	94 010 547	12.9
TOTAL	278 546 056	38.1	452 034 770	61.9	730 580 826	100
Technical Assistance					7 500	
TOTAL	278 546 056	38.1	452 034 770	61.9	730 588 326	100

BALANCE OF PAYMENT APPROPRIATIONS: (800 000 000 - 730 588 326) = 64 411 674 (8.7%)

For 1994, appropriations committed during the lifetime of the instrument (up to 26 May), including a carryover of ECU 136 300 from the previous year, amounted to ECU 311.8 million (16.8%) (Table 3). That brings to ECU 1 876.4 million the commitments under the cohesion financial instrument undertaken in 1993 and part of 1994.

Table 3 - COMMITMENTS 1994 (partial)

M.S	ENVIRONMENT	TRANSPORT	TOTAL 1
ES	18 946 395	5 559 979	24 506 374
GR	106 623 150	12 403 200	119 026 350
IRL	18 571 650	23 770 775	42 342 425
PO	6 104 700	119 523 660	125 628 360
TECHNICAL ASST			136 300
TOTAL	150 245 895	161 257 614	311 639 809

* The original budget was ECU 1 000 million; ECU 200 million was transferred under the Notenboom procedure.

[Redacted] 18

Of this amount, ECU 510 425 (ECU 374 125 committed in 1993 and ECU 136 000 committed in 1994) was used for technical assistance measures. This represents 0.16% of total commitments and so is less than the ceiling of 0.5% laid down by the regulation.

Of the ECU 1 679 million in payment appropriations plus ECU 64.4 million carried over from 1993, ECU 343.2 million (20.9%) was implemented. This comprised ECU 188.4 million (54.9%) of the commitments awaiting settlement at 31 December 1993, which totalled ECU 834 million, and ECU 154.8 million (45.1%) as a first advance on 1994 commitments. Table 4 gives a complete picture of the two years.

TABLE 4 - BUDGET IMPLEMENTATION 1993/94

M S	1993 Commitment	%	1994 Commitment	%	Total 1	%	1993 Payment	%	1994 Payment	%	Total 2	%	Balance to pay (T1 - T2)	%
Spain	854 450 703	54,9	24 506 374	7,8	878 957 077	46,8	420 780 513	57,6	33 440 810*	3,9	554 221 323	52	324 735 754	37
Greece	280 364 000	17,9	119 026 350	38,2	399 390 350	21,2	148 116 155	20,3	62 299 852	18	210 416 007	20	188 974 343	47
Ireland	141 887 100	9,1	42 342 425	13,6	184 229 525	10	67 673 611	9,3	13 532 229	4	81 205 840	7	103 023 685	56
Portugal	283 568 700	18,1	125 628 360	40,4	409 434 188	21,8	94 010 547	12,9	133 939 020	3,9	227 949 567	21	181 484 621	44
Technical asst	374 125	0,02	136 300		510 425		7 500		45 846		53 346		457 079	89
TOTAL	1 564 644 628	100	311 770 339	100	1 876 414 967	100	730 588 326	100	343 257 757	100	1 073 846 083	100	802 568 884	
Allocation	1 565 000 000		1 853 000 000		3 418 136 300		800 000 000		679 000 000		2 543 411 000			
Carryover from 1993			136 300						64 411 000					

* Including ECU 70.6 million from allocation 11 (1994 budget) and ECU 62.8 million from allocation 31 (carryovers)

- 1 Still to be paid at 31 December 1993: (1 564 644 628 - 730 588 326) = 834 056 326
- 2 The payment appropriations for 1993 were reduced by ECU 200 million from ECU 1 000 million to ECU 800 million.
- 3 The payment appropriations for 1994 were reduced by ECU 350 million from ECU 1 679 million to ECU 1 349 million.
- 4 The carryovers in 1994 amount to ECU 136 300 in commitment appropriations and ECU 64 411 000 in payment appropriations.



2.3.1 SPAIN

(a) Commitments in 1993/94: environment

The Spanish authorities submitted a variety of projects in 1993 for financing under the cohesion financial instrument, covering such areas as water supply and waste treatment infrastructure, water quality control, erosion control, beach restoration, riverside management, nature conservation and industrial pollution control measures. Compared with the other cohesion countries, the applications thus ranged over a wider field of activities reflecting the particular circumstances and priorities of Spain. Because of the small-scale nature of many of the projects, these were frequently grouped for the purpose of granting assistance according to type and/or geographical location.

Between April 1993 and May 1994 the Commission adopted 23 decisions relating to 65 environment projects in Spain involving total eligible costs of ECU 318.8 million and assistance of ECU 270.99 million.

Environment projects thus account for around 30.7% of the total amount of assistance granted to projects in Spain under the cohesion financial instrument up to the end May 1994.

The table below gives a breakdown of the projects approved by broad category, while the following paragraphs give more details, highlighting the most important projects within each category. All of the projects approved respond to the priorities outlined in the Community's Fifth Action Programme on the Environment and Sustainable Development and the objectives of Article 130r of the Treaty.

Spain - Environment projects approved April 1993 - May 1994

Category	No of projects	Total eligible costs	CFI contribution	
		ECU million	ECU million	%
Water supply	11	114 529	97 350	35.9
Water quality control	9	37 843	32 167	11.9
Sewage collection and treatment	7	11 214	9 532	3.5
Erosion control and reafforestation	20	105 994	90 095	33.2
Nature conservation	10	25 727	21 868	8.1
Control of industrial pollution	6	22 170	18 845	7.0
Other	2	1 323	1 134	0.4
Total	65	318 801	270 990	100.0

Water supply

This includes a number of projects aimed at improving or securing the supply of good quality water to areas suffering from the effects of drought and consequent water shortages. A number of the projects were initiated under the Spanish Government's emergency procedures because of the acute nature of the problems confronting the communities concerned, which include the cities of Madrid, Málaga, Seville, Oviedo and Ciudad Real, as well as certain important coastal areas. The projects primarily concern the installation of infrastructure for the transfer of drinking water from sources of supply to the communities which require it (pumping stations, pipelines, tunnels, purification plants, etc.).

The most important projects in the group relate to securing the supply of water to Madrid by permitting the transfer of water from the Picadas reservoir to the Valmayor reservoir via a 32½ km pipeline. Assistance from the cohesion financial instrument for this project, which was due to be completed at the end of 1993, amounted to ECU 44.1 million.



Erosion control and reforestation

These projects consist of a series of measures throughout Spain aimed at tackling one of its most serious environmental problems: more than 40% of Spanish territory is affected by intense erosion processes, while it is estimated that around 18% of the territory requires urgent assistance.

Two sets of projects were approved for assistance under the cohesion financial instrument. The first set is being undertaken by the National Institute for the Conservation of Nature (ICONA) and involves a series of measures in all the major Spanish river basins aimed at controlling erosion in seriously degraded areas, including reforestation, improvement of existing vegetation and the stabilization of torrential channels. A total of ECU 50-88 million of assistance has been approved for this group of projects.

The second set, granted a total of ECU 28.10 million of assistance, is being undertaken under the responsibility of the Ministry of Public Works and Environment (MOPTMA) and concerns a number of measures to control erosion of the watersheds of publicly-owned reservoirs.

Water quality control

A network of automatic early-warning stations (SAICA) aimed at monitoring water quality in all the major Spanish river basins is being financed by the cohesion financial instrument for a total of ECU 32.17 million. The projects, being undertaken under the responsibility of the General Directorate for Water Quality, will involve the design and installation of 14 of these stations in order to transmit key data on water quality changes in major river sections by satellite using the VSAT system. This is an important project aimed at improving information flows and enabling more rapid action to be taken to tackle pollution discharges.

Nature conservation

A series of measures has been financed under this heading in the Spanish National Parks in order to meet public demand and minimize the harmful effects of the flow of visitors on habitats and species. These projects accounted for ECU 16.45 million of assistance from the cohesion financial instrument. An additional series of measures has been financed in the National Parks, to a total of ECU 5.4 million, to redress the damage done to ecosystems by human activity, to eliminate alien species and to prevent the destruction of ecosystems as a result of fire.

Sewage collection and treatment

A number of projects have been financed under this heading to provide the infrastructure for the collection and treatment of waste water. In total the projects accounted for ECU 9.5 million of assistance.

Industrial pollution control

Under this heading the cohesion financial instrument financed part of the Spanish Government's important programme to help industry introduce new technology aimed at reducing the production of waste and polluting materials or liquids (Programa Industrial para la Tecnología Medioambiental-PITMA). A total of ECU 18.85 million of assistance was granted for a series of small projects undertaken in 1993 concerning the following main areas:

- reduction and purification of waste water spillages,
- elimination of waste liquid in olive presses;
- management of industrial waste;
- management of used oils;
- collection and disposal of marine oils;
- restoration of soil;

(b) **TRANSPORT**

The Commission adopted 25 decisions approving 31 transport infrastructure projects in Spain to be financed from the cohesion financial instrument.

The eligible costs of the investment totalled ECU 716 070 514 at the time the decisions were adopted. Assistance from the cohesion financial instrument amounted to ECU 604 124 151, 84.37% of the eligible costs.

The breakdown by mode of transport was:

- roads 71.9%
- railways 14.7%
- air transport 12.1%
- sea transport 1.3%

The total commitment from the cohesion financial instrument was ECU 598 564 172 the 1993 budget and ECU 5 559 979 from the 1994 budget.

(i) **Roads**

The road projects approved form part of the general plan for roads in Spain and the trans-European road network, and access thereto. All projects concerned either the network or access to it.

The projects as a whole will improve communications between the peripheral regions of Spain and France or Portugal; some of them will improve the continuity of the network close to urban centres.

Three projects will help complete the northern and western sections of the Madrid bypass (M-40) providing a continuous route and linkage between the various approach routes to the capital.

A motorway project and three technical studies on motorway projects concern the radial roads to Madrid:

- Madrid-Valencia: construction of a section of expressway between Requena and Chivas and the first phase between Atalaya del Cañavete and Caudete de las Fuentes;
- the Rías Bajas expressway will link Galicia and northern Portugal to the centre of the peninsula and to the route from Bordeaux to the Portuguese frontier via Valladolid;
- the Madrid-Valencia expressway will link Madrid to one of the largest urban centres on the peninsula;

- the Bailén-Granada expressway will provide eastern Andalusia with access to the main routes and provide a missing link in the main north-south route.

Eight road projects concern the east-west or peripheral routes and will provide connecting links in the Spanish network:

- the Adra bypass and a section of the Trinidad-Montgat motorway on the Mediterranean spine;
- the Gilet-Soneja section of the Sagunto-Zaragoza-Somport route;
- the new road between Las Dueñas and Novellana on the northern route between Asturias and the Basque Country; the eastern ring road around Valladolid on the Bordeaux-Valladolid-Salamanca route; access to Santiago on the western route in Galicia, the new Lardero spur on the Barcelona-Zaragoza-Burgos route.

(ii) Railways

The rail projects approved are all intended to improve the quality of the network linking the five largest cities in Spain, Madrid, Barcelona, Valencia, Zaragoza and Seville. With the exception of the line from Madrid to Seville, long-distance routes have top speeds below current needs and are often single track.

The first four of these cities are located on the Madrid-Valencia-Barcelona triangle.

The projects approved have the following aims:

- modernization, adaptation and doubling of the existing lines between Madrid and Valencia and Valencia and Tarragona to allow speeds of 220 kph;
- study for a high-speed train route on two sections of the Madrid-Zaragoza-Valencia line.

A project in Seville concerns linking the international-gauge high-speed network with the wide-gauge national network, so permitting traditional trains (e.g. Talgo) to operate on both. This project is now completed and operating.

(ii) Airports

Air traffic between the island regions of Spain is constantly growing. The growth of tourism and improved access to the islands justifies finance for airport infrastructure. The projects approved concern various works at the two airports on the Canary Islands (Hierro and Tenerife) and a terminal at Palma de Mallorca airport in the Balearics.

These projects will increase capacity and the quality of services in the remoter and most remote regions.

(iii) Sea transport (Vessel Traffic System)

Five large ports of strategic importance for sea transport off the Spanish coast have been selected for the installation of systems to monitor traffic at sea and fight pollution. The areas concerned are the Bay of Biscay, the northern Atlantic, the Strait of Gibraltar, the northern Mediterranean and the Canary Islands in the south Atlantic.

Since these projects will help improve the environment, half the cost of the investment involved has been charged to the environment sector and half to transport infrastructure.

2.3.2. PORTUGAL

(a) Environment

Portugal's environmental priorities coincide with the priorities selected by the Commission for assistance from the cohesion financial instrument, i.e. provision of the infrastructure required to implement Community directives on the supply of drinking water and the treatment of waste water and other waste.

The Portuguese authorities decided to submit for assistance from the cohesion financial instrument projects in the water and waste sectors located almost exclusively in the three regions with the largest urban concentrations, Lisbon, Oporto and the Algarve. The projects cover a number of municipalities, which contribute to their design and management.

The exceptions to this geographical criterion are projects intended to solve particularly serious environmental problems, the urgency of which requires rapid and sometimes large-scale assistance.

The geographical concentration of assistance has meant that these projects have a significant impact even though each individual measure is small. This approach has allowed rationalization of the submission of applications and there now exist coherent groups of projects defined in geographical terms by area and objective. This makes Community assistance more effective, as required by the rules.

1.1 Provision of drinking water

In 1990 only 77% of the population of Portugal had access to mains drinking water, a figure still below the Community average of 95%. A considerable part of the existing systems did not offer water of the quality required by the Community directives.

The aim of the assistance requested from the cohesion financial instrument is to help reduce this gap in the period up to 1999 through a set of eight projects.

Virtually all these projects concern the expansion and improvement of systems for utilizing water from the Tagus by means of the Castelo de Bode reservoir, which supplies water to the 2.5 million inhabitants of Lisbon.

The works in progress will increase the capacity of the Asseiceira treatment station and of the main supply pipe. They will also improve security of supply.

In the Algarve, the cohesion financial instrument is helping finance a water supply system which will link the Odelouca dam to the treatment station and networks supplying municipalities.

These measures form part of a large-scale project intended to increase supplies of drinking water to the western coastal area of the Algarve (the Barlavento). Future stages of this project will also receive finance from the Cohesion Fund.

The only project which does not form part of the major systems described above concerns finance for the Enxoé dam. This is intended to supply two municipalities in the Alentejo, a region which suffers from serious shortages of drinking water because of continuing droughts in recent years and the poor quality of the resources available.

1.2 Waste water treatment

The situation as regards the treatment of waste water in Portugal in terms of compliance with Community legislation means that substantial investment must be undertaken within a relatively short space of time.

In 1990 55% of the population of Portugal was connected to mains drainage and only 21% had collection and treatment systems. The Community averages were 86% and 78% respectively.

The aim of assistance from the instrument is to help reduce this gap and implement the Community directives within the periods laid down.

Altogether, 11 projects have been submitted, some in the urban areas of Lisbon and Oporto and others in areas where pollution levels require urgent assistance on an integrated basis.

In Lisbon and Oporto, the work in progress is designed to clean up coastal areas and forms part of integrated systems including collection, treatment and under-sea disposal. These systems, which will be introduced in stages, ensure coherent assistance and should ensure that resources are effective in terms of objectives.

A second group of projects is concerned with cleaning rivers (the Ave, Avieira and Trancão) where pollution levels are very high as a result of discharges of untreated

waste urban and industrial water. These are fairly large-scale measures which will both reduce pollution in the rivers and, as a consequence of the level of treatment to be installed, the reuse of water and so more efficient management of water resources.

A third group of projects concerns the treatment of waste water from towns in the Algarve in the Ria Formosa area, a nature park classed as a wetland of international importance and area enjoying special protection under Directive 79/409/EEC on the conservation of wild birds.

These projects also form part of a broader range of assistance, further stages of which will be submitted to the Cohesion Fund in the years to come.

1.3 Waste

Portugal produces less urban waste than the Community average and, although disposal systems cover only 42% of the population, needs are less urgent than is the case for water. This is the reason why only four projects, two of which are studies, have been submitted in this area.

In the Oporto region, the cohesion financial instrument is financing the initial stages of installing a large-scale incineration plant and in the Baixo Mondego area it is providing support for a controlled discharge system which will form part of a more complex integrated system to be completed in a number of stages.

Projects approved

During the lifetime of the cohesion financial instrument, 22 projects were adopted in Portugal, including four studies, and assistance totalled ECU 128 899 000.

The breakdown by type of project is as follows:

Type of project	No	%	Cohesion instrument assistance	%
Drinking water	7	32	53.1	41
Waste water	11	50	65.4	51
Waste	4	18	10.4	8
TOTAL	22	100	128.9	100

(b) **TRANSPORT**

The main concern raised by the strategy which Portugal is following is to ensure that assistance from the cohesion financial instrument is able to assist appropriate linkage to trans-European transport networks. This is particularly important since the country's location on the edge of the Community makes an effective transport system a matter of urgency.

Roads

The very high rate of growth in trade with the rest of the Community since accession, particularly using road transport, has drawn attention to the need to continue the work of constructing and modernizing road and rail links with the rest of Europe. This is the only way to reduce operating costs, reduce journey time and improve traffic safety.

From the main routes which make up Portugal's basic road networks, which is fully integrated into the trans-European network, three have been selected as major priorities in order to concentrate assistance from the instrument to some degree. These are completion of the Valença-Vila Real de S. António towards the north as far as the Spanish border, rapid opening of the Portuguese section of the Lisbon-Madrid route and faster construction of the road from Lisbon to Valladolid, which appears on the list of Category I infrastructure projects drawn up by the Corfu European Council.

In addition to constructing new infrastructure, attention is also being paid to the need to increase traffic capacity on certain sections by providing finance to widen motorways. This has removed major bottlenecks on the Valença-Vila Real de S. António road, thereby improving traffic flow and road safety.

High priority has also been given to reducing congestion in urban areas by financing bypasses, whose main function is to promote links between different forms of transport away from town centres.

Lisbon's inner and outer ring roads, CRIL and CREL, are helping remove serious bottlenecks hampering traffic in the Lisbon metropolitan area by improving operation of urban road links and offering certain environmental advantages;

Rail

The main strategic objective of rail infrastructure is to inject fresh dynamism into the main links between Portugal and the centre of Europe while helping ensure that this mode of transport can offer a real alternative to roads through its greater effectiveness in moving people and goods.

Two lines, the northern and the Beira Alta, both of which form an integral part of the trans-European network and are of strategic importance to Portugal. The amount of investment required is such that the ERDF is providing assistance alongside the instrument.

The general projects to modernize these lines comprise principally electrification, increasing the number of tracks, signalling and the replacement or strengthening of bridges and tunnels to increase maximum speeds and so achieve substantial reduction in journey times in both cases.

Sea transport

Portugal's geographical position and the comparative scarcity of land links with Europe provides adequate justification for the promotion of sea transport which will enable this mode to recover the important role which it traditionally played in Portugal's foreign trade.

The aim is to improve the operation of Portugal's ports while ensuring that they are integrated into the trans-European networks through appropriate multimodal links.

The instrument has provided assistance for investments likely to improve access and links between different modes of transport and improve the quality and range of port services.

However, in view of the highly competitive nature of the sea transport sector at present, efforts should be concentrated on those ports which are most likely to become competitive.

A study on the ports on the Atlantic coast should be carried out as soon as possible to guide measures financed by the instrument in this area and avoid the creation of surplus capacity.

Projects approved

In 1993, 10 projects were adopted in Portugal and received assistance from the instrument amounting to ECU 159 125 000 and four studies received ECU 1 649 000.

The breakdown by mode of transport of the total contribution from the instrument for 1993 is as follows:

Type of Project/Study	No	Cohesion instrument assistance (ECU million)	%
Roads	6	115.6	72
Railways	2	39.4	24.5
Ports	6	5.7	3.5
Total	14	160.7	100

Between the beginning of 1994 and 26 May, six projects and two studies were approved; the assistance granted amounted to ECU 119 247 000 and ECU 277 000 respectively.

The breakdown of the total contribution from the instrument in 1994 by mode of transport is as follows:

Type of Project/Study	No	Cohesion instrument assistance (ECU million)	%
Roads	2	101.6	85
Railways	1	5.1	4.3
Ports	5	12.8	10.7
Total	8	119.5	100

2.3.3. GREECE

(a) ENVIRONMENT

The state of the environment in Greece may be regarded as satisfactory. It is varied in nature, rich in biotopes and offers a remarkable degree of diversity. In places, there are certain local problems, such as atmospheric pollution in the major cities.

However, throughout the country there is a considerable lack of infrastructure for the supply and distribution of water, the treatment of waste water and the management of waste.

In line with the Cohesion Fund's objective of promoting economic and social cohesion, it has contributed to the improvement of infrastructure and the completion of missing links and to the protection of nature and historical remains.

Assistance from the Fund to environmental measures in Greece in 1993-94 accounted for 70% of Community assistance to that country.

The breakdown of assistance by objective is as follows:

water supply	46%
waste water treatment	17%
waste management	1%
nature protection	4%
historic sites	2%

Assistance in the field of the environment is in line with the aims of the Fifth Programme.

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

The second aim is to provide Greece with infrastructure for the purification and treatment of waste water and help it meet its obligations under the Community directives.

The third objective concerns the management of waste in line with the Community strategy for 2000.

The fourth objective is to contribute to combating forest fires, which devastate many areas of Greece every year. The Cohesion Fund is also aware of the need to protect nature and the historical sites in cities and towns and to create green areas.

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Water supply

Cohesion Fund assistance for drinking water has been concerned primarily with resolving problems of quality and quantity. It also includes a project to clean up ground water.

These projects include one major project concerning water supplies to Athens from the river Evinos. The Community has contributed ECU 166 million to this and a number of small projects throughout the country including Crete (Rethymnon), the Peloponnese (Nafplion, Tripolis, Argos, Patras), western Greece (Lamia, Livadia, Chalkida, Larissa, Volos, Trikala) and Macedonia (Veria, Katerini, Yiannitsa).

In assisting the project to supply water to Athens, the Cohesion Fund has paid attention to the sound management of water resources and improving water supplies to the capital. This project is urgent because of the drought which has afflicted Greece in recent years.

Projects to supply water to other towns have concentrated on tourist centres, parks and industrial centres.

The project to clean up ground water concerns desalination in the Argos plain.

Purification of waste water

A large number of projects concerning the treatment of waste water and mainly urban effluent have been part-financed in several large and medium-sized regional centres. This part-financing is directed at the first stages of projects which will be continued by the Cohesion Fund. The large number of projects offers Greece an important advantage in this field.

Specific clauses provide the Cohesion Fund with assurance that the distribution and treatment of water will be considered as an operational whole.

Some twenty projects have been part-financed in Macedonia and Thrace. The largest are those in Thessaloniki (second phase of biological treatment), Kavala, Alexandroupolis, Katerini and Veria.

There are some projects in Epirus, some in central Greece (Chalkida, Lamia), about ten in the Peloponnese (Corinth, Argos, Patras, Kalamata), the same number in Crete (Heraklion and Chalkis) and some in the islands (Lesbos and Chios).

Waste management

Waste management has not received the attention which the Commission hoped for; the projects submitted to the Cohesion Fund are few in number and concern mainly

the creation or improvement of discharges at Shisto, Liossia, Zante, Thessaloniki and Patras.

Acting in cooperation with the Greek authorities, the Cohesion Fund hopes to extend and diversify its work in this field in line with the Community strategy.

Nature protection

During this period, the Fund has concentrated assistance on combating forest fires through fire-fighting and reforestation measures. Forest fires are a major problem in Greece.

Protection of the heritage, historic sites and the creation of green areas

The Cohesion Fund provides assistance in two ways. The first concerns the old commercial centre of Athens and the creation of green areas. The second deals with the restoration of archaeological monuments, principally in Athens and Elefsis, relating them to economic activity and linking them with green areas.

(b) **TRANSPORT**

Introduction

Under the cohesion financial instrument, 18 decisions concerning projects or stages of projects dealing with all forms of transport were adopted. Their total cost is ECU 138 million and assistance from the Fund totals ECU 117 million. This means that the contribution from the fund in all cases is 85% of the total cost.

Of these decisions, 15 concern the initial stages of projects. Normally, the Cohesion Fund will provide finance for future stages of these projects.

The breakdown of assistance by type of transport is as follows:

	Number of projects	ECU (Millions)	% of total transport
Road - Motorways	12	85	72,5
Railways	2	14	12
Airports - Air Traffic Control	3	15	13
Ports	1	3	2,5
	18	117	100

Roads and motorways

Finance for motorways is by far the largest of the projects approved, accounting for 72.5% of the total.

The bulk of this finance is going to two major routes: Pathe (Patras-Athens-Thessaloniki-Bulgarian frontier) and the Via Egnatia (from the Port of Igoumenitsa to the Turkish frontier).

The breakdown of assistance by section of road is as follows:

	Total assistance (<u>ECU million</u>)	% of total for motorways
(a) PATHE		
- Patras bypass	4.151	
- Yliki-Agios Konstantinos	22.355	
- Raches-Pelasgia	8.942	
- Skotina-Katerini	6.387	
- Thessaloniki-Serres-Promachon	3.513	

TOTAL PATHE	45.350	53%
(b) EGNATIA		
- Igoumenitsa-Psylorachi	5.655	
- Psylorachi-Pedini	4.418	
- Polymilos-Veria	4.790	
- Rentina-Strymonas	12.775	
- Kavala bypass	7.984	

TOTAL EGNATIA	35.602	42%
(c) OTHER (access to Pathe and Egnatia)		
- Kardia-Kalokratia	959	
- Korinthos-Tripoli-Kalamata	3.194	5%

TOTAL OTHER	4.153	
Total motorways	85.105	100%

Rail

Finance for rail projects will contribute to completion of the double track between Athens and Thessaloniki and the modernization of existing lines. The projects approved were:

	Assistance (ECU)
Double track Evangelismos-Leptokarya	9 690
Extension of line Paleofarsalos-Kalabaka	4 271
Total for railways	13 961

Airports and air traffic control

These projects concern completion of a new terminal at Corfu airport, modernization of an alternative landing runway at Athens airport and the purchase and installation of two radars at Thessaloniki and Rhodes airports. The allocation of funds is as follows:

	Amount (ECU '000)
Corfu airport	2 565
Athens airport	1 282
Modernization of air traffic control facilities at Thessaloniki and Rhodes	11 478
Total for airports	15 325

Ports

Finance for the first stage of construction of a quay in the port of Igoumenitsa has been approved. This port is the western end of the Via Egnatia and could offer the main sea transport link for traffic between Greece and the rest of the European Union. The assistance approved amounts to ECU 3 million.

2.3.4 Ireland: overview

Between April 1993 and May 1994, the Commission approved 55 decisions granting a total of ECU 182.9 million in assistance to Ireland of which ECU 108.4 million, or 59.3% of the total, was for transport projects and ECU 74.5 million, or 40.7%, was for environmental projects.

The table below gives a breakdown of projects by category:

COMMITMENT OF AID TO PROJECTS IN IRELAND: APRIL 1993 - MAY 1994

Transport	Number of projects	Assistance granted (ECU million)	% of total
1. Roads	11	71.4	39.0
2. Rail	7	20.1	11.0
3. Ports	4	13.6	7.4
4. Airports	1	3.3	1.8
Total	23	108.4	59.3

Environment	Number of projects	Assistance granted (ECU million)	% of total
1. Water treatment	23	44.6	24.4
2. Water supply	6	21.5	11.8
3. Solid waste	2	7.6	4.2
4. Habitat	1	0.8	0.4
Total	32	74.5	40.7

GRAND TOTAL	55	182.9	100
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(a) ENVIRONMENT

Ireland's natural environment is already of high quality. Nevertheless, the standards for drinking water and the treatment of urban waste set by Community law are not fully met in all areas. In 1993 the Irish Government therefore submitted for part-financing under the cohesion financial instrument 41 projects in the field of the environment covering mainly the areas of waste treatment and water supply infrastructure, nature conservation and solid waste management projects. Because of the situation in Ireland, many of the projects have been of small size but have had and will continue to have in Irish terms a significant impact on the water quality situation in that country.

Between July 1993 and May 1994, 32 environmental projects were approved for Ireland, committing ECU 74.5 million from the budgets for 1993 and 1994.

Of this amount, 62% went to sewage scheme projects, 27% to water supply schemes, 10% to solid waste management projects and 1% to a heritage project. The contributions and locations in question are shown in the tables below.

Waste water treatment

In all, 23 projects were approved and received 44.6% of the total aid granted. These projects took 60% of the total commitment of environmental projects in Ireland, which indicates the priority given by the Irish Government to efforts in this field.

The target of the Irish environmental action programme is the elimination of all pollution of inland waters by sewage discharges by 2000. The cost of these investments has been estimated at about IRL 230 million (ECU 184 million). A further IRL 400 million will be required to upgrade treatment facilities for coastal areas and towns. The attached chart shows the locations of the coastal schemes and inland sewerage schemes funded by the cohesion financial instrument. The most important scheme has been the provision of secondary treatment for the Dublin area.

Beyond this project planning and partly initial construction phases of sewage treatment schemes in Cork, Drogheda, Dundalk, Waterford, Wexford and other coastal treatment schemes have been funded. Moreover inland treatment plants at Athy, Clonmel, Limerick, Robertstown and other locations have been also co-financed by 85% to reach the ambitious target.

The projects which received Cohesion Fund assistance were the following:

Project Number	Project Name	Project/Stage	Aid granted (Mecu)
93/07/61/003	Robertstown Sewerage Scheme	Project	1.3
93/07/61/007	Dublin Howth Sewerage Treatment	Stage I	1.6
93/07/61/009	Tramore Sewerage Scheme	Stage I	0.6
93/07/61/013	Dublin Ringsend and Dublin North Sludge Treatment	Stage I	1.6
93/07/61/014	Dublin (Ringsend) Sewerage Treatment	Stage I	2.4
93/07/61/016	Westport Sewerage Scheme	Stage I and II	2.3
93/07/61/017	Cork City Main Drainage	Stage I	2.6
93/07/61/018	Drogheda Main Drainage	Stage I	2.1
93/07/61/020	Dundalk Sewerage Scheme	Stage I	1.3
93/07/61/021	Waterford Main Drainage	Stage I	1.8
93/07/61/022	Muinebheag Sewerage Scheme	Project	2.8
93/07/61/023	Clonmel Sewerage Scheme	Stage I and II	2.5
93/07/61/024	Mitchelstown Sewerage	Stage I	1.5
93/07/61/025	Wicklow Town Sewerage	Stage I	0.4
93/07/61/026	Athy Sewerage Scheme	Stage I and II	2.5
93/07/61/027	Ballinrobe Sewerage Scheme	Stage I and II	4.2
93/07/61/028	Ennis Main Drainage	Project	1.2
93/07/61/031	Wexford Main Drainage	Stage I	4.5
93/07/61/032	Enniscorthy Main Drainage	Stage I	1.6
93/07/61/033	Dun Laoghaire Main Drainage	Stage I	1.3
93/07/61/034	Galway Main Drainage Scheme	Stage I	2.3
93/07/61/035	Limerick City Main Drainage	Stage I	0.8
93/07/61/037	Bray Sewerage Scheme	Stage II	1.4
TOTAL			44.6

Water supply

The estimated commitment to the further investment to reach standards for drinking water of Mio IR 300 has been supported by the contribution of the Cohesion financial instrument to six projects improving the water distribution facilities all over Ireland (see attached chart).

21.46 % Mecu equivalent to 29 % of the environmental share has been contributed by the Community to improve or secure the supply of good quality water to areas requiring a higher volume of drinking water or suffering from effects of pollution. The projects will involve treatment facilities for using water sources and connection systems to existing water supply networks. Probably the most important project is the Ballymore Eustace project to develop this major water source for the Dublin area.

The projects assisted were the following:

Project Number	Project Name	Project/Stage	Aid granted (Mecu)
93/07/61/012	Dublin (Ballymore Eustace) Water Supply	Stage I	5.3
93/07/61/015	Dublin Water Distribution	Stage I	9.4
93/07/61/029	Tuam Regional Water Supply	Stage I	2.8
93/07/61/036	Limerick City Water Supply	Stage I	1.2
93/07/61/038	Lough Mask Regional Water Supply	Stage I	1.7
93/07/61/041	Ballyjamesduff Regional Water Supply Scheme	Stage I	1.1
TOTAL			21.5



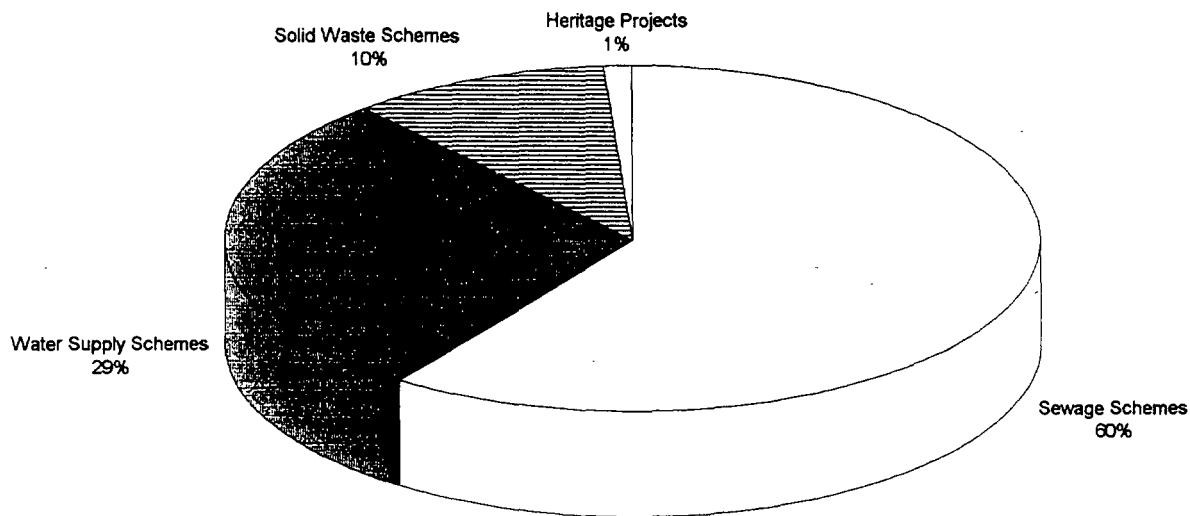
Solid Waste

The remaining three projects taking 8.44 Mecu Cohesion Fund contribution equivalent to 11% of the environmental share concerned two landfill projects with attached modern waste management facilities and one project to preserve an exceptional raised bog area at Clara.

The projects were the following:

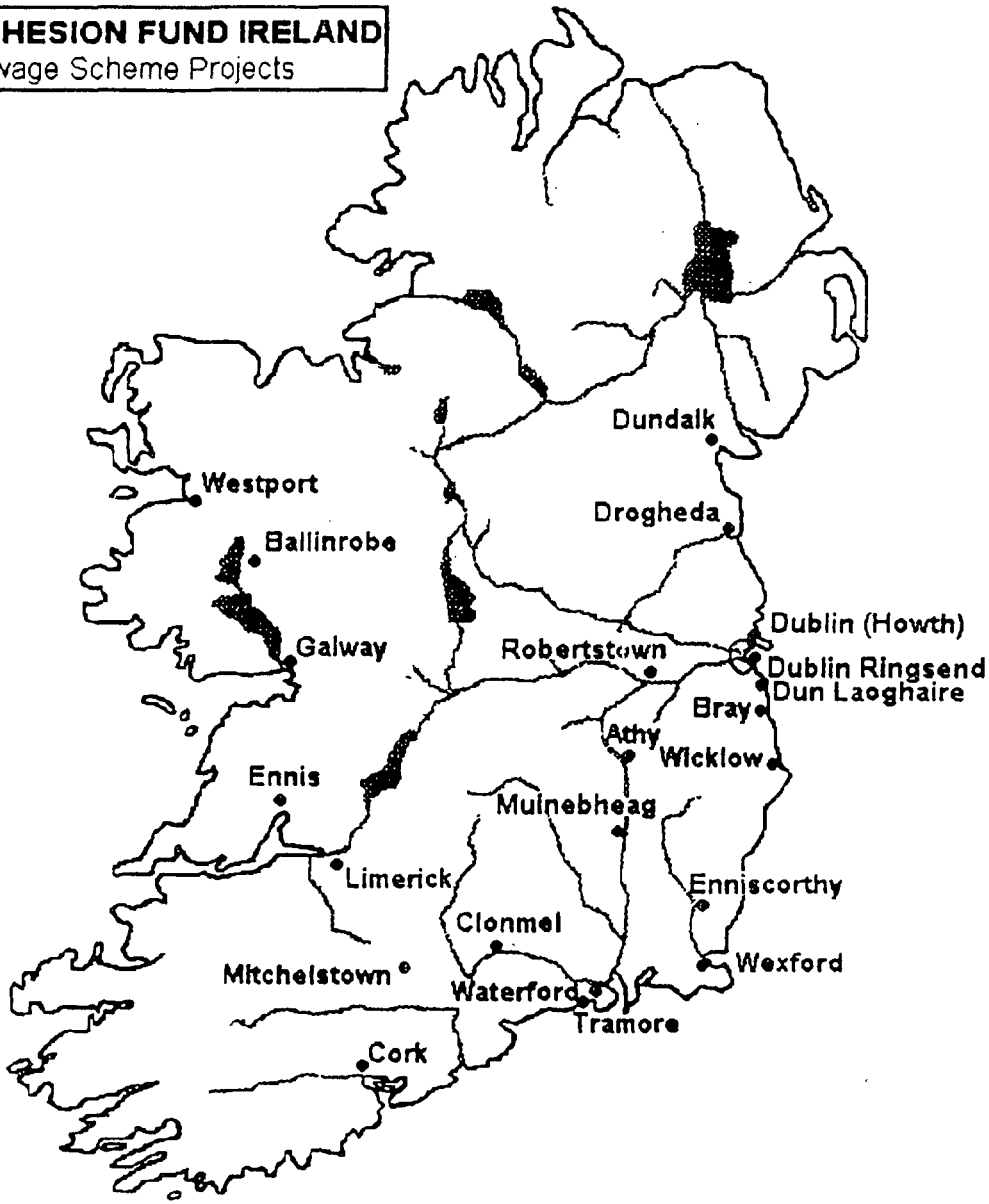
Project Number	Project Name	Project/Stage	Aid granted (Mecu)
93/07/61/011	Clara and Raheenmore Bogs	Stage I	0.8
93/07/61/039	Ballymount Waste Facility	Project	6.6
93/07/61/040	Tralee Landfill Site	Project	1.0
TOTAL			8.4

COHESION FUND Ireland 1993/94: Environmental Projects

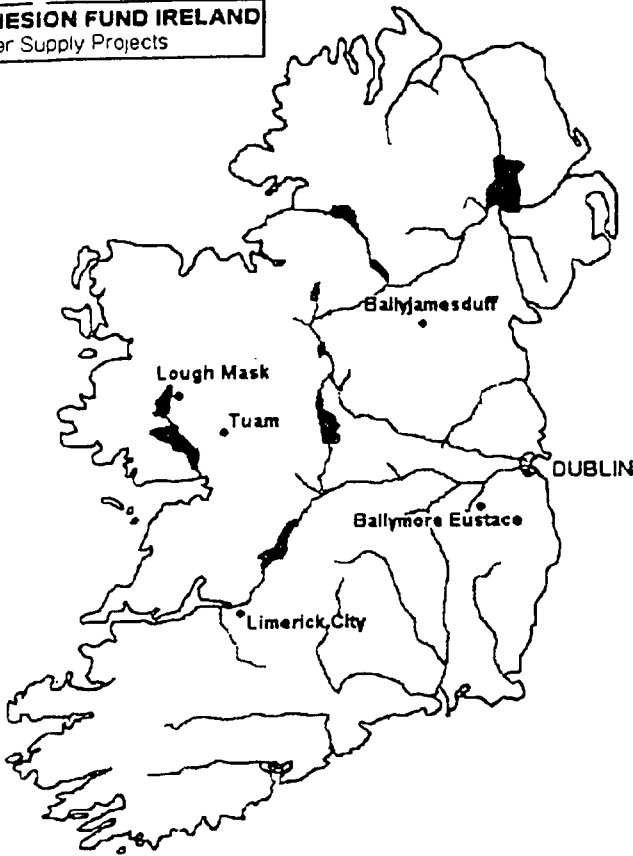


Sewage Schemes	Water Supply Schemes	Solid Waste Schemes	Heritage Projects	TOTAL
44,587,600	21,459,100	7,618,550	823,650	74,488,900

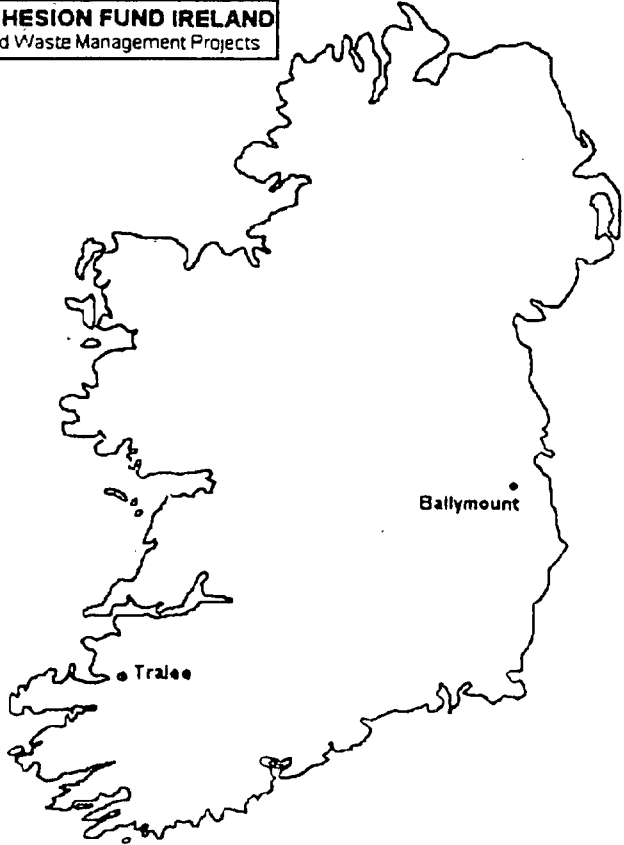
COHESION FUND IRELAND
Sewage Scheme Projects



COHESION FUND IRELAND
Water Supply Projects



COHESION FUND IRELAND
Solid Waste Management Projects



(B) IRELAND : TRANSPORT SECTOR

Roads

Between April 1993 and May 1994, 11 road projects were approved, the total cost of which was ECU 84 million. Total aid granted was ECU 71.4 million, or 85 % of the cost in each case since none of the projects was considered to be revenue generating.

All of the road projects approved, with one exception (see below), are on the main corridors of the trans-European Road Network. The four main corridors are:

North - South: Belfast - Dublin - Rosslare - Cork

South - West: Dublin - Limerick and Cork

East - West: Dublin - Galway and Sligo

Western: Rosslare - Waterford - Limerick - Galway - Sligo

Concentration on the major corridors is a long-established policy intended to make a significant difference to travel times on the most heavily used sections of the road network.

The projects which received Cohesion Fund assistance were the following:

Route	Project Name	Project or stage of project	Aid granted (ECU million)
N1 Dublin - Belfast	Balbriggan By-pass	stage	1.6
	Drogheda By-pass	stage	1.6
	Dunleer - Dundalk road	stage	2.7
Dublin Ring Road	Northern Cross	stage	16.0
N11 Dublin - Rosslare	Killarney Road interchange	project	3.6
	Enniscorthy - Wexford	project	5.4
N25 Rosslare - Cork	Killongford - Dungarvan	project	2.5
N8 Rosslare/Dublin - Cork	River Lee Tunnel	stage	2.7
N4 Dublin - Sligo	Longford By-pass	project	7.1
TOTAL			43.2

In addition, a group of twelve similar road improvement projects, called the integrated road network improvement scheme, received ECU 25.5 million of assistance. These projects involve

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road widening and strengthening of sections of the main corridors. This type of investment is intended to be a cost-efficient method of increasing road capacity and safety and allow for higher average speeds on parts of the network where the traffic density does not justify the construction of new roads on new alignments.

The one exception to the concentration on projects on the major road corridors was the approval of a new access road from the N25 Cork-Rosslare route to the new container terminal at Belview, downstream from the port of Waterford, for which assistance worth ECU 2.8 million was granted. This replaces the previous substandard access road and complements Community investment already undertaken in the port.

Rail

The projects assisted between April 1993 and May 1994 were the following:

Name	Type of project	Assistance granted (ECU million)
Dublin - Cork Dublin - Belfast Limerick Junction - Limerick Dublin - Galway Dublin - Waterford	Mainly track and signalling replacement with associated infrastructure works e.g. bridge strengthening and fencing	17.0
Track Renewal Equipment	Purchase of rail-laying equipment	2.4
Belview Rail Access	Bridge and level crossing access to port	0.6
TOTAL		20.1

The rail projects focus on the main routes radiating from Dublin and include the Cork-Dublin-Northern Ireland border section of the network, which forms part of one of the priority projects identified by the Christophersen Group. The projects mostly involve the up-grading of the basic rail infrastructure by the replacement of jointed rails on wooden sleepers with continuous welded rail on concrete sleepers together with the up-grading of the signalling system and associated infrastructure works to allow for significantly faster journey times on the main inter-urban routes.

The seventh project listed above will improve access to the new container terminal at Belview and is intended to optimise previous Community investment in the port.

The rate of assistance from the cohesion instrument to the seven rail projects was 85 % in all cases.

Ports

Four port projects received Cohesion Fund assistance between April 1993 and May 1994. All four projects, together with the two road and rail access improvements for the port of Belview mentioned earlier, are intended to improve the infrastructure of the four largest ports, which are the two general ports of Dublin and Cork, the roll-on/roll-off port of Rosslare and the container port of Waterford, including the new terminal at Belview. The concentration of investment in a small number of strategic ports is intended to increase traffic volumes at these ports with the aim of reducing unit costs and improving the frequency of services.

The projects approved were the following:

Port	Project Name	Project or stage	Assistance granted (ECU million)
Dublin	New roll-on/roll-off terminal	stage	3.1
Rosslare	Port infrastructure works	stage	5.1
Cork	Dredging of approach channel	project	2.1
	Expansion of ferry terminal	stage	3.3
Total			13.6

The aid rates for the projects vary from 85 % for the general harbour improvement works at Rosslare and Cork down to approximately two-thirds of the cost for the Dublin Ro-Ro and Cork ferry terminals to take account of the additional revenue which will be generated by the projects when completed.

Airports

A single airport project was submitted by the Irish authorities and was approved by the Commission. The project concerns the expansion of the existing air freight terminal at Dublin airport and associated works, including an expansion of the apron space to cater for more and larger freight aircraft. This project is intended to meet a growing requirement in Ireland for air freight capacity, particularly for high value/low volume products.

The Cohesion Fund contribution to the project is ECU 3.3 million, which is equivalent to half of the total cost. The aid rate was less than the maximum possible since account was taken of the increased revenue to the airport authority which will be generated by the expanded terminal.

2.4. Assistance for studies and technical support measures - Technical assistance

2.4.1. General

Article 9(8) of Regulation (EEC) No 792/93 establishing a cohesion financial instrument states that in order to ensure the effectiveness of Community assistance, the Commission shall carry out a systematic assessment of projects, the way in which it is carried out and the potential and actual impact of its implementation. The detailed rules for monitoring and assessment are laid down in the decisions approving projects.

To this end, the Commission has concluded specific contracts to secure assistance from experts whose skills are not available among its own staff. Details of these contracts are given in Annex XII.

2.4.2. On the Commission's initiative

The Cohesion Fund has invited consultants wishing to take part in its multiannual programme of studies and technical assistance to indicate their interest. It published a call for expressions of interest in the Official Journal of the European Communities No C 183/93 of 6 July 1993 (see annex XIII).

Since the projects submitted by the Member States concern the environment and transport infrastructure, the programme covered these two general sectors, divided respectively into 13 and 9 sub-sectors.

The call for expressions of interest is valid for three years from the date of its publication.

A very large number of applications, about 1 400, has been received. The information supplied has permitted construction of a data base of consultants so that selection may be made by subject, depending on the nature of the projects submitted. Analysis and management of the data contained in these files was completed by early in 1994 and the base continues to be regularly updated.

In the light of the needs of the Cohesion Fund, restricted invitations to tender have been published to provide assistance for projects being financed. The topics include:

- rail and combined transport
- the environment
- water supply and dams
- geology.

The consultants were chosen on the basis of the applications received, with emphasis placed on appropriate experience and professional qualifications. Framework contracts defining the tasks those providing services are to undertake were signed. These tasks include analysis, studies, monitoring and technical assistance.

In addition to the usual financial controls, because of the amounts involved the first two invitations to tender were submitted to the Consultative Committee on Purchases and Contracts, which issued favourable opinions in both cases.

(b) Types of measures selected

The technical assistance measures financed at the initiative of the Commission are intended to:

- develop capacity to undertake the technical and economic assessment of projects submitted by the Member States;
- permit comparisons of the cost/benefit analyses submitted by the Member States.

The Commission has also concluded service contracts with firms which specialize in rail and combined transport and in the environment for work relating to assessment, the monitoring of projects, analysis of their coherence and the definition of the measures required to facilitate efficient implementation.

2.4.3. At the request of the Member States

(a) Spain

The Commission approved the only application for finance from the cohesion financial instrument submitted by the Spanish authorities. The purpose of the study was to assess the benefits in terms of energy and the environment which would accrue from the construction of bypasses around the main urban centres. The study must be capable of being applied to the M-40 (Madrid bypass), three sections of which are being part-financed by the cohesion financial instrument.

(b) Portugal

In the transport sector, the total funds from the cohesion financial instrument allocated to studies was almost ECU 1 649 million. All six studies concerned improving the operation of ports in Portugal.

Two studies concerning the port of Leixões have been approved. One is an analysis of problems in preparation for a general plan for the improvement and development of the port, the other is a study and technical projects concerning the possible improvement of a 8 ha surface and the construction of a further 500 m of quays for berthing.

A study part financed by the cohesion financial instrument on the Duoro will analyse the work required to create a navigable channel at the mouth of the river to meet the safety requirements of river and sea traffic.


The study adopted on the port of Setúbal comprised an analysis of economic viability and environmental impact while the technical implementing projects concerned construction of the container terminal and multimodal interchange point. When these become operational, they should compensate for the lack of specialist infrastructure for container traffic by creating adequate supply capacity.

The ports of Setúbal and Sesimbra have received assistance from the cohesion financial instrument for a study on preparation of an emergency plan for these two ports to guarantee a high level of safety in sea transport.

Aid for a study providing a financial and economic assessment and technical projects to extend the multimode terminal at the port of Sines was also decided on during the lifetime of the cohesion financial instrument.

Finance totalling ECU 2 395 000 was provided from the instrument for four studies in the field of the environment.

Two of these were on a broad scale, covering the whole territory of continental Portugal.



The study on assessment of water collection capacity and the vulnerability of the coastal area was intended to create a set of instruments to support the management of natural resources and the utilization of Portugal's coastal strip.

The aim of the other study was to analyse and provide specific technical content for a set of institutional, financial, regulatory and public awareness instruments to ensure sustainable development of basic drainage.

A study was also approved on the assessment of responses to the call for tenders issued for the construction of a new solid waste treatment plant in the Oporto area.

The fourth study to be part-financed sought a viable solution to the problem of treating and disposing of solid waste in the Baixo Mondego area.

(c) Greece

No requests for assistance for studies or technical assistance measures were received in the period covered by the financial instrument.

(d) Ireland

No requests for assistance for studies or technical assistance measures were received in the period covered by the financial instrument.

2.5. Payments made in 1993/94 for projects approved under the cohesion financial instrument, by Member State (up to 1 November 1994):

(ECU)

M.S.	PAYMENTS		BALANCE	TOTAL	%
	ADVANCES	INTERIM			
ES	439 560 286	114 596 242	64 795	554 221 323	52
GR	204 135 405	6 280 602	-	210 416 007	20
IRL	79 270 099	1 935 741	-	81 205 840	7
PO	169 899 244	58 050 323	-	227 949 567	21
Technical assistance	53 346	-	-	53 346	
TOTAL	892 918 380	180 862 908	64 795	1 073 846 083	100

As the table of payments shows, the breakdown by type of payment shows that advances granted accounts for a large percentage (83%) of the total.

This is in line with the letter and the spirit of the regulation and is in no way surprising since the aim is to make part of the assistance from the cohesion financial instrument available immediately to give the financial boost required for work on the projects to begin. That is also the reason for the transfer of advances amounting to 2/3 of the first yearly instalment of assistance for projects submitted before 1 September 1993.

Following a discussion with the beneficiary Member States about the conditions to be met for interim payments, with particular reference to physical indicators of progress, consideration of applications for payment has resulted in a transfer amounting to 17% of the total paid.

The only application to the Fund for payment of the balance due was accepted following a targeted check on documentation, on the project on the spot and on publicity hoardings.



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CHAPTER 3 - CONVERGENCE AND CONDITIONALITY

3.1. General

The Protocol on economic and social cohesion (No 15) annexed to the Treaty on European Union states that the Cohesion Fund will provide assistance to Member States:

- with a per capita GNP of less than 90% of the Community average, and
- which have a programme leading to the fulfilment of the conditions of economic convergence as set out in Article 104c.

These two conditions for Member States to be eligible for assistance from the Cohesion Fund were supplemented by the conclusions of the Edinburgh European Council. If the Council finds that an excessive public deficit, as referred to in Article 104 C (6) of the Treaty, exists, the Cohesion Fund may finance no new project or, in the case of large projects in a number of stages, no new stage of a project in that Member State.

That European Council also stated that suspension of financing could not take effect until two years after the Treaty of Maastricht came into force, i.e. from 1 November 1995.

The European Council also stated that, once the Council had decided that an excessive deficit existed, that suspension would not take effect immediately but either:

- after one year, or
- after such other period as might be specified for correction of the deficit in accordance with a recommendation pursuant to Article 104c(7).

It also stated that, in exceptional cases affecting more than one Member State, the Council might decide to delay suspension.

All the provisions concerning convergence and conditionality were incorporated into Council Regulation (EC) No 1164/94 establishing a Cohesion Fund although conditionality did not apply to the Cohesion financial instrument.



3.2. Convergence programmes

GREECE

1. In February 1993 Greece presented a convergence programme which was discussed by the Ecofin Council on 15 March 1993. The objective of the convergence programme for 1993-98 was that by 1996 the Greek economy would have satisfied all the criteria for convergence set out in the Treaty on European Union. Underlying this expectation were a sustained policy of fiscal consolidation, measures to further structural reforms, a restrictive monetary policy, defined in terms of the drachma's participation in the ERM, and the freeing of international capital transactions and the liberalization of the domestic financial and capital markets.
2. Owing to a significant overrun in the fiscal targets for 1993, the result of a much worse-than-expected economic environment, the programme became outdated. In accordance with the Council agreements of July 1993 and February 1994 and as evidence of the importance attached by Greece to convergence, in June 1994 the Greek Government presented a revised convergence programme for 1994-99 which was discussed at the Ecofin Council of 19 September. The objective of the revised programme is that by 1998 the Greek economy will satisfy all the nominal convergence criteria set in the Union Treaty, ensuring the full participation of the country in the third stage of EMU from 1999. Inflation is targeted to decelerate, from 10.8% in 1994 to 3.3% in 1999, the net borrowing of general government is projected to fall from 13.2% of GDP to 7.6% in 1996 and to 0.9% in 1999 and the debt ratio, after stabilization in 1996 at 115% of GDP, is to be reduced by around 12 percentage points of GDP by 1999. Underlying these expectations are the correction of fiscal imbalances through the improvement of revenue performance and the rationalization of expenditure, a restrictive monetary and exchange rate policy in the framework of the capital movement liberalization on 16 May 1994 and an economic development policy based on the improvement of economic infrastructure and of the institutional framework of economic operators. Economic growth, in particular in the initial part of the programme, will result from public investment activity, mainly financed through the Community support framework which will create favourable conditions for private investment in the medium-term.
3. Following the procedures laid down in Article 104c of the Treaty, the Council decided in September 1994 that an excessive deficit exists in Greece; in November the same year, the Council agreed on a recommendation to be addressed to Greece with a view to bringing to an end the situation of excessive deficit.

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SPAIN

1. The original Spanish convergence programme was approved by the Spanish government in May 1992 and discussed by the Ecofin Council on June of that year. The programme covered the period 1992-96 and aimed at achieving progress in both nominal and real convergence with the EU countries. This was to be done through a balanced policy mix relying on a tough budgetary policy and structural reforms particularly in the services sector and in the labour market. The programme included ambitious targets as regards the general government deficit, which was to be reduced from 4.4% of GDP in 1991 to 1% in 1996 while inflation was forecast to decline from 6.3% in 1991 to 3% in 1996.

However, implementation of the programme went off track, in particular due to the unexpected severe recession in 1992-93 (in this period, cumulated growth was negative (- 0.2%) against an expected increase of 6.4% in the programme). The general government deficit turned out to be 7.5% of GDP in 1993. Some progress was achieved as regards the implementation of structural reform, in particular as regards the labour market, where a wide-ranging package of reforms was approved by Parliament in May 1994. The first results appear quite encouraging as demonstrated by the high number of new contracts, mainly regarding part-time jobs and apprentice contracts.

2. The Spanish authorities remained, however, committed to pursuing convergence. In July 1994 the Spanish government approved the revised convergence programme for the period 1995-97. This was done in accordance with the procedures agreed by the Ecofin Council in July 1993 and February 1994, as the macro-economic scenario and the targets of the original programme had become outdated. The revised programme retains the same broad guidelines as the former one: to progress on both real and nominal convergence through a furthering of fiscal consolidation and structural reforms. The revised programme is based on the assumption of a firm economic recovery which will lead to growth in Spanish GDP of 3.9% per year in 1996-97. This would be compatible with a decline in inflation and with a reduction of the external deficit. On structural matters, the programme envisages further reforms in a wide number of economic areas (e.g. in the services sector, the education system, housing supply). Regarding public finance, the revised programme aims at reducing the general government deficit from 7.5% of GDP in 1993 to 3% in 1997 while the government gross debt ratio is targeted to start declining in 1997 standing at 67.2% of GDP in that year. The programme provides a wide set of measures to curb the structural deficit of central government, which should also increase the efficiency of Spanish economy as a whole. Another positive aspect is the authorities' commitment in the programme to bringing forward additional measures in the event of a higher than expected deficit.




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3. Following the procedures laid down in Article 104c of the Treaty, the Council decided in September 1994 that an excessive deficit exists in Spain; in November the same year, the Council agreed on a recommendation to be addressed to the Kingdom of Spain with a view to bringing to an end the situation of excessive deficit.



PORTUGAL

1. The original convergence programme was approved by the Portuguese government in November 1991 and was discussed by the Ecofin Council on 16 December of that year. The programme covered the period 1992-95 and its main objective was the achievement of nominal convergence with the best performing Member States, while maintaining a positive real growth differential. Inflation was expected to decline to 4%-6% in 1993-95, while the general government deficit was to be reduced to 3% of GDP on average during the same period. The disinflation strategy was based on a non-accommodating exchange rate policy (stability of the escudo vis-à-vis ERM currencies) accompanied by a tight budgetary policy. The fiscal adjustment effort was also intended to achieve compliance by 1995 with the public finance criteria set as a prerequisite for participation in EMU. In 1992 the targets of the programme were by and large achieved : inflation continued to decelerate while the general government deficit declined to 3.3% of GDP. However, the unforeseen recession, together with the surfacing of some structural problems in public finances, led to a substantial increase in the general government deficit in 1993 to 7.1% of GDP. This did not, however, deter the Portuguese authorities from continuing their efforts towards convergence. Thus, following the invitation in July 1993 by the Ecofin to the Member States to submit new or revised programmes, the Portuguese authorities approved a revised convergence programme on 25 November 1993.
2. The revised convergence programme was discussed by the Ecofin Council in February 1994. The main lines of the revised programme are quite close to the original one, and it can be described as an up-date of the latter, but covering the period till 1997. The overall objective is reaffirmed: a reduction of the inflation differential relative to the best performing countries while returning to a positive real growth differential with the Community average. The programme is thus consistent with the strategy of economic and social development embodied in the *Plano de Desenvolvimento Regional* for 1994-99. Exchange rate stability remains a central instrument to achieve disinflation. Budgetary adjustment is primarily based on current expenditure restraint, helped by lower interest payments resulting from the projected reduction in interest rates associated with the decline in inflation. The tax burden is not expected to increase markedly, although measures are intended to increase the effectiveness of tax collection and widen the tax base in some areas. As a result, the general government deficit would be put on a clear downward trend such that it could reach 3% in 1997 while the public debt to GDP ratio would peak in 1994 at 71% and decline thereafter. Structural reforms aimed at increasing the flexibility of the economy and reinforcing market mechanisms are another major component of the programme. In particular, the conclusion of the privatization process remains one of the priorities of the national authorities. In 1994 progress was again registered as far as inflation is concerned. Fast increasing fiscal revenues improved the financial situation of the general government and the corresponding deficit was lowered to 6.3%. The budget for



1995 presented in mid-October is targeted to achieve a deficit of 5.8% of GDP. Within the framework of the budget, the Portuguese authorities announced that, while keeping the final target of a deficit of 3% of GDP in 1997, the annual path had been adjusted.

3. Following the procedures laid down in Article 104c of the Treaty, the Council decided in September 1994 that an excessive deficit exists in Portugal; in November the same year, the Council agreed on a recommendation to be addressed to the Portuguese Republic with a view to bringing to an end the situation of excessive deficit.


IRELAND

1. Ireland's first convergence programme, covering the period from 1991 to 1993, was presented to the Commission on 30 October 1991 and considered by the Ecofin Council on 10 February 1992. In it, the Irish authorities undertook to continue the existing stabilization policies, based on a firm consensus with the social partners on wage developments and broad macroeconomic objectives, which had already restored price and budgetary stability in the preceding years. Over the three-year period, inflation remained at below 3% per year, falling to only 1,6 % in 1993. Similarly, general government net borrowing remained virtually unchanged in the range of 2-2¼% of GDP, less than half the Community average. This nominal stability facilitated a continued strong growth performance with annual average GDP growth over the period of 3¼%.

Given that price and budgetary stability had already been established, the main focus of the programme was concentrated on the reduction of the public debt and improved real convergence. In this respect the results were mixed. While the target of a reduction in the debt ratio to below 100% of GNP by 1993 was already broadly met by 1992, there was subsequently a substantial rise in 1993. However, this was due to the valuation effects on the foreign debt from the devaluation of the Irish pound in January 1993 rather than a slippage in fiscal policy. Hence, the fundamental conditions necessary to ensure a continued fall in the debt ratio remain intact. Similarly, while there was a significant rise in per capita GDP over the period of the programme, there was a parallel very sharp rise in unemployment of almost four percentage points to 18.4% of the civilian labour force. This deterioration occurred notwithstanding continued employment growth, which was more than offset by a sharp rise in the labour force.

2. On the expiry of the previous programme, the Irish government submitted a new convergence programme for the period 1994-96. It aims at annual average growth of 4% of GDP between 1994 and 1996, consistent with inflation of not more than 2½% and a budget deficit of less than 3% of GDP each year. However, the major objective of the programme is an improvement in employment performance, which is projected to grow by 44 000 over the period 1994 to 1996, or just over half the corresponding figure for expected labour force growth of about 1¼%. However, if emigration resumes in response to the international recovery, unemployment should actually fall.

It is envisaged that the programme targets will be achieved through a continuation of the stability-oriented policies of recent years. These policies have widespread support, reflected in a further agreement with the social partners which reaffirms the commitment to continued price and budgetary stability. This will be facilitated by wage increases of only 8.2% over three years - in line with inflation but substantially below expected productivity growth. The programme also places a major emphasis on structural measures. In particular, the authorities are committed to on-going reform of the taxation



system, where current distortions are widely viewed as a serious impediment to increased employment. Additional measures to increase competition and eliminate anti-competitive practices are also proposed.

The principal objective of these measures is the strengthening of the growth potential of the indigenous sector of the economy, where the potential for employment growth is best. As a complement to the proposed structural measures, the competitive disadvantages arising from Ireland's relative underdevelopment will be tackled through a major investment programme. This will be assisted through the Community Structural Funds and the Cohesion Fund and a projected substantial increase in public and private investment. This investment will improve growth potential through a major up-grading of physical infrastructure, the development of indigenous industry, natural resources, tourism and the improvement of training and employment skills.

CHAPTER 4 -ASSESSMENT OF PROJECTS AND MEASURES ADOPTED UNDER THE COHESION FINANCIAL INSTRUMENT

4.1.General

The department responsible for the Cohesion Fund and the Directorates-General for Transport, the Environment and Regional Policies undertake coordination and dialogue through:

- interdepartmental meetings to discuss the most appropriate strategy for assistance to each country and the projects likely to be adopted;
- mandatory consultation with those Directorates-General during the consideration of applications. Departments have not disagreed on any of the decisions under the cohesion financial instrument;
- where appropriate, joint meetings with the authorities of the Member States.

There is no danger of the same expenditure being part-financed by the cohesion financial instrument and the Structural Funds. The procedures in force are designed to avoid this risk and permit easy checks on whether an investment project has already been submitted to another financial instrument.

In this connection, it should be noted that:

- the provisions on combination (Article 7(1)) are not intended to prevent the Structural Funds and the Cohesion Fund from financing different stages of the same project;
- Article 7(2) of the Regulation permits assistance from the cohesion financial instrument to be combined with that from the financial instruments set up under the transport and environment policies provided that Community grants do not exceed 90% of total expenditure.

4.1.1. Project assessment

The Commission has always appraised files to assess whether the medium-term socio-economic benefits are in keeping with the resources deployed.

This appraisal is based on:

- (a) analyses of costs and advantages submitted by the Member States, normally in the form of cost/benefit analyses in the cases of transport infrastructure projects and the larger environmental projects. In other cases they may include more qualitative elements;



- (b) assessment factors supplied by the European Investment Bank, either following its own consideration of the same project or the system or segment of which it forms part or in response to a request by the Commission for its opinion;
- (c) other factors for assessment available to the Commission.

Assessment is therefore the result of a process which involves several parties and integrates information from a number of sources.

However, the Commission believes that the Member States could make a still greater effort to improve techniques of economic analysis, particularly with regard to the environment. Both the Commission and the Member States have taken steps to this end.

During negotiations on the Cohesion Fund regulation, the Council and the Commission recognized this situation and agreed that, in the case of environmental projects and depending on the nature of the projects submitted, other methods of assessment, normally quantified methods such as multi-criteria analyses, should be submitted in cases where cost/benefit analyses did not yield conclusive results so that an view could be reached on the extent to which the project was likely to achieve the objectives sought.

As stated above, in assessing the projects the Commission takes account of the information provided by the Member States. This helps it to assess the viability of the projects but does not necessarily imply endorsement of their content by the Commission.

4.1.2. Revenue-generating projects

In the Commission's view, the term "revenue-generating projects" includes:

- infrastructure whose use will entail direct user charges and yield substantial net revenue for the promoters;
- productive investment.

If support is granted to a revenue-generating project, the Commission, in consultation with the Member State, deducts the revenue from the eligible costs of the project where such revenue arises directly from the investment financed and where it constitutes a substantial net flow to the promoter.

The practice followed in the management of the cohesion financial instrument is consistent with these principles. Hence, revenue which is not substantial or does not arise directly from the investment is ignored.

4.2. Contribution to the reinforcement of trans-European transport networks.

The trans-European networks have been accorded a central place in the Treaty (Title XII) and in the Commission's White Paper on Growth, Competitiveness and Employment as a means of improving the working of the single market, reinforcing economic and social cohesion and contributing to economic growth. Recent European Councils have placed considerable emphasis on the importance of the networks and have given further political impetus to their completion.

Against this background, the cohesion financial instrument has played an important role in furthering the development of the networks by contributing to key transport projects in the four Cohesion countries. Under the cohesion instrument regulation (Regulation (EC) No 792/93) eligible projects include transport infrastructure projects of common interest which promote the inter-connection and inter-operability of national networks and access to such networks and "in particular the projects which are provided for in trans-European network schemes which have been adopted by the Council or proposed by the Commission in accordance with Title IV of Part Two of the Treaty".

In practice, because of the demands made on the resources of the cohesion instrument, priority has been given to the financing of projects within the networks as defined in the approved or proposed guidelines or giving access to these networks. Only in exceptional circumstances have projects been approved which fall outside these guidelines: examples include projects relating to transport modes not at the time included in Commission proposals (such as vessel traffic system and air traffic systems).

It has to be recalled that network guidelines had been approved by the Council only for the high-speed trains (HST) before the cohesion instrument came into operation; guidelines for roads, internal waterways and combined transport were adopted by the Council in October 1993, while in March 1994 the Commission submitted a proposal for a Council and Parliament decision covering all transport modes (COM(94) 106).

Over the period April 1993 to May 1994, a total of 94 transport infrastructure projects were approved under the cohesion financial instrument involving total assistance of ECU 1 118.17 million. These all relate to the trans-European transport networks, or give access to such networks. A breakdown of the figures by country and by type is given in the following tables :

Transport network projects approved for assistance
(1 April 1993 - 25 May 1994)

Table 1: by Member State

Member State	No of projects	Cohesion instrument contribution (ECU million)	% of total
Spain	31	611.93	54.7
Portugal	22	280.30	25.1
Greece	18	117.54	10.5
Ireland	23	108.40	9.7
TOTAL	94	1 118.17	100.0

Table 2: by type

Mode	No of projects	Cohesion instrument contribution	% of total
Roads	46	808.19	72.2
Rail HST	2	11.22	1.0
Conventional Rail	16	158.6	14.2
Airports	9	91.75	8.2
Maritime	10	32.80	2.9
VTS	5	15.60	1.4
Other			
TOTAL	94	1 118.17	100.0

In each of the four cohesion countries, the Commission has worked closely with the authorities concerned in order to identify priorities for financing under the cohesion instrument. In accordance with the objectives of the Treaty and the White Paper, and

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bearing in mind the need to maximize the use of limited resources, the strategy adopted has been to concentrate assistance along the main road, rail or maritime corridors linking these countries with the rest of Europe. In Greece, for example, this has meant financing projects primarily on the Patras-Athens-Thessaloniki-Bulgarian border corridor and on the Via Egnatia (Igoumenitsa-Thessaloniki-Kavala-Turkish border); in Portugal assistance has been provided for various links to Spain, and thence the rest of Europe, in the north of the country (Oporto-Braga-Valença), in the centre (Lisbon-Castelo Branco-Vilar Formoso-Valladolid), and in the south (Lisbon-Évora-Badajoz-Madrid). In Ireland the majority of the road projects financed lie on the main east dorsal linking Cork, Dublin and the border with Northern Ireland with connections to Belfast and Larne. In Spain cohesion instrument assistance has financed three sections of the Madrid ring road (M-40), thus helping to alleviate a serious congestion point within the Spanish network, as well as several sections of the country's most important road corridors such as the Mediterranean corridor, the north-south corridor and the Galician corridor.

Important investments in the conventional railways sector receiving cohesion instrument assistance include the modernization of the northern and Beira Alta lines in Portugal and the upgrading of the Cork-Dublin and Dublin-Belfast lines in Ireland and the Madrid-Valencia and Valencia-Tarragona lines in Spain.

In the case of ports, a number of projects have been financed in Ireland and Portugal relating to the extension and improvement of facilities or to studying the feasibility of further development. Reference should also be made to an important investment in Spain relating to the construction of stations to operate a vessel traffic management system which will provide surveillance of maritime traffic in Spanish coastal waters, thus contributing to safety at sea and to controlling the risk of pollution

In the case of airports, assistance has been approved for expansion projects located on certain islands because of their dependence on air links.

4.3. Contribution to the implementation of environment policy

In the field of the environment, assistance from the cohesion financial instrument is intended to ensure the implementation of projects which:

- (i) contribute to achievement of the objectives of Article 130r of the Treaty, viz:
- preserving and improving the quality of the environment;
 - protecting human health;
 - prudent and rational utilization of natural resources.

Projects eligible for finance are principally those which come under the priorities for environmental policy as set out in the Fifth Programme in relation to the Environment and Sustainable Development;

- (ii) arise from the implementation of measures adopted pursuant to Article 130r of the Treaty. These are projects to implement Community directives, principally:
- Directive 80/768/EEC relating to the quality of water intended for human consumption;
 - the directives concerning urban waste-water treatment, and in particular Directive 91/271/EEC;
 - Directive 75/442/EEC on waste.

Projects are also selected on the basis of:

- their preventative action;
- their concentration on stopping problems at their origin;
- the principle that the polluter should pay.

In order to take account of the general objective of economic and social cohesion, stress should be laid on environmental projects which have the greatest economic and social impact, and hence on those which yield the greatest economic and social benefits in relation to the cost of the investment. The Member States have therefore been asked to develop methodologies for the analysis and quantification of the socio-economic impact of investments in the environment. The development of these methodologies has not yet reached the stage which might have been wished.

In practice, the projects adopted cover the supply of drinking water and the treatment of waste water and sewage and, to a lesser extent, nature conservation, combating erosion and preservation of the cultural heritage.

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The breakdown of projects approved by category is as follows:

COHESION FINANCIAL INSTRUMENT

ENVIRONMENT	Assistance allocated (ECU million)	% of total
Water supply	352.72	46.2
Water quality	80.26	10.5
Drainage	149.81	19.6
Waste management	18.78	2.5
Erosion control	98.14	12.8
Heritage preservation	7.42	1
Industrial pollution	18.08	2.4
Nature conservation	29.87	3.9
Other	8.94	1.2
Total environment	764.02	100

4.4. APPROPRIATE BALANCE BETWEEN PROJECTS IN THE TRANSPORT AND ENVIRONMENT SECTORS

In 1993, projects approved in the environment sector totalled ECU 606 016 000 while those in the transport sector totalled ECU 958 253 000. This means that about 40% of funds went to environment projects and 60% to transport projects.

The Commission regards this balance as satisfactory since, under this temporary instrument, national authorities have only a limited number of environment projects at an advanced stage of preparation.



In 1993 these resources were allocated to the four beneficiary Member States as follows:

Member State	Total	Environment	Transport
<i>Spain</i>	858 450 703 (54.8%)	252 083 242 (29%)	606 367 461 (71%)
<i>Portugal</i>	283 568 700 (18.2%)	122 794 100 (43%)	160 772 600 (57%)
<i>Greece</i>	280 364 000 (17.9%)	175 222 400 (62%)	105 141 600 (38%)
<i>Ireland</i>	141 887 100 (9.1%)	55 917 250 (39%)	85 969 850 (61%)



4.5. ASSESSMENT OF COMPATIBILITY WITH OTHER POLICIES

4.5.1. Protection of the environment

Article 6 of Council Regulation (EEC) No 792/93 of 30 March 1993 establishing a cohesion financial instrument requires projects to be in conformity with Community policies, including those concerning environmental protection.

The objectives of the Community's environment policy are set out in Article 130r EC. They comprise three main elements: (a) preserving and improving the quality of the environment, (b) protecting human health and (c) rational utilization of natural resources. The Community's programme of policy and action in relation to the environment and sustainable development as set out in the Council Resolution of 1 February 1993¹ refines the policy objectives of Article 130r by focusing on changing current patterns of consumption and behaviour with a view to achieving more sustainable management of natural resources, prevention of waste, etc. The question of compatibility with environmental policy therefore involves more than simply checking legislation.

One important aspect of achieving the environmental objectives is the requirement that environmental protection must be integrated into the definition and implementation of other Community policies, including transport policy. This aspect widens the scope of compatibility to raise the question of whether the transport infrastructure projects are aiming at a more environmentally friendly transport system.

In practice, before a decision on a Cohesion Fund project can be taken, the application has to state (i) to which environmental objectives the project relates, (ii) how the project is linked to the implementation of Community environmental legislation and (iii) whether the project is consistent with a plan and programme associated with the implementation of Community policy or legislation. Furthermore, in the specific case of transport projects, an environmental impact assessment is also required. This information is used to check compliance with Community environmental policy and if necessary conditions are attached to the decision. Most of the cases where this has been done concern compliance with the directives on urban waste water treatment (91/271/EEC), environmental impact assessments (85/337/EEC) or water quality.

Compatibility does not cease to be an issue after the decision has been taken. Monitoring Committees are required to ensure compliance with environmental policy. If the conditions of the decision or environment policy are not respected, assistance can be reduced or even cancelled.

¹ OJ No C 138, 17.5.1993, p.1.

4.5.2. Common transport policy

The new perspectives for the common transport policy are included in the Commission communication "The future development of the common transport policy" (COM(92) 494). The key factors on which it is based include the new policy on trans-European networks as established by Title XII of the Treaty and the need to incorporate the environmental dimension into the approach to transport.

The common transport policy also takes account of the increasing operational demands on the transport sector in a Community without borders. This pressure stems both from the fact that a large part of the existing transport networks, mainly in the centre of the Community, suffer from heavy congestion and from the lack of infrastructure in the periphery and its connections with the central regions of the Community.

The development of trans-European transport networks provides a number of answers to these questions and has close links with the common transport policy. The Community is expected to contribute to the trans-European networks by establishing guidelines which are intended to give a real boost to the two fundamental goals: the single market and economic and social cohesion. The networks must pay particular attention to linking isolated, island and peripheral regions of the Community to the central regions. The guidelines must contain objectives, priorities and broad lines of measures and identify projects of common interest.

This is reflected in the Commission Proposal for a European Parliament and Council Decision on Community guidelines for the development of the trans-European transport network (COM (94) 106), which sees a multimodal approach as one of the answers which the Community can offer to environmental constraints on the transport system. The different modes of transport and their corresponding projects are therefore included in the guidelines as a starting point for complementarity and gradual integration. The multimodal aspects of the projects as so identified constitute one important criterion for defining priorities.

The guidelines identify the different elements of the trans-European transport networks

- (a) The trans-European road network (TEN), with its major long-distance thoroughfares and cross-connections, forms the basis for surface transport. It is to cover a total of 58 000 km, of which 15 000 km are to be constructed within the next ten years, in order to complete the road network. Some 40% of the work is to be carried out in the peripheral regions.
- (b) The trans-European rail network (TERN) when completed will comprise 70 000 km, including 23 000 km largely devoted to combined transport.

While the main aim in the central regions of the Community is to overcome bottlenecks by increasing capacity (e.g. modernization of

signals, construction of by-pass lines), the emphasis in the peripheral regions will be above all on improving overall standards (e.g. replacing equipment, electrification, construction of new access lines).

- (c) Sea ports have a crucial function as the point of intersection between land and maritime transport, which accounts for 90% of traffic between the Community and the rest of the world and some 35% of the traffic between the Member States. Ports have a crucial function in all peripheral states.
- (d) Directly related to maritime transport is the establishment of a European management system for monitoring, organizing and directing maritime transport in European waters (Vessel Traffic Management and Information Systems - VTMISS). The VTMISS is designed to increase the safety and efficiency of maritime transport and protect the environment in ecologically sensitive areas. The southern periphery countries such as Greece, Spain and Portugal are directly involved in the planned development.
- (e) The trans-European airports network comprises some 250 airports, chosen on the basis of quantitative criteria and of their function as links between the Union and the rest of the world, within the Union itself, and with its remoter regions. To enable the network to fulfil these functions, the proposed guidelines earmark the following areas as priorities:
 - optimization and extension of airport capacity;
 - improving environmental sustainability;
 - improving access to airports and links with other networks.

Airports are particularly important for access purposes, especially in the peripheral regions.

- (f) Air traffic congestion is caused not least by poor utilization of airspace and capacity bottlenecks in air traffic management (ATM). The gradual establishment of an air traffic management network comprising a flight navigation plan, traffic management and air traffic control facilities should make air transport safer and more efficient in the future.

The lack of this type of infrastructure constitutes a missing link in some peripheral areas.

The Treaty provides for these projects the possibility of Community assistance in the form of contributions to the funding of projects financed by Member States. These contributions are provided principally through the Cohesion Fund which, in the four countries concerned, assists transport projects identified in the networks as being of common interest.

The Cohesion Fund is therefore contributing in a very significant way to transport projects in all modes, helping to reduce the infrastructure gap that has been identified



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as one factor effectively hindering the free movement of persons and goods to and from the periphery. Through its efforts to contribute to projects in different transport mode, the Cohesion Fund has become a key Community tool in developing the trans-European networks and their aim of achieving sustainable mobility in line with Community environmental policy.

4.5.3. Competition policy

All Community measures must be compatible with the other Community policies. The recital to Council Regulation (EEC) No 792/93 establishing a cohesion financial instrument specifically states that assistance should be compatible with competition policy. The method of providing such assistance must be compatible with the rules on aid granted by the national, regional and local authorities in the Member States. Compliance with the competition rules may also contribute to some extent to achievement of the objective of the Cohesion Fund.

The Commission bases its assessment of State aids on Article 92 of the Treaty and, in the case of transport, on the specific provisions of Articles 77 and 80. These rules apply irrespective of whether the beneficiary firm is privately-owned, public or mixed. Distortions of competition arising from the granting of State aids may be permitted provided they do not exceed what is required to ensure public service obligations or the achievement of Community objectives, in particular those relating to economic and social cohesion and the protection of the environment and the objectives listed in Title XII on trans-European networks inserted by the Treaty on European Union.

Checks on the compatibility of assistance from the Cohesion Fund with the Community competition rules are carried out at two levels. The competition aspects are considered when applications for assistance from the Fund are examined. Furthermore, the Member States are required by Article 93(3) EC to notify the Commission of the national counterpart financing for projects receiving assistance from the Fund where this could constitute a State aid.

Similarly, the Commission's rules on State aids take considerable account of the cohesion objective. Hence, the bulk of the territory of Spain and the whole of the other three cohesion countries may benefit from high levels of aid under the derogation from Article 92(3)(a) EC on aids for regional purposes.

By imposing strict limits on State aids in the most prosperous regions of the Community, the Commission is seeking to ensure that the large budgets available in such regions do not reduce the effectiveness of Community instruments such as the Cohesion Fund, which are intended to help the least-favoured regions, most of which are located in the cohesion countries, to catch up.

In the case of transport, the action taken by the Commission to enforce the competition rules is also intended to open up infrastructure to all operators who meet the technical and legal conditions required to offer public transport services. This should promote the economic viability of infrastructure projects, a factor of which the Fund takes account in selecting projects.



4.5.4. Public procurement

1. Compliance with Community law on public procurement in the context of projects receiving Community finance is of the utmost importance for the opening up of the internal market and the correct implementation of the policy on economic and social cohesion since it is of benefit to all the Member States.

- It benefits the Member State receiving the finance, since correct application of the rules on the award of public contracts will achieve the best value for money.
- It benefits the other Member States, both because it makes the best possible use of Community finance and because compliance with these rules protects the rights of economic operators in the various Member States which are contributing to this finance to take part in the implementation of the projects.

2. The Commission therefore attaches the greatest possible importance to the compatibility of the measures financed with Community policy on public procurement and therefore undertakes a systematic consideration of compliance with the rules on public contracts during the various phases of approval and implementation of projects financed by the Cohesion Fund. The main purpose of these checks is to help beneficiaries to respect the rules by advising them of appropriate procedures or irregularities which can still be corrected. If the responsible Commission departments detect a clear and blatant infringement in the award of a contract, they refuse their approval of the finance for that contract so that the Member State may either revise the file or use the finance for another contract.

3. Accordingly, between April 1993 and October 1994, 590 applications for finance relating to individual projects or groups of projects were considered from the point of view of their compliance with the rules on public procurement. Of these, 385 related to the environment and 205 to transport. It should be noted that a project may result in the award of a number of contracts over a period of time, so that a series of checks may be required until the balance is paid. This check concentrates on compliance with requirements for publicizing contracts, the compliance with the directives of the requirements set out in the invitations to tender and on the records concerning the award of contracts (where this is required by the directives).

The checks result in one of the following positions:

- approval without reservation, where it has been found that the file complies with all the rules on public procurement;
- approval in principle, subject to *ex post* checks wherever the contracts are awarded after finance has been granted;



- suspension of the decision to grant finance pending clarification of doubtful points by the national authorities;
- refusal of finance because of failure to comply with the rules on public procurement.

In addition to looking at individual cases, the checks have revealed general trends arising from the inadequate adaptation of national legislation to Community law. Concerted action by the Commission departments responsible for public procurement and management of the Cohesion Fund has resulted in substantial changes, some of which are still being introduced, in the national legislation of two of the cohesion countries.

4.6. Socio-economic impact of the cohesion instrument.

It is clearly too early to give a definitive statement at this point on the economic and social impact of projects financed by the cohesion financial instrument. This is not only because of the short period over which the instrument has been in operation but also because the nature of the investments themselves means that their full effects will not be evident until a considerable period of time has elapsed. Infrastructure projects, especially those in the transport sector, take a long time to design, develop and implement. Even in the environment sector, where projects are generally on a smaller scale, the development and construction period often spans a longer time than the 18 months or so since the cohesion instrument came into force.

The majority of projects financed so far have thus not yet been completed, so that their operational impact has still to be felt. Moreover, much of the assistance in the first year of the instrument related to first stages of projects rather than to complete projects. It is unrealistic to expect significant socio-economic impacts from the financing of, say, a 5 km section of a much larger road corridor.

Nevertheless, the need to demonstrate positive socio-economic impacts from projects financed under the cohesion instrument has been seriously considered by the Commission. With respect to anticipated impacts, it is possible to say on the basis of the economic analyses undertaken by the Member States that the projects financed should produce significant positive socio-economic returns and thereby contribute to national and Community employment, competitiveness and growth. Quantified cost/benefit analyses have been undertaken in the vast majority of cases considered under the cohesion instrument, the main exceptions being in the environmental fields where methods of economic assessment are not well advanced.

Despite the efforts made, the Commission recognizes the importance of improving methods for the prior appraisal, ongoing and *ex post* assessment of the impact of projects to which the Cohesion Fund has contributed. With this in view, work is currently under way with the help of outside specialist advisers to improve approaches used and to provide guidelines for Member States when submitting projects for assistance.

It should be noted that the London School of Economics and Political Science has undertaken a feasibility study for the Cohesion Fund looking into the possibility of developing an econometric model to be used to assess the economic impact of assisted projects. There are considerable methodological and data problems involved in this field but, given the importance of the Cohesion Fund and the requirements of the Regulation, it has been decided to follow-up the LSE work by launching a full-scale study. A notice to this effect was published in the Official Journal of 5 November 1994.

4.7. Coordination and consistency with the other instruments

The need to coordinate the various Community instruments operating in the fields of the environment and the trans-European transport networks was clearly stated by the Council when it introduced the cohesion financial instrument.

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

4.7.1. Structural Funds

The Structural Funds, particularly the ERDF and to a lesser extent the EAGGF Guidance Section, may be asked to finance projects of the same type as those submitted to the cohesion financial instrument.

Steps have therefore to be taken to avoid the risk of double financing.

The need for coordination in this respect is covered by the Council regulation establishing the cohesion financial instrument, Article 7 (Combination and overlapping) of which states that no item of expenditure may benefit both from the financial instrument and from aid from the Structural Funds. This provision does not prohibit a combination of different instruments making separate contributions to a project but ensures that expenditure relating to a single stage of a project does not receive financial support from more than one instrument, which would make the monitoring and control of Community expenditure impossible.

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

First of all, it is the Commission's job to ensure overall coordination during preparation of the Community support frameworks (CSFs) for the Objective 1 regions since the whole territory of three of the four countries eligible under the Cohesion Fund is also eligible under Objective 1. Spain is in a different position because only part of the country is eligible under the Structural Funds. The CSFs approved by the Commission for these four countries make explicit reference to assistance from the Cohesion Fund, which is included for information in the overall financing plan of the CSFs. Preparation of the texts of the CSFs entails coordination of the work of the various Commission departments concerned, particularly the Cohesion Fund, in order to identify the various strategies for assistance to followed in each of the countries in question.

Coordination at the level of the measures requires still greater attention in that the Structural Funds operate primarily through operational programmes while the cohesion financial instrument and the Cohesion Fund finance only individual projects, stages of projects or groups of projects. New coordination procedures were introduced when the cohesion financial instrument came into force in order to ensure

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that projects or stages of projects submitted to that instrument had not already been included in the forms of assistance approved by the Commission in the CSFs for 1989-93.

This required mandatory consultation of the departments managing the Structural Funds before the Commission took any decision to grant assistance from the cohesion financial instrument or the Cohesion Fund. These procedures have worked well since there has been no disagreement between the departments managing the Structural Funds and that managing the Cohesion Fund. On the contrary, those departments have introduced checks to ensure that no item of expenditure can be financed simultaneously by the two Funds.

Thirdly, in order to implement the legislation referred to above on combination and overlapping, the Commission has clarified the concept in the regulation.

These procedures have ensured that no case of double financing has arisen. It has happened that Member States have submitted different stages of the same project to two different instruments. This is quite in accordance with the rules, which state that total Community assistance may not exceed 90% of total expenditure. This reflects the Council's decision to concentrate Community assistance on certain projects of particular concern to the Union.

4.7.2. D.G. VII Budget line

The annual budget line managed by DG VII commits assistance in the form of grants to transport projects submitted by the Member States. Since these projects may be of a similar type to those assisted by the cohesion financial instrument, there is a requirement imposed by Article 6(2) of the cohesion instrument regulation to ensure coordination and coherence between projects "undertaken in pursuance of the regulation ... and the other financial instruments of the Community". Apart from the general desirability of coordination of Community assistance to projects within the transport sector, there are also conditions governing the financing of projects by different instruments. Unlike the case of the Structural Funds (see preceding section), it is possible to assist a project or a stage of a project simultaneously by means of a grant from the cohesion financial instrument and a grant from DG VII's budget line provided a specific condition is met. Article 7(2) of the cohesion instrument regulation allows for "combined support from the financial instrument and other Community grants" provided these do not exceed 90 % of total expenditure.

The Cohesion Fund and DG VII have maintained close contact since the establishment of the cohesion financial instrument, both to maintain a coherent policy approach to transport infrastructure projects and to ensure that the requirements of the regulation are adhered to.

To this end, in addition to regular discussions, the Cohesion Fund circulates all applications for assistance to transport projects to DG VII for comment, including the



detailed financial information included in the project documents. DG VII (and other Commission departments concerned) are consulted both when the initial project proposal is received from the Member State and then when a draft Commission decision approving assistance to the project has been prepared. In turn, DG VII circulates the programme of projects proposed by the Member States for assistance from their budget line each year to all Commission departments concerned for comment. The Cohesion Fund also participates in all meetings of the Transport Infrastructure Committee, which is the forum for discussion and agreement with the Member States of the annual programme of projects to be assisted by DG VII each year.



4.7.3. The Life programme

In addition to general coordination with the Commission departments responsible for environment policy, which have to be consulted before any decision is taken to grant assistance from the cohesion financial instrument or the Cohesion Fund, care has also to be taken that projects submitted by the Member States under Life do not receive double financing.

The nature of Life projects and the rules for the management of this instrument (clearly identified individual projects) ensure very close coordination between the two instruments.

This is achieved through systematic examination by the department responsible for the Cohesion Fund of projects submitted to the Life Management Committee and its representation on that Committee.

So far the Commission has identified no projects submitted under both instruments apart from the SAICA project (Automatic water quality information system), for which the Spanish authorities sought and obtained assistance from Life for the part concerning studies and finance from the cohesion financial instrument for the investment-related work.



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4.7.4. The European Investment Bank

Since the EIB sometimes makes substantial contributions in the cohesion countries, particularly Spain and Portugal, to finance projects in areas similar to those covered by the cohesion financial instrument, there was a need to establish a specific system to exchange information between the Commission and the Bank on applications for assistance submitted by the Member States.

In the context of cooperation with the EIB, the Commission decided to send it regular lists of all the projects it received and, in cases where part-financing from the Bank was planned, the whole file was sent. In addition, regular meetings were held to identify problems which might arise in specific projects.

In accordance with the current procedures, the EIB consults the Commission when it receives a loan application.

These regular exchanges of information ensure that the ceilings on EIB loans are not exceeded and guarantee that part-financed projects receive the correct mixture of grants and loans.

4.8. The role of the European Investment Bank in assessing projects

4.8.1. The principle

The conclusions of the Edinburgh European Council gave the EIB a specific role by stating that, at the request of the Commission, it could contribute to the assessment of projects submitted under the cohesion financial instrument and the Cohesion Fund.

This basic principle was given legal form in Article 9(8) of the Council Regulation establishing a cohesion financial instrument, which states that "In order to ensure the effectiveness of Community assistance, the Commission and the beneficiary Member States concerned shall, in cooperation with the European Investment Bank where appropriate, carry out a systematic assessment of projects." The role of the EIB in the assessment process has been strengthened by the regulation establishing the Cohesion Fund.

4.8.2. Implementation

Provisions adopted by the Commission and the EIB

So that the EIB could play an effective role in the assessment of projects, a framework agreement between the Commission and the Bank was drawn up to define the practical details of cooperation. This was signed on 23 September 1993.

The main objective, in addition to the requirements regarding coordination and mutual information described in Part 7 of the Report, is to make available to the Commission the EIB's expertise in the assessment of transport infrastructure projects and environment projects, sectors in which the Bank has made substantial loans. The EIB's assistance in appraising certain projects submitted under the cohesion financial instrument has in no way infringed the responsibilities of each institution since the Commission must ensure compliance with Community policies and retains the final decision on whether to grant assistance.

The Bank's expertise is required either to appraise projects where no loan from the Bank has been made or in cases where the project is part-financed jointly by a grant from the cohesion financial instrument and a Bank loan.

To deal with the first case, a two-stage assessment procedure has been introduced comprising examination of the file, an initial reaction, and, if necessary and only if requested by the Commission, an in-depth appraisal entailing on-the-spot missions by the EIB acting as the Commission's expert vis-à-vis promoters. Adoption by the Bank of this role is one of the most innovative features of the framework agreement as compared with the usual degree of cooperation under the Structural Funds.



The results of cooperation

This close cooperation on assessment means that the Bank's expertise on the economic and financial aspects of projects may be sought, particularly to assess their socio-economic benefits, the level of costs proposed as compared with the usual costs of similar projects, calculation of the revenue to be generated by the investment, the reliability of the project promoter and the relevance of the assessment methodologies proposed by the Member States.

Although this assessment work does not necessarily call into question the economic justification of a project, it permits identification of certain weak points in the file submitted and may, in certain cases and following discussions with the Member State, result in the project being redesigned.

The expertise of the EIB is required for a large number of files in both transport, particularly ports, airports, railways, roads and motorways, and the environment, where the Bank has been called on principally to assess dams, waste-water treatment systems and waste treatment.

In addition to the assessments which it has requested, the Commission has benefited from the Bank's experience in cases where finance was to be provided by both a loan and a Community grant.

Between September 1993 and September 1994 the system for cooperation between the Commission and the Bank resulted in the Bank providing detailed information and assessments on 43 projects or groups of projects. In addition, the Commission made specific requests for assessments of 40 projects. In response, the Bank provided 37 initial reactions and three in-depth appraisals.



4.9. Coordination with the Christophersen Group

The Cohesion Fund has closely followed the work of the "Christophersen Group", which was set up following the Brussels European Council in December 1993 to accelerate the implementation of trans-European networks in the fields of transport and energy (subsequently including the environment as well). The group of personal representatives of Heads of State and Government has met regularly since January 1994 in order to help the Commission lead and coordinate work in this area. On the basis of agreed criteria it has identified a list of priority projects which are of key importance to the completion of the trans-European networks, and has been instrumental in giving political impetus to these projects and in identifying obstacles in the way of their completion.

In the transport sector the Christophersen Group has identified 11 such projects as having the highest priority. Of these, four are located in the cohesion countries: the high speed train South (Madrid-Barcelona-Perpignan and Madrid-Vitoria-Dax), the Patras-Athens-Thessaloniki-Bulgarian border and Via Egnatia motorways, the Lisbon-Valladolid road corridor and the Cork-Dublin-Belfast-Larne rail link. Some ECU 176 million of assistance has been approved for these projects, under the cohesion instrument, with additional requests at present being considered by the Commission.

The Cohesion Fund has participated in the meetings of the Christophersen Group and has been given responsibility for organizing workshops on two of the priority projects. The purpose of these workshops is to bring the various parties responsible for the projects together, to exchange views on the existing situation regarding progress and to explore ideas for the acceleration of the projects, including the prospects for private sector finance.

CHAPTER 5 - MONITORING AND SUPERVISION

5.1. Monitoring Committee: Spain

The first meeting of the Monitoring Committee was held in Madrid on 18 May 1994. It was concerned with operating procedures (composition of the Committee and frequency of meetings). It also dealt with technical matters concerning the amendment of the financing plans for projects, Commission decisions approving projects and matters relating to interim payments.

Reports on progress on each project at 31 December 1993 were submitted. In many cases, the initial plans for projects had been amended as a result of the difficulties which had arisen in the first year of operation of the new financial instrument.

Overall, progress on projects was considered satisfactory, particularly in view of the fact that many projects had been approved late in 1993. Some delays were, however, noted in environmental projects.

5.2. Monitoring Committee: Portugal

Following a preparatory meeting on 24 March 1994, the Monitoring Committee for Portugal held its inaugural meeting on 28 April.

The first meeting covered a variety of topics.

The Committee's rules of procedure were discussed and a number of amendments made, principally concerning the setting up of sub-committees and the possible participation in them of regional and local authorities.

Progress on projects was also considered. However, since progress reports for 1993 were not available for all projects, particularly those concerned with the environment, it was agreed to postpone decisions on amendments to projects until a later meeting of the Committee.

Following a report on applications being considered by the Commission, the Committee discussed the medium-term strategy for Portugal in relation to the strategy for the new Cohesion Fund.

The second meeting of the Committee was held on 30 June and approved the rules of procedure and the draft minutes of the previous meeting.

Implementation of the projects was discussed thoroughly on the basis of documentation already sent to the Commission so that the Committee could reach a position on the reprogramming of a number of projects. Delays in a number of environmental projects were noted.

The Committee also considered matters relating to payments, applications being considered and projects to be submitted in future.

5.3. Monitoring Committee: Greece

The Monitoring Committee for Cohesion Fund projects was established and held its preparatory meeting on 28 March 1994 and its first official meeting on 13 July.

The Committee, chaired by the Secretary-General of the Ministry of Economic Affairs, comprises the Secretaries-General of the other seven ministries concerned with Cohesion Fund assistance, Commission representatives from the Directorates-General concerned and representatives of the EIB and the Greek ministries.

The Committee considered summary tables for each decision and each project and reports on each project.

An *ad hoc* Monitoring Committee for the major project to improve water supplies to Athens was established and met on 13 June and 19 October.

This Committee is chaired by the Secretary-General of the Ministry of Public Works and includes representatives of other ministries, of the Commission Directorates-General concerned and of the EIB.

Progress achieved and reported to the Monitoring Committee on 13 July was as follows:

- improving water supplies to Athens (Evinos major project): 60% of the appropriations for the project;
- all other environmental projects: 49% of the appropriations for the projects comprising:
 - water supply and waste-water treatment: 61% of the appropriations allocated
 - nature conservation: 61% of the appropriations allocated
 - others: 5%.

Most of these projects and first stages of projects will be completed by 31 December 1994.

While the overall rate of implementation of environmental projects may be considered satisfactory, there is reason for concern in the transport sector where implementation has been very slow, mainly as a result of difficulties concerning public procurement. The Commission has begun discussions with the Greek authorities on this point.



5.4. Monitoring Committee: Ireland

A preliminary meeting of the monitoring committee took place in Dublin on 2 February 1993.

The Commission was represented by the Cohesion Fund Directorate of the Secretariat General. The chairman was an Assistant Secretary from the Department of Finance and the following Departments of the Irish Civil Service were represented: Department of Environment, Department of Transport, Energy and Communications, Department of the Marine and the Office of Public Works.

There had been contacts for some time before the meeting between the Commission and the Department of Finance to establish the rules of procedure for the Committee. These were formally adopted at the meeting.

No documents were provided for the Committee but there were oral reports from each of the Departments about the progress of projects for which they are responsible. The agencies responsible for project implementation believed that progress to date had been satisfactory.


The remainder of the meeting concentrated largely on information requirements, especially the documentation which would be routinely required for future meetings of the Committee, and procedural issues, in particular the procedures for the modification of projects previously approved.

It was agreed that the Irish authorities would prepare financial tables and reports about the progress of projects, covering expenditure to the end of 1993, as soon as possible and that this documentation would form the basis for the first full meeting of the Committee, which took place on 21 June.

The Irish Government was represented by the same Departments as on 2 February. The Commission was represented by the Secretariat-General, DG VII and DG XI. The EIB had been invited to attend all meetings of the Monitoring Committee but did not do so on this occasion.

Reports were provided for the Committee but these did not contain all of the information which was required for monitoring purposes, particularly physical indicators to demonstrate the progress of projects. It was agreed that the Commission and the Department of Finance would meet shortly after the meeting to draw up a definitive set of documents to be used for all future meetings of the Committee.

The Committee heard reports from all Departments on the progress of projects. It appeared that progress was generally satisfactory although it was evident that amendments to the financing plans of a large number of projects would be required, largely because projects had started later in 1993 than originally anticipated. No date

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was set for the next meeting since this would depend on approval of standardized monitoring tables.

5.5. Commission inspections of the financial management of the projects approved

Pursuant to Article 9(3) and (9) of Council Regulation (EEC) No 792/93, the Commission undertook a series of measures to check the accuracy of the declarations submitted by the Member States to support their applications for assistance and the existence of administrative and accounting documents concerning projects which had received financial assistance from the cohesion financial instrument.

Because a degree of priority had been given to rapid implementation of the regulation through the adoption of decisions to grant assistance to projects submitted by the beneficiary Member States, the first missions to carry out checks could not be organized until early in 1994.

The missions carried out by the Commission to monitor the management and sound implementation of the projects approved were as follows:

(a) Missions undertaken by Directorate SG-H and projects inspected:

Mission to Spain from 16 to 19 May 1994 to inspect projects: 93/11/65/010, 93/11/65/020,

Mission to Portugal from 18 to 20 July 1994 to inspect projects: 93/10/65/006, 93/10/61/006, 93/10/61/014, 93/10/61/015, 93/10/61/018, 93/10/61/019,

Mission to Ireland on 20 and 21 July 1994 to inspect projects: 93/07/65/007, 93/07/65/008, 93/07/61/031, 93/07/61/038,

Missions to Greece:

- from 18 to 21 April 1994 to inspect projects: 93/09/65/001, 93/09/65/009,
- from 13 to 16 June 1994 to inspect projects: 93/09/61/001, 93/09/61/002, 93/09/61/003, 93/09/61/004, 93/09/61/005, 93/09/61/006, 93/09/61/007, 93/07/61/008, 93/09/61/012, 93/09/61/013, 93/09/61/014.

(b) Technical verification missions carried out with the assistance of scientific consultants

Specific missions for the technical assessment of projects and/or progress of work may also be undertaken by consultants selected for that purpose through technical assistance (see para. 2.4. and Annex XII). The Commission has not yet availed itself of this possibility.

5.6. Role of the EIB

The Council Regulation explicitly gives the EIB a role in monitoring projects under the cohesion financial instrument and the Cohesion Fund by providing for it to be represented on the Monitoring Committees established in each beneficiary Member State.

The EIB has taken part in the work of these Committees.

The Bank is also invited to send representatives to the *ad hoc* Monitoring Committees established or to be established to monitor major projects. Such representation is particularly important in the case of major projects to which the Bank is making a loan.

In addition to this cooperation procedure laid down by the Regulation, the EIB, which has its own procedures for monitoring the projects which it finances, provides the Commission with technical support with regard to projects for which it has already financed part of the expenditure and for which the Member State has requested a grant from the cohesion financial instrument or the Cohesion Fund in addition to the loan.

5.7. Fraud

The Commission has received no reports of fraud or irregularity in connection with projects approved under Council Regulation (EEC) No 792/93.

5.8. Legal proceedings in progress

The Commission is not aware of any legal proceedings in progress in connection with projects approved under Council Regulation (EEC) No 792/93.

See Annex XII

List of studies and technical support measures 1993/94 (CFI)



CHAPTER 6 - INFORMATION AND PUBLICITY

6.1. Annual report

This annual report is the main regular source of information. It seeks to cover as comprehensively as possible the operation of the financial instrument and the projects assisted.

As required by the Regulation, its main objective is to provide information to the Community institutions.

In addition, the Commission believes that the report should be distributed widely so that it can be used by all the partners in the Member States, regional and local authorities and those socio-economic operators who are directly or indirectly involved in the implementation of projects on the spot.

6.2. Information to the Member States

Article 10(2) of Council Regulation (EEC) No 792/93 of 30 March 1993 establishing a cohesion financial instrument requires the Commission to submit an annual report. As a result of its political commitment, the Commission organizes information meetings with the Member States every six months.


To this end, the Cohesion Fund has so far organized three meetings, on 22 October 1993, and 6 May and 14 November 1994, to provide the Member States with factual information for this purpose.

6.3. Information to the social partners

So far, three meetings have been organized for the social partners(the CES , the ECPE and UNICE) , to update them on the work of the Cohesion Fund, the projects selected and the breakdown between transport and the environment. These meetings were held on 11 October 1993, on 4 February and 16 September 1994.

6.4. Information to interested parties

The measures taken are of two types: those organized at the initiative of the Cohesion Fund with the assistance of Commission Delegations and press and information offices and those organized at the initiative of other bodies. In both cases, the type of organization is broadly similar: a two-hour presentation and explanation using various audio-visual resources followed or preceded by a press conference. Documentation on the Cohesion Fund, the reasons for its establishment, the way it operates and the projects financed is provided. The meetings are listed below in chronological order.



Lisbon, 26 October 1993 Information meeting on the Cohesion Fund organized with assistance from the Commission press and information office in Lisbon and the Ministry of Territorial Planning. Attendance: about 200 people.

Paris, 15 December 1993 Information meeting on the Cohesion Fund organized with assistance from the Commission press and information office in Paris, Sources d'Europe and the French foreign trade centre for some 300 managers in French companies seeking information on the possibilities offered by the Fund.

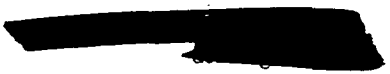
London, 22 April 1994 Conference presented by the Cohesion Fund in the Commission press and information office on the opportunities for direct and indirect investment created by the Fund and attended by an invited audience of some forty people from industry, consultancies, banks, the diplomatic corps, universities and ministries.

Madrid, 17 May 1994 Information seminar on the Cohesion Fund organized by the Spanish confederation of employers' organizations (CEOE). The public invited included members of regional, provincial and sectoral organizations and of employers' groups and associate members of the confederation. The seminar was particularly intended for those active in the banking, transport infrastructure and environment sectors, especially employers active in the electricity and construction sectors. Some 80 people attended.

Bonn, 24 June 1994 Information seminar on the Cohesion Fund organized by the Deutscher Industrie- und Handelstag (DIHT) in cooperation with the Commission press and information office in Bonn. The seminar, which was directed at German firms and attended by Mr Schmidhuber, stressed the opportunities for firms throughout the Community to respond to calls for tenders in the public procurement sector and participate in implementation of the Fund in the beneficiary Member States. Almost 90 people attended.

Copenhagen and Aarhus, 29 and 30 August 1994 Information seminar on the work of the Cohesion Fund organized by the Danish Foreign Ministry as part of a series of conferences to provide information to Danish firms. The aim of the seminar was to inform them of the opportunities for investment in projects part-financed by the Cohesion Fund. These conferences, which were attended by a total of 170 people, stressed the importance of the assistance being granted to the beneficiary Member States and the indirect impact of this assistance in the other Community countries.

London, 13 September 1994 This information seminar for the business community in England was organized by the London School of Economics with assistance from the Department of Trade and Industry. Media coverage comprised an interview in the *Financial Times* and television coverage beforehand as well as a contribution to a radio broadcast on the morning of the seminar. The seminar was attended by 125 people.



Brussels, 22 September 1994 An information seminar for Belgian firms on the Cohesion Fund organized by the Belgian foreign trade office. The Commission was invited to attend to explain the principles underlying the Cohesion Fund and its method of operation. On this occasion, the foreign trade prize was presented for university work by students on the new market opportunities created by the establishment of this new Community instrument.

Dublin, 13 October 1994 Alongside a visit by Mr Schmidhuber, an information meeting was organized with assistance from the Dublin press and information office and attended by those concerned with projects currently being part-financed by the Cohesion Fund. The meeting was attended by some 40 people representing the Departments of the Environment and Finance and other administrative departments, the Bank of Ireland and farmers' organizations.

6.5. Seminars on financial management

As part of its information work, the Commission organized training, first in Greece and later in Portugal, to make those managing national and regional files aware of and more familiar with the implementation of the cohesion financial instrument Regulation both in terms of the documentation to be submitted with applications for assistance and payment and the financial management of the assistance granted (advances, interim payments, physical indicators, calculations and certifications).

The large number of participants reflects the interest in training and demonstrates the need for it. The results expected were quickly seen in an improvement of the quality of applications submitted.

6.6. Publicity measures taken by the Commission

- (a) Publication of decisions

In accordance with the Regulation, all decisions adopted are published in the Official Journal. Publication references are annexed to this Report.

- (b) **Brochure**

A brochure for the general public explaining the origins and scope of the Cohesion Fund and using photographs to describe projects financed by it is being prepared in the nine Community languages. It is intended to publish the first language versions in December 1994.



(c) Posters

A poster on the part-financing of transport and environment projects in the Member States benefiting from the Cohesion Fund which stresses the idea of solidarity among the countries of Europe has been printed in the nine Community languages. It is distributed in the beneficiary Member States by the Commission's press and information offices and by the ministries responsible for the Fund. In the other Member States, it is distributed by the offices and delegations. It is also distributed by DG X and the Directorate responsible for the Cohesion Fund.

(d) Audio-visual

A similar general presentation of the Cohesion Fund using illustrations and statistics on projects being part-financed is available for use on PC in six language versions. This presentation, which uses a portable PC and a back-projector, is used to present the Cohesion Fund at information seminars.

(e) Films

Financial Times TV has made a five-minute film on the Cohesion Fund, its work and its scope in the four beneficiary Member States using interviews with those responsible for the Fund. This film also exists in a 20-minute version. The film, which will shortly be available in French, is used principally to provide documentary back-up at information meetings on the Fund. Considerable interest has been shown in the film, which enables various groups to see specific measures receiving part-finance from the Fund while also providing further information on Community assistance in general.

A one hour video with pictures, sound and interviews with those responsible for management of the Cohesion Fund in the four beneficiary Member States has been made in cooperation with DG X for use in television and by journalists. This "image data bank" is used by television editors for various news and other programmes. The pictures are also being used for other documentaries dealing more specifically with each beneficiary Member State which are now being made by the Cohesion Fund and DG X.

(f) Videos

A number of video cassettes made by the Member States receiving assistance from the Fund to illustrate the projects it is part-financing are presented at information meetings. A stock of documentaries relating to the Cohesion Fund is being compiled so as to constitute a visual archive of its work and development.

(g) Miscellaneous

In addition to the points described above and in accordance with the policy of transparency adopted at the Edinburgh summit in 1992, the press releases announcing the grant of assistance from the Cohesion Fund, background articles and interviews with those responsible appear regularly both within the Commission and elsewhere, thereby contributing as far as possible to the multiplier effect being sought. Every possible effort is also being made to constitute a written record of this work.

6.7. Measures taken by the Member States

(a) General

The rules on publicity laid down by Article 10(1) of the Regulation establishing a cohesion financial instrument require the Member States to ensure adequate publicity with a view to making the general public aware of the role played by the Community in relation to projects.

Measures are taken to publicize, in various ways, the different stages of the projects.

When an application for finance for a project is made, the Member State specifies the publicity it will receive. During implementation, this is a matter for the Monitoring Committee in the Member State.

(b) Forms of publicity

The main form of publicity used is the hoarding. All the beneficiary countries have employed it and consulted the Fund in advance on format and presentation.

Hoardings erected during work at entrances to sites provide information of various types, including a description of the project being financed, a reference to the Cohesion Fund as investor, the symbol of the European Communities, the total cost of the project and the amount of assistance granted.

Other measures

Portugal and Spain have already reported on detailed publicity measures taken in those countries including:

- by the Portuguese authorities:
 - articles in a quarterly information bulletin widely distributed in the civil service, regional associations, universities, trade unions, firms and banks;

- a general information meeting on the Cohesion Fund for potential investors, representatives of trade union and employers' confederations, engineers and representatives of local authorities and environmental protection associations;
- a conference for the authorities responsible for projects being part-financed by the Fund;
- by the Spanish authorities;
- to supplement the publicity provided by some thirty hoardings, information seminars have been organized, mainly in universities but also by provincial authorities.

Ireland and Greece will report shortly on the publicity measures taken in those countries.

The requirements concerning information and publicity are essential to ensure the transparency of assistance from the Fund and raise the awareness of citizens of the Union in this regard.

The attention to be paid to these measures has also been increased by the regulation, mainly at the request of Parliament during negotiations on the establishment of the Cohesion Fund.