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2002 ANNUAL REPORT OF THE COHESION FUND 2001

Annual report of the Cohesion Fund 2001



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Annual report of the Cohesion Fund 2001

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FOREWORD

This annual report on the activities of the Cohesion Fund covers the calendar year 2001. It provides information on the second year of the 2000-06 programming period.

The reporting format reflects the requirements of the Cohesion Fund Regulation. It has been adapted to take into account the comments made by the European Parliament, the Economic and Social Committee and the Committee of the Regions.

It is hoped that it will also serve as a useful reference document for everyone interested in the promotion and furtherance of the economic and social cohesion of the European Union.

SUMMARY

Economic environment and conditionality

Most of the Member States receiving assistance from the Cohesion Fund continued to respect the macro-economic criteria; only in Portugal was this not the case.

On 25 July 2002 the Portuguese authorities announced that the public deficit for 2001 had reached 4.1% of GDP, well above the reference level of 3%. Following that announcement, the Commission decided to initiate the excessive deficit procedure, as laid down in the Council resolution on the Stability and Growth Pact.

This problem did not arise in the other Cohesion Fund countries.

Budget implementation

The final amount, after indexation, of the resources of the Cohesion Fund for 2001 was €2 715 million.

The commitments and payments made were as follows:

Summary table of implementation of the CF for 2001 appropriations (en €)

| <u>Commitment appropriations</u> | <u>Initial</u> | <u>Movements</u> | <u>Final resources</u> | <u>Implementation</u> | <u>Cancelled</u> | <u>Carryovers to 2002</u> |
|---|----------------|------------------|------------------------|-----------------------|------------------|---------------------------|
| Budget 2001 | 2 715 000 000 | 0 | 2 715 000 000 | 2 711 685 504 | 0 | 3 314 496 |
| Appropriations carried over from 2000 (not implemented) | 413 546 759 | 0 | 413 546 759 | 413 546 759 | 0 | 0 |
| Appropriations made available again (decommitted in 2000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of advances (reimbursements) | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 128 546 759 | 0 | 3 128 546 759 | 3 125 232 263 | 0 | 3 314 496 |

| <u>Payment appropriations</u> | <u>Initial</u> | <u>Movements</u> | <u>Final resources</u> | <u>Implementation</u> | <u>Cancelled</u> | <u>Carryovers to 2002</u> |
|---|----------------|------------------|------------------------|-----------------------|------------------|---------------------------|
| Budget 2001 | 2 860 000 000 | 0 | 2 860 000 000 | 1 983 398 232 | 876 601 768 | 0 |
| Appropriations carried over from 2000 (not implemented) | 300 000 000 | 0 | 300 000 000 | 0 | 300 000 000 | 0 |
| Repayments of advances (reimbursements) | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 160 000 000 | 0 | 3 160 000 000 | 1 983 398 232 | 1 176 601 768 | 0 |

COORDINATION WITH THE STRUCTURAL FUNDS: THE STRATEGIC REFERENCE FRAMEWORKS

Transport

In 2001, the transport sector accounted for 48.5% of total Cohesion Fund commitments. As in the past, the Commission insisted that the work of the Fund should concentrate on railways.

Environment

The environment accounted for 51.5% of total Cohesion Fund commitments for 2001. The priorities in this sector remained the supply of drinking water and the treatment of waste water and solid waste.

Information and publicity

An information meeting with all 15 Member States was held in Brussels on 24 October. At that meeting, the Commission presented the draft Regulation on the systems of management and control and the procedure for implementing financial corrections of assistance granted under the Cohesion Fund as well as the Report of the Cohesion Fund for 2000.

Evaluation

A programme of *ex-post* evaluations extending over three years was launched in 1998. In all, 120 projects were evaluated, 60 in the environment sector and 60 in transport. Implementation of the environment projects raised no major problems and they achieved their objectives. However, those in the transport sector encountered a number of problems leading to cost overruns and the postponement of deadlines.

Irregularities and the suspension of assistance

Under Article 3 of Commission Regulation (EC) No 1831/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field,¹ the beneficiary Member States are obliged to notify the Commission of irregularities which have been the subject of initial administrative or judicial investigations.

One of the Member States, Greece, notified the Commission of four irregularities in 2001 involving a total of €2 429 040, stating also that the national authorities had taken the steps required to safeguard the financial interests of the Community. In three of these cases, proceedings to recover the amounts wrongly paid are in progress while in the fourth the contractor for the project was required to correct the deficiencies, and has already done so.

Under the same Regulation, the other three beneficiary Member States informed the Commission that they had detected no irregularities during the year in question.

¹ OJ L 191, 29.7.1994.

1. GENERAL CONTEXT

1.1. Convergence and economic development in the beneficiary countries of the Cohesion Fund

1.1.1 Greece

Following the Council decision of 19 June 2000, Greece entered the euro zone from 1 January 2001². In 2001, economic policy in Greece followed the guidelines of the first stability programme, which was submitted in December 2000 under the requirements of the Stability and Growth Pact. The first stability programme was aimed at confirming the stability stance of macroeconomic policy while improving the functioning of the markets through structural reforms. The Council issued an opinion on the programme on 12 February 2001³.

In 2001, despite a significant improvement in the budgetary position of general government as compared with 2000, the budgetary target of the 2000 stability programme was not reached. The government deficit fell from 0.8% of GDP in 2000 to 0.4% of GDP in 2001, or a small surplus of 0.1% of GDP including the receipts of the UMTS claims. The stability programme projected a surplus of 0.5% of GDP in 2001. Missing the budgetary objective was the result of lower budget revenues, in particular tax revenues, due to slower than expected growth in real GDP, and to an overrun in current primary expenditure, partly offset by significantly higher non-tax revenues, mainly non-budgeted receipts from the sale of mobile phone licenses (UMTS), which amounted to around 0.5% of GDP. The primary surplus reached 6.3% of GDP. The debt-to-GDP ratio fell further, from 102.8% of GDP in 2000 to 99.7% of GDP in 2001.

In December 2001, Greece submitted its first update of the stability programme, covering the period 2001-04. The programme was assessed by the Council on 12 February 2002⁴. Building on the budgetary results in 2001 and on a slower real GDP growth scenario than assumed in the initial programme, the updated stability programme projects the general government surplus to increase during the period but at a slower pace; it should reach 0.8% of GDP in 2002 and 1.0% of GDP in 2003. The general government debt ratio is projected to decline further to 97.3% of GDP in 2002. The budgetary strategy of the Greek stability programme consists in maintaining high primary surpluses assisted by a significant reduction in interest payments, resulting from lower interest rates and a declining debt ratio.

1.1.2. Spain

In 2001, the main economic policy guidelines implemented in Spain were described in the 2001-04 Stability Programme Update. The programme reaffirmed the economic strategy followed in recent years based on fiscal consolidation and structural reforms and was considered by the Council as being in accordance with the Stability and Growth Pact⁵. Within the international economic downturn, GDP grew

² OJ L 167, 7.7.2000.

³ OJ C 77, 9.3.2001, p.1.

⁴ OJ C 51, 26.2.2002, p.5.

⁵ OJ C 109, 10.4.2001.

by 2.8% in 2001 compared to 3.6% previously assumed in the update. Despite this weaker output growth and after registering a deficit of 0.3% of GDP in 2000, the target of a general government balanced budget was met while the debt-to-GDP ratio envisaged in the update was slightly overshoot. In contrast price developments were worse than expected, not only because of price rises among the more volatile items, but also because core inflation deteriorated.

The third Stability Programme Update, covering 2002-05, was submitted to the European Commission on 9 December 2001 and was assessed by the Council on 12 February 2002⁶. In its Opinion the Council considered the update to be in conformity with the provisions of the Stability and Growth Pact and consistent with the broad economic policy guidelines. The general government balanced budget reached in 2001 is extended to 2002 and 2003 and small surpluses of 0.1% and 0.2% of GDP are expected in 2004 and 2005 respectively. The fiscal strategy outlined in the update remains unchanged compared to the previous programmes. It relies on primary current expenditure restraint underpinned by falling interest payments, which allows for an increase in public investment. In turn, the programme envisages a new reform of personal income tax to take effect from 2003, implying a tax burden reduction consistent with the maintenance of fiscal consolidation. An additional downturn in the debt-to-GDP ratio is foreseen, falling below 56% in 2002 and reaching 50% by the end of the programme period.

1.1.3. Ireland

Ireland's stability programme for the period 2001-03 was considered by the Council as being in conformity with the Stability and Growth Pact⁷. In contrast to previous years, the general government outturn for 2001 was far below target, resulting in a surplus estimated at 1.7% of GDP rather than 4.3% as planned. A large tax undershoot was chiefly responsible for this under-performance, although some expenditure overruns were also recorded. The weakness of tax receipts is largely blamed on lower growth, which was probably some 2 percentage points below the 8.8% assumption underlying the 2001 budget. The government debt to GDP ratio fell further, to about 36% in 2001.

The new update of the stability programme, covering 2002-04, was assessed by the Council on 12 February 2002⁸. In 2002, the Irish authorities expect a small surplus, but thereafter the balance is projected to slide into (minor) deficit. However, the budget projections for 2003-04 incorporate large contingency provisions (against unforeseen developments), without which a small surplus would be recorded in each year. The Council therefore concluded that, provided these contingency provisions are not used, the close-to-balance objective of the Stability and Growth Pact would be broadly respected throughout the programme period. Regarding debt developments, the stability programme envisages a near-stabilisation of the debt ratio over the period to 2004 at the very low level of 34% of GDP.

As a result of its spectacular growth performance over the past decade, Ireland's unemployment rate has declined rapidly, to 3.8% in 2001 from a peak of 15.6% in

⁶ OJ C 51, 26.2.2002, p. 8.

⁷ OJ C 77, 9.3.2001.

⁸ OJ C 51, 26.2.2002.

1993. However, the international and domestic slowdown in 2001 led to a moderate rise from about mid-2001, to 4.3% in February 2002. Ireland has made remarkable progress in achieving nominal convergence. From 77% of the EU average in 1991, nominal GDP per capita is estimated to have risen to 121% in 2001. In GNP terms, which may be a better gauge of Irish performance given a significant degree of profit expatriation, the increase is from 71% to an estimated 102%.

1.1.4. Portugal

In 2001, budgetary developments took place under the strategy of the Stability Programme Update (2001-04), which was assessed by the Council on 12 March 2001⁹. The programme set a general government deficit target of 1.1% of GDP. The deficit outcome estimated by the Portuguese authorities in the February 2002 notification is 2¼% of GDP. Slower economic growth than expected was an important factor behind this considerably worse than targeted budget outcome in 2001. However, other factors are also behind this, notably an underestimation of the revenue losses implied by the reform of direct taxes implemented in 2001, and lower than projected efficiency gains in tax collection and administration. Moreover, despite a restrictive package adopted in June, current primary expenditure exceeded the target.

The third Stability Programme Update, covering 2001-05, was adopted by the Portuguese government on 13 December 2001 and assessed by the Council on 12 February 2002. Despite budgetary slippage in 2001, it maintains the objective of balancing general government accounts by 2004, implying a considerably more demanding path of fiscal consolidation in 2002-04. The Council considered that once economic recovery is established, the Portuguese government should strengthen its efforts to move rapidly towards its medium-term objective of a zero deficit in 2004. This calls for, as a minimum, strict respect of the rule of capping at 4% nominal current primary expenditure growth in central government for the years 2003 and 2004, and may also require additional discretionary measures.

On 25 July 2002 the Portuguese authorities announced that the public deficit for 2001 had reached 4.1% of GDP, well above the reference level of 3%. Following that announcement, the Commission decided to initiate the excessive deficit procedure, as laid down in the Council resolution on the Stability and Growth Pact.

1.2. Conditionality

Most of the Member States receiving assistance from the Cohesion Fund continued to respect the macro-economic criteria; only in Portugal was this not the case.

Following the announcement by the Portuguese authorities on 25 July 2002 of a public deficit of 4.1% of GDP (see 1.1.4 above), the Commission decided to prepare a report to the Economic and Financial Committee for its opinion. The Commission may subsequently make a recommendation to the Council, which will decide on the action to be taken.

This problem has not arisen with the other countries eligible under the Cohesion Fund.

⁹ OJ C 109, 10.4.2001, p.4.

2. IMPLEMENTING PRINCIPLES AND ASSISTANCE GRANTED

2.1. Coordination with other Community policies

2.1.1. Public procurement

The Commission pays particular attention to ensuring that Community legislation on public procurement is rigorously applied to projects part-financed by the Cohesion Fund.

When an application is submitted, the form used to request assistance requires applicants to send copies of published calls for tenders and other information confirming correct observance of the procedure for awarding contracts. If contracts have not yet been awarded when an application is made, the beneficiary Member State is required to provide information on compliance with the rules on the award of public contracts when interim payments are made or the final report presented.

In its inspection missions, the Commission undertakes routine checks on compliance with the relevant Community directives on public procurement and the correctness of the tender selection procedures.

2.1.2. Competition

Council Regulation (EC) No 1164/94 establishing a Cohesion Fund states that assistance from the Fund must, in particular, be in keeping with competition policy. In this regard, consideration of applications for finance concerns mainly an assessment of the compatibility with the Treaty of the measures part-financed by the Fund in order to ensure that assistance complies fully with the Community competition rules, and in particular those on State aids.

As it has in the past, the Commission finds that these aids do not generally raise problems of incompatibility with competition law, in that they are directed towards infrastructure projects for transport or the protection of the environment which, unless they infringe the rules on public procurement, do not provide specific firms with any special advantage. Accordingly, from the competition point of view, Community monitoring continues to concern mainly the aspects regarding free access to infrastructure by all operators meeting the technical and legal conditions required.

2.1.3. Environment

The annual report for 2000 described the principles of environmental policy as defined in Article 174 of the Treaty and the directives most closely concerned with the implementation of projects part-financed by the Cohesion Fund.

It also stressed both the importance of the contribution of the Cohesion Fund to achieving the objectives of the Treaty, and in particular to resolving specific problems such as reducing water pollution and implementing appropriate waste management, and the need to incorporate the environmental dimension into transport infrastructure so as to reduce and monitor its undesirable secondary effects.

In 2001, the Commission continued its efforts to implement environmental legislation both through the direct financing of infrastructure to treat waste water and waste and by ensuring the correct application of certain directives as a prior condition for granting finance. This concerns both the subject-based directives with a large spatial component (e.g. those on nature conservation and the management of waste and waste water) and the directive on environmental impact assessments (EIA).

Drawing up the lists of Community sites for the Natura 2000 network remains a priority for the Commission. The first Community list of such sites was approved on 28 December 2001 for the region of Macaronesia (Canary Islands, Madeira and the Azores).

The initiative taken by the Commission to link the granting of Community finance to submission of the lists of Natura 2000 sites, which should have been sent in 1995, has considerably speeded up the process.

Where appropriate, the Commission has assessed whether applications for part-finance under the Cohesion Fund are compatible with Article 6 of Directive 92/43/EC (the "Habitats" Directive).

The Commission has assessed applications for finance for the treatment of urban waste in the light of the policy and legislation applicable in this sector.

Projects for the treatment of urban waste water¹⁰ can be financed only at the appropriate level depending on the designation of the zones (primary in the case of less sensitive zones, secondary in the case of normal zones and tertiary in the case of sensitive zones) as provided for by Directive 91/271/EEC.

When assessing applications for part-finance, the Commission has also had regard to the inclusion of projects in integrated operational systems and their incorporation in plans for the water basin.

The projects financed by the Cohesion Fund have permitted application of the polluter pays principle by using different levels of aid¹¹. Application of the polluter-pays principle will soon be strengthened by application of the framework directive on water¹².

2.1.4. Transport

While TENs transport projects of common interest are financed from the trans-European transport networks budget line, the Cohesion Fund provides funds specifically for TENs transport infrastructure.

Coordination between the TENs budget and the Cohesion Fund is important because these Community financial instruments take into account the need for links between the central regions of the Community and those structurally handicapped by their insular, landlocked or peripheral status.

¹⁰ Directive 91/271/EEC.

¹¹ Working document No 1, application by DG REGIO of the polluter-pays principle.

¹² Directive 2000/60/EC.

The TENs Regulation does not allow the same phase of a single project to be financed both by the TENs budget and from other Community sources but, in some cases, feasibility studies financed through the TENs budget may be followed by support from the Cohesion Fund and the EIB for the construction works of the actual investment.

The TENs Financial Regulation ((EC) No 2236/95) was amended by Regulation (EC) No 1655/99 to provide for medium-term planning via indicative multi-annual programmes for Community funding (MIP) and for the encouragement of public-private partnerships, together with the use of a small amount of the budget line (1%-2%) to support projects involving risk capital.

The MIP proposal 2001-06 that was adopted by the Commission in September 2001 provides a total of some €2.8 billion for 11 priority projects (Essen projects), the Global Navigation Satellite Systems project ('Galileo') and four groups of projects of "common interest".

In 2001 a total of €563 million in commitment appropriations was allocated to TENs transport projects under the MIP, the Galileo project and projects of common interest outside the MIP.

As regards the distribution of support in 2001 by mode, by far the greatest part of the Union spending on transport under the TENs-T budget went to rail projects (almost 55%), followed by Galileo (20.6%) and roads (12%).

On 12 September the Commission adopted a White Paper on transport which makes improving transport conditions one of its main points for reflection, based on:

- reducing congestion;
- installing new infrastructure, particularly railways;
- charging as a way of restoring balance between modes and financing infrastructure.

To achieve these ambitious objectives, the Commission will use the finance available under the TENs-T budget, the Cohesion Fund and the European Regional Development Fund (ERDF) and the Instrument for Structural Policies for Preaccession (ISPA) in the future member countries.

2.2. COORDINATION WITH THE STRUCTURAL FUNDS: THE STRATEGIC REFERENCE FRAMEWORKS

2.2.1. Environment

Greece

The strategic reference framework (SRF) for the environment sector is described as a separate Chapter of the operational programme for the environment in the Greek CSF for 2000-06. This Operational Programme was approved by the Commission on 24 July 2001 (Decision C(2001) 1357). The SRF is a tool in an overall assistance package whose aim is to enable Greece to comply more fully with its obligations under EU environmental legislation and to contribute to sustainable development.

The financial contribution of the Cohesion Fund to this environmental plan cannot meet all Greece's major infrastructure needs in the field of drinking water, urban waste-water and solid waste management. However, it is expected to facilitate substantial progress in the right direction.

As regards solid waste management, the overall plan of action is based on the National Solid Waste Management Plan prepared by the Ministry of the Environment, Planning and Public Works and submitted to the European Union.

Using management plans agreed at national, regional and local level, the general goal is the correct management of all categories of solid waste and where appropriate the restoration of the environment where it has been degraded and polluted by waste.

Similar plans have also been made for the urban waste-water management sector throughout the country in accordance with Directive 91/271/EEC. The Cohesion Fund and funds from the ERDF will help the Greek authorities to comply with this Directive.

Spain

The priority sectors for assistance to be financed through the Cohesion Fund for the 2000-06 programming period are:

- management of municipal, industrial and hazardous waste;
- sewerage and waste-water treatment
- water supply.

This assistance should be governed by a coordinated strategic approach, designed for each of the sectors selected and organised within programmes identifying the main priorities in the different sectors; it should also be coordinated with assistance in the same sectors financed by the Structural Funds. The contents of each of the sectoral strategic frameworks were already described in the Annual Report 2000 for the Cohesion Fund.

Once the managing authority adopted the programme complements in 2001 and the programming period for the Structural Funds for 2000-06 for the Spanish Objective 1

and Objective 2 areas was finalised, the financing of the different forms of assistance by the Structural Funds was established. For the measures concerning sectors selected as priorities for financing by the Cohesion Fund, this also required coordination among the authorities responsible for managing the relevant Funds and projects.

Ireland

The Irish authorities presented their strategic reference framework for the environment sector in 2000 and it continues to form the basis for considering assistance to individual projects in the waste water and solid waste sub-sectors. Coherence between Structural Fund programmes and the Cohesion Fund priorities is relatively easily to ensure because of the concentration of Cohesion Fund assistance on a small number of major construction projects. Acceptable projects in the solid waste area, a sub-sector requiring significant investment, have still to be presented.

The reference framework was described in more detail in the annual report for 2000.

Portugal

The environment strategic framework for Portugal for **2000-06** includes the following priorities:

- further development and completion of the basic environment infrastructure;
- providing the conditions needed for sustainable development, environmental protection and the management of natural resources.

Cohesion Fund assistance will be provided for the larger water supply, urban waste-water drainage and treatment, and urban solid waste treatment infrastructure projects.

The main objectives for water supply and waste-water drainage and treatment are to increase significantly the population served and, in the case of water supply, improve the quality of drinking water in line with Community directives and increase supply reliability.

| | % population served by the systems in 2006 (mainland Portugal) |
|------------------------------------|---|
| Supply of drinking water | 95 |
| Waste-water drainage and treatment | 90 |
| Solid waste treatment | 98 |

For water supply and urban waste-water drainage and treatment an integrated systems approach, with an intermunicipal system covering the complete water cycle and managed by a single entity, has generally been adopted.

These intermunicipal systems usually cover major parts of one or more river basins. This is a departure from the previous situation in which most municipalities managed their own individual systems.

The entity managing these systems is either a public sector company, in which the municipalities now hold an important stake, or an intermunicipal association which has a specific status under law. In either case, the transfer and sharing of

management responsibilities for these integrated systems required complex negotiations and the drafting of service agreements between the parties.

Cohesion Fund assistance is being supplemented with ERDF funding to help build or renovate the smaller local components of these systems. This two-tier assistance mechanism required and will continue to require a close coordination of the overall project development schedule and prioritisation in order to ensure the proper deployment of the overall systems, i.e. the Cohesion Fund ‘backbones’ and the smaller projects at the level of the regional programmes (Norte, Centro, Alentejo, Lisboa e Vale do Tejo, Algarve, Madeira and the Azores).

During 2001 the Environment Thematic Group was created under the authority of the Community support framework Monitoring Committee. One of its main tasks is to monitor and report on the implementation of the strategic framework for the environment in Portugal.

2.2.2. Transport

Greece

The strategic reference framework (SRF) for the transport sector in Greece was approved under the operational programmes “Roads, ports and urban development” and “Railways, airports and urban transport” in March and April 2001 respectively. The SRF provides for assistance together with part-financing by the ERDF aimed mainly at:

- a) completing the TENs priority road routes in Greece (the Pathe, Egnatia and Ionian highways and the Corinth—Tripolis—Kalamata/Sparta motorway;
- b) completing the Pathe rail route and its electrification from Athens to the Bulgarian border;
- c) completing and modernising infrastructure in two ports (Igoumenitsa and Heraklion);
- d) completing the modernisation of the air traffic control system in Greece.

The priorities for the transport sector for the current period under the agreed strategy are motorways, railways and ports.

Their main aim is to implement the trans-European networks by constructing the Pathe and Egnatia priority key routes.

As regards railways, further efforts are needed to properly and fully implement the Pathe rail route and electrify the Athens—Thessaloniki—Promachon line.

Spain

As part of discussions between the Commission and Spain, the Spanish authorities submitted a document on investment in the trans-European transport networks (TENs), setting out the general strategy in this area in the 2000-06 programming period. As a complement to this document, the Spanish authorities defined a strategy for using the Structural Funds and the Cohesion Fund to improve the coherence and complementarity of these two instruments.

This strategy of using the Funds to finance investments in the trans-European transport networks is relatively clear and simple and may be summarised as follows:

- The high-speed rail lines in the strategic framework (Madrid—Barcelona—French border, Madrid—Valladolid, Madrid—Valencia and Córdoba—Málaga) are the main routes which will help improve intermodal balance and secure more rational and environmentally-friendly distribution. These projects are the major priority for the period 2000-06 and this, together with the fact that, apart from the Córdoba—Málaga line, they are interregional, means that the Cohesion Fund is the main source of finance for three of the four. The exception, the Córdoba—Málaga line, will be part-financed by the ERDF.
- The part-financing of these major rail lines solely by the Community Funds should not obscure the search for a better multiplier effect from these Funds through use of public-private partnership formulas. However, in the case of rail this can become a possibility only through the introduction of a competitive charging system which will attract traffic from other competing forms of transport (road, air), while also achieving the aim of rebalancing the various modes of transport.
- Investment in the high-speed lines will achieve its goals only if it is supported by the development of conventional lines so that the benefits are felt throughout the country. Since the Cohesion Fund cannot contribute to that aim, use of ERDF resources appears the main way of extending benefits to the Objective 1 regions.
- High-capacity road routes may be divided into two categories: those which complement the existing network or link the main transport routes and those whose main role is to reduce existing congestion in certain developed areas. In the first case, use of the Community Funds (ERDF) is essential. In the second, private sector participation may be attracted through toll systems.
- Ports and airports are also extremely important forms of transport infrastructure. However, because they occupy limited amounts of space, rather than constituting networks as terrestrial infrastructure does, they can be financed relatively easily from the charges levied on sea or air transport. In Spain, this is the reason why specific public bodies are set up for that purpose. However, the investment required to reduce the deficit on infrastructure of this type does not exclude a certain contribution from the Community Funds.

Ireland

The Irish authorities presented their strategic reference framework for the transport sector in 2000. This reference framework continues to form the basis for considering assistance to individual projects in the road and rail sub-sectors. Coherence between the relevant Structural Funds programmes and the Cohesion Fund priorities is relatively easily ensured in view of the concentration of Cohesion Fund assistance on a small number of major construction projects. The major priority projects have been selected in both sub-sectors.

The reference framework was described in more detail in the annual report for 2000.

Portugal

The strategic guidelines for the Cohesion Fund in the field of transport did not undergo any major changes in 2001.

However, Cohesion Fund assistance was highly concentrated on the rail sub-sector: the effective start of modernisation work on two vital sections of the Norte line and approval of two applications concerning the last section of the direct rail link between Lisbon and the Alentejo and the Algarve.

This means that all the projects concerning the modernisation of the north/south link are now under way (apart from a small section around Lisbon). This, together with other investments to modernise the Algarve line, will reduce the journey time from Lisbon to Faro to 2 hours 45 minutes in 2004.

It has not proved possible in the past to make the rail sector substantially more competitive than road transport for passengers and goods. Hence the rail sub-sector was given greater importance in 2001 in order to help improve the balance between transport modes throughout the system in Portugal.

Assistance from the Fund to investment on the Lisbon—Faro route has already improved access to the port of Sines in response to growing goods traffic to and from that port. This should give that line a fresh boost and increase its ability to compete with the roads in transport to the Algarve.

The bulk of this investment concerns the renovation and complete electrification of the line in order to increase its speed, reliability and safety. It will also permit the introduction of new passenger services employing tilting trains.

A section of the Lisbon underground network was also adopted in 2001. This will help improve connections between the network as a whole and the international Oriente station and will have undoubted benefits for the environment.

2.3. IMPLEMENTATION OF THE BUDGET: COMMITMENTS AND PAYMENTS

2.3.1. Budget available

In accordance with Article 4 of Regulation (EC) No 1164/94, as amended by Regulation (EC) No 1264/1999 (the Cohesion Fund Regulation), Cohesion Fund resources available for commitment for 2001 amounted to €2 615 million at 1999 prices. The final amount entered in the budget after indexation was €2 715 million.

In accordance with the brackets for the allocation of resources by Member State laid down in Annex I to the Cohesion Fund Regulation, the indicative allocation of these appropriations by country is as follows:

| Country | Lower limit | | Upper limit | |
|----------------------|--------------------|-------|--------------------|-------|
| | € mill | % | € mill | % |
| Spain | 1655 | 61.0% | 1723 | 63.5% |
| Greece | 434 | 16.0% | 488 | 18.0% |
| Ireland | 54 | 2.0% | 163 | 6.0% |
| Portugal | 434 | 16.0% | 488 | 18.0% |
| Technical assistance | 2 | | 2 | |

The budgetary authority also decided to enter €2 860 million in payment appropriations for the Cohesion Fund.

Under Article 7 of the Financial Regulation, the Commission decided to permit the carryover of €413.5 million in commitment appropriations, the balance available at the end of 2000, and the carryover of €300 million in payment appropriations. The decommitments totalling €10.9 million in 2001 were cancelled.

2.3.2. Budget implementation

The tables showing the budgetary implementation of Cohesion Fund resources in 2001 and carryovers to 2002 are as follows:

Summary table of implementation of the CF for 2001 appropriations (en €)

| <u>Commitment appropriations</u> | <u>Initial</u> | <u>Movements</u> | <u>Final resources</u> | <u>Implementation</u> | <u>Cancelled</u> | <u>Carryovers to 2002</u> |
|---|----------------|------------------|------------------------|-----------------------|------------------|---------------------------|
| Budget 2001 | 2 715 000 000 | 0 | 2 715 000 000 | 2 711 685 504 | 0 | 3 314 496 |
| Appropriations carried over from 2000 (not implemented) | 413 546 759 | 0 | 413 546 759 | 413 546 759 | 0 | 0 |
| Appropriations made available again (decommitted in 2000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of advances (reimbursements) | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 128 546 759 | 0 | 3 128 546 759 | 3 125 232 263 | 0 | 3 314 496 |

| <u>Payment appropriations</u> | <u>Initial</u> | <u>Movements</u> | <u>Final resources</u> | <u>Implementation</u> | <u>Cancelled</u> | <u>Carryovers to 2002</u> |
|---|----------------|------------------|------------------------|-----------------------|------------------|---------------------------|
| Budget 2001 | 2 860 000 000 | 0 | 2 860 000 000 | 1 983 398 232 | 876 601 768 | 0 |
| Appropriations carried over from 2000 (not implemented) | 300 000 000 | 0 | 300 000 000 | 0 | 300 000 000 | 0 |
| Repayments of advances (reimbursements) | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 160 000 000 | 0 | 3 160 000 000 | 1 983 398 232 | 1 176 601 768 | 0 |

Under Article 7 of the Financial Regulation, appropriations not implemented at the end of the year are cancelled, unless the Commission adopts a specific decision to carry them over. All the commitment appropriations carried over were used by 31 March 2001. No payment appropriations were carried over to 2002.

The tables of implementation by country and by type of project, (environment, transport or mixed) are as follows:

Budget implementation of appropriations for 2001 including appropriations carried over to 2002

Commitment appropriations for 2001 (including appropriations carried over to 2002)

| <u>Country</u> | Environment | | Transport | | Mixed | Total | |
|----------------------|---------------|---------|---------------|----------|---------|---------------|--------|
| | Amount | % Envir | Amount | % Transp | Amount | Amount | % |
| Spain | 865 912 007 | 51.7% | 810 332 029 | 48.3% | 0 | 1 676 244 036 | 61.8% |
| Greece | 253 138 698 | 54.2% | 214 261 684 | 45.8% | 0 | 467 400 382 | 17.2% |
| Ireland | 39 734 066 | 34.6% | 75 265 934 | 65.4% | 0 | 115 000 000 | 4.3% |
| Portugal | 237 919 087 | 52.2% | 217 780 043 | 47.8% | 0 | 455 699 130 | 16.8% |
| Technical assistance | 0 | 0.0% | 0 | 0.0% | 656 452 | 656 452 | |
| Total | 1 396 703 858 | 51.5% | 1 317 639 690 | 48.5% | 656 452 | 2 715 000 000 | 100.0% |

Payment appropriations for 2001

| <u>Country</u> | Environment | | Transport | | Mixed | Total | |
|----------------------|---------------|---------|-------------|----------|-----------|---------------|--------|
| | Amount | % Envir | Amount | % Transp | Amount | Amount | % |
| Spain | 647 308 574 | 66.1% | 332 222 094 | 33.9% | 0 | 979 530 668 | 49.5% |
| Greece | 161 587 555 | 63.4% | 93 393 201 | 36.6% | 0 | 254 980 756 | 12.9% |
| Ireland | 203 731 649 | 65.5% | 107 313 707 | 34.5% | 0 | 311 045 356 | 15.7% |
| Portugal | 201 503 013 | 46.5% | 232 134 366 | 53.5% | 0 | 433 637 379 | 21.9% |
| Technical assistance | 0 | 0.0% | 0 | 0.0% | 4 204 073 | 4 204 073 | |
| Total | 1 214 130 792 | 61.3% | 765 063 368 | 38.7% | 4 204 073 | 1 983 398 233 | 100.0% |

To reflect implementation of the commitment appropriations allocated in 2001, the appropriations carried over to 2002 are included in the above table but those carried over from 2000 to 2001 are not included.

Implementation in 2001 enabled the allocations of appropriations among the Cohesion Fund countries to be rebalanced where implementation in 2000 had deviated slightly from the indicative breakdowns adopted by the Commission. Those countries which had exceeded their allocation in 2000, such as Ireland, received an under-allocation in 2001 and vice-versa, e.g. Greece).

The following table shows total implementation in 2000-01 for each country (excluding technical assistance):

Total implementation of commitment appropriations 2000-01 (including carryovers to n+1)

| Country | Av. percentage | 2000 | 2001 | Total (in € million) |
|----------|----------------|--------|--------|----------------------|
| Spain | 61.02% | 1601.3 | 1676.9 | 3278,2 |
| Greece | 16.81% | 435.6 | 467.4 | 903.0 |
| Ireland | 5.30% | 169.6 | 115.0 | 284.6 |
| Portugal | 16.87% | 450.8 | 455.7 | 906.5 |
| Total | 100.0% | 2657.3 | 2715.0 | 5372.3 |

2.3.3. Implementation of the budget for the previous period (1993-99)

The 1993-99 budget was fully committed as planned by 31 December 1999. The outstanding amount to be settled for the period 1993-99 was dealt with as follows in 2001.

Settlement in 2001 of commitments for the period 1993-99

| <u>Country</u> | Initial amount to be settled | Decommitments | Payments | Final amount to be settled |
|----------------------|------------------------------|---------------|---------------|----------------------------|
| Spain | 2 060 532 662 | 7 125 100 | 622 003 948 | 1 431 403 614 |
| Greece | 749 668 182 | 769 818 | 168 696 947 | 580 201 417 |
| Ireland | 251 821 464 | 0 | 99 415 024 | 152 406 440 |
| Portugal | 320 356 542 | 2 414 493 | 162 610 592 | 155 331 457 |
| Technical assistance | 1 393 518 | 561 659 | 521 698 | 310 161 |
| Total | 3 383 772 368 | 10 871 070 | 1 053 248 209 | 2 319 653 089 |

The size of the amount to be settled for 1993-99 at the end of 2000 was less than the Cohesion Fund budget for one year.

A large part of this outstanding amount relates to projects continuing into the new period 2000-06. This means that the amount to be settled will be dealt with through interim payments rather than closures.

3. THE PROJECTS AND MEASURES ADOPTED

3.1. Assistance from the Fund by Member State

3.1.1. Greece

During 2001 the Commission approved Cohesion Fund assistance totalling €797.8 million, of which €398.2 million was committed in that year's budget.

Including commitments made as a result of decisions taken in previous years (€69.2 million) brought the total amount committed during 2001 to €467.4 million.

The following table shows the Cohesion Fund assistance approved in 2001 and the total amount committed in that year.

| | Total eligible cost | Total CF assistance | Commitments 2001* |
|---------------|---------------------|---------------------|-------------------|
| Environment | 374 627 934 | 298 827 349 | 253 138 698 |
| Transport | 919 635 445 | 499 036 159 | 214 261 684 |
| Total CF | 1 294 263 379 | 797 863 508 | 467 400 382 |
| % Environment | 29% | 37% | 54% |
| % Transport | 71% | 63% | 46% |

* including commitments based on decisions taken in 2001 and in previous years

3.1.1.1 Environment

In 2001 the Cohesion Fund concentrated its financial support on the following priority sectors: waste water and waste-water treatment, management of solid waste, water supply and flood protection. The aim was to complete the cycle of assistance, filling the gaps in the existing systems so as to implement the agreed strategic reference framework.

During 2001, the Commission approved Cohesion Fund assistance totalling €298.8 million, of which €242.8 million was committed from that year's budget. The assistance approved and appropriations committed break down as follows:

- In 2001 21 new projects were approved for a total of €280.2 million in Cohesion Fund assistance, of which €224.2 million was committed from that year's budget. The following table shows the projects adopted in 2001:

| Project No | Name | Total cost | Cohesion Fund assistance | Commitment 2001 |
|---------------------|--|--------------------|--------------------------|--------------------|
| | | € | € | |
| CCI2001GR16CPE 014 | Construction and improvement of the water supply and drainage networks and extension of the waste-water treatment station in the municipality of Larissa | 25 000 000 | 18 750 000 | 15 000 000 |
| CCI2001GR16CPE 013 | Construction and improvement of the water supply and drainage networks and extension of the waste-water treatment station in the municipality of Karditsa | 20 000 000 | 15 000 000 | 12 000 000 |
| CCI2001GR16CPE 030 | Improvements on the river Xirias | 40 194 000 | 29 443 500 | 23 554 800 |
| CCI2001GR16CPE 016 | Construction and improvement of the water supply, rain water and waste-water networks in Nafplio | 11 372 000 | 8 529 000 | 6 823 200 |
| CCI2001GR16CPE 002 | Integrated waste-management system in the region of Western Macedonia (Phase A) | 12 974 868 | 9 731 151 | 7 784 921 |
| CCI2001GR16CPE 003 | Internal and external water supply networks in and around the municipality of Kozani , remote control – remote management of leaks | 27 940 000 | 20 955 000 | 16 764 000 |
| CCI2001GR16CPE 004 | Construction of an outfall (section II) in Western Attica | 21 300 000 | 15 975 000 | 12 780 000 |
| CCI2001GR16CPE 005 | Rain and waste-water drainage pipes in the remaining area of the municipality of Preveza | 10 271 460 | 7 703 595 | 6 162 876 |
| CCI2001GR16CPE 006 | Water supply and drainage in the municipality of Igoumenitsa | 10 564 930 | 7 923 698 | 6 338 958 |
| CCI2001GR16CPE 001 | Extension – improvement and modernisation of water supply systems - waste-water drainage in the municipality of Ioannina | 10 270 924 | 7 703 193 | 6 162 554 |
| CCI2001GR16CPE 007 | Waste-water network and treatment station in the town of Grevena | 15 115 518 | 11 336 639 | 9 069 311 |
| CCI2000GR16CPE 007 | Waste- and rain-water drainage in the town of Patras | 14 271 500 | 10 703 625 | 8 562 900 |
| CCI2000GR16CPE 002 | Supplies to Patras from the rivers Piros and Parapiros : studies and compulsory purchase | 14 600 000 | 10 950 000 | 8 760 000 |
| CCI2000GR16CPE 003 | Supplies to the greater Corfu and Paxi Region: first phase studies and compulsory purchase | 10 271 460 | 7 703 595 | 6 162 876 |
| CCI 2001GR1-CPE-024 | Waste-water network and treatment station in Chalastra | 19 515 000 | 14 636 250 | 11 709 000 |
| CCI2000GR16CPE 023 | Waste- and rain-water drainage in Kilkis | 15 800 000 | 11 850 000 | 9 480 000 |
| CCI2001GR16CPE 022 | Extension and improvement of water supply and drainage networks in Serres | 11 000 000 | 8 250 000 | 6 600 000 |
| 2001-GR-16-C-PE-026 | Construction of waste- and rain-water networks in Heraklion and Alikarnassos and improvement of the treatment station in Heraklion-Crete | 21.302.274 | 15.976.706 | 12.781.365 |
| 2001-GR-16-C-PE-009 | Construction of drainage networks for four urban areas of Chania - Crete | 19.000.000 | 14.250.000 | 11.400.000 |
| 2001-GR-16-C-PE-025 | Water supply and evacuation of waste- and rain-water - Corfu | 20.000.000 | 15.000.000 | 12.000.000 |
| 2001-GR-16-C-PE-008 | Networks for water supply and the drainage of waste- and rain-water in Ermoupolis on Syros | 23.864.000 | 17.898.000 | 14.318.400 |
| Total | | 374 627 934 | 280 268 952 | 224 215 161 |

- The Commission approved seven requests to amend decisions taken in previous years in 2001. Cohesion Fund assistance amounts to €18.5 million, all of which was committed in that year's budget.

The following table shows the amended decisions adopted in 2001:

| Project No | Name | Total cost | Cohesion Fund assistance | Commitments 2001 |
|---|--|-------------------|--------------------------|-------------------|
| | | (€) | (€) | |
| CCI 1994GR16CPE 003 94/09/61/029-3 | Waste-water drainage and treatment plants in Pyrgos | 1 230 618 | 984 494 | 984 494 |
| CCI 1995GR16CPE 001 95/09/61/011-10 | Evinos dam: Electro-mechanical plant | 990 500 | 742 875 | 742 875 |
| CCI 1994GR16CPE 001 94/09/61/027-3, 078 | Waste-water drainage and extension of water treatment plants in Markopoulo. Waste-water drainage in Kalyvia. Waste-water drainage in Kouvaras | 10 867 161 | 8 145 814 | 8 145 814 |
| CCI 1994GR16CPE 087 94/09/61/024 | Waste-water drainage and water treatment plants in Parga | 2 680 000 | 2 144 000 | 2 144 000 |
| CCI 1994GR16CPE 076 94/09/61/034 | Renovation of a waste tip in Ano Liossia | 6 670 000 | 5 336 000 | 5 336 000 |
| CCI 1994GR16CPE055 | Drainage network and waste-water treatment plant in Soufli | 440 518 | 352 414 | 352 414 |
| CCI 1994GR16CPE074 | Drainage network and waste-water treatment plant in Didymoteiho | 1 066 000 | 852 800 | 852 800 |
| | Total | 23 944 797 | 18 558 397 | 18 558 397 |

- In addition, based on decisions taken in the previous year, €10.4 million was committed under that year's budget (water supply to Thessaloniki-Aliakmon).
- Finally, 54 requests to amend decisions with no financial impact were submitted by Greece and approved by the Commission. The amendments concern minor changes in the physical works, reallocations in the financial plan and extensions of contracts.

3.1.1.2 Transport

Under the aid decisions approved in 2001 by the Commission, the Cohesion Fund assistance for the transport sector amounts to €499 million, of which €214 million was committed from that year's budget.

The approved grants and total committed appropriations break down as follows:

- Six new projects receiving €400.5 million in Cohesion Fund assistance were approved in 2001; €120.5 million was committed from that year's budget. The following table shows the new projects adopted in 2001.

| TITLE | Commitments | Rail | Motorway | Total cost | CF assistance |
|---|--------------------|-------------------|-------------------|--------------------|--------------------|
| 2000GR16CPT004 Construction of a new railway in Limena Ikoniou | 31 823 091 | 31 823 091 | | 143 000 000 | 71 495 710 |
| 2001GR16CPT003 Egnatia section Nymfopetra-Rentina-Asprovalta | 17 905 500 | | 17 905 500 | 160 580 675 | 88 428 566 |
| 2001GR16CPT001 Corinth-Tripolis-Megalopolis-Kalamata road | 3 520 000 | | 3 520 000 | 8 000 000 | 4 400 000 |
| 2001GR16CPT004 Via Egnatia, Metsovo Panagia interchange | 32 070 941 | | 32 070 941 | 255 710 613 | 140 814 720 |
| 2000GR16CPT005 Arta-Filippiada bypass | 21 336 120 | | 21 336 120 | 48 500 000 | 26 670 150 |
| 2000GR16CPT006 Agrinio bypass | 13 829 985 | | 13 829 985 | 125 000 000 | 68 737 500 |
| Total | 120 485 637 | 31 823 091 | 88 662 546 | 740 791 288 | 400 546 646 |

- The Commission approved three requests to amend decisions taken in previous years. Cohesion Fund assistance amounts to €98.5 million, of which €35 million was committed from that year's budget. The following table shows the amended decisions adopted in 2001.

| TITLE | Commitments | Motorway | Total cost | CF assistance |
|---|-------------------|-------------------|--------------------|-------------------|
| 1994GR16CPT941 Pathe - Raches to Agroinvest inst. section (km 240 to km 244) | 3 651 817 | 3 651 817 | 15 601 387 | 8 591 372 |
| 1994GR16CPT942 " Pathe, Skotina-Litohoro-Dion-Katerini section | 6 586 212 | 6 586 212 | 28 537 050 | 15 714 783 |
| 940833036 940965016-k Cohesion - Via Egnatia Dodoni Tunnel section | 24 709 462 | 24 709 462 | 134 705 720 | 74 183 358 |
| Total | 34 947 491 | 34 947 491 | 178 844 157 | 98 489 513 |

- In addition, based on decisions taken in the previous years, an amount of €58.8 million was committed from the 2001 budget.
- Finally, the Commission approved eleven requests for amended decisions with no financial impact submitted by Greece. The amended decisions relate to minor changes in the physical works, reallocations in the financial plan and extensions to contracts.

3.1.2. Spain (including the outermost regions)

The Commission approved Cohesion Fund assistance totalling €2 213 million, of which €1 677 million was committed from the 2001 budget. Of these commitments, 51.7% went to the environment and 48.3% to transport infrastructure. They reflect new decisions adopted that year and amendments to and annual instalments of decisions adopted earlier. The following table shows the amount for each sector.

| | Total eligible cost * (€ million) | Total assistance* (€ million) | Commitments 2001* (€ million) |
|----------------------|--|--|--|
| Environment | 1 400 | 1 092 | 867 |
| Transport | 1 621 | 1 121 | 810 |
| Total CF | 3 020 | 2 213 | 1 677 |
| % Environment | 50.5 % | 49.3 % | 51.7 % |
| % Transport | 49.5 % | 50.7 % | 48.3 % |

* rounded figures

3.1.2.1 Environment

The Cohesion Fund continued to concentrate its financial support on the three priority sectors, water supply, drainage and waste-water treatment, and the management of solid urban, industrial and hazardous waste. Exceptionally, during the year three urban environment projects were approved to complete the second phase of projects adopted earlier. The aim was to help the municipalities and regions to improve drinking water supplies and waste-water networks and the collection and treatment of waste.

The contribution of the Cohesion Fund by sectors shows that the drainage and treatment of waste water continued to receive the bulk of resources for the environment, followed this year by solid waste.

| Sector | Total eligible cost (€ million) | Total assistance (€ million) | % of assistance | Commitments 2001 (€ million) |
|-------------------------------|--|---|------------------------|-------------------------------------|
| Water supply | 267.13 | 218.19 | 19.99 | 162.66 |
| Drainage and sewage treatment | 575.99 | 464.94 | 42.59 | 375.50 |
| Management of solid waste | 550.63 | 403.75 | 34.33 | 301.37 |
| Urban environment | 41.23 | 32.98 | 3.02 | 26.38 |
| Technical assistance | 0.95 | 0.81 | 0.07 | 0.65 |
| Total | 1 456.24 | 1 137.94 | 100.00 | 866.56 |

Water supply

During 2001, Community assistance for measures to improve water supply totalled €218.2 million, 20% of the amount allocated to the environment sector.

The projects financed in this sector are intended primarily to ensure adequate supplies of drinking water of sufficient quality to consumers in conformity with Community directives. They will improve the quality of drinking water in a number of towns, such as the Granada metropolitan area, the provinces of Murcia and Alicante (through construction of a tunnel to supply high-quality water to those areas) and solve the problems of drought in the provinces of Córdoba (Colada dam) and Huelva (Andévalo region).

| WATER SUPPLY -Projects adopted in 2001 | | | |
|---|---|-------------------------------|----------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2000 ES 16 C PE 008 | Water supply in the Guadiana basin: Colada dam | 17 516 490 | 13 137 367 |
| 2000 ES 16 C PE 010 | Water supply in the Segura basin | 77 957 530 | 66 263 900 |
| 2000 ES 16 C PE 011 | Water supply in the Ebro basin | 10 789 700 | 9 171 245 |
| 2000 ES 16 C PE 074 | Water supply measures in the Canary Islands. 2001 - Group I | 18 030 380 | 14 424 304 |
| 2000 ES 16 C PE 078 | Water supply in the Duero basin - 2001 | 5 389 000 | 4 311 200 |
| 2000 ES 16 C PE 094 | Water supply in the Tagus basin - 2001 | 12 578 895 | 10 063 116 |
| 2000 ES 16 C PE 113 | Water supply projects in the Ebro basin - 2001 - Group I | 7 301 580 | 5 841 264 |
| 2000 ES 16 C PE 115 | Water supply in the Guadiana basin - 2001 - Group I | 19 474 109 | 15 579 287 |
| 2000 ES 16 C PE 121 | Water supply in the north basin - group 2001 | 13 639 823 | 10 911 858 |
| 2000 ES 16 C PE 133 | Water supply in the Guadiana basin: Andévalo area | 14 274 020 | 11 419 216 |
| 2001 ES 16 C PE 002 | Water supply to Lorca and Puerto Lumbreras | 10 691 899 | 9 088 114 |
| 2001 ES 16 C PE 020 | Water supply projects on the Canary Islands. 2001 - Group II | 5 201 930 | 4 161 544 |
| 2001 ES 16 C PE 023 | Water supply in the north basin: Asturias, 2001 | 8 187 144 | 6 549 715 |
| 2001 ES 16 C PE 039 | Water supply in the north-east area of the Montejurra association of municipalities | 9 991 826 | 7 993 461 |
| 2001 ES 16 C PE 040 | Supply of drinking water to the metropolitan area of Granada | 28 170 639 | 22 536 511 |

Waste-water treatment

This sector absorbed €465 million in 2001, 43% of the amount allocated to the environment by the Cohesion Fund and the largest portion of the resources available for this sector. Once again, efforts concentrated on compliance with Directive 91/271/EEC and setting up the national drainage and water treatment plan.

32 decisions were adopted for projects and groups of projects in the main water basins and one to amend a project already adopted. These projects concern improvements to treatment networks, collectors and treatment stations.

| WASTE-WATER TREATMENT - Projects adopted in 2001 | | | |
|--|---|---------------------------|------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2000ES16CPE005 | Drainage and water treatment in the Segura basin | 35 812 000 | 28 649 600 |
| 2000ES16CPE026 | Drainage and water treatment in the Guadalquivir basin: Doñana area | 5 051 000 | 4 293 350 |
| 2000ES16CPE040 | Drainage and water treatment in the Basque Country – North basin - III | 18 288 000 | 14 630 400 |
| 2000ES16CPE067 | Drainage and water treatment in the Guadiana basin: Campiña Sur, Guadajira river and Vegas Bajas | 55 593 000 | 47 254 050 |
| 2000ES16CPE068 | Drainage and water treatment in the Júcar basin: Alzira treatment station | 22 291 000 | 18 947 350 |
| 2000ES16CPE070 | Drainage and water treatment in the Duero basin 2001 | 8 765 589 | 7 012 471 |
| 2000ES16CPE073 | Drainage and water treatment projects in the Canary Islands | 14 311 412 | 11 449 130 |
| 2000ES16CPE075 | Drainage and water treatment projects in the Guadiana basin - (Group 2001) | 7 947 582 | 6 358 065 |
| 2000ES16CPE077 | Drainage and water treatment in the south and Guadalquivir basins | 16 740 149 | 13 392 119 |
| 2000ES16CPE079 | Drainage and water treatment in the Duero basin 2001 - Group 1 | 12 389 685 | 9 911 748 |
| 2000ES16CPE080 | Drainage and water treatment in the Júcar basin - 2001 - Group 1 | 9 573 982 | 7 659 186 |
| 2000ES16CPE082 | Drainage and water treatment in local communities in Catalonia. Ebro basin - Group 2000 | 25 831 026 | 20 664 821 |
| 2000ES16CPE085 | Drainage projects in the north III basin: Basque Country - 2001- Group 2 | 24 392 387 | 19 513 910 |
| 2000ES16CPE086 | General project for water management in the River Ripoll basin - Sabadell | 11 665 762 | 9 332 610 |
| 2000ES16CPE090 | Drainage and water treatment projects in the Guadalquivir basin - 2001 - Group 1 | 17 256 819 | 13 805 455 |
| 2000ES16CPE096 | Drainage projects in the north basin: Galicia - Group 2001 | 20 013 023 | 16 010 418 |
| 2000ES16CPE097 | Drainage projects in the north basin: Asturias - Group 2001 | 7 999 745 | 6 399 796 |
| 2000ES16CPE104 | Project to restore urban sewerage network in Terrasa | 10 453 800 | 8 363 040 |
| 2000ES16CPE105 | Drainage and water treatment projects in the Guadalquivir basin -2001 - Group 2 | 17 465 354 | 13 972 283 |
| 2000ES16CPE129 | Drainage in the Balearic Islands basin - 2001 - Group 1 | 4 818 960 | 3 855 176 |
| 2001ES16CPE015 | Drainage in the Duero basin 2001 - Group 2 | 18 858 662 | 15 086 930 |
| 2001ES16CPE016 | Drainage in the Guadiana basin - 2001 - Group 2 | 8 791 770 | 7 033 416 |
| 2001ES16CPE018 | Drainage in the Ebro basin: inland basins in Catalonia 2001- Groupe 3 | 24 707 273 | 19 765 818 |
| 2001ES16CPE022 | Drainage and water supply in the north basin - Galicia -2001 | 8 589 716 | 6 871 773 |
| 2001ES16CPE032 | Drainage in the north basin: Galicia - 2001 - Group 2 | 10 605 737 | 8 483 790 |
| 2001ES16CPE034 | Drainage measures in the Ebro basin - 2001 - Group 2 | 7 632 857 | 6 106 286 |
| 2001ES16CPE036 | Drainage in the north basin: Galicia - 2001 -Group 3 | 24 446 167 | 19 556 934 |
| 2001ES16CPE048 | Drainage in the north basin: Asturias - 2001 - Group 2 | 15 379 899 | 12 303 919 |
| 2001ES16CPE049 | Drainage in the north basin: Basque Country - 2001 - Group 1 | 27 456 928 | 21 965 542 |
| 2001ES16CPE051 | Drainage in the Canary Islands basin - 2001 - Group 2 | 6 521 500 | 5 217 200 |
| 2001ES16CPE056 | Drainage and water treatment in the Tagus basin - 2001 - Group 2 | 35 472 793 | 28 378 234 |
| 2001ES16CPE061 | Drainage in the Tagus basin - 2001 - Group 3 | 18 703 718 | 14 962 974 |

Solid waste

In order to implement the National Plan for solid waste approved in 2000, the Spanish authorities submitted a large number of projects in this sector.

In 2001, 23 decisions were adopted on waste management and one to amend a project adopted earlier. Most concerned projects from municipalities either individual or grouped by Autonomous Community. Assistance totalling €375 million was granted, 34% of the total for the environment.

Priority was given to solid urban waste projects involving pre-sorting for collection, composting and recycling plants, the production of methane, pneumatic collection and the closure of tips, such as that at Valdemingómez in Madrid, with use of the gases produced for energy.

| WASTE - Projects adopted in 2001 | | | |
|---|--|-----------------------------------|--------------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2000ES16CPE002 | Complex for the industrial exploitation of solid urban and non-special industrial waste in Cantabria | 65 194 920 | 15 405 578 |
| 2000ES16CPE014 | Waste management measures in Asturias 2001 - Group I | 8 668 100 | 1 134 000 |
| 2000ES16CPE018 | Waste management measures in Castile-La Mancha | 20 709 900 | 16 567 920 |
| 2000ES16CPE020 | Waste management measures in Extremadura (2nd phase of the master plan) | 16 972 500 | 13 578 000 |
| 2000ES16CPE029 | Waste management measures in Murcia | 11 083 500 | 8 866 800 |
| 2000ES16CPE069 | Construction of a plant to produce methane and compost the biodegradable fraction of solid urban waste, including the use for energy of the gases from the Pinto tip | 45 580 758 | 36 464 606 |
| 2000ES16CPE132 | System of pneumatic collection of solid urban waste in the historic centre of Palma de Majorca | 15 311 600 | 12 249 280 |
| 2000ES16CPE138 | Waste management in Andalusia - 2001- Group 1 | 31 636 559 | 25 309 247 |
| 2000ES16CPE140 | Waste management in Castile-La Mancha - 2001- Group 1 | 16 564 736 | 13 251 789 |
| 2000ES16CPE141 | Waste management in Castile-León - 2001 | 35 517 017 | 28 413 614 |
| 2000ES16CPE146 | Waste management in Melilla | 3 792 471 | 3 033 977 |
| 2001ES16CPE005 | Selective collection in Zarzaquemada Sur and development of a selective collection system in Zarzaquemada Norte | 10 930 910 | 8 744 728 |
| 2001ES16CPE007 | Waste management in Andalusia - 2001 -Group 2 | 16 348 755 | 13 079 004 |
| 2001ES16CPE009 | Waste management in Asturias - 2001 | 12 899 865 | 10 319 892 |
| 2001ES16CPE010 | Waste management in Catalonia - 2001 | 16 088 089 | 12 870 471 |
| 2001ES16CPE011 | Waste management in Galicia - 2001 - Group I | 10 070 843 | 8 056 674 |
| 2001ES16CPE012 | Waste management in Madrid - 2001 - Group 2 | 76 785 683 | 61 428 546 |
| 2001ES16CPE014 | Underground containers for solid urban waste in Cantabria | 3 355 297 | 2 684 238 |
| 2001ES16CPE026 | Waste management in Valencia - 2001 - Group 2 | 39 256 200 | 31 404 960 |
| 2001ES16CPE030 | Plant for the treatment, recycling and exploitation of solid urban waste in La Rioja | 9 766 446 | 7 813 157 |
| 2001ES16CPE045 | Waste management in Galicia - 2001 - Group 2 | 26 270 031 | 21 016 025 |
| 2001ES16CPE046 | Plan to generate methane by the association of municipalities for the management of solid urban waste in La Ribera - Navarre | 4 577 603 | 3 662 082 |

Urban environment

Exceptionally, three decisions were adopted in this sector. These projects are the second phase of projects approved earlier, which they complete. Assistance in this sector in 2001 totalled €33 million, 3% of the total for the environment.

| URBAN ENVIRONMENT- Projects adopted in 2001 | | | |
|--|---|-----------------------------------|--------------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2000ES16CPE043 | Plan to restore the rivers of Pamplona: Arga (2nd phase), Elorz and Sadar | 10 800 638 | 8 640 510 |
| 2000ES16CPE061 | Environmental restoration of the lower part of the River Besos. Phase II | 16 275 417 | 13 020 333 |
| 2001ES16CPE060 | Restoration of the urban environment in municipalities in the Autonomous Community of Catalonia | 14 149 877 | 11 319 901 |

Technical assistance

Assistance worth €812 268 was provided to support the management of the Cohesion Fund during the period by improving the quality of applications for assistance to the projects submitted, improving the evaluation and monitoring of projects, managing

inspection visits and facilitating the management of Cohesion Fund resources by the Autonomous Communities and municipalities.

Outermost regions

Operations continue to take account of the importance attached to the development of the outermost regions (Canary Islands), as stressed in the Commission's Report on the measures to implement Article 299(2) of the Treaty (COM(2000) 147 final). Community assistance totalled €35 million.

Supply of drinking water

The Cohesion Fund regards this sector as of particular importance in the Canary Islands because of its specific difficulties. The measures presented in 2001 continue to stress water-supply networks in medium-sized localities.

Waste-water treatment

The Canary Islands are lagging behind in this regard and substantial efforts are continuing to improve water quality considerably. The measures presented in 2001 stress improvements to plant in treatment networks.

Solid waste

Because of their island nature, the options open to the Canary Islands for solid-waste treatment are very limited. The Cohesion Fund has sought to remedy this situation and provide basic infrastructure. The schemes already begun for the construction of environmental centres are continuing.

3.1.2.2 Transport

Under the aid decisions approved in 2001 by the Commission, the transport sector took 51% of total assistance and 48.3% of the commitments made.

During 2001, the Commission adopted a total of 12 decisions to finance projects in the transport sector concerning investment there totalling €1 621 million. Assistance approved totalled €1 121 million.

The breakdown by mode of transport is as follows:

| Mode of transport | Total eligible cost (€ million) | CF assistance (€ million) | % of assistance | Commitments 2001 (€ million) |
|--------------------------|--|----------------------------------|------------------------|-------------------------------------|
| Roads | 183.5 | 156.0 | 13.9 | 91.6 |
| Railways | 1 055.9 | 762.7 | 68.0 | 651.7 |
| Ports | 381.6 | 202.2 | 18.1 | 67.0 |
| Total | 1 621.0 | 1 120.9 | 100.0 | 810.3 |

Road network

For this mode of transport, the priority continued to be progress on links with France and the development of links between road networks forming part of the trans-European networks.

In 2001, the Commission approved assistance for both projects submitted by the Spanish authorities. These concerned the Zaragoza ring road, an important means of linking the various trunk roads which meet there, and part of the trans-Catalonia highway between Cervera and Santa María del Camí. This link completes this major route.

The following table shows the projects adopted in 2001 in the roads sub-sector.

| ROADS - Projects adopted in 2001 | | | |
|---|--------------------------------|----------------------------------|----------------------------------|
| No of project | Name of project | Eligible cost (€ million) | CF assistance (€ million) |
| 2001.ES.16.C.PT.011 | Cervera – S.M. Camí expressway | 128.2 | 108.9 |
| 2001.ES.16.C.PT.013 | Southern ring road, Zaragoza | 55.3 | 47.0 |
| TOTAL | | 183.5 | 155.9 |

Rail network

In 2001 the investment effort for the high-speed line from Madrid to Barcelona and the French border continued. This is one of the major projects identified as priorities by the European Council in Essen (9-10 December 1994). The decisions approved in 2001 concerned mainly the construction of this line in the Autonomous Community of Catalonia in preparation for extending the work to Barcelona.

| RAILWAYS - Projects adopted in 2001 | | | |
|--|--------------------------------------|----------------------------------|----------------------------------|
| No of project | Name of project | Eligible cost (€ million) | CF assistance (€ million) |
| 98.11.65.002 Amendment | TGV (Madrid – Lleida) | 141.1 | 101.7 |
| Miscellaneous projects | TGV (Lleida – Tarragona – Martorell) | 914.8 | 660.9 |
| Total | | 1 055.9 | 762.6 |

Ports

During 2001 the Cohesion Fund provided financial support for the project to enlarge the Port of Barcelona. This part-financing concerns only certain phases of the whole plan, specifically two breakwaters (East and South) and some corrective measures to offset the environmental impact of the works. These form part of the master plan for the Port of Barcelona, which includes all the operations related to the enlargement.

The master plan seeks to eliminate the main structural bottlenecks in the port caused by lack of space and the European-gauge rail connections.

Enlargement of the Port of Barcelona is a project of common interest within the meaning of Article 7 of Decision 1692/96/EC on Community guidelines for the development of the trans-European transport networks (TENs-T). The Cohesion Fund is making a decisive contribution to the overall viability of the project.

Its financial contribution amounts to €202 million. The European Investment Bank is providing a further €250 million to finance other phases of the master plan.

3.1.3. Ireland

During 2001 the Commission approved only one new Cohesion Fund grant to Ireland totalling €87.1 million, of which €37.8 million was committed from the 2001 budget. Four other commitments were made during the year amounting to €77.2 million and

involving either the first or subsequent instalments of projects already adopted. This pattern of commitments is influenced by the size of the allocation available to Ireland and the trend initiated in recent years of moving away from support for small projects to support for large projects with multi-annual budgets.

In terms of commitments, the balance between transport and environment projects is improving over the period 2000-06 with the ratio rising from 19.3%/80.7% in 2000 to 38.0%/62.0% in 2000-01 respectively. With a small group of large projects it is relatively difficult to ensure balance each year. However the objective is still to ensure a 50:50 balance over the whole programme period.

Nine projects from 1993-99 were closed and the final reports for five other projects were considered in 2001. In addition, amendments were made to 22 projects on which decisions had been taken in 1994-99.

| IRELAND - PROJECTS ASSISTED IN 2001-WASTE-WATER TREATMENT | | | |
|--|---|--|-----------------------------|
| CCI N° | Project Name | Type of project/commitment | 2001 Commitment (€ million) |
| 2000 IE 16 C PE 001 | Dublin Region Waste-water Treatment (Stage V) | Second annual instalment | 16.27 |
| 1999 IE 16 C PE 002 | Limerick Main Drainage (Stage III) | Second annual instalment | 23.46 |
| | | TOTAL | 39.73 |
| IRELAND - PROJECTS ASSISTED IN 2001 ROADS | | | |
| CCI N° | Project Name | Type of project/commitment | 2001 Commitment (€ million) |
| 2000 IE 16 C PT 001 | M50 South Eastern Motorway (Stage II) | First annual instalment | 37.88 |
| 2000 IE 16 C PT 002 | M1 Cloghran - Lissenhall (Stage II) | Second annual instalment | 19.40 |
| 2000 IE 16 C PT 003 | M1 Lissenhall - Balbriggan | First annual instalment ⁽¹⁾ | 17.98 |
| | | TOTAL | 75.26 |

(1) The grant was adopted in December 2000.

3.1.3.1. Environment

The two priorities for the environment sector for the current period are the collection and treatment of waste water and the management of solid urban waste.

Waste-water collection and treatment

No new project was assisted in 2001.

Solid waste

No new project was assisted in 2001.

3.1.3.2. Transport

As in the environment sector, there are only two priority sectors for this period, roads and public transport.

Roads

During 2001 one grant decision was made. It related to the construction stage of a previously supported motorway project. This project is situated on the M50, a priority route under the trans-European networks - transport initiative.

| Roads Projects adopted in 2001 | | | |
|-----------------------------------|---------------------------------------|------------------------------------|------------------------------|
| Project reference | Name | Total eligible cost (€ million) | CF assistance (€ million) |
| 2000/IE/16/C/PE/001 | M50 South Eastern Motorway (Stage II) | 87.1 | 74.0 |

The objectives of the M50 project can be summarised as follows:

The M50 South Eastern Motorway (Stage II): the M50 South-eastern Motorway is part of the M50 Dublin Ring Road, which is itself part of the E01 between the ports of Larne and Rosslare. The project is the 'missing link' in the chain of projects which will provide a complete C-ring motorway around Dublin. The planning and pre-construction phase of the project including detailed design, site investigation and the EIA was assisted by the Cohesion Fund under Stage I. The Commission is contributing to the building and construction costs of approximately 8.6 km of the main motorway, the provision of related structures and three interchanges.

As with previous priority road projects funded by the Cohesion Fund, and in view of the volume of construction work involved compared to the limited volume of Cohesion Fund support available, the Commission and the Irish authorities have agreed that the relevant grant decision will target funding towards selected construction costs of this project.

Rail

No new project was supported in 2001.

3.1.4. Portugal

During 2001 the Commission approved 16 new projects for which finance totalling €566.7 million was provided; of this, €327.7 million was committed from the 2001 budget.

Following these commitments and including projects adopted in previous years which have an impact on the budget for 2001, the total commitments for the year were as follows:

| | Total eligible costs (€ million) | Total CF assistance (€ million) | Commitments 2001 (€ million) |
|----------------------------|-------------------------------------|------------------------------------|---------------------------------|
| Environment 2001 | 457 | 302.3 | 231.7 |
| Transport 2001 | 354.7 | 264.4 | 96 |
| Environment previous years | 116.8 | 64.6 | 6.3 |
| Transport previous years | 649.4 | 504.5 | 121.8 |
| Total | 1 577.9 | 1 135.8 | 455.8 |

3.1.4.1. Environment

As in the previous period, the main priorities for assistance from the Fund in 2000-06 are waste-water treatment, the supply of drinking water and the treatment of urban waste. In accordance with the guidelines in the framework directive on water, Portugal has adopted a new approach to water management. The projects submitted are drawn up by water basin and cover the whole cycle, i.e. the capture, treatment and distribution of drinking water and also the appropriate treatment of waste water (drains). Accordingly, the following breakdown shows only the integrated water sector and urban waste.

During 2001 the Commission adopted 12 new projects in the field of the environment, seven in the water sector and five in the urban waste sector.

| | Total eligible costs (€ million) | Financial assistance (€ million) | % of total environment assistance | Commitments 2001 (€ million) |
|------------------------------|---|---|--|---|
| Integrated water sector | 301 | 185.2 | 61.3 % | 148.2 |
| Urban waste sector | 156 | 117.1 | 38.7 % | 83.4 |
| Projects from previous years | - | - | - | 6.3 |
| Total | 457 | 302.3 | 100 % | 237.9 |

Water

In the previous programming period assistance from the Fund was concentrated in the most densely populated regions. During the new period, as was noted last year, assistance is now being provided also to less densely populated regions, including the Autonomous Region of Madeira, in line with the strategy adopted for the sector.

The management model adopted, based on intermunicipal systems, allows for the implementation of large-scale projects which achieve substantial economies of scale and make it easier to monitor the strategy.

The seven projects approved represent an investment of €301 million, of which the Cohesion Fund will provide €185.2 million. This is about 61.3% of the assistance granted in 2001 to environmental projects in Portugal.

| Water sector Projects adopted in 2001 | | | |
|--|--|--|--------------------------------------|
| No of project | Title | Total eligible cost (€ million) | CF assistance (€ million) |
| 1998/PT/16/C/PE/002 | Treatment of waste water from Lisbon – Alcântara treatment station | 33.4 | 10 |
| 2000/PT/16/C/PE/005-010 | Grouped studies, technical projects and technical assistance – 1st phase | 36.6 | 31.1 |
| 2000/PT/16/C/PE/009 | Minho Lima intermunicipal system | 39.1 | 25.4 |
| 2000/PT/16/C/PE/007 | Zêzere Côa intermunicipal system | 54.9 | 34.6 |
| 2001/PT/16/C/PE/002 | Optimal water management in the Autonomous Region of Madeira – 1st phase | 39.7 | 29 |
| 2001/PT/16/C/PE/007 | Zêzere Nabão intermunicipal system | 63.7 | 44.6 |
| 2000/PT/16/C/PE/004 | Treatment of waste water from Greater Oporto south – Sobreiras treatment station | 33.6 | 10.5 |

Urban waste

As they did in the previous period (1993-99), the Commission and Portugal continue to pay great attention to the management of urban waste in order to meet the targets set in the Strategic Plan for solid urban waste (PERSU) adopted in 1996.

During the year, the Cohesion Fund approved five new projects to implement strategies defined in the PERSU, including the construction of a national network of primary infrastructure for the collection, treatment and disposal of waste and the closure of uncontrolled tips (*lixeiros*) where most urban waste was disposed of in environmentally unacceptable conditions.

While in the past such infrastructure was built mainly in the coastal regions of Portugal - the most densely populated -, as in the previous year, the Cohesion Fund is now providing assistance in inland areas of Portugal so that soon the whole country will be covered.

With this end in mind, in 2001 the Commission approved two new projects (see table below) establishing systems for the treatment of waste produced in inland regions of continental Portugal, approved new phases for two projects adopted previously and approved a project on the implementation of measures to raise the level of treatment in some systems already in operation.

The five projects approved represent an investment of €156 million, of which the Cohesion Fund will provide €117.1 million. This is about 38.7% of the assistance granted in 2001 to environmental projects in Portugal.

| Treatment of URBAN WASTE Projects adopted in 2001 | | | |
|--|---|-------------------------------|----------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2001/PT/16/C/PE/001 | Baixo Alentejo waste treatment system | 22.1 | 18.9 |
| 97/10/61/015 | West regional waste treatment system – increased assistance | 31.3 | 26.6 |
| 2000/PT/16/C/PE/002 | Incineration centre on Madeira – 2nd phase | 68 | 45.4 |
| 2000/PT/16/C/PE/015 | Cova da Beira waste treatment system | 16.4 | 13.9 |
| 2001/PT/16/C/PE/003 | Supplementary measures for waste treatment | 18.2 | 13.6 |

3.1.4.2. Transport

The financial volume of the projects adopted in the rail sector in 2000 meant that there was little scope for adopting new transport projects since the commitment instalments to be charged to the budget for 2001 for those projects already accounted for a large part of the quota allocated to Portugal. The table below shows the amounts for new projects and the amount of commitments for the 2001 instalments of projects adopted in 2000. It also shows that in 2001 virtually all (92.6%) of the funds allocated to transport were spent on the rail sector.

As it had done in 2000, the Cohesion Fund made a substantial effort to support investment in the Portuguese rail system. This continued to be concentrated on two lines of major strategic importance (Norte and Algarve) which form part of priority project 8.

| | Total eligible costs (€ million) | Financial assistance (€ million) | % of total transport assistance | Commitments 2001 (€ million) |
|------------------------------|---|---|--|-------------------------------------|
| Rail sector | 315.6 | 244.8 | 92.6% | 80.3 |
| Ports sector | 39.1 | 19.6 | 7.4% | 15.7 |
| Projects from previous years | | | | 121.8 |
| Total | 354.7 | 264.4 | 100% | 217.8 |

The Commission adopted four new projects (see table below), two forming part of a broad programme to modernise the Algarve line, one to extend the Lisbon underground railway by constructing a section to allow intermodal links and a project to improve access to the port of Aveiro.

The four projects approved represent an investment of €354.7 million, of which the Cohesion Fund will provide €264.4 million.

| Rail sector Projects adopted in 2001 | | | |
|---|---|-----------------------------------|--------------------------------------|
| No of project | Name of project | Total cost (€ million) | CF assistance (€ million) |
| 2001/PT/16/C/PT/001 | Modernisation of the Algarve line – Section IV | 9.5 | 7.6 |
| 2001/PT/16/C/PT/002 | Lisbon underground – S.Sebastião –Alameda section | 132.1 | 98 |
| 2001/PT/16/C/PT/003 | Modernisation of the Algarve line – Section V | 174 | 139.2 |
| 2000/PT/16/C/PT/010 | Port of Aveiro – road and rail access | 39.1 | 19.6 |

3.2. Technical assistance and studies

3.2.1 General policy of the Fund

3.2.2. Technical assistance at the initiative of the Commission

Spain

Technical assistance at the initiative of the Commission was used for the *ex-ante* evaluation of a project for the environmental restoration of mining waste in the Rio Tinto region of Andalusia. The aim of the mission was to assess the development of the Aguzadera basin.

4. MONITORING, ASSESSMENT AND IRREGULARITIES

4.1. Monitoring: Committees and missions

4.1.1. Greece

4.1.1.1 Monitoring Committees

Environment

Meetings of the Monitoring Committee and of the special Committees for the Psyttalia, Evinos and EYDAP major projects were held in Athens in May 2001. The work of these Monitoring Committees is recorded in the relevant minutes.

Transport

A meeting of the Monitoring Committee was held in Athens in May 2001. The work of this Monitoring Committee is recorded in the relevant minutes.

4.1.1.2. Monitoring missions

A number of project visits were undertaken in 2001. The objective was twofold: to verify progress in the completion of the relevant projects and to clarify the difficulties with certain projects.

The project visits are listed in Annex 1.

4.1.2. Spain

4.1.2.1. Monitoring Committees

In 2001 a Monitoring Committee met in Madrid on 26 and 27 April. This was the fifteenth meeting of the Cohesion Fund Monitoring Committee.

The Committee is subdivided into seven specific Committees by sectors and by managing authority:

- Committee for projects submitted by the Autonomous Communities
- Committee for reforestation projects
- Committee for projects submitted by local authorities
- Committee for transport projects submitted by the national government
- Committee for the HST South project: Madrid—Barcelona line
- Committee for public-private partnership projects
- Committee for environmental (including water) projects submitted by the national government

Each session of the Committee looked at the situation at 31 December 2000 for certain projects and groups of projects (63 decisions in all) previously selected in partnership by officials from the Ministry of Finance and the Commission. Figures on the projects not selected were also sent to the Committee and to the Commission for information.

Discussions covered strategic issues in the transport sector and the problems of certain environmental projects. At the same time, the Commission set out the new guidelines to be introduced for the amendment of decisions.

The Spanish authorities announced to this Committee the dispatch of applications to amend the financing plan and the dates for the end of work on a large number of projects. They also announced the closure of certain projects, stating that administrative matters relating to the reception of the works could delay the submission of the final reports.

Applications for payment of the balance for reforestation projects had been submitted as planned.

In 2001, 19 decisions were closed and the balances paid.

4.1.2.2. Monitoring missions

The missions were carried out to assess and check the progress of projects being implemented and to clarify the difficulties encountered in their implementation (see Annex I).

4.1.3. Ireland

4.1.3.1. Monitoring Committees

In 2001 there were two meetings of the Monitoring Committee, on 18 May and 18 October. In general, the Commission was satisfied with the quality of the information the Irish authorities supplied on the management of projects and outstanding questions were addressed adequately.

At these meetings the Committee examined written progress reports on up to 41 open projects from the period 1993-99 and on 7 projects from the period 2000-06.

There was also progress with the successful completion of 9 further projects in 2001. The outstanding projects from the period 1993-99 to be completed at end-2001 represent around 30% of the projects supported in that period.

In respect of project amendment and/or extension requests in 2001, the Commission informed the Irish authorities that it was reviewing its policy towards extensions of the end-date for Cohesion Fund projects and that new guidance would be prepared for the Member States on project amendments to reflect the Commission's more restrictive policy. In advance of this guidance, the Commission has started to include a clause restricting the possibility of amending decisions which have already been amended several times.

4.1.3.2. Monitoring missions

The project visits undertaken in 2001 had the following objectives:

- to check progress in the completion of the relevant projects, and
- to clarify the difficulties with certain projects reported to the Monitoring Committee previously and to approve project amendments.

The project visits undertaken are listed in Annex I.

4.1.4. Portugal

4.1.4.1. Monitoring Committees

As required by the Fund Regulation, the Monitoring Committee meets twice a year.

In 2001 these meetings took place on 15 and 16 May and 11 and 12 December. They considered each project individually and provided an opportunity to discuss general topics such as publicity, inspections, public procurement, the implementing rules and miscellaneous information.

In Portugal there is a specific Committee to monitor the extension of Madeira airport and one for solid waste projects. The project for the construction of the Alqueva hydroelectric station is monitored by the general Committee and also in the broader forum of the Structural Funds Monitoring Committee for the specific integrated development programme for the Alqueva (PEDIZA).

4.1.4.2. Monitoring missions

Besides attending meetings of the Monitoring Committee, in 2001 the Portugal unit of the Regional Policy DG carried out a number of monitoring missions to check on the progress of projects, to acquire on-the-spot knowledge of the problems encountered in implementation and to find the best solutions for the normal implementation of the projects.

From 5 to 7 November that unit also took part in an inspection by the relevant unit of DG REGIO of Cohesion Fund assistance to projects 95/10/61/026 – Valorsul and 95/10/65/002 – Port of Lisbon – Sta. Apolónia.

Other technical missions relating to consideration of certain applications were carried out during the year, in particular on the West region, Simtejo and Simlis integrated intermunicipal water systems on 14 December with Águas de Portugal.

The monitoring missions carried out by the Portugal unit of the Regional Policy DG are listed in the Annex.

4.2. Inspections and conclusions

In 2001, the Commission carried out six inspections regarding the Cohesion Fund. These were designed to look at the management and inspection system established by the Member States in that sector and check on a number of projects.

4.2.1. Greece

Inspection by DG REGIO :

During 2001, DG REGIO undertook an inspection in Greece to audit the Cohesion Fund systems and a major project. The main findings concerned the very substantial overrun in the costs of the works incurred without complying with the Directive on public procurement, particularly when work that had not been anticipated was ordered. This situation was generally due to a lack of preparation in the projects submitted to the Commission.

4.2.2. Spain

Inspection by DG REGIO:

During 2001 there were three audit missions to Spain, one to the national administration and two to Autonomous Communities. The situation in Spain varies because the decentralised organisation of administration gives greater responsibility for the management and inspection of projects to the Autonomous Communities. The initial results of the inspections nevertheless reveal a general problem of inadequate inspection of systems and projects by the local authorities. In the case of one group of projects, it appears at this stage that the rules on public procurement were not complied with.

4.2.3. Ireland

Inspection by DG REGIO: No audit mission was carried out in Ireland during 2001.

4.2.4. Portugal

Inspection by DG REGIO:

Two audit missions were carried out in Portugal during 2001 to look at the Cohesion Fund systems there and four specific projects. It was found that checks were inadequate (lack of 1st and 2nd level checks) and there were, *inter alia*, staff shortages. In the case of the four Cohesion Fund projects inspected, the 1996 decision on publicity had not been complied with.

The evaluation of a revenue-generating project had been done very inaccurately so that actual revenue was very much higher than that taken in account when the application for finance was submitted to the Commission.

4.2.5. Conclusions

The limited audit work carried out by Regional Policy DG on the Cohesion Fund in 2001 permits some matters of concern to be highlighted. These include the lack of publicity of EU finance (Decision of 1996), the existence of ineligible expenditure, the not always satisfactory implementation of tendering procedures, failing to take revenue into account, insufficient project preparation and the absence of a division between the payment and the inspection function.

The checks which began in 2001 were intensified throughout 2002. They entailed detailed analysis of the management and inspection systems in the four Member

States eligible under the Cohesion Fund and the audit of a significant number of major projects in this sector.

The draft Regulation laying down implementing rules for Regulation (EC) No 1164/94 as regards management and inspection systems and the procedure for implementing financial corrections concerning the Cohesion Fund was finalised. It should be adopted by the Commission in the first half of 2002.

4.3. Irregularities and suspension of aid

Article 3 of Regulation (EC) No 1831/94¹³ concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field requires the beneficiary Member States to notify the Commission of irregularities as soon as a preliminary administrative or judicial finding has been made.

In 2001, one Member State, Greece, notified the Commission of four cases of irregularities involving a total of €2 429 040. These concerned payment for expenditure not planned when projects were approved. The case was detected as a result of inspections carried out by the appropriate departments of the Ministry of Finance. In the course of these communications, the Greek authorities informed the Commission of the measures required to safeguard the financial interests of the Community. In three of the four cases proceedings to recover the amounts wrongly paid are under way and in the fourth the contractor was required to correct the shortcomings in the project, which has been done.

The other three beneficiary Member States notified the Commission under the Regulation that they had detected no irregularities during the year.

¹³ OJ L 191, 29.7.1994.

5. ASSESSMENT AND EVALUATION

5.1. General

As required by the Fund Regulation, the Commission and the beneficiary Member States assess and evaluate Cohesion Fund projects in order to ensure that Community aid is effective.

Every application for assistance must be accompanied by an *ex-ante* appraisal of the project by the Member State, showing that the medium-term socio-economic advantages are in keeping with the resources deployed. The Commission then considers this evaluation, possibly with the assistance of experts from the European Investment Bank or outside consultants. On that basis, it approves the project if appropriate and decides on the rate of Community part-finance.

Once a project is operational, the Commission's *ex-post* evaluation shows whether the goals originally planned have been or will be achieved and what impact the project has had on the environment.

5.2. Examination and *ex-ante* appraisal of projects

As part of its updating of the Guide for the cost/benefit analysis of major projects, during 2001 the Commission carried out substantial internal work to make the *ex-ante* financial analysis of the various projects more coherent. This included consideration of the discounting rate used, the arrangements for applying the polluter-pays principle to water management projects, taking account of historic costs prior to the submission of a project to the Commission in calculating financial profitability and the possible accounting for financial costs. The results of these considerations should be presented to the Member States for discussion during 2002.

5.3. Cooperation with the EIB when a project is considered

Under a framework contract signed by the two institutions in 2000 and valid until the end of 2006, the Commission may ask the European Investment Bank for technical assistance in appraising Cohesion Fund projects, major projects supported by the ERDF and projects financed by ISPA. It also receives regular information from the EIB about projects submitted to one of these three Funds to which the Bank has itself decided to grant assistance.

In 2001, the Commission asked the EIB for over a score of analyses of Cohesion Fund projects, mainly located in Spain and mostly in the transport sector. Following the reports, the Commission asked the Member States to amend certain projects or undertake further preliminary studies. These discussions meant that some transport projects could be reduced in scale in order to reduce investment costs without jeopardising achievement of the goals and to avoid possible technical or administrative problems relating to the implementation of drainage projects.

5.4. Economic and social impact of the Fund in the Member States and on economic and social cohesion, including employment, in the European Union

The Regulation establishing a Cohesion Fund requires the Commission to assess the economic impact of the Fund, both in terms of each project and in terms of Community assistance as a whole.

The work carried out in 2001 on updating the Guide for the cost/benefit analysis of major projects will improve appraisal of the socio-economic impact at the level of each project during the *ex-ante* and *ex-post* evaluations. The new Guide, which is expected to appear in spring 2002, will contain practical examples of cost/benefit analyses of transport and environment projects illustrating the Commission's requirements as regards the analysis of the projects submitted to it. More consistent analysis will also help estimate the overall effect of Community assistance.

5.5. Ex-post evaluation programme

An *ex-post* evaluation programme was established for a three-year period starting in 1998. A total of 120 projects have been evaluated, 60 in each of the two fields for which the Cohesion Fund is responsible.

5.5.1. Environment

Implementation of the environment projects raised no major problems and the projects achieved their goals. Design, construction and operation were generally satisfactory, although certain treatment plants required further works and the time required to bring certain waste-management projects on stream had to be extended because of the unexpected reluctance of users to comply with the obligations of pre-sorted collection.

The environmental impact of the projects was very satisfactory, particularly in the case of drainage projects, where the impact was immediate. By improving living conditions and creating jobs, the projects had a very positive social impact measurable through increased land values and the expansion of tourism and the economy in the areas served by the new infrastructure.

5.5.2. Transport

By contrast, in the transport sector, project implementation met a number of difficulties which took the form of cost overruns of varying extent and delays in completion, higher than expected compulsory purchase costs, price increases during construction, changes to the original project, administrative and institutional problems and so on.

However the overall socio-economic impact of the projects was very positive and the achievement of the policy objectives of economic and social convergence between the regions exceeded expectations. The time savings and greater safety provided by the new infrastructure are frequently remarkable. Traffic expansion on the trans-European network exceeded estimates and the projects greatly improved access to certain areas of the Community, reduced the economic isolation of the outermost regions, mitigated the impact of borders and substantially alleviated congestion in urban areas provided with new infrastructure. The impact of implementing the projects on job-creation was limited. The environment received a great deal of attention: applications were accompanied by an environmental impact assessment and many measures were taken to offset any negative impact of the projects.

6. INTER-INSTITUTIONAL DIALOGUE, INFORMATION AND PUBLICITY

6.1. Annual report for 2000

6.1.1. European Parliament

In its own report¹⁴, Parliament welcomed the 2000 annual report, which it regarded as a vital tool for assessing the work of the Fund.

However, it noted that the Commission was dissatisfied with the quality of the *ex-ante* evaluations. Parliament also drew attention to what it regarded as the insufficient number of inspections carried out by the Commission in 2000, which was smaller than in previous years.

The inspections which began in 2001 continued in much more intensive fashion throughout 2002.

Parliament also noted that the Commission needs to be more strict in ensuring compliance with the rules on transparency in the awarding of public contracts.

6.2. Information from the Member States

An information meeting with the 15 Member States was held in Brussels on 24 October 2001.

At that meeting, the Commission presented the Annual Report of the Cohesion Fund for 2000. It also distributed the draft Regulation on management and control systems and the financial corrections applied under the Cohesion Fund. Some articles of that draft Regulation were then discussed.

6.3. Other events

6.3.1. Information for the social partners

A meeting with the social partners was held on 14 March 2001 at which the work of the Cohesion Fund during 2000 was presented.

6.4. Commission measures on publicity and information

The Commission produced a particularly large number of publications in 2001 and restructured its series of brochures (success stories by country and topic; brochures on different types of areas). All these new brochures featured examples of successful projects part-financed by the Cohesion Fund.

The annual report was published in an appropriate format and summarised in the Inforegio information bulletins published by the Regional Policy DG.

¹⁴ Turco report.

Special material was produced for specific events such as information meetings, conferences and exhibitions (portable stand, computer-designed slide shows and graphics, audio-visual material and printed matter). Some of this information material may be accessed directly via the Inforegio web site on the Commission's Europa server.

The Commission also organised meetings with the authorities in Portugal and Greece to discuss information and publicity for regional and cohesion policy. Information on the Cohesion Fund was also discussed at these meetings.

ANNEX I

List of monitoring and quality-control missions carried out in 2001

Greece

- March Waste-water treatment station at Kozani.
- March Technical meeting on road, railway and port projects.
- April Technical meeting on the amendments requested to Cohesion Fund environment projects.
- May Meeting of the Monitoring Committee for Cohesion Fund projects.
- May Meeting with the Ministry of National Economy relating to road and railway projects.
- June Inauguration of a Cohesion Fund project in Athens, and training seminar on Cohesion Fund projects.
- July Meeting on Cohesion Fund projects at the Ministry of the environment.
- October Meeting on Cohesion Fund projects in the Epirus region.

Spain

The monitoring missions carried out by the geographical unit were as follows:

- January: HST project. Madrid—Barcelona—French border. Visit with EIB representatives to update the evaluation report.
- July: Barcelona. Project 2000.ES.16.CPE.061. Environmental restoration of the final section of the River Besos. 2nd phase. On-the-spot visit as part of the examination of the project to secure information on the environmental goal to be achieved from the authorities responsible for the project.

Ireland

25-27 March – Dublin

Project No 96/07/61/011 - Publicity and Information: The Commission was informed about progress being made and the reasons for extending the date for the completion of the project. It assessed the extent to which the project had a measurable impact beyond complying with Decision 94/455/EC.

The Three Rivers project: No 94/07/61/014 (River Suir catchment water quality management scheme), No 95/07/61/001 («TITLE»), No 94/07/61/015 (River Liffey catchment plan): The Commission inquired about the reasons for integrating elements of the three decisions in a catchment monitoring and management project and requested full and transparent financial accounts of the elements of each of the projects.

Project No 95/07/61/013 - Dublin Water Supply III: The purpose of the visit was to verify the progress with project planning elements requiring an extension of the end-date (Stillorgan reservoirs) and to verify the changes made to the works required under the CF grant decision (Dun Laoghaire/Killiney).

Project No 96/07/61/001 - Dublin Water Conservation: The purpose of the visit was to verify the delivery of the Dublin water conservation strategy and to validate the need for an end-date extension and that the required volume of work was being completed to meet the physical description of the grant decision.

Project No 99/07/61/003 - Dublin Region waste-water supply (treatment works) Stage V: The purpose of the visit was to verify the physical progress in construction of the treatment works at Ringsend, Dublin. The visit to the treatment plant comprised a short presentation of the project at the site office and a tour of the extensive works in progress. Recent information/publicity material and photos of the works were provided by the Corporation.

Project No 98/07/61/004 - Dublin Region waste-water supply (submarine pipeline, Dublin). The visit, which was also part of a tour of the Ringsend works, comprised a short tour of the pipeline works site at Ringsend and an inspection of the publicity boards on display at the nature reserve and along the sea front which has been fenced along the pipe trench.

Project No 99/07/65/002 - Heuston Station and SW rail corridor development: The purpose of the visit was to make a first inspection of the recently agreed project Heuston Station and SW corridor development.

17 May - Dublin

Project No 96/07/65/010 - M50 Southern Cross Motorway: The purpose of the visit was to check progress towards completion with a view to opening to traffic in summer 2001 and the information and publicity arrangements to date.

Portugal

Monitoring missions

– 4 May - Setúbal

Project No 97.10.61.018 – Drainage system in Setúbal including interceptors and a waste-water treatment station.

– 5 and 6 June - Vila Nova de Gaia, Esposende and Vila do Conde

Project No 94/10/61/010-011; 97/10/61/004 - Drainage system in Vila Nova de Gaia and waste-water treatment stations.

Project No 95/10/61/015 - Drainage system in Esposende and waste-water treatment stations

Project No 96/10/61/019 – Southern interceptor at Vila do Conde.

– 26/11/2001 – Madeira (Funchal)

Project No 2001/PT/16C/PE/002 – Optimal water management in the Madeira archipelago

– 22/6/2001 – Madeira (Funchal)

Projects Nos 96/10/61/007 and 2000/PT/16/C/PE/002 – 1st and 2nd phases of the waste treatment centre on the Madeira archipelago.

European Commission

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