



Cohesion Fund

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Cohesion Fund, first review (1993-94)

The Cohesion Fund, which was introduced by the Maastricht Treaty, helps four Member States — Spain, Greece, Ireland and Portugal — to prepare for economic and monetary union by contributing to the financing of environmental projects and trans-European transport infrastructure. By providing this aid, which is in addition to aid from the Structural Funds, the Cohesion Fund helps to strengthen economic and social cohesion in the Community.

Owing to delays in ratifying the Treaty, the Cohesion Fund did not come into force until May 1994. However, financing was granted from April 1993 to May 1994 from a provisional 'cohesion financial instrument', from which the Cohesion Fund proper took over from June to December 1994.

This information sheet summarizes the main points of the consolidated report on operations to assist the four cohesion countries in 1993 and 1994. It includes:

- reasons for setting up the Cohesion Fund, and financial resources;
- general results for 1993-94;
- an overview of projects country by country;
- a brief introduction to 'convergence programmes'.

The Cohesion Fund

This Fund is intended for four Member States whose per capita GDP is less than 90% of the Community average, and which have introduced an economic 'convergence programme'. It can be used for operations in all regions of the countries concerned, through financing allocated direct to environment projects and trans-European transport infrastructure projects. The assistance is conditional: it may be suspended for new projects if the Council finds a persistent excessive public deficit. Moreover, if GDP rose to over 90% of the Community average, the Member State concerned would no longer be eligible for new projects. On the environment side, projects are eligible in the following fields:

- (i) drinking water, urban waste water, waste;
- (ii) environment and health protection, natural resource management, applying the guidelines of the fifth Community action programme for the environment.

On the transport side, the following are eligible: infrastructure to improve the interconnection and accessibility of networks, especially in the framework of trans-European transport programmes. The Cohesion Fund cooperates closely with the European Investment Bank (EIB).

Why, and how much?

As the Maastricht Treaty reaffirmed, what is basically at stake in the building of Europe is economic and social cohesion — or, in other words, balanced levels of development and living standards throughout the Community. This is more true, in view of the prospects for economic and monetary union (EMU) opened by the Treaty, as the conditions for achieving EMU, especially stable public finances, raise particular problems for the least prosperous Member States. That is why the Treaty introduced a Cohesion Fund, alongside the existing Structural Funds, with the purpose of supporting Greece, Spain, Portugal and Ireland — the 'cohesion countries' — in preparing for EMU.

In particular, the arrangements are intended to ensure that efforts to stabilize the budget do not hamper necessary investment in basic infrastructure. Cohesion Fund operations relate exclusively to two areas, accounting for considerable investment in view of the capacity of the Member States concerned, and of special interest for European integration, the environment, and trans-European transport infrastructure.

These operations are explicitly linked to the guidelines of the fifth European Community programme of policy and action in relation

to the environment and sustainable development, which followed on from the Maastricht choice of sustainable, environmentally-friendly development. The guidelines go beyond simple compliance with Community legislation on the environment, stressing positive action and the 'polluter pays' principle. Moreover, appropriations are not globally allocated to development programmes for breaking down later, but assigned direct to clearly identified projects. This enables their environmental impact to be taken into consideration in practical terms right from the outset. On the transport side, projects must be compatible with the Community's common transport policy, which includes respect for the environment.

The Edinburgh European Council of December 1992 decided on a budget of ECU 15.15 billion (at 1992 prices) for cohesion aid in the four recipient countries for 1993-99. The Council also provided for the annual allocation of resources. On this basis, an indicative allocation by country was established, taking account of the bands laid down by the Cohesion Fund Regulation: 52 to 58% for Spain, 16 to 20% for Greece, the same for Portugal, and 7 to 10% for Ireland. The table below shows this share-out according to average rates.

Total annual allocation and indicative allocation by country, at average rates¹ (ECU million, 1992 prices)

Year	Total 4 countries	Spain (55%)	Greece (18%) and Portugal (18%)	Ireland (9%)
1993	1 500.0	825.0	270.0	135.0
1994	1 750.0	962.5	315.0	157.5
1995	2 000.0	1 100.0	360.0	180.0
1996	2 250.0	1 237.5	405.0	202.5
1997	2 500.0	1 375.0	450.0	225.0
1998	2 550.0	1 402.5	459.0	229.5
1999	2 600.0	1 430.0	468.0	234.0
Total 1993-99	15 150.0	8 332.5	2 727.0	1 363.5

¹ Average rates in relation to the bands laid down for the various countries.

1993-94: General results

The share of the environment in the projects approved for 1993 and 1994 was 45%, that of transport infrastructure 55%; henceforth, the two types of project will take equal shares. The review of the start-up period shows that the operations financed will eventually make a significant contribution to reinforcing economic and social cohesion.

Environment

The bulk of the aid allocated to environmental projects adopted in 1992 and 1993 (ECU 764.02 million) was used for drinking water supplies and the treatment of waste and waste water. These three areas are priorities for Community legislation, where the countries concerned need to make an effort. The breakdown of financing was as follows: water supply: 46.2%; drainage: 19.6%; control of erosion: 12.8%; water quality: 10.5%; natural environment: 3.9%; removal of industrial pollution: 2.4%; miscellaneous: 1.2%; cultural heritage: 1%.

Special emphasis was given to the most cost-effective projects in terms of the expected economic and social advantages in relation to amounts invested. Member States were asked to make an effort to develop appropriate methods to analyse and quantify the socioeconomic effects of environmental measures.

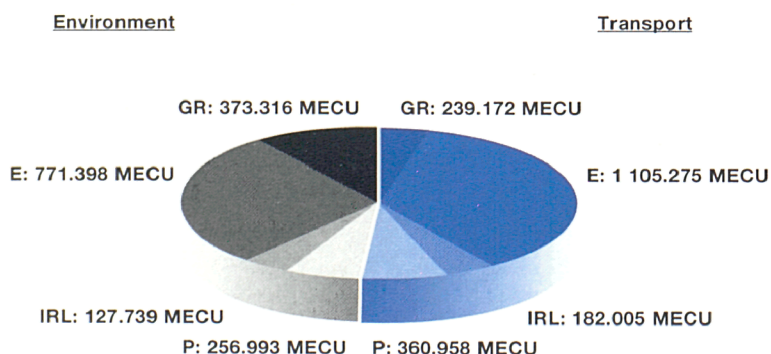
Transport infrastructure

The 94 transport infrastructure projects adopted in 1993 and 1994 received Community aid of ECU 1 118.7 million. Priority was given to projects that are part of the networks defined in the Community guidelines, or that give access to those networks, or that encourage intermodal transport. The Commission has worked closely with the national authorities to ensure optimal resource utilization. Resources have been concentrated on the main road, rail or sea corridors linking the countries concerned to the rest of Europe, and on enlarging airports in islands strongly dependent on air traffic routes. Budgets have been allocated as follows between the different modes of transport: road: 72.2%; conventional railways: 14.2%; airports: 8.2%; ports: 2.9%; STM (sea traffic monitoring): 1.4%; high-speed train (TGV): 1%.

In the second half of 1994, considerable progress was made in supporting projects to provide new links or substantially improve existing links. The share of appropriations allocated to the railways for this six-month period rose to 24%.

Cohesion appropriations

Amounts committed and allocation in 1993-94 (ECU million)



Coordination of aid with Structural Fund aid

Although Cohesion Fund aid is granted at national level, it fits in with regional aid from the Structural Funds.

- European Regional Development Fund (ERDF): infrastructure, productive investment and aid to SMEs in less-favoured regions;
- European Social Fund (ESF): vocational training and recruitment aid;
- European Agricultural Guidance and Guarantee Fund (EAGGF): adjustment of agricultural structures and rural development;
- Financial Instrument for Fisheries Guidance (FIFG): adjustment of fisheries structures.

The entire territory of Greece, Ireland and Portugal comes under Objective 1 of the Structural Funds (regions whose development is lagging behind), and practically the whole of Spain is eligible for regional aid.

The Community sees that programmes to which the Structural Funds contribute financing are coordinated with measures eligible for support from the Cohesion Fund. Financing from both sources at once is not allowed, but different stages of a project may be financed separately. Community aid may not exceed 90% of total expenditure on the same project.

The share of the environment in Spanish projects increased from 29% in 1993 to 51% in 1994. The breakdown by year and by sector was as follows:

1993

Roads: 30%
 Railways: 19%
 Airports: 12%
 Water quality: 11%
 Water supply: 10%
 Drainage: 8%
 Nature: 5%
 Sea traffic monitoring: 2%
 High-speed train: 1%.

1994

Roads: 30%
 Railways: 19%
 Water quality: 12%
 Nature: 11%
 Drainage: 10%
 Miscellaneous: 8%
 Coastal areas: 5%
 Waste: 2%
 Industrial pollution: 2%
 Dams: 1%.

Spain

Environment

Applications from Spain for financial contributions to the cost of environmental projects covered a wide range of activities. Over two years, financing was granted for 93 projects and four studies.

Projects to supply drinking water from a number of different sources (pumping plants and treatment plants, aqueducts, tunnels, etc.) are targeted on areas affected by drought, in particular, those where an emergency situation has been declared. For example, one project supplies water to Madrid through a 32.5 km main. Projects to combat erosion concern the worst hit areas of the major river basins, catchment areas for public reservoirs, or coastal areas. Some major projects are based on integrated plans for the improvement and regeneration of river basins. An automatic network of early warning stations has been set up for the satellite surveillance of water quality of major rivers.

Projects in other categories relate to the treatment of solid urban waste, or to the improvement of the urban environment, for example, by open-space planning in the historic centre of Barcelona. The purpose of measures in favour of parks is to reduce the adverse effects of the influx of visitors on natural habitats, flora and fauna, to prevent fires, etc. Certain projects relate to the reuse of decommissioned railway lines as 'green corridors', soil decontamination, or the detection of climate change and its effects on the environment.

Transport

Most of the 40 projects adopted are road infrastructure projects to improve the links between peripheral areas on the one hand, and France and Portugal on the other, or to provide a continuous network around urban centres. They include the northern and western stretches of the Madrid ring road, a motorway project and three technical studies on radial roads into the capital, various transversal or peripheral roads to provide the Spanish network with a denser mesh, and extra lanes along the Madrid—Villalba stretch of the National 6.

For the railways, the main objective is to improve the quality of the network linking the country's five largest towns: modernization or provision of double tracks, electrification of certain stretches, adaptation of the width of the tracks, improvement of stations, removal of level crossings, etc. Projects to improve airports have been approved to reduce the isolation of the Canaries and the Balearic Islands. Maritime surveillance systems and sea pollution control systems have been set up at five strategic points on the coast; in view of the ecological advantages of these projects, the investment cost has been regarded as equally divided between transport and the environment.

Cohesion appropriations committed in 1993-94 in Spain

(in ECU million, 1992 prices)	EC contribution
Environment	771.399
Transport	1 105.275
Total	1 876.674

Greece

Environment

Greece enjoys a remarkable environment in terms of biodiversity; but it also suffers acute problems of atmospheric pollution in large towns, forest fires, and a shortage of various types of infrastructure (water supply, waste water treatment, waste treatment). Thus a large number of large and small environmental projects were adopted in 1993 and 1994.

Water supply projects related to the availability and management of water resources, water quality and the equilibrium between drinking water supply and demand. A major project relates to water supplies to the capital, now a matter of urgency after years of drought; it involves bringing water from the river Evinos while ensuring balanced resource management. Water supply projects to other towns concentrate on tourist centres and industry centres or parks. A desalination project for the plain of Argos is intended to purify groundwater. Waste water and effluent treatment projects have come under way in a number of large and medium-sized regional towns; the wide variety of different projects is likely to be a major asset for Greece in this area.

The prevention of forest fires, a matter of crucial importance for the protection of

nature, is combined with reforestation measures. Projects to create open spaces, along with measures to encourage economic activity, are among the set of projects to improve the old business centre of Athens and to restore archaeological monuments (Athens, Elefsis).

Transport

Among a wide range of transport infrastructure projects adopted in 1993 and 1994, the Greek authorities have concentrated their priorities on two main links: the PATHE (Patras—Athens—Thessaloniki—Bulgarian border), and the Via Egnatia (port of Igoumenitsa to the Turkish border). Rail projects comprise doubling the track on the Athens—Thessaloniki line and modernizing existing tracks.

In addition, airport projects include a new air terminal in Corfu, the modernization of a runway at Athens, and the provision of radar equipment at Thessaloniki and Rhodes, while harbour projects include the construction of a quay at Igoumenitsa, which is potentially the most important sea link between Greece and the rest of the EU.

The share of environmental projects in Greece was 62% in 1993 and 56% in 1994.

1993

Water supply: 42%
Roads: 26%
Drainage: 14%
Ports and airports: 7%
Railways: 5%
Cultural heritage: 3%
Nature: 2%
Waste: 1%.

1994

Water supply: 36%
Roads: 21%
Railways: 18%
Drainage: 12%
Drainage + organic processing: 7%
Nature: 4%
Ports: 2%.

Cohesion appropriations committed in 1993-94 in Greece

(in ECU million, 1992 prices)	EC contribution
Environment	373.316
Transport	239.172
Total	612.488

Environmental appropriations from the Cohesion Fund in Ireland accounted for 48% of the total in 1993 and again in 1994.

1993

Roads: 38%
 Drainage: 25%
 Railways: 14%
 Water supply: 9%
 Ports: 6%
 Waste: 5%
 Airports: 2%
 Nature: 1%.

1994

Roads: 33%
 Drainage: 28%
 Water supply: 17%
 Railways: 12%
 Ports: 8%
 Waste: 1%
 Biotopes: 1%.

Ireland

Environment

In Ireland, where the quality of the natural environment is already high, the emphasis is on waste water treatment and, to a lesser extent, water supplies, in the regions where water quality is below present Community standards. A total of 38 environmental projects have been approved for the two years.

Waste water treatment projects accounted for 60% of total commitments for environmental projects. This reflects the national authorities' determination to comply with Community directives, which provide for the installation or upgrading of treatment plants by the year 2000 at the latest for large urban areas. Most of such areas in Ireland are on the coast. So far, the Cohesion Fund has supported projects started up in Dundalk, Dublin, Wexford, Waterford, Cork, Limerick and Galway. In inland areas, especially those that are sensitive from this point of view, priority was given to dephosphorization equipment in potable water purification plants. A good example is the upgrading of plans in the urban area of Lough Derg, a major tourist centre in the Shannon river basin. Among other environmental projects, we may mention the two modern solid waste

treatment plants in Dublin and Kerry, or the conservation projects for peat bogs, which constitute a valuable natural habitat in central Ireland.

Transport

Almost all the 32 road projects adopted in 1992 and 1993 concern the four main routes of the trans-European road network in Ireland, respectively the north—south route, the south—west route, the east—west route and the western route. Some investments are intended to reduce the cost of improving road capacity and safety in certain parts of the network where the density of traffic is not high enough to justify a new alignment.

Rail projects, mainly for the route from Cork to Dublin and on to the border with Northern Ireland, relate to modernization of basic infrastructure (especially replacement of rails), improvement of signalling, etc. Port projects are concentrated on infrastructure in the country's four largest ports, with a view to expanding traffic, increasing the frequency of service and reducing unit costs. There is also a project to enlarge the air freight terminal at Dublin airport.

Cohesion appropriations committed in 1993-94 in Ireland

(in ECU million, 1992 prices)	EC contribution
Environment	127.739
Transport	182.005
Total	309.744

Portugal

Environment

Portuguese environmental priorities are mainly targeted on the three most highly urbanized regions, Lisbon, Oporto and the Algarve, although there are also a few projects intended to deal with serious problems such as the effects of drought. Geographical concentration has made it possible to introduce coherent sets of projects defined for a specific area and objective, with significant impact. Altogether, 33 projects and 12 studies were adopted in 1993 and 1994.

The bulk of drinking water supply projects are intended to improve the uptake of waters of the Tagus, which supply the Lisbon urban area. In the eastern parts of the Algarve coastal area, a major project to supply seven municipalities involves two dams connected by a tunnel, two purification plants, a pumping system and a supply main. Large sums will be invested in the water network of Odeleite-Beliche (Algarve). Water treatment projects involve waste water disposal for the coastal areas of Lisbon and Oporto through integrated systems (drainage networks, treatment plants, offshore discharges), sanitation of rivers seriously polluted by urban and industrial waste water, etc.

Water is the main priority, but increasing attention is also being paid to the treatment of urban waste. Among the projects already financed are a major incineration unit near Oporto, and the first stage of servicing several municipalities on the left bank of the Tagus at Lisbon. Other projects involve reafforestation and the protection of natural parks and protected areas.

Transport

In view of the rapid development of trade with the Community, efforts to improve the transport infrastructure should continue. The 21 projects and nine studies in receipt of financing in 1993 and 1994 included projects of major strategic importance: they improve three major routes of the road network, giving access to the north, to Madrid, and to Valladolid, and two major railway lines: to the north, and to Beira Alta. All these projects are also integrated into the major trans-European transport infrastructure programmes.

Another aim is to relieve congestion in the large towns thanks to ring roads, to increase capacity and safety along certain stretches, and to restore the important role of shipping for Portugal in the framework of intermodal links.

In Portugal, environmental projects received 45% of financing in 1993 and 40% in 1994.

1993

Roads: 40%
Nature: 19%
Water supply: 15%
Railways: 13%
Water quality: 5%
Drainage: 4%
Waste: 2%
Ports: 2%.

1994

Roads: 54%
Water supply: 17%
Drainage: 13%
Coastal areas: 5%
Waste: 4%
Ports: 4%
Reafforestation: 2%
Railways: 2%.

Cohesion appropriations committed in 1993-94 in Portugal

(in ECU million, 1992 prices)	EC contribution
Environment	256.993
Transport	360.958
Total	617.951

How to apply for Cohesion Fund aid

Projects are managed, in each of the four cohesion countries, by the national or regional authorities competent to deal with Cohesion Fund operations. Interested parties should therefore approach these authorities direct for environmental or transport infrastructure projects. The Community also finances technical assistance measures and studies, for which calls for expressions of interest are published in the *Official Journal of the European Communities*.

The convergence programmes

A condition of assistance from the Cohesion Fund for each recipient Member State is the introduction of a convergence programme aimed at satisfying the criteria laid down for the achievement of economic and monetary union. Two of these criteria are of direct relevance to the Cohesion Fund: the control of public finance deficits, and the control of public debt. The situation in 1993 and 1994 was, in brief, as follows.

Spain

Spain's initial convergence programme was compromised by the recession in 1992 and 1993, which meant that growth rates in those two years were negative (-0.2%), contrary to expectations of a 6.4% growth rate. The Government presented a revised programme for 1995-97, fairly similar to the preceding one, and based in particular on the outlook for economic recovery, job-creating structural reforms, and the commitment to apply appropriate measures if the public deficit was higher than forecast.

Greece

The economic situation was less favourable than expected, which led Greece also to review its initial convergence programme. According to the latest forecasts, Greece will now fulfil the convergence criteria of the Union Treaty in 1998 rather than 1996. Growth rates in the Greek economy are expected to increase significantly, notably as a result of public investment financed with a major contribution from the Community Structural Funds for the period 1994-99, which should create conditions conducive to private investment in the medium term.

Ireland

The first convergence programme followed the stabilization policies applied on the basis of consensus with the two sides of industry, on wages and macroeconomic objectives. During the course of that programme (1991-93), inflation stayed below 3% a year, the net borrowing requirement stayed at about 2.25% (less than half the Community average), and growth averaged 3.25%. The devaluation of the Irish pound in January 1993 boosted external debt, but the public debt reduction target remained intact. Nevertheless, unemployment expanded sharply despite steady growth of employment, owing to the major increase in the labour force. The main aim of the new convergence programme (1994-96), which is still based on the same stabilization policies, is to raise the rate of employment.

Portugal

In 1992 the objectives of the first convergence programme were broadly achieved, with a steady decline in inflation and a public deficit down to 3.3% of GDP. The unexpected recession helped to boost this deficit to 7.1% in 1993. The updated programme, which lasts until 1997, is still based on the economic and social development strategy set out in the Portuguese regional development plan for 1994-99.

In September 1994, the Council of Ministers of the European Union considered that the public deficits of the three cohesion countries other than Ireland were excessive; it issued recommendations with a view to remedying the situation.



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