



The Cohesion Fund : Annual Report 1997

The Cohesion Fund's fifth year of operation in 1997 was very successful. All the budgetary targets for commitments as well as for payments were met and a large number of projects were successfully completed.

The Cohesion Fund aims to strike an equal balance between the financial support for the environment and the transport infrastructure sectors. In its initial years, the Fund tended to support more transport projects but over the last few years many more environmental projects have been approved. This trend towards a more equal balance in assistance for the two sectors continued in 1997 reaching 54,6 % for environment during this year. The European Commission is confident that it will be possible to achieve a 50/50 balance over the whole financing period 1993-1999.

Investments in the environment sector have mainly been for the provision of drinking water, the treatment of waste water, and the safe recycling and disposal of solid waste. Other environmental measures which have been supported include reforestation to counter erosion and nature conservation. Transportation projects have covered all modes of transport including the construction or upgrading of new roads, improvements in rail transport as well as modernisation of port and airport infrastructure.

The European Commission has proposed that the Cohesion Fund should continue for a further seven year period from 2000 to 2006. Proposals have also been put forward by the Commission to establish a pre-adhesion structural instrument for countries of Central and Eastern Europe preparing to join the Union. This will support transport infrastructure and environment projects along the lines of the Cohesion Fund.

Cohesion Fund

The Cohesion Fund is a Community financial instrument available to countries which have a GNP per head of less than 90% of the EU average.

Greece, Ireland, Portugal and Spain benefit from the Fund which supports investment in the environment and transport sectors.

The Fund's aim is to help the four beneficiary countries to meet the Treaty's objectives concerning environmental policy and in particular the targets of the environmental Directives of the Union and also to make significant progress towards completing the Trans European transport networks (TENs).

Greece

Environment

Twenty-seven environmental projects were approved in 1997 and a total of ECU 210.5 million (42.6% of the 1997 allocation) was committed to this sector. The Greek projects make a contribution to meeting the lack of environmental infrastructure in the provision and distribution of water (ECU 89 million), waste water treatment (ECU 84 million) and environmental protection (ECU 36 million). Despite Community investment, environmental needs still far outstrip the volume of investments already committed, although 1997 did see significant improvements in the treatment of waste due to efforts by the Greek authorities in the sector.

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

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

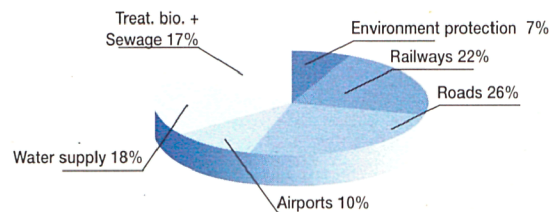
With regard to the protection of the natural environment, the Cohesion Fund has approved a project in the Kalochori-Chalastra area. The Cohesion Fund also supported studies that are now underway to identify other nature conservation projects.

Transport

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

In total, 21 projects were approved in 1997. The road traffic strategy seeks to complete the two principal road axes - the "Via Egnatia" and the "PATHE" (Patras- Athens-Thessaloniki-Evzoni)

highway. Measures to benefit the rail network will cover the station complex and related infrastructure at Thriassio and the construction of the Elefsis-Corinthe line.



Ireland

Environment

In 1997, the Cohesion Fund granted ECU 245.5 million to assistance in Ireland, of which ECU 134.1 million (54.6% of the 1997 budget) was for environment projects. The activities in 1997 concentrated on the continued implementation of priority projects which had been defined in earlier years.

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

Cohesion Fund assistance to water supply projects continued to be concentrated on large urban areas and areas where drinking water quality is particularly poor. A consultancy study carried out in 1996 showed that making better use of existing water resources and distribution systems through water conservation measures, is, in Irish conditions, often more cost-effective

Commitments and payment by beneficiary Member State and sector of intervention

Member State	Total	Environment	% of total	Transport	% of total
Greece	493.5	210.5	42.7	283.0	57.3
Spain	1,514.6	853.1	56.3	661.5	43.7
Ireland	245.5	134.1	54.6	111.4	45.4
Portugal	493.2	302.0	61.2	191.2	38.8
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Total	2,748.7	1,499.7	54.6	1,247.1	45.4

than the construction of new primary infrastructure. As a result, the Fund has made water conservation a priority for assistance and in 1997 water conservation projects were supported in Dublin, Waterford, Cork, Limerick and Wexford.

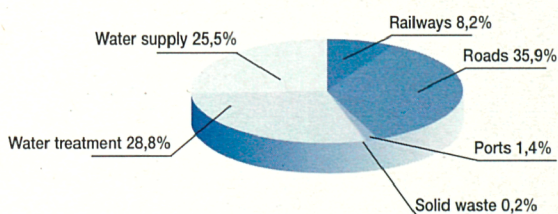
Transport

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

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

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

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



Portugal

Environment

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

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

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

A total of 8 new projects were approved in 1997 for the treatment of solid waste amounting to a total investment of ECU 177 million with a Cohesion Fund contribution of ECU 150 million. These include: treatment and disposal of waste across 18 municipalities in the Minho region, in Feira/Gai, on the left bank of the Douro near Oporto, the left bank of the Tagus, Barlavento and Sotavento in the Algarve, the Vale do Sousa, the Coimbra and Leiria regions and in the Vale do Ave.

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

Transport

In 1997, the Commission approved 7 transport projects representing a total investment of ECU 503.10 million of which ECU 322.57 million will be provided by the Cohesion Fund.

Of these, 4 projects relate to seaport infrastructure at Sines, Lisbon, Setúbal and Leixões. A further section of the Lisbon-Madrid motorway between Montemor and Evora was also approved. The up-grading of rail transport on the northern line continued with the approval of assistance for a new link between Pampilhosa and Quintans.

Cohesion Fund: Agenda 2000

The Cohesion Fund was established by the Maastricht Treaty and entering into force in April 1993. Over the 1993-1999 period, the Fund has a budget of ECU 156.150 million (1992 prices).

Looking towards the future, the Commission produced Agenda 2000, a report proposing a future policy and a financial framework for the Union beyond 2000. The future of the Cohesion Fund plays an important part in these plans.

The Commission has proposed that the Cohesion Fund should be maintained in its present form for the period 2000-2006. While the Commission has proposed some changes in the Regulation that governs the operation of the Fund in the post 1999 period, there is a strong element of continuity with the current rules. Member States taking part in the third phase of Economic and Monetary Union (EMU) with a per capita GNP of less than 90% of the Union average can continue to remain eligible for Cohesion Fund assistance. The rules of conditionality will continue to apply.

The Commission has proposed that the Fund should have EURO 3000 million per year at its disposal. A mid-term eligibility review will take place in 2003 to establish if the beneficiary countries continue to meet the eligibility criteria.

Conditionality

Cohesion Fund assistance is conditional on the sound management of national finances by the governments of the beneficiary countries. According to the principle of conditionality, if the European Council rules that one of the Cohesion countries has a budget deficit in excess of the level agreed with the Union, assistance for new projects in that country can be suspended.

Enlargement to Central and Eastern Europe

The operational success of the Cohesion Fund has resulted in it being used as a model for a pre-accession fund for the countries from Central and Eastern Europe preparing to join the EU. Following the conclusions of the Dublin Council, the Commission proposed the creation of a Pre-accession Structural Instrument (known as ISPA).

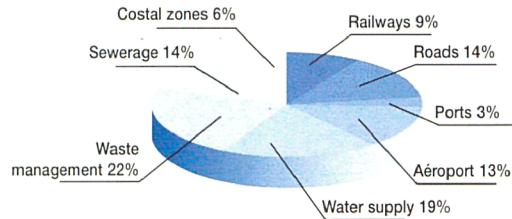
It is proposed that this fund will provide structural assistance of EURO 1 billion over a seven-year period (2000-2006) for structural support for transport infrastructure and environment projects. This would be in addition to the support from the PHARE programmes that are also being designed around the needs of pre-accession countries. Community support levels would be up to 85% of the total cost of projects. ISPA support is envisaged for the candidate countries up to the point of accession.

Conformity with Community Policy

The projects supported by the Cohesion Fund must conform with Community policies in all relevant areas. These principally concern competition, public procurement and environment policies.

The Commission undertakes routine checks to ensure that Cohesion Fund projects meet the requirements of Community law in these areas. The national authorities and the Commission also meet regularly in monitoring committees (usually at least twice a year) to ensure the efficient management of projects.

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



Spain

Environment

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

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

Waste management is another important area that represented 16% of the Cohesion Fund contributions for the year (ECU 136 million). A total of 14 Decisions were approved by the Commission, 4 of which modify earlier Decisions, covering a total of 63 projects.

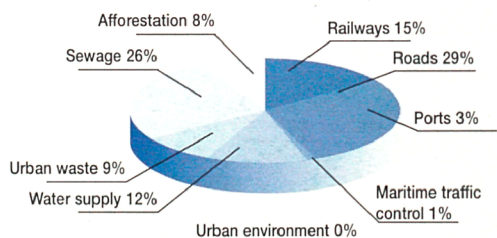
Three urban environment projects were approved, two to improve the cleanliness of rivers, the Elbro at Logroño and the Arga at Pamplona in Navarra, and the third for the creation of a park along the Móstoles near Madrid. Further environmental projects in Spain relate to reforestation and erosion control; 10 new Decisions were taken and a further

6 previous Decisions were modified. The budgetary commitment to this sector totalled ECU 119.5 million.

Transport

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

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



Cohesion Fund allocations (per year)

Year	Total Ecus	Environment		Transport	
		Ecus	%	Ecus	%
1993	1,564.8	606.0	38.7	958.3	61.2
1994	1,853.1	923.4	49.8	929.2	50.1
1995	2,151.7	1,042.2	48.4	1,107.6	51.5
1996	2,443.6	1,217.3	49.8	1,224.1	50.1
1997	2,748.7	1,499.9	54.6	1,246.9	45.4
Total	10,761.9	5,288.8	49.1	5,466.1	50.8



European Commission
Directorate-General for Regional Policy and Cohesion (DG XVI)

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