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## **1. GENERAL CONTEXT**

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

#### **1.1.1 Greece**

In spite of a less supportive international context, the economic activity continued to be buoyant in Greece in 2004. After picking up in 2003 at 4.7%, real GDP growth reached at 4.2% and real GDP per capita in PPS attained around 80% of the EU average. Growth in 2004 was driven by domestic demand, especially investment and public consumption. The general government deficit in 2004 is now estimated to have reached 6.1% of GDP, from 5.2% in 2003, and the debt ratio attains 110.5% of GDP, compared to 109.3% in 2003. The slippage from the 2004 deficit target of 5.2% of GDP reported in the 2005 Budget reflects tax shortfalls and expenditure overruns in the execution of the 2004 budget, on the top of those already unveiled in September 2004.

On 21 March 2005 Greece submitted a revised update of its stability programme, covering the period 2004-2007. According to the reference scenario of the programme, real GDP would grow at 2.9% in 2005 and 3.0% in 2006 and 2007. The budgetary strategy aims at reducing the deficit below the 3% of GDP reference value by 2006, as required by the Council in its notice under Article 104(9). Specifically, the deficit is expected to attain 3.7% of GDP in 2005, and would fall to 2.9% in 2006 and to 2.4% in 2007. Fiscal consolidation is based on a mix of revenue-enhancing measures and expenditure retrenchment, which should lead to high primary surpluses. The debt ratio is projected to decline to 109.5% in 2005 and then to 107.2% in 2006 and 104.7% in 2007. The primary surplus and high nominal GDP growth would be the main driving forces behind the projected path of debt reduction.

In its Opinion on the update on 12 April 2005, the Council noticed that, although the budgetary strategy of the Greek government is in line with the Council notice under Article 104(9), there are several risks to the budgetary outlook for 2005 and beyond, both on the revenue and expenditure sides. Should such risks materialise, the Greek authorities would need to implement additional measures in 2006, on top of those already announced, to effectively bring the deficit below 3% of GDP.

#### **1.1.2. Spain**

In 2004 real GDP grew by 2.7% , keeping real GDP per capita in PPS stable at around 93% of the EU average. Consumer price inflation grew by 3.1% on average. Compared with an initial balanced budget target for 2004, the budgetary position is now estimated to have been a deficit of 0.3% of GDP. This deviation from the initially balanced budget is the result of the inclusion of RENFE (the Spanish railway company) and RTVE (the Spanish public broadcaster) within the general government account, partially offset by higher than expected revenues. Additionally, the estimated debt-to-GDP ratio was 48.9% in 2004 compared to 51.4% in 2003.

Spain submitted the update of its stability programme, covering the period 2004-2008, in December 2004. The macro-economic scenario underlying the programme



projects real GDP growth from 2.9% in 2005 to 3.0% for the rest of the period underpinned by strong domestic demand. The budgetary strategy of the Spanish authorities consists of maintaining a close-to-balance position over the economic cycle. The estimated deficit of 0.3% in 2004 is targeted to become a balanced budget in 2005, to be followed by small increasing surpluses reaching 0.4% of GDP in 2008. The primary surpluses are consistent with a steady decline in the debt ratio, which is projected to fall to 40% of GDP in 2008.

In its Opinion on the update of 8 March 2005, the Council considered the baseline macro-economic scenario in the programme as rather favourable. However, the budgetary projections were considered consistent with a position of close-to-balance in each year of the programme. Consequently, the Council considered that the budgetary stance provided a sufficient safety margin against breaching the 3% of GDP deficit threshold.

### **1.1.3. Portugal**

After the recession had bottomed out in 2003, the economy picked up in 2004, with real growth at 1%, chiefly thanks to a turnaround in private consumption and investment. Increasing exports were insufficient to offset lively import growth, which led to a deterioration of the net external borrowing position to 6% of GDP. In 2004, real GDP per capita in PPS is estimated at 71% of the EU average. On the back of subdued growth, unemployment rose to 6.7% and inflation declined to an annual 2.5%. After a general government deficit of 2.8 per cent of GDP in 2003, Portugal benefited in May 2004 from an abrogation of the excessive deficit procedure that had been initiated in late 2002. In 2004, the government deficit stood at 2.9% of GDP: fiscal revenues were above target helped by a stronger-than-expected domestic demand recovery, but expenditure slippages held back fiscal consolidation. Since, without further measures, a deficit in excess of 3% of GDP would have ensued, and in order to bring the outturn below this reference value, the Portuguese authorities decided to raise 2.2% of GDP of revenue with the one-off transfer to the government of pension liabilities for four enterprises. Government debt stood at 61.9% of GDP, up from 60.1% in 2003.

The most recent update of the Portuguese stability programme, covering the period 2005-2007, was submitted on 23 December 2004 by the caretaker government. The macro-economic scenario presented in the programme projects an acceleration of real GDP growth to 2.4% in 2005 and further to 2.8% by 2007, driven by domestic demand. The programme targets a decline of the general government deficit ratio to 2.8% of GDP in 2005, 2.5% in 2006 and to 1.8% in 2007. Consolidation is planned to be driven by expenditure restraint, in particular by a reduction of the share of public consumption in GDP. However, since the planned expenditure restraint would be insufficient to keep the deficit below 3% of GDP in 2005 and 2006, temporary measures (on the revenue side) are planned to be implemented, with expected proceeds declining from 1.4% of GDP in 2005 to 0.7% in 2006 and 0.3% in 2007. According to the stability programme, the public debt ratio is expected to peak in 2005 at 63.1% of GDP, and to decline thereafter to 61.4% of GDP in 2007.

#### **1.1.4. Cyprus**

In 2004 real GDP strengthened to 3.6%, bringing real GDP per capita in PPS to nearly 85% of the EU average. Consumer price inflation fell back to 1.9%, after peaking at 4% in 2003. The 2004 deficit is estimated to have declined to 4.2% of GDP, down from 6.3% of GDP in 2003. The result, far below the target of 4.8% of GDP, is attributed to the successful impact of fiscal consolidation measures both on the expenditure and revenue side, in conjunction with a more domestic-demand based growth composition leading to extra tax revenues, and despite negative revenue effects linked to delays in the introduction of some measures initially planned for 2004 which are now to be implemented in 2005. Additionally, the debt-to-GDP ratio was clearly lower than targeted, at 71.9% of GDP.

The first update of the convergence programme, submitted in December 2004 and covering the period 2004-2008, reaffirms the fiscal consolidation strategy set out in the May 2004 convergence programme. It projects real GDP growth to pick up from 3.6% in 2004 to 4.3% on average over the rest of the programme period. Within this growth path, the general government deficit is to be reduced to below the 3% of GDP reference value in 2005 at 2.9% of GDP, and to further decline thereafter reaching 0.9% of GDP in 2008. The programme envisages both an increase in the revenue ratio and a decrease in the expenditure ratio. Since interest expenditure is projected to remain constant as a share of GDP, the path of the primary balance is similar to that of the overall balance, improving from -1.3% in 2004 to 2.5% at the end of the period. Improving primary balances, together with debt-reducing stock-flow adjustments (SFAs, reversing earlier debt-increasing SFAs in 2000-2003) are the main drivers of the relatively steep decline in the debt ratio, which is projected to reach 58.1% of GDP in 2008.

In its Opinion on the update of 8 March 2005, the Council considered the projections based on the so-called “central” scenario plausible. The risks to the budgetary projections in the update were considered as broadly balanced, while the planned deficit reduction for 2005 was judged challenging but increasingly feasible. In view of this risk assessment, the budgetary stance in the programme was deemed sufficient to reduce the deficit to below 3% of GDP by 2005 and to provide a sufficient safety margin against breaching this threshold with normal macroeconomic fluctuations from 2006 onward. It was however not sufficient to ensure that the Stability and Growth Pact’s medium-term objective of a budgetary position of close to balance is achieved within the programme period.

#### **1.1.5. Czech Republic**

Real GDP growth has been accelerating, reaching 4% in 2004. Real GDP per capita in PPS is estimated to be more than 70% of the EU average. In 2004, economic activity was driven mainly by net exports and investment. Inflation in 2004 was low, reaching 2.6%. The labour market was slow to react to the pick-up in economic activity. Employment continued to decline (-0.5%) and the rate of unemployment was 8.3%. Developments in public finances were better than expected. The general government deficit was 3% of GDP, far below the target of 5.2%. This was partly a result of stronger growth and partly a result of a change in the budgetary rules which made it possible for the first time to roll-over unspent funds from 2004 into 2005 (about 1% of GDP). Government debt stood at 37.4% of GDP in 2004.

The Czech Republic submitted the first update of its convergence programme, covering the period 2004-2007, on 1<sup>st</sup> December 2004. The baseline macroeconomic scenario presented in the programme expects real GDP growth to be 3.8% in 2004. In 2005, real GDP growth is forecast to reach 3.6% and to accelerate to 3.8% in 2007. The programme aims at reducing the deficit to below the 3% of GDP in 2008. The reduction in the general government deficit should be achieved mainly by a cut in the expenditure ratio which more than compensates the planned reduction in the revenue ratio.

In its Opinion on the updated convergence programme on 18 January 2005, the Council considered the overall macroeconomic scenario as plausible. The risks to the budgetary projections were assessed as broadly balanced. On the one hand, the macroeconomic scenario suggests that revenues could be better than expected and that expenditures could be lower than budgeted. On the other hand, important expenditure cuts, particularly regarding government consumption, still have to be adopted in order to meet expenditure ceilings in 2006 and 2007. In view of this risk assessment, the budgetary stance in the programme was considered sufficient to reduce the deficit to below 3% of GDP by 2008 as envisaged in the programme.

#### **1.1.6. Estonia**

Real GDP growth accelerated in 2004 to 6.2% year-on-year. Real GDP per capita in PPS as compared with the EU average increased to over 50%, continuing the rapid catching-up process. Estonia posted a higher-than-projected general government surplus of 1.8% of GDP in 2004, more than 1 percentage point above the original budget target. The deviation occurred due to stronger-than-budgeted real growth coupled with strict nominal expenditure ceilings. The country's public debt level further declined to 4.8% of GDP at the end of 2004, which is the lowest in the EU-25.

The updated convergence programme of Estonia for the period 2004-2008 was submitted on 1 December 2004. The programme projects output growth to accelerate from 5.6% in 2004 to 5.9% in 2005 and remain close to 6% p.a. until 2008, implying an annual average growth of 5.9% over the entire programme period. The programme aims at achieving a budgetary surplus of 0.7% of GDP in 2004 (which was outperformed by over 1 percentage point, see above), and balanced budgets throughout the rest of the programme period.

On 17 February 2005 the Council examined the programme. The Council stated that the macro-economic scenario seems to reflect plausible assumptions and that the risks to the budgetary projections appear broadly balanced. The budgetary stance in the programme seems adequate to maintain the Stability and Growth Pact's medium-term objective of a position of close-to-balance over the entire programme period. It also seems to provide a sufficient safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations.

#### **1.1.7. Hungary**

After slowing down to about 3% in 2003, real GDP growth accelerated again in 2004. For 2004 as a whole, it is estimated to have reached 4%. Private consumption growth, which had bolstered GDP growth in recent years, more than halved due to a

significant decrease in net disposable income, while exports rose strongly. GDP per capita in PPS is estimated to have reached close to 60% of the EU average. The revised 2004 deficit target<sup>1</sup> of 3.7%<sup>2</sup> of GDP was missed by 0.8 percentage points of GDP. Government debt stood at 57.6% of GDP in 2004.

The Hungarian authorities submitted the convergence programme update, covering the period 2004-2008, on 1 December 2004. The rather favourable macroeconomic scenario foresees real GDP growth gradually increasing to 4.6% in 2008. The renewed disinflation is projected to continue. After having missed the initial 2004 deficit target of the May 2004 programme, the update foresees a flattening of the previously frontloaded adjustment path. It keeps the target date by which to correct the excessive deficit at 2008. The deficit strategy would be mainly based on a decline in the interest burden, a strong decline in public investment in 2005, and structural reforms, partly still to be adopted.

In its Opinion on the convergence programme update on 18 March 2005, the Council considered the macroeconomic scenario as reflecting rather favourable growth assumptions. Although the adjustment path contained in the programme was considered appropriate to correct the excessive deficit by 2008, the fiscal stance in the programme did not appear to be sufficient to credibly implement this path.

#### **1.1.8. Latvia**

In 2004 real GDP growth was remarkably high 8.5%. GDP per capita in PPS reached around 46% of the EU average. Investments and private consumption were the driving factors for this remarkably strong growth performance, Buoyant export growth was outpaced by an even faster expansion of import growth, thus widening the already large external deficit. Inflation rose sharply in 2004 and reached 6.2% mainly due to higher regulated prices, and a sharp rise in healthcare costs. The general government deficit in 2004 is estimated to have been ¾% of GDP, considerably lower than the official target of 1.7%. The deviation results mainly from a higher-than-expected higher tax revenue and the out-performance of the social security sub-sector. Additionally, the debt-to-GDP ratio was very low (14.4% of GDP).

In December 2004 Latvia submitted its updated convergence programme covering the period 2004-2007. The update estimates GDP growth of 8.1% in 2004 and of 6.7% in 2005. For 2006 and 2007, GDP growth is set only slightly lower (6.5% in both years). The update aims at keeping the deficit below the 3% of GDP reference value in each year, with the general government budget deficit gradually falling from an estimated 1.7% of GDP in 2004 to 1.4% of GDP in 2007. Reflecting the impact of EU transfers and associated spending, both expenditure and revenues are projected to peak in 2005 and thereafter gradually to decline. The debt ratio is projected at 15% of GDP in 2007.

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<sup>1</sup> The original 2004 budget contained a deficit target of 2.9% of GDP (see also next footnote).

<sup>2</sup> Figure excluding the impact of the March 2004 Eurostat decision on the classification of second-pillar funded pension schemes outside the general government sector. The corresponding deficit figure including the impact of the Eurostat decision (due to be implemented by 2007 at the latest) would be 4.6% of GDP.

In its Opinion on the update on 8 March 2005, the Council considered the risks to the budgetary projections as broadly balanced. Furthermore, the Council warned that although the programme outlines a gradual consolidation path, this may provide an insufficient margin against breaching the 3% ceiling with normal macroeconomic fluctuations and is still some way from achieving the close-to-balance-or-surplus medium-term objective of the Stability and Growth Pact. It was noted that the budgetary strategy is sufficient to maintain the debt-to-GDP ratio at a very low level.

#### **1.1.9. Lithuania**

Lithuania's strong growth in the last few years has placed the country on a steady convergence path with the EU. Real GDP per capita in PPS is estimated to be about 49% of the EU average in 2004. Output growth remained robust at 6.7% in 2004, although the pace of expansion slowed. As in previous years, domestic demand expanded more rapidly than GDP and continued to be the major driver for growth, fuelled by particularly strong investment and private consumption. A widening of the visible trade gap induced by robust domestic demand led to a further deterioration of the current account deficit to 8.3% of GDP, as estimated in the Commission services' spring 2005 forecast. Following a deflationary period of nearly two years, prices started edging up in May 2004, to a large extent driven by tax alignments due to EU accession. The annual average inflation rate stood at 1.1% in 2004. Despite better-than-expected revenues, the general government deficit is estimated to have increased from 1.9% of GDP in 2003 to 2.5% in 2004, as expenditure increased significantly. The outcome was slightly better than planned in the budget for 2005. Government debt stood at 19.7% of GDP in 2004.

Lithuania submitted the first update of its convergence programme, covering the period 2004-2007, in January 2005. The macro-economic scenario envisages real GDP growth to decelerate to 6.2% on average over the period 2005-2007. The key budgetary objective defined in the update is to approach a cyclically balanced general government budget. The general government deficit is foreseen to remain at 2.5% of GDP in 2005 and to decline gradually thereafter to 1.5% in 2007. Consolidation is planned to be mainly achieved by an increase in the revenue ratio from a low base, with the expenditure side also contributing after 2005.

In its Opinion on the updated convergence programme on 8 March 2005, the Council considered the overall macroeconomic scenario as plausible, with the main risks to the budgetary projections stemming from uncertainty about the implementation of the budgetary measures announced in the programme. The budgetary stance in the programme was not considered to guarantee a safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations and to ensure that a budgetary position of close to balance is achieved.

#### **1.1.10. Malta**

In 2004 real GDP grew by 1.5%, bringing real GDP per capita in PPS to nearly 74% of the EU average. Inflation attained 2.8%. The 2004 deficit is estimated to have declined to 5.2% of GDP, down from 10.6% of GDP in 2003. This is attributed to the successful impact of fiscal consolidation measures both on the expenditure and revenue side coupled with higher economic growth. The debt-to-GDP ratio was 75% of GDP in 2004.

Malta submitted the first update of its convergence programme, covering the period 2004-07, in December 2004. The update reaffirms the fiscal consolidation strategy set out in the May 2004 convergence programme. It projects real GDP growth to rise from 0.6% in 2004 to 2% on average over the rest of the programme period. Against this background, the general government deficit of 10.6% in 2003 was targeted to be reduced to 5.2% of GDP in 2004, followed by a further deficit reduction to below the 3% of GDP reference value in 2006 at 2.3% of GDP, and to 1.4% of GDP 2007 respectively. Budget consolidation is based on both an increase in the revenue ratio and, more significantly, a decrease in the expenditure ratio. The path of the primary balance is similar to that of the overall balance, improving from -1.4% in 2004 to 2.4% at the end of the period. These increasingly positive primary balances, together with debt-reducing stock-flow adjustments from privatization operations, are the main drivers to stabilize the debt ratio projected at around 70% of GDP by 2007.

In its Opinion on the update on 17 February 2005, the Council considered that the projections based on the so-called “central” scenario are plausible. The risks to the budgetary projections were considered as broadly balanced, while the planned deficit reduction for 2006 was judged as feasible. In view of this risk assessment, the budgetary stance in the programme was deemed sufficient to reduce the deficit to below 3% of GDP by 2006 and to provide a sufficient safety margin against breaching this threshold with normal macroeconomic fluctuations from 2006 onward. It was however not sufficient to ensure that the Stability and Growth Pact’s medium-term objective of a budgetary position of close to balance is achieved within the programme period.

#### **1.1.11. Poland**

In 2004, real GDP growth is estimated to have reached 5.3% against 3.8% in 2003, while real GDP per capita in PPS reached almost 50% of the EU average. At 4.8% of GDP, the general government deficit in 2004 is estimated to be considerably lower than the official target of 5.4%. The deviation results mainly from a better-than-expected implementation of the State budget due to higher tax revenue and the out-performance of the social security sub-sector and local government. The 2004 debt ratio turned out to be also lower compared to the target (43.6% of GDP against the forecast 45.9%).

In December 2004 Poland submitted its updated convergence programme covering the period 2004-2007. The macro-economic scenario underlying the convergence programme predicts a deceleration in real GDP growth from 5.7% in 2004 to 4.8% in 2006, followed by a rebound to 5.6% in 2007. Throughout the forecast period, growth will be driven by domestic demand. The update targets a general government deficit of 3.9% of GDP in 2005, 3.2% in 2006 and 2.2% in 2006 including the contributions to the second-pillar pension scheme. The budgetary strategy builds its projections upon the government’s comprehensive public finance reform package, aiming at structural reforms on the expenditure and revenue sides. The debt ratio is projected to increase to 47.3% in 2007.

In its Opinion on the update on 17 February 2005, the Council considered the macroeconomic scenario as reflecting rather favourable growth assumptions.

However, meeting the budgetary targets in the update was seen to be subject to a number of risks<sup>3</sup> among which an incomplete implementation of the public finance reform plan. Thus, based on the update and in the absence of additional savings measures, Poland might not be able to bring the deficit below 3% in the end year of the programme.

#### **1.1.12. Slovakia**

In 2004, real GDP growth accelerated to 5½%. Real GDP per capita in PPS reached some 52% of the EU average. Unemployment turned out at 18% and consumer price inflation amounted to 7½%, with adjustments in administered prices and indirect taxes contributing about 5¾ percentage points. The implementation of the budget 2004 reflected most of the government's structural reform agenda for the current legislative period. Altogether, the budget deficit turned out significantly better than the 3.8% of GDP foreseen in the most recent convergence programme. However, the better outcome was mostly due to spending postponements, including related to co-payments for EU-funds. The general government deficit for 2004 is now estimated at 3.3% of GDP and the debt-to-GDP ratio at some 43%.

Slovakia submitted the first update of its convergence programme on 30 November 2004. The update covers the years 2004 to 2007 and projects real GDP expansion for this period at an average of 5%. Inflation is foreseen to drop rapidly to some 2½% in 2007. The update aims at reducing the fiscal deficit to the 3% of GDP reference value in 2007, but does not plan for any safety margin. The adjustment is back-loaded, even net of the impact resulting from the introduction of a funded pension pillar in 2005. Including this impact, all the adjustment in the headline and primary general government deficits is postponed to 2007.

The Council delivered its opinion on the update on 17 February 2005. It found that the programme's growth assumptions were plausible and that the risks to the budgetary projections appeared broadly balanced. It stated that the update broadly confirmed the planned adjustment path of the previous programme in spite of a more favourable macroeconomic scenario and that it looked therefore less ambitious. It continued that, accelerating the deficit reduction, in particular in 2005, would help the implementation of Slovakia's euro adoption strategy. It would also pave the way to attaining a sufficient safety margin against breaching the 3% of GDP Treaty reference value and eventually reaching a structural budgetary position of close to balance or in surplus.

#### **1.1.13. Slovenia**

The economy thrived in 2004. Driven by vigorous export expansion, output grew by 4.6% in real terms. Real GDP per capita in PPS reached around 80% of the EU average. Inflation decreased impressively, dropping from 5.7% in 2003 to 3.7% in 2004, as the inflationary pressures of the oil price hike and higher excise duties on tobacco were well contained. In 2004, public finances remained relatively sound with the general government deficit estimated at just below 2% of GDP and the gross debt accounting for roughly 29.5% of GDP.

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<sup>3</sup> Including the impact of the implementation (by 2007 at the latest) of the March 2004 Eurostat decision on the classification of second-pillar funded pension schemes outside the general government sector.

The first update of the convergence programme, covering the period 2004-2007, was submitted in January 2005. The macro-economic scenario underlying the programme foresees real GDP to grow close to 4% while inflation settles below 3%. Slovenia's budgetary strategy aims at achieving a budgetary position of close-to-balance as defined by the Stability and Growth Pact. However, this objective extends beyond the programme horizon as the general government deficit is projected to narrow to 1.1% of GDP by 2007. Moreover, most of the fiscal adjustment is postponed until the last year of the programme, as net budgetary inflows from the EU are expected to double with the new EU financial perspective 2007-2013, amounting to 0.8% of GDP.

In its Opinion on the update of the Slovene convergence programme, adopted on 8 March 2005, the Council regarded the budgetary consolidation strategy as having set plausible yet rather unambitious targets. The risks to the budgetary projections in the programme were considered as broadly balanced. The budgetary stance in the programme was deemed not consistent with the Stability and Growth Pact's medium-term objective of a budgetary position of close to balance. The safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations was seen as insufficient except for the final year of the programme.

## 1.2. Conditionality

The Council Regulation on the Cohesion Fund<sup>4</sup> sets conditions for financing by the Fund in relation to macro economic management. No new projects or, in the event of large projects, no new project stages can be financed if the Council, acting by a qualified majority on a recommendation from the Commission, finds that a Member State has not implemented its stability or convergence programme in such a way as to avoid an excessive deficit.

In 2004, seven recipient Member States under the Cohesion Fund, including six new Member States, were considered to have an excessive deficit.

For six new Member States concerned (the Czech Republic, Cyprus, Hungary, Malta, Poland and Slovakia), the Council decided on 5 July 2004 that they were in excessive deficit and recommended that this be corrected by 2005 (Cyprus), 2006 (Malta), 2007 (Poland and Slovakia) and 2008 (Czech Republic and Hungary), in line with the countries' own convergence programmes submitted in May 2004. On 22 December 2004, the Commission concluded that all except Hungary had taken effective action in response to the Council recommendations so that no further steps under the EDP were necessary at the time. In January 2005, the Council concluded along the same lines. As regards Hungary, the Council established on 18 January 2005 that Hungary had not taken effective action in response to the Council recommendations and adopted on 8 March a new Council recommendation, requesting Hungary to take effective action by 8 July 2005 regarding additional measures to achieve the 2005 deficit target in line with the updated convergence programme (and confirming the deadline of 2008 for the correction of the excessive deficit).

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<sup>4</sup> Article 6 of Council Regulation (EC) No 1164/94 as amended by Council Regulation (EC) No 1264/99.



The Council decided on 5 July 2004 that an excessive deficit existed in Greece and recommended that this be corrected by 2005. The Council decided on 18 January 2005 that Greece had taken no effective action in response to this recommendation and on 17 February adopted a decision giving notice to Greece to take measures to remedy the situation of excessive deficit and extending the deadline for the correction of the excessive deficit from 2005 to 2006. It recommended a rigorous implementation of the budget for 2005 as well as an additional adjustment of at least 0.6% of GDP in 2006, with a new update of the Greek stability programme to be submitted in 21 March 2005 and a deadline for taking the requested additional measures of 21 March. The Council reassessed the situation in Greece on 12 April 2005 on the basis of the Commission Communication of 12 April. It concluded that the Greek government is taking effective action in response to the Council notice.

### 1.3. The accession of the ten candidate countries

On accession on 1 May 2004, all 8 new Member States formerly benefitting from ISPA, together with Cyprus and Malta, met the criteria for eligibility.

Projects previously adopted under the ISPA financial instrument were automatically transformed into Cohesion Fund projects, and are since then governed by Cohesion Fund rules.

For 2004-06, €24 billion (current prices) was earmarked for structural assistance in the 10 countries acceding to the EU, of which over one third (€8.5 billion) has been allocated to the Cohesion Fund.

**Table:** *Breakdown of CF allocations for the acceding countries 2004-06*

Country	Mid-range allocations (€ million – 2004 prices)
Kypros	53.94*
Ceska Republika	936.05
Eesti	309.03
Magyarország	1 112.67
Latvija	515.43
Lietuva	608.17
Malta	21.94
Polska	4 178.60
Slovensko	570.50
Slovenija	188.71
<b>Total</b>	<b>8 495.04</b>

\* Including the Financial Instrument for Fisheries Guidance (FIFG)

## **2. IMPLEMENTING PRINCIPLES AND ASSISTANCE GRANTED**

### **2.1. Coordination with other Community policies**

#### **2.1.1. Competition**

Council Regulation n°1164/94 setting up the cohesion Fund and Commission Regulation n°16/2003 on the eligibility of the expenditure of actions part-financed by the cohesion Fund specify that approval by the Commission of the proposed projects has to be carried out subject to the respect of the criteria guaranteeing compatibility with the Community rules of the field of competition.

Financial support from the Fund is essentially directed towards infrastructure projects for transport or environmental protection (treatment of water and waste management, solid waste). Provided the rules on public procurement are complied with, and free access to such infrastructure is guaranteed for all operators meeting the necessary technical and legal conditions, such assistance does not provide specific firms with any special advantage.

#### **2.1.2. Environment**

In agreement with Article 8 of Regulation (EC) n°1164/94, the projects co-financed by the Cohesion Fund must be consistent with the treaties, Community law and Community policies, including those concerning environment.

The cohesion Fund contributed to developing the implementation of environmental legislation, not only through the direct financing of infrastructures, but also by providing incentives encouraging the application of directives as part of the preconditions to the granting of support. This concerns thematic interventions such as solid waste and waste-water management and the environment impact assessment (EIA).

The new Member States have set water and solid waste management as important priorities for expenditures. Investments and infrastructure needs remain high in the majority of cases in fields such as solid waste and water (in particular urban waste-water treatment), but also in the fields of air quality and the effort to reduce industrial pollution. Support for environmental infrastructure under the Cohesion Fund is therefore important for the new Member States.

##### Drinking water

The Commission services took into account the provisions of Directive 2000/60/EC – Water framework Directive – in the appraisal of the co-financing applications.

##### Waste water

With regard to the urban waste water, the projects concerning waste-water treatment may be financed only at the suitable level (primary, secondary or tertiary according to the designation of the areas, respectively less sensitive, normal or sensitive), in accordance with Directive 91/271/EEC.

The Commission, in the appraisal of co-financing applications, also took account of the inclusion of the projects in integrated functional systems and of their integration into basin plans.

#### Environmental impact assessment

The requirement of the EIA procedure for the projects covered by Directive 85/337/EEC amended by Directive 97/11/EC, and the evaluation under Article 6 of Directive 92/43/EC "Habitats" made it possible to ensure a high environmental requirement compliance, the consultation of competent environmental authorities and the participation of the public. In some cases, minimization and compensation measures were implemented.

#### Waste

In the field of urban waste processing, the Commission evaluated the financing requests taking into account the policy and the legislation applicable for this sector.

The implementation of the national strategic Plans for the reduction of biodegradable urban waste in the dumping grounds made it possible to co-finance investments contributing substantially to the reduction in the methane emissions coming from the dumping grounds and contributing to the processing of waste, for example composting. These investments fulfill the requirements of Directive 1999/31/EC and the guidelines on waste hierarchy.

#### Climatic change

The examination of the environmental policy 2004 stresses that to help fight against the climatic change one must continue promoting the integration of the environmental aspects in the other policies, in particular in transport.

The most recent data on the emissions of greenhouse gases and the new convincing elements available concerning the potential breadth and the repercussions of the climatic change continue to be worrying. The emissions of greenhouse gases decreased slightly, but not sufficiently to place the EU15 on a linear pathway enabling it to achieve its Kyoto goals. On the whole, 12 of the 25 Member States recorded emissions higher than this linear pathway.

The most recent statistics show that the emissions of greenhouse gases from the transport sector continued to increase, almost reaching a level 22% above the levels of 1990 in the EU15 for 2002, the growth of the inland transports (in terms of ton/km and of passenger/km) still not being dissociated from GDP growth.

With the Communication on "the Strategy of the European Union for sustainable development", the Commission committed itself to give priority to infrastructure investments in public transports, railway, inland waterways, short distance maritime transport. In these circumstances, even though a trend towards better balance between transport modes was observed, the Cohesion Fund has to continue promoting and supporting projects strengthening this commitment.

### Polluter pays principle

The projects financed under the Cohesion Fund made it possible to implement the polluter pays principle by the application of various aid levels. The application of the polluter pays principle will be soon strengthened by the application of Directive 2000/60/EC (Water Framework Directive). This Directive has been in force since 23 December 2003.

### Partnership

The environmental monitoring of projects is also carried out by Member States. The competent authorities in the field of environment are associated to the project assessment by the means of consultations and by their participation in the monitoring committees.

### **2.1.3. Transport**

In 2004, the Commission took 131 decisions on the financing of TENs-Transport projects totalling €661.7 million. Among these projects, we could mention PP3 (High-speed train south: Madrid-Barcelona-Perpignan-Montpellier and Madrid-Vitoria-Dax): which receives funds in the Spanish part also from the Cohesion Fund and that, in The Mediterranean branch, the section Madrid- Lleida was completed by 2004, or PP7 (Greek motorways), by the end of 2004 a substantial part of the Via Egnatia and Pathe motorway was completed. In Ireland, several TEN road projects (PP13: Ireland-UK- Benelux road link) are still under construction and co-financed by the Cohesion Fund and the TEN-T budget.

On 21st April 2004, the European Parliament and the Council adopted the modification of the Regulation n° 2236/95 laying down general rules for the granting of Community financial aid in the field of trans-European networks. It was published on 30<sup>th</sup> April and came into force on 20<sup>th</sup> May of the same year. The new regulation increases the Community co-funding rate from 10% up to 20% for the sections of the priority axes, which crosses borders or natural barriers. This rate should provide a greater incentive for implementation of projects including the setting up of public-private partnerships. These new rules should also allow multi-annual commitments, which would provide greater flexibility in the financial commitments to promoters of TEN-T projects.

The revised Decision on Community Guidelines for the development of the trans-European transport network was adopted by the European Parliament and the Council on 29 April 2004 (Decision No 884/2004/EC amending Decision No 1692/EC). The decision specified 30 priority projects of European interest with a cost of around € 225 billion. The Decision calls on Member States to give priority to these projects. It asks the Member States concerned to pay particular attention to these projects under the Cohesion Fund and more generally under the Structural Funds.

Following the accession of the new Member States on 1 May 2004 the Commission examined the infrastructure situation in the trans-European network, in particular the

cost of the 30 priority projects and projects such as ERTMS and SESAME<sup>5</sup>, and their financing. In the financial perspectives for the period 2007-2013, the Commission proposed an increase for the TENs and, at the same time, an increase in the maximum co-financing rate following publication in July 2004 ((COM) 475 – 2004) of its in-depth review of the TEN financial framework.

In the area of road safety the Commission proposed an EU wide 50% reduction of the number of deaths by 2010. Road safety should be incorporated in the design, construction and maintenance of infrastructure.

## **2.2. Coordination with the Structural Funds: the strategic reference frameworks (SRF)**

### **2.2.1. Environment**

#### **Greece**

The Strategic Reference Framework (SRF) for environment projects is described in a separate chapter of the Operational Program “Environment” of the Greek Community Support Framework 2000-2006. This Operational Program was approved by the Commission on 24 July 2001 (Decision E(2001) 1357). The SRF is a reference tool for interventions which aim at enhancing the compliance of the country with its obligations arising from the EU environmental legislation and at contributing to sustainable development.

The financial contribution of the Cohesion Fund focuses on some of the major needs of Greece in the field of drinking water, the treatment of urban waste water and the disposal of solid waste.

In relation to solid waste management, the overall action plan is based on the 2003 Revised National Solid Waste Management Plan which in turn is linked to Regional Management Schemes which have been subject to revision as well. The overall objective is the correct management of all categories of solid waste and, where necessary, the restoration of environmental conditions which have been polluted or otherwise degraded by waste. A planning has also been made for the treatment of urban waste water, in accordance with the requirements of Directive 91/271/EEC.

In 2004, the implementation of the SRF for environmental projects encompassed investments in the sectors of *solid waste management, waste water treatment and the construction of a big water supply basing*. In co-operation with the national authorities, efforts need to be concentrated on the realisation and completion of investments in the field of solid waste and waste water, so as to meet the requirements of the Community legislation.

#### **Spain**

The contents of each of the sectoral strategic frameworks were described in the Annual Report 2000 for the Cohesion Fund. The priority sectors for interventions to

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<sup>5</sup> ERTMS : European Rail Traffic Management System. SESAME : Single European Sky Air Traffic Management Modernisation Programme.

be financed through the Cohesion Fund for the Programming period 2000 – 2006 are : Water Supply ; Sewerage and Wastewater Treatment ; Municipal, Industrial and Hazardous Waste Management

The interventions are selected in the context of a coordinated strategic approach designed for each of the sectors selected identifying the main priorities for intervention. A coordinated approach is ensured with the interventions within the same sectors financed through the Structural Funds.

### **Portugal**

The environment strategic framework for Portugal for 2000-06 states its main objectives as further development and completion of the basic environment infrastructure and providing the conditions needed for sustainable development, environmental protection and management of natural resources.

The coordination of Cohesion Fund with the Structural Funds is done by a strategic reference frameworks in the Community support framework, in particular through “reference framework ” in the transport and environment fields.

Following the Mid-term review exercise (MTR), this strategic framework was actualised. The MTR proposed to reinforce the coordination of the Cohesion Fund and the Structural Funds, in the context of this “reference framework”. In particular the regional programmes should give priority to the projects necessary at municipal level in order to complete the multimunicipal systems financed by the Cohesion Fund concerning water supply, urban waste water treatment and solid waste treatment.

In order to assure the adequate implementation and monitoring of these priority projects, a new measure was created in the 5 regional programmes of the main land, as well as in the Madeira Region.

### **Cyprus**

The Cypriot Strategic Reference Framework is to address solid and hazardous waste, waste water treatment, air pollution and drinking water. However, the scarcity of funds available have made it necessary to focus on the two projects selected, i.e. respectively roads and waste.

### **Czech Republic**

The strategic reference framework for environmental projects is described in a separate chapter of the Community Support Framework for the Czech Republic and of the Operational Programme Infrastructure (OPI) for the period 2004 – 2006 approved by the Commission on 21 June 2004 (Decision C(2004) 2325).

Priorities of both Cohesion Fund and OPI are to finance projects leading to the achievement of the standards laid down in the environmental legislation of EU.

The Cohesion Fund provides support to the large-scale environmental protection projects (more than €10 million) in the following fields: improvement of the quantity

and quality of water (both drinking water and urban waste water treatment); waste management; air quality; elimination of old environmental burden.

### **Estonia**

The Estonian authorities presented their strategic reference framework for the environment sector in 2003 which is the basis for assistance under the Cohesion Fund to all individual projects in the waste water, drinking water, solid waste and air sectors.

As regards the coherence with Structural Funds, there is a clear dividing line as all projects in the waste water and drinking water sector as well as all large-scale projects in the solid waste sector are co-financed by the Cohesion Fund. Due to the small size of projects in the waste water and drinking water sectors, several projects have been grouped according to the sub-river basin in which they are located.

### **Hungary**

In 2003 the Hungarian Authorities presented the Strategic Reference Framework for the environment sector for the period 2004 to 2006, which is the basis for assistance under the Cohesion Fund to all individual projects in the waste water, drinking water and solid waste management sector.

With support of ERDF and CF by the year 2015 the wastewater of 85% of the inhabitants of Hungary shall be treated in waste water treatment plants. The target set for the drinking water sector is to provide drinking water to every inhabitant of Hungary according to the EU standards by 2009. For the Solid Waste sector the measures focus on waste selection with a view to rise the share of selected waste treatment from 3% to 40%. By 2009 all landfills should thereby meet the respective EU standards.

### **Latvia**

The Latvian authorities presented the Reference Framework document for the Cohesion Fund in 2003. It consists of a general part and the Cohesion Fund Strategy Documents for the environment and transport sectors (2004-2006).

The Cohesion Fund Strategy Document for the environment is the basis for the selection of individual environmental projects in the priority sectors for assistance to be financed through the Cohesion Fund. For the 2004-2006 programming period the priorities for the environment sector are the following:

- (1) improvement of the quality and supply of drinking water, and improvement of waste-water treatment;
- (2) development of a solid waste management system;
- (3) development of a hazardous waste management system;
- (4) remediation of contaminated sites.

The selection of individual projects to be financed is co-ordinated with assistance from the Structural Funds by setting the minimum threshold of 2000 population equivalent for water services development activity under the Cohesion Fund, allowing small agglomerations (below 2000 p.e.) to benefit from ERDF. In order to ensure the completeness of regional waste management systems, the separated waste collection is defined as eligible activity under ERDF.

## **Lithuania**

The Lithuanian authorities presented their National reference framework document for the period 2004-2006 in 2004. The document presents the main priority investments into the environmental sector using the Cohesion fund assistance.

The priority sectors for assistance to be financed through the Cohesion Fund for the 2004-06 programming period are: water supply and sewerage collection; sewerage and waste-water treatment; municipal, and hazardous waste management; air protection in relation to the environmental protection measures at Large Combustion Plants; technical assistance for project preparation.

Coherence between Structural Fund programmes and the Cohesion Fund priorities is relatively easy to ensure because of the concentration of Cohesion Fund assistance on a the heaviest investments while the Structural funds will mainly deal with the soft investments.

Lithuanian authorities introduced the new basin based water management approach while the whole territory of Lithuania is covered by 5 investment river basins containing 10 to 14 municipalities each. This forms the basis for further strengthening of water sector management in Lithuania. Since 2000 Lithuanian authorities introduced the new regional waste management approach, which is under implementation through ISPA and CF assistance. The regional system is based on the reduction of the number of the landfills in the regions to one regional landfill complying to relevant EU requirements and also on establishment of unified waste collection, transportation and accounting system. Lithuania plans to have 10 such systems- one in each region.

## **Malta**

The Structural Funds and Cohesion Fund will, as a priority, assist compliance with environmental standards established in the relevant Community Directives, in particular with regard to waste management and water. The management and local disposal of solid, urban, industrial and hazardous waste, according to Community policy and legislation will be a high priority.

Only one project was submitted under the Cohesion Fund for assistance due to the limited resources available for the period 2004-2006. Funding will be directed to the development of Malta's municipal solid waste treatment infrastructure which will follow the established hierarchy of principles: prevention of waste production and its harmful impact, recovery of waste by means of recycling, re-use or reclamation and safe final disposal – limited to waste for which no possibility of recovery exists. Contaminated sites such as old landfills and unauthorised discharges of waste constitute a considerable threat for the environment and for human activities. Malta plans to address these issues by introducing appropriate clean-up measures.



## **Poland**

The Polish authorities presented the strategic reference framework for environment projects in 2003. This document is the basis for the selection of all the individual projects in the priority sectors for assistance to be financed through the Cohesion Fund. For the 2004-2006 programming period the priority sectors are: improvement of the quality of surface water, and improvement of the distribution and quality of drinking water; rationalisation of waste management and protection of soils; improvement of air quality; improvement of safety from flooding.

The selection of individual projects to be financed is also co-ordinated with assistance in the same priority sectors financed by the Structural Funds.

## **Slovakia**

Slovakia transmitted to the Commission the final version of its Strategic reference framework 2004-2006 in March 2004. This strategy links the various community policies with the national policies in the transport infrastructure (Trans-European networks) and environment sectors, and ensures complementarity of interventions between Cohesion Fund and the Structural Funds.

In the environment sector, some short term priority objectives (up to 2006) have been designed to meet the urgent environmental needs that affect the population's quality of life and the economic development of the regions.

Strategic objectives in the Environment sector :

Support for environmental infrastructure in Water management: Drinking water supply ; Collection and treatment of waste water ; Anti-flood protection.

Support for environmental infrastructure in Waste management: Waste incineration plants ; Support for integrated management of waste management ; Support for the creation of public-private partnership in waste management at the regional level.

## **Slovenia**

The Environment Strategic Reference Framework for Cohesion Fund assistance focus on the implementation of Urban Waste Water Directive and Drinking Water Directive, mainly the construction and upgrading of sewer network and wastewater treatment facilities, protection of water resources, designated for potable water consumption, upgrading and construction of water supply network in water deficient areas. As for Waste Management the main objectives are the implementation of a national policy which implements the EU Waste Framework Directive.

These aims, already undertaken under ISPA are now continued under the Cohesion Fund.

### **2.2.2. Transport**

#### **Greece**

The strategic reference framework (SRF) for transport projects in Greece had been approved in the context of the Operational Programs "Road axes, Ports, Urban development" and "Railways, Airports, Urban transport" in March and April 2001 respectively, and was updated in the context of the 2004 mid-term review of these programs. The SRF covers interventions by the Cohesion Fund and the ERDF, which mainly aim at:

- a) the completion of the priority TEN road axes in Greece, i.e. the PATHE, EGNATIA and IONIAN axes, as well as the Korinthos – Tripoli – Kalamata/Sparta motorway,
- b) the completion of the modernisation of the PATHEP railway axis, also part of the TEN, including its electrification and signalling systems and the construction of a freight railway line from the Ikonio port to the railway freight centre of Thriassio,
- c) The modernisation of infrastructure of the ports at Igoumenitsa and Heraklion, as well as the construction of new port infrastructure at Lavrio, and
- d) the modernisation of the air traffic control system in Greece.

In 2004 investment projects were approved for the electrification of sections of the Athens – Thessalonica railway and for the construction of a section of the Korinthos – Patras railway, on the basis of the Strategic Investment Plan for the railways adopted in 2003.

## **Spain**

The Cohesion Fund interventions in 2004 continued to be implemented in accordance with the guidelines established within the strategic reference framework presented in 2000 by the Spanish authorities. Interventions continued to concentrate in high speed rail (44,7%) and in the ports (37,9%). In these two sectors, coordination with the Structural Funds went on in 2004. The case of the railway line Madrid – Valladolid must be stressed, where and ERDF financing was approved in 2004, for the financing of the electrification and signaling phase, thus supplementing the contributions approved under the cohesion Fund in 2002 and 2003 for other phases of the project. It is also advisable to point out the interventions in the ports, where the ERDF and the Cohesion Fund combined themselves to give a financial support for various ports (Cantabrian and Mediterranean coasts).

Although it is not envisaged in the short term to introduce changes in the strategic lines of the reference framework in Spain, the elaboration of the new strategic transport infrastructure plan by the Spanish government could require an update of the strategic framework.

## **Portugal**

As well as adopting new projects, the work of the Cohesion Fund also concentrated on monitoring the implementation of projects approved in earlier years, of which railway projects, including Lisbon underground network projects, represented the greater share, both in number and in terms of volume of investment.

In this regard, particular attention continued to be paid to overall coordination, especially as regards investments part-financed by other Community sources, in order to secure maximum synergy in completing operational transport systems by 2006, as referred to in the reference framework for the Cohesion Fund approved in 2000.

The main strategic guidelines of the framework remained unaltered.

The projects adopted in 2004 follow these strategic guidelines, and aim to achieve the objectives laid down under this framework, in particular developing mobility and access to the outermost regions, including the autonomous regions (Madeira and Azores), in the interest of social development and national cohesion. Improving the quality of life in urban centres, in particular in metropolitan areas, is another objective planned and implemented, in particular by the project for the North/South route and by the enlargement of the underground network in Lisbon.

Finally, a strategy was pursued to provide Portugal with a national rail network, ensuring a package of services meeting market needs, for both goods and passenger transport, and which could attract potential traffic away from other, more expensive and less environmentally-friendly forms of transport.

### **Cyprus**

The Cypriot Strategic Reference Framework for transport focuses on motorways, ports, airports. However, the scarcity of funds available have made it necessary to focus on the two projects selected, i.e. respectively roads and waste.

### **Czech Republic**

As regard transport infrastructure, support from the Cohesion Fund is given to projects related with the modernisation and the development of the Trans-European Networks (TEN-T).

In the year 2004, the Commission adopted 4 projects of a total CF grant of €279.5 million (total budget: €577.8 million).

Three co-financed projects are related to the Highways sections: “R48 Tosanovice-Zukov”, “Motorway D1 Kromeriz West – East” and “Prague Ring Road - section 514” and one project concerns the railway project: “Cervenka - Zabreh na Morave”, each one of them forms a part of TEN-T corridors.

### **Estonia**

The Estonian authorities presented their strategic reference framework for the transport sector in 2003. This document forms the basis for assisting individual projects in the road, rail, airport and port sectors. The Cohesion Fund focuses on projects which belong to the TEN-T (Trans-European Networks for Transport), whereas Structural Funds support projects which are complementary to the TEN-T. The major priority in the road sector is to finish the missing sections within Corridor I and IX.

## **Hungary**

In 2003 the Hungarian Authorities presented the Strategic Reference Framework for the transport sector for the period 2004 to 2006, which is the basis for assistance under the Cohesion Fund to all individual projects in the rail, road and air traffic sector. The Cohesion Fund focuses on projects which belong to the TEN-T (Trans-European Networks for Transport), whereas Structural Funds support projects, which are complementary to the TEN-T network, cover the development of express roads and highways, the construction of by-pass roads and the development of regional airports. In the rail sector the main priority is to modernize the infrastructure along the Corridor V and VI.

## **Latvia**

For the 2004-2006 programming period the priorities for the transport sector are the following:

Development of the TEN road network: Via Baltica and East - West road corridor improving the quality of infrastructure and traffic safety by increasing the bearing capacity of bridges and roads.

Modernisation of East-West railway corridor, envisaging increase of safety level and throughput capacity.

Construction of access roads to Ventspils and Liepaja ports, as well as improvement of traffic situation in Riga.

Infrastructure development of the International Airport "Riga" including the access road to the airport, extension of the current runway and modernisation of the runway lighting system.

Preparation of projects for 2007-2013 including the study of Rail Baltica project that envisages efficient railway traffic between the Baltic States and Western Europe.

The Latvian Authorities adopted a coherent and coordinated strategy for the transport sector, thus ensuring complementarity and avoiding any overlap between Cohesion Fund and ERDF-funded projects. Cohesion fund assistance is used solely for the TEN-T network while ERDF supports secondary networks outside the TEN-T network to ensure their connection with TEN-T, solve transport problems in urban areas and improve traffic safety.

## **Lithuania**

The main investment from the Cohesion Fund will be associated with the modernisation and reconstruction of trans-European Transport Corridors I, IA, IXB, D and correlative transport nodes and links (the future TEN-T network).

Since large-scale projects (over €10 million) in the transport sector, related to the development of TEN-T, shall be financed from the Cohesion Fund, the SF Transport section includes measures necessary for receiving support from Structural Funds for regional-local development, i.e. they are intended to ensure good access to the trans-European corridors, to improve transportation from counties to industrial, business

and tourism centres, to improve traffic conditions in towns, to reduce transport congestion, to improve transport infrastructure so that it meets needs of tourism and small and medium business development.

### **Malta**

There are no natural inland waterways in Malta, therefore the only access to goods and services and means of individual mobility within the Maltese islands is by road. In fact around 90 % of road transport involves the use of motor vehicles for private, passenger and goods transport.

The recent growth in both private ownership of vehicles and goods transportation by road has become a cause of concern as it has caused more damage on the road network and emit higher levels of harmful exhaust. In this context the quality of Malta's road infrastructure needs to be improved to bring it to a reasonable state of repair and to ease bottlenecks and general congestion.

The Structural Funds and Cohesion Fund have prioritised the upgrading of various stretches of TEN-T arterial tracts in both Malta and Gozo, mainly around the main international and national seaports and international airport. A group of projects was submitted for Cohesion Fund co-financing in 2004 upgrading a total of 5.8 km of roads in Malta and Gozo.

### **Poland**

The Reference Framework document for the Cohesion Fund was a joint document for the Environment and the Transport sectors. The Polish Authorities adopted a coherent and coordinated strategy for the Transport sector, thus ensuring complementarity and avoiding overlaps between the Cohesion Fund funded projects and the projects funded under the Transport Operational programme.

This coordinated strategy for both the ERDF and the CF focused on the following priorities:

- (1) balanced development of different transport modes;
- (2) safer road infrastructure.

Under the Cohesion Fund, priority 1 of this strategy was implemented through the modernization of the TEN-T railway network and priority 2 of the integrated strategy was implemented through the construction of motorways and expressways on the TEN-T road network.

### **Slovakia**

In the field of transport, the strategic reference framework 2004-2006 envisages in particular the development of road and rail transport infrastructures on the European corridors crossing Slovakia (corridors IV, GO and VI primarily). The projects supported under the operational Programme "basic Infrastructure" of the Structural Funds will make it possible to develop regional access to large corridors of the TEN.

Strategic objectives in the Transport sector:

- Road infrastructure: development of motorways on the TEN-T corridors: in the area of the capital Bratislava; on corridor V/A between Bratislava, Žilina and Poprad; on corridor VI between Čadca and the Polish/Slovak border; on other corridors in case of economically effective investment.

- Rail infrastructure: Renovation and modernisation of the international corridors IV, V, VI to comply with the technical parameters of tracks according to the AGC and AGTC treaties and to achieve operational speed of 160km/h on the corridor IV section Kutty-Bratislava-Sturovo and the corridor V/A section Bratislava-Zilina stretch and 120-140 km/h on the Zilina-Kosice section.

## **Slovenia**

The national authorities have defined in 2003 a National Cohesion Strategy for the Transport sector which identifies the objectives of its transport strategies and the projects to be financed through the Cohesion Fund. It involves the country establishing itself as a maritime transit country within the European Union and market its geopolitical position at the crossroads of two important European corridors (Corridors V and X) along the existing southern border of the EU. An important role will be played by the port of Koper, and by logistics centres at the crossroads of these corridors in Koper, Ljubljana and Maribor.

To this end, bottlenecks on corridors must first be removed involving the completion of the motorway network, upgrading, modernisation and completion of the rail.

### **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 in 2004 amounted to € 2 723 606 000 (1999 prices) for the 3 Member States of EUR15 (Greece, Spain and Portugal), and € 2 897 000 000 (1999 prices) for the 10 new Member States. As a result of its growth in GNI per head, Ireland is no longer eligible under the Cohesion Fund with effect from 1 January 2004. These amounts include technical assistance credits (€ 1 001 118 for the 3 “old” Member States, and € 1 500 000 for the 10 new Member States).

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 for 2004 (in 1999 prices) is as follows:

<b>EUR 3</b>	
<b>Member State</b>	<b>Allocation € million</b>
<b>Spain</b>	1 680 878 607
<b>Greece</b>	562 804 008
<b>Portugal</b>	478 922 267
<b>Technical assistance</b>	1 001 118
<b>TOTAL</b>	<b>2 723 606 000</b>

<b>EUR 10</b>	
<b>Member State</b>	<b>Allocation € million</b>
<b>Cyprus</b>	18 257 000
<b>Czech Republic</b>	316 681 000
<b>Estonia</b>	104 565 000
<b>Hungary</b>	376 433 000
<b>Latvia</b>	192 089 000
<b>Lithuania</b>	209 572 000
<b>Malta</b>	7 414 000
<b>Poland</b>	1 413 670 000
<b>Slovakia</b>	192 974 000
<b>Slovenia</b>	63 845 000
<b>Technical Assistance</b>	1 500 000
<b>TOTAL</b>	<b>2 897 000 000</b>

### 2.3.2. Implementation of the budget

Budget implementation in 2004, with indexation of the appropriations carried over, was as follows:

#### Implementation of commitments in 2004 (in euro)

<b>Commitment appropriations</b>	<b>Initial</b>	<b>Movements</b>	<b>Final resources</b>	<b>Outturn</b>	<b>Cancelled</b>	<b>Carryovers 2005</b>
2004 budget	2 784 500 000	2 835 258 341	5 619 758 341	5 619 403 018	355 322	2 084 326
Appropriations carried over from 2003	3 377 996	0	3 377 996	3 377 996	0	0
Appropriations made available again	7 413 307	0	7 413 307	7 413 307	0	0
Repayments	0	0	0	0	0	0
<b>Totals</b>	<b>2 795 291 303</b>	<b>2 835 258 341</b>	<b>5 630 549 644</b>	<b>5 630 194 321</b>	<b>355 322</b>	<b>2 084 326</b>

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. The commitment appropriations were almost entirely used (99,96%) with only 2 084 326 € of the total being carried over to 2005.

#### Implementation of payments in 2004 (in euro)

<b>Payment appropriations</b>	<b>Initial</b>	<b>Movements</b>	<b>Final resources</b>	<b>Outturn</b>	<b>Cancelled</b>	<b>Carryovers 2005</b>
2004 budget	2 641 600 000	134 811 585	2 776 411 585	2 642 101 718	134 309 867	0
Appropriations carried over from 2003	0	0	0	0	0	0

Appropriations made available again	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
<b>Totals</b>	<b>2 641 600 000</b>	<b>134 811 585</b>	<b>2 776 411 585</b>	<b>2 642 101 718</b>	<b>134 309 867</b>	<b>0</b>

A total of € 134.8 million of payment appropriations was transferred to the Cohesion Fund. Taking account of this transfer, some 95.16 % of the payment appropriations were implemented in 2004.

Implementation of the appropriations by country is shown in the following tables:

### **Budget implementation of appropriations in 2004 by Member State**

#### **Commitment appropriations 2004 (in euro)**

Member State	Environment		Transport		Mixed	Total	
	Amount	% Envir.	Amount	% Trans p.	Amount	Amount	%
<b>Spain</b>	724 068 354	42.6	977 541 835	57.4	1 101 600	1 702 711 789	30,3%
<b>Greece</b>	296 658 028	55.4	239 009 533	44.6	-	535 667 561	9,5%
<b>Portugal</b>	261 887 832	54.6	217 955 247	45.4	-	479 843 079	8,5%
<b>Cyprus</b>	-	0	18 257 000	100	-	18 257 000	0,3%
<b>Czech Republic</b>	171 710 713	54.2	144 816 038	45.8	371 280	316 898 031	5,6%
<b>Estonia</b>	65 595 930	62.1	31 561 105	37.9	8 539 200	105 696 235	1,9%
<b>Hungary</b>	188 216 500	50.0	188 216 500	50.0	-	376 433 000	6,7%
<b>Latvia</b>	80 196 588	42.2	102 876 822	57.8	6 892 365	189 965 775	3,4%
<b>Lithuania</b>	45 991 729	21.9	148 920 771	78.1	14 659 500	209 572 000	3,7%
<b>Malta</b>	7 418 000	100	-	0	-	7 418 000	0,1%
<b>Poland</b>	698 528 072	49.4	707 162 832	50.6	8 947 500	1 414 368 404	25,2%
<b>Slovakia</b>	125 556 724	65.1	67 417 276	34.9	-	192 974 000	3,4%
<b>Slovenia</b>	19 295 525	29.7	45 605 942	69.3	45 000	64 946 467	1,2%
<b>Technical Assistance</b>	-	-	-	-	4 381 678	4 381 678	0,1%
<b>Total</b>	<b>2.685.123.995</b>	<b>48.2</b>	<b>2.889.340.901</b>	<b>51.8</b>	<b>44.938.123</b>	<b>5.619.403.018</b>	<b>100%</b>



**Payment appropriations 2004 (in euro)**

Figures for the new Member States refer only to payments for projects adopted under the Cohesion Fund as from 1 May 2004 (i.e. not taking into account pre-accession aid for ISPA projects). The second table below shows payments effected in 2004 in relation to ISPA projects adopted before accession.

Member State	Environment		Transport		Mixed	Total	
	Amount	% Envir.	Amount	% Transp.	Amount	Amount	%
<b>Spain</b>	1 052 792 007	54.3	886 931 978	45.7	3 084	1 939 727 070	73,4%
<b>Greece</b>	85 219 745	24.3	265 538 804	75.7	1100	350 759 649	13,3%
<b>Ireland</b>	8 179 679	31.6	17 669 517	68.4	0	25 849 196	1,0%
<b>Portugal</b>	123 130 259	38.9	193 354 445	6.1	0	316 484 704	12,0%
<b>Cyprus</b>	0	-	0	-	0	0	-
<b>Czech Republic</b>	0	-	0	-	0	0	-
<b>Estonia</b>	0	-	0	-	0	0	-
<b>Hungary</b>	0	-	0	-	0	0	-
<b>Latvia</b>	0	-	0	-	0	0	-
<b>Lithuania</b>	0	-	3 719 306	100	0	3 719 306	0,1%
<b>Malta</b>	0	-	0	-	0	0	-
<b>Poland</b>	0	-	2 486 700	100	0	2 486 700	0,1%
<b>Slovakia</b>	244 720	15.5	1 335 490	84.5	0	1 580 210	0,1%
<b>Slovenia</b>	0	-	0	-	0	0	-
<b>Technical Assistance</b>	0	-	0	-	1 494 883	1 494 883	0,1%
<b>Total</b>	<b>1 269 566 410</b>	<b>48.1</b>	<b>1 371 036 240</b>	<b>51.9</b>	<b>1 499 067</b>	<b>2 642 101 718</b>	<b>100%</b>

For the third year running, there was tendency in favour of projects in the transport sector, although in a less marked manner than in the two previous years.

**New Member States – Payments made in 2004 related to former ISPA projects**

Member State	Environment		Transport		Total
	Amount	%	Amount	%	Amount

		<b>Envir.</b>		<b>Transp.</b>	
<b>Ceska Republika</b>	17 801 156	26.5	49 355 929	73.5	67 157 085
<b>Eesti</b>	10 196 374	42.7	13 675 285	57.3	23 871 659
<b>Latvija</b>	9 844 972	42.2	13 490 711	57.8	23 335 683
<b>Lietuva</b>	3 948 533	27.5	10 395 195	72.4	14 343 728
<b>Magyarország</b>	25 960 588	71.9	10 122 098	28.1	36 082 686
<b>Polska</b>	80 792 048	36.6	139 872 597	63.4	220 664 645
<b>Slovenija</b>	6 024 627	78.9	1 611 175	21.1	7 635 802
<b>Slovenska Republika</b>	17 390 376	46.6	19 933 084	53.4	37 323 460
<b>Technical assistance</b>					68 076
<b>TOTAL</b>	171 958 668	40.0	258 456 071	60.0	430 482 824

The following table shows total implementation in 2000-04 in each country (excluding technical assistance):

**Implementation 2000-2004 by Member State (in euro)**

<b>Member State</b>	<b>Allocation 2000-04</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
<b>Spain</b>	8 475 604 000	1 490 119 316	1 672 929 540	1 973 389 704	1 543 094 747	1 699 525 863	8 379 059 170
<b>Greece</b>	2 330 354 000	206 359 009	467 400 382	335 157 938	529 459 151	535 667 561	2 074 044 041
<b>Ireland</b>	584 614 000	169 624 664	115 000 000	182 661 340	117 322 580		584 608 584
<b>Portugal</b>	2 330 354 000	377 583 992	455 699 130	296 780 734	643 939 552	479 843 079	2 253 846 487
<b>Cyprus</b>	18 257 000					18 257 000	18 257 000
<b>Czech Republic</b>	316 681 000					316 526 751	316 526 751
<b>Estonia</b>	104 565 000					97 157 035	97 157 035
<b>Hungary</b>	376 433 000					376 118 570	376 118 570
<b>Latvia</b>	192 089 000					183 073 410	183 073 410
<b>Lithuania</b>	209 572 000					194 912 500	194 912 500
<b>Malta</b>	7 414 000					7 418 000	7 418 000

<b>Poland</b>	1 413 670 000					1 405 690 904	1 405 690 904
<b>Slovakia</b>	192 974 000					192 974 000	192 974 000
<b>Slovenia</b>	63 845 000					64 901 467	64 901 467
<b>EUR4</b>	<b>13 720 926 000</b>	<b>2 243 686 981</b>	<b>2 711 029 052</b>	<b>2 787 989 716</b>	<b>2 833 816 030</b>	<b>2 715 036 503</b>	<b>13 291 558 282</b>

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

Changes in 2004 in appropriations to be settled for 1993-99 were as follows:

#### Settlement in 2004 of commitments for the period 1993-99 (in euro)

Member State	Initial amount to be settled	Decommitments	Payments	Final amount to be settled
Spain	650 933 534	4 952 169	268 409 585	377 571 780
Greece	424 708 187	86 288 597	29 744 454	308 675 136
Ireland	51 096 704	0	4 037 714	47 058 990
Portugal	139 854 914	5 852 657	23 728 888	110 273 369
<b>Total</b>	<b>1 266 593 339</b>	<b>97 093 423</b>	<b>325 920 642</b>	<b>843 579 275</b>

Cohesion Fund commitments are made from differentiated appropriations. If all the projects are implemented in line with the decisions, an amount to be settled exists “automatically” because of the gap between the date of the decision and the date of payment of the balance (normally 4 to 5 years).

The major effort to clear outstanding appropriations on actions begun in 2000 was continued. Some 33.4 % of the outstanding appropriations existing at the beginning of the year were paid or subject to decommitment in 2004. By the end of 2004, outstanding appropriations had fallen to just 15 % of the annual budget of the Cohesion Fund (against over half at the end of 2002 and 39% at the end of 2003). A total of 50 projects were closed in 2004. This effort to reduce outstanding appropriations will be maintained in 2005 in partnership with the national authorities who are responsible for project implementation and the related payment claims.

## 3. THE PROJECTS AND MEASURES ADOPTED

### 3.1. Assistance from the Fund by Member State

#### 3.1.1. Greece

In 2004 the Commission approved new Cohesion Fund grants for a total of 724 M€, of which 340 M€ were committed on the budget of 2004.

Taking into account 196 M€ in commitments for decisions adopted in previous years, the total amount of Cohesion Fund commitments for Greece in 2004 reached around 536 M€.

The following table shows the Cohesion Fund assistance approved in 2004 as well as the total amount committed:

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	<b>Total eligible cost (M€)</b>	<b>Total CF assistance (M€)</b>	<b>Commitments 2004* (M€)</b>
<b>Environment</b>	596.504.907	428.836.257	296.658.028
<b>Transport</b>	590.000.000	295.000.000	239.009.533
<b>Total CF</b>	<b>1.186.504.907</b>	<b>723.836.257</b>	<b>535.667.561</b>
<b>% Environment</b>	50%	59%	55%
<b>% Transport</b>	50%	41%	45%

\* including commitments based on the decisions taken in 2004 and in previous years

### 3.1.1.1 Environment

In the budget year 2004, the Cohesion Fund co-financed investments in the sectors of solid waste management, waste water treatment and the construction of a big water supply basing. 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.

The following decisions were approved in 2004:

<b>ENVIRONMENT</b>				
<b>PROJECTS APPROVED IN 2004</b>				
<b>CF Code</b>	<b>Project title</b>	<b>Total cost</b>	<b>CF grant</b>	<b>Committed</b>
2003GR16CPE019	Solid waste management in Thessaly	18.035.278	13.526.459	10.821.167
2004GR16CPE004	Main sewage networks and water waste treatment plant in the Thriassion area	62.071.260	27.932.067	22.345.654
2004GR16CPE005	Secondary sewage networks of Eastern and Western section of Thriassion area	66.500.001	49.875.001	39.900.000
2004GR16CPE003	Waste compaction plant (SMA) Athens and neighbouring municipalities at Eleonas, Attiki	15.261.970	11.446.477	9.157.182
2004GR16CPE001	Construction of Phase A 2nd Landfill West Attika in Skalistiri of Phyli municipality	53.345.000	40.008.750	32.007.000
2004GR16CPE002	Landfill + Waste recycling and compost plant in Attika	19.450.710	14.588.032	11.670.426
2004GR16CPE010	Construction of Landfill at Mavro Vouno Grammatiko, Attiki	21.450.410	16.087.808	12.870.246

2004GR16CPE009	Water Supply of Patras from the rivers Piros and Parapiros , Phase B - Construction	173.556.329	130.167.247	26.033.449
2004GR16CPE018	Sludge drier unit waste processing centre at the Psittalia waste water treatment plant	48.557.000	36.417.750	29.134.200
2004GR16CPE014	National Database of Hydrological and Meteorological Information (Phase C)	9.205.487	6.904.115	5.523.292
2004GR16CPE015	Water supply - sewage and waste water disposal Municipality Eressou - Antissis	22.100.000	16.575.000	13.260.000
2004GR16CPE012	Waste management system in the Region of East Macedonia - Thrace	25.179.379	18.884.534	15.107.627
2004GR16CPE006	Solid waste management in the Prefecture of Aitoloakarnania	22.842.659	17.131.994	13.705.595
2004GR16CPE011	Solid waste management plants, Region of Central Macedonia - Giannitsa - Serres - Katerini	18.287.823	13.715.867	10.972.693
2004GR16CPE008	Solid waste management at the prefecture of Viotia	10.131.495	7.598.621	6.078.897
2004GR16CPE007	Solid waste management works Prefecture of Axaia, West Greece	8.951.000	6.713.250	5.370.600
	<b>SUB-TOTAL</b>	<b>594.925.801</b>	<b>427.572.972</b>	<b>263.958.028</b>
<b>Modified decision With grant increase</b>				
97.09.61.005	Construction of a reservoir and transportation pipeline for the water supply of the municipality of Alexandroupolis and of six neighbouring communities	1.579.106	1.263.285	0
	<b>SUB-TOTAL</b>	<b>1.579.106</b>	<b>1.263.285</b>	<b>0</b>
	<b>GRAND TOTAL</b>	<b>596.504.907</b>	<b>428.836.257</b>	<b>263.958.028</b>

Sixteen new projects totalling 427.5 M€ of Cohesion Fund assistance were approved in 2004. Of this amount, 264 M€ were committed from the 2004 budget. In addition, the Commission issued one modification decision, which resulted to an increase of the Cohesion Fund grant by a total of 1.2 M€.

Furthermore, on account of decisions taken in previous years, an amount of 32.7 M€ was committed from the 2004 budget.

Finally, the Commission issued 9 modification decisions without any increase in the Cohesion Fund grant.

### 3.1.1.2 Transport

In 2004 the European Commission approved 2 new rail projects with a total of 295 M€ in Community assistance, of which 76 M€ were committed on the 2004 budget. The new grant decisions concern the electrification of the Athens-Thessaloniki double track railway line, B Phase, and of the single track railway section Inoi-Chalkida and the Construction of the new double track railway line Athens-Patras, section Kiato-Rododafni.

The following table shows the projects approved in 2004:

<b>TRANSPORT</b>				
<b>PROJECTS APPROVED IN 2004</b>				
<b>CF Code</b>	<b>Project title</b>	<b>Total cost (€)</b>	<b>CF grant (€)</b>	<b>Commitments</b>
2003GR16CPT004	Electrification of the Athens-Thessaloniki double track railway line, B-phase, and of the single track railway section Inoi-Chalkida	56.000.000	28.000.000	22.400.000
2004GR16CPT002	Construction of the new double track railway line Athens-Patras, section Kiato-Rododafni	534.000.000	267.000.000	53.650.000
	<b>TOTAL</b>	<b>590.000.000</b>	<b>295.000.000</b>	<b>76.050.000</b>

Based on decisions taken in the previous years, an amount of 163 M€ has been committed in the 2004 budget for the transport sector.

In addition, the Commission issued 9 modification decisions without any increase in the Cohesion Fund grant.

### 3.1.2. Spain

The Commission adopted 65 new decisions granting a Cohesion Fund co-financing of €1,720 million including €1,702.7 million committed in 2004 (taking account of the carryovers). These commitments exceeded by €21.8 million the credit allocation for Spain this year, in order to avoid a loss of available budgetary resources not fully used by Greece.

These commitments of which 42.7% goes to the environment sector and 57.3% to the transport sector, correspond to new decisions adopted in 2004, to modifications and annual instalments of decisions adopted previously and to the final balances of projects to be closed.

A total of 60 modifying decisions were approved including 17 with increase in CF assistance.

The following table indicates the amount corresponding to each sector:

	<b>Total eligible cost* (million €)</b>	<b>Total CF assistance* (million €)</b>	<b>Commitments 2004* (million €)</b>
<b>Environment</b>	874	659	727
<b>Transport</b>	1.651	1.061	975
<b>Total CF</b>	<b>2.525</b>	<b>1.720</b>	<b>1.702</b>
<b>% Environment</b>	34,6 %	38,3 %	42,7 %
<b>% Transport</b>	65,4 %	61,7 %	57,3 %

\* rounded figures

During 2004, €1,940 million were scheduled in payment appropriations and 28 files were closed and balanced.

### 3.1.2.1 Environment

The Cohesion Fund continued concentrating its financial support on the three priority sectors: water supply, cleansing and purification of waste-water, and solid urban, industrial and hazardous waste management. Preparatory studies necessary for the realisation of projects in the sector of water were also financed.

The contribution of the cohesion Fund by sectors shows that cleansing and purification of the waste-water continued receiving the main part of the resources, followed by water supply.

A total of 41 decisions for new projects were adopted which represent an assistance of €659 million including €727 million committed in 2004 (taking account of the commitment of the balances for projects to close). A total of 57 decision modifications have been adopted.

<b>Sector</b>	<b>Total eligible cost (million €)</b>	<b>Total CF assistance (million €)</b>	<b>% of assistance</b>	<b>Commitments 2004 (million €)</b>
<b>Water supply</b>	351,43	237,00	35,95 %	238,33
<b>Waste-water management</b>	402,00	325,59	49,39 %	395,05



<b>Solid waste</b>	116,49	93,19	14,40 %	74,55
<b>Technical assistance</b>	4,05	3,44	0,52 %	2,75
<b>Total</b>	<b>873,97</b>	<b>659,22</b>	<b>100,00</b>	<b>710,68 *</b>

\* To this amount €2.08 million must be added corresponding to appropriations carried over to the 2005 budget and concerning a modification with cost increase of a waste project in Andalusia.

### Water supply

In 2004 the Community assistance for the projects concerning water supply amounted to €237 million, which account for 35,95% of the amount allocated to the environmental sector. Fourteen new decisions were adopted as well as four decision modifications on projects already adopted.

<b>WATER SUPPLY</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Project name</b>	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>
2002-ES-16-C-PE-035	Arteria aductora del campo de pozos del Guadarrama y Estación Tratamiento Agua Potable de Griñón	77.890.648	46.734.389
2002-ES-16-C-PE-050	Abastecimiento de agua potable a las comarcas de la Ribera- Parcial 2	15.127.394	12.101.915
2003-ES-16-C-PE-013	Abastecimiento en Alcañiz, Calanda, Castelserás y otros(Cuenca del Matarraña)	7.179.867	6.102.888
2003-ES-16-C-PE-014	Abastecimiento a Lérida y su comarca desde el embalse de Santa Ana (2ª fase)	28.300.627	14.150.313
2003-ES-16-C-PE-026	Abastecimiento de agua a Cantabria (Areas de Santander y Torrelavega	59.149.606	38.447.244
2003-ES-16-C-PE-034	Actuaciones en Estación tratamiento agua potable San Isidro- Valladolid	9.732.009	7.785.607
2004-ES-16-C-PE-005	Abastecimiento a poblaciones de Castilla y León:Valle de Esgueva 2ª fase ; Benavente y Valle del Tera	36.257.148	23.567.146
2004-ES-16-C-PE-	Ampliación del abastecimiento de agua	15.500.000	13.175.000

009	a la Mancomunidad de Algodor		
2004-ES-16-C-PE-013	Abastecimiento Cuenca Hidrográfica del Guadalquivir - 2004	13.699.537	10.959.630
2004-ES-16-C-PE-018	Abastecimiento a poblaciones de Castilla y León: Mancom. vecindad de Burgos y bajo Arlanza	12.074.156	7.848.201
2004-ES-16-C-PE-022	Mejora del abastecimiento de agua a los municipios costeros del extremo occidental de Asturias	32.151.528	22.506.070
2004-ES-16-C-PE-023	Mejora del abastecimiento de agua a Oviedo. Tramo Estación tratamiento agua potable de Cabornio-Depósito de El Cristo.	15.495.737	9.917.272
2004-ES-16-C-PE-029	Abastecimiento Cuenca Hidrográfica del Norte – 2004	7.359.126	5.887.301
2004-ES-16-C-PE-030	Abastecimiento de aguas en la Cuenca Hidrográfica del Tajo- 2004	2.017.552	1.614.042

### Waste-water treatment

The aid allocated to this sector in 2004 amounts to €402 million, i.e. 49% of the environment sector. Efforts focused, once again, on the implementation of Directive 91/271/EEC and on the implementation of the National and Regional Plans for the Cleansing and Purification.

Fifteen decisions were adopted for projects and groups of projects in the agglomerations located in the main catchment areas and ten amendment decisions of projects already adopted. These projects deal with the improvement of purification networks, the construction of collectors in several regions, the construction of purification and underwater outlets.

<b>WASTE-WATER TREATMENT</b>			
<b>Projects adopted in 2004</b>			
<b>Projet n°</b>	<b>Project name</b>	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>
2002-ES-16-C-PE-055	Saneamiento Cuenca hidrográfica del Guadalquivir - 2002 - Grupo II	22.873.279	18.298.623
2003-ES-16-C-PE-004	Ampliación y mejora del saneamiento en la Cuenca hidrográfica del Júcar de la C. Valenciana-Grupo IV	28.424.743	22.739.794

2003-ES-16-C-PE-012	Saneamiento y colectores del término municipal de Elche	10.869.452	8.695.562
2004-ES-16-C-PE-002	Sistema de saneamiento del Alt Maresme Nord en los municipios Pineda del Mar y Torderá	21.184.775	14.405.647
2004-ES-16-C-PE-008	Saneamiento de León, Valladolid y Ponferrada 2004	16.837.397	13.469.918
2004-ES-16-C-PE-010	Mejora de la depuración y vertido de Ferrol. EDAR de Cabo Prioriño (A Coruña)	39.000.000	33.150.000
2004-ES-16-C-PE-011	Colectores Norte (tramo III) y Norte-Sur en la Ciudad autónoma de Ceuta	4.274.980	3.419.984
2004-ES-16-C-PE-014	Colector interceptor General Santoña-Laredo-Colindres.Tramo Argoños-Santoña-Gama	19.993.177	16.994.200
2004-ES-16-C-PE-015	Colector interceptor General Santoña-Laredo-Colindres.Tramo Santoña-Laredo	37.611.000	31.969.350
2004-ES-16-C-PE-016	Colector interceptor General Santoña-Laredo-Colindres.Tramo Laredo-Colindres y Colector general de Laredo	22.377.261	19.020.672
2004-ES-16-C-PE-017	Mejora de la depuración y vertido de A Coruña: Emisario submarino de Bens	20.200.000	17.170.000
2004-ES-16-C-PE-019	Estación depuradora de aguas residuales de Lugo	44.500.000	37.825.000
2004-ES-16-C-PE-020	Emisario Subm. de Xagó para el saneamiento de Avilés,Castrillón, Corvera y Gozón	23.800.000	15.470.000
2004-ES-16-C-PE-024	Saneamiento de la Cuenca Hidrográfica del Tajo 2004	34.022.003	27.217.602
2004-ES-16-C-PE-028	Colectores y estación depuradora de aguas residuales de Novelda y Monforte de Cid	15.348.997	12.124.649

### Waste

In order to implement the National Waste Plan approved in 2000 and the regional Plans approved for each Autonomous Community, the Spanish authorities submitted several projects in this sector.

In 2004, eight new decisions were adopted concerning waste management as well as two modification decisions of projects adopted previously. The total of assistance adopted for this sector amounts to €93 million, which accounts for 14% of the total of the environment sector.

Priority was given to urban solid waste projects, in particular to the closure of dumping grounds, to projects concerning sites for selective collecting and to waste treatment plants.

<b>SOLID WASTE</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Project name</b>	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>
2003-ES-16-C-PE-007	Gestión de residuos en la Comunidad Autónoma de Andalucía - 2003	16.401.597	13.121.278
2003-ES-16-C-PE-021	Plantas de clasificación y estaciones de transferencia- Andalucía -2003	13.151.000	10.520.800
2003-ES-16-C-PE-022	Centros de acondicionamiento y puntos limpios-Andalucía -2003	25.097.000	20.077.600
2003-ES-16-C-PE-023	Sellado de vertederos -Andalucía -2003	15.892.017	12.713.614
2003-ES-16-C-PE-033	Gestión de residuos urbanos en la Comunidad Autónoma de Castilla y León	15.188.114	12.150.491
2003-ES-16-C-PE-035	Planta de vitrificación de cenizas de incineración de la planta de incineración de Melilla	1.257.210	1.005.768
2004-ES-16-C-PE-003	Planta de tratamiento de residuos urbanos de Alicante	14.401.349	11.521.079
2004-ES-16-C-PE-031	Gestión de residuos en Castilla la Mancha - Grupo 2004	2.900.232	2.320.186

#### **Technical assistance - Preliminary studies**

In 2004, four decisions concerning preliminary studies and technical assistance were approved totalling € 3 million of CF assistance, as well as one decision modification concerning technical assistance. These studies correspond to technical, economic and environmental studies necessary for the implementation of the projects.

<b>TECHNICAL ASSISTANCE – PRELIMINARY STUDIES</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Project name</b>	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>
2004-ES-16-C-PA-001	A.T. para técnicas de teledetección con el objetivo de realizar una programación de las cuencas mediterráneas	720.000	612.000
2004-ES-16-C-PE-004	A.T. para el Estudio y redacción del proyecto de abastecimiento a poblaciones del alto Tiétar desde el Alberche	1.392.000	1.183.200
2004-ES-16-C-PE-027	Redacción del proyecto de abastecimiento de agua a núcleos de la cuenca del Matarraña	388.590	330.301
2004-ES-16-C-PE-032	Aplicación del análisis Delphi en las Cuencas Hidrográficas del Júcar y Segura	650.000	552.500

### 3.1.2.2 Transport

In 2004, the Commission adopted a total of 24 new decisions in the transport sector, totaling a CF assistance of €1,061 million. 3 decision modifications were also adopted. The commitments corresponding to 2004 reached an amount of €975.5 million and correspond to new decisions adopted this year (608.8 M€), and to the annual instalments of decisions adopted previously (366.7 M€).

Distribution by mode of transport is shown in the following table.

<b>Transport mode</b>	<b>Total eligible cost (Mio €)</b>	<b>CF assistance (Mio €)</b>	<b>% Co-financing</b>	<b>Commitments 2004 (Mio €)</b>
<b>Roads</b>	<b>217,2</b>	<b>184,6</b>	<b>13,1%</b>	<b>93,1</b>
<b>Rail</b>	<b>610,2</b>	<b>474,7</b>	<b>37,0%</b>	<b>697,2</b>
<b>Ports</b>	<b>823,7</b>	<b>402,0</b>	<b>49,9%</b>	<b>185,2</b>
<b>TOTAL</b>	<b>1.651,1</b>	<b>1.061,3</b>	<b>100,0%</b>	<b>975,5</b>

### Rail network

In 2004, the cohesion Fund continued to ensure substantial financial support to investments for the high speed rail network. During this year, 14 new decisions were approved. Particularly important were the projects approved for the Madrid-Levante line, with 11 new decisions for a total amount of assistance of €349.0 million. For the

Madrid-Barcelona line (three sections close to Barcelona), assistance for a total amount of €125.7 million was approved.

The works concerning the other projects approved in the previous years progressed normally, in accordance with the information received in the various monitoring Committees. However, some revisions of the work-timetable had to be carried out.

<b>RAIL PROJECTS ADOPTED IN 2004</b>			
<b>Project n°</b>	<b>Projet name</b>	<b>Total eligible cost (million €)</b>	<b>CF assistance (million €)</b>
2004-ES-16-C-PT-001, 002 et 003	TGV Connexion Vallès - Sant Joan Despí and Ramal (new sections)	173,9	125,7
2004-ES-16-C-PT-007 à 018	TGV Madrid – Levant (several new sections)	436,3	349,0
<b>Total</b>		<b>610,2</b>	<b>474,7</b>

### **Ports**

The Cohesion Fund continued, in 2004, to give a significant financial support for the process of expansion and of improvement of seaports, thus meeting the Community guidelines for Trans-European Transport Networks (TEN-T). In supplement of the thirteen projects approved during the period 2000-2003, the Cohesion Fund granted assistance to eight new port projects: development or construction of new dams, in order to improve the safety of the harbour facilities and to increase the capacities of coastal traffic.

<b>PORT PROJECTS ADOPTED IN 2004</b>			
<b>Project n°</b>	<b>Projet name</b>	<b>Total eligible cost (million €)</b>	<b>CF assistance (million €)</b>
2003-ES-16-C-PT-015	Puerto de Castellón	28,7	14,2
2004-ES-16-C-PT-004	Puerto de Tarragona	45,2	22,6
2004-ES-16-C-PT-006	Puerto de Santander	23,9	9,6
2004-ES-16-C-PT-019	Puerto de Sevilla	142,8	62,8
2004-ES-16-C-PT-021	Puerto de Gijón	450,0	247,5
2004-ES-16-C-PT-022	Puerto de Palma de	18,5	14,6
2004-ES-16-C-PT-023	Puerto de Mahón	17,6	10,5
2004-ES-16-C-PT-024	Puerto de Valencia	97,0	20,2
<b>Total</b>		<b>823,7</b>	<b>402,0</b>

### **Road network**

The cohesion Fund continued, in 2004, to finance projects composing the main road Levante – France, initiated in 2000. Moreover, the Cohesion Fund also gave its

support for the road project connecting the Cantabria with the Meseta, which makes this axis the main land transportation route between these two regions.

<b>ROAD PROJECTS ADOPTED IN 2004</b>			
<b>Project n°</b>	<b>Projet name</b>	<b>Total eligible cost (million €)</b>	<b>CF assistance (million €)</b>
2003-ES-16-C-PT-028	Voie-express entre Cantabria et la Meseta	153,3	130,3
2003-ES-16-C-PT-029	Voie express entre Teruel et Sta Eulalia	63,9	54,3
<b>Total</b>		<b>217,2</b>	<b>184,6</b>

### 3.1.3. Portugal

After having catch-up in 2003 the level of commitment execution to the overall allocation of credits for the period covered, the execution in 2004 did not present any special difficulty.

In 2004, the Commission approved 12 new environmental projects and 5 transport projects. These projects involve eligible investments of €1,003 million, for which assistance of €729 million was granted, of which €418 million was committed from the 2004 budget.

Following these commitments and including projects adopted in previous years which have an impact on the budget for 2004, the total commitments for the year were as follows:

<b>Projects adopted in 2004</b>	<b>Total eligible cost (€ million)</b>	<b>Total CF assistance (€ million)</b>	<b>2004 commitments (€ million)</b>
<b>Environment</b>	489.5	313.1	250.4
<b>Transport</b>	513.9	416.0	168.0
<b>Total</b>	<b>1 003.4</b>	<b>729.1</b>	<b>418.4</b>
<b>% Environment</b>	48.8%	42.9%	59.8%
<b>% Transport</b>	51.2%	57.1%	40.2%
<b>Environment previous years</b>	1 389.8	949.3	11.4
<b>Transport previous years</b>	1 594.9	1 185.4	50.0
<b>Total</b>	<b>2 984.7</b>	<b>2 134.7</b>	<b>61,4</b>

### 3.1.3.1. Environment

As in the previous period, the 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 all, in 2004 the Commission adopted 12 new environmental projects, of which one was for integrated water-management (disposal and supply), three for waste-water disposal, two for water supplies, and six were for the treatment of urban solid waste.

The implementation of 2004 commitment appropriations for new environmental projects is shown in the following table:

Sector	Total eligible cost (€ million)	CF assistance (€ million)	% of assistance	2004 commitments (€ million)
<b>Integrated water-management (disposal and supply)</b>	79.0	42.9	13.7%	34.3
<b>Waste-water disposal</b>	121.0	81.2	26.0%	64.9
<b>Water supplies</b>	141.2	95.3	30.4%	76.2
<b>Urban waste</b>	148.3	93.7	29.9%	75.0
<b>Total</b>	<b>489.5</b>	<b>313.1</b>	<b>100%</b>	<b>250.4</b>

#### Water

All the projects adopted involve water management on a basin level, which shows a determination to ensure the efficient use of water resources and meet Community environmental requirements.

#### Solid Urban Waste

In 2004, 13 applications for co-financing of projects of organic recovery of Solid Urban Waste were submitted. Although all applications were lodged in bulk late in the year, it was possible nonetheless to approve 6 of them still in 2004. The amounts available for commitment in 2004 were therefore fully used.

The 12 environmental projects approved are shown in the following table:

<b>ENVIRONMENTAL PROJECTS</b>			
No of project	Project name	Total eligible cost (€ million)	CF assistance (€ million)
<b>INTEGRATED PROJECTS (DISPOSAL + SUPPLY)</b>			
2004/PT/16/C/PE/00 4	Águas e Saneamento do Vale do Ave -1st Phase	79.0	42.9
<b>WASTE-WATER DISPOSAL PROJECTS</b>			
2004/PT/16/C/PE/00 3	SIMRIA- Emissarios do Certima e Levira	12.4	5.9
2004/PT/16/C/PE/00	Águas do Oeste – 2nd Phase	66.8	46.7



6			
2004/PT/16/C/PE/009	Sist Intermunicipal da Lezíria do Tejo – 1st phase	41.9	28.5
<b>WATER-SUPPLY PROJECTS</b>			
2004/PT/16/C/PE/005	Águas de Trás os Montes e Alto Douro -3th Phase	58.6	49.8
2004/PT/16/C/PE/008	Águas do Oeste – 3th Phase	82.6	28.5
<b>SOLID WASTE</b>			
2004/PT/16/C/PE/002	Urban Solid Waste of Planalto Beirão	29.2	21.9
2004/PT/16/C/PE/007	Organic Waste Sintra/Cascais	43.9	25.5
2004/PT/16/C/PE/010	Urban Waste compost of Rebat/Resat	10.3	6.0
2004/PT/16/C/PE/012	Urban Waste compost of Amarsul	39.6	23.7
2004/PT/16/C/PE/015	Urban Waste compost of Amalga	15.1	9.2
2004/PT/16/C/PE/017	Urban Waste compost of Algar	10.25	7.5

### 3.1.3.2. Transport

Although most Cohesion Fund assistance in the transport sector during the previous period went to road infrastructure, financing is now being concentrated on other sectors, in particular on railways (including metropolitan railway systems).

The modernization of the North and South Lines, are part of the main objectives of the national plan to modernize the railway network. This Project is also part of the 2000-2006 objectives and part of the director plan Combined Transport Trans-European Network. At the same time, the project is part of the conventional Railway with communitarian interest, the Trans-European transport networks and the priority project n° 8, multimodal connection between Portugal/ Spain.

The main goal is the global increment of the railway transport demand reached by higher levels of equipment and infrastructures and quality of the delivery services to the users. Having as background a group of detected circulation problems like: a large group of tracks are non electrified, single tracks, the existence of several level crossings in this way, stops and stations with inadequate conditions and the inexistence of adequate terminals and interfaces in stations, these projects will help to enlarge the railway services quality delivered to all users.

With the Cohesion Fund the quality of the service upgrades, in security and comfort terms. The time distance reduces and the punctuality increases. As a result, the number of passengers transported will grow, particularly during rush hours, and the inter-modality conditions increases.

In 2004, 3 rail projects were adopted, including 2 underground projects, they accounted for the biggest part of the assistance granted for the transport sector.

Note should also be taken of investments in ports, particularly those of the Autonomous Regions of the Azores and Madeira, which play a vital economic role given the particular handicaps of these outermost regions.

The implementation of 2004 commitment appropriations for new transport projects is shown in the following table:

Sectors	Total eligible cost (€ million)	CF assistance (€ million)	% of assistance	2003 commitments (€ million)
<b>Airport</b>	17.9	13.8	3.3%	11.1
<b>Urban rail</b>	293.4	239.5	57.6%	104.0
<b>Rail</b>	188.9	151.1	36.3%	43.6
<b>Road</b>	13.7	11.6	2.8%	9.3
<b>Total</b>	<b>513.9</b>	<b>416.0</b>	<b>100%</b>	<b>168.0</b>

The six transport projects adopted involve urban rail, railways, airports and roads.

Most of assistance from the Fund went to the modernisation of the Portuguese rail network. Financing has also been granted for projects on lines in addition to the Northern and Beira Alta lines, enabling intermodality.

Finally, one road project was adopted, involving a section of the North-South trunk road in the Region of Lisbon.

The six transport projects approved are shown in the following table:

<b>TRANSPORT PROJECTS</b>			
No of project	Project name	Total eligible cost (€ million)	CF assistance (€ million)
<b>AIRPORT PROJECTS</b>			
2003/PT/16/C/PT/01 1	Aerogare das Lajes	17.9	13.8
<b>URBAN RAIL PROJECTS ( METRO)</b>			
2003/PT/16/C/PT/01 2	Metro of Porto – airport connection line	98.7	74.0
2004/PT/16/C/PT/00 1	Metro of Lisbon – Gil/airport connection line	194.7	165.5
<b>RAIL PROJECTS</b>			
2003/PT/16/C/PT/00 8	Minho line – Nine/Braga	77.8	47.4
2004/PT/16/C/PT/00 2	Modernisation of North line VII – Vila Franca/Vale de Santarem	188.9	151.1
<b>ROAD PROJECTS</b>			
2004/PT/16/C/PT/00 3	Trunk road – Torre de Moncorvo –IP2	13.7	11.6

### 3.1.4. Cyprus

The budget available for Cyprus within the programming period 2004 – 2006 is 54,3 million €. In 2004 the European Commission approved the first Cypriot Cohesion Fund project. This transport project amounts to total costs of 40,8 million € and a CF grant of 25,2 million €, which allowed Cyprus to take up all available funds.

In 2005 the European Commission expects to be able to adopt only one more project, due to the limited amount of credit allocations for Cyprus. The envisaged environment project will necessitate a Community financing of 29 million €, which means that the sector balance will be slightly in favour of environment.

#### 3.1.4.1. Environment

No environment projects were adopted in 2004.

#### 3.1.4.2. Transport

The project adopted aims to finalise the Limassol motorway ring, which is a bottleneck of strategic importance, as the motorway links the island with the Límassol port, which is on a TEN corridor. Implementation is expected to start around summer 2005.

### 3.1.5. Czech Republic

In 2004, the Commission approved 15 projects under the Cohesion Fund since the accession of the Czech Republic on 1 May 2004. 10 of these projects were made in the environmental sector (the majority in the waste water sector), 4 being adopted in the transport sector. One technical assistance project has also been adopted.

	<b>Total eligible cost (million€)</b>	<b>Total CF financing (million €)</b>	<b>Commitments 2004 (million €)</b>
<b>Environment</b>	238.9	178.9	143.1
<b>Transport</b>	577.9	279.6	101.6
<b>Technical Assistance</b>	0.5	0.4	0.3
<b>Total FC</b>	<b>817.3</b>	<b>458.9</b>	<b>245.0</b>
<b>% Environment</b>	29.2 %	39.0 %	58.4 %
<b>% Transport</b>	70.7 %	60.9 %	41.5 %

#### 3.1.5.1. Environment

The priorities for assistance from the Fund are waste water treatment, the supply of drinking water and the treatment of urban waste.

For this first year of implementation of the Cohesion Fund in the Czech Republic, the majority of the projects adopted in the environment sector was made for waste water infrastructures (8 projects out of 10).

<b>Sector</b>	<b>Total eligible cost (million €)</b>	<b>Total CF financing (million €)</b>	<b>% Co-financing</b>	<b>Commitments 2004 (million €)</b>
<b>Water supply</b>	47.28	37.35	79 %	29.88
<b>Waste water and sewage</b>	178.04	131.97	74 %	105.58
<b>Solid waste</b>	13.67	9.57	70 %	7.66
<b>Total</b>	<b>238.9</b>	<b>178.89</b>	<b>100,00</b>	<b>143.12</b>

<b>ENVIRONMENT PROJECTS</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Name of the project</b>	<b>Total eligible cost (€)</b>	<b>CF financing (€)</b>
<b>Waste water</b>			
2004/CZ/16/C/PE/001	Karvina : Sewerage extension	22,062,000	17,649,600
2004/CZ/16/C/PE/002	Pribram : WWTP upgrading	8,938,000	6,345,980
2004/CZ/16/C/PE/003	Pilsen : Extension sewer infrastructure	52,120,000	39,090,000
2004/CZ/16/C/PE/004	Lužická Nisa River: WWTP and sewage	28,797,000	20,733,840
2004/CZ/16/C/PE/005	Karlovy Vary : Waste Water Management	8,717,100	6,363,483
2004/CZ/16/C/PE/008	Beroun : sewage system extension	12,379,460	8,046,649
2004/CZ/16/C/PE/015	Sewage + WWTP Radbuza	24,161,000	18,120,750
2004/CZ/16/C/PE/01	Šumperk, Sewers + WWTP	20,831,000	15,623,250

4			
<b>Water supply</b>			
2004/CZ/16/C/PE/01 6	Břeclav, Sewer, WWTP, water distribution	47,279,000	37,350,410
<b>Solid waste</b>			
2004/CZ/16/C/PE/00 7	Klatovy – Clean town	13,677,000	9,573,900

### 3.1.5.2. Transport

During this first year of implementation, 4 projects in the transport sector were adopted by the Commission. These 4 projects count for 70 % of the total eligible cost: indeed, transport projects represent most of the time much higher costs than environmental projects.

Sectors	Total eligible cost (€ million)	CF assistance (€ million)	% of assistance	2004 commitments (€ million)
<b>Roads</b>	<b>444.33</b>	<b>179.40</b>	<b>40.3 %</b>	<b>81.58</b>
<b>Rail</b>	<b>133.53</b>	<b>100.15</b>	<b>75 %</b>	<b>20.03</b>
<b>Total</b>	<b>577.86</b>	<b>279.55</b>	<b>48.3 %</b>	<b>101.61</b>

<b>TRANSPORT PROJECTS</b>			
<b>Projects adopted in 2004</b>			
Project number	Name of the project	Total eligible cost (million €)	CF financing (million €)
2004/CZ/16/C/PT/00 1	R48 Dobrá - Tošanovice - Žukov, Stage 2 Tošanovice - Žukov	48.766	37.062
2004/CZ/16/C/PT/00 4	Motorway D1, Kroměříž West - East	51.457	39.107
2004/CZ/16/C/PT/00 5	Prague Ring Road, Section 514	344.111	103.233

2004/CZ/16/C/PT/00 2	Červenka - Zábřeh na Moravě, Stage I + II	133.531	100.148
<b>Total</b>		<b>577.865</b>	<b>279.551</b>

### 3.1.6. Estonia

In 2004, the Commission adopted 5 new decisions granting assistance from the Cohesion Fund totalling € 95 million, of which € 76 million were committed in 2004. One amending decision was approved with an increase of assistance by € 10.2 million of which € 8.16 million were committed in 2004.

The following table shows the Cohesion Fund assistance approved in 2004 and the total amount committed.

Sector	Total eligible cost (million €)	Total CF assistance (million €)	2004 Commitments (million €)
<b>Environment</b>	82.0	63.9	51.1
<b>Transport</b>	59.9	48.8	33.1
<b>Total CF</b>	<b>141.9</b>	<b>112.7</b>	<b>84.2</b>
Environment from previous years (ISPA)	75.9	43.5	7.0
Transport from previous years (ISPA)	57.9	58.8	14.4
<b>% Environment</b>	57.2 %	49.9 %	55.1 %
<b>% Transport</b>	42.8 %	50.1 %	44.9 %
<b>TOTAL</b>	<b>275.7</b>	<b>215.0</b>	<b>105.6</b>

#### 3.1.6.1. Environment

All 4 environmental projects which have been approved in 2004 were in the waste water and drinking water sectors. 3 of those projects presented a group of projects located in the same sub-river basin.

<b>ENVIRONMENT PROJECTS</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Name of the project</b>	<b>Total eligible cost (€ million )</b>	<b>CF financing (€ million)</b>

2004/EE/16/C/PE/00 2	Viimsi water management	13.10	9.82
2004/EE/16/C/PE/00 3	Parnu sub-river basin, Pärnu and Plaide water management	19.84	14.88
2004/EE/16/C/PE/00 4	Matsalu sub-river basin, water and sewage system	27.56	22.05
2004/EE/16/C/PE/00 5	Läänesaarte sub-river basin, water and sewage system	21.50	17.20
<b>Total</b>		<b>82.00</b>	<b>63.95</b>

### 3.1.6.2. Transport

In 2004 the Commission adopted one project in the road sector. An existing grant for technical assistance for the transport sector was increased by € 10.2 million to prepare additional 8 large transport projects for the next programming period.

<b>TRANSPORT PROJECTS</b>			
<b>Projects adopted in 2004</b>			
<b>Project n°</b>	<b>Name of the project</b>	<b>Total eligible cost (€ million)</b>	<b>CF financing (€ million)</b>
2004/EE/16/C/PT/002	Reconstruction of Jõhvi-Tartu-Valga road	37.93	31.10
<b>Modified decision with grant increase</b>			
2002/EE/16/PPA/009	Technical assistance for transport sector : project preparation and management	22.00	17.70
<b>Total</b>		<b>59.93</b>	<b>48.80</b>

### 3.1.7. Hungary

In 2004, the Commission approved five new Cohesion Fund projects. The commitment of 376,4 million € allowed to reach the mid point of range target and to take up all available funds. At the same time it was possible to ensure an equal distribution between transport and environment (50-50).

The below figures indicate the dynamic development of the Community assistance, since the amount committed in the year 2004 is higher than the total of the committed amounts of the four years between 2000 and 2003 (369,2 Mio €).

	<b>Total eligible cost (€ million)</b>	<b>Total CF financing (€ million)</b>	<b>Commitments 2004 (€ million)</b>
<b>Environment</b>	1,094.1	687.1	188,2
<b>Transport</b>	1,096.8	710.0	188,2
<b>Total CF</b>	2,190.9	1397.1	376,4
<b>% Environment</b>	49.9 %	49.1 %	50,0 %
<b>% Transport</b>	50.1 %	50.9 %	50,0 %

### 3.1.7.1. Environment

In 2004 the Cohesion Fund focused on the waste water and solid waste sectors. 245.8 million € have been committed to the waste water sector, supporting 10 waste water projects, while 120.9 million € were committed to the solid waste sector supporting another 12 projects adopted in previous years :

<b>Sector</b>	<b>Total Eligible Cost (€ million)</b>	<b>CF assistance (€ million)</b>	<b>% co-financing</b>	<b>Commitments 2004 (€ million)</b>
<b>Waste Water</b>	815.9	510.6	62.6 %	175.9
<b>Solid Waste</b>	278.2	176.5	63.4 %	12.9
<b>Total Environment</b>	<b>1,094.1</b>	<b>687.1</b>	<b>62.8 %</b>	<b>187.9</b>

#### **Solid waste**

Solid waste projects in Hungary generally consist of a selective waste collection and waste treatment component, a landfill component adjusting existing landfills to the new Hungarian legislation or introducing new landfills, and a component dealing with the closure of redundant landfills and dumps.

#### **Waste water**

All environmental projects decided in 2004 are waste water projects :

<b>ENVIRONMENT PROJECTS</b>			
<b>Adopted in 2004</b>			
<b>No of Project</b>	<b>Name of Project</b>	<b>Total Eligible Cost (million €)</b>	<b>CF Assistance (million €)</b>
2004/HU/16/C/PE001	Budapest Waste Water	468,7	304,7
2004/HU/16/C/PE002	Zalaegerszeg Waste Water	48,9	36,7



2004/HU/16/C/PE003	Veszprem Waste Water	29,9	22,1
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The Budapest waste water treatment project includes the construction of a 7 km long main sewer connecting the existing sewage system with the green field waste water treatment plant on Csepel island. Three major pumping stations and two river crossings are also foreseen.

### 3.1.7.2. Transport

The average assistance rate for transport projects decided before accession (ISPA) was 50.6 %. The average contribution rate for the two transport projects decided in 2004 after accession is 83.6 %.

The following table shows the distribution of CF funding between the rail sector and the road sector (Technical assistance not included):

Sector	Total Eligible Cost (€ million)	CF assistance (€ million)	% co-financing	Commitments 2004 (€ million)
<b>Rail</b>	613.6	351.2	57.2 %	64.3
<b>Road</b>	483.2	358.8	74.3 %	123.9
<b>Total Transport</b>	<b>1,096.8</b>	<b>710.0</b>	<b>64.7 %</b>	<b>188.2</b>
<b>% Rail</b>	55.9 %	49.5 %		34.2 %
<b>% Road</b>	44.1 %	50.5 %		65.8 %

The following table shows the two transport projects adopted in 2004 :

No of Project	Name of Project	Total Eligible Cost (€ million)	CF Assistance (€ million)
2004/HU/16/C/PT001	Rehabilitation of the railway line between Budapest – Szolnok and Lökösháza	134,8	107,8
2004/HU/16/C/PT002	Construction of a part of the Motorway 0-Ring around Budapest	334,9	284,7

#### Rail

The CF support is focussing mainly on the TEN-Corridor IV running from Praha in two branches to Budapest and continuing in various branches to Constanta at the Black Sea, Istanbul and Thessaloniki. One branch enters Hungary coming from Austria at Hegyeshalom and continues via Budapest to the Romanian border at Lökösháza. 267,5 Mio € of the 351.2 Mio. € allocated to the railway sector will be spent on this sector of corridor IV. The CF contribution to this corridor is divided into 4 projects, which were decided in the years 2000 to 2004. One project aims to

improve the railway line between Boba and Zalalövö which is a part of a branch of EN Corridor V arriving from Slovenia and continuing to Ukraine.

The following table shows the distribution of CF funds allocated to the railway sector according to TEN-corridors (ISPA and Cohesion Fund) :

	<b>No. of Projects</b>	<b>Total Eligible Cost (€ million)</b>	<b>Total Assistance (€ million)</b>
Corridor IV	4	446,2	267,5
Corridor V	1	167,4	83,7

### **Road**

Till 2004 the CF contribution to the road sector was focussing on the rehabilitation of National Roads, strengthening the superstructure in order to achieve 11.5 ton load bearing capacity. Only in 2004 one motorway project has been decided contributing to the 0-Ring around Budapest

The following table shows the distribution of CF funds allocated to the road sector distinguishing between motorways and national roads:

	<b>No. of Project</b>	<b>Total Eligible Cost (€ million)</b>	<b>Total Assistance (€ million)</b>
<b>National Roads</b>	2	148.3	74.1
<b>Motorway</b>	1	334.9	284.7

### **3.1.8. Latvia**

The Commission received 11 applications for assistance from the Cohesion Fund, of which 6 were for the environment, 2 for transport investment measures and 3 for technical assistance measures – two environment, one transport related. Two technical assistance measures for the environment were combined in one decision.

The Commission adopted 10 new decisions granting assistance from the Cohesion Fund amounting to € 220.33 million, of which € 151.37 million were committed in 2004. From the adopted new decisions - 7 decisions were for the environment (including one technical assistance project) and 3 were for the transport (including one technical assistance project) sector. The total eligible cost of these measures is € 294.97 million.

	<b>Total eligible costs (€ million)</b>	<b>CF assistance (€ million)</b>	<b>2004 commitments (€ million)</b>
<b>Environment</b>	97.82	82.27	65.81
<b>Transport</b>	197.15	138.06	85.56
<b>TOTAL</b>	<b>294.97</b>	<b>220.33</b>	<b>151.37</b>

For measures adopted in the 2000-2003 period, commitments in the form of annual instalments were made in total for the amount € 38.59 million. The total commitments figure for Latvia in 2004 was € 189.96 million.

The transport sector accounted for 52.47 % of the total commitments made for the assistance granted under the decisions approved by the Commission until the end of 2004. This imbalance between the transport and environment sectors should be compensated in subsequent years of the programming period.

During 2004, the Commission authorised payments amounting to € 23.3 million. A total of 5 modifying decisions were adopted in 2004.

#### *3.1.8.1. Environment*

The applications for assistance submitted to the Commission in 2004 were predominantly focused on the water sector though the solid waste sector was also addressed.

Four decisions out of 7 granted financial support for projects addressing the issues regarding further development of water supply and waste-water systems in municipalities. 3 of the projects are located in the second (Daugavpils), the third (Liepāja) and the sixth (Ventspils) largest cities of Latvia and will form the second stage of investments in water service development in these municipalities. The remaining project from the four approved projects in this sector is a group of projects aiming to improve water services development in Olaine town and Jaunolaine village. In total 4 decisions in the water and waste-water sector will provide assistance of € 65.11 million, of which almost € 52.08 million was committed.

In 2004 the Cohesion Fund also concentrated its financial support on the management of solid waste. Two approved projects will cover solid waste management in Zemgale and Maliena - two of 11 potential waste management regions in Latvia according the National Waste Management Plan 2003 - 2012. The projects intend to establish a single waste management system, which will include waste collection, transport, registration, control and disposal. Additionally it is intended to establish and develop a separate waste collection system, with the aim of recycling and reusing waste so as to reduce the amount of waste disposal and reduce the negative impact and burden on the surrounding environment. Both projects anticipate centralised waste disposal by establishing a municipal waste disposal landfill and intend the re-cultivation of all old dumpsites in the region.

The approved technical assistance project will provide assistance for the preparation of two investment projects for water services development in municipalities in western and eastern parts of the country. The aim of the project is to select professional support for tendering processes, supervision of works and also to build up where required the technical and administrative expertise in the management of investment projects in the municipalities concerned.

The following table shows the projects adopted in 2004:

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Project N°	Project title	Total Eligible cost (€ million)	Total CF Assistance (€ million)	Committed in 2004 (€ million)
<b>Technical Assistance project:</b>				
2004LV16CPA002	TA for projects for Water Services Development in Latvian Municipalities	8.92	7.31	5.85
<b>Water Service Development projects:</b>				
2004LV16CPE001	Development of water services in Ventspils, Stage II	21.78	18.52	14.81
2004LV16CPE002	Water Service Development in Olaine and Jaunolaine	10.19	8.67	6.93
2004LV16CPE003	Development of Water Services in Liepāja, Stage II	25.30	21.50	17.20
2004LV16CPE004	Development of Water Services in Daugavpils, Stage II	19.32	16.42	13.14
Total Water Service Development projects		76.59	65.11	52.08
<b>Solid Waste Management projects:</b>				
2004LV16CPE005	Solid Waste Management in the Zemgale Region	6.60	5.28	4.23
2004LV16CPE006	Solid Waste Management in the Maliena Region	5.71	4.57	3.65
Total Solid Waste Management projects		12.31	9.85	7.88
<b>TOTAL</b>		<b>97.82</b>	<b>82.27</b>	<b>65.81</b>

### 3.1.8.2. Transport

In 2004, the European Commission adopted 3 decisions to co-finance projects in the transport sector with a total eligible costs of € 197.14 million and a total contribution from the Cohesion Fund of € 138.06 million.

The following table shows the projects adopted in 2004:

No of project	Name of project	Total Eligible Cost (€ million)	CF Assistance (€ million)	Committed in 2004 (€ million)

<b>Road projects:</b>				
2004LV16CPT001	Improvements of the TEN road network, Project I	106.19	90.26	63.18
<b>Rail projects:</b>				
2004LV16CPT002	Track Renewal on Sections of the East-West Railway Corridor	89.42	46.50	21.33
<b>Technical assistance projects:</b>				
2004LV16CPA001	TA for transport sector	1.53	1.30	1.05
<b>TOTAL</b>		<b>197.14</b>	<b>138.06</b>	<b>85.56</b>

### **Roads**

The approved road project is a group of projects with the overall objective to rehabilitate and upgrade sections of the Latvian State Main Road, which form part of the Trans-European Network (TEN). There are five projects grouped together and each project involves upgrading a road section of between 5.9 and 47.9 km in length, all of which are located in different places on the Latvian State Main Road network.

### **Rail**

The main objective of the approved project in the rail sector “Track Renewal on Sections of the East-West Railway Corridor” is to replace the life expired sections of track, which cause severe speed restrictions, in turn creating bottlenecks on the East – West Railway Corridor. Implementation of the project will comprise complete renewal of the corridor over a length of 260 km. The East-West Railway Corridor of Latvia is a route of international importance, being part of the Trans-European Network (TEN) and ensuring interconnection with TINA Corridors No. I, II and IX and carries the highest volume of rail freight traffic in the region. The main emphasis in the selection of projects for financing has been put on improvements to the most important TINA network elements where the traffic demand and safety level requires immediate action.

### **Technical Assistance**

The project approved in 2004 is a group of projects which will provide technical assistance to the national authorities for the preparation of applications for the following projects: the Road E22 East entrance into the Riga city; the introduction of a Unified Railway Communication GSM – R System on the Latvian East – West railway corridor; the renovation of Riga Railway Network.

### 3.1.9. Lithuania

In 2004, the Commission approved new Cohesion Fund grants totalling €239 million, of which €181.1 million were committed from that year's budget. Including the commitments of €29 million made as a result of decisions taken in previous years, the total amount of Cohesion Fund commitments for Lithuania in 2004 was €209 million. The following table shows the Cohesion Fund assistance approved in 2004 and the total amount committed.

	<b>Total eligible cost (€ million)</b>	<b>Total CF assistance (€ million)</b>	<b>2004 commitments (€ million)</b>
<b>Environment</b>	108	78	52
<b>Transport</b>	190	161	129
<b>Total CF</b>	<b>298</b>	<b>239</b>	<b>181</b>
<b>% Environment</b>	36.2 %	34%	28%
<b>% Transport</b>	63.8 %	66%	72%

#### 3.1.9.1. Environment

In 2004 the Cohesion Fund concentrated its financial support on the three priority sectors: water supplies, waste-water disposal and treatment and management of solid domestic waste. The main aim of these projects is to help municipalities and regions improve drinking water supplies, waste-water networks and treatment, and collection and treatment of waste.

The contribution of the Cohesion Fund by sectors shows that waste-water disposal and treatment continued to receive the bulk of resources for the environment, followed by water supplies.

A total of 3 decisions on new projects were adopted, providing assistance of € 77.5 million, of which almost € 52 million were committed in 2004. One amending decision related to a former ISPA measure for the Technical assistance for project preparation was adopted.

As Lithuanian environmental sector benefited from the assistance from ISPA during 2000-2003 some of the commitments of €7.4 million of former ISPA projects from this period were carried out in 2004. The following table shows the projects adopted in 2004:

<b>No of Project</b>	<b>Name of Project</b>	<b>Total CF grant</b>	<b>Committed 2004</b>
<b>Water and waste water</b>			
2004/LT/16/C/PE/002	Nemunas Midland River Basin- 1 <sup>st</sup>	51.196.000	30.808.000

	package		
<b>Solid waste</b>			
004/LT/16/C/PE/003	Utena Regional waste management system development	9.709.260	7.767.408
<b>Technical assistance</b>			
2001/LT/16/C/PA/002	Technical Assistance for Project preparation in environmental sector (modification)	16.575.000	13.260.000

### 3.1.9.2. Transport

In 2004, the European Commission approved seven new transport projects with a total of €161.6 million in Community assistance, of which €129.3 million was committed from the 2004 budget. The breakdown by sector is given below.

#### Roads

Five projects were approved in 2004. Projects concerns different sections on corridors: Development of TEN roads in 2004-2006 (E85: Lyda-Vilnius and E272: Vilnius-Panevezys-Siauliai-Palanga), Development of TEN (2004-2006) (E28: Vilnius-Prienai-Marijampole), Development of the Transport Corridor IXB (2004-2006), Development of Transport Corridor IXD (2004-2006) and Development of the Transport Corridor I (Road Via Baltica). Total Community assistance for these projects is €127 million.

#### Rail

The Commission approved two new grant decision, concerning Rehabilitation of Kaunas Railway Tunnel (€15.9 million) and Modernisation of the Marshalling Yards on Corridor IX (€18.6 million). Total Community assistance for these projects is €34.6 million.

The following table shows the projects adopted in 2004:

No of Project	Name of Project	Total CF grant	Committed 2004
<b>Roads</b>			
2004/LT/16/C/PT/001	Development of TEN roads (2004-2006) (E85: Lyda-Vilnius and E272: Vilnius-Panevezys-Siauliai-Palanga)	30.738.000	24.590.400
2004/LT/16/C/PT/002	Development of TEN (2004-2006) (E28: Vilnius-Prienai-Marijampole)	19.312.000	15.449.600
2004/LT/16/C/PT/003	Development of the Transport	45.993.000	36.794.400

	Corridor IXB (2004-2006)		
2004/LT/16/C/PT/004	Development of Transport Corridor IXD (2004 –2006)	10.262.500	8.210.000
2004/LT/16/C/PT/005	Development of the Transport Corridor I (Road Via Baltica) (2004-2006)	20.706.000	16.564.800
<b>Rail</b>			
2004/LT/16/C/PT/006	Modernisation of the Marshalling Yards on Corridor IX (Vaidotai and Radviliskis)	18.623.500	14.050.029
2004/LT/16/C/PT/007	Rehabilitation of Kaunas Railway Tunnel	15.991.900	12.793.520

### 3.1.10. Malta

In 2004, the Commission approved only one project totalling €16.7 million, of which €11.7 million is granted by the Cohesion Fund. Malta's 2004 commitment of €7.418 million was entirely committed to that project:

	<b>Total eligible cost (€ million)</b>	<b>Total CF financing (€ million)</b>	<b>Commitments 2004 (€ million)</b>
<b>Environment</b>	16.7	11.7	7.418
<b>Transport</b>	-	-	-
<b>Total CF</b>	16.7	11.7	7.418
<b>% Environment</b>	100 %	100 %	100 %
<b>% Transport</b>	-	-	-

#### 3.1.10.1. Environment

The only Maltese project co-financed by the Cohesion Fund under the environmental sector is related to the treatment and management of municipal solid waste. The Cohesion Fund will contribute to the upgrading of the Sant'Antnin waste treatment plant and materials recycling and recovery facility.

The 2001 Solid Waste Management Strategy indicates that to meet its obligations regarding the *acquis*, Malta will have to introduce waste separation at source, which will involve significant infrastructural works in the area of composting and recycling, as well as public information campaigns. The upgrading of the current waste treatment plant should enable a significant reduction in the amount of rejects to be landfilled.



### 3.1.10.2. Transport

In 2004 no decisions were taken to approve any transport projects for Malta, due to the fact that the project submitted under the environmental sector took up 100 % of Malta's allocation for the year.

### 3.1.11. Poland

The Commission had registered 42 applications for assistance from the Cohesion Fund, of which 35 were for the environment, five for transport investment measures and two for technical assistance measures.

The Commission adopted 27 new decisions granting assistance from the Cohesion Fund amounting to € 1716.1 million, of which € 1061.8 million were committed in 2004. The split of commitments between the transport and environment sectors is approximately 60:40. The total eligible cost of these measures is € 2254.7 million.

<b>New projects adopted in 2004</b>			
	<b>Total eligible costs (€ million)</b>	<b>CF assistance (€ million)</b>	<b>2004 commitments (€ million)</b>
<b>Environment</b>	<b>1005.1</b>	<b>689.2</b>	<b>512.9</b>
<b>Transport</b>	<b>1243.6</b>	<b>1021.8</b>	<b>543.8</b>
<b>Technical Assistance</b>	<b>6.0</b>	<b>5.1</b>	<b>5.1</b>
<b>TOTAL</b>	<b>2254.7</b>	<b>1716.1</b>	<b>1061.8</b>

For measures adopted in the 2000-2003 period, commitments totalling to € 352.8 million were made, taking into account amendments made:

<b>Measures adopted in the 2000-2003 period (ex-ISPA projects)</b>			
	<b>Total eligible costs (€ million)</b>	<b>CF assistance (€ million)</b>	<b>2004 commitments (€ million)</b>
<b>Environment</b>	2047.4	1269.8	185.6
<b>Transport</b>	1684.0	1263.0	163.3
<b>Technical Assistance</b>	59.2	45.0	3.9
<b>TOTAL</b>	3790.6	2577.8	352.8

During 2004, the Commission authorised payments amounting to € 223.1 million. A total of 11 amending decisions were adopted.

### 3.1.11.1.Environment

The applications for assistance submitted to the Commission were predominantly focused on the water sector though the solid waste sector was also addressed. The decisions adopted in 2004 covered only waste-water treatment, waste-water collection, drinking water production and supply. The majority of these projects addressed at least two or more of the above fields of the water cycle.

The below table shows projects adopted in 2004:

CCI Number	Title of Measure	Total Eligible Cost (€ million)	Total CF Assistance (€ million)	Committed in 2004 (€ million)
2004PL16CPE001	Bedzin, waste-water management and water supply	28.381	21.286	17.029
2004PL16CPE003	Bydgoszcz, Water and waste-water management, phase II	137.983	99.348	69.544
2004PL16CPE004	Bytom, water and waste-water management	61.998	49.599	34.719
2004PL16CPE005	Chrzanów, Water supply & urban sewerage	30.098	21.671	17.336
2004PL16CPE007	Grodzisk Mazowiecki, Water & waste-water management	15.131	11.046	8.837
2004PL16CPE008	Kalisz, Upgrading of waste-water collecting system in Kalisz	15.981	7.991	6.393
2004PL16CPE010	Łódź ,Water & waste-water management - II phase	142.242	71.121	49.785
2004PL16CPE011	Myslowice, waste-water management	24.153	15.458	12.367
2004PL16CPE013	Otwock, water & waste-water management	32.372	19.747	15.798
2004PL16CPE014	Piaseczno, water & waste-water management	43.415	31.693	25.355
2004PL16CPE015	Pszczynka, basin of Pszczynka River water protection	34.456	25.842	20.674
2004PL16CPE016	Raziborz, waste-water management	20.503	14.558	11.646
2004PL16CPE017	Radom, water & waste-water management	41.371	26.064	20.851
2004PL16CPE019	Słupsk, Comprehensive waste-water	19.597	13.718	10.974

	programme in slupsk Region			
2004PL16CPE020	Starachowice, water & waste-water management	19.224	13.073	10.458
2004PL16CPE021	Tarnobrzeg, water & waste-water management	15.315	12.406	9.925
2004PL16CPE024	Tychy, water & waste-water management	100.125	75.094	52.566
2004PL16CPE025	Jastrzebie Zdroj, water & waste-water management system	33.895	28.472	22.778
2004PL16CPE026	Wadowice agglomeration, water & waste-water management	17.609	14.968	11.975
2004PL16CPE027	Zabrze, waste-water management	89.672	58.287	40.801
2004PL16CPE029	Zielona Gora, water & sewerage management	31.346	26.645	21.316
2004PL16CPE031	Wrocław II, Water & waste-water management (phase II)	50.251	31.156	21.809

All projects adopted in 2004 included a condition relating to the Environmental Impact Assessment (EIA) procedure and NATURA 2000 sites. The condition allows payments to the projects only after the finalised EIA and NATURA 2000 proceeding were screened and accepted by the Commission. Already in parallel with preparation of decisions the Commission and the Polish Managing Authority initiated a screening exercise on compliance of the Polish EIA legislation with the EIA Directives, with the aim to facilitate preparation of decisions in the future and lift the condition in the 2004 decisions.

For projects adopted in 2000-2003 commitments of € 185.59 million were made. The Commission adopted 4 amending decisions.

### *3.1.11.2. Transport*

In 2004, The European Commission adopted a total of 9 decisions to co-finance projects in the transport sector with a total eligible costs of € 1,243.6 million and total contribution from the Cohesion Fund of € 1,026.6 million. The total commitments in transport sector in 2004 amount to € 716 million of which € 548.9 million were committed for new projects and € 167.1 million for the projects adopted previously under the Instrument for Structural Policies for pre-accession (ISPA).

The transport sector accounted for 60 % of the total assistance granted under the decisions approved by the Commission in 2004 and 50.6 % of the commitments made. This unbalance between transport and environment sectors should be compensated in the following years of the current programming period.

The breakdown by the sub-sectors in Transport sector is given in the following table:

The breakdown by the sub-sectors in Transport sector is given in the following table:	<b>Total eligible costs (€ million)</b>	<b>CF assistance (€ million)</b>	<b>% Co-financing</b>	<b>2004 commitments (€ million)</b>
<b>Sub-Sector</b>				
<b>Roads</b>	1165.2	960.0	93.5	494.6
<b>Rails</b>	72.4	61.5	6.0	49.2
<b>Technical Assistance</b>	6.0	5.1	0.5	5.1
<b>TOTAL</b>	<b>1243.6</b>	<b>1026.6</b>	<b>100.0</b>	<b>548.9</b>

### **Roads**

In 2004, the road projects cover mainly construction of the motorways and expressways sections and reconstruction of one section of the national road No 2. All projects are located on the Trans-European Transport Corridors, namely: Corridors No: I, II, III and VI. The project concerning Construction of A1 motorway, section: Sosnica – Gorzyczki contributes to the implementation of one of the European transport priority projects (project No 25) in accordance with the Decision No 884/2004 of the European Parliament and the Council of 29 April 2004.

### **Rail**

Only two projects in the rail sector were adopted in 2004. Both projects constitute preliminary stages of the modernization of two sections of railway lines. One of these projects concerning modernization of E65 railway line contributes to the implementation of one of the European transport priority projects (project No 23) in accordance with the Decision No 884/2004 of the European Parliament and the Council of 29 April 2004 and development of the Trans-European road transport Corridor No VI. It is expected that the subsequent stages of the modernisation of these railway line sections will be subject of further Commission Decisions concerning Cohesion Fund assistance in 2005.

### **Technical Assistance**

Two projects approved in 2004 will provide a technical assistance to the national authorities for the preparation and verification of the project applications as well as management and monitoring of Cohesion Fund projects.

The following table shows the projects adopted in 2004:

No of project	Name of project	Total eligible costs (€ million)	CF assistance (€ million)
<b>Road projects:</b>			
2004/PL/16/C/PT/001	Construction of A2 motorway, section: Konin-Emilia	380.6	312.1
2004/PL/16/C/PT/002	Construction of S8 expressway, section: Radzymin-Wyszaków	168.9	140.2
2004/PL/16/C/PT/003	Construction of A1 motorway, section: Sosnica – Gorzyczki, stage I	233.5	193.8
2004/PL/16/C/PT/004	Construction of the A4 motorway, section: Zgorzelec-Krzyzowa	307.4	252.0
2004/PL/16/C/PT/007	Rehabilitation of the national road No 2, section: Siedlce - Terespol	74.8	62.1
<b>Rail projects:</b>			
2004/PL/16/C/PT/005	Modernisation of E59 railway line, section: Wrocław – Rawicz (stage I)	30.0	25.5
2004/PL/16/C/PT/006	Modernisation of E65 railway line, section: Warszawa - Gdynia (stage I)	42.4	36.0
<b>Technical assistance projects:</b>			
2004/PL/16/C/PA/001	Technical assistance for transport sector	4.0	3.4
2004/PL/16/C/PA/002	Technical assistance for rail sector	2.0	1.7

### 3.1.12. Slovakia

Slovakia absorbed the entirety of its 2004 allocation thanks to the complementary budgetary commitments for the ISPA projects decided in 2000-2003 and to the adoption of 7 new projects under the Cohesion Fund (5 environmental projects and 2 transport projects).

At the end of 2004, almost all the ISPA and Cohesion Fund allocation available for Slovakia for the period 2000-2006 had been allocated to projects (environment,

transport, technical assistance): 37 projects were adopted for an eligible total cost of €1,118 million and a Community contribution of €722 million.

Cohesion Fund assistance approved in 2004 and committed amounts:

	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>	<b>Commitments 2004* (en €)</b>
<b>Environment</b>	200.649.060	152.557.848	125.556.724
<b>Transport</b>	279.562.000	206.875.880	67.417.276
<b>TOTAL</b>	480.211.060	359.433.728	192.974.000
<b>% environment</b>	41,8 %	42,4 %	65 %
<b>% transport</b>	58,2 %	57,6 %	35 %

\* including the commitments based on the decisions taken in 2004 and the previous years.

### 3.1.12.1.Environment

In 2004 the Cohesion Fund concentrated its support to integrated water management projects. Five projects that combined drinking water supply and collection and treatment of waste-water were adopted:

<b>Project n°</b>	<b>Project name</b>	<b>Total eligible cost (€)</b>	<b>CF assistance (€)</b>	<b>Commitments 2004 (€)</b>
2004SK16CPE001	Water supply and sewerage of Horne Kysuce	54,339,000	43,471,200	8,694,240
2004SK16CPE002	Vranov - Drinking water and sewerage in the Topla River Basin	42,525,800	34,020,640	27,216,512
2004SK16CPE003	Basin of River Vah and Danube - Discharge and treatment of waste-water and supply of drinking water. Agglomeration of Galanta	29,425,000	19,126,250	15,301,000
2004SK16CPE004	Basin of River Vah and Danube - Discharge and treatment of waste-water and supply of drinking water. Agglomeration of Samorin	23,651,000	15,373,150	12,298,520
2004SK16CPE005	Presov - Drinking water and sewerage in the Basin of Torysa River	50,708,260	40,566,608	32,014,512

### 3.1.12.2. Transport

The Commission adopted in 2004 a motorway project and a rail project for a total CF assistance of €206.8 million:

Project n°	Project name	Total eligible cost (€)	CF assistance (€)	Commitments 2004 (€)
2002SK16PPT004	Construction of Motorway D 1, Section Mengusovce - Jánovce	190.246.000	140.782.040	29.192.408
2004SK16CPT001	Modernisation of Railway Track Trnava – Nove Mesto nad Vahom, zkm 47,550 -100,500 at a speed 160 km/h – stage II – Piestany – Nove Mesto nad Vahom	89.316.000	66.093.840	13.218.768

### 3.1.13. Slovenia

In 2004, the Commission approved 2 new environmental projects and 2 transport projects. These projects involve eligible investments of € 132.4 million, for which assistance of € 81.3 million was granted, of which € 64.9 million was committed from the 2004 budget.

Following these commitments and including projects adopted in previous years which have an impact on the budget for 2004, the total commitments for the year were as follows:

	Coût total éligible (en €)	Contribution Fonds de cohésion (en €)	Engagements 2004 (*) (en €)
<b>Environnement</b>	41,271,268	24,119,407	19,295,525
<b>Transport</b>	90,810,084	57,007,428	45,605,942
<b>TOTAL</b>	132,081,352	81,126,835	64,901,467
<b>% environnement</b>	31 %	30 %	30 %
<b>% transport</b>	69 %	70 %	70 %

### 3.1.13.1. Environment

As for ISPA, the priorities for assistance from the Fund in 2004-06 remain waste-water collection and treatment, the supply of drinking water and treatment of urban waste.

In 2004 the Commission adopted 2 new environmental projects, one for waste-water collection and treatment and the other for the construction of a regional Waste Management centre. Both projects covered areas that encompass several municipalities.

<b>Sector</b>	<b>Total eligible cost (€ million)</b>	<b>CF assistance (€ million)</b>	<b>% of assistance</b>	<b>2004 commitments (€ million)</b>
<b>Waste-water collection and treatment</b>	26.4	15.2	63 %	12.2
<b>Waste Management Centre</b>	14.8	8.8	36 %	7.1
<b>Projects from previous years</b>	0.3	0.225	1 %	0.045
<b>Total</b>	<b>41.5</b>	<b>24.3</b>		<b>19.3</b>

### **Water**

The adopted project will upgrade and extend the waste-water collection systems and construct treatment infrastructure facilities for the municipalities of Koper, Izola and Piran.

### **Waste Management**

The aim of the single adopted project on solid waste management is to provide the Celje area with a Regional Waste Management Centre, introducing separate collection at source of waste fractions, treatment of the collected fractions, preparation of raw materials in order to market them and landfilling the rest of waste

These environmental projects are shown in the following table:

<b>ENVIRONMENTAL PROJECTS</b>			
<b>No of project</b>	<b>Project name</b>	<b>Total eligible cost (€ million)</b>	<b>CF assistance (€ million)</b>
<b>WASTE-WATER DISPOSAL PROJECTS</b>			
2004SI16CPE 002	Waste Water Collection and Treatment of the Coastal Sea River basin	26.4	15.2
<b>WASTE MANAGEMENT</b>			
2004SI16CPE 001	Regional Waste Management Centre Celje	14.8	8.8



### 3.1.13.2.Transport

Previously adopted ISPA projects were all railway projects. In 2004 and for the first time, a road project was adopted.

The implementation of 2004 commitment appropriations for transport projects is shown in the following table (no commitments in 2004 for projects adopted prior to 2004):

Sectors	Total eligible cost (€ million)	CF assistance (€ million)	% of assistance	2004 commitments (€ million)
Road	27.4	14.5	25 %	11.6
Rail	63.4	42.5	75 %	34
<b>Total</b>	<b>90.8</b>	<b>57.0</b>		<b>45.6</b>

Two transport projects were adopted in 2004.

#### Rail

The railway line Pragersko – Ormož is located on the Pan-European Corridor V (Venice – Trieste - Koper - Ljubljana – state border Slovenia/Hungary – Budapest – state border Hungary/Ukraine - Uzgorod - Lvov - Kiev) and represents one of the ten priority corridors between EU and other European countries.

The modernisation of the sections of this corridor through Slovenia is needed to satisfy the required level of technical standards and future traffic needs along the entire Corridor. The overall project of modernisation of the line Pragersko – Ormož, to be implemented in four phases and the current project A completes the first of them.

#### Road

The single project adopted concerns the construction of the mednik-Krška vas motorway section, located on the partly built Doljenska motorway leg from Ljubljana to the Obrežje border crossing. The motorway is part of the Pan-European Transport Corridor X running from Salzburg to Thessaloniki and will replace the existing expressway H1 that is close to reaching its capacity. This project is also co-financed by the EIB.

The transport projects are shown in the following table:

<b>TRANSPORT PROJECTS</b>			
No of project	Project name	Total eligible cost (€ million)	CF assistance (€ million)
<b>RAIL PROJECTS</b>			

200 SI16CPT002	Modernisation of the Pragersko Ormož railway line- Project A	27.4	14.5
<b>ROAD PROJECTS</b>			
2004SI16CPT001	Construction of the Smedik- Krška vas motorway	63.4	42.5

### **3.2. TECHNICAL ASSISTANCE AND STUDIES**

#### **3.2.1 Technical assistance at the initiative of the Commission**

In 2004 a study on analysis and evaluation of the various investments made within the framework of the Alqueva dam was supplemented. The project of the Alqueva dam received a Community assistance from the Cohesion Fund, from the ERDF and from the EAGGF Guidance Section.

The conclusions of the study showed that ERDF and EAGGF Guidance Section resources will not be sufficient for the complete implementation of the programme by EDIA (Empresa de Desenvolvimento e Infraestruturas do Alqueva S.A.) for the carrying out of the networks planned for the use of the water of the dam.

The existence of intention indexes on the part of certain private activities for multiple use of the influence area of the EFMA (Empreendimento of Fins Múltiplos do Alqueva) would allow diversification of the activities of the area.

## **4. MONITORING, CONTROLS AND IRREGULARITIES**

### **4.1. Monitoring: committees and missions**

#### **4.1.1. Greece**

##### *4.1.1.1 Monitoring Committees*

The second Cohesion Fund Monitoring Committee was convened on 16 November 2004. The Committee assessed and reflected on the implementation of the Cohesion Fund projects and discussed ways for further accelerating the implementation of projects. The day before, in a technical meeting the CF projects were discussed in detail.

Besides, the Cohesion Fund environment and transport projects were reviewed and discussed in the context of the monitoring committees of the regional operational programmes, the Operational Program “Environment”, the Operational Program “Road axes” and the Operational Programs “Railways” in the course of November-December 2004.

In addition, the following technical meetings took place.

On 9 June 2004, the Commission services met with the Cohesion Fund services of the Ministry of Finance and Economics for a technical meeting to review in detail the progress implementation of adopted decisions and monitor the physical indicators and financial absorption. The state of affairs relating to the closure of projects under the Cohesion Fund I was also assessed.

On 16 & 17 September 2004, the Commission services and representatives of the Ministry of Environment and Public Works met in Athens. The aim of the meeting was to review the implementation of the environmental strategy and to consider the submission of environment projects which might be the subject of co-financing in 2004.

#### *4.1.1.2. Monitoring missions*

No Cohesion Fund monitoring missions were carried out.

### **4.1.2. Spain**

#### *4.1.2.1. Monitoring Committees*

In 2004, a meeting of the monitoring Committee was held in Madrid from 27 to 29 April 2004.

To prepare this meeting, the national authorities transmitted the information presenting the situation of implementation at 31 December 2004 of the 307 decisions approved before the 30/06/2004 which were in progress at that date. The 47 decisions approved after the 30/06/04 were not discussed at that meeting.

The management Authority and the Commission selected in partnership the 183 decisions to be followed-up in future sessions of the Committee.

The meetings of the Committee were organized in 7 specific sessions:

One for the projects of the Transport sector and six for the projects of the Environment sector. The latter were distributed in the following way:

Four concerning projects managed by the regional and local administrations; one for projects managed by the "hydrographic Confederations", and another gathering projects co-financed under "public-private partnerships", projects managed by the central Administration and also the technical Assistance projects.

#### *4.1.2.2. Monitoring missions*

The missions carried out had the objective of checking the state of progress of the projects and, clarifying difficulties encountered in their implementation. These missions concerned the following projects:

27.05.04: Melonares dam in Sevilla. The Commission presented the status of the modification request with cost increase introduced by the Spanish authorities, in particular the need to reduce the expropriation costs.

16 and 17.06.04: Project control mission in Madrid. A technical meeting was organized with GEDESMA (public sector Madrid Community Company) in order to clear up and specify aspects concerning modification requests for the projects.

Visit of the project "Facilities for the recovery of methane and for manufacturing of compost from urban waste" in Pinto. The project is finished and functions normally, except with regard to the manufacturing of compost (test phase).

Project "pneumatic Recovery of urban waste in Zarzaquemada" in Madrid. Discussion with EMSULE (public-sector Company), operational since February 2004.

13.07.04: Monitoring of groups of projects concerning the cleansing of the region of Madrid (Tagus Basin). Discussions on "Plan 100%", involving the construction of 170 km of collectors and 75 waste water sewage treatment plants was.

15 and 16.07.04: "*Infraestructuras portuarias en las instalaciones de Campamento*", in Algeciras. Obsolete harbour facility rehabilitation, with development as a container terminal in an economically depressed area. Once finished, this project will make it possible to satisfy the container traffic and will create 104 direct and 662 indirect Jobs.

28/07/04: Meeting with the persons responsible for Galicia to take stock of the principal projects co-financed by the Cohesion Fund, and visit of a group of purification and cleansing projects in the area of A Coruña.

21.10.04: Periodic monitoring of the high-speed line project Madrid-Barcelona-French Border: state of play of the project and probable effects of the Spanish Law on rail Sector, enforced on 1/01/2005.

11/11/04: Visit of two desalination plants in Alicante and Cartagena and technical meetings with ACUAMED (public company responsible for hydraulic development).

15.12.04: "*EDAR y Colectores del Rincón de la Victoria*" in Malaga. This visit follows a parliamentary petition denouncing olfactive harmful effects. The managing authority of the project took corrective measures to improve the situation.

16 and 17.12.04: Control visits to the projects "*Ampliación de colectores en la zona noroeste de Granada*" and "*Saneamiento y EDARES del río Guadaira y Colector de la margen derecha del Gualdalquivir (zona Aljarafe)*".

### **4.1.3. Portugal**

#### *4.1.3.1. Monitoring Committees*

As required by the Cohesion Fund Regulation, Monitoring Committee meetings take place twice a year. In view of the number of ongoing projects and the detailed nature of the discussions, these meetings are spread over two days.

In 2004, these meetings took place, on 13-14 May and 13-14 December. They considered each project individually and provided an opportunity to discuss general

topics such as publicity, audit and control matters, payments, public procurement, the implementing rules and miscellaneous information.

Although the project relating to the construction of the Alqueva hydroelectric station is monitored by the general Committee, it is also monitored in the broader forum of the Structural Funds Monitoring Committee for the specific integrated development programme for the Alqueva (PEDIZA).

#### *4.1.3.2. Monitoring missions*

Besides attending meetings of the Monitoring Committee and taking part in some inspections carried out by the Audit Unit of DG Regional Policy, the geographical unit responsible for the implementation of the Cohesion Fund in Portugal also carries out technical inspections, when considering or when monitoring assistance, to check on the progress of projects, acquire on-the-spot knowledge of the problems encountered in implementation and find the best solutions for the correct implementation of the projects.

In June 2004, a visit to the port of Caniçal in Madeira took place, as well as two visits to the Alqueva dam project.

#### **4.1.4. Cyprus**

##### *4.1.4.1. Monitoring Committees*

No monitoring committees were organised in 2004, as no project had started implementation.

##### *4.1.4.2. Monitoring missions*

No monitoring missions were carried out.

#### **4.1.5. Czech Republic**

##### *4.1.5.1. Monitoring Committees*

Two meetings of the monitoring Committee took place.

The first was held on 19 and 20 April 2004 and the second on 8 and 10 December.

The meeting of the monitoring committees in 2004 were "transition" meetings from ISPA to Cohesion Fund. The Commission stressed the great efforts which have to be deployed by the Czech authorities to absorb the appropriations available and to carry out a study on the priorities for the next programming period (2007-2013).

It was said that the Cohesion Fund constitutes an essential tool for the convergence of the Czech Republic and a challenge for the future, in view of the gradual increase in Community funding to be managed. Hence the importance of the capacity of national and regional structures to implement the projects within the deadlines, the necessity to respect the costs and ensuring sufficient quality. The need to shift from the current monitoring system to a more "active" one, which could provide clear information on financial and physical implementation was stressed.

#### *4.1.5.2. Monitoring missions*

No Cohesion Fund monitoring missions were carried out.

### **4.1.6. Estonia**

#### *4.1.6.1. Monitoring Committees*

The first Cohesion Fund monitoring committee was held in Tallin on 30 November 2004. The “Rules of procedure of the national Cohesion Fund monitoring committee” had been agreed as well as the minutes of the last ISPA monitoring committee which took place in April 2004.

The first Cohesion Fund monitoring committee was divided into three separate parts dealing with the environment sector, the transport and horizontal issues. All 26 projects approved under ISPA which continue after 1 May 2004 under the Cohesion Fund have been discussed.

#### *4.1.6.2. Monitoring missions*

No monitoring missions for ongoing projects have been carried out. In September a mission was carried out to discuss and assess the Cohesion Fund projects which had been submitted in 2004. Site visits had been arranged for 2 environmental projects (Matsalu an Läänesaarte sub-river basins) and one transport project (reconstruction of Jõhvi-Tartu-Valga road).

### **4.1.7. Hungary**

#### *4.1.7.1. Monitoring Committees*

The first Cohesion Fund Monitoring Committee was held in Budapest on 14-15 October 2004. Six transport projects, 19 environment projects and 6 technical assistance projects were reviewed and overall presentations were provided for each sector. Many projects were in substantial delay as compared to the original implementation schedule. The Commission called on the Hungarian authorities to tighten the monitoring of projects and to speed up tendering and contracting, with a view not to lose any further time. Because of the delays in implementation, the amount of payments fell considerably behind the expectations. The Hungarian side promised to take systematic steps to get the situation under control.

#### *4.1.7.2. Monitoring missions*

Several monitoring missions were carried out throughout the year with the aim to both assess the implementation of the ongoing projects adopted in the previous years and to appraise Cohesion Fund projects submitted in 2004.

### **4.1.8. Latvia**

#### *4.1.8.1. Monitoring Committees*

The first Cohesion Fund Monitoring Committee for Latvia was held in Riga on 20-21 October 2004. The meeting was attended by representatives of the Managing

Authority, the Paying Authority, the Intermediate Bodies, the implementing agencies and the final beneficiaries responsible for projects approved in 2000-2003.

The situation with regard to the implementation of 10 transport projects and 13 environmental projects has been assessed, in general terms, as satisfactory. Shortcomings have been observed in the progress of implementation and the Commission urged the national authorities to accelerate the implementation of the projects thus improving the payment balance.

#### *4.1.8.2. Monitoring missions*

The Commission visited a number of projects during its the visit to Latvia from 19 to 21 October 2004: one environment project “Development of water services in Jelgava”; and 2 transport projects: “Improvements of Via Baltica (Corridor I) from Riga to Ādaži (km 0 to km 6.3)” and “Improvement of links to Via Baltica (Airport Access Road (P133) and related section on A10) located in the district of Rīga”. All projects visited are well advanced in terms of implementation.

### **4.1.9. Lithuania**

#### *4.1.9.1 Monitoring Committees*

In 2004, one monitoring committee meeting was held in Vilnius on 15-16 April. The Committee examined written progress reports on all the ex-ISPA projects.

#### *4.1.9.2. Monitoring missions*

No Cohesion Fund monitoring missions were carried out.

### **4.1.10. Malta**

#### *4.1.10.1. Monitoring Committees*

On 29 November 2004 a first Cohesion Fund monitoring committee was held even though no project had yet been adopted by the Commission. Information on the main differences between the management and implementation methods of the Cohesion Fund and the Structural Funds was presented by the Managing Authority to the members of the Monitoring Committee and the projects submitted for Community co-financing outlined.

#### *4.1.10.2. Monitoring missions*

No monitoring missions were carried out due to the fact that no projects were decided until 27 December. However, a familiarisation visit to the waste treatment plant was organised on 15 July.

### **4.1.11. Poland**

#### *4.1.11.1. Monitoring Committees*

The first Cohesion Fund Monitoring Committee for Poland was held in Warsaw on 22-24 November 2004. The meeting was attended by representatives of the

managing authority, the paying authority, the intermediate bodies, the implementing agencies and the final beneficiaries responsible for projects approved in 2000-2003.

The first part of the meeting dealt with horizontal issues relevant for both sectors. The Committee also examined each project individually, starting with the transport sector. The situation with regard to the implementation of 24 transport projects and 46 environmental projects have been assessed, in general terms, as satisfactory. The shortcomings have been observed in fulfilling the environmental conditions defined in the Article 8 of the Financing Memoranda. The national authorities have been urged to complete the required documents and submit these to the Commission.

#### *4.1.11.2. Monitoring missions*

No Cohesion Fund monitoring missions were carried out. A number of projects have been visited during the regional tours for Structural Funds, e.g. in Warminko-Mazurskie voivodship.

### **4.1.12. Slovakia**

#### *4.1.12.1. Monitoring Committees*

Two monitoring committees took place in 2004:

- The last monitoring committee under ISPA was held in March. It dealt with horizontal questions concerning primarily the ISPA transition towards Cohesion Fund and the state of preparation of the Slovak authorities. As from May 2004, the Ministry of Construction and of regional Development became the managing authority under the Cohesion Fund. Agreements were drawn with the Ministry of Transport and that of Environment which will act as intermediate bodies. In addition, the monitoring committee reviewed the state of progress of 30 ISPA projects.

- In November 2004 the installation of the monitoring committee under the Cohesion Fund and its first meeting took place. The committee adopted its rules of procedure, discussed horizontal questions (ISPA transition to Cohesion Fund, cost-benefit analysis, quality of "monitoring sheets"), examined the preparation of Commission Decisions for 2004 projects, as well as the implementation of the projects adopted.

#### *4.1.12.2. Monitoring missions*

The EC representatives were present at the opening ceremonies for two projects adopted in 2002 and 2003. Several evaluation and monitoring missions were carried out by DG Regional Policy staff.

### **4.1.13. Slovenia**

#### *4.1.13.1. Monitoring Committees*

A single Monitoring Committee meetings took place on 25 November 2004. A first bilateral working meeting for the CF had been held in July.

The formal meeting and other working meetings with the national authorities focussed on transition issues (ISPA to Cohesion Fund), reporting, guidance on the



interpretation of the Fund rules, monitoring institutional arrangements and the improvement of the submitted projects.

It was also decided to organize, in a partnership collaboration between the Commission services and national authorities, workshops for exchanging experience and information on certain topics, with a view to improving the quality of submitted projects and ensure compliance with existing regulations. These workshops, to be held from early 2005, will focus on environmental aspects, cost-benefit analysis and public procurement.

#### *4.1.13.2. Monitoring missions*

No Cohesion Fund monitoring missions were carried out.

## **4.2. Inspections and conclusions**

In Ireland, Spain, Greece and Portugal, 10 project audit missions and 6 audit missions of the management and control systems were carried out.

At projects level, the main deficiencies observed concerned the procedures for the award of public contracts, although the situation is different between the Member States concerned. This persistence of irregularities in this domain is due mainly to the fact that the procedures for the award of public contracts are very long to implement. For the projects audited from the 2000-2006 period, procedures started at the beginning of the period or even before, which did not enable Member States to correct all irregularities.

The irregularities which were observed are subject to contradictory procedures with the four Member States, in order to determine the application of possible financial corrections. Six hearings have already taken place, one financial correction decision was approved for Ireland and six others are in preparation for the four Member States.

With regard to the systems set up by Member States to fulfill the requirements of Commission Regulation (EC) n°1386/2002 on the management and control systems, progress was achieved in 2004, although some difficulties were identified in 2003 in Greece, Spain and Portugal and communicated to the national authorities in the framework of the partnerships.

An action plan was set up with Spain and Greece and recommendations were made to Portugal, so that during 2004 the necessary adaptations are made, in order for the Commission to have reasonable assurance on the functioning of management and control systems.

### **4.2.1. Greece**

Two project audit missions and a system audit mission were carried out.

With regard to the projects, four decisions were examined. The main observations concern the inobservance of the rules on public procurement.

The monitoring of the audit on the management and control system was carried out and it was noted that some deficiencies had not been completely corrected, such as:

- The absence of controls of the service done, in particular with regard to eligibility expenditure in two very important intermediate bodies, partly due to an insufficient staff.
- The problem of the weakness of the control of the procedures for the award of public procurement for the 2000-2004 period (mathematical formula, substantial changes after the signature of the contract).

#### **4.2.2. Spain**

Six projects audit missions and three systems audit missions were carried out.

The situation in Spain is not homogeneous due to its decentralized organization. Nevertheless one can draw a number of conclusions as a result of controls carried out.

With regard to the projects audits, 18 decisions were examined. The main anomalies observed are similar to what had been discovered in 2002 and 2003: they concern the inobservance of regulation on the public procurement (confusion between selection and attribution of contracts, the use of the "baja temeraria" rule -average price-, the use of irregular criterion) and the inclusion of ineligible expenditure, primarily VAT.

The monitoring of the Action Plan set up as a result of the audit on management and control system for projects managed by the Spanish central administration, made it possible to conclude that important progress had been made. Nevertheless important deficiencies persist with regard to Article 4 controls (reality of expenditure, execution of the project including the eligibility of expenditure).

#### **4.2.3. Ireland**

Only one audit mission was carried out. It consisted in examining the systems as well as two decisions: one in the transport sector, and one in the environment sector.

The main irregularities observed concern the inobservance of the rules of eligibility of expenditure (inclusion of operating costs or expenditure not provided for in the decision) for both decisions. Progress was noted with regard to the audit track.

#### **4.2.4. Portugal**

Three control missions were led in Portugal: two of them on four decisions, the other being devoted to the audit on management and control systems.

The main observations concern the inobservance of the regulation on public procurement (absence of transparency in the procedures of call for tender, additional work which did not have an unforeseeable character) and presentation of requests for payment containing ineligible expenditure.

The audit mission on the management and control system confirmed the problems already identified in 2003, namely the insufficiency of Article 4 controls (reality of expenditure, execution of the project including eligibility of expenditure).

#### **4.2.5. New Member States**

With regard to the ten new Member States, pursuant Article 5 of Regulation n°1386/2002, all Member States transmitted the description of their management and control systems to the Commission which found that they were in conformity with the standards required by Community legislation.

This favorable opinion suggests that a good start has been made in putting in place the implementation of the systems, which will be subject to further checks by the Commission in the coming years. Thus in 2005, in accordance with the audit strategy of the Directorate-General for Regional Policy, there will be on the spot checks and conformity tests on randomly selected sample of projects. The tests will be made in all ten new Member States.

Ten projects audit missions were carried out in Latvia, Hungary, Estonia, Poland, Czech Republic, Slovakia and Slovenia. These audits covered primarily the examination of the financial flows of the projects and the compliance with the rules of eligibility of expenditure.

The procedures concerning public procurement were not the subject of a detailed analysis since these procedures proceeded under the direct control of the delegations of the Commission in these countries, at that time candidate countries. A complete audit of these procedures will be led at the end of 2005 to evaluate their functioning since accession.

The main problems identified were the inobservance of the rules on eligibility of expenditure, in particular with regard to the financing of durable equipment. Financial correction procedures will be initiated with the Member States concerned.

#### **4.3. Irregularities and suspension of aid**

Under Article 3 of Commission Regulation (EC) n°1831/94<sup>6</sup> (on irregularities and the recovery of the amounts unduly paid by the Cohesion Fund and the organization of information systems) the beneficiary Member States must inform the Commission on any cases of irregularities which have been the subject of initial administrative or judicial findings of fact.

For 2004<sup>7</sup>, three of the four old Member States, namely Greece Spain and Portugal, communicated to the Commission a total of 275 cases of irregularities (respectively 262, 1 and 12). The cases communicated by the Greek authorities involved € 126 058 589 in Community contribution. The majority of cases concerned irregularities in the form of a failure to respect fully the rules on the public procurement and for the remainder in the presentation of non eligible expenditure.

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<sup>6</sup> OJ n° L 191 of 29.07.94, p. 1

<sup>7</sup> Situation to 14.03.05; these figures do not contain yet the communications under the 4th quarter of 2004.

The case communicated by the Spanish authorities involved € 384 407 and the 12 cases communicated by the Portuguese authorities involved € 22 234 344 of Community contribution. Furthermore, two of the new Member States, namely Poland and Latvia, communicated to the Commission a total of six cases of irregularities (respectively 5 and 1). The cases communicated by the Polish authorities involved € 802 426 in Community contribution and the case communicated by the Latvian authorities involved € 1 273. The type of irregularities is of the same kind as mentioned above.

It should to be pointed out that Ireland informed the Commission, under the above-mentioned Regulation, that it had not registered irregularities during 2004. However, the attention of the beneficiary Member States must be drawn to the fact that a number of cases detected during Community audits were not subject to a notification in virtue of the aforementioned Regulation.

During 2004, the OLAF carried out no survey mission, pursuant to Regulation (EC) n° 2185/96.

## **5. APPRAISAL AND EVALUATION**

### **QUALITY ASSURANCE CAPABILITY**

In late 2004 DG Regional Policy launch a dialogue with all Cohesion Fund beneficiaries on "quality assurance capability". The speed with which the Commission may appraise Cohesion Fund applications depends on the quality of the project submitted for funding and a thorough preparation of the application. The timely preparation of a sufficient number of projects – the project pipeline – to a high standard is the prerequisite for absorbing the annual commitment appropriations. The preparatory phase is of course also the first step in the effective implementation of projects and the prompt realisation of their benefits.

The Member States were invited to engage in this dialogue on Quality Assurance Capability through three steps:

The Commission provided a description, closely based on the requirements of the Regulation, of the functions that should be performed before an application reaches the Commission. The Member States were asked to undertake a self-assessment of the performance of the existing mechanisms throughout their administration with the aim of identifying any potential obstacles to the preparation of projects.

A draft project preparation checklist was presented on the basis that it could be an important element of the quality control functions performed by the submitting authority. Its use nationally was recommended and Member States were encouraged to submit a copy of such checklist with future applications for assistance.

In the light of the self assessment, relevant technical assistance proposals could be proposed for co-financing before the end of the 2000-2006 period.

It was announced that the Commission wishes to make the subject of quality assurance an integral part of the discussions during the regular Cohesion Fund Monitoring Committee meetings. Although the current round of project based

Cohesion Fund grant awards shall come to an end in 2006 a quality assurance capacity for project preparation shall continue to be of benefit under the revised programming arrangement proposed for the next period of funding.

## **5.1. General**

In accordance with the provisions of Article 13 of Regulation (EC) n°1164/94 as revised, the Commission and Member States must ensure the effectiveness of Community aid when implementing the projects co-financed under the Cohesion Fund. This implies the use of monitoring and evaluation techniques.

The Commission and Member States can carry out an appraisal and an evaluation of projects where necessary in cooperation with the European Investment Bank.

During the implementation of the projects and after their realization, the Commission and Member States carry out an evaluation of the methods used to implement the projects, of the respect of their objectives and of the impact of their implementation. This evaluation covers in particular the environmental incidence of the projects, in compliance with the Community rules in force.

At a methodological level, each project application is consequently accompanied by a cost-benefit analysis (CBA). The CBA should show that the socio-economic benefits identified in the medium-term are commensurate with the financial support provided.

It is for the Commission to examine this evaluation with the help of the cost-benefit analysis guide published in 2003<sup>8</sup> which is a common reference used both by the project sponsors and by the Commission itself.

On the basis of this guide, the Commission carried out during 2004 an important methodological support work aiming to improve the consistency of the ex-ante financial analysis of the projects. Specific technical assistance and training actions were undertaken in the majority of the new Member States in order to help them better prepare the cost-benefit analysis of the projects financed.

In addition, the ex-post evaluation of a sample of 200 projects co-financed by the cohesion Fund during the period 1993-2002, was carried out in 2004: a final summary report to which 4 national reports are added were produced and will produce concrete applications in 2005<sup>9</sup> (cf. item 5.4).

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

In the published reports, an important stress was put on the manner of directing the project promoters towards more solid evaluations in the various fields of the socio-economic analysis considered unsatisfactory.

The financial analysis of several investment projects was the occasion to refine their cost-benefit analysis and led DG REGIO to propose that certain project promoters

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<sup>8</sup>

[http://europa.eu.int/comm/regional\\_policy/sources/docgener/guides/cost/guide02\\_fr.pdf](http://europa.eu.int/comm/regional_policy/sources/docgener/guides/cost/guide02_fr.pdf)

<sup>9</sup>

The summary report of this evaluation will be soon available on-line on the site of Inforegio.

reduce the amount of Community contribution significantly. This question is crucial if one wishes to optimize the impact of the resources allocated to the Community structural policies, since it is likely to enable the co-financing of a higher number of projects. It remains however that vis-à-vis the absence of a sufficient number of projects or vis-à-vis their insufficient maturity, the management authorities can be urged to request intervention rates close to the ceiling level.

Moreover, numerous project files include no genuine risk analysis, which can lead *a minima* to an insufficient control in the future implementation of the projects.

On this point, the Commission strongly prompted the project sponsors to use these techniques - not only to increase the probability of success of the project and its financial solidity, but also in order to improve its impact on regional development.

### **5.3. Cooperation with the EIB when a project is considered**

Under the terms of a framework contract signed by both institutions in 2000 and valid until 2006 and in conformity with the regulatory provisions in force (Article 13.2 of Regulation 1164/94), the Commission may request technical help from the European Investment Bank for the appraisal of Cohesion Fund projects, as well as for major projects supported by the ERDF or projects financed by ISPA.

Moreover, the Commission gets from the EIB any relevant information on the projects submitted to any of these three funds and which the Bank decided to co-finance itself.

For 2004, the EIB examined 25 projects supported by the Cohesion Fund:

**By country:** Portugal: 5 files (20% of the total); Poland: 5 files (20 %); Slovakia: 5 files (20 %); Spain: 3 files (12 %); Lithuania: 3 files (12%); Slovenia: 3 files (12 %); Greece: 1 file (4 %).

**By types of project:** Environment: 17 projects (84% of the total); Transport: 8 projects (16 %).

EIB analyses concentrate primarily on a small number of Member States (Spain, Portugal and Poland represent nearly 2/3 of the files) and on a certain type of projects (more than 4 out of 5 are environmental projects). Several Member States were not subject to analysis by the EIB in 2004.

It is worth noting that in all cases, these analyses were not thorough analyses but were carried out as “first reaction” analyses.

### **5.4. The programme of *ex-post* evaluation**

#### **Background**

The ex post evaluation of projects co-financed by the Cohesion Fund was required according to regulation 1164/94. Beyond this regulatory requirement, the objective of the ex post evaluation was to learn from the experiences gained through the Cohesion Fund. This objective is particularly important as preparations are underway

for the next programming period including negotiations with the Member States, especially the ten new MS highly concerned by the Cohesion Fund.

Thus, in January 2004 DG REGIO launched an ex-post evaluation of a sample of 200 projects co-financed by the Cohesion Fund (1993-2002) in Greece, Spain, Ireland and Portugal. The synthesis report and the four country studies were finalised in January 2005, following close cooperation with the services of the Commission directly concerned.

The evaluation was carried out between February and September 2004 by an evaluation consortium consisting of four country evaluation teams and an evaluation coordinator<sup>10</sup>. The work of the evaluators was supported by a steering group which met three times. All directorates of DG REGIO and other interested DGs were invited to participate as well as two experts.

### **Main findings**

*Appropriateness of strategy: relatively appropriate projects without precise quantification.*

The relevance of the projects in relation to the national needs and EU policies is high: nearly all of them can be regarded as relevant in these respects. Nevertheless, the project applications generally fail to assess their precise quantitative contribution to these national needs or EU priorities. The managing authorities focused on timely commitment and on consumption of the available funding, paying less attention to the content or quality of projects. This approach is stimulated by the organisation around annual commitments. Technical or financial feasibility studies were seldom available. This lack may lead to problems such as bad design, need for further technical modifications, late start of execution, cost overruns or delays.

Until now limited use has been made of Public Private Partnerships (PPP) in Cohesion Fund projects. This lack of enthusiasm by applicants to submit PPP-projects could be due to the complicated character of such projects which might make financing from the Cohesion Fund more difficult or less significant.

*Effectiveness: most projects were effective despite the lack of ex ante quantified indicators.*

On the whole, the 200 projects achieved their outputs, results and goals. Likewise, the utilisation of the infrastructure and the beneficiary population is in line with the ex ante expectations. Nevertheless, this assessment is undermined by the lack of quantification ex ante or ex post.

The use of suitable indicators on effectiveness is not sufficiently developed. Frequently objectives, outputs and results were mixed up, despite the availability of Commission guidance and the MEANS Collection. Despite the fact that the regulation compels all Member States to produce a final report for each project, it did

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<sup>10</sup> Portugal CISED, Spain Ecotec and Consultrans, Ireland: Fitzpatrick Associates, Greece:SGI Trademco, Coordinator: ECORYS (NL).

not set a minimum content<sup>11</sup>. This leads to some very formal reports almost empty of any new pieces of information. For instance, the only figures which can be found in such reports are often the amount of concrete or iron which has been used. Final reports, mainly focussed on technical indicators, planning and costs, are rather poor in terms of describing impacts or effects linked to the projects.

*Efficiency: some substantial costs overruns and delays*

The analysis suggests that time and cost overruns are one of the main weaknesses of the reviewed projects. On average, the sample shows a cost overrun of 17.5%. The main reasons are poorly prepared projects, external factors (such as archaeological findings, unexpected geological or meteorological conditions<sup>12</sup>), community involvement (i.e. opposition from local communities) and lack of managerial ability (especially for the smaller implementing bodies).

There is no indication that “gold plated” projects have been financed though there is some evidence that a few projects have been over-financed with regard to their utilisation or at a rate which was not fully justified. In addition, some basic dilemmas exist between EU policy objectives. For instance, the application of the “polluter pays principle” is only partially adopted as increasing user charges to cover depreciation and interest costs (in practice some 60-70% of all costs) is discouraged by the fact that the co-financing rate would become lower.

*Socio-economic impact: projects impacts are considered as satisfactory although evidence is still weak.*

The quality of the Cost Benefit Analysis (CBA) shown in the application forms was found to be generally weak. In many cases, non valued benefits were assumed to be high although this was insufficiently documented. Therefore, it is difficult to draw firm conclusions on the socio-economic impact of environmental projects. For transport projects, the quality of the CBA is generally higher but a problem can emerge if projects are part of a wider section and no specific CBA is available or could be made in the meantime.

These economic rates of return (ERR) are on the whole satisfactory and encouraging. However, temporary and permanent employment effects of the projects have been very difficult to assess: if information on temporary direct employment is available, information is not provided on indirect effects nor on permanent employment.

*Delivery system: a substantial progress in management and implementation systems*

The management systems in the Member States have grown into more efficient structures over the years and the emphasis has shifted from programming and selection of projects to a stronger role for monitoring. However, there is no systematic quality assurance system to date as regards the viability of projects and their compliance with relevant EU directives.

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<sup>11</sup> This has been partly modified in the Council Regulation 1265/1999 which improves the contents of the final report.

<sup>12</sup> To a certain extent these external factors could be foreseen through more detailed preparatory studies.



In three countries pre-funding systems are in place (Spain, Portugal and Ireland). These have a decisive influence in terms of speeding up the implementation of projects, when EU funding is not yet available. The Portuguese example of a revolving fund, which is fed by transferring half of the advance payment in the fund, is especially interesting and easily transferable to the new Member States.

*High community value added*

The Cohesion Fund has played a key role in Spain, Portugal, Ireland and Greece in terms of improving transport infrastructure and rising standards with regard to drinking water supply, waste-water treatment and waste management. Over the period 1989-2002 the public spending in both sectors has been 32% (transport) and 37% (environment) higher due to the availability of the Cohesion Funds. In absolute terms, this extra spending amounts to € 42.5 billion over the period with an increasing over the period, from € 2 billion per year in 1989-1993 to € 4.5 billion per year in 2000-2002. The size of this effect differs by country and period, from very low levels (5% in Greece's environment sector in 2000-2002) to almost a doubling (95% in Portugal's environment sector in 1994-1999). There is thus a tangible improvement of the situation in the period 1993-2002, which has been overall faster than in the EU15.

The Spanish evaluation report estimates for instance that the CF has contributed 15% of the needs over the period in sanitation and 69% in erosion and forestation. Consequently, in some aspects some CF countries are today ahead of the EU15 average (e.g. Portugal and Spain in motorway development).

The following table presents the development of environmental indicators in Greece and Portugal:

**Evolution of main environmental indicators (% of population)**

	GREECE		PORTUGAL	
% of population ...	1991	2001	1993	2002
Served by water supply	96,0	98,9	81,4	91,3
Served by waste water drainage & treatment	56,6	66,2	19,1	56,9
Served by solid waste collection	100	100	92,2	100

The transport sector projects focused on infrastructure development. For instance, the motorway network, as shown in the table below, has more than doubled in Greece, Ireland and Portugal, well above the development in EU15:

	Greece		Ireland		Portugal		Spain		EU15	
	1993	2001	1993	2001	1993	2001	1993	2001	1993	2001
<b>Motorways (km)</b>	330	742	53	125	579	1,659	6,577	9,571	43,541	52,762

The CF has had also a significant added value by developing and focusing sector policies. We can thus conclude that for these four countries, the CF was a major source of socio-economic integration within EU and one of the main causes of the enhancement of their growth potential as well as a powerful lever for the implementation of the EU directives.

### **Most relevant and feasible recommendations and follow-up of the report**

Among the 26 recommendations made by the consultants, 9 stand out as more relevant and feasible than the others:

- To select only mature projects, fulfilling clear quality standards
- To request active public consultation before submission
- To use an expert opinion on the quality of the project
- To approve only projects which are close to or have completed tendering
- To provide methodological support in preparing CBA and proposing indicators
- To request measurable and quantified goals, results and impacts
- Checks with the Commission services must be carried out before submission
- To set a central pre-funding system
- To identify a limited number of performance and impact indicators

DG REGIO will carefully examine these recommendations and take the necessary steps, where appropriate, and provide guidance for their concrete implementation.

## **6. INTER-INSTITUTIONAL DIALOGUE, INFORMATION AND PUBLICITY**

### **6.1. Annual report for 2003**

#### *6.1.1. European Parliament*

Since the Parliament's term was coming to an end in 2004, no rapporteur on the 2003 Cohesion Fund Report has been appointed. The Parliament has therefore not commented on this report.

## 6.2. Information from the Member States

Two information meetings bringing together all 25 Member States were held in Brussels, on 24 June and 24 November.

At the first meeting, the Commission outlined the expected commitments and payments for the year. The Member States outlined their respective situations. In addition, the delegations from the four “old” beneficiary Member States (Ireland, Greece, Spain and Portugal) presented to the new member States their management and control systems concerning Cohesion Fund projects.

At the November meeting, the Commission presented the Cohesion Fund annual report for 2003 and the commitment and payment forecasts for the year. Moreover, a presentation by the consultant of the main features of the ex post evaluation of 200 Cohesion Fund projects was made. Following a wish expressed by one delegation, the Commission accepted to organize a meeting to discuss the recommendations made in the evaluation study. This meeting took place on 20 April 2005.

## 6.3. Commission measures on publicity and information

During the information meeting held in November 2002, several delegations expressed the wish to see the Commission Decision n° 96/455/EEC of 25 June 1996 concerning information and publicity measures for CF reviewed by the Commission services. Indeed, they claimed that certain measures have proved too complex to implement and some provisions proved to be inconsistent with the Regulation n°1164/94 as revised in 1999.

In order to facilitate the implementation of information and publicity measures and improve their effectiveness, a Commission Regulation was adopted in April 2004<sup>13</sup>, replacing the 1996 Commission Decision. This new Regulation is also intended to increase the visibility of projects and raise public awareness of the role which the European Union is playing through Cohesion policy.

With a view to facilitating implementation of this new regulation, an explanatory fact sheet was published on the Inforegio website [http://europa.eu.int/comm/regional\\_policy/sources/docoffic/official/regulation/regpu\\_b\\_fr.htm](http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/regpu_b_fr.htm) under the supervision of the Directorate general for Regional Policy. For the same purpose, the regulation was also presented in DG Regio's magazine, Inforegio Panorama (N.14-September 2004), where a full set of articles were dedicated to the Cohesion Fund.

Additionally, in order to provide basic information on the Cohesion Fund for the general public, the Regional Policy DG updated the Cohesion Fund reference website ([http://europa.eu.int/comm/regional\\_policy/funds/procf/cf\\_en.htm](http://europa.eu.int/comm/regional_policy/funds/procf/cf_en.htm)). In place since spring 2005, the site now provides links to legal documents, financial data, maps and project examples in 19 Community languages plus Bulgarian and Romanian.

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<sup>13</sup> Commission Regulation (CE) n°621/2004 « laying down rules for implementing Council Regulation (EC) n°1164/94 as regards information and publicity measures concerning the activities of the Cohesion Fund », 1 April 2005.